



National Small Business Poll

NEIB National

Volume 2, Issue 5
2002

Small Business Poll

Advice and Advisors

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. Eight reports are produced annually with the initial volume 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) without charge. 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. It must be emphasized that these data sets do NOT contain information that reveals the identity of any respondent. Custom cross-tabulations will be conducted at cost only for NFIB members on a time available basis. Individuals wishing to obtain a data set(s) should write the *Poll* at the above address identifying the prospective use of the set and the specific set desired.

NFIB National
Small Business
Poll



Advice and Advisors

Volume 2, Issue 5
2002
ISSN - 1534-8326

William J. Dennis, Jr.
NFIB Research Foundation
Series Editor



1201 "F" Street NW
Suite 200
Washington, DC 20004
nfib.com



550 California Street
11th Floor
San Francisco, CA 94104
wellsfargo.com

National Small Business Poll



Advice and Advisors

Table of Contents

Executive Summary	1
Advice and Advisors	2
Tables	10
Data Collection Methods	26

Executive Summary

- Two-thirds (66 percent) of small-business owners have one person with whom they are likely to consult before making a critical business decision. In 56 percent of those cases (37 percent of all cases), that person will be a family member. The one person sought out for critical decisions in order of frequency is: a spouse, a partner/co-owner, a professional advisor/counselor, an employee, and a son.
- One-third (34 percent) of small-business owners have no one person that they turn to prior to making a critical business decision. About 55 percent of those owners handle the decision “solo.” The remainder either change the one advisor with the situation/decision or routinely consult with several people.
- In the last 12 months, 84 percent of small employers sought advice from one or more counselors (persons not in the firm and not the firm’s customers). The average number of counselors (types, not individuals) solicited was three and one-half to provide advice on an average of five different topical areas.
- Accountants were the group most likely to provide solicited advice. Fifty-nine (59) percent of small businessmen and women sought an accountant for such purposes in the last year. The next most commonly solicited advisors were family members (by 44 percent), lawyers (by 39 percent), other business owners (by 34 percent), suppliers (by 31 percent), and insurance agents and brokers (by 30 percent).
- The advice solicited from counselors was commonly taken. However, a relationship appeared between the likelihood of taking the advice and paying for the advice. The chances of taking advice rose when small-business owners paid for it.
- Small businessmen and women often did not pay for the advice that they received or they paid for it indirectly through purchase of other goods and services. However, payment (or the lack thereof) was tied to the type of advisor. Lawyers, for example, charged 75 percent of those soliciting them; supplier charged 3 percent.
- Fifty-seven (57) percent of small employers say that they received helpful, unsolicited suggestions from an advisor or other non-customer outside the firm in the last year. Forty-two (42) percent received them from more than one type of advisor. Family members, other business owners, and accountants provided them most frequently.
- “Accounting, bookkeeping, and taxes” was the subject on which advice was most frequently sought. Seventy-three (73) percent report that they asked for advice on one or more matters in the last year.
- Advice was also frequently sought on “legal questions” (by 56 percent), “computers, software, Web sites and telecommunications” (by 53 percent), and “industry-specific technical matters” (by 48 percent).
- Outside advisors are important to most small-business owners. Yet, they are rarely the single person owners turn to prior to a critical business decision. Rather they assume the role of “expert,” filling a temporary, though possibly on-going, need.

Advice and Advisors

Small-business owners gather a continuous supply of information to help them manage their enterprises. In the process, they draw on many sources. Some sources are internal to the firm such as employees and register slips; some originate outside the firm such as periodicals and customers. Some sources provide personalized advice such as one-on-one counseling; some sources wholesale information such as Web sites and books. The list goes on. Over the years, providing small-business owners information and advice has become a big business. But as more information becomes available and its location more disparate, sources necessarily compete for the time and attention of their small business, target market. Aside from commercial interest, who provides information, what they provide, its cost and its use are important issues because they influence the shape of subsequent small-business owner decisions. Unfortunately, the question “who provides small business information?” is too broad for treatment here. But one of the important components of the broader question and perhaps the one that generates the most interest can be addressed. This issue of the *National Small Business Poll* examines the outside advisors small-business owners solicit for advice and the types of advice they seek.

Advisors in Decision-Making

Two-thirds (66 percent) of small employers have one person that they are likely to consult prior to addressing a serious business problem or making a critical business decision (Q#1). When relying on a single confidant, 56 percent of the time that person will be a family member (Q#1a). The proportion relying on a family member rises as the size of the business falls.

A spouse is the family member overwhelmingly identified as the one person most frequently (62 percent) consulted before a critical decision (Q#1a1). However, a variety of male family members, for example, father - 10 percent, son - 11 percent, brother - 9 percent, are the owners' most frequent confidant when spouses are not. When depending on a family member, owners choose one of the four cited above

over 90 percent of the time. About one-third of these family “confidants” also help manage the business on a day-to-day basis.

Forty-four (44) percent say that someone other than a family member serves the role of the one person likely to be consulted prior to a major business decision. A co-owner or business partner is the most common non-family member to be singled out (35 percent) followed by a professional advisor, such as an accountant or consultant (31 percent), and an employee (16 percent) (Q#1b).

One-third (34 percent) of small employers report that they have no single person on whom they rely for advice and/or discussion prior to a critical decision. The largest share of them (64 percent) are likely to handle a decision themselves without outside input (Q#2).

Such “solo” decision-making is most common among owners of firms employing fewer than 10 people.

Nineteen (19) percent use advisors specific to a situation. Effectively, they rely on the counsel of different people depending on the circumstances or the decision to be made. The most likely reason for this approach is to take advantage of expertise. Fourteen (14) percent indicate that they will consult several people prior to a critical decision.

For the entire small employer population the most common consultative strategies when making a critical business decision are: relying on a spouse (26 percent), going it alone without outside input (22 percent), depending on a partner/co-owner (10 percent), using a particular professional advisor (9 percent), alternating the primary advisor depending on the situation (6 percent), discussing matters with multiple people and relying on an employee (5 percent each), and listening to a son (4 percent). Important decisions in most small businesses, therefore, depend on the input of relatively few people. Usually the owner and one other person are involved. However, most small businessmen and women reach out to expertise to help with particular aspects of the business even if they usually are not that single person to whom they look when making a critical decision.

