ANNUAL REPORT

December 2020

Understanding existing businesses is fundamental to all successful economic development strategies in any year, but especially critical in 2020. Knowing how unprecedented disruptions impacted our state's businesses is vital not only for recovery, but more importantly for growth and future preparedness.

The 2020 BEST of Iowa annual report is unique from previous years because the BEST of Iowa – a collaboration with local developers, utilities and the Iowa Economic Development Authority recognized a new set of circumstances challenging Iowa businesses.

With assistance from the Institute of Decision Making and Strategic Marketing Services at the University of Northern Iowa, the BEST team was able to pivot and develop a new set of questions to better identify and understand how the COVID-19 pandemic impacted the health and well-being of Iowa's businesses and workers. This new survey tool measured COVID-19's impacts while also tracking several key metrics provided in this report each year.

Between July and October, economic developers across the state met with more than 800 businesses and industries in 76 of Iowa's 99 counties. Together Iowa's economic development community stepped up to help collect valuable data for this report, which is even more impressive due to the historic derecho that affected a significant portion of our state.

This year's report again provides leaders with a snapshot of the opportunities, challenges, and key trends that Iowa businesses are facing at the start of 2021. We believe that a well-focused response will not only help Iowa businesses recover, but also create a beacon of opportunities to capitalize upon to lift up Iowa's citizens and businesses

Your engagement, voice and partnership strengthen our BEST programming and always help us to sharpen our tools to support the most important work we do on behalf of our businesses and communities.

We are pleased to present the 2020 trend analysis of Iowa's business climate.

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Key Findings and Conclusions

Iowa's Emerging and Growing Companies Still Have Plans to Expand—With Few Cancellations

Over a third of the companies interviewed (36.8%/297 companies) stated that they have plans to expand. More specifically, 14.7% of these expansion plans represent new plans and another 14.7% represent existing plans that are moving forward as scheduled, while only 5.3% indicated their plans have been postponed or canceled. Among the 170 companies providing expansion details, the expansions would represent just under $2.62 billion in new investments and 3,941 new jobs across 161 firms. ***Expansion calls to action:*** Growth and expansion must be supported at the local and state level through continuing to support certified site programs, taking sites through a certified site program or work with other professionals if the property does not meet IEDA criteria, and offering technical assistance. Additionally, local and state level economic development tools and assistance programs such as TIF, High Quality Jobs program, and tax credits must be maintained and supported to ensure company expansions can be facilitated.

Iowa Companies are still Innovating during Challenging Time

Sixty-five percent of Iowa companies (521 companies) reported having a growing primary product or service and 612 companies introduced a new product or service in the last 3 years. Additionally, 560 plan to introduce one in the next 2 years. Top emerging and growing industry sectors included Professional, Scientific & Technical services (65 companies), Agriculture, Forestry, Fishing & Hunting (23 companies), and Information (26 companies). Together, participating companies from these three sectors employ 18,359 Iowans and 83 of these companies plan to introduce a new product or service in the next two years. ***Innovation calls to action***: Continue to support research and development tax credits; Support and encourage Iowa companies' efforts to innovate; and Expand broadband access across Iowa.

Three Recovery Barriers Need to be Addressed—Economic uncertainty, Workforce availability & Customer/Supplier disruptions

Economic uncertainty was identified as the top barrier to recovery by 312 companies, with especially high percentages of companies in the wholesale trade, construction and retail trade industry sectors. Additionally, 159 companies indicated they were experiencing financial stress, which was significantly more pronounced among companies with less than 10 employees (31.7%). ***Economic uncertainty calls to action:*** Initiating and maintaining contact with business headquarters for Iowa companies and beyond; Ensuring Iowa is perceived as THE preferred place for growth; and Remain proactive and timely in support of Iowa businesses competing in a rapidly changing marketplace.

Finding employees was reported the second most often recovery barrier by 233 companies, most frequently by the Construction and Manufacturing industry sectors. Also 429 companies indicated they were experiencing recruitment problems and 144 companies have lost high value employees in the last 6 months. Workforce availability has been an ongoing challenge for several years and despite workforce reductions by some Iowa employers due to the pandemic, nearly 54.0 percent of the companies (429 companies) stated that their company is experiencing workforce recruitment problems. ***Workforce availability calls to action:*** Continuing to grow and expand technical training, trade and collaboration technology programs; Childcare indicatives; Continuation of 260E and 260F funding; Future Ready Iowa and STEM programs; Apprenticeships and internships; and Workforce housing initiatives.

Lastly, regaining customers was identified as a top recovery barrier by 109 companies, most prominently by the Healthcare and Social assistance and Retail trade industry sectors. Negative supplier disruptions have also been experienced by 55.0 percent of the respondents, but most frequently by manufacturers (59.5%). Additionally, 149 companies have customers slowing delivery or acceptance of products or services, which has impacted their cash flow. ***Customer/Supplier disruption calls to action:*** Advocating for programs and actions that provide economic stability to the business community and bolsters consumer spending across Iowa; and Business assistance for those negatively impacted.

