Results from the Texas Business Needs Survey

April 7, 2023

Background

The Texas Business Needs Survey was conducted to better understand the challenges facing Texas businesses, particularly those in more rural parts of the state, and to get their feedback on the types of assistance that would best help them grow. InState Partners contracted with Polco, an online engagement platform designed to give government and community leaders data-driven insights, to conduct the survey. Several forms of outreach were used to publicize the survey to these businesses, including emails to a list of businesses maintained by InState Partners where an email was available, postcards sent to a random sample of those businesses from the InState list that did not have an email, emails sent to local and regional economic development councils to forward to their business membership by the Texas Economic Development Council (TEDC), and social media outreach by TEDC. Data collection started February 15, 2023 and closed March 31, 2023. A total of 122 responses were received. Businesses participating in the survey were asked in what zip code their business was located; these zip codes were matched to a file from the US Census that describes the portion of a zip code that would be considered rural versus urban; these zip codes were than classified as being 30% or more rural, or less than 30% rural.

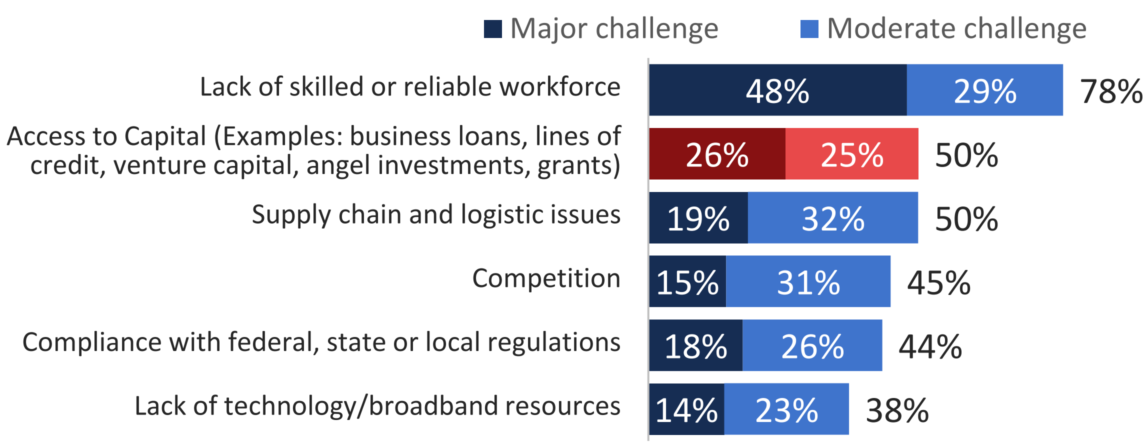
Access to capital was cited as a major or moderate challenge by half of businesses surveyed

From a list of six challenges included on the survey, the challenge the highest proportion of businesses in Texas said they faced was a lack of skilled or reliable workforce; 8 in 10 businesses in more rural areas said this was a major or moderate challenge, while about 7 in 10 businesses in less rural areas cited this as a major or moderate challenge.

The next most frequent challenge was access to capital, considered a major challenge by about 1 in 4 businesses and a moderate challenge by an additional 1 in 4 businesses. About half of businesses in more rural and less rural areas felt this was a major or moderate challenge.

Supply chain and logistic issues were a major or moderate challenge for about 5 in 10 businesses. Each of the other three challenges asked about on the survey were considered to be a major or moderate challenge by about 4 in 10 businesses (competition; compliance with federal, state or local regulations; and lack of technology/broadband resources). Lack of technology/broadband resources were a bigger problem for businesses in more rural areas (44%) than for those in less rural areas (34%).

Please rate how much of a challenge, if at all, the following issues are to operating or growing your business

