

NFIB National Small Business Poll

The **National Small Business Poll** is a series of regularly published survey reports based on data collected from national samples of small business employers. The initial volume was published in 2001. The **Poll** is designed to address small business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

Current individual reports are publicly accessible on the NFIB Web site (www.nfib.com/research) without charge. They are also available at www.411smallbusinessfacts.com. The 411 site also allows the user to search the entire data base. It searches all of the questions in all of the individual Polls with a user-friendly Google-type, key word, topic, or Poll sort facility.

Published (printed) reports can be obtained at \$15 per copy or by subscription (\$100 annually) by writing the **National Small Business Poll**, NFIB Research Foundation, 1201 "F" Street, NW, Suite 200, Washington, DC 20004. The micro-data and supporting documentation are also available for those wishing to conduct further analysis. Academic researchers using these data for public informational purposes, e.g., published articles or public presentations, and NFIB members can obtain them for \$20 per set. The charge for others is \$1,000 per set.

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Poll



*Growth – External
Impediments*

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National Small Business Poll



Growth – External Impediments

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Executive Summary

- Small-business owners want to grow, though most want to grow modestly in absolute terms. Seventy-two (72) percent desire to add employees in the coming five years, a plurality wanting to add between one and four positions. Eighteen (18) percent do not want to change size and 6 percent want to contract.
- Not all desired growth is “new growth”. While 41 percent want to add employees compared to where they were in 2008, 24 percent simply want to recoup employees lost over the last three years. Another 17 percent have down-sized their business, though a few in that group want to replace some of the positions lost during the Great Recession.
- The two principal impediments to current small-business growth are business uncertainty and weak sales. These two impediments are identified, equally, though small employers who emphasize one do not necessarily emphasize the other. The single most important indicator that would renew small-business owner confidence in business conditions is increased sales in their businesses. Eight percent see no serious impediments to growth.
- Just over half of small-business owners who claim the lack of market demand is an impediment to growth plan to substantially change their approach to marketing their goods and/or services in the next five years. Twenty-eight (28) percent of that group (19% of the population) plan to introduce a product, service or process that they have created, modified or significantly refined and to promote or license it/them as an innovation.
- Over half (53%) who think the lack of finance is an impediment also think that internally generated cash flows will be their most important source of financing desired investment over the next five years. Bank loans will be the second most common source. However, 33 percent of those identifying lack of finance as an impediment to growth say that existing financial obligations are “seriously constraining” their ability to finance desired business investment and another 44 percent say that they are constraining it. Just 5 percent think finance is an impediment to growth, plan to use banks as their primary source of finance, and do *not* have current “constraining” financial obligations.
- Sixty-one (61) percent reporting the lack of skilled employees as an impediment (or 24% of the population) would hire at least one additional employee at the current market wage rate in the next six months if they could find people with appropriate skills. Over 37 percent (9% of the population) would employ more than one. During the depths of the Great Recession, almost three times as many had too few skilled employees on the payroll as had too many.
- Just 15 percent of small-business owners cite the lack of a strong management or advisory team as an impediment to growth. Of the group currently possessing a management team, 47 percent are highly confident their current team can provide the necessary assistance to reach the firm’s growth objectives in the next five years.
- The regulatory thicket is a greater impediment to growth for those citing law/regulatory issues than is a specific regulation or set of them. Sixty-three (63) percent of the group (31% of the population) had a current investment or project impacted by regulatory matter, with one-quarter of them either cancelling a project scheduled over the last six months or abandoning investment and/or project plans.
- The practical capacity to access necessary technology is not often considered an impediment to growth.

Growth – External Impediments

Small-business growth, or more precisely, the lack of small-business growth, and the accompanying lack of job creation has proven an enigma to policy-makers, at least since the technical end of the Great Recession. While research shows that a substantial share of net new jobs is associated with the formation of new businesses, growth of established firms also plays an important job creation role. This role is most prominent among the youngest businesses. Still, owners of established small businesses typically also want to grow. It is therefore important that policy-makers understand the impediments to small-business growth among established firms in order to appropriately structure growth incentives.

Growth impediments originate in two places: within the individual owner (potential owner) and without, in the environment. This issue of the *National Small Business Poll* focuses on the latter. And, while these external impediments are more likely to change, and change more quickly, with conditions and circumstances than internally generated impediments, they also represent the point(s) where policy-makers can make the greatest immediate difference.

Desired Growth

Almost three-quarters (72%) of small employers want to grow their businesses over the next five years (Q#1). Most wish to grow them modestly in absolute numbers, though substantially in percentage terms. Forty-three (43) percent of that group want to add one to four employees and another 17 percent want to add five to nine. Still, 19 percent desire to take on 10 or more employees in the five-year time frame of which 2 percentage points want to hire 50 or more.

Desired additions represent significant employment increases in percentage terms for many firms. For example, the median desired growth is over 100 percent, that is, more than doubling current employee size. Owners of the smallest ventures want the highest percentage growth (and the lowest in absolute numbers) and owners of the largest want the lowest percentage growth (and the highest in absolute numbers). Yet, even owners of the largest (20 or more employees) want to grow substan-

tially on a percentage basis. The median desired growth of small employers with enterprises in that size category is about 50 percent.

The desire to grow does not vary appreciably between those with businesses five years old and younger and those that are more established. That is notable since younger firms are more likely to grow. As a result, researchers must look beyond the desire to grow to explain the age differential.

Part of this desire to grow undoubtedly is linked to recovery of prior employment losses incurred during the Great Recession. Forty (40) percent of small-business owners report a net loss of employees since 2008 compared to 16 percent who reported a net increase (Q#D3). To explore the point further, all firms were divided into four groups on the basis of their owners' wishes to grow over the next five years and their performance in the last three. The first group included those who wanted to grow in order to recoup employment losses suffered

over the last three years. That group constitutes 24 percent of the population. A second group includes those whose firms did not change size over the last three years and the owners have no intention to change in the coming five. Thirteen (13) percent of the population fall into this group. The third group consists of those who are down-sizing. Their members either plan to contract or have lost employees over the last three years and do not want to grow (or grow enough) to recoup prior employment losses. Seventeen (17) percent are down-sizing. In contrast, 41 percent desire to grow and have more employees in five years than they had three years ago. This group includes owners who have experienced net employment growth, stagnation and loss of employment since 2008. Data for the remaining 5 percent were not available.

Not every small employer wants to grow in the next five years, though current impediments, if eliminated, might change their perspective. Eighteen (18) percent are satisfied with their present size; they want to have the same number of employees in five years as they have today. Another 6 percent prefer to contract; they think they are too big already. Combined, this group represents about one-quarter of all small businesses.

Nothing is inherently wrong with either the stabilization or contraction goal. If, for example, the owner cannot control growth or effectively manage the business at a greater size, it makes little sense to take on more people; growth merely jeopardizes the firm's existence and those employed in it. The principle holds for contracting the firm. But the important implication is that some small-business owners have learned to live, even prosper, with smaller workforces. They have become more productive. The jobs they shed are therefore not likely to return, other factors equal. The number fitting this description is unknown, but the more there are the longer it will take for smaller firms to hire in the quantities they did before onset of the Great Recession.