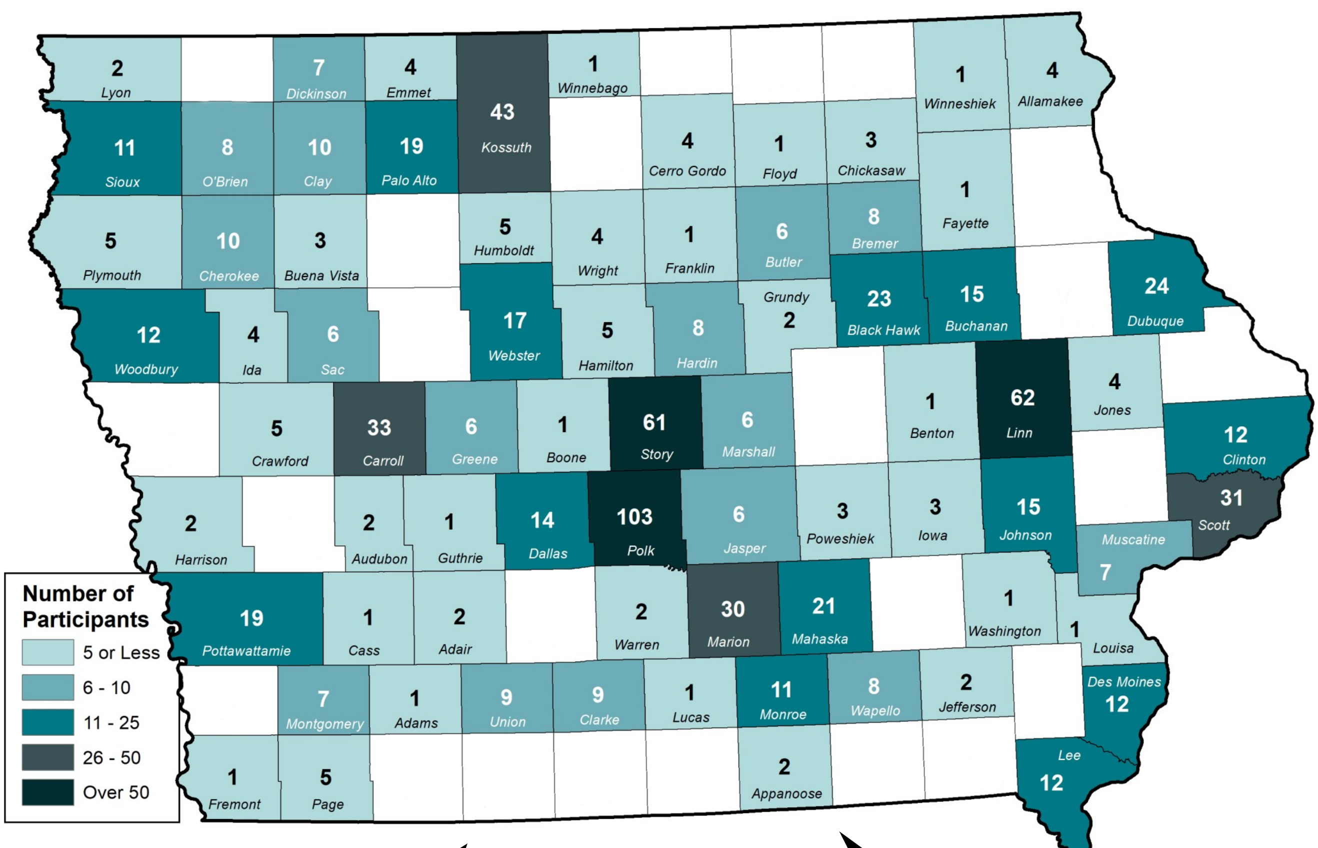
DEMOGRAPHICS

The 2020 BEST of Iowa Annual Report focuses on interviews completed by 813 Iowa companies that are in one of the 12 distinct industry clusters driving Iowa's economy or were identified as major employers by the BEST of Iowa Management Team. The industry clusters were identified in 2014 by the Battelle Technology Partnership Practice on behalf of the Iowa Partnership for Economic Progress (IPEP).

204 Communities Represented

76 Counties Represented

Visits by County—2020



51.8% Located in NON-METRO Counties (421 participants)

48.2% Located in METRO Counties (392 participants)

NUMBER OF COMPANIES INTERVIEWED BY BATTELLE INDUSTRY CLUSTER

Agriculture & Food Production	150
Transportation, Distribution & Logistics	78
Building & Construction Products	71
Insurance & Finance	53
Info Services, Digital Media & Technology	49
Heavy Machinery	47
Biosciences	45
Automation & Industrial Machinery	41
Avionics & Communications Electronics	24
Primary Metals	19
Health Services	16
Renewable Energy	1
Not in a Cluster	219

NUMBER OF COMPANIES INTERVIEWED BY INDUSTRY SECTOR

Manufacturing	477
Professional, Scientific & Technical Services	65
Finance and Insurance	54
Wholesale Trade	54
Construction	32
Information	26
Agriculture, Forestry, Fishing & Hunting	23
Transportation & Warehousing	22
Health Care & Social Assistance	18
Retail Trade	17
Real Estate & Rental and Leasing	6
Mining, Quarrying & Oil and Gas Extraction	6
Educational Services	5
Administrative and Support & Waste Management	5
Other Services (except Public Administration)	1
Management of Companies & Enterprises	1
Utilities	1

TOP 3 EMERGING and GROWING SECTORS

80.0%

(Emerging & Growing)

Professional, Scientific & Technical Services

Iowa's top Emerging and Growing sector—*Professional, Scientific & Technical Services*—is comprised of 65 companies that employ more than 5,716 Iowans. Fifty-one have introduced new products or services in the last three years and 53 anticipate new products in the next two years.

The 23 ***Agriculture, Forestry, Fishing and Hunting*** sector companies interviewed employ 7,197. Twelve of them have introduced new products or services in the past three years and 10 have plans to introduce a new product/ service in the next two years.

78.3%

(Emerging & Growing)

Agriculture, Forestry, Fishing and Hunting

76.0%

(Emerging & Growing)

Information

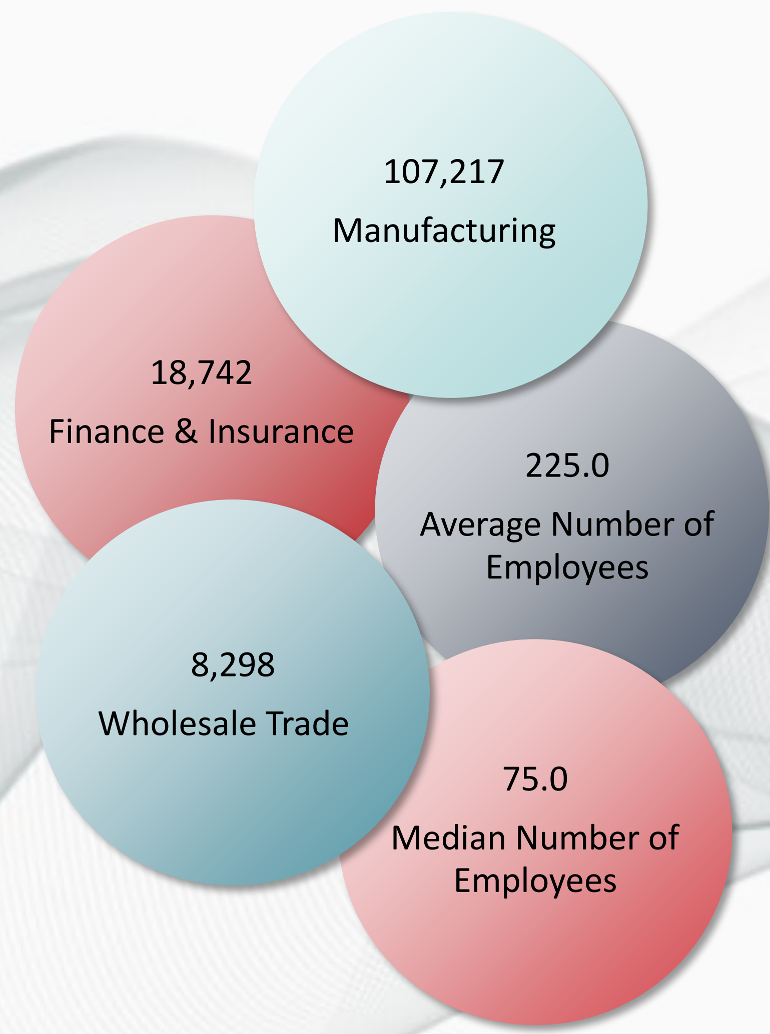
The ***Information*** sector employs 5,446 across 26 participating companies. Twenty-three have introduced new products or services in the last three years and 20 plan to do so in the next two years.

Employment Size

According to the Iowa Workforce Development's Quarterly Census of Employment and Wages, the statewide total industry employment in the second quarter of 2020 averaged 1,418,769.

Through the first nine months of 2020, the statewide unemployment rate averaged 6.3 percent, with a high of 11.0 percent in April.

Total Employment 176,150



The 176,150 total employment reported by the 813 companies interviewed represents 12.4 percent of the state's industry employment.