Use of Outside Advisors

The survey on which this report is based asked small employers whether they had solicited advice within the last year about aspects of their business from each of 10 possible sources of business advice located outside the firm. Those sources were: accountants; family members; bankers; management, marketing or financial consultants; lawyers; engineers; suppliers; insurance agents or brokers; designers including Web site designers; and other business owners. Internal sources of advice such as business partners or employees were purposefully excluded as were customers. Printed material, Web sites, seminars, and associations are also possible information sources that were excluded because they are not counseling. Though family members were included because they often offer advice, they do skirt the line between internal and external sources of counsel.

Eighty-four (84) percent of small employers sought advice from at least one of these outside advisors in the last year. They solicited an average 3.6 counselors, though the number of individuals solicited undoubtedly was somewhat greater. For example, an owner may have asked two suppliers for the advice on the same question. Larger employers posed more questions to advisors than small ones. Ninety-one (91) percent of those employing 10 or more people sought out at least one advisor compared to 82 percent of those employing fewer than 10. The average number solicited was 4.6 sources among those with 20 or more employees and 3.4 among the smallest. Even if family members are excluded as advisors, these numbers change relatively little.

Outside advisors also provided helpful, unsolicited suggestions either in the course of providing solicited advice or in other contexts. Fifty-seven (57) percent of small employers say that they received at least one helpful, unsolicited suggestion from an outside advisor in the last year. Forty-two (42) percent received at least one from more than one of these sources.

Accountants - In a League by Themselves

Accountants are in a league by themselves when it comes to providing small employers business advice. Fifty-nine (59 percent) of small businessmen and women say that they solicited advice from an accountant in the last 12 months (Q#3A). Owners of larger firms were even more likely to seek their counsel than was the population. Nearly three of four (74 percent) owners employing 20 or more people sought input from an accountant.

Most (83 percent) took the advice given by their accountant and another substantial segment (11 percent) took most of it (Q#3A1). Only six percent rejected or generally rejected the advice they solicited. Small-business owners feel very comfortable with accountants as business advisors despite recent Federal legislation separating accounting and consulting in publicly-traded companies.

Fifty-five (55) percent of those who sought advice from an accountant paid for it directly (Q#3A2). Another one-third (33 percent) indicate that the advice came as

“part of another purchase.” For example, an owner may have paid for tax preparation and solicited advice on the best means to handle inventory for tax purposes. Just 11 percent indicate that they obtained solicited advice for no cost.

Small-business owners not only solicit advice, but occasionally receive helpful, unsolicited suggestions from accountants as well. Almost one in four (24 percent) say that they obtained such informal advice within the last year (Q#5A). However, family members, other business owners, and suppliers were more likely to offer helpful, unsolicited advice than accountants. Moreover, on a relative basis, i.e., compared to the frequency of advice solicited, several outside advisors offered helpful, unsolicited counsel more often. Still, accountants unquestionably remained the primary source of “outside” advice for small employers.

Selling Advice as a Primary Business

Several occupations (in addition to accountants) sell advisory services as a primary business. Among those are lawyers, consultants (management, marketing, financial), engineers, and designers. Of this group, small-business owners solicit only lawyers with any degree of frequency.

a. Lawyers

Thirty-nine (39) percent consulted lawyers within the last year (Q#3E). Those having 10 or more employees were considerably more likely to use lawyers than their smaller counterparts. Ten (10) employees appears to be some type of natural break as those above were about twice as likely to use one as those below.

As with accountants, almost everyone who solicited lawyers used the advice that they were given (Q#3E1). In fact, small-business owners were more likely to use advice from a lawyer (when solicited) than they were from any other outside advisor. Only five percent rejected it. Three of four (74 percent) paid for the advice and another 10 percent indicate that the advice was part of another purchase. Sixteen (16) percent received it free.

Just 14 percent report receiving helpful, unsolicited advice from a lawyer in the last year (Q#5E). Of all the sources of

counsel surveyed, small employers were least likely, on a relative basis, to receive helpful, unsolicited advice from lawyers. The occupation apparently provides advice to small employers only (mostly) on the issues on which advice has been sought. An interesting, unanswered question is whether this reserved conduct is a function of preserving intellectual property, limiting liability exposure, or both.

b. Engineers

Small-business owners do not often seek the counsel of engineers. In fact, just 11 percent did so in the last year (Q#3F). Almost all of those who did owned construction or manufacturing firms. (A small sample in the communications industry also suggest common use of engineers.) Those in other industries rarely solicited one.

Eighty-four (84) percent who asked an engineer for advice took it, trailing only lawyers in frequency of acceptance. Another 9 percent took most of it (Q#3F1). As with accountants and lawyers, few who sought their counsel rejected it. Just over half (52 percent) paid for solicited information directly and another 20 percent paid indirectly (Q#3F2). But a comparatively large 28 percent received advice for nothing.

Just 4 percent received helpful, unsolicited advice from an engineer (Q#5F).

c. Management, Marketing, or Financial Consultants

Thirteen (13) percent asked for advice from a management, marketing or financial consultant, but the proportion rose to one in four (25 percent) among owners with businesses employing 20 or more people (Q#3D). Their advice was taken somewhat less often than that given by accountants, lawyers, and engineers. Almost 17 percent failed to take the suggestion(s) of a consultant (Q#3D1).

Just 47 percent were directly charged for the advice that they received from a consultant (Q#3D2). Another 19 percent indicated that they were charged indirectly through another purchase while a full one-third (32 percent) who solicited advice from a consultant received it without cost. These latter figures suggest that solicitation of financial consultants and perhaps marketing consultants dominated consultant use. Still,

consultants appear generous with their expertise. Nine (9) percent report that they had received helpful, unsolicited advice from one (Q#5D). That figure represents the greatest proportion of helpful, unsolicited advice to advice sought among any of the advice-givers evaluated.

d. Designer, Including a Web Site Designer

Designers are used by small-business owners more often than one might think. Not only do they design business Web sites, but things as varied as packaging, advertising, products, and floor lay-out. Seventeen (17) percent of small employers report seeking advice from a designer within the last 12 months (Q#3I). Owners of larger firms are more likely to avail themselves of designer services than smaller ones.

While used more frequently, designers resemble consultants in terms of use frequency, acceptance of advice given, and their charges. Sixty-nine (69) percent who solicited advice from a designer accepted it and another 9 percent accepted it generally (Q3I1). As consultants, designers appear generous with their intellectual property. Fifty-two (52) percent paid for the advice they received (Q#3I2); 20 percent received it as part of another purchase; and, 26 percent obtained advice without charge. Ten (10) percent of small employers report obtaining helpful, unsolicited advice from a designer (Q#5I).

