



2010 Manufacturing and Wholesale Distribution National Survey Washington Report

In the spring of 2010, McGladrey conducted its fifth annual Manufacturing and Wholesale Distribution National Survey. This year's survey results represent the aggregated responses of 1,061 individual company leaders located throughout 43 states.

Companies in different area of the country are recovering in different ways and at different times. This report provides a state perspective. It compares the total national responses against 69 responses received from company leaders in Washington.

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Classification information

Which best describes your company's business activities?

	Nat'l	State
Manufacturing	49%	65%
Mostly manufacturing, some distribution	18%	20%
Mostly distribution, some manufacturing	11%	6%
Distribution	21%	9%

Which of the following includes your company's industry classification (specifically, what types of products does your company produce or distribute)?

	Nat'l	State
Building Materials	12%	13%
Chemicals, Petroleum and Plastics	9%	10%
Electronics, Computers, Electrical Appliances and Components	7%	6%
Fabricated Metal	11%	9%
Food and Beverage	12%	17%
Furniture (including home and office)	3%	4%
Machinery Equipment and Supplies	22%	16%
Medical Equipment and Supplies	3%	4%
Paper Products, Printing and Publishing	7%	4%
Textiles and Apparel	4%	1%
Transportation Equipment and Supplies (including auto/truck, motor homes, boats and parts)	5%	3%
Other	5%	12%

What was your company's annual revenue as of your most recent fiscal year-end?

	Nat'l	State
\$0 - \$14.9 million	24%	25%
\$15 - \$24.9 million	15%	13%
\$25 - \$49.9 million	19%	19%
\$50 - \$99.9 million	16%	12%
\$100 - \$249.9 million	16%	9%
\$250 - \$499.9 million	5%	12%
\$500 - \$999.9 million	3%	4%
\$1+ billion	2%	6%

Is your company held privately or publicly?

	Nat'l	State
Privately held	91%	86%
Publicly held	9%	14%

What is your company's structure? [Privately held companies only]

	Nat'l	State
C Corporation	35%	34%
Sub Chapter S Corporation (Sub S)	47%	48%
Limited Liability Corporation (LLC)	13%	12%
Partnership	2%	2%
Other	2%	3%

What percentage of your company is owned by a private equity group? [Privately held companies only]

	Nat'l	State
None	84%	88%
1-25%	1%	0%
26-50%	2%	2%
51-79%	5%	0%
80-100%	9%	10%

Which of the following best describes your title?

	Nat'l	State
CEO, President or Chairman	36%	33%
CFO, Vice President of Finance or Controller	45%	39%
Chief Operating Officer	4%	6%
Other	15%	22%

Background

Which of the following best describes the general condition of your business right now?

	Nat'l	State
Thriving and growing	24%	22%
Holding its own	66%	67%
Declining	10%	12%

How optimistic are you about the following growth prospects in 2010 for:

	Your company		Your industry		The U.S. economy	
	Nat'l	State	Nat'l	State	Nat'l	State
Very optimistic	21%	23%	4%	7%	1%	0%
Somewhat optimistic	62%	55%	62%	55%	51%	52%
Somewhat pessimistic	15%	20%	29%	32%	41%	33%
Very pessimistic	2%	1%	4%	6%	8%	14%

When do you anticipate economic recovery will begin for:

	Your company		Your industry		The U.S. economy	
	Nat'l	State	Nat'l	State	Nat'l	State
Recovered in 2009	10%	12%	3%	1%	1%	1%
Recovery in 2010	45%	43%	38%	35%	29%	32%
Recovery in 2011	31%	28%	42%	46%	45%	37%
Recovery in 2012 and beyond	6%	10%	14%	15%	25%	29%
Not impacted	8%	7%	3%	3%	0%	0%

Growth strategies

To what degree will your company rely on the following growth strategies in 2010?

	Relying greatly		Relying somewhat		Not relying at all		Not applicable	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Increasing the number of products offered	16%	13%	57%	44%	21%	35%	5%	7%
Increasing sales to current customers	35%	28%	57%	64%	8%	9%	1%	0%
Increase sales in international markets	14%	10%	32%	42%	34%	32%	20%	16%
Increasing sales in domestic markets	39%	25%	54%	63%	5%	7%	2%	4%
Acquiring new customers	40%	36%	55%	58%	4%	6%	1%	0%
Increasing brand recognition	21%	17%	49%	48%	20%	20%	9%	14%

Do you anticipate your company's involvement in any of the following activities in 2010? (Select all that apply.)