Spread across almost six million operating small businesses, the unrealized wishes of small-business owners represent a huge potential for increasing employment throughout the American economy. Yet, small-business owners remain reticent to hire additional people despite their expressed desire to grow. Even allowing for a reasonable amount of exaggerated hopes in their expressed wishes, the

yawning gap between their desired growth (measured by employment) and their current performance, poses the obvious question – why? Why do small-business owners want to grow, but do not?

External Impediments to Growth

The survey measures the relative importance of external impediments to growth in two ways and both yield similar results. The first asks each small-employer respondent to evaluate the seriousness of eight potential impediments to growth on a scale of one (no impediment) to seven (severe impediment). The second asks them which of that same group of eight impediments is the single most important. The latter also includes the category “no serious impediments to growth” which drew 8 percent of all respondents (Q#10).

Small-business owners identified uncertainty and the lack of market demand as the most important current external impediments to growth. Uncertainty received an average evaluation of 4.86 (on a 1 – 7 scale) (Q#6) compared to 4.46 for the lack of demand (Q#2). However, 25 percent named demand as their single greatest impediment versus 22 percent who named uncertainty. Which of the two is the greater current external impediment to small-business growth can therefore be debated. But what cannot be debated is that no other impediment is nearly as significant. A lack of finance, which ranks third on the list, drew only an average of 3.82 with 16 percent citing it as their greatest impediment. Laws/regulations and a lack of skilled employees followed at 3.67 and 3.25 respectively.

The survey instrument establishes the severity of a potential impediment to small-business growth. Additional questions typically follow to elaborate on owner assessments. Respondents who offered a 4 – 7 evaluation of an impediment (on a seven-point scale) received the follow-up questions; those providing a 1 – 3 evaluation did not.

The Lack of a Market (Demand)

Fifty-three (53) percent think the lack of a market or market demand is a factor impeding growth; 32 percent do not. Fourteen (14) percent cite a middle ground. Regardless of the group's current market share, more see the market for the goods and/or services they sell as declining rather than growing. Twenty-two (22) percent see their market growing,

39 percent declining, and 38 percent stable (Q#2a). A potential reason for change, and one over which they have little control, is population change. Indeed, about 35 percent who think the market is changing call population change either a primary reason (13%) for their market's behavior or a partial reason (22%) for it (Q#2a1). However, population is substantially more often associated with perceived market growth than with market decline.

There are three fundamental ways to increase sales: change business or marketing strategies, introduce new goods and/or services, or increase promotion efforts. Despite complaints that sales are an impediment to desired growth, relatively few expect to significantly change their marketing approach over the next five years. Just 4 percent of those who think market demand is an impediment intend to fundamentally change their marketing approach in the immediate future and another 11 percent intend to change it a lot (Q#2b). But 24 percent expect to change just a bit and another 28 percent expect no change. Thus, over half with sales issues plan to make little if any change in their approach to the market. This outlook suggests many small employers view the current situation as temporary, ripe for rebound, rather than permanently changed.

A second possible way to increase sales is to introduce new products, services, and/or processes. Introductions can be new to the firm, new to the area, or new to the market. The survey question specifically framed the issue as a product/service/process they created, modified, or significantly refined and which they plan to promote or license as an innovation. Therefore, they were being asked about an introduction that was novel. Twenty-eight (28) percent indicated that they expected to do that in the next five years (Q#2c). Owners of firms employing more than 20 people were particularly keen to take this route compared to owners of smaller ventures. The advantage of this approach, if successful, is that it places those who pursue it in a better position if economic recovery continues to lag or if the market has permanently changed.

A third possibility is to budget more resources for marketing, promotion or sales. This step could prove particularly difficult given that the reason they likely want to increase their budgets is that sales have been weak. Yet, 20 percent will either significantly

or notably increase their expenditures for this purpose, with the smallest firms more likely to increase theirs than larger, small firms (Q#2d). In contrast, 32 percent intend no change while 10 percent plan to cut theirs.

Though comparatively few plan to pursue substantial change in any one of the three specific areas, many more intend to move in at least one of them. For example, 55 percent will make a substantial change in at least one area, while 76 percent will make some changes, albeit often modest. Still, that leaves about one in four who claim sales are an impediment but plan no initiative(s) to combat it.

The Lack of Finance

Forty-one (41) percent report the lack of finance as an impediment to growth with 19 percent ranking it a serious matter (Q#3). Though 15 percent of small employers assert that the lack of finance is their biggest obstacle to growth, 49 percent term it a minor or no obstacle. The remaining 10 percent straddle the question.

The size of the investments that small-business owners facing financial impediments need to make over the next five years appears relatively large on average. Eighteen (18) percent need to invest more than the current amount of their annual gross receipts and another 11 percent require investments that approximate them (Q#3b). The remainder of small employers who see finance as an obstacle to growth need lesser amounts. Twenty-two (22) percent require the equivalent of half their current annual gross receipts, 26 percent about one-quarter, and 18 percent only about 10 percent.

Small-business owners indicating that the lack of financing is an impediment to growth generally expect to finance the required growth investments in traditional ways. Fifty-three (53) percent say that the single most important source of financing for their necessary business investments over the next five years would be internally generated cash flows (Q#3a). In other words, over half expect to finance growth out of profits. Owners of the smallest, small businesses report this source more often than others (55%). Still, even owners of the largest, small businesses, that is, those employing 20 or more people, also report earnings as the most frequent source, though 8 percentage points less frequently than owners of smaller enterprises (47%).

The second most frequent most important financing source will be bank loans. Twenty-six (26) percent of those claiming finance as an impediment to growth identify bank loans as their expected principal financing source. Owners of firms employing 10 or more people are notably more likely to cite bank loans, 35 percent compared to 23 percent among those employing fewer than 10 people. The survey reveals no cause behind the size differential, though one could speculate on absolute amounts required, the capacity to internally generate adequate funds, as well as relative ease of larger and smaller firms tapping this source.

Ten (10) percent intend to bring new investors into the business in the next five years to help acquire their required capital resources. This figure seems high given that only a percent or two try to raise funds this way in any given year. It is important to remember, however, that respondents to this inquiry include only those small employers who think the lack of capital is an obstacle to growth, and that covers a five-year period not a single year. Just 2 percent expect to rely principally on trade credit, that is, suppliers, to principally finance their investments over the next five years with another 5 percent citing other sources.

A common reason that small-business owners often cannot invest as they wish is the financial obligations that they already have. Their balance sheets can show too much debt to take on new amounts of it and/or their cash flows from existing sales can be inadequate to cover repayment of new debt. The logical follow-up question to these possibilities therefore is, do current financial obligations constrain owners from investing as they would like. Clearly, they do. One-third (33%) of those who say a lack of finance is an impediment to growth also say present financial obligations are a serious constraint (Q#3c). Another 42 percent say present obligations are a constraint. Thus, 24 percent who report that the lack of finance is an obstacle to growth do *not* have current constraining financial obligations (12% of the population).

Financial impediments are frequently attributed to banks' willingness to lend. Examining these data does *not* support that assertion. Just 5 percent of those seeing finance as an impediment also expect bank loans to be the principal source of financing for their desired growth in the next five years and are not currently constrained by existing financial

obligations. That amounts to between 2 and 3 percent of the population.