Advice as Part of Sales

A number of other occupations/groups who provide small-business owners advice do it to accompany or enhance their primary sales activity. Their advice is no less important or useful because it is a service ancillary to selling something else. Evidence to that effect is that small employers frequently seek them out for help.

a. Bankers

Bankers are in the business of selling financial services. But 28 percent of small-business owners report asking a banker(s) about some aspect of their business in the last year (Q#3C). Owners of larger, small firms proved substantially more likely to seek a banker's advice (42 percent) than owners of smaller, small firms (26 percent).

Two-thirds (66 percent) report accepting the solicited advice and another 15 percent report accepting most of it (Q#3C1). Acceptance therefore occurs about at the same rate as acceptance from consultants and designers. But bankers differed from all advisors considered to this point in one important respect: a large majority of small employers say that they received their information for nothing. Seventy (70) percent indicate that the information solicited from bankers was provided without charge (Q#3C2). Twenty-six (26) percent say that it was received as part of another purchase, such as a business loan, and only 3 percent say they paid directly for it. In this regard, bankers are similar to other "suppliers" who also rarely charge for the advice they give.

Fifteen (15) percent indicate that they received helpful, unsolicited suggestions from a banker (Q#5C).

The survey examined bankers more closely than other advice-givers. It found that on a scale of "1" to "10" with "1" meaning "strongly agree" and "10" meaning "strongly disagree," 29 percent strongly agree (a "1" or a "2") that a banker's advice helps them manage their business's financial needs better (Q#6). Eight (8) percent answer, "3," with the remainder neutral or disagreeing. This number corresponds closely to the 39 percent who either solicited advice from a banker or received helpful, unsolicited advice during the last year.

Small employers do not regularly consult their banker. Two (2) percent report that they do so once a week and another 4 percent indicate that it is once a month (Q#7). Fifteen (15) percent say they consult their banker for business advice once a quarter with 29 percent communicating that it is once a year. The remainder say that they never consult one for business advice.

The type of advice small-business owners seek most frequently from bankers is precisely the type of advice one might expect them to seek. When allowed two choices on the topic of advice sought, 56 percent say that they asked for advice on a loan or line-of-credit need or issue (Q#7a). Ten (10) percent requested guidance on a business investment(s); 7 percent on interest rates; 6 percent on cash flow/financial management; and 5 percent on business checking accounts. The remainder were scattered.

b. Insurance Agents and Brokers

Thirty (30) percent of small employers ask insurance agents and/or brokers for advice about various aspects of their business (Q#3G.) While it is highly likely that such advice is focused on insurance products, the data do not permit such a determination.

Small-business owners are likely to accept the advice solicited from these outside advisors. Eighty (80) percent say that they accepted all of the counsel they received from insurance agents or brokers in the last year and another 10 percent indicate that they accepted most of it (Q#3G1). This level of acceptance puts insurance agents and brokers on a level with accountants, lawyers and engineers. But differing at least from accountants and lawyers, insurance agents and brokers are highly unlikely to directly charge for their advice. Just 15 percent claim to have directly paid for information from them over the last year (Q#3G2). Thirty-one (31) percent report that they obtained advice for nothing while 54 percent saw it as part of the purchase (presumably an insurance product).

Insurance agents and brokers appear to offer helpful, unsolicited advice comparatively infrequently (15 percent). Perhaps, the reason is that the focus of their advice is insurance and they freely provide it to their clients and potential clients.

Insurance agents and brokers are in a unique position vis-a-vis small-business owners. Their advice requires no direct outlay from the client. It usually costs nothing other than the purchase. Yet, the purchase can be expensive as many small employers have come to recognize. This opens the question of the wisdom involved in having an influential advisor selling the service/product on which he provides advice. The issue likely evaporates if more than one individual is consulted. But the survey provides no evidence on the number of different agents or brokers solicited for advice and whether they were solicited about the same or different questions.

c. Suppliers

Suppliers as insurance agents and brokers face potential conflict-of-interest issues, but also like them, customarily possess significant amounts of valuable information that either cannot be easily obtained elsewhere

or can be obtained elsewhere but only at considerable cost. Not surprisingly, therefore, 31 percent indicate that they solicited advice from a supplier(s) in the last 12 months (Q#3F). The advice that they solicited appears useful. Seventy (70) percent say that they took it and another 20 percent say that they generally took it (Q#3G1). Curiously, owners of larger, small firms were substantially less likely to accept supplier recommendations totally than were owners of smaller, small firms. Perhaps the difference is a function of the greater number of suppliers the former see; perhaps it is greater internal expertise on the topic about which they are seeking advice. Whatever the reason, this response pattern is associated with no other advice provider.

Few (3 percent) paid for recommendations made by suppliers as expected (Q#3G2). However, just 31 percent say that the advice they received was ancillary to a purchase. Two-thirds (65 percent) feel that they obtained it for nothing. Likely the information is transmitted as part of the entire sales process (whether or not an actual sale occurs).

Suppliers are one of the groups that most often provide helpful, unsolicited advice. Twenty-two (22) percent report that they experienced such counsel from a supplier within the last year (Q#5G). Only two other groups, family members and other business owners, provided it more frequently.

d. Other Business Owners

Business owners often talk with other business owners, and the topic is often business-related. It is not surprising, therefore, that experience, recommendations, and tips pass between owners on a continuing basis. As a result, 27 percent report that they received helpful, unsolicited advice from a colleague. No group in this assessment other than family provided it as often.

Given the amount of interaction, it is somewhat surprising that just 34 percent claim to have asked another business owner for advice last year (Q#3J). Moreover, when small employers did ask their colleagues for advice, they treated their responses cautiously. Fifty-seven (57) percent report taking the recommendations that they received while 25 percent were circumspect and took them generally

(Q#3J1). This source of counsel is almost always free (Q#3J2) (and likely without any inherent conflict-of-interest), making it a particularly attractive resource. It is also one of the few places solutions to industry specific problems are readily accessible.

Family

Despite the frequency with which family members serve as the one person to whom business owners speak prior to making a critical business decision, comparatively few owners sought the counsel of family members during the last 12 months. Just 44 percent report doing so (Q#3B). These data suggest that when family is involved, it is highly involved. In other instances, family is on the periphery.