	Nat'l	State
Acquiring or merging with another company	24%	23%
Sale to a Private Equity Group (PEG)	3%	1%
Initial Public Offering (IPO)	0%	0%
Sale to an Employee Stock Ownership Plan (ESOP)	1%	1%
None of the above	73%	77%

What changes do you anticipate to your company's *domestic* sales in 2010?

	Nat'l	State
Sales increase	71%	60%
Sales decrease	10%	13%
No change	19%	26%
Not applicable	0%	0%

What changes do you anticipate to your company's *international* sales in 2010?

	Nat'l	State
Sales increase	44%	41%
Sales decrease	2%	4%
No change	23%	29%
Not applicable	31%	26%

What steps are you taking to increase your company's sales volume in 2010? (Select all that apply.)

	Nat'l	State
Repositioning our strategic focus	44%	43%
Reducing prices	18%	16%
Introducing new products	61%	55%
Reorganizing or repositioning our salesforce	39%	30%
Adding salespeople	33%	22%
Modifying sales strategy	52%	43%
Entering new geographic markets	38%	35%
Analyzing customer/product profitability	48%	42%
Introducing cheaper generic products	8%	7%
Other	8%	10%

Innovation

Into which of the following areas is your company placing most of its efforts to innovate? (Select all that apply.)

	Nat'l	State
New product development	52%	43%
Product line extensions	50%	48%
Product features	28%	29%
Packaging	11%	19%
New manufacturing processes	34%	45%
Increasing the beneficial use of information technology	35%	39%
No plans to innovate	5%	3%
Other	4%	6%

Has your company experienced any of the following challenges when implementing successful innovation in your organization? [Companies with innovation efforts]

	Yes, currently a challenge		Yes, previously a challenge that we have overcome		Not a challenge / Not applicable	
	Nat'l	State	Nat'l	State	Nat'l	State
Available funding	26%	29%	18%	19%	56%	52%
Commitment by company ownership and/or leadership	9%	9%	9%	6%	82%	85%
Ability to identify needs of the marketplace	29%	20%	22%	17%	48%	64%
Creating an environment that fosters idea generation and creativity	30%	23%	22%	19%	48%	58%
Ability to turn ideas into commercial products	30%	21%	18%	12%	52%	68%
Supply chain	29%	24%	21%	25%	49%	51%
Rapid implementation from concept to market	38%	32%	18%	10%	44%	57%

What green initiatives are you implementing within your company? (Select all that apply.)

	Nat'l	State
We are not currently implementing green initiatives within our company	25%	17%
Using renewable energy sources, such as solar, wind and geothermal	5%	7%
Reducing energy/fuel consumption	42%	49%
Improving energy efficiencies in our operations	52%	59%
Recovery, re-use and/or recycling of parts, products or resources	41%	48%
Reducing water consumption	17%	20%
Reducing or substituting materials (including packaging)	24%	41%
Reducing our supply chain geographic footprint	8%	12%
Working with supplies who employ reduced energy consumption in their products/processes	11%	12%
Other	5%	6%

Has your company experienced increases in revenue due to its green activities? [Companies with green activities]

	Nat'l	State
Yes	20%	30%
No	80%	70%

Is your company marketing itself as green as a result of its green activities? [Companies with green activities]

	Nat'l	State
Yes	35%	33%
No	65%	67%

What types of green products does your company have? (Select all that apply.)

	Nat'l	State
Our company does not have any green products	35%	33%
Products produced with lower levels of inputs	17%	20%
Products produced with recycled materials	31%	43%
Products and/or components that can be recycled	29%	36%
Products that are more energy efficient when used by the consumer	23%	20%
Other	8%	12%

To whom are you marketing these green products? (Select all that apply.) [Companies with green products]

	Nat'l	State
Existing customers in existing markets	84%	90%
New customers in existing markets	63%	69%
New customers in new markets	38%	36%
Not currently marketing	9%	5%
Other	1%	0%

How profitable are these green products? [Companies with green products]

	Nat'l	State
More profitable than non-green version of products	22%	28%
Less profitable than non-green products	21%	18%
Unknown	57%	55%

Have you had a third-party energy audit conducted for your company?

