

FROM THE NATIONAL CENTER FOR THE MIDDLE MARKET
IN COLLABORATION WITH THE CHICAGOLAND CHAMBER OF COMMERCE



STATE OF THE
MIDDLE MARKET IN
ILLINOIS

Middle market performance in Illinois is strong, but growth lags behind national averages. Despite low confidence levels and key challenges, Illinois businesses project robust future growth.



NATIONAL CENTER FOR
THE MIDDLE MARKET

In Collaboration With



EXECUTIVE SUMMARY

Mirroring the performance of middle market businesses across the nation, mid-sized firms in the state of Illinois are healthy and growing, and the vast majority have maintained or increased both gross revenues and employment in the past 12 months. However, current growth rates lag somewhat behind national middle market averages.

Looking forward, Illinois companies anticipate making up these differences. In fact, firms in the state have an even brighter outlook for the year ahead than their peers around the nation. Recent increases in sales and customer bases combined with better overall economic conditions and plans for expansion drive the optimistic projections for future performance. Yet, in contrast to the positive forecast, Illinois business leaders are much less

confident in their state and local economies than middle market executives located in other cities and states. While firms in Illinois appreciate the state's tax incentives, Illinois' central geographic location, and the local infrastructure, many are concerned with the cost of doing business, burdensome regulations, and Illinois' corporate tax structure and workers' compensation laws.

Local business leaders are more likely than their peers to be highly concerned about the potential impact of state and federal government actions on their businesses, especially leaders who lack confidence in the state economy. In addition, the skills gap in Illinois and the lack of qualified candidates to fill available positions may be another headwind that could hinder the aggressive growth goals cited by Illinois firms.

KEY FINDINGS



REVENUE GROWTH IS ROBUST, BUT SLOWER THAN THE NATIONAL AVERAGE

Nearly seven in 10 (69%) Illinois middle market businesses report year-over-year revenue increases with mean total revenue growth of 6.0%. Fewer than two in 10 (18%) report a decrease in revenues compared to 12 months ago. While mean growth for Illinois companies lags somewhat behind the national average of 7.4%, the majority of the middle market in Illinois is growing at a healthy rate.



MORE FIRMS ARE HIRING IN ILLINOIS, BUT AT A LESS RAPID RATE

More than half (51%) of Illinois middle market companies say their workforce is larger today than one year ago, compared to 43% of firms across that nation that reported hiring increases. However, companies in Illinois added workers at a slightly slower rate. They report 3.9% mean employment growth versus 4.3% for the national middle market. For 14% of Illinois companies, the size of the workforce decreased over the past year.



ILLINOIS COMPANIES ANTICIPATE GROWING MORE AGGRESSIVELY THAN THEIR NATIONAL COUNTERPARTS

A clear majority—68%—of middle market businesses in Illinois expect to increase revenues, and more than four in 10 (43%) anticipate increases in employment over the next 12 months; both percentages exceed the national averages for future growth. These businesses also anticipate higher rates of growth than other middle market businesses across the country. Furthermore, the firms forecast significant expansion within their own companies despite that fact that just 39% of businesses expect industry growth during the same time period.



COMPANIES LACK CONFIDENCE IN THEIR STATE AND LOCAL ECONOMIES

Illinois business leaders tend to be slightly less confident in the global and U.S. economies than other business leaders across the country. However, a clear majority (70%) are at least somewhat confident in the national economic picture. Closer to home, the outlook changes dramatically, and is in contrast to trends seen in other areas of the country. While most business leaders across the nation express greater confidence in their state and local economies, in Illinois, fewer than half (44%) of firms are confident in their local economies and only 24% feel positive about conditions in the state.



LEADERS ARE CONCERNED ABOUT GOVERNMENT ACTIONS AND STRUGGLE TO FIND QUALIFIED CANDIDATES TO FILL JOBS

In addition to typical concerns related to revenue growth and the cost of doing business, more than eight in 10 business leaders in Illinois are concerned with the impact of state government actions on their businesses, with 46% citing this issue as highly challenging. Internally, business leaders struggle to find qualified candidates to fill open positions, especially in areas of top job growth such as operations and marketing and sales.