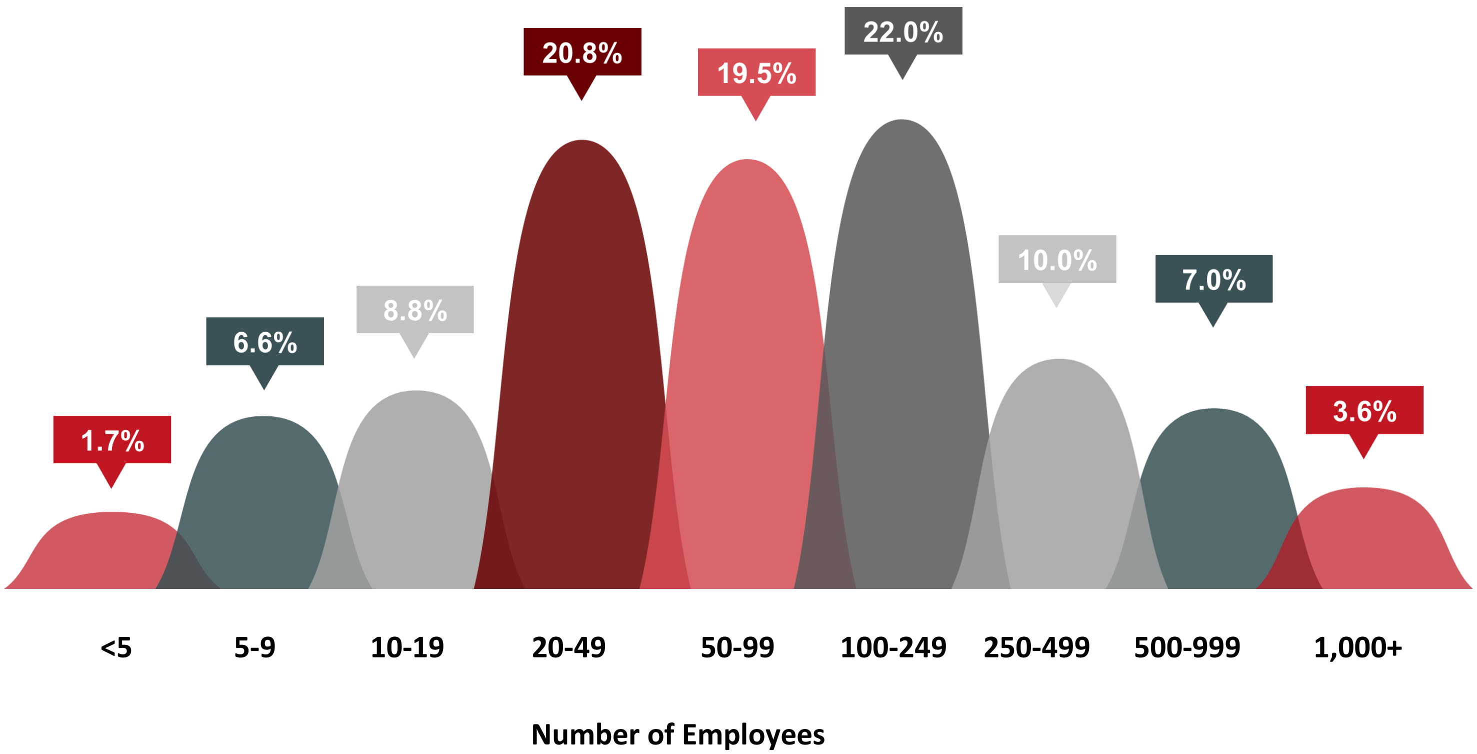
The companies interviewed had an average size of 225.0 employees per location while statewide the industry establishments averaged just over 13.5 employees per location.

The 477 manufacturers interviewed employed 107,217 individuals, which represents 58.7 percent of that industry's statewide employment (based on second quarter 2020 data).

The 54 companies interviewed in the Finance & Insurance industry employed 18,742 individuals, which made up 19.7 percent of that industry's statewide employment (based on second quarter 2020 data).

The 54 companies interviewed in the Wholesale Trade industry employed over 8,200 individuals, accounting for 12.7 percent of that industry's statewide employment (based on second quarter 2020 data).

COMPANIES BY EMPLOYMENT SIZE



42.8%

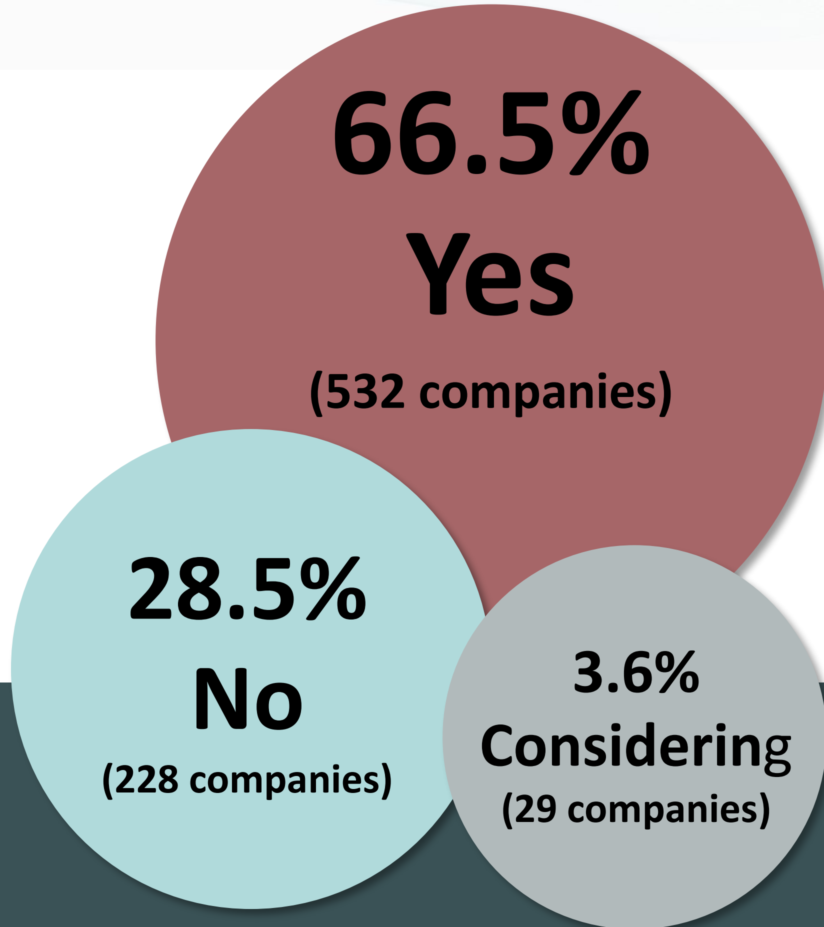
(316 companies)

of the companies interviewed employ 20 to 99 employees. Industry clusters reporting the highest number of companies with 20 to 99 employees include: *Transportation, Distribution & Logistics (35); Agriculture & Food Production (46); Building & Construction Products (29); Biosciences (26);* and *Insurance & Finance (18)*.

The top two clusters by total employment were *Agriculture & Food Production* (37,951) and *Insurance & Finance* (17,342). The lowest was *Primary Metals* (3,522). The *Avionics & Communication Electronics* cluster had the highest average number of employees per company (524.1), while *Transportation, Distribution & Logistics* had the lowest average per company (84.4).