	Nat'l	State
Yes	33%	38%
No	67%	62%

Global economy

How much do you agree or disagree with the following statements?

	Strongly agree		Agree		Disagree		Strongly disagree		Not applicable	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Working globally is part of our business strategy	27%	33%	36%	35%	10%	10%	4%	3%	22%	19%
We are experiencing revenue growth in foreign markets	13%	14%	32%	30%	20%	26%	5%	6%	31%	23%
Globalization has lowered our costs	9%	4%	30%	26%	29%	31%	8%	13%	24%	25%
Globalization has lowered our sales prices	9%	12%	29%	25%	32%	35%	5%	7%	25%	21%
Globalization has improved our margins	6%	4%	25%	37%	36%	32%	10%	12%	23%	15%
We are moving some or all production work offshore in 2010	3%	3%	11%	12%	20%	25%	28%	29%	38%	32%
We are moving sales, customer service and other processes offshore in 2010	0%	0%	3%	4%	24%	25%	37%	37%	36%	34%

Does your company currently *export* products to foreign markets?

	Nat'l	State
Yes	62%	67%
No	38%	33%

To which markets does your company export? (Check all that apply.) [Companies with export activities]

	Nat'l	State
Canada	85%	89%
Mexico	67%	46%
Central America	38%	28%
Brazil	31%	20%
Other South America	32%	28%
China	37%	41%
India	23%	15%
Japan	31%	52%
Other Asia	33%	39%
Australia	33%	35%
Eastern Europe	30%	24%
Western Europe	57%	50%
Russia	18%	15%
Middle East	35%	24%
Africa	17%	20%

What percent of your company's sales are from exporting products to foreign markets? [Companies with export activities]

	Nat'l	State
Less than 5%	35%	36%
5-14%	31%	18%
15-24%	15%	16%
25-34%	6%	2%
35-44%	5%	5%
45-54%	4%	18%
55% or more	4%	5%

How has your company's export sales changed in the last year? [Companies with export activities]

	Nat'l	State
Increased	47%	49%
Decreased	19%	16%
No change	34%	36%

Does your company conduct production activity or operations outside of the U.S.?

	Nat'l	State
Yes	24%	22%
No	76%	78%

Of your company's production activity or operations, what percentage takes place outside the U.S.? [Companies with production activities outside of the U.S.]

	Nat'l	State
1-10%	23%	23%
11-25%	28%	38%
26-50%	15%	15%
More than 50%	33%	23%
Unknown	0%	0%

Of your company's foreign-produced goods, what percentage is sold in the U.S.? [Companies with production activities outside of the U.S.]

	Nat'l	State
None	17%	0%
1-10%	18%	36%
11-25%	10%	14%
26-50%	7%	7%
More than 50%	46%	43%
Unknown	2%	0%

Is your company currently *purchasing (importing)* materials and supplies for its supply chain from foreign sources?

	Nat'l	State
Yes	68%	65%
No	32%	35%

What percentage of your company's materials and supplies are purchased (imported) from foreign sources? [Companies with import activities]

	Nat'l	State
Less than 5%	22%	23%
5-14%	29%	28%
15-24%	17%	14%
25-34%	8%	9%
35-44%	5%	5%
45-54%	5%	5%
55% or more	15%	16%

How strongly do you agree with the following statement: "In our supply chain, we anticipate an increased reliance on foreign sources in 2010"?

	Nat'l	State
Strongly agree	12%	7%
Somewhat agree	35%	42%
Somewhat disagree	30%	30%
Strongly disagree	23%	21%

Operational effectiveness

Is your company implementing lean principles (e.g. business process improvements, Six Sigma)?

	Nat'l	State
Yes	65%	74%
No	35%	26%

Do you have plans to improve your company's supply chain processes in 2010?

	Nat'l	State
Yes	67%	72%
No	33%	28%

Which of the following processes does your company plan to improve in 2010? (Select all that apply.) [Companies with plans to improve supply chain processes]

	Nat'l	State
Supplier relationship management	76%	88%
Customer relationship management	64%	68%
Customer service management	51%	54%
Demand planning and management	49%	54%
Order fulfillment	51%	52%
Manufacturing flow management	53%	66%
Product development and commercialization	31%	32%
Returns management	20%	24%
Sales process management	45%	46%
Other	1%	2%

How consistently does the information flow from your company's supply chain meet your business needs?