ILLINOIS MIDDLE MARKET BUSINESSES DEFINED



OVER
2.7MM
TOTAL EMPLOYEES

31% of total employees in the state



OVER
6,500
COMPANIES

1% of all companies in the state



416
average employees per company

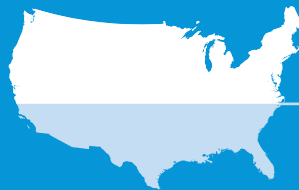


\$45MM
average revenue per company



+\$297B
total annual revenue

20% OF ALL REVENUE GENERATED BY BUSINESSES IN THE STATE

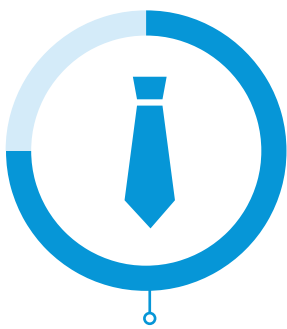


48%
OF ILLINOIS MIDDLE MARKET FIRMS OPERATE ENTIRELY IN THE UNITED STATES



80%
OF ILLINOIS BUSINESSES ARE BASED IN ILLINOIS BECAUSE THEY WERE FOUNDED THERE

MOST POPULAR RESOURCES USED BY ILLINOIS MIDDLE MARKET FIRMS



75%
CONSULTANTS



54%
CHAMBER OF COMMERCE



33%
UNIVERSITIES



31%
ECONOMIC DEVELOPMENT ORGANIZATIONS

STRONG PAST YEAR PERFORMANCE



60%

REPORT IMPROVED YEAR-OVER-YEAR PERFORMANCE

51%

INCREASED HIRING
3.9% EMPLOYMENT GROWTH

69%

INCREASED REVENUE GROWTH
6.0% REVENUE GROWTH

OPTIMISTIC OUTLOOK



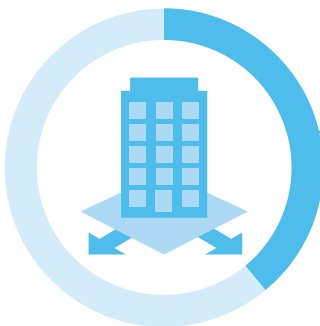
68%

OF ILLINOIS MIDDLE MARKET LEADERS EXPECT GROSS REVENUE TO INCREASE



43%

OF ILLINOIS MIDDLE MARKET FIRMS EXPECT TO ADD JOBS



OF ILLINOIS MIDDLE MARKET FIRMS EXPECT INDUSTRY TO EXPAND



35% report improved profit margins



49% believe their company is outperforming its competitors



48% increased the customer base

TOP CHALLENGES IN ILLINOIS



89% ABILITY TO GROW REVENUE

87% COST OF DOING BUSINESS

86% COST OF HEALTHCARE

83% ABILITY TO MAINTAIN MARGINS

82% UNCERTAINTY OF HOW STATE GOVERNMENT ACTIONS WILL IMPACT BUSINESS

LOW STATE AND LOCAL CONFIDENCE



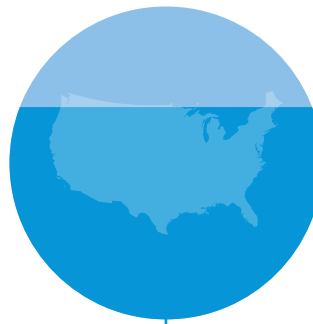
44%

AT LEAST SOMEWHAT CONFIDENT IN THE LOCAL ECONOMY



24%

AT LEAST SOMEWHAT CONFIDENT IN THE STATE ECONOMY



70%

AT LEAST SOMEWHAT CONFIDENT IN THE U.S. ECONOMY



43%

AT LEAST SOMEWHAT CONFIDENT IN THE GLOBAL ECONOMY

SKILLS GAP MAKES IT CHALLENGING TO FILL OPEN POSITIONS

Firms are primarily adding jobs in marketing and sales, operations, and IT; the areas where it is most difficult to find qualified candidates.



65%

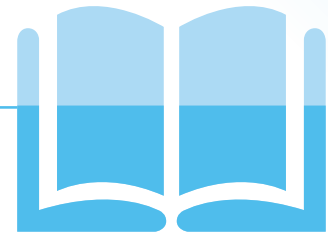
OF FIRMS HAVE OPEN POSITIONS

34% HAVE 3-10 OPEN POSITIONS

65% say it is somewhat/extremely difficult to find qualified candidates for open positions

57%

BELIEVE LOCAL EDUCATION CONTRIBUTES TO THE SKILLS GAP



46%

believe K-12 STEM education is fair/poor

31%

believe community college STEM education is fair/poor



46%

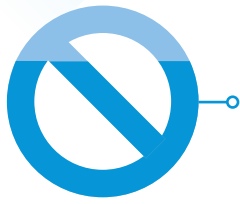
of firms believe policies that promote a local workforce with skills that match company needs would benefit their business



45%

believe an increase in minimum wage would have an impact on hiring

TAX AND REGULATORY REFORM IS NEEDED TO REDUCE THE COST OF DOING BUSINESS



73%

BELIEVE BURDENSOME STATE REGULATIONS ARE AT LEAST SOMEWHAT CHALLENGING

55%

believe the costs and time required to comply with regulations outweighs the benefits they provide