REMOTE WORK POLICY

The majority of the companies stated they have a remote work policy. However, a higher percentage of companies in metro counties (76.2%) have remote work policies as compared to non-metro counties (57.7%). Also, as the employment level of the companies increase, the percentage of companies with a remote work policy increases as well. Additionally, 86.7 percent of the companies with 500 or more employees had a remote work policy while 53.1 percent of the companies with fewer than 10 employees had a policy.



Top 3 Industries that have a Remote Work Policy

1. **Information (92.3%)**
2. **Finance & Insurance (88.9%)**
3. **Wholesale Trade (82.7%)**

There is a considerable difference between industries as to the percent of companies that have a remote work policy. Among the industry sectors with at least 10 companies, 92.3 percent of the Information sector companies had remote work policies while only 45.5 percent of the Transportation and Warehousing sector companies had a policy in place.

Among those companies that had a remote work policy, a third of the companies (33.3%) stated they are planning on keeping their current policy moving forward. Another 16.3 percent stated they plan to expand their current policy while 7.9 percent stated they planned to scale back their current remote work policy.

Bottom 3 Industries that have a Remote Work Policy

1. **Construction (62.1%)**
2. **Manufacturing (59.3%)**
3. **Transportation and Warehousing (45.5%)**

RECOVERY BARRIERS

ECONOMIC UNCERTAINTY
312
Companies
(38.4%)

FINDING EMPLOYEES
233
Companies
(28.7%)

REGAINING CUSTOMERS
109
Companies
(13.4%)

Among the industry sectors with at least 10 companies, three sectors had over 40 percent of the companies that identified “economic uncertainty” as a barrier to recovery: Wholesale Trade (48.1%), Construction (43.8%) and Retail Trade (41.2%).

Just over 40 percent (40.6%) of the companies in the Construction sector and a third of the companies in the Manufacturing sector (33.8%) selected “finding employees” as a barrier to recovery.

The Health Care and Social Assistance sector had the highest percent of companies (22.2%) that selected “regaining customers” as a barrier to recovery followed by the Retail sector (17.6%).

TYPES OF ASSISTANCE

Respondents were asked to identify from a provided list what types of assistance would be most helpful to their organization with recovery from the pandemic. The most frequently selected types of assistance were marketing/sales assistance (9.2%), social networking assistance (8.4%) and market research assistance (7.3%).

However, 39.0 percent of the respondents indicated none of the given assistance options would be helpful and 10.2 percent were unsure. Additionally, over 16.0 percent of the respondents (132 companies) provided other responses. Among those 132 companies, 36.4 percent identified a type of assistance related to workforce with a particular emphasis on assistance with recruiting/finding workers and assistance for worker training.

Primary Product/Service Life Cycle

Growing

65% of the companies have a growing primary product/service. These 521 companies employ 122,905 in 76 counties and 204 different cities.

Maturing

227 companies (28.2%) have a maturing primary product/service. They employ 47,005 in 55 counties and 94 different cities.

Emerging

38 companies (4.7%) have an emerging primary product/service. They employ 4,269 in 18 counties and 21 different cities.

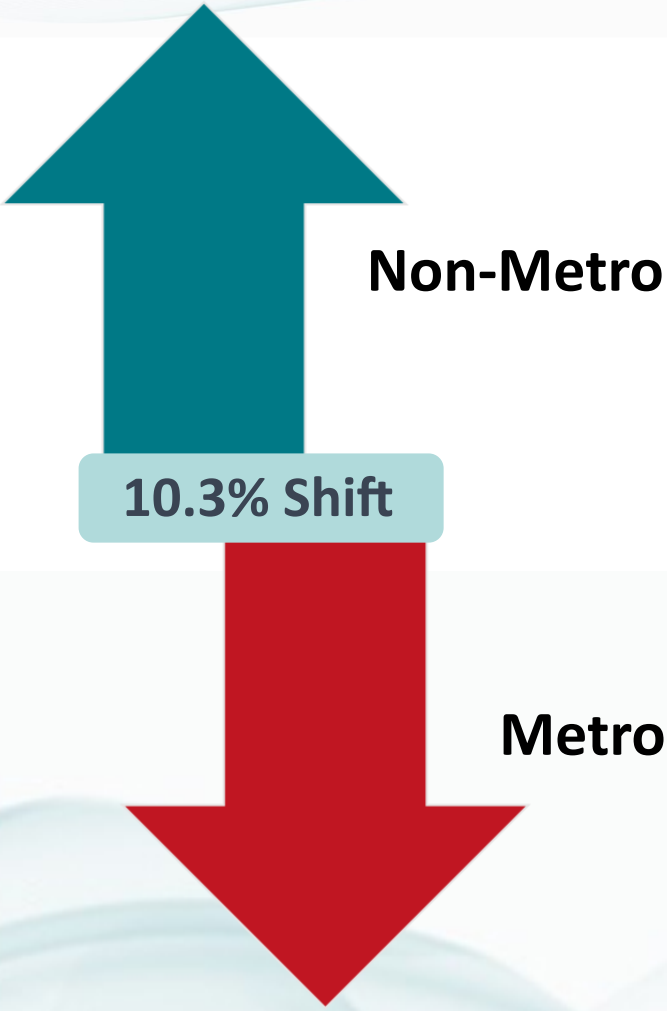
Declining

Only eighteen companies (2.2%) have a declining primary product/service. They employ 1,508 in 17 counties and 17 different cities.

With 521 Iowa companies reporting their primary products or services in the growing stage, many of these companies will be focused on building brand preference and market share. These companies should continue to increase demand with little competition while promoting their offering to a larger and/or broader audience.

The 227 companies reporting maturing primary products or services will likely experience diminishing sales and will seek to defend their market share while also maximizing profit. This may be challenging due to higher levels of competition that often lead to lower pricing or the need to differentiate the product through new innovation.

Metro/Non-Metro vs Life Cycle



Historically, the majority of respondents were located in metro counties; however, this year a slight majority of respondents (51.8%) are located in non-metro counties. This represents a shift of 10.3 percent from 2019.

The 421 non-metro companies represent 137 cities and 56 counties while the 392 metro companies represent 68 cities and 20 counties.

In terms of primary product/service life cycle, both non-metro and metro companies reported nearly 70 percent (69.5% and 69.6%) were emerging or growing and just over 30 percent (30.5% and 30.4%) were maturing or declining.

Workforce Trends vs. Life Cycle

Growing (64.8%) and emerging (4.7%) companies, in addition to maturing (28.2%) and declining (2.2%) companies, reported nearly equal levels of workforce recruitment problems and anticipate significant workforce changes. However, growing and emerging companies, on average, have a higher number of unfilled positions but nearly equal expectation of continued increasing unfilled positions. As would be expected, growing and emerging companies reported a significantly higher increasing market share and sales as compared to maturing and declining companies.

BUSINESS EXPANSION: Iowa's Emerging & Growing Companies Still Have Plans to Expand – with only a few cancelations

36.8%

(297 COMPANIES)

Plans to Expand

Nearly 37 percent of the companies are reporting plans to expand in the next three years. More specific expansion plan breakdowns are given below.

New Plans to Expand	**14.7%** (135 companies)
Existing plans to expand moving forward as scheduled	**14.7%** (119 companies)
Existing plans have been postponed/cancelled	**5.3%** (2 companies)

Investment

The estimated total investment among the 170 companies which provided data was just under $2.62 billion. The average investment amount was $15,430,927 and the median investment amount was $2,000,000. These respondents stated 55.9 percent would be spent on equipment/technology and 23.2 percent would be spent on real estate.

