



# National Small Business Poll

NFIB National

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## Small Business Poll

*Families in Business*

# NFIB National Small Business Poll

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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.

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Small Business  
Poll



*Families in Business*

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## *Families in Business*

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# Executive Summary

- The family members most frequently associated with family businesses regardless of definition are spouses, siblings, children, and parents. In-laws are not often associated with family businesses, but they are more likely to be associated with them than are more distant blood relatives such as cousins, aunts and uncles, or nieces and nephews.
- A spouse is the family member most likely to be a joint owner, a co-manager, and single confidant consulted prior to a critical business decision. Except for ownership, the relative importance of a spouse declines as enterprises become larger.
- After the spouse, sons, brothers, and fathers typically are the family members most frequently involved in family businesses.
- The number of family businesses in the United States varies enormously depending on the definition of “family business” employed. Estimates range from 3 million family businesses when based exclusively on family ownership to somewhat over 1 million when based on family members voluntarily “helping out.” Only businesses that employ people other than the owner(s) qualified for inclusion in the estimates.
- A core of businesses exhibit two or more characteristics often associated with family business. From that core, there are an estimated 2.5 million family businesses in the United States. That estimate includes all employing businesses having two or more family members as owners, and two or more adult family members who actively participate as manager, employee, or as-needed volunteer.
- Approximately 30 percent of small employers have at least one other member of the immediate family who owns a different business, one separate and distinct from the employer’s enterprise and large enough to employ people other than the owner(s). These businesses may or may not involve other family members. The most likely owning relatives are siblings, followed by children, and parents.
- Forty-eight (48) percent of family business owners would like to have a family member eventually take over operation of their venture. The number rises to five in eight among those whose firm employs 20 or more people. However, just 13 percent believe it is “very likely” that a family member actually will take over, though another 23 percent believe it is “likely.” Yet, only 7 percent of all operating businesses were inherited.
- About 9 percent intend to transfer business ownership to one or more family members within the next five years. Those planning the transfer average a little less than 60 years of age.
- Thirty-nine (39) percent say that they originally went into the business with one or more family members. Almost three-quarters of inherited businesses were transferred to more than a single family member.
- Business ownership and operation in the United States tends to run in families. But extensive family ownership apparently does not freeze out others who want to form their own business.

# Families in Business

A heightened interest in family business has developed over the last several years. The interest has resulted in new publications, organizations, professional consultancies, and academic treatises. But since the term has been used to describe almost every enterprise from Anheuser-Busch (the Busch family) and Ford Motor (the Ford family) at one extreme to a tiny side venture run out of a home at the other, the term “family business” generally lacks meaning from either a practical or conceptual standpoint. One consequence is that family business is not quantified or described from a definition that is intuitively appealing to a lay audience. Moreover, while the term “family business” applies to some type of family involvement in a single firm, an equally relevant related concept involves family members owning firms in addition to the family business. This edition of the *National Small Business Poll* tackles the problem of estimating the family business population using five simple and commonsensical distinctions between family and non-family businesses. In the process, it attempts to quantify the number of immediate family members who own at least one additional enterprise.

## Preliminaries

Five operating definitions of family business are subsequently employed to distinguish between family and non-family businesses. They are: two or more family members own a business (with or without other owners); two or more family members help manage a business (that at least one owns) on a day-to-day basis; in addition to the/an owner, at least one other adult family member works in the business more than 20 hours per week for wages or salary; adult family members (other than an/the owner) contribute to the business periodically by offering a special skill, filling in for someone, or otherwise helping out; and, two or more family members collaborate on critical decisions impacting the business. One definition is not necessarily superior to the others, though most observers will have a preference. But the five are used because each easily separates the two groups, each offers a somewhat

different perspective on the phenomenon, and each is intuitively appealing.

A family member for current purposes is someone in the interviewed business owner’s family extending to nieces and nephews, first cousins and in-laws. As a practical matter, however, anyone outside the immediate family, i.e., spouse, parents, children, and siblings, could be excluded without notable loss in the family business population.