The Lack of Skilled Employees

Though just 5 percent of small employers think that the lack of skilled employees is their single largest impediment to achieving desired business size, 27 percent think that it is an impediment to growth, 11 percent a severe one (Q#4). Thirteen (13) percent straddle the question. The survey did not define "skilled employees" for respondents.

The Great Recession and its aftermath depressed employment levels measured in practically any way possible. Yet, employers still complain about the lack of employees with adequate skills. That can be interpreted in two ways: there either are not enough people with such skills, period, or employers cannot or will not pay enough to hire them. At some point the two begin to converge. When asked if during the depths of the recent recession they had too many skilled people on the payroll, this group of small employers say "no". Fifty-five (55) percent report that at the recession's depths, they had about the right number of people with needed skills (Q#4c). However, 31 percent claim they had too few people while just 12 percent claim they had too many. Almost three times more were looking for skills than had a surplus of them at the depths of the Great Recession.

The labor market still has not rebounded as employers of all sizes have shown no eagerness to hire. Yet, 61 percent who view the lack of skilled employees as an impediment to growth would hire at least one (7% were undecided) in the next six months and 37 percent would hire more (Q#4b). The average number per firm potentially hiring is a little over 3.5 people. In other words, one-quarter (24%) of all small businesses would add employees now (or soon) if people with appropriate skills could be located. Just 32 percent of small employers who think that the lack of skilled employees is an obstacle to growth would *not* hire if they found people with appropriate skills.

The survey did not delve into the specific skills small employers would hire because the sample size is too small to identify specific skill sets or occupations.

Small-business owners employ a number of strategies to locate and recruit positions with hard-to-find skills. The most common is training people in-house. Forty-nine (49) percent use

in-house training as their primary strategy (Q#4a). This approach is risky for the small employer, suggesting that it is the only viable alternative available for many. The reason for the risk is that it involves locating a promising prospect, training that prospect, and retaining the services of that prospect after the training is completed. The strategy could fail at any point in the process, including recruitment by another employer, leaving the small employer without the needed skilled employee having already absorbed the training and associated costs.

The second most common strategy is no strategy. Twenty-five (25) percent simply pick up employees as they can. Owners of the smallest businesses are most likely to proceed in this manner (26%), though even the largest are not immune (19%).

The third most frequent strategy (10%) is to pay above-market wages and/or benefits for the required skilled people, followed by offering unique working conditions or opportunities (7%). Three percent each attempt to recruit people from outside the immediate area, a strategy more commonly associated with larger firms and government, and pay for people to be trained outside the firm.

The Lack of a Strong Management (Advisory) Team

The lack of a strong management or advisory team is not often considered an impediment to growth in part because few have (and perhaps do not want) management or advisory teams in the traditional sense and in part because they typically feel comfortable with the people they already have. Just 4 percent think the issue a severe impediment to growth, though 15 percent think the matter an impediment; 8 percent are in the middle. One percent consider it their single most serious obstacle. Curiously, the size of the business is not related to owner's perception of the lack of a strong management or advisory team as a growth impediment.

Most, but not all, of those who consider the lack of a strong management (advisory) team an impediment currently have other managers working in the enterprise. Twenty-two (22) percent do not have others, virtually all of whom employ fewer than 10 people (Q#5a). But even among those who do, 58 percent have only one or two people who have responsibility for managing or directing employees in addition to themselves. Employee size-of-firm obviously is directly related.

Forty-seven (47) percent who employ managers indicate that they feel "highly confident that this group of people can provide them the necessary assistance to achieve the desired growth goals over the next five years (Q#5a1). Another 25 percent claim they are "somewhat confident". Five percent say that they are "not too confident" and just 1 percent say that they are "not at all confident". As a rule, therefore, owners who think the lack of a strong management team is an impediment to growth are also confident in the team they have. That seems to be contradictory. However, it is possible that they are satisfied with the people they have, but need to supplement it or fill in holes.

That seems a likely explanation. Fifty-one (51) percent of those citing "team" as an impediment plan to add employees with management or supervisory functions within the next five years (Q#5b). The figure rises to 74 percent among the group currently employing 20 or more people. Thus, small-business owners concerned with strength of their management (or advisory) team typically want to add to it rather than replace it.

Uncertainty

Sixty-one (61) percent of small employers think uncertainty is an impediment to growth. Twenty-five (25) percent disagree with 13 percent in the middle. Owners of smaller, small firms are more likely to identify uncertainty than owners of larger, small firms. Owners of young firms are marginally more likely to identify it than owners of more established firms.

The majority of those who claim uncertainty as an impediment think of it as economic in nature. However, a comparatively large number term their uncertainty as related to political questions. Forty-seven (47) percent say their uncertainty is totally or mostly economic (Q#6a). Fourteen (14) percent claim theirs is totally or mostly political. However, 36 percent split their attributions between the two. An extraordinary 51 percent of small employers who think uncertainty is an impediment to growth (38 percent of the small-employer population) therefore blame the current political situation, at least in part, as obstructing their growth. Yet, economic uncertainty dominates; 83 percent say that it creates an impediment for them.

The survey did not define either economic or political uncertainty; it let respondents define these terms. But small-business owner

responses clearly suggest political, particularly when combined with economic, means government deficits and how they will be financed, future tax obligations, the implications of new regulatory requirements, pending requirements of the recent health-care overhaul, etc. Economic appears more closely tied to future sales and earnings, and the general course of the economy.

The survey was conducted in part as negotiations over the debt ceiling reached their most acrimonious. The outcome appeared to settle little. The result is that 46 percent of small employers who are concerned about uncertainty think that the amount of uncertainty is increasing (16 percent rapidly and 30 percent slowly) compared to 23 percent who think it decreasing (6 percent rapidly and 17 percent slowly) (Q#6b). Thirty (30) percent identify no change. As a result, small employers see conditions growing progressively more uncertain rather than less. The fact they substantially more often consider these changes gradual suggests they are not reacting to the news of the day, that is, the budget negotiations, but the overall condition.

A lack of confidence automatically leads to the question of what will restore it. The survey posed the question in terms of outcomes rather than policies, that is, the result that is most likely to restore small-business owner confidence in business conditions and the economy. The most frequent answer is increased sales. Thirty-seven (37) percent say that an increase in their firm's sales is the single most important thing that would restore their confidence (Q#6c). The second most commonly cited outcome (19 percent) is increased employment (or lower unemployment rates). Stabilized housing values is the third most frequently cited outcome (14%) followed by higher profit margins in the business (13%). Another 7 percent name a stronger stock market. However, 9 percent reject those responses and volunteer others, the most notable being the 4 percent who indicate that removal of elected office-holders would be the single most important factor that would restore their confidence.

Legal or Regulatory Issues

Forty (40) percent of small employers identify regulatory or legal issues as an impediment to growth with those owning businesses having 10 or more employees substantially more likely to cite them; 10 percent are on the fence (Q#7).

Eleven (11) percent term regulatory or legal issues their most significant impediment.