Owners treat advice solicited from family members more warily than they do advice from many other sources. Sixty-four (64) percent used it all and 24 percent generally used it (Q#3B1). The advice from a family member was also almost always given for nothing (Q#3B2). It is likely that in the few cases where it was not, the family member giving the advice was also a professional advice-giver.

Family members were the most likely counselors to provide helpful, unsolicited advice. Over one in three (35 percent) indicate that family members had provided such suggestions (Q#6B). Unfortunately, there is no similar data showing the frequency of unsolicited advice and the frequency of its rejection.

The Types of Advice Solicited

Small employers seek counsel on a variety of topical areas. The survey attempted to put most major potential areas under one of 11 headings, though not all could be incorporated. The 11 were: advertising, marketing or promoting your business; human resources and personnel matters; legal questions; accounting, bookkeeping or taxes; management practices or business strategy; industry-specific technical matters; computers, software, Web sites, and telecommunications; loans, financial analysis or cash management; evaluation of prospective purchases or business investments; a government rule or requirement not including taxes; and business lay-out or design.

Small-business owners sought advice from outside advisors on an average of five subject areas listed above. Those owning larger, small firms wanted help on a broader variety of topics than those owning smaller ones. Small businessmen and women with fewer than 10 employees sought guidance on 4.7 of the areas while those with 20 or more employees sought it on six areas.

Of Greatest Interest

The most frequent subject area of solicited advice was “accounting, bookkeeping, and taxes.” No other subject area generated the equivalent interest. Seventy-three (73) of small employers indicate that they had asked for help on these topics in the last year (Q#4D). The level of small-business owner interest in the subject matter helps explain why accountants receive the most frequent solicitations. However, the number who requested information on these topics far outstripped the number seeking advice from an accountant. Inquiries regarding these topics therefore spill over and likely fall to lawyers, consultants and/or bankers, though suppliers and other business owners are possibilities.

The two subject areas generating the next most frequent solicitations for advice were “legal questions” and “computers, software, Web sites and telecommunication.” Fifty-six (56) percent sought advice in the last year on the former and 53 percent sought it on the latter (Q#4C and Q#4G). Those looking for help on a legal question greatly surpassed those seeking help from a lawyer, just as the number wanting help with accounting and taxes outstripped the number soliciting accountants. But differing from accountants where substitutes sometimes appear available, providers of legal advice are limited. This mismatch suggests that many “legal questions” are more broadly management issues with legal implications, such as, should I incorporate? Still, the types of legal questions involved and people to whom small employers turn to help resolve them merits further examination.

The number of small employers seeking advice on telecommunications matters presents further evidence, should it be needed, of the growing importance of computers and other telecommunications devices within small firms. The spread of

telecommunications technologies has been wide and now incorporates just about all kinds of small businesses and small-business owners. However, some segments of the population are somewhat more likely than others to search for advice on the topic than others. For example, an owner's age is not related to seeking counsel on these technologies, though formal education is to some degree. Similarly, industry is not related though those in construction seek it somewhat less frequently than those in the financial services. Those growing most rapidly and not at all (or negatively) are somewhat more likely to look for help with telecommunications-related technology than those growing slowly. But as a general rule, all types of small-business owners feel that they need help with computer and telecommunications technologies.

Of Middling Interest

Between 40 and 50 percent of owners solicited advice last year on five of the 11 subject areas presented for evaluation. They included an industry-specific technical matter(s) (48 percent) (Q#4F); loans, financial analysis, or cash management (46 percent) (Q#4H); advertising, marketing or promoting your business (46 percent) (Q#4A); management practices or business strategy (45 percent) (Q#4E); and evaluation of prospective purchases or business investments (45 percent) (Q#4I).

While these subject areas draw notable interest, nothing seems to distinguish owners interested in them from those who are not. No relationship between any topic and survey demographic presents itself. The enterprise's circumstances, an owner's personal strengths, and employee capabilities obviously play a significant role in the type of help solicited. Presumably, an owner will exhibit greater need for assistance in the subject area where he has the fewest internal skills relatively upon which to draw. Yet, no data in this survey supports such an assertion.

Of Least Interest

Small-business owners sought counsel in the last year somewhat less frequently on three topical areas than they did on others examined. Those included a government rule or regulation not including taxes (36 percent) (Q#4J); human resources and personnel

matters (29 percent) (Q#4B); and business lay-out or design (19 percent) (Q#4K). Still, almost one in five wanted advice on the topical area of least interest.

Over one in three small employers requests advice about a government rule or requirement (excluding taxes). While owners of larger, small businesses are somewhat more likely to consult someone about government directives, a greater difference appears between owners of higher growing and non-growing (or negatively growing) firms. Less than 30 percent of the former seek advice on related topics while almost 45 percent of the latter do. Advice is most frequently sought by those in the service industries (including financial services) though the communications industry has too few cases on which to comment.

Comparatively few small-business owners feel that they need outside advice on personnel or human relations issues. Yet, the data are divided sharply between those who have fewer than 10 employees and those who have 10 or more employees. Almost twice as many in the latter group sought advice last year about personnel issues as did those in the former group. In fact, owners of larger, small firms sought advice about personnel issues last year almost as often as they did about marketing issues. But even then, this group of larger, small employers asked for guidance on personnel matters comparatively infrequently.

Relatively few sought counsel on business lay-out or design, and there appeared no group who wanted advice on the topic substantially more than any other. One potential reason for the low incidence is that design is less an on-going process than a periodic project.

Final Comments

Eighty-four (84) percent of small-business owners report seeking counsel from an outside advisor in one or more subject areas over the last year. If family members are excluded, the number falls to 80 percent. Outside advisors are important to small employers as evidenced by the frequency with which they implement solicited advice and accept unsolicited suggestions from them. But their outside advisors are rarely confidants or the one person consulted prior to any critical decision. Rather they assume the role of "expert"

filling a temporary, though potentially ongoing, need. That implies that advice may often be given without full knowledge of surrounding circumstances which is one reason solicited advice may be rejected.