From the beginning, 10 percent of the survey sample was omitted from most of the analysis. Eighty-four (84) percent of those interviewed occupied the position of business owner/manager; almost 7 percent were owners of the business, but not its manager (Q#1). That leaves 10 percent who were managers, but not owners. These people were not interviewed because it was assumed that as a group they could not provide reliable information on the ownership structure. The omitted group is likely to differ from the broader business community.



For example, this group operates 26 percent of firms employing 20 or more people while only 7 percent of those with fewer than 10. To extrapolate the data to the entire employer population requires that assumptions be made. Some evidence appeared showing the omitted group changed the population's percentages minimally, though they did impact those of the largest firms. Without further information to rationalize an assumption, it was assumed for purposes of estimating the population that the omitted group reflects the entire population. That results in somewhat inflated estimates, but not great enough for concern. Further, since those estimates were developed from a sample of people owning firms employing up to 250 people other than the owner(s), they represent only those employers. However, those employers account for 99 percent of employing businesses, over 45 percent of the population whose primary economic activity in a year is self-employment (corporate and non-corporate) and over 20 percent of anyone who files a tax return with any business income on it. Estimates, therefore, represent the employer population.

## Family Businesses

The proportion of businesses that are “family businesses” vary enormously depending on the definition of employed and there are a variety of reasonable definitions from which to choose. The following illustrate:

### Owning Family Businesses

Forty-eight (48) percent of all businesses employing fewer than 250 people have two or more family members as their owners (Q#2). Of that number, 64 percent (31 percent of the total population) have just one family member owner other than the one family member owner interviewed (Q#2a). An additional 19 percent were owned by two more (three in total); 10 percent by three more (four in total); and, seven percent by four or more (five or more family members in total). Among this group of family businesses, the average number of family owners per firm is about 2.7. Larger firms, those employing 20 or more people, have more owners averaging 3.5 family members. However, it appears that the number of family members who own any one business is usually quite small.

The estimated percentage of family businesses defined by ownership is clouded by community-property issues. There are nine community-property states, comprising 27 percent of the sample population, in which assets or income obtained after marriage are jointly owned. Inheritances can be an exception. But for the most part businesses formed or purchased after marriage are family businesses (defined by ownership) regardless. Owner reports indicate that there are no more family businesses (proportionally) in community-property states than in non-community-property states. That is a virtual impossibility. The data were, therefore, recalculated on the presumption that spouses in community-property states more often are co-owners. Since no determination could be made regarding the firm's existence prior to a marriage, it was assumed that half of the businesses did not exist prior and the other half did. If this were true, the percentage of businesses that are family businesses, defined by ownership, rises about 7 percentage points to 55 percent of all firms. Thus, when at least two family member owners is the definition's criterion for a family business, there are about 3 million of them in the United States that employ people other than the owners.

To avoid the spouse issue in community-property states, the ownership definition can be reshuffled to two or more family members not including a spouse. The proportion of family businesses falls to 22 percent of all employers in that event. The 33 percentage point differential in the proportion of family businesses among the total population when spouses are and are not included underscores the dominance of a spouse in family business ownership.

Spouses represent about two of every three (67 percent) family members in these businesses (Q#2b). (The questionnaire allowed only three family members to be listed as owners in addition to the respondent. Seven (7) percent report more than three. The percentage of spouses and subsequently other relatives is, therefore, likely to be modestly underreported.) The most common ownership structure involves two people, typically husband and wife.

These data, too, ignore the community-property issue. As a result, the number of spouses that are owners is under-reported from this perspective as well. If half of the excluded spouses in community-property states are assumed to be owners, the proportion of family businesses with spouses as owners would rise to over 70 percent.

