

What Small Business Owners Want Most!

Summary and Highlights:

Every year, researchers survey small business owners to find out their views on business and the economy and to get an indication of their outlook for the year ahead. At the beginning of 2011, the majority of small business owners were “cautiously optimistic.” Now, nine months later, is the outlook the same?

The biggest issues concerning business owners in 2011 are:

- Overall economic uncertainty/national debt
- The ability to cover current expenses
- Retaining/growing current customers
- Government regs – especially health care
- Growing their business

What they need most are:

- Confidence (at an all time low!)
- Certainty (in the direction of the economy)
- Time to work on their business, not in it
- Greater efficiency (leverage)
- Better marketing / more customers
- More money!



First of all, who is a small business owner?



Almost 80% of all businesses have no employees!

According to the U.S. Census Bureau’s most recent survey, in 2007, there were 27.1 million non-farm businesses in the U.S., employing 117.3 million people and generating \$30.0 trillion in business revenues.

Now, here’s an illustration of the 80/20 rule in action. Of the total non-farm businesses in the U.S., only 21.2% had one or more employees, yet accounted for 96.8% of the total business revenue in the U.S.! Businesses with no employees (a.k.a. solopreneurs, or self-employed) accounted for 78.8% of the businesses in the survey, and only 3.2% of total business revenue.

These numbers represent an increase of 17.9% in the number of businesses in the U.S. since 2002 (the previous survey), and an increase of 32.9% in business revenues – my interpretation, businesses are finding ways to create greater leverage with their existing resources, or, between 2002 and 2007, business was just great!

Still pursuing the American Dream, minority-owned businesses are now 21.3% of the nation's businesses. They increased 45.5% from 2002 to 2007, while their receipts increased by 55.0%. These businesses employ 5.0% of the nation's employees but generate only 3.4 percent of the nation's receipts.

What the owner does in the business:

- **60.5% produce goods and/or provide services** (In other words, they work *in* the business.)
- **46.9% engage in day-to-day management** of their business as their primary function. (Still working *in* their business.)
- **39.8% exercise financial control** of the business as their primary function. (At least they're in a position to get the data to make the "owner" decisions!)
- 14.9% of owners reported that none of the above was their primary function. (*Does this mean they're working solely on their business, or not involved at all!*)



How much owners work in the business:



40% work full-time, or more, in their business!

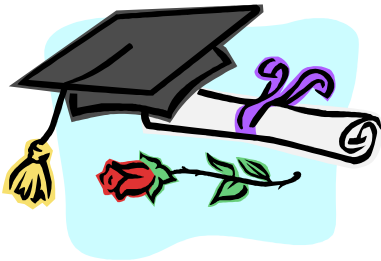
- In 2007, **more than 4 in 10 (42.9%) worked an average of 40 hours or more** per week in their business.
- Approximately 16.1% worked an average of 20 to 39 hours per week in their business.
- About 1 in 3 (30.1%) worked less than 20 hours per week in their business. (14.5% of owners of businesses with employees and 36.7% of owners of businesses with no employees. – conclusion, owners with employees tend to delegate! And 1/3 of those owners with no employees tend to work really part time.)
- Slightly more than 1 in 10 (10.9%) owners reported working no hours in their business. (*These are true Business Owners according to Robert Kiyosaki's Cash Flow Quadrants – who receive purely passive income from their ownership of the company.*)

Primary Income Source?

For about one-half (50.5%) of the business owners surveyed, their business was their primary source of income in 2007. This was true for 68.6% of owners of firms with employees and 42.8% of owners of businesses with no employees.

Draw your own conclusions from this! But one has to wonder, if 42% work 40 hours or more in their business, and only half said that business was their primary source of income, where does the rest of their income come from? Spouse? Government? JOB? No wonder business owners are stressed!

Education of Business Owner



Another 80/20 (ish): 26% of business owners had only a high school education, or less, when they started their business, compared to **74% who had post-secondary education**, ranging from vocational school, to some college, to bachelors and advanced degrees.

- **More than two-thirds (67.8%) completed at least some college education at the time that they started or acquired their business.**
- Approximately 5.2% reported that they completed less than a high school education
- 20.6% of owners had earned a high school diploma or GED before starting or acquiring their business
- 6.3% of owners had completed technical, trade, or vocational school
- 17.0% of owners had completed some college without obtaining a degree
- 5.9% had obtained an associate's degree
- Over one-quarter (26.4%) achieved a bachelor's degree
- 18.5% earned a master's, doctorate, or professional degree before starting or acquiring their business

Owner born in US?