The cost of outside advisors or expertise is almost always an issue. Several of the more frequently used types of advisors rarely, if ever, charge for their counsel. Their popularity (frequency of use) may be a function of their minimal cost. But there is also a relationship between the frequency owners accept advice and their propensity to pay for it. Those paying are generally more likely to accept it than those who do not. Two points must be made in this regard: a large share of solicited advice is taken whether or not it is paid for. Eighty-seven (87) percent took a lawyer's advice on the high end (and most paid for it) while 57 percent accepted solicited advice from another business owner on the low end (and virtually none paid for it). Second, it is not clear whether small-business owners accept the advice because they have had to pay for it (and therefore believe it has value) or because they have particular confidence in the source from which they received it. The lawyer/other business owner juxtaposition noted above is illustrative. Still, advice is much easier to ignore when the owner did not pay for it than when he did.

An important issue to small businessmen and women accepting advice from outside sources is the position of an advisor who sells a product/service about which he is giving advice. This is far from a simple matter. Advisors in these positions have a huge potential upside. They can offer advice and information that owners can rarely find elsewhere and they customarily provide it for little or no cost. These same people also have a huge potential downside. They can guide owners to products or services that better serve the interests of the seller than the buyer. Thus, it pays the small-business owner to shop, if not at the time of every purchase, then at least frequently enough to recognize an unhealthy tie-in between advice and product/service when it exists.

Sixteen (16) percent did not use an outside advisor for any purpose in the last 12 months. The reason may be a matter of personal style or preference rather than cost given that there is so much free advice avail-

able outside the firm. However, some types of advice almost always come with a charge and that may be the type of advice needed. Cost could be an important consideration in these circumstances. Further, reliance on free advice is always contingent on such factors as timeliness. Even if the proper advice is obtainable, it may not be available when it is needed. Yet, the choice not to ask anyone for any advice over a one-year span suggests that the owner is not inclined to ask for help regardless of cost.

Whether small employers ask the "right" questions of the "right" people at the "right" time, let alone get the "right" answers and "appropriately" adopt the advice received is not known. But it appears that on balance small-business owners are not afraid to ask for advice from a variety of sources outside their firms, and to do it often. Given the longevity of numerous firms in the sample, it is likely that many of those exchanges have been very productive.

Advice and Advisors

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
I. Is there ONE person, inside or outside your business, that you are likely to talk to or discuss matters with before addressing a serious problem or making a critical business decision?				
1. Yes	64.2%	71.9%	69.7%	65.6%
2. No	35.0	27.0	28.9	33.5
3. (DK/Refuse)	0.8	1.1	1.3	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751
Ia. Is that person a family member? (If "Yes" in Q#I.)				
1. Yes	58.0%	51.6%	43.4%	55.7%
2. No	42.0	48.4	56.6	44.3
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	227	146	140	513
IaI. Which family member? (If "Yes" in Q#Ia.)				
1. Spouse	65.4%	48.4%	45.5%	62.0%
2. Father	8.2	16.1	13.6	9.5
3. Mother	0.9	3.2	4.5	1.4
4. Brother	7.4	12.9	18.2	8.8
5. Sister	2.2	3.2	—	2.1
6. Son	10.8	9.7	18.2	11.3
7. Daughter	2.2	3.2	—	2.1
8. Other, incl. in-law	2.2	3.2	—	2.1
9. (DK/Refuse)	0.9	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	133	75	61	269
Ib. Which BEST describes that person? (If "No" in #QIa.)				
1. Co-owner or business partner	33.7%	43.3%	34.5%	35.1%
2. Employee	14.8	20.0	20.7	16.2
3. Professional advice giver such as an accountant, banker, lawyer	33.1	20.0	27.6	30.7
4. Another business owner	13.6	6.7	10.3	12.3
5. (DK/Refuse)	4.8	10.0	6.9	5.7
Total	100.0%	100.0%	100.0%	100.0%
N	94	71	79	244

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

2. Are you more likely to discuss a serious business problem or a critical decision with several people, a different person depending on the problem or decision, OR are you more likely to handle it yourself without outside input? (If “No” in Q#1.)

1. Several people	11.9%	21.7%	31.8%	14.4%
2. Different person depending on the situation	16.5	30.4	27.3	18.6
3. Yourself	68.3	43.5	40.9	63.9
4. (DK/Refuse)	3.2	4.3	—	3.0
Total	100.0%	100.0%	100.0%	100.0%
N	120	53	58	231

3. In the last year did you solicit advice about aspects of your business from:

A. An accountant?

1. Yes	55.4%	68.5%	73.7%	58.7%
2. No	43.8	31.5	26.3	40.7
3. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3A1. Did you take the advice? (If “Yes” in Q#3A.)

1. Yes	82.6%	90.0%	75.0%	82.6%
2. Generally yes	10.4	6.7	17.9	10.8
3. Generally no	1.2	1.7	1.8	1.3
4. No	5.5	1.7	3.6	4.8
5. (DK/Refuse)	0.3	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	192	139	144	475

3A2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	52.0%	60.0%	65.5%	54.7%
2. Free advice	12.4	10.0	10.9	11.9
3. Part of another purchase	35.5	30.0	23.6	33.4
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	192	139	144	475

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
B. A family member?				
1. Yes	42.9%	47.2%	48.0%	43.9%
2. No	56.9	52.8	52.0	56.0
3. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3B1. Did you take the advice? (If “Yes” in Q#3B.)

1. Yes	64.0%	70.7%	56.8%	64.1%
2. Generally yes	24.0	19.5	27.0	23.8
3. Generally no	0.4	—	5.4	0.9
4. No	8.2	4.9	2.7	7.2
5. (DK/Refuse)	3.4	4.9	8.1	4.1
Total	100.0%	100.0%	100.0%	100.0%
N	150	94	97	341

3B2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	1.1%	4.9%	2.7%	1.7%
2. Free advice	98.1	92.7	94.6	97.1
3. Part of another purchase	0.7	2.4	2.7	1.2
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	150	94	97	341

C. A banker?

1. Yes	25.6%	34.8%	42.1%	28.2%
2. No	74.4	65.2	57.9	71.8
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3C1. Did you take the advice? (If “Yes” in Q#3C.)

1. Yes	64.2%	76.7%	66.7%	66.2%
2. Generally yes	13.8	10.0	26.7	15.1
3. Generally no	1.3	—	—	0.9
4. No	17.6	10.0	6.7	15.1
5. (DK/Refuse)	3.1	3.3	—	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	88	69	82	239

Employee Size of Firm
1-9 emp 10-19 emp 20-249 emp All Firms

3C2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	2.5%	3.3%	9.4%	3.6%
2. Free advice	69.8	76.7	65.6	70.1
3. Part of another purchase	27.7	20.0	25.0	26.2
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	88	69	82	239

D. A management, marketing or financial consultant?

1. Yes	10.9%	15.7%	25.0%	12.8%
2. No	89.1	84.3	75.0	87.2
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3D1. Did you take the advice? (If “Yes” in Q#3D.)