The obstacles involved almost always are regulatory in nature rather than legal. Eighty-two (82) percent of small employers identify regulatory issues as the obstacle with just 2 percent identifying legal (Q#7a). However, 6 percent volunteer that it is a mixture of the two. Nine percent did not respond. The large non-response suggests that respondents could not distinguish between them.

A substantial majority of owners who see regulation as an impediment to growth point to the thicket of rules and regulations rather than any one specific regulation or set of regulations. Fifty-eight (58) percent identify the regulatory thicket as the impediment compared to 36 percent who have one or a single set in mind (Q#7b). Seven percent did not answer.

A corollary is the location of the regulations. Public officials tend to think only about the regulations under their immediate jurisdiction rather than the canopy of them. Meanwhile, business people are often confused about their location because state and local jurisdictions are frequently compelled by federal action to take measures they may or may not have taken without compulsion, thereby blurring the lines of responsibility for those who must comply. However, the federal government receives most of the blame. Fifty-three (53) percent report the federal government is principally responsible for the regulations that are obstacles to growth (Q#7d). States draw the blame from another 17 percent and local (county and local) units draw it from 10 percent. Twelve (12) percent identify multiple jurisdictions, underscoring the problem created by the inability to locate ultimate responsibility. Six percent did not offer an answer, a relatively small number given the confusion and overlap among jurisdictions.

The direct, adverse impact of regulations is often difficult to identify. However, small-business owners who think regulation is an obstacle to growth are not shy about tying regulations to their business decisions. The most common impact over the last six months (20%) is that regulatory issues increased costs of a project or investment (Q#7c). Almost as many (19%) claim the primary impact has been to delay a planned project or investment. Thirteen (13) percent cancelled a project or investment and another 11 percent halted plans for one. About one-third of the population, there-

fore, have a current project or investment adversely affected by a regulatory impediment.

Not everyone who sees regulatory or legal impediments to growth has a project in immediate jeopardy. Nineteen (19) percent of small employers who say that regulations are an obstacle to growth provide other answers. The most common is “none”, implying the most likely reason for no impact is that affected small employers planned no projects or investments under existing conditions. Sixteen (16) percent do not know. Thus, the impact on 35 percent is more long-term and likely less specifically identifiable.

Family Demands

Family demands can be an impediment, but one that policy-makers typically have no control over. Though the matter is classified as an external impediment, it is arguably an impediment internal to the preferences of the owner. Regardless, 22 percent consider family demands an impediment to growth with 8 percent identifying it as a severe impediment; another 8 percent take a middle course (Q#8). Two percent call family demands their single most important impediment.

The Practical Lack of Access to Necessary Technology

The practical lack of access to necessary technology can be a significant impediment to growth. The unavailability of high-speed Internet in rural areas is often cited as a simple example. However, this impediment has an important aspect that differs it from others. If owners are not aware of the technology or its importance to their business, they are not likely to see the issue as an impediment. That means the impediment could be greater than many small employers realize.

Of the eight impediments listed on this survey, the practical lack of access to necessary technology is least often seen as one. Though its average severity is short of the lack of a strong management/advisory team’s, just 13 percent consider it an impediment and 4 percent a severe impediment; 8 percent are in the middle (Q#9). One percent see technology as their most important impediment.

The most often cited principal technology issue is financing the technology (23%) (Q#9b). In fact, half of those identifying the financing problem as their principal technology issue also termed the lack of financing a severe

impediment. The second most frequently cited (21%) is adopting a technology to conform to their needs. It is not clear if there is a size factor involved, that is, the technology has to be resized to fit the venture or the purchase price buys much more than the business needs. Firms normally must make adjustments with new technology, particularly more sophisticated technologies, which is another possible explanation for the response.

The third most often cited phenomenon, mentioned by 15 percent, is having employees accept the technology. The threat of technology to employees is an age old issue that clearly continues to this day. Eleven (11) percent noted locating or selecting the right technology. A great variety constituted the remainder of responses, with 15 percent not being able to identify any one issue or refusing to respond.

Forty-one (41) percent think a technology new to their firms is essential to achieve their desired business size; 59 percent do not (Q#9a). The result is that a majority already have the needed technology, but is in the market for some type of upgrade.

Current Impediments and Desired Employment Growth

The ultimate question of interest is the association, or lack thereof, of current impediments to growth and the desire to grow. If a small employer does not wish to add employees, then the identified impediments have less immediate relevance than if that small employer wants to increase his labor force. While it is possible that over time those who currently do not want to grow may change their minds or that impediments could impair the survival chances of non-growing firms, the immediate issue focuses on small employers currently holding a growth orientation.

Growth can be measured both by the absolute number of employees to be gained/lost in the next five years or the percentage gained/lost in that time frame. Both are reasonable measures of growth, but the modest employment numbers that many small businesses produce often distorts one or the other. For example, a two-employee enterprise can add two employees and grow 100 percent. A 50-employee enterprise can add five employees and grow 10 percent. Which of the two measures is more instructive? That is hard to say. The result is that the author uses

both with the outcomes frequently, though not always, similar.

The growth measures frequently produced outliers, that is, cases extremely different from others. To avoid the consequences of outliers, the author transformed the growth measures into brackets for the following analysis.

Impediments and Desired Absolute Employment Growth

Three impediments are statistically associated with small employers who want to add employees (in absolute terms) at the .05 level and three more at the .10 level. The strongest associations are with market demand, lack of financing, and uncertainty. The less severe these matters are as an impediment to growth, the more small employers want to grow, and vice versa. Since the three are also currently the most severe impediments, they impose a considerable challenge to overall small-business growth prospects.

Legal/regulatory, the management/advisory team, and family issues are also statistically associated, though less so than the three impediments just discussed. Still, they too create growth issues. The two not statistically associated are the lack of skilled employees and the practical lack of access to necessary technology. Both also have a comparatively low average evaluation as an impediment to growth, the latter being at the bottom. Thus, owners facing these are as a rule less inclined to grow, at least on an absolute basis.

The analysis controlled for other factors which might influence the relationship between the various impediments and desired absolute growth. The most powerful of these is employee size-of-business. Owners of larger, small firms on average want to add more employees over the next five years than owners of smaller, small firms. That is not surprising and involves the mathematical issues previously alluded to. But two other factors are not as obvious. The first is manufacturers compared to those in other industries. While manufacturing ventures are larger than the typical small business, their owners also have a greater growth orientation, other factors equal. The same is true of population density. On a 1 – 5 urban/rural scale, owners of enterprises located in highly urban areas are considerably more likely to want to grow on an absolute basis, other factors equal, than those in rural areas. A likely reason is that many businesses are highly population depen-

dent. Construction and retail are examples. The possibilities for growth therefore become greater in areas with greater population density.

Two variables that showed no relationship to desired growth are at odds with conventional thought. The first is young businesses, defined as five years old or younger, and more established firms. Owners of neither group are more inclined to grow than the other, other factors equal, despite literature showing younger firms are more likely to do so. That juxtaposition suggests factors other than desire to grow are depressing the performance among older firms. This survey does not help determine those factors. The second variable showing no difference is sex. Women are often characterized as less aggressive and less interested in growth than males. Part of this view can be attributed to the use of non-employer firms in many analyses, a data feature not present here. Further, males are more likely to own larger, small firms and manufacturing ventures, those whose owners are more likely to want to grow in absolute terms. Yet, when controlling for both, the male/female potential difference washes out. Too much can be made of this finding because the significance level is marginally outside accepted bounds.