	Nat'l	State
All of the time	5%	13%
Most of the time	70%	67%
Only some of the time	23%	19%
Not at all	2%	1%

How consistently does inventory management within your company's supply chain support your business needs?

	Nat'l	State
All of the time	10%	12%
Most of the time	70%	65%
Only some of the time	18%	22%
Not at all	2%	1%

Does your company have formal plans to reduce inventory in 2010?

	Nat'l	State
Yes, by 20% or more	9%	10%
Yes, by less than 20%	40%	42%
No	51%	48%

Health care

How much do you expect employee health insurance costs to change in 2010?

	Nat'l	State
Decrease	2%	0%
No change	5%	6%
Increase of 1-4%	8%	7%
Increase of 5-9%	35%	34%
Increase of 10-14%	31%	33%
Increase of 15-19%	10%	13%
Increase of 20% or more	10%	6%

How is your company dealing with health care cost increases in 2010? (Check all that apply.)

	Nat'l	State
Passing costs on to employees	59%	57%
Moving to self-insured programs	9%	12%
Changing carriers	21%	19%
Offering wellness programs	36%	33%
Offering health reimbursement accounts (HRAs)	17%	12%
Offering health savings accounts (HSAs)	26%	17%
Utilizing disease-management programs	11%	9%
Joining an association of companies to purchase health insurance	3%	4%
Auditing third-party administrators	4%	4%
Reducing level of health care benefits	22%	22%
Eliminating health care benefits for employees	2%	1%
We are not making changes in 2010	19%	20%
Other	5%	3%

Cost expectations

What changes in the following costs does your company expect in 2010?

	Decrease of more than 5%		Decrease of 1-5%		No change		Increase of 1-5%		Increase of more than 5%	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Energy	2%	0%	9%	4%	23%	26%	53%	59%	12%	10%
Raw material	2%	4%	6%	9%	19%	13%	50%	54%	22%	19%
Operating labor	1%	0%	5%	4%	33%	35%	59%	54%	2%	6%
Employee benefits	1%	0%	5%	3%	22%	21%	41%	47%	31%	29%
Outbound freight or transportation logistics	1%	0%	6%	1%	29%	32%	54%	60%	9%	6%
Sales, general and administrative expenses	2%	1%	11%	6%	36%	41%	44%	41%	7%	10%
Litigation/product liability	2%	1%	7%	3%	74%	87%	13%	4%	5%	4%
Regulatory compliance	0%	0%	2%	3%	64%	54%	25%	29%	9%	13%
Inventory carrying	4%	4%	19%	22%	49%	49%	24%	22%	4%	3%

Which of the following employee cost control measures is your company implementing?

	Implemented in 2009		Plan to implement in 2010/2011		Considering implementation		Nothing planned		Not applicable	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Staff schedules	35%	31%	4%	3%	6%	6%	43%	43%	11%	16%
Training or continuing education	30%	41%	14%	9%	10%	1%	40%	43%	7%	6%
Shift differentials/shift bonuses	16%	22%	2%	1%	4%	1%	54%	60%	25%	15%
Overtime policies	42%	36%	5%	4%	5%	6%	42%	46%	7%	7%
On-call and call-in rates	6%	6%	1%	0%	2%	0%	50%	54%	42%	40%
Organization structure	27%	22%	12%	21%	10%	9%	42%	41%	9%	7%
Time off policies	23%	24%	4%	1%	5%	4%	57%	58%	11%	12%
Compensation philosophy	21%	22%	10%	15%	10%	6%	50%	48%	9%	9%
Retirement plan—defined benefit	8%	10%	2%	3%	3%	1%	49%	46%	39%	39%
Retirement plan—defined contribution	19%	16%	2%	3%	4%	1%	56%	60%	19%	19%
Early retirement packages	5%	4%	1%	3%	4%	0%	57%	55%	33%	37%
Retiree health plans	3%	6%	0%	0%	2%	0%	49%	46%	45%	49%

Tax strategies

Is your company utilizing any of the following *federal* tax strategies?