In 2007, **86.4% of all owners of firms who responded to the survey were born in the United States.** However, less than half (44.0%) of minority owners of respondent firms were born in the United States, compared to 93.9% of non-minority owners.

In plain English, if you're a minority business owner, it's more than likely that you were born outside of the United States and came to America to make your fortune. Good to know the American Dream is alive and well!

Now, for the Outlook!



More than half of all Business Owners are “cautiously optimistic!”

This section is compiled from a number of sources, including:

- The PNC Financial Services Group
- The U.S. Chamber of Commerce
- Intuit Software – Small Business Trends
- Carol Roth, author of *The Entrepreneur Equation*
- *Inc* Magazine
- KPBS.org
- Bnet.com (CBS online business news)
- Money.cnn.com

So, the \$64 thousand dollar question – is she, or isn't she? (Are we facing another recession, George?) The outlook is, for the most part, “cautiously optimistic.”

Some quotes from the various sources:

- **One out of two small business owners nationwide expect increased sales in the next six months**, but rising costs will prompt many to raise prices in an attempt to preserve profit margins. (PNC Economic Outlook)
- While businesses are still uncertain about the overall economy, **62% of owners optimistic about their local economies.**

But, according to the U.S. Chamber:

- The small business climate has deteriorated. Small business owners almost universally agree—by a 73% to 17% margin—that **the climate of the last two years has hindered their growth**. As for the next two years, 38% believing it will improve, 37% believing that it will worsen, and the remainder uncertain. (I guess the rest just don't have a clue!)
- **Uncertainty abounds with small businesses.** They are worried about current regulations, but are even more concerned about what Washington will do next. 49% say they “really don't know” if their business' best days are ahead of them.
- Small business continues to be **hesitant to hire**. 55% of respondents cited economic uncertainty as their greatest hiring obstacle and 35% said Washington uncertainty impacted growth, while 35% cited too little revenue as their greatest obstacle. 70% of respondents do not plan to hire new employees next year, and 9% will continue layoffs.

- Two of the **top issues of concern are America's debt and the health care law**. 80% said America's debt and deficit have a negative impact on their business, and 72% of respondents say the health care law has made hiring more difficult.
- Small businesses want Washington to get out of the way. In a commanding majority, **79% of small business owners say they want more certainty**, and only 14% want more government assistance.



65% of all business owners started their business for Personal Passion

Here's some really interesting research from Intuit. They asked business owners, what was the #1 Reason for starting your business? **65% said Personal Passion!** When asked if that passion was still there today, a whopping 83% replied that it was.

Things that keep business owners up at night:

- 27% - Growing my business
- 26% - Paying my bills
- 20% - Keeping my customers happy
- 16% - Finding time to develop & run my business
- 7% - Keeping up with competition
- 4% - Finding the right talent



As for how long they think it will be before the economy recovers, 57% replied more than a year; 43% said less than a year. (I'd say, cautiously optimistic!)

Another interesting question, if you were to make a New Year's Resolution for your business, what would it be?

- 56% said retaining & growing current customers
- 41% said expand marketing to attract new customers
- 30% said reduce costs/save \$
- 29% said expand products/services to make more \$
- 10% said invest in expanding operations
- 6% said hire new employees

Guess if you're looking for a job in this economy, unlike other growth periods, don't look to small business!

Is the optimism hoping or really believing?

According to Carol Roth, "As we look towards 2011, small business owners are saying that they have an optimistic outlook. But what someone says out loud often differs from the look in their

eyes, which in today's market is one of fear. I think that the outlook can be characterized as more hoping than believing- so let's call it cautious optimism."

Here are some areas where Ms. Roth urges caution:

Growth in Customer Demand

Clearly there is pent up consumer demand to spend. However, consumers are being very careful about where they are spending their money and are looking for deals....**Most small business owners are having trouble covering expenses** and price-sensitive consumers demanding steep deals will not only eat into margins, but aren't the type of customer that makes a business viable over the long haul.

Capital/Lending

The word is that the banks are making lending to small businesses more of a priority in the coming year. ...But will this put more capital in the coffers of the small business owner? Probably not a lot. ...most of the owners were having a hard time covering their basic overhead. Capital investments need to be invested to produce a return- lending to cover expenses isn't a high priority. Without solid fundamentals or strong proof that capital will be invested for a return, **small businesses will have a hard time finding capital** - whether it is equity or debt.