Impediments and Desired Percentage Employment Growth

Measuring impediments against percentage growth alters many relationships from those established using an absolute measure. Still, most of the fundamental relationships remain.

Two impediments are strongly associated (statistically) with desired percentage employment growth - lack of finance and uncertainty. Differing from the absolute growth measure, market demand is totally unrelated. The reason for this flip is almost certainly tied to the growth measurement issue. Taking the analysis one step further, a practical lack of access to necessary technology is also statistically related and laws/regulations marginally so. Thus, the former also flips from the absolute measure. The remainder of impediments are not related.

The employee size-of-business factor is again strongly associated with the growth measure, but this time in the negative. Owners of smaller firms by the percentage measure wanted to grow more on a percentage basis than owners of larger ones. The mathematical distortion when small gains are wanted by

owners of very small firms creates an irresolvable issue. More highly related than employee size-of-business (statistically) is the urban/rural division. Small employers in areas of increasing population density are increasingly more likely to want to grow. An explanation for the phenomenon is presented above.

The sex and the business age firm variables become significant in the percentage growth analysis when neither are in the absolute growth analysis. However, both relationships are modestly significant. Each reverts to generally acknowledged outcomes. Males are more likely than females to want to grow, and owners of young ventures are more likely to want to grow than owners of more established ventures.

Again, small employers in the manufacturing industry are more inclined to grow than owners of firms in other industries.

Conclusion

Small-business owners clearly want to grow over the next five years, whether the growth measure is calculated in absolute numbers or percentage. Yet, they have shown no propensity to do so, at least since the onset of the Great Recession. Even prior to that time, a substantial number of small enterprises exhibited little or no growth after the first year(s). The mismatch between wishes and performance indicates the presence of impediments to growth.

The survey attempts to identify impediments that fortify this breach. Though it establishes a hierarchy of impediments for the population, it also isolates those that are more and less likely to be associated with growth desires. They include uncertainty and lack of finance followed by laws/regulation. Market demand is also strongly associated with growth defined as absolute numbers, but not associated at all with growth defined in percentage. This is likely a statistical artifact tied to small employment numbers in many firms.

The problem is that these impediments are not necessarily easily overcome or subject to immediate corrective action. The most tempting is to address the lack of finance, a problem ripe for public policy solution or so it would seem. However, current financial obligation held by most who think finance a problem limits useful public action in that direction until those obligations recede. And, once they recede, markets are likely to be there to finance

smaller firms. Similar problems arise with other impediments, such as market demand. Some impediment can be more directly addressed, including certainty and laws/regulations. But the findings in these pages provide a direction rather than a road map.

Growth – External Impediments

(Please review notes at the table's end.)

	Employee Size of Firm			
	1-9 emp	10-19 emp	20+ emp	All Firms
I. You told me earlier that you currently have _____ employees. About how many employees do you want to have five years from now?				
A. Net desired change in absolute numbers:				
1. Contract	6.0%	6.2%	9.3%	6.4%
2. No Change	17.3	19.8	20.0	17.8
3. 1 – 4 more employees	50.8	19.8	1.3	42.6
4. 5 – 9 more employees	15.6	29.6	12.0	16.8
5. 10 – 14 more employees	2.9	13.6	14.7	5.2
6. 15 – 19 more employees	2.5	2.5	5.3	2.8
7. 20 – 49 more employees	0.8	4.9	22.7	3.5
8. 50+ more employees	1.5	1.2	10.7	2.4
9. (DK/Refuse)	2.5	2.5	4.0	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
B. Net desired change in percent:				
1. Contract	6.0%	6.2%	9.3%	6.4%
2. No Change	17.3	19.8	20.0	17.8
3. < 25 percent more employees	0.5	6.3	11.8	2.3
4. 25 – 49 percent more employees	4.0	25.0	24.8	8.4
5. 50 – 99 percent more employees	16.9	27.6	14.4	17.8
6. 100 – 199 percent more employees	29.5	7.5	11.8	25.4
7. 200 – 499 percent more employees	8.9	2.5	1.3	7.4
8. 500 + percent more employees	13.5	2.5	2.6	11.3
9. (DK/Refuse)	3.2	2.5	3.9	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

There may be impediments to achieving your desired level of employment or business size. We've identified eight possible impediments. Please tell me how difficult you expect each of the following possible impediments to be on a scale of 1 to 7 where "1" means no impediment to achieving your desired business size and "7" means a severe impediment to achieving your desired business size?

2. Lack of a market or market demand (impediment)

1. No impediment	15.6%	13.4%	15.8%	15.4%
2.	8.2	11.0	11.8	8.9
3.	6.4	14.6	11.8	7.8
4.	14.5	13.4	11.8	14.1
5.	18.8	13.4	17.1	18.1
6.	11.8	14.6	5.3	11.4
7. Severe impediment	24.2	18.3	25.0	23.6
8. (DK/Refuse)	0.5	1.2	1.3	0.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	4.47	4.28	4.23	4.43

2a. Regardless of your current market-share, is the market for the goods and/or services you now sell growing rapidly, growing, stable, declining, or declining rapidly?

1. Rapidly growing	5.6%	2.0%	2.2%	5.0%
2. Growing	16.3	16.3	22.2	16.8
3. Stable	37.0	40.8	48.9	38.4
4. Declining	32.1	34.7	24.4	31.7
5. Rapidly declining	7.5	6.1	2.2	6.9
6. (DK/Refuse)	1.5	—	—	1.2
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	236	122	119	477

2a1. Is growth or decline in the area's population a major reason for that change in market size? Is it:?

1. The primary reason	14.2%	14.3%	8.7%	13.8%
2. A partial reason	21.7	17.9	21.7	21.4
3. Not a reason	64.0	67.9	69.6	64.8
4. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100%	100%	100%	100%
N	141	72	60	273

Employee Size of Firm
I-9 emp 10-19 emp 20+ emp All Firms

2b. Do you expect to change fundamentally, change a lot, change some, change a bit, or not change your current approach to marketing your business and/or its products and services over the next five years?

1. Change fundamentally	3.4%	4.0%	6.5%	3.7%
2. Change a lot	11.4	10.0	10.9	11.2
3. Change somewhat	32.4	36.0	37.0	33.1
4. Change a bit	22.9	30.0	21.7	23.5
5. Not change	29.2	20.0	21.7	27.6
6. (DK/Refuse)	0.7	—	2.2	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	236	122	119	477

2c. Over the next five years, do you expect to introduce into the market a product, service, or process that you created, modified, or significantly refined and to promote or license it as an innovation?

1. Yes	26.9%	22.4%	40.0%	27.6%
2. No	69.2	75.5	57.8	68.8
3. (DK/Refuse)	3.9	2.0	2.2	3.6
Total	100.0%	100.0%	100.0%	100.0%
N	236	122	119	477

2d. Do you expect to significantly increase, noticeably increase, modestly increase, not increase, or cut your marketing budget over the next five years?