Jobs

The estimated total number of jobs created by the 161 companies which provided data was 3,941 jobs. The average number of jobs to be added was 24.5 jobs and the median number of jobs to be added was 10.0. However, eight companies did state that their expansion projects would cause the loss of jobs.

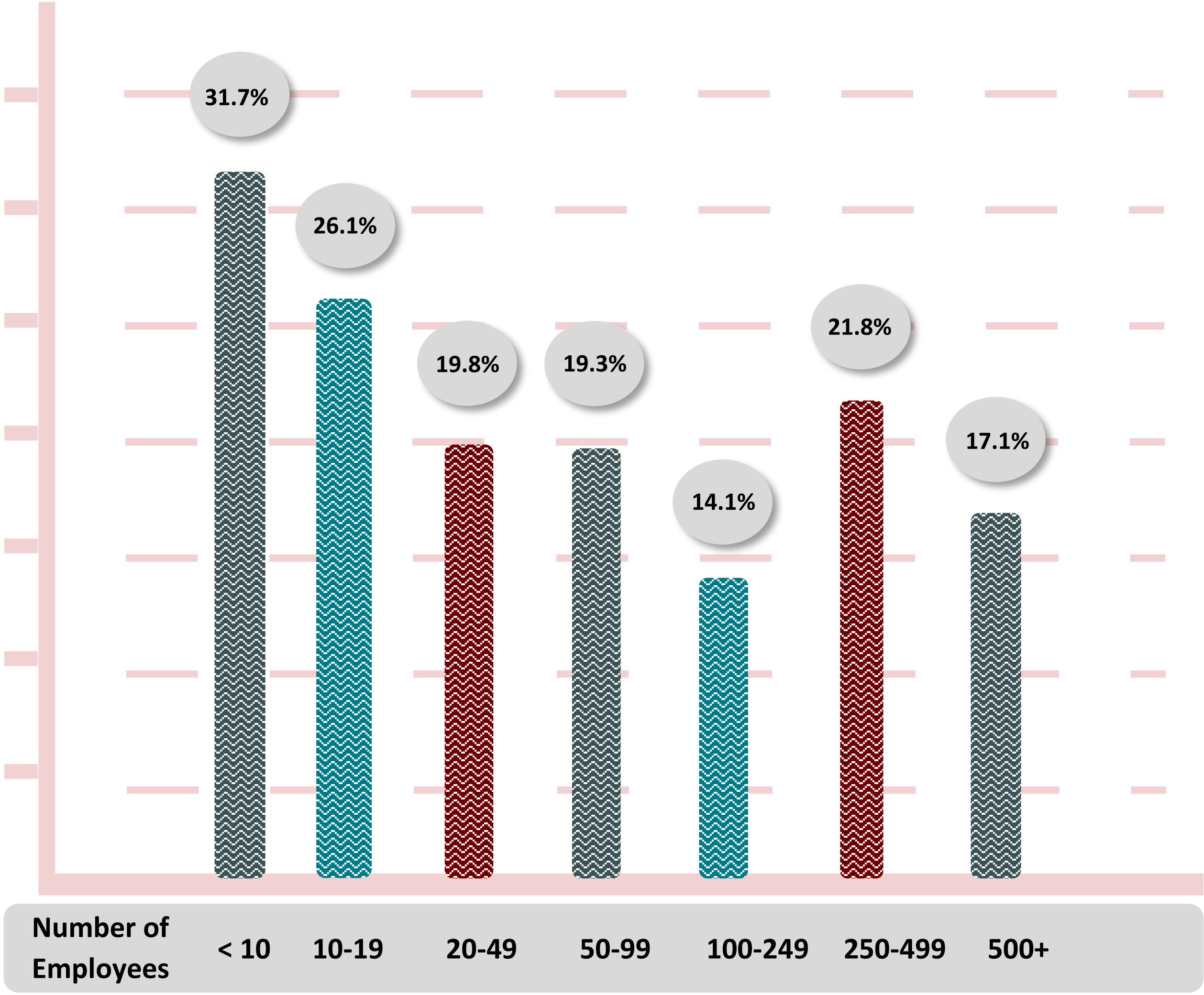
Facility size

The total estimated facility size increase was 7,019,137 sq/ft. The average facility size increase was 63,235.47 sq/ft and the median facility size was 10,000 sq/ft.

FINANCIAL STRESS

19.9%
(159 companies)

Approximately 1 out of 5 companies stated that their company was experiencing financial stress. Another 9.2 percent stated they were not sure whether they were experiencing financial stress.

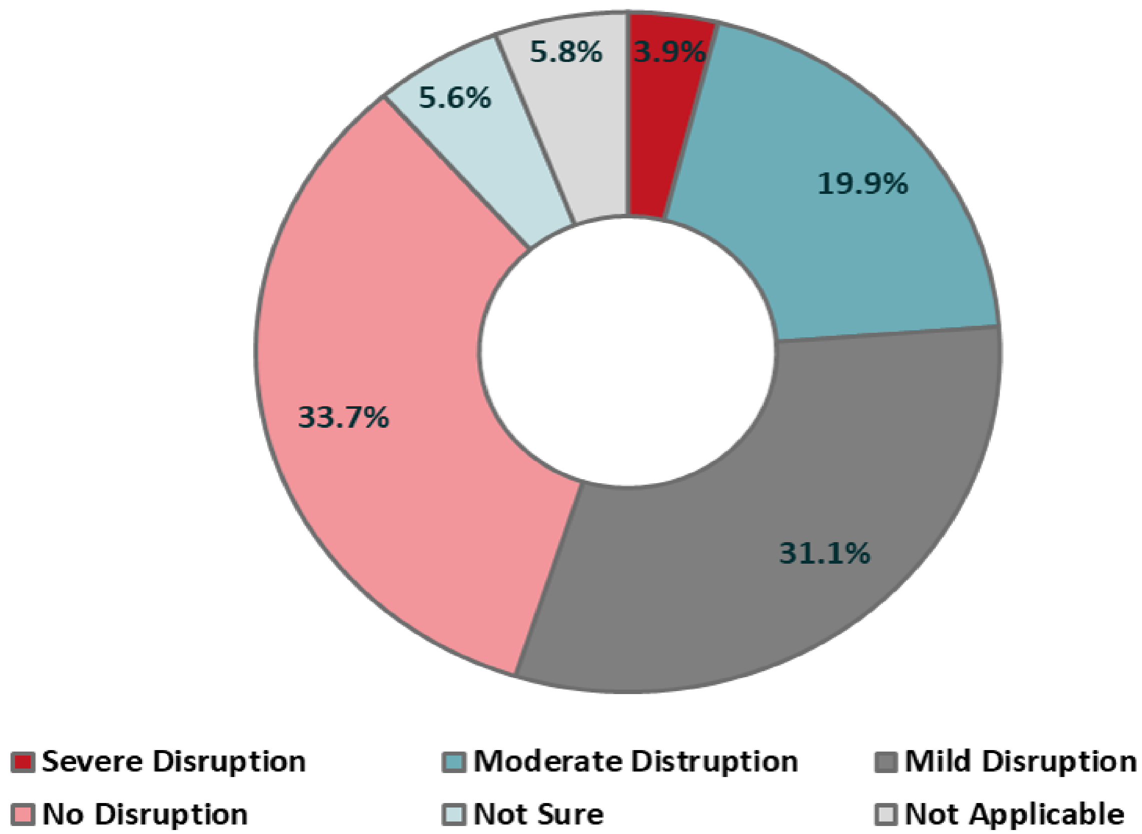


Based on the employment size . ..