	Utilizing		Not utilizing		Not sure	
	Nat'l	State	Nat'l	State	Nat'l	State
Research and development tax credits	41%	38%	53%	54%	6%	7%
Last-in, first-out (LIFO) inventory valuation	34%	40%	59%	47%	6%	13%
Domestic manufacturers' deduction (DMD) or domestic production activities deduction (DPAD)	24%	28%	54%	42%	22%	30%
Cost segregation for plant or distribution facilities	26%	32%	63%	54%	12%	13%
Energy credits and incentives	34%	42%	53%	46%	13%	12%

Is your company utilizing any of the following *international* tax strategies?

	Utilizing		Not utilizing		Not sure	
	Nat'l	State	Nat'l	State	Nat'l	State
Tax incentives on international sales (e.g. IC-DISC)	13%	13%	73%	60%	14%	26%
Foreign tax credit minimization	11%	15%	75%	63%	14%	22%
Lowering effective foreign tax rates	11%	15%	75%	63%	13%	22%
Utilization of transfer pricing opportunities	15%	19%	73%	60%	12%	21%

Is your company utilizing any of the following *state and local* tax strategies?

	Utilizing		Not utilizing		Not sure	
	Nat'l	State	Nat'l	State	Nat'l	State
Apportionment planning	20%	18%	61%	52%	19%	30%
Sales and use tax review	47%	53%	43%	35%	10%	12%
Utilization of incentives	40%	46%	49%	40%	12%	15%
Property tax review	47%	49%	44%	40%	9%	12%

Information technology (IT)

Do you agree or disagree with the following statements?

	Agree		Disagree		Not applicable	
	Nat'l	State	Nat'l	State	Nat'l	State
Our business strategy and IT strategy are integrated	78%	79%	18%	15%	4%	6%
IT is a critical part of our operations	91%	89%	7%	8%	2%	3%

What will your company's total IT spend be in 2010?

	Nat'l	State
Less than \$100,000	40%	42%
\$100,000 - \$499,999	35%	33%
\$500,000 - \$999,999	10%	6%
\$1,000,000 - \$2,499,999	7%	8%
\$2.5 million or more	5%	9%
No spend planned	2%	2%

How does your planned spend on IT in 2010 differ from 2009?

	Nat'l	State
Increasing spend in 2010	43%	38%
Decreasing spend in 2010	13%	12%
No change in spend from 2009 to 2010	44%	50%

How effective is your IT department in the following areas?

	Very effective		Somewhat effective		Not at all effective	
	Nat'l	State	Nat'l	State	Nat'l	State
Managing infrastructure	43%	51%	50%	43%	7%	6%
Delivering projects on time and on budget	32%	43%	58%	44%	10%	13%
Identifying new technologies that can improve efficiencies	29%	37%	54%	41%	17%	22%
Managing IT security risks	48%	59%	48%	37%	4%	4%

Workforce

How many employees does your company have?

	Full-time employees			Part-time employees			Temporary employees	
	Nat'l	State		Nat'l	State		Nat'l	State
0-24	10%	14%	0	31%	32%	0	44%	37%
25-49	11%	2%	1-4	37%	34%	1-4	18%	35%
50-99	22%	30%	5-9	12%	14%	5-9	11%	8%
100-499	42%	33%	10-19	8%	4%	10-19	6%	4%
500-1,999	11%	15%	20-49	6%	8%	20-49	9%	6%
2,000 or more	3%	6%	50-99	2%	0%	50-99	5%	2%
			100 or more	4%	8%	100 or more	6%	8%

In 2009, what was your company's employee turnover?

	Voluntary turnover		Involuntary turnover	
	Nat'l	State	Nat'l	State
0	15%	7%	10%	14%
1-9	51%	58%	42%	36%
10-19	14%	7%	19%	11%
20-49	12%	9%	16%	25%
50 or more	8%	18%	13%	14%

How much does your company plan to increase or decrease its U.S. workforce in 2010 and 2011?

	2010		2011	
	Nat'l	State	Nat'l	State
Decrease by 10% or more	3%	3%	1%	4%
Decrease by 1-9%	12%	16%	7%	6%
No change	38%	41%	33%	32%
Increase by 1-9%	42%	34%	51%	49%
Increase by 10% or more	6%	6%	8%	9%

How much does your company plan to increase or decrease its non-U.S. workforce in 2010 and 2011?