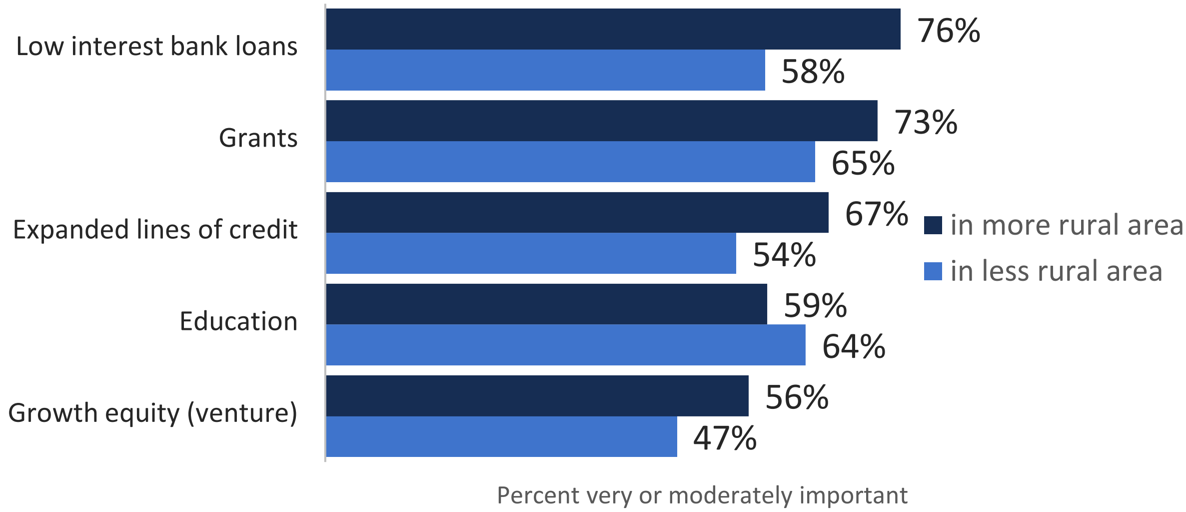


Percent major or moderate challenge

Two-thirds or more of businesses in rural areas felt their company would benefit from expanded lines of credit, low interest bank loans or grants

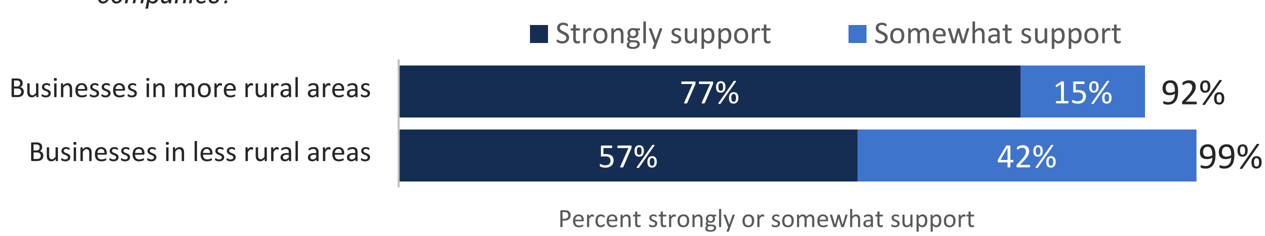
Just over half (56%) felt they would benefit from growth equity (venture).

To what extent, if at all, would your business benefit from access to following financial resources?



Nine in 10 businesses would support a state policy encouraging investment in small, rural businesses by making it easier for them to access the capital needed to grow or sustain their companies

To what extent would you support a state policy encouraging investment opportunities in small, rural businesses by making it easier for them to access the capital needed to grow or sustain their companies?

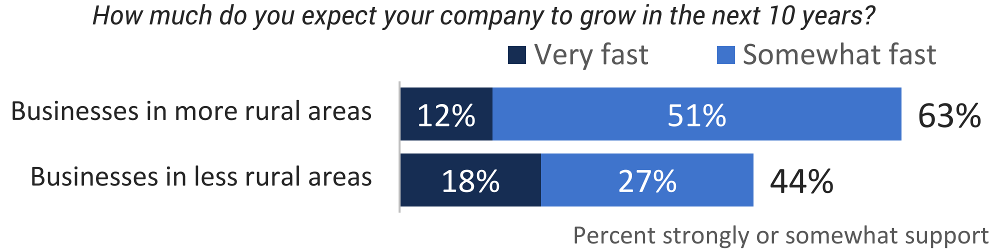


Businesses in more rural parts of Texas are poised for growth

When asked how much they expect their company to grow in the next 10 years, 1 in 10 rural businesses said they expected to grow very fast, and an additional 5 in 10 expected to grow somewhat fast (63% of rural businesses; about 3 in 10 expected to grow very or somewhat slow, and 1 in 10 were unsure). Nearly half (44%) of businesses in less rural areas expected to grow somewhat or very fast.

Of those businesses planning on growth, overall 8 in 10 planned to expand their operations in Texas, with rural businesses even more likely to expand within Texas (87%) compared to businesses in less rural areas (76%).