1. Yes			63.2%	66.7%
2. Generally yes			15.8	15.7
3. Generally no			10.5	3.9
4. No			10.5	12.7
5. (DK/Refuse)			—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	41	31	50	122

3D2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice			65.0%	47.1%
2. Free advice			20.0	32.4
3. Part of another purchase			15.0	18.6
4. (DK/Refuse)			—	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	41	31	50	122

E. A lawyer?

1. Yes	35.2%	53.4%	54.7%	39.1%
2. No	64.5	46.6	45.3	60.7
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3E1. Did you take the advice? (If “Yes” in Q#3E.)

1. Yes	85.3%	87.0%	90.0%	86.9%
2. Generally yes	6.4	8.7	10.0	7.2
3. Generally no	—	—	—	—
4. No	6.4	4.3	—	5.2
5. (DK/Refuse)	0.9	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	120	106	106	332

3E2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	69.5%	87.0%	85.4%	74.3%
2. Free advice	18.1	6.5	7.3	15.6
3. Part of another purchase	11.4	6.5	7.3	10.1
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	120	106	106	332

F. An engineer?

1. Yes	9.6%	12.4%	16.0%	10.5%
2. No	90.4	87.6	84.0	89.5
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3F1. Did you take the advice? (If “Yes” in Q#3F.)

1. Yes				84.1%
2. Generally yes				8.5
3. Generally no				—
4. No				7.3
5. (DK/Refuse)				—
Total	100.0%	100.0%	100.0%	100.0%
N	28	25	33	86

3F2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice				52.4%
2. Free advice				28.0
3. Part of another purchase				19.5
4. (DK/Refuse)				—
Total	100.0%	100.0%	100.0%	100.0%
N	28	25	33	86

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

G. A supplier?

1. Yes	29.5%	36.4%	40.0%	31.3%
2. No	70.2	63.6	60.0	68.5
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3G1. Did you take the advice? (If “Yes” in Q#3G.)

1. Yes	73.4%	67.7%	53.3%	70.2%
2. Generally yes	17.9	19.4	36.7	20.4
3. Generally no	4.9	3.2	3.3	4.5
4. No	3.8	6.5	6.7	4.5
5. (DK/Refuse)	—	3.2	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	103	75	78	256

3G2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	2.7%	—%	9.7%	3.2%
2. Free advice	64.1	78.1	61.3	65.6
3. Part of another purchase	32.6	21.9	29.0	30.8
4. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	103	75	78	256

H. An insurance agent or broker?

1. Yes	26.6%	40.4%	49.3%	30.3%
2. No	73.1	59.6	49.3	69.3
3. (DK/Refuse)	0.3	—	1.3	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3H1. Did you take the advice? (If “Yes” in Q#3H.)

1. Yes	78.2%	85.7%	83.3%	80.1%
2. Generally yes	10.9	8.6	8.3	10.2
3. Generally no	1.2	—	2.8	1.3
4. No	8.5	5.7	5.6	7.6
5. (DK/Refuse)	1.2	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	93	79	96	268

3H2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	17.5%	5.6%	13.5%	15.1%
2. Free advice	27.7	38.9	35.1	30.5
3. Part of another purchase	54.2	55.6	51.4	54.0
4. (DK/Refuse)	0.6	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	93	79	96	268

I. A designer including a Web site designer?

1. Yes	14.3%	22.5%	28.0%	16.5%
2. No	85.7	77.5	72.2	83.5
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

3I1. Did you take the advice? (If “Yes” in Q#3I.)

1. Yes	70.5%		66.7%	68.8%
2. Generally yes	6.8		14.3	8.6
3. Generally no	4.5		—	3.1
4. No	14.8		14.3	16.4
5. (DK/Refuse)	3.4		—	3.1
Total	100.0%	100.0%	100.0%	100.0%
N	50	45	55	150

3I2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	50.6%		66.7%	52.3%
2. Free advice	29.2		14.3	26.2
3. Part of another purchase	18.0		19.0	20.0
4. (DK/Refuse)	2.2		—	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	50	45	55	150

J. Another business owner?

1. Yes	31.7%	42.0%	45.3%	34.2%
2. No	67.8	56.8	54.7	65.3
3. (DK/Refuse)	0.5	1.1	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

3J1. Did you take the advice? (If “Yes” in Q#3J.)

1. Yes	55.3%	56.8%	64.7%	56.7%
2. Generally yes	25.4	21.6	23.5	24.6
3. Generally no	2.0	5.4	5.9	3.0
4. No	9.6	13.5	2.9	9.3
5. (DK/Refuse)	7.6	2.7	2.9	6.3
Total	100.0%	100.0%	100.0%	100.0%
N	106	81	89	276

3J2. Did you pay for the advice, was it free, or was it part of the cost of something you purchased?

1. Paid for advice	1.0%	—%	5.7%	1.5%
2. Free advice	97.0	100.0	91.4	96.7
3. Part of another purchase	2.0	—	2.9	1.9
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	106	81	89	276

4. In the last year, what did you solicit business advice about? Was it about: (If “Yes” in any part of Q#3A-J.)

A. Advertising, marketing, or promoting your business?

1. Yes	45.7%	50.7%	45.3%	46.3%
2. No	53.3	49.3	54.7	52.9
3. (DK/Refuse)	1.0	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	226	165	167	558

B. Human resources and personnel matters?

1. Yes	23.0%	43.8%	46.9%	28.6%
2. No	76.5	56.2	53.1	71.0
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	226	165	167	558

C. Legal questions?

1. Yes	52.5%	63.0%	69.8%	55.9%
2. No	46.8	37.0	30.2	43.6
3. (DK/Refuse)	0.7	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	226	165	167	558