	2010		2011	
	Nat'l	State	Nat'l	State
Decrease by 10% or more	1%	1%	0%	3%
Decrease by 1-9%	2%	1%	1%	1%
No change	18%	25%	18%	21%
Increase by 1-9%	9%	6%	10%	7%
Increase by 10% or more	3%	3%	4%	4%
Does not apply	67%	63%	67%	63%

Please indicate your company's level of need for each of the following qualified, skilled positions: [Companies with manufacturing-only operations]

	Not a position at our company		Urgent need		Need		No need	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Entry-level workers	3%	5%	5%	2%	41%	55%	51%	39%
Machinists	13%	9%	5%	5%	28%	36%	54%	50%
CNC machinists	16%	9%	6%	2%	24%	20%	55%	68%
CNC programmers	16%	9%	4%	2%	20%	16%	60%	73%
CAD/CAM technicians	13%	14%	3%	0%	20%	14%	64%	73%
Welders	15%	17%	5%	5%	21%	14%	59%	64%
Tool and die makers	20%	16%	2%	0%	13%	9%	66%	74%
Engineers	7%	5%	11%	7%	37%	35%	45%	53%
Supervisory personnel	1%	2%	4%	9%	33%	34%	61%	55%
Quality control personnel	1%	2%	7%	9%	30%	32%	61%	57%
Salespeople	1%	2%	8%	5%	39%	32%	52%	61%
Accounting personnel	0%	0%	2%	5%	20%	20%	78%	75%
IT personnel	2%	2%	3%	2%	22%	23%	73%	73%

Please indicate your company's level of need for each of the following qualified, skilled positions: [Companies with distribution-only operations]

	Not a position at our company		Urgent need		Need		No need	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Entry-level workers	6%	33%	1%	0%	29%	0%	64%	67%
Truck drivers	13%	50%	4%	0%	26%	0%	57%	50%
Warehouse personnel	3%	17%	2%	0%	41%	17%	54%	67%
Forklift operators	5%	17%	1%	0%	29%	17%	64%	67%
Supervisory personnel	1%	0%	4%	0%	22%	17%	73%	83%
Customer service/support personnel	1%	0%	2%	0%	36%	20%	61%	80%
Inventory control personnel	3%	17%	1%	0%	19%	17%	77%	67%
Management personnel	0%	0%	5%	0%	26%	33%	69%	67%
Salespeople	1%	0%	11%	0%	53%	33%	34%	67%
Accounting personnel	0%	0%	2%	0%	19%	17%	79%	83%
IT personnel	1%	0%	4%	0%	21%	0%	74%	100%

How much do you agree or disagree with the following statements related to the effectiveness of your company's salesforce?

	Strongly agree		Agree		Disagree		Strongly disagree		Not applicable	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Our salespeople possess appropriate skill sets and/or competencies to achieve sales targets	13%	19%	67%	63%	15%	10%	3%	1%	3%	6%
Our salespeople adapt quickly to market and strategic shifts	9%	12%	54%	53%	30%	26%	4%	1%	3%	7%
Current bonus/commission plans are appropriately aligned with strategic objectives	12%	16%	57%	54%	19%	12%	3%	0%	8%	18%

About your company

Please answer the following questions about your company's *gross margin*.

	What was your company's gross margin in 2009?		What is your company's estimated gross margin for 2010?		What is your company's projected gross margin for 2011?	
	Nat'l	State	Nat'l	State	Nat'l	State
Less than 10%	14%	22%	10%	16%	7%	11%
10-19%	20%	20%	22%	25%	21%	25%
20-29%	33%	36%	33%	33%	34%	33%
30-39%	17%	13%	18%	16%	19%	19%
40-49%	11%	8%	11%	8%	13%	9%
50% or more	5%	2%	6%	3%	6%	3%

To what do you attribute the change in your gross margin from 2009 to 2010? (Select all that apply.)

	Nat'l	State
Changing economic cycles	31%	32%
Product (sales) pricing	39%	35%
Commodity pricing	25%	20%
Internal cost-cutting measures	30%	28%
Energy costs	10%	14%
Health care costs	12%	14%
Global competition	9%	7%
Supply chain-related issues	17%	12%
No change	31%	29%
Other	5%	9%

Overall, how have sales prices changed on your company's products in the past year?