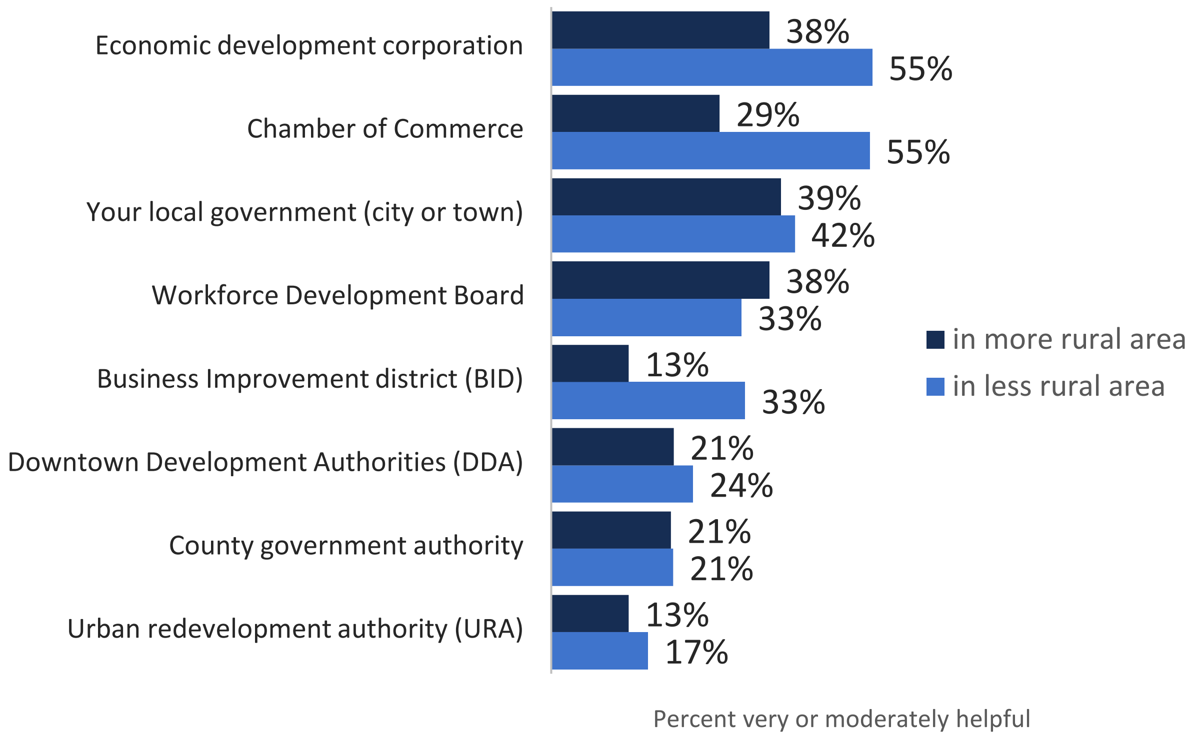
How much do you expect your company to grow in the next 10 years?



Overall, businesses were most likely to find an economic development corporation, a chamber of commerce, or their local government most helpful to their business

Businesses in more rural areas were less likely to find any group helpful, perhaps because these resources are less available to them, than were businesses in less rural areas. For those in more rural areas, the most helpful groups were local governments, economic development corporations, or Workforce Development Boards. For businesses in less rural areas, the most helpful groups were economic development corporations, Chambers of Commerce, or local governments.

How helpful, if at all, have the following economic development groups been to your business?



When examined by size of company (number of employees), the top three groups were similar. However, economic development corporations were somewhat more helpful to those with 10 or more employees (59%) than those with fewer than 10 employees (48%).

Workforce Development Boards, Downtown Development Authorities, and Urban redevelopment authorities were found to be somewhat more helpful (37%, 25%, and 17%, respectively) for those with fewer than 10 employees than those with 10 or more employees (25%, 11%, and 10%, respectively).

For companies with annual revenue of less than $1 million Chambers of Commerce were more helpful (49%) than for companies with revenue of $1 million or more (37%), while economic development corporations were more helpful for those with larger revenues (51%) than for those with smaller revenues (44%).

Other differences in survey responses were noted by size of company (number of employees) and annual revenue.

Lack of skilled or reliable workforce, supply chain and logistic issues, and compliance with regulations were all greater challenges for those with revenue of $1 million or more (84%, 62%, and 54%, respectively) compared to those with less revenue (66%, 37%, and 38%, respectively).

Access to capital was a much greater challenge for business with less $1 million revenue (70%) than for those with revenue of $1 million or more (35%). Lack of technology or broadband resources was a somewhat greater challenge for companies with revenues of less than $1 million (45%) than for companies with revenues of $1 million or more (31%).

Similar patterns were observed by the size of the company (number of employees).

Those with greater revenue or more employees were more likely to say they expected their company to grow very or somewhat fast in the next 10 years than those with smaller revenue or fewer employees. However, of those expecting to grow, similar proportions in each group planned to expand their operations in Texas.

Grants, low interest bank loans, expanded lines of credit and growth equity were more important for companies with smaller revenues than they were for companies with revenues of greater revenue, although a majority of companies said each of these was at least moderately important. Access to these financial resources were of much greater importance to companies with fewer than 10 employees than they were to companies with 10 or more employees.

While over 9 in 10 businesses would somewhat or strongly support a state policy to encourage investment opportunities in small, rural businesses, three-quarters of business with revenue less than $1 million would strongly support such a policy compared to about 6 in 10 businesses with revenue of $1 million or more. About 7 in 10 companies with fewer than 10 employees would strongly support such a policy compared to 3 in 10 businesses with 10 or more employees.