		Employee Size of Firm			
		1-9 emp	10-19 emp	20-249 emp	All Firms
D. Accounting, bookkeeping, or taxes?					
1. Yes		72.2%	73.6%	78.1%	73.1%
2. No		26.5	26.4	21.9	26.0
3. (DK/Refuse)		1.2	—	—	1.0
Total		100.0%	100.0%	100.0%	100.0%
N		226	165	167	558
E. Management practices or business strategy?					
1. Yes		40.0%	56.2%	62.5%	44.8%
2. No		59.6	43.8	37.5	54.9
3. (DK/Refuse)		0.5	—	—	0.4
Total		100.0%	100.0%	100.0%	100.0%
N		226	165	167	558
F. Industry-specific technical matter?					
1. Yes		46.2%	52.1%	56.3%	48.2%
2. No		51.2	47.9	43.8	50.2
3. (DK/Refuse)		2.2	—	—	1.7
Total		100.0%	100.0%	100.0%	100.0%
N		226	165	167	558
G. Computers, software, Web sites, or telecommunications?					
1. Yes		51.2%	50.7%	67.2%	53.0%
2. No		48.3	49.3	32.8	46.6
3. (DK/Refuse)		0.5	—	—	0.4
Total		100.0%	100.0%	100.0%	100.0%
N		226	165	167	558
H. Loans, financial analysis, or cash management?					
1. Yes		44.9%	47.9%	57.8%	46.8%
2. No		54.2	52.1	42.2	52.5
3. (DK/Refuse)		1.0	—	—	0.8
Total		100.0%	100.0%	100.0%	100.0%
N		226	165	167	558

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

I. Evaluation of prospective purchases or business investments?

1. Yes	44.5%	42.5%	50.0%	44.9%
2. No	54.1	57.5	50.0	54.0
3. (DK/Refuse)	1.5	—	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	226	165	167	558

J. A government rule or requirement not including taxes?

1. Yes	34.9%	37.0%	42.2%	36.0%
2. No	64.2	63.0	57.8	63.4
3. (DK/Refuse)	0.7	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	226	165	167	558

K. Business lay-out or design?

1. Yes	17.9%	20.8%	23.4%	18.9%
2. No	81.1	77.8	76.6	80.1
3. (DK/Refuse)	1.0	1.4	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	226	165	167	558

5. In the last year, did you receive any HELPFUL, UNSOLICITED advice on an important aspect of your business from:

A. An accountant?

1. Yes	21.8%	31.8%	35.5%	24.2%
2. No	77.9	68.2	64.5	75.5
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

B. A family member?

1. Yes	34.8%	33.0%	37.3%	34.8%
2. No	65.2	67.0	62.7	65.2
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
C. A banker?				
1. Yes	13.4%	18.0%	22.7%	14.8%
2. No	86.6	82.0	77.3	85.2
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751
D. A management, marketing, or financial consultant?				
1. Yes	7.9%	12.5%	14.5%	9.0%
2. No	92.1	87.5	85.5	91.0
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751
E. A lawyer?				
1. Yes	12.8%	16.9%	23.7%	14.3%
2. No	87.2	83.1	76.3	85.7
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751
F. An engineer?				
1. Yes	2.7%	9.0%	5.3%	3.7%
2. No	97.3	91.0	94.7	96.3
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751
G. A supplier?				
1. Yes	20.2%	29.5%	31.6%	22.3%
2. No	79.8	70.5	67.1	77.5
3. (DK/Refuse)	—	—	1.3	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

H. An insurance agent or broker?

1. Yes	12.3%	20.5%	30.7%	15.0%
2. No	87.7	79.5	69.3	85.0
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

I. A designer including a Web designer?

1. Yes	8.7%	12.4%	13.3%	9.5%
2. No	91.0	87.6	86.7	90.3
3. (DK/Refuse)	0.3	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

J. Another business owner?

1. Yes	24.8%	31.5%	34.7%	26.5%
2. No	75.2	68.5	65.3	73.5
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

6. On a scale of one-to-ten where 1 means strongly agree and 10 means strongly disagree, what do you think about advice and advisors? A banker's advice helps me manage my business's financial needs better.

1. Strongly Agree	23.4%	18.2%	14.3%	21.9%
2. 2	9.9	6.8	6.5	9.3
3. 3	7.5	11.4	9.1	8.1
4. 4	5.3	5.7	6.5	5.4
5. 5	25.8	21.6	23.4	25.1
6. 6	5.6	9.1	7.8	6.2
7. 7	6.4	12.5	13.0	7.7
8. 8	3.4	6.8	10.4	4.4
9. 9	2.4	1.1	—	2.0
10. Strongly Disagree	5.6	4.5	5.2	5.4
(DK/Refuse)	4.7	2.2	3.9	4.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

Employee Size of Firm
 1-9 emp 10-19 emp 20-249 emp All Firms

7. How often do you consult a banker for business advice? Do you estimate:

1. Once a week?	1.4%	2.3%	1.3%	1.5%
2. Once a month?	3.4	3.4	6.7	3.7
3. Once a quarter?	11.9	20.7	30.7	14.6
4. Once a year?	29.2	33.3	22.7	29.0
5. Never?	53.5	40.2	38.7	50.6
6. (DK/Refuse)	0.6	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

7a. What type of advice do you usually ask from a banker? (If consult a banker in Q#7. Allow two responses.)

1. Checking (business)	5.3%	6.0%	4.3%	5.2%
2. Savings account (business)	1.4	—	4.3	1.6
3. Loan of line-of-credit needs/issues	54.0	56.0	63.8	55.5
4. Tax issues	0.4	—	—	0.3
5. Payroll issues	0.7	4.0	2.1	0.8
6. Customer payment methods	1.1	—	—	0.5
7. Business investments	10.5	8.0	4.3	9.9
8. Business/employee retirement planning (Not personal)	1.4	—	—	1.0
9. Assessment of economic/ market conditions	1.8	4.0	6.4	2.6
10. Exit strategy/personal retirement/succession planning	1.4	2.0	2.1	1.6
11. Personal accounts	1.8	—	2.1	1.6
12. Problem resolution	—	—	2.1	0.3
13. Cash flow/financial management	4.6	10.0	4.3	5.5
14. Interest Rates	6.7	8.0	6.4	7.1
15. Financial (non-specific)	3.2	4.0	4.3	3.4
16. (Other)	15.1	2.5	0.6	13.9
17. (DK/Refuse)	5.3	6.0	4.3	5.2
Total	N.A.	N.A.	N.A.	N.A.
N	156	119	122	397

Demographics

D1. Is your primary business activity:

