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Chapman Releases 2005 Orange County Executive Survey Results

Survey of more than 300 Orange County business leaders indicates a growing regional economy

**ORANGE, Calif., May 19, 2005** Orange County business leaders are cautiously optimistic about the future of the region’s economy, according to results of the 2005 Orange County Executive Survey released today by Chapman University’s A Gary Anderson Center for Economic Research.

The results, gathered through a recent survey of more than 300 Orange County CEOs and executives in the manufacturing, trade, financial, insurance, real estate and service industries, include data on business expansion/downsizing, employment, international business and the overall health of the county’s business climate.

According to the survey, three quarters of the 301 firms surveyed are optimistic they will experience financial growth in 2005, 81 percent have plans to expand their facilities, only 10 percent foresee downsizing operations, 36 percent plan to add employees and less than 30 percent are looking to relocate.

However, on the downside, most executives agree that the big issues in the county continue to be housing costs, traffic congestion and low-cost labor recruitment. Statewide concerns include the severe costs of workers compensation, health insurance, employee housing and increasing labor costs.

Now in its 19th year, the Orange County Executive Survey is a collaborative project between Chapman University and members of the business and government community. Survey results were presented by Dennis Aigner, Ph.D., director of the Orange County Executive Survey and research fellow at Chapman’s A. Gary Anderson Center for Economic Research.

Following are summaries of the main areas covered in the survey:

- **Business in Orange County Forecast for 2005**

  Similar to the 72 percent last year, 74 percent of Orange County firms expect improved financial performance in 2005 and only 3 percent of firms expecting a decline in financial performance. That suggests a positive picture for the year, moving in the direction of the optimistic forecasts seen in the late 1990s and 2000. The results this year provide a picture of continuing economic upturn, and expectant optimism for 2005.

- **Expansion, Downsizing and Relocation**

  This year's survey shows that 2005 will be a continuation of last year's moderate business expansion in Orange County, in contrast to what has been observed in previous years, with 59
percent of firms anticipating expansion of plant and equipment, employment, or both, and 10 percent expecting some downsizing. The five-year forecast is strong and optimistic with 81 percent of firms anticipating expanding over the next five years, while only 10 percent anticipate downsizing.

- Employment

While many Orange County firms intend to expand their operations in Orange County in 2005, expansion of the work force in 2005 will happen at a considerably more modest pace, similar to what was observed in 2004. Hiring in the Professional Services and the Finance, Insurance, Real Estate sectors will be highest, with 42 percent of firms saying they expect to hire more employees. Hiring difficulties continue to be a problem in Orange County and, similar to the past several years, the primary reason cited for hiring difficulties remains the unavailability of qualified workers.

- Orange County as an Environment for Business

Orange County's attractiveness as a place to do business has stabilized after declining for four years, and the depth of dissatisfaction has not reached the doldrums experienced in the recession of a decade ago. Its location, desirability as a place to live and customer base are the main positives. Worker's compensation costs, the high cost of housing for employees, state and local taxes, the high cost of labor, and land and building costs, plus difficulties in hiring are frequently cited by the executives as significant impediments to doing business here.

- International Business

International trade, and exports in particular, continue to be an important aspect of the Orange County business scene. The combined ports of Los Angeles and Long Beach are now the busiest in the country. With the value of exports being much more oriented toward their "knowledge content" and much less their weight, however, air cargo transportation capacity issues loom large for the future.

- Business and the Internet

Use of the Internet by Orange County firms has continued its explosive growth since we first began surveying executives about this topic in 1996, with 91 percent of the firms having a website presence. E-mail is pervasive, with 97 percent of firms indicating that it is available and used. The Internet is used by 82 percent of firms for advertising purposes, 65 percent for market and competitor intelligence and 75 percent for ordering supplies and materials.