1. Significant increase	10.0%	4.0%	6.7%	9.1%
2. Noticeable increase	11.4	12.0	4.4	10.9
3. Modest increase	36.0	42.0	44.4	37.4
4. No increase	31.4	32.0	33.3	31.6
5. Cut or decline	10.0	10.0	6.7	9.7
6. (DK/Refuse)	1.2	—	4.4	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	236	122	119	477

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

3. Lack of finance (impediment)

1. No impediment	24.4%	18.8%	29.3%	24.3%
2.	10.6	13.8	10.7	10.9
3.	14.0	16.3	13.3	14.2
4.	9.6	12.5	9.3	9.9
5.	10.1	12.5	13.3	10.7
6.	11.3	10.0	8.0	10.8
7. Severe impediment	19.7	16.3	16.0	19.0
8. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	3.85	3.84	3.52	3.82

3a. What do you expect to be the single most important source of financing to make the necessary investments in your business over the next five years?

1. Internally generated cash flows	55.3%	43.9%	48.6%	53.4%
2. Bank loans	22.8	36.6	34.3	25.4
3. Trade credit from supplies	2.0	2.4	2.9	2.1
4. Outside investors brought into the business	10.3	9.8	11.4	10.3
5. (Other) _____	4.6	2.4	2.9	4.2
6. (DK/Refuse)	5.0	4.9	—	4.0
Total	100.0%	100.0%	100.0%	100.0%
N	176	103	91	370

3b. Thinking about the amount you will need to invest over the next five years, do you believe that the amount will be:?

1. More than current annual gross sales	19.3%	11.9%	18.0%	18.4%
2. Same as current annual gross sales	11.0	14.3	3.0	10.6
3. 50 percent of current annual gross sales	22.9	16.7	24.2	22.3
4. 25 percent of current annual gross sales	24.6	31.0	30.3	25.8
5. 10 percent of current annual gross sales	17.3	19.0	21.2	17.8
6. (DK/Refuse)	5.0	7.2	3.0	5.1
Total	100.0%	100.0%	100.0%	100.0%
N	176	103	91	370

Employee Size of Firm
I-9 emp 10-19 emp 20+ emp All Firms

3c. What level of constraint are your existing financial obligations causing desired investment in your business?

1. Seriously constraining	36.2%	22.0%	22.9%	33.4%
2. Constraining	41.2	48.8	45.7	42.4
3. Not constraining	22.6	29.3	31.4	24.1
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	176	103	91	370

4. Lack of skilled employees (constraining factor)

1. No impediment	31.1%	19.0%	22.4%	29.0%
2.	15.7	12.7	13.2	15.1
3.	13.8	21.5	21.1	15.4
4.	13.5	11.4	10.5	13.0
5.	9.3	15.2	14.5	10.4
6.	4.9	10.1	9.2	5.9
7. Severe impediment	11.3	10.1	9.2	10.9
8. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	3.16	3.64	3.48	3.25

4a. What is your basic strategy to locate and recruit employees with hard to find technical skills?

1. Paying above-market wages and/or benefits	10.4%	10.8%	6.1%	10.0%
2. Bringing in people from outside the area	2.6	—	6.1	2.7
3. Training people in-house	48.5	51.4	45.5	48.5
4. Paying for people to be trained outside your firm	2.6	2.7	3.0	2.7
5. Offering unique working conditions and opportunities	6.9	8.1	12.1	7.6
6. No strategy; just pick them up as I can	26.4	24.3	18.2	25.2
7. (Other) _____	1.7	2.7	9.1	2.7
8. (DK/Refuse)	0.9	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	142	93	86	321

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

4b. If you could find people with the appropriate skills, how many would you hire over the next six months at the current market wage rate?

1. None	33.3%	29.7%	28.1%	32.3%
2. One	28.1	16.2	6.3	24.3
3. Two	23.4	24.3	12.5	22.3
4. Three	4.3	13.5	9.4	6.0
5. Four	1.3	8.1	6.3	2.7
6. Five - nine	1.3	2.7	21.9	3.6
7. 10 or more	1.3	—	10.4	2.0
8. (DK/Refuse)	6.9	5.4	6.3	6.7
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	142	93	86	321

4c. Did you have too many, too few, or about the right number of people with these skills during the depths of the recent recession?

1. Too many	9.5%	23.7%	18.2%	12.3%
2. Too few	33.3	21.1	21.2	30.5
3. About the right number	53.7	55.3	60.6	54.6
4. (DK/Refuse)	3.5	—	—	2.7
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	142	93	86	321

5. Lack of a strong management or advisory team (impediment)

1. No impediment	46.8%	31.3%	32.9%	43.7%
2.	21.4	21.3	19.7	21.2
3.	10.3	17.5	15.8	11.6
4.	7.4	11.3	11.8	8.3
5.	6.1	7.5	7.9	6.4
6.	3.5	6.3	6.6	4.1
7. Severe impediment	4.2	5.0	5.3	4.4
8. (DK/Refuse)	0.3	—	—	0.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	2.34	2.85	2.84	2.44

Employee Size of Firm
I-9 emp 10-19 emp 20+ emp All Firms

5a. Besides yourself, how many others in the business have responsibility for managing or directing employees?

1. None	29.6%	4.3%	—%	22.0%
2. One	38.4	26.1	12.0	32.9
3. Two	24.8	43.5	12.0	25.4
4. Three	2.4	17.4	28.0	8.1
5. Four	1.6	4.3	12.0	3.5
6. Five	1.6	4.3	12.0	3.5
7. Six or more	—	—	24.0	3.5
8. (DK/Refuse)	1.6	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	77	59	61	197

5a1. How confident are you that this group of people can provide you necessary assistance to help you achieve your desired business size in the next five years? Are you?:

1. Highly confident	51.1%	37.5%	43.5%	47.4%
2. Somewhat confident	18.2	41.7	34.8	25.2
3. Modestly confident	22.7	16.7	13.0	20.0
4. Not too confident	4.5	4.2	8.7	5.2
5. Not at all confident	1.1	—	—	0.7
6. (DK/Refuse)	2.3	—	—	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	58	57	61	176

5b. Do you intend to add employees in the next five years that have management and/or supervisory functions?

1. Yes	46.0%	58.3%	73.9%	51.4%
2. No	50.8	33.3	21.7	44.5
3. (DK/Refuse)	3.2	8.3	4.3	4.0
Total	100.0%	100.0%	100.0%	100.0%
N	77	59	61	197

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

6. Uncertainty over business conditions (impediment)

1. No impediment	8.9%	7.4%	6.7%	8.5%
2.	3.4	7.4	5.3	4.0
3.	11.6	9.9	18.7	12.1
4.	12.5	18.5	14.7	13.3
5.	21.4	14.8	22.7	20.8
6.	14.1	17.3	13.3	14.4
7. Severe impediment	27.4	23.5	18.7	26.1
8. (DK/Refuse)	0.7	1.2	—	0.7
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	4.90	4.79	4.59	4.86

6a. Is the uncertainty over business conditions that you are now experiencing:?