	Nat'l	State
Price decrease	33%	40%
No change	31%	31%
Less than 5% increase	27%	21%
Increase of 5% or more	9%	7%

To what do you attribute the price *decreases* on the products your company sells? (Select all that apply.) [Companies with a decrease in product sales prices]

	Nat'l	State
Lower costs	28%	22%
Market conditions	76%	70%
Competitor pricing	70%	52%

To what do you attribute the price *increases* on the products your company sells? (Select all that apply.) [Companies with an increase in product sales prices]

	Nat'l	State
Higher costs	55%	53%
Market conditions	30%	37%
Competitor pricing	13%	21%

Is your company taking any of the following *operational* actions in 2010? (Select all that apply.)

	Nat'l	State
Expanding capacity	30%	32%
Reducing capacity	8%	9%
Consolidating operations	17%	17%
None of the above	50%	52%

Is your company taking any of the following *employee compensation* actions in 2010? (Select all that apply.)

	Nat'l	State
Freezing pay	30%	28%
Deferring increases	20%	20%
Reducing pay	7%	10%
Reducing benefits	10%	13%
None of the above	52%	51%

What are your company's planned capital expenditures in 2010?

	Nat'l	State
Less than \$1 million	59%	62%
\$1 million - \$4.9 million	21%	16%
\$5 million - \$9.9 million	5%	3%
\$10 million - \$24.9 million	3%	6%
\$25 million or more	2%	7%
No capital expenditures planned	10%	6%

What is your company's source of funding for capital expenditures in 2010? (Select all that apply.) [Companies with planned capital expenditures in 2010]

	Nat'l	State
Cash flow from operations	84%	91%
Bank financing	42%	39%
Leasing	14%	16%
Owner infusion	7%	11%
Initial public offering (IPO)	0%	0%
Private equity	2%	3%
Other	1%	5%

Does your company have a formal written strategic plan?

	Nat'l	State
Yes	47%	53%
No	53%	47%

Do you intend to make significant changes to your company's strategic plan in 2010? [Companies with a formal written strategic plan]

	Nat'l	State
Yes	22%	3%
No	78%	97%

Has your company experienced difficulty in securing credit?

	Nat'l	State
Yes	19%	19%
No	81%	81%

Has your company's difficulty securing credit impacted the ability to grow your business? [Companies with difficulty securing credit]

	Nat'l	State
Yes	64%	58%
No	36%	42%

Policy issues

How concerned are you about pending legislative issues and the impact on your business?

	Very concerned		Somewhat concerned		Not at all concerned	
	Nat'l	State	Nat'l	State	Nat'l	State
Health Care Reform	70%	72%	24%	22%	6%	6%
Employee Free Choice Act (EFCA)	55%	49%	26%	30%	19%	21%
Cap and Trade	48%	52%	32%	27%	21%	21%
Energy Policy	40%	43%	41%	47%	19%	10%
Additional regulatory requirements	48%	58%	41%	37%	11%	4%

What would be the impact of the following tax policy changes on your company? [Privately held C-Corporations]

	Very positive impact		Somewhat positive impact		No impact		No opinion	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Reduction in the corporate tax rate	49%	50%	33%	35%	16%	15%	2%	0%
Elimination of the double tax on foreign earnings	11%	5%	13%	10%	63%	70%	13%	15%
Repatriation of foreign income at 10% or less tax rates	9%	0%	13%	20%	61%	65%	17%	15%

As a pass-through entity, changes in tax policies may have an impact on the owners and shareholders of your company. What would be the eventual impact of these tax policy changes on your company? [Privately held S-Corporations, Partnerships, and LLC's]

	Very positive impact		Somewhat positive impact		No impact		No opinion	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Elimination of the double tax on foreign earnings	4%	6%	10%	14%	67%	67%	18%	14%
Repatriation of foreign income at 10% or less tax rates	4%	6%	9%	3%	65%	72%	22%	19%

As a pass-through entity, expiring tax cuts will result in increased rates that could impact the owners and shareholders of your company. How concerned are you about the impact of these increased rates on your company? [Privately held S-Corporations, Partnerships, and LLC's]

	Very concerned		Somewhat concerned		Not at all concerned		No opinion	
	Nat'l	State	Nat'l	State	Nat'l	State	Nat'l	State
Increased personal tax rates	61%	61%	27%	31%	9%	8%	4%	0%
Increased capital gains tax rates	55%	56%	29%	33%	11%	11%	5%	0%
Increased dividend tax rate	43%	47%	28%	25%	22%	25%	7%	3%
Return of the estate tax in 2011	45%	50%	28%	28%	19%	14%	8%	8%