1. Construction?	11.5%	11.6%	9.3%	11.3%
2. Manufacturing?	6.5	13.8	9.3	7.6
3. Wholesale?	3.5	9.2	5.3	4.3
4. Retail?	21.7	19.5	28.0	22.1
5. Transportation?	2.1	2.3	2.7	2.2
6. Communication?	4.2	4.6	4.0	4.2
7. Financial Services?	7.7	4.6	5.3	7.1
8. Services?	33.5	32.2	32.0	33.2
A. Non-professional, e.g., lodging, auto, repair, garages, recreation	(24.4)	(18.5)	(32.0)	(24.5)
B. Professional, e.g., health, legal, education, engineering	(34.4)	(37.0)	(40.0)	(35.6)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(22.5)	(25.9)	(8.0)	(21.5)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(10.5)	(14.8)	(8.0)	(10.7)
E. (Other/D/K)	(8.2)	(3.7)	(12.0)	(8.0)
9. Agriculture, forestry, fishing?	7.5	1.1	1.3	6.2
10. (Other)	1.0	1.0	1.3	1.0
11. (DK/Refuse)	0.8	—	1.3	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

D2. Over the last two years, have your real volume sales:

1. Increased by 30 percent or more?	15.2%	22.5%	18.7%	16.3%
2. Increased by 20 to 29 percent?	12.5	16.9	20.0	13.7
3. Increased by 10 to 19 percent?	19.2	22.5	26.7	20.3
4. Changed less than 10 percent one way or the other?	26.8	25.8	24.0	26.5
5. Decreased by 10 percent or more?	17.7	9.0	8.0	15.8
6. (DK/Refuse)	8.6	3.3	2.7	7.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D3. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	28.2%	5.6%	2.6%	23.2%
2. No	69.1	93.3	96.1	74.4
3. (DK/Refuse)	2.7	1.1	1.3	2.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

D4. How long have you owned or operated this business?

1. < 6 years	25.2%	18.6%	19.7%	24.0%
2. 6-10 years	27.3	16.3	19.7	25.4
3. 11-20 years	24.3	33.7	26.3	25.5
4. 21-30 years	12.7	16.3	17.1	13.5
5. 31 years+	8.6	12.8	14.5	9.6
6. (DK/Refuse)	1.9	2.3	2.6	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

D5. What is your highest level of formal education?

1. Did not complete high school	2.2%	2.2%	—%	2.0%
2. High school diploma/GED	21.4	15.7	18.4	20.5
3. Some college or an associates degree	22.7	27.0	26.3	23.5
4. Vocational or technical school degree	5.3	2.2	1.3	4.6
5. College diploma	33.2	36.0	36.8	33.9
6. Advanced or professional degree	12.1	15.7	15.8	12.9
7. (DK/Refuse)	3.0	1.1	1.3	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

D6. Please tell me your age.

1. <25	0.3%	—%	1.3%	0.4%
2. 25-34	7.5	9.0	7.9	7.7
3. 35-44	21.6	22.5	21.1	21.6
4. 45-54	29.9	32.6	35.5	30.8
5. 55-64	25.1	27.0	22.4	25.1
6. 65+	13.0	7.9	10.5	12.2
7. (DK/Refuse)	2.6	1.1	1.3	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms

D7. What is the zip code of your business?

1. East (zips 010-219)	17.9%	15.6%	17.1%	17.6%
2. South (zips 220-427)	21.6	22.2	23.7	21.8
3. Mid-West (zips 430-567, 600-658)	21.2	22.2	18.4	21.1
4. Central (zips 570-599, 660-898)	21.9	25.6	26.3	22.7
5. West (zips 900-999)	14.2	12.2	13.2	13.9
6. (DK/Refuse)	3.2	2.2	1.3	2.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

D8. What were your gross receipts in your most recent calendar or fiscal year?

1. <\$100,000	15.0%	3.4%	1.3%	12.5%
2. \$100,000-\$249,999	17.4	2.3	2.7	14.4
3. \$250,000-\$499,999	16.5	6.9	2.7	14.1
4. \$500,000-\$999,999	14.7	18.4	9.3	14.6
5. \$1 million-\$4.9 million	10.1	44.8	41.3	16.9
6. \$5 million - \$9.9 million	1.0	4.6	13.3	2.5
7. \$10 million or more	0.5	4.6	14.7	2.3
8. (DK/Refuse)	24.8	14.9	14.7	22.8
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751

D9. Sex

Male	80.2%	87.5%	82.9%	81.3%
Female	19.8	12.5	17.1	18.7
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	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 survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between June 8 - July 8, 2002 from a sample of small employers. "Small employer" was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

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

tribution of small-business owners by employee size of firm (Table A1). Almost 60 percent of employers 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 important 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 were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 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	350	47
10-19	82	11	200	27	201	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	751	101

*Sample universe developed from special runs supplied to the NFIB Research Foundation by the Bureau of the Census (1997 data).

Previous Publications in This Series

- Volume 1, Issue 1 *The Changing Search
for Employees*
- Issue 2 *The Use and Value of Web Sites*
- Issue 3 *The Cash Flow Problem*
- Issue 4 *Adjusting to Cost Increases*
- Issue 5 *Coping with Regulation*
- Issue 6 *Success, Satisfaction and Growth*
- Issue 7 *Getting Paid*
- Issue 8 *Privacy*
-
- Volume 2, Issue 1 *Workplace Safety*
- Issue 2 *Liability*
- Issue 3 *Postal Rates*
- Issue 4 *Administering the Sales Tax*

The Sponsors

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. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM). The Foundation's functions were recently transferred from the NFIB Education Foundation.

Wells Fargo provides capital and financial services to more than 1.5 million businesses with annual sales up to \$10 million in the 50 United States and Canada. As a leading financial services provider to the small-business market, Wells Fargo is the largest small-business lender in the nation of loans up to \$100,000. Through its targeted loan programs alone, Wells Fargo has lent more than \$9 billion to African-American-, Latino-, and women-owned businesses.

Wells Fargo & Company is a \$280 billion diversified financial services company providing banking, insurance, investments, mortgage and consumer finance through more than 5,400 stores, over 6,000 ATMs, the Internet (<http://www.wellsfargo.com>) and other distribution channels across North America.



1201 "F" Street NW
Suite 200
Washington, DC 20004
nfib.com



550 California Street
11th Floor
San Francisco, CA 94104
wellsfargo.com