1. Totally economic	24.6%	13.6%	17.0%	22.7%
2. Mostly economic	24.6	23.7	18.9	23.9
3. Split between economic and political	34.6	42.4	43.4	36.3
4. Mostly political	6.7	10.2	7.5	7.1
5. Totally political	6.7	8.5	9.4	7.1
6. (Other) _____	1.1	—	1.9	1.1
7. (DK/Refuse)	1.8	1.7	1.9	1.8
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	264	147	137	548

6b. How has the amount of business uncertainty you now experience changed in the last six months? Is it:?

1. Rapidly increasing	14.9%	16.7%	24.5%	16.0%
2. Slowly increasing	29.8	31.7	28.3	29.9
3. Not changing	29.4	31.7	28.3	29.5
4. Slowly decreasing	17.8	16.7	13.2	17.3
5. Rapidly decreasing	6.5	3.3	3.8	5.9
6. (DK/Refuse)	1.5	—	1.9	1.5
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	264	147	137	548

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

6c. What is the single most important thing that could happen to renew your confidence in business conditions?

1. Increased sales in my business	37.7%	33.9%	30.2%	36.6%
2. Stabilized housing values	14.5	10.2	11.3	13.8
3. Rising employment	19.0	22.0	11.3	18.6
4. Higher profit margins in my business	12.3	15.3	18.9	13.2
5. A stronger stock market	7.4	6.8	7.5	7.3
6. (Change in current office-holders)	3.8	1.7	9.4	4.1
7. (Other) _____	3.8	6.8	9.4	4.6
8. (DK/Refuse)	1.6	3.4	1.9	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	264	147	37	548

7. Legal or regulatory issues (impediment)

1. No impediment	30.1%	22.2%	20.0%	28.3%
2.	13.5	9.9	9.3	12.7
3.	8.8	12.3	13.3	9.6
4.	7.9	11.1	14.7	8.9
5.	13.6	17.3	16.0	14.3
6.	7.4	11.1	10.7	8.1
7. Severe impediment	17.7	16.0	16.0	17.3
8. (DK/Refuse)	1.0	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	3.60	3.88	3.98	3.67

7a. You told us that legal or regulatory issues were an obstacle to your business. Is the obstacle more specifically a?:

1. Government regulation or set of regulations	80.6%	90.7%	85.7%	82.4%
2. Pending lawsuit or legal matter	2.2	.0	2.4	1.9
3. (Some of both)	6.5	4.7	9.5	6.6
4. (DK/Refuse)	10.8	4.7	2.4	9.1
Total	100.0%	100.0%	100.0%	100.0%
N	170	109	112	391

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

7b. Is this regulatory impediment?:

1. A specific regulation or set of rules that you are aware of	37.6%	30.2%	31.0%	36.0%
2. A regulatory thicket involving all types of rules, many of which you are not aware of	55.0	65.1	66.7	57.6
3. (DK/Refuse)	7.3	4.7	2.4	6.5
Total	100.0%	100.0%	100.0%	100.0%
N	167	108	107	382

7c. Have these regulatory issues over the last six months caused you to?:

1. Cancel a planned project or investment	14.0%	9.1%	11.6%	13.1%
2. Delay a planned project or investment	18.0	27.3	18.6	19.2
3. Stop planning a project or investment	11.0	11.4	11.6	11.1
4. Increase costs of a project or investment	18.4	20.5	32.6	20.3
5. (No effect)	15.1	11.4	9.3	13.9
6. (Other) _____	4.8	2.3	2.3	4.2
7. (DK/Refuse)	18.7	15.9	13.9	16.4
Total	100.0%	100.0%	100.0%	100.0%
N	167	108	107	382

7d. Is the unit of government responsible for the regulation or regulations in question the?:

1. Federal government	52.6%	52.3%	57.1%	53.1%
2. State government	16.2	18.2	16.7	16.5
3. County government	3.7	2.3	2.4	3.4
4. City, municipal, or town government	6.6	6.8	9.5	7.0
5. (Multiple jurisdictions)	11.4	15.9	14.3	12.3
6. (Other) _____	1.5	2.3	—	1.4
7. (DK/Refuse)	8.1	2.3	—	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	167	108	100.0%	382

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

8. Family demands (impediment)

1. No impediment	34.5%	32.5%	37.3%	34.6%
2.	16.0	17.5	13.3	15.9
3.	13.1	18.8	14.7	13.9
4.	14.3	11.3	12.0	13.8
5.	9.4	7.5	12.0	9.5
6.	3.7	5.0	2.7	3.7
7. Severe impediment	8.6	7.5	6.7	8.3
8. (DK/Refuse)	0.3	—	1.3	0.4
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	2.95	2.88	2.87	2.94

9. A practical lack of access to necessary technology (impediment)

1. No impediment	46.7%	35.0%	45.3%	45.3%
2.	19.2	25.0	14.7	19.3
3.	13.4	16.3	14.7	13.9
4.	7.6	6.3	9.3	7.6
5.	5.5	7.5	9.3	6.1
6.	2.0	6.3	2.7	2.5
7. Severe impediment	4.0	3.8	2.7	3.9
8. (DK/Refuse)	1.5	—	1.3	1.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751
Ave.	2.36	2.63	2.52	2.40

9a. Is acquiring a technology that is new to your firm absolutely necessary to achieve your desired business size?

1. Yes	39.8%	—%	—%	40.9%
2. No	60.2	—	—	59.1
3. (DK/Refuse)	—	—	—	—
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	64	48	47	159

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

9b. Is your principal technology issue?:

1. Locating or selecting the right technology	11.6%	—%	—%	10.6%
2. Adapting the technology to fit your needs	20.5	—	—	21.2
3. Locating people who can operate the technology effectively	4.5	—	—	6.6
4. Financing the technology	23.2	—	—	22.5
5. Having employees accept the technology	12.5	—	—	14.6
6. (Other) _____	9.8	—	—	9.3
7. (DK/Refuse)	17.9	—	—	15.2
Total	100.0%	100.0%	100.0%	100.0%
N	64	48	47	159

10. What is the single most serious obstacle to achieving your desired business size?

1. Lack of a market or market demand	25.4%	23.8%	26.3%	25.3%
2. Lack of finance	15.8	15.0	14.5	15.6
3. Lack of skilled employees	4.5	7.5	9.2	5.3
4. Lack of a strong management or advisory team	0.5	2.5	1.3	0.8
5. Current market or political uncertainty	22.4	23.8	19.7	22.3
6. Legal or regulatory issues	11.3	11.3	10.5	11.2
7. Family demands	1.9	2.5	1.3	1.9
8. A practical lack of access to necessary technology	0.8	1.3	2.6	1.1
9. No serious impediments	8.4	3.8	5.3	7.6
10. (Else) _____	7.2	8.8	9.2	7.6
11. (Won't be in business 5 years from now; will retire; etc.)	0.3	—	—	0.3
12. (DK/Refuse)	1.3	—	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

Demographics

D1. Is your primary business activity:?