Too Much Administrative Work

The final issue for 2011 is that there are still too many small businesses with weak business models and too much time spent on tasks that don't produce revenue.... on average, entrepreneurs were spending over 40% of their time on administrative and other tasks that don't add one cent to the bottom line of the business.....**it's no wonder that small business is suffering- the entrepreneurs don't have enough time to work on their businesses.** The best thing that the government could do to give small businesses the best chance of success is to simplify the rules, regulations and paperwork an entrepreneur faces to let them have the time to actually run a business.

Now for the hiring side of the equation:

The Small Business and Human Resources 2011 Outlook Survey completed by Insight Performance and the Small Business Association of New England (SBANE) has found that many companies are beginning to turn the corner. 69% of respondents reported that business conditions in 2010 showed an improvement over 2009 and **78% predict that 2011 will be even better.** So, the good news is, we're moving in the right direction.

The question now is, what does this mean for employers and their relationship with their employees? According to the survey,

- 38% of employers plan to offer base-pay raises in 2011.
- 58% of companies have plans to add to staff and
- **a whopping 93% plan to either retain or increase staffing levels.**

It's fair to say we're not completely out of the woods yet. Businesses are apprehensive and many are more conservative than they were two years ago. But, the trend is for more positive growth.

Some Local (San Diego) Observations

There are not many people coming into the stores to buy the product or services. That's one problem, and the second one is that small business owners often lack sufficient qualified management to grow their business. **That means the business owner often working in the business rather than working on growing it.** (Their words, not mine!)

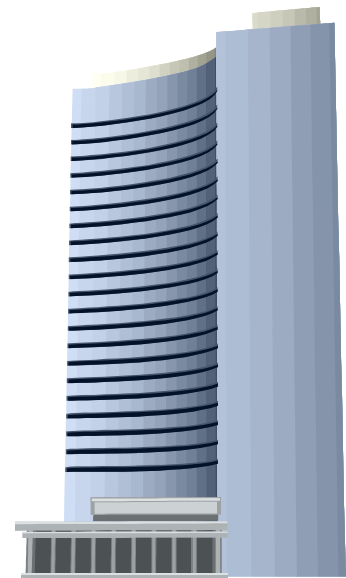
Most owners, need to figure out a way to become more efficient in their business, find deficiencies in their business and correct them to increase the cash flow that they do have.

What lenders want to see today is more of a business that is growing and is looking to expand rather than put a Band-Aid on a problem...if you're buying machinery, if you're trying to hire employees to expand your business, if you need to increase supply because of the demand, you're definitely going to have a better chance obtaining business credit.

Small Business Outlook 2011: Optimism Is On Fire

The recession has technically been over since June 2009. Only now are small business owners buying the idea that prosperity and growth are at hand. But they are buying — and in a big way. It's hard to find any bad news in the latest survey of small business owners by Vistage International, a San Diego CEO organization that has been preparing a quarterly CEO Confidence Index since 2003. The results from the poll conducted during December 2010 reveal a small business community practically “foaming at the mouth” to embrace aggressive growth plans during 2011.

Some highlights:



- At the end of 2008 when the recession was at its worst, virtually all — 97 percent — of the CEOs polled said economic conditions were deteriorating. In the current survey, only 7 percent said the same.
- **Hiring is headed up.** For the first time in three years, the majority (54 percent) of respondents said they were planning to hire employees in order to satisfy increased demand. And most expected the new hires to be permanent rather than temporary workers, another solid indicator of confidence.
- Nearly half (46%) said they had plans for investing in new plant and equipment in 2011, up from 34% in 2010.

Now for the countervailing point of view

According to this survey published by CNN in June of this year, “**Small business owners have a grim outlook on the economy**, with a gathering number planning to reduce jobs over the next three months.” According to the National Federation of Independent Business, the chief culprit appears to be weak sales. The group said that, on a seasonally adjusted basis, the businesses see a small net decline in employment. What a difference half a year makes!

In Conclusion – What do Small businesses really want?

Business, in general, has really been hit hard by the recent recession and many business owners may be bracing for the possibility of another economic downturn. They are cautiously optimistic for the remainder of 2011 and beyond, but their optimism is tempered by uncertainty regarding the U.S. debt, the potential burden of the federal health care bill, and the complexity of tax and other government regulations.

Entrepreneurs, by nature, are highly creative innovators. The more flexible the business, the more likely it will be to succeed. In facing these challenging economic times, business owners need:

- Confidence
- Certainty
- Time to work on their business, not in it
- Greater efficiency (leverage)
- More customers
- More money!



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