The companies with the fewest number of employees had the highest percentages of companies experiencing financial stress. Among the industry sectors with at least 10 respondents, both the Health Care & Social Assistance sector (33.3%) and the Agriculture, Forestry, Fishing and Hunting sector (30.4%) had over 30 percent of their respondents experiencing financial stress. Banks and financial institutions were most often identified as the source of stress.

SUPPLY CHAIN

Negative Disruptions among critical suppliers or service providers

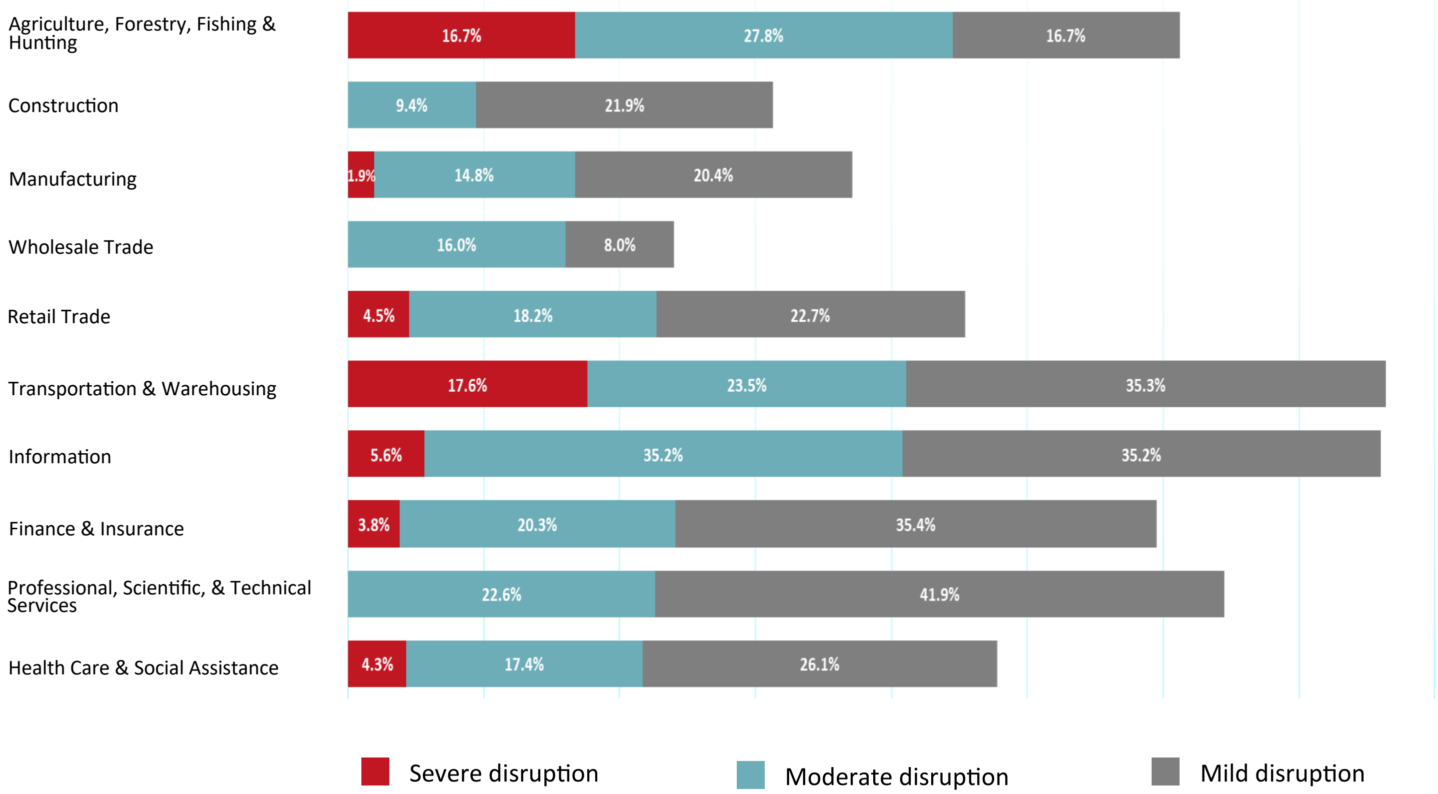


A lower percentage of small companies, based on number of employees, had negative disruptions in their supply chain compared to the larger companies. For companies with fewer than 10 employees, 45.2 percent of the respondents had negative supply chain disruptions while 68.7 percent of the companies with 500 or more employees had a negative disruption.

Overall, a higher percentage of manufacturers (59.5%) were experiencing supply chain disruptions than the companies in other industry sectors (48.2%). Among the industry sectors with at least 10 respondents, the Retail Trade sector (76.5%) and the Wholesale Trade sector (75.9%) each had over three-fourths of the companies stating they had some level of negative disruption among their critical suppliers or service providers.

SUPPLIER DISRUPTIONS BY INDUSTRY SECTOR

Over half of the companies (54.9%) stated their supply chain had experienced negative disruptions among their critical suppliers or service providers.