27%

would reallocate tax savings to add jobs or invest in training and development



38%

would allocate tax savings to capital expenditures



63%

BELIEVE LOWER CORPORATE TAXES WOULD BENEFIT BUSINESS



62%

BELIEVE LOWER PERSONAL TAX RATES WOULD BENEFIT BUSINESS



56%

BELIEVE SIMPLIFICATION OF INDUSTRY REGULATIONS WOULD BENEFIT BUSINESS



79%

ARE IN FAVOR OF RIGHT TO WORK LEGISLATION

63%

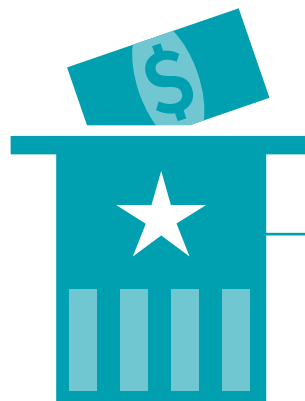
agree Right to Work legislation has a positive impact on Michigan and Indiana state economies



44%

of firms says economic development efforts are very to extremely relevant

IMPORTANT ELEMENTS TO A PRO-GROWTH TAX CODE



43%

OVERALL SIMPLICITY

28%

LOWER CORPORATE TAX RATES

CHICAGOLAND MIDDLE MARKET BUSINESSES DEFINED



OVER
2.2MM
TOTAL EMPLOYEES

32% of total employees in the state



NEARLY
5,000
COMPANIES

1% of all companies in the state

458

AVERAGE EMPLOYEES PER COMPANY



+\$237B

TOTAL ANNUAL REVENUE

21% of all revenue created by businesses in the state

OVER
\$47MM

AVERAGE REVENUE PER COMPANY

CHICAGOLAND COMPARED TO THE REST OF THE STATE OF ILLINOIS



62%

OF CHICAGOLAND COMPANIES EXPERIENCED IMPROVED COMPANY PERFORMANCE

4.6% MEAN GROWTH

COMPARED TO **48%** OF NON-CHICAGOLAND COMPANIES

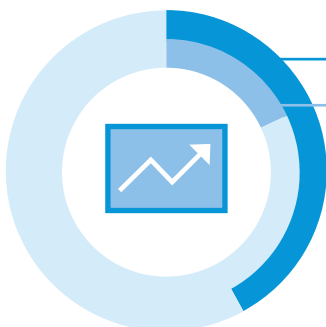
4.5% MEAN GROWTH



45%

OF CHICAGOLAND COMPANIES EXPECT INDUSTRY EXPANSION IN NEXT 12 MONTHS

COMPARED TO **24%** OF NON-CHICAGOLAND COMPANIES



42%

OF CHICAGOLAND COMPANIES EXPERIENCED IMPROVED PROFIT MARGINS OVER THE PAST YEAR

COMPARED TO **18%** OF NON-CHICAGOLAND COMPANIES



42%

OF CHICAGOLAND COMPANIES BELIEVE MINIMUM WAGE IS TOO LOW

COMPARED TO **12%** OF NON-CHICAGOLAND COMPANIES

ABOUT THIS STUDY



ABOUT THE U.S. MIDDLE MARKET

The U.S. middle market is defined by companies with annual revenues between \$10 million and \$1 billion. In addition to their geographic and industry diversity, these companies are both publicly and privately held and include family-owned businesses and sole proprietorships. While the middle market represents approximately 3% of all U.S. companies, it accounts for a third of U.S. private sector GDP and jobs. The U.S. middle market is the segment that drives U.S. growth and competitiveness.



ABOUT THE RESEARCH

More than 100 executives representing middle market firms operating throughout Illinois responded to a survey focused on key indicators of past and future revenue and employment performance, economic confidence, and key business challenges. The results from the Illinois survey were supplemented by additional responses received from Illinois business leaders during the National Center for the Middle Market's Q1 2015 Middle Market Indicator survey. The Illinois middle market study was designed to accurately reflect the performance and perceptions of the 6,500 middle market businesses located in the state of Illinois.

RESEARCH PRODUCED BY:



**NATIONAL CENTER FOR
THE MIDDLE MARKET**

Founded in 2011 in partnership with GE Capital, and located at The Ohio State University Fisher College of Business, The National Center for the Middle Market is the leading source of knowledge, leadership and innovative research on the U.S. middle market economy. The Center provides critical data, analysis, insights and perspectives to help accelerate growth, increase competitiveness and create jobs for companies, policymakers and other key stakeholders in this sector. The Center's website, which offers a range of tools and resources for middle market companies, can be visited at www.middlemarketcenter.org.



The primary role of the Chicagoland Chamber of Commerce is to make Chicagoland the most business-friendly region in America by enhancing members' success through programs in advocacy, member benefits and services, and actionable information. Serving as "The Voice of Business" since 1904, the Chamber leads public policy and business growth initiatives and creates meaningful events and programs to inform, engage, and connect members to each other and the community. Visit ChicagolandChamber.org.

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**ILLINOIS CHAMBER
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**ILLINOIS TECHNOLOGY
ASSOCIATION**



**Illinois Food
Retailers Association**

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