1. Agriculture, forestry, fishing	4.9%	3.7%	2.6%	4.5%
2. Construction	10.1	11.1	7.9	10.0
3. Manufacturing and mining	6.5	12.3	17.1	8.0
4. Wholesale trade	5.7	7.4	5.3	5.8
5. Retail trade	18.0	12.3	11.8	16.7
6. Transportation and Warehousing	1.3	2.5	2.6	1.6
7. Information	3.0	1.2	1.3	2.7
8. Finance and Insurance	4.9	3.7	3.9	4.6
9. Real Estate and Rental/Leasing	5.0	2.5	3.9	4.6
10. Professional, Scientific, and Technical Services	12.9	11.1	9.2	12.4
11. Administrative and Support, Waste Management, or Remediation Services	8.1	2.5	2.6	6.9
12. Education Services	0.3	1.2	1.3	0.5
13. Health Care and Social Assistance	4.0	4.9	5.3	4.2
14. Arts, Entertainment, and Recreation	1.8	2.5	3.9	2.1
15. Accommodations and Food Services	3.5	12.3	17.1	5.8
16. Repair and Maintenance Services or Personal Care Services	9.1	7.4	2.6	8.2
17. Other	0.8	1.2	1.3	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D2. What were your sales in your most recent fiscal year?

1. < \$250,000	30.0%	6.2%	1.3%	24.5%
2. \$250,000 - \$499,999	20.4	4.9	5.3	71.2
3. \$500,000 - \$999,999	27.1	22.2	10.5	24.9
4. \$1 million - \$4.9 million	15.3	55.6	40.8	22.2
5. \$5 million - \$9.9 million	0.8	6.2	14.5	2.8
6. \$10 + million	0.7	2.5	19.7	2.8
7. (DK/Refuse)	5.7	2.5	7.9	5.6
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

D3. Not counting the owners, how many people did this business employ about this time of year three years ago, that is, 2008? (Employee change from 2008.)

1. Loss; 20 + employees	2.5%	3.8%	9.5%	3.3%
2. Loss; 10 – 19 employees	3.7	2.5	9.5	4.1
3. Loss; < 10 employees	34.5	32.9	13.5	32.3
4. No employment change	38.7	30.4	18.9	35.9
5. Gain; < 10 employees	10.6	29.1	17.6	13.3
6. Gain; 10 – 19 employees	—	—	13.3	1.3
7. Gain; 20 + employees	—	—	10.8	1.1
8. Not in business three years ago	8.9	1.3	5.4	7.8
9. (DK/Refuse)	1.1	—	1.4	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D4. How satisfied are you with the profitability of your business? Are you?:

1. Very satisfied	14.3%	13.8%	17.1%	14.5%
2. Somewhat satisfied	18.3	16.3	15.8	17.8
3. Modestly satisfied	10.8	13.8	10.5	11.1
4. Neither satisfied nor unsatisfied	16.6	15.0	14.5	16.2
5. Modestly unsatisfied	9.4	8.8	13.2	9.7
6. Somewhat unsatisfied	12.3	15.0	13.2	12.6
7. Very unsatisfied	17.8	17.5	15.8	17.6
8. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D5. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	32.5%	7.5%	5.3%	27.1%
2. No	67.2	92.5	94.7	72.7
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

Employee Size of Firm
I-9 emp 10-19 emp 20+ emp All Firms

D6. Which of the following best describes the place the business is located?

1. Highly urban city	15.5%	14.8%	13.2%	15.2%
2. Suburb of highly urban city	18.9	17.3	26.3	19.5
3. Mid-sized city of about 250,000 or surrounding area	14.3	21.0	14.5	15.1
4. Small city of about 50,000 or surrounding area	16.5	16.0	17.1	16.5
5. Town or rural area	34.2	30.9	27.6	33.2
6. (DK/Refuse)	0.5	—	1.3	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D7. Region (Developed from zip codes.)

1. Northeast	18.5%	13.6%	18.7%	18.0%
2. Southeast	24.9	25.9	22.7	24.8
3. Mid-west	21.7	17.3	29.3	22.0
4. Central	21.5	25.9	17.3	21.6
5. Pacific	13.4	17.3	12.0	13.7
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D8. Which best describes your position in this business? Are you the:

1. Owner-manager	84.0%	83.8%	73.3%	82.9%
2. Owner, but not the manager	9.3	8.8	8.0	9.1
3. Manager, but not an owner	6.7	7.5	18.7	8.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D9. Please tell me your age.

1. < 25 years	1.0%	—%	2.7%	1.1%
2. 25 - 34 years	6.9	5.0	4.0	6.4
3. 35 - 44 years	14.6	13.8	12.0	14.3
4. 45 - 54 years	35.7	31.3	25.3	34.2
5. 55 - 64 years	23.4	33.8	36.0	25.8
6. 65 - 74 years	12.1	12.5	14.7	12.4
7. 75 years or more	3.2	2.5	2.7	3.1
8. (Refuse)	3.0	1.3	2.7	2.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

Employee Size of Firm
1-9 emp 10-19 emp 20+ emp All Firms

D10. What is your highest level of formal education?

1. < High school	0.2%	2.4%	2.6%	0.7%
2. High school diploma/GED	17.7	15.9	7.9	16.5
3. Some college/Associate's degree	31.6	23.2	23.7	29.9
4. Vocational/Technical school degree	5.2	8.5	5.3	5.6
5. College diploma	26.9	30.5	38.2	28.5
6. Advanced or professional degree	18.0	19.5	22.4	18.6
7. (Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D11. How long have you owned/operated this business?

1. < Four years	13.5%	6.3%	11.7%	12.5%
2. 4 – 9 years	19.7	20.0	16.9	19.4
3. 10 - 19 years	34.0	31.3	26.0	32.9
4. 20 – 29 years	18.7	26.3	15.6	19.2
5. 30 years or more	14.1	16.3	28.6	15.8
6. (DK/Refuse)	—	—	1.3	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

D12. Sex (Voice recognition.)

1. Male	67.8%	74.1%	78.7%	69.6%
2. Female	32.2	25.9	21.3	30.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	200	751

Table Notes

1. All percentages appearing are based on **weighted** data.
2. All "Ns" appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ()s around an answer indicate a volunteered response.

WARNING – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

Data Collection Methods

The data for this report were collected for the NFIB Research Foundation by Left Right Research of Ronkonkoma, New York. The interviews for this edition of the *Poll* were collected in August and September 2011 from a sample of small employers. “Small employer” was defined for purpose of this survey as a business owner employing no less than one individual in addition to the owner(s) and no more than 250.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect source but the best currently available for public use. A random stratified sample design was employed to compensate

for the highly skewed distribution of small businesses (Table A1). Almost 60 percent of employing businesses in the United States employ just one to four people, meaning that a random sample would yield comparatively few larger, small employers to interview. Since size within the small-business population is often an important differentiating variable, it is necessary that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners are arbitrary but adequate to allow independent examination of the 10-19 and 20-250 employee size classes as well as the 1-9 employee size group.

TABLE A1
SAMPLE COMPOSITION UNDER VARYING SCENARIOS

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	351	47
10-19	82	11	200	27	200	27
20+	75	10	200	27	200	27
All Firms	750	100	750	101	751	101

* Sample universe developed from the Bureau of the Census (2008 data) and published by the Office of Advocacy at the Small Business Administration.

The Sponsor

The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy-related problems small-business owners encounter. Its periodic reports include **Small Business Economic Trends, Small Business Problems and Priorities**, and now the **National Small Business Poll**. The Foundation also publishes ad hoc reports on issues of concern to small-business owners.