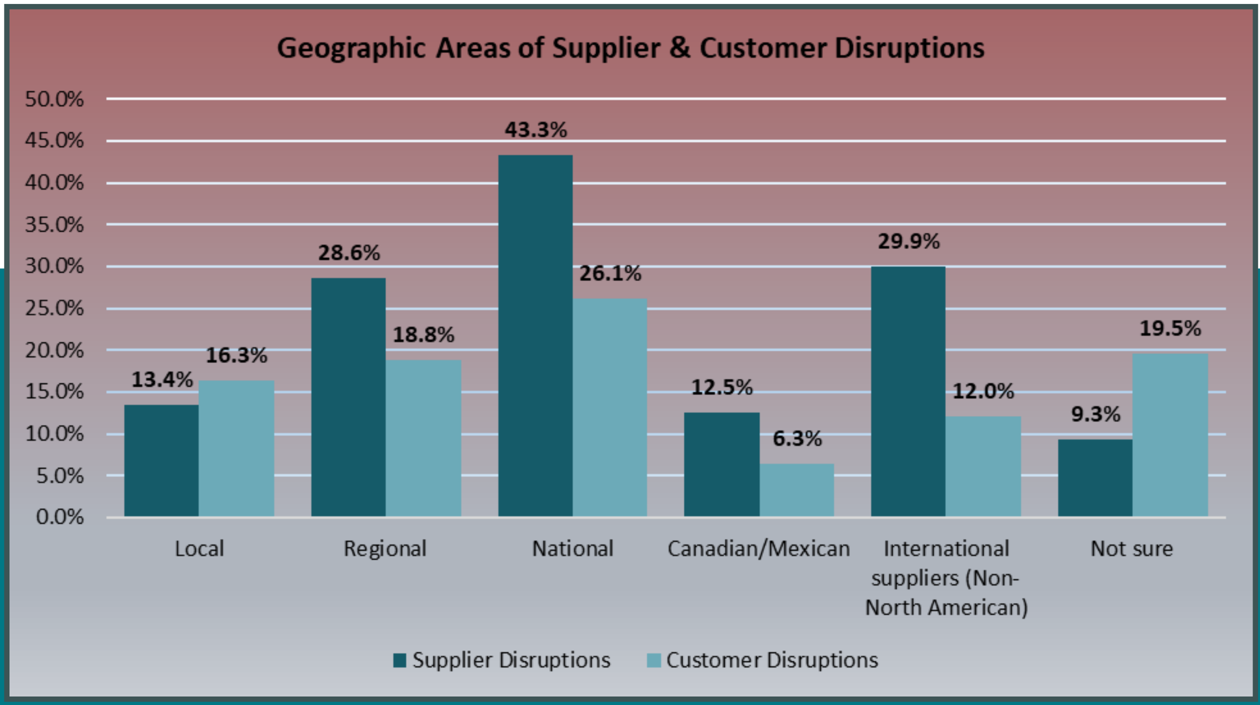
CUSTOMER DISRUPTIONS

Among the respondents who stated they had experienced some level of supply chain disruptions, 42.8 percent (187 companies) stated the disruption will slow down their production or delivery to customers and 5.7 percent (25 companies) stated the supply chain disruption halted their production or delivery to customers.

Among the respondents who stated they had experienced some level of supply chain disruptions, 34.4 percent (149 companies) stated that they have customers who are slowing the delivery or acceptance of products/services that is impacting their cash flow.

GEOGRAPHIC DISRUPTIONS

Respondents who stated they had experienced some level of supply chain disruptions were asked to identify the geographic areas from where they experienced disruptions with suppliers and customers. Based on the responses, it can be assumed a higher percentage of companies had disruptions with their suppliers than with their customers.



For the geographic areas of supplier disruptions, there were some slight differences between manufacturers and non-manufacturers. More specifically, 33.8 percent of manufacturers experienced International supplier disruptions as compared to 23.1 percent of non-manufacturers.

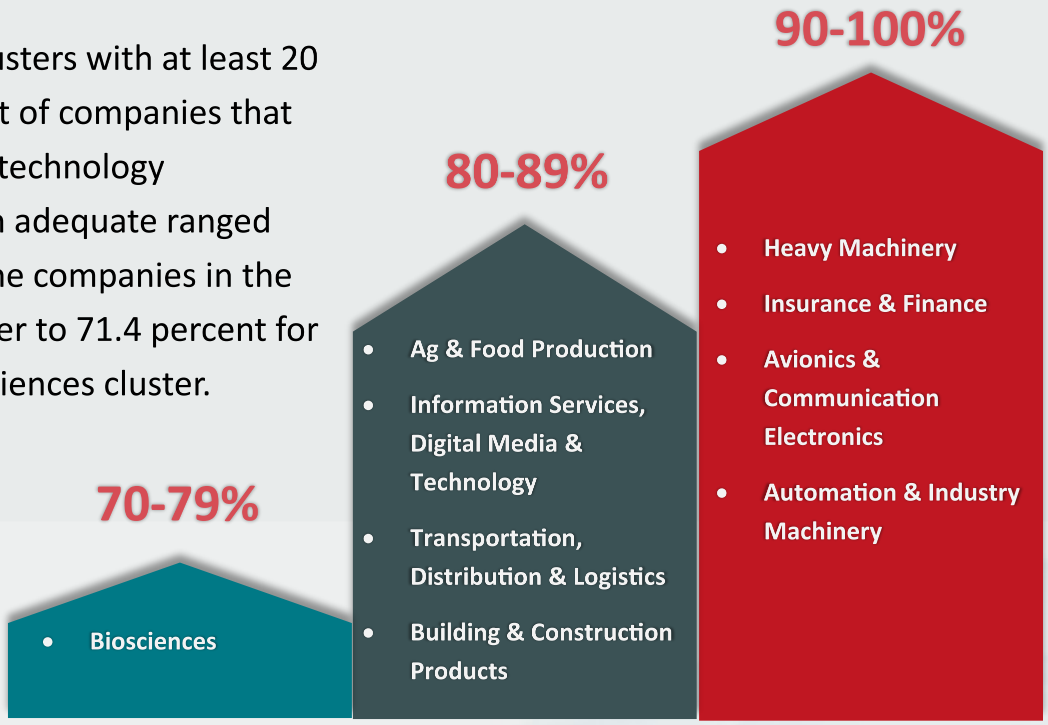
For customer disruptions, the most frequently identified geographic area among manufacturers was at the national level (31.7%) while the local level was most often reported for non-manufacturers (24.4%).

TECHNOLOGY

87.1% of the companies stated that their community's technology has been adequate during the COVID-19 crisis.

(701 companies)

Among the industry clusters with at least 20 companies, the percent of companies that felt their community's technology infrastructure has been adequate ranged from 93.6 percent of the companies in the Heavy Machinery cluster to 71.4 percent for companies in the Biosciences cluster.



OWNERSHIP

95.9% of the respondents were for profit organizations.

(779 companies)

Nearly 75.0 percent of the respondents stated that their company has a succession plan in place.

35.9% of these respondents were family owned businesses.

(292 companies)

PRODUCTS & SERVICES

612

Companies stated they had introduced a new product or service over the past three years.

Of the companies who introduced a new product or service over the past three years:

- 31 companies (5.1%) stated their primary product/service was ***EMERGING***
- 407 companies (66.5%) stated their primary product/service was ***GROWING***
- 160 companies (26.1%) stated their primary product/service was ***MATURING***
- 10 companies (1.6%) stated their primary product/service was ***DECLINING***

Of the companies who anticipate introducing a new product or service in the next two years:

- 32 companies (5.7%) stated their primary product/service was ***EMERGING***
- 375 companies (67.0%) stated their primary product/service was ***GROWING***
- 145 companies (25.9%) stated their primary product/service was ***MATURING***
- 7 companies (1.3%) stated their primary product/service was ***DECLINING***

560

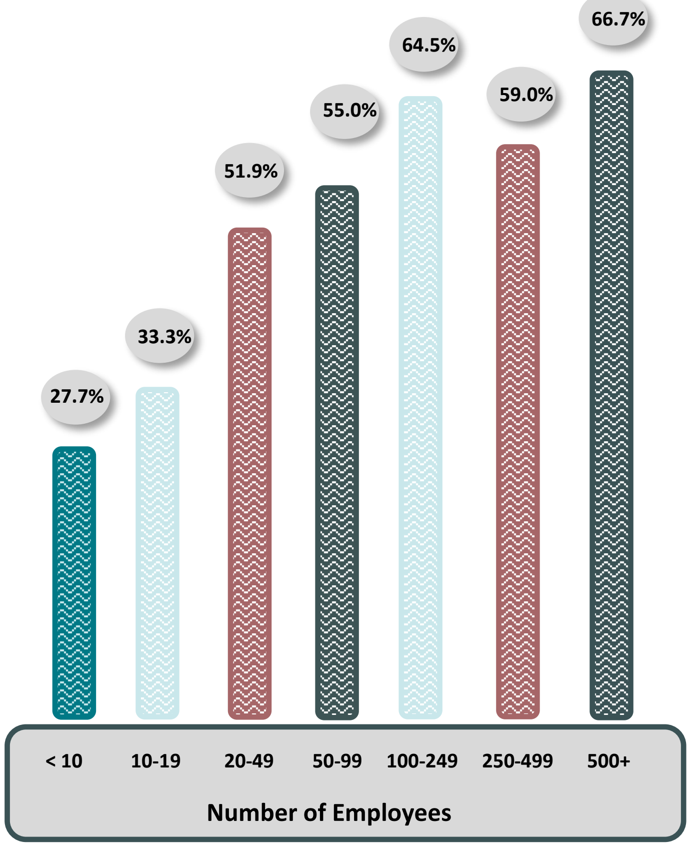
Companies stated they anticipated introducing a new product or service over the next two years.

