

Dane County Businesses Show Strength Despite Downturn Survey Finds

By The Wisconsin School of Business

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The stock slide on Wall Street, the fallout in the housing market and the surge in oil prices earlier this year painted a gloomy outlook – even possible recession – for 2007. In Wisconsin's Dane County, however, businesses are showing resilience and continue to be profitable, according to the fifth annual [First Business Economic Survey](#) of Dane County sponsored by [First Business Bank](#) and the University of Wisconsin-Madison School of Business.

The 2007 First Business Economic Survey of Dane County, which was released December 5, 2007, was conducted by the [A.C. Nielsen Center for Marketing Research](#) at the Wisconsin School of Business. It took the pulse of 544 businesses between September and November of 2007. It was sent to CEOs, CFOs, presidents and/or owners of Dane County businesses with five or more employees.

The survey reports that in Dane County, despite dire predictions, businesses continue to do well. Two-thirds reported unchanged or increased profitability as compared to 2006, and over four-fifths project stability or growth in profitability. Operating costs are trending down, and more firms are predicting they'll increase capital spending next year.

Revenue, operating costs as a percent of revenue and capital expenditures trended downward; profitability and wages are all holding steady. Labor numbers dipped slightly.

Despite the positive markers, local businesses are reporting and predicting slowdowns. More respondents than ever before reported performance in 2007 was below expectations, and fewer said they met expectations. Causes cited include higher operating costs, domestic sales shortfall and rising gas prices.

Expectations for 2008 reflect a more cautious attitude than last year with fewer firms expecting to do better.

Corey Chambas, president of First Business Financial Services, says, "This is our fifth year of commissioning this study and it has provided our business community with valuable information. This year's survey reflects that Dane County is a great place to do business. The unique makeup of Dane County – the university, the state, the biotech industry – helps foster economic consistency and these results give us many reasons to be optimistic about 2008."

Scott Converse, director of Technology and Innovation Programs for [Executive Education at the Wisconsin School of Business](#), noted, "The results from this year's survey were extremely difficult to read. On the surface there are clear economic slowdown indications when you look at the 2007 overall performance numbers, sales revenue and hits to the manufacturing sector. Deeper down though, when you look at some of the underlying drivers for growth such as capital expenditures and contained operating expenses, those forward-looking numbers are positive."

Notable survey points:

- After three years of decreased capital expenditures, businesses are predicting they'll reverse that trend. While capital expenditures decreased or remained the same in 2007, more were predicting they'll increase spending in this area next year and fewer reporting they'll decrease spending next year. According to Converse, "Investment in this area reflects confidence that any slowdown occurring now will reverse its course in the near future."
- This year's current events question was focused on the housing market. Most (57.6 percent) said the current housing market *did not* affect them in 2007. However, 38 percent said it has affected them negatively or very negatively, with just 4.5 percent saying it's affected them positively or very positively.
- While two-thirds of businesses reported same levels or increasing profitability from 2006, there is a decrease in the percent of firms who project profitability for 2008 compared to last year.
- Firms that do business nationally and internationally fared better than those who only do business in Dane County; businesses in the technology sector performed the best.
- Labor numbers dipped slightly. A slightly higher number of businesses in 2007 report no change in actual number of employees from 2006, but increases in headcount are down more than last year. Firms reporting lower headcounts is up 2.2 percent. Firms who do business nationally or internationally saw the largest decrease (9.6 percent) in actual number of employees. Predictions for 2008 reflect this year's caution as well: The percentage of firms predicting lower headcount is up slightly, and the number of firms predicting their labor to grow is down.
- More respondents than ever before reported performance in 2007 was below expectations, and fewer said they met expectations than ever before. Causes cited include higher operating costs, domestic sales shortfall and rising gas prices.
- Actual increases in sales revenue in 2007 were lower than 2006 by 4.7 percent. And for four straight years there's been a rise in the number of firms reporting a decrease in sales revenue.
- The number of firms reporting an actual increase in total operating costs as a percent of revenue has dropped once again, continuing the trend that started with the 2004 survey. In addition, the firms reporting an actual decrease in total operating costs as a percent of revenue continues to rise.
- Wages are steady and should remain so. No specific business sector or business classification saw any remarkable differences in actual wages.
- Manufacturing reported a decline in both 2007 as well as 2008 expected percentages across all measures.