WORKFORCE RECRUITMENT PROBLEMS BY EMPLOYMENT

Three fourths of the companies (74.2%/595 companies) at the time they were interviewed stated that their company was at normal (pre-COVID) staffing or employment levels. Just over 200 companies (202) stated they were not at pre-COVID employment levels.

Nearly 54.0 percent (429 companies) stated that their company is experiencing recruitment problems.

The larger the employment size of the company, the higher likelihood the company is experiencing a workforce recruitment problem. Two-thirds (66.7%) of the companies with 500 or more employees were experiencing a workforce recruitment problem while only 27.7 percent of the companies with fewer than 10 employees were experiencing a workforce recruitment problem.



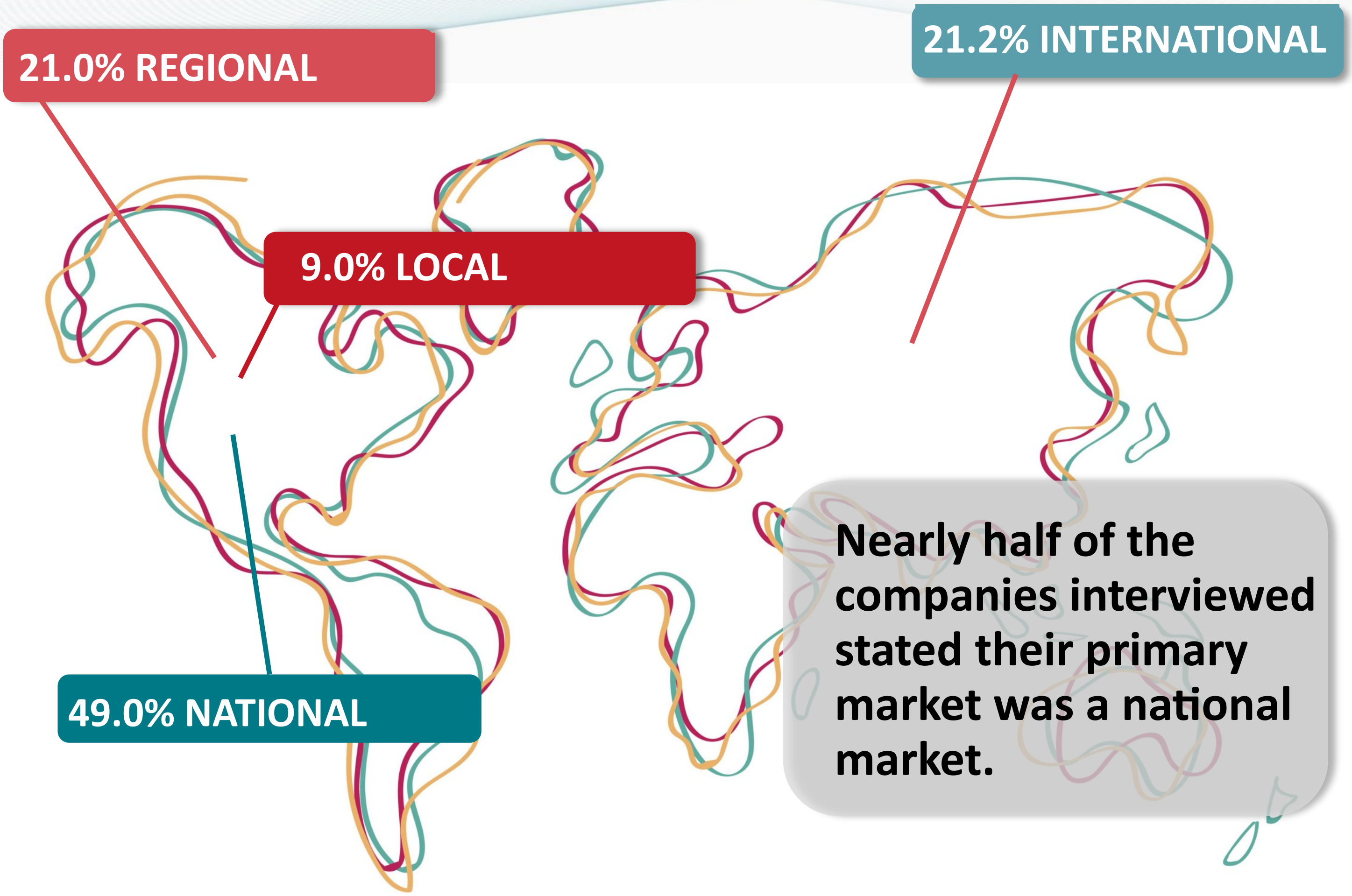
Just over 18 percent (144 companies) state they had lost high value employees in the last 6 months. The industry sectors that reported the most high value employee loss included:

33.3%
Health Care & Social Assistance

24.1%
Construction

19.2%
Manufacturing

MARKET



Nearly half of the companies interviewed stated their primary market was a national market.

Export Sales

408 companies (50.5%) stated they participate in international export of products/services.

Just over 18.4 percent stated their export sales were decreasing and among those companies nearly 34.8 percent stated their primary product/service was either maturing or declining.

Export Market Share

Nearly two-thirds of the companies stated their company's export market share was either increasing (11.7%) or stable (55.2%).

- Among the companies with a growing export market share, 84.4 percent said their primary product/service was growing in its life cycle.
- The vast majority of the companies with a growing export market share stated they had introduced a new product/service in the last three years (88.9%) and anticipated introducing a new product/service in the next two years (84.4%).
- Almost 36 percent of companies who stated their export market share was stable said their primary product/service was either maturing or declining in its life cycle.

COMMUNITY SERVICES SATISFACTION

HIGHEST COMMUNITY SERVICES

Fire Protection	Police Protection	Ambulance Paramedic Service
6.25	6.17	6.17

LOWEST COMMUNITY SERVICES

Property Tax Assessment	Air Cargo Service	Airline Passenger Service	Public Transportation
4.95	4.93	4.92	4.71

UTILITY SATISFACTION

HIGHEST AVERAGE RATING

Natural Gas	Water	Waste Removal	Sewer
6.16	6.04	6.03	6.01

LOWEST AVERAGE RATING

Telecom (voice)	Cellular Service	Internet Access	Internet Speed
5.65	5.53	5.52	5.41

BEST OF IOWA EXCELLENCE AWARD

BEST of Iowa honors communities that went above and beyond throughout the process. This year, the BEST of Iowa Excellence Award goes to:

BEST of Iowa Annual Report 12/2020

Prepared by Strategic Marketing Services and Institute for Decision Making at

The University of Northern Iowa