The next most likely family members to own a share of the business after a spouse are sons (16 percent), brothers (13 percent), and fathers (10 percent). Sisters (7 percent), mothers (6 percent), and daughters (5 percent) are owners about half as often. Relatively few members of the extended family are involved, but 5 percent of family businesses have in-laws as owners.

These family member owners participate in critical business decisions as a general rule. Sixty-four (64) percent say that family members are “active” owners, at least in terms of participating in important decisions (Q#2c). The fewer the owners, the more active the ownership group is likely to be. These data complement figures that were published in an earlier issue of the *Poll* and will be reproduced again later in this issue.

Non-family members own a share in 17 percent of these family businesses (defined in terms of ownership) (Q#2d). The proportion increases as the size of the firm grows. Fully one-third (32 percent) of all those employing 20 or more people have non-family members owning a share. Given these figures, many do not seem hesitant to mix family and non-family ownership. But, such a mixture adds a different dimension to the decision-making process in a family firm.

## Managing Family Businesses

Thirty-nine (39) percent of the small employer population are family businesses when defined as two or more family members managing a business (that at least one family member owns) on a day-to-day basis (Q#3). But when a firm’s size is 20 employees or more, the proportion of family businesses rises to 54 percent. These figures could be modestly understated. Over half of those who say that they do not manage the business also indicate that more than one family member manages it. But they report only one other family member involved meaning only a single manager. When this occurred, the cases were deleted

from the analysis. That implies when family business consists of two or more family members managing the enterprise on a day-to-day basis, there are about 2.1 million of them in the United States.

A spouse is the family member most frequently sharing day-to-day management of the firm. Fifty-five (55) percent identify a spouse, but that number drops sharply in larger, small businesses (Q#3a). Only 24 percent have a spouse helping with day-to-day management when the firm employs 20 or more people.

The second most likely family member to be involved is a son (30 percent). A son helps a parent manage about one in eight businesses throughout the country. Though a son may be a manager (and a designated heir), he has ownership interest only about half of the time.

Other family members are part of the management team much less often. Brothers and daughters follow sons, but are present only about one-third as frequently. They are also more common in larger, small firms. That is particularly true of daughters. Sons, in contrast, tend to be involved with similar frequency in firms of all sizes. It is noteworthy that in-laws more frequently participate in the day-to-day management than other blood relatives.

## Working in the “Store”

Almost as many businesses have additional family members working in them (beyond an owner) as are owned by more than one family member. The difference is the specific family members involved. Thus, if a family business is defined as one where more than one family member works more than 20 hours in the business for compensation, the number of family businesses in the United States is almost 2.5 million.

Forty-five (45) percent of small-business owners indicate that one or more family members (other than the person interviewed) work more than 20 hours per week in the business for wages or salary whether or not in a management capacity (Q#4). The phenomenon is over 50 percent more likely to occur in firms employing 20 or more people than in firms employing less than 10.

A son(s) is the most likely family member(s) to be employed in the family firm.

In forty-one (41) percent of firms that employ family members, at least one of them is a son (Q#4a). A spouse is the family member second most frequently employed (38 percent). Less often hired are daughters (14 percent), brothers (11 percent), and in-laws (9 percent).

### “Helping Out”

Twenty-two (22) percent say that there are other adult family members (in addition to the person interviewed) who help out in the business (Q#5). These family members contribute their time and skills as needed. For example, a spouse may do the books; a daughter working full-time elsewhere may run the cash register on Saturdays during the busy season; a son who is an accountant may help out at tax time. The idea is one of “pitching-in” (unpaid) to help when help is needed. If this concept is used to define family business, there would be about 1.2 million of them in the United States.

Not surprisingly, this type of activity is most prevalent in the smallest businesses. Those employing fewer than 10 people are substantially more likely (24 percent) than those employing 20 or more (16 percent) to engage such help. A smaller amount of expertise, less slack in the labor force, and the significant possibility of lower earnings are just three reasons why unpaid pitching-in is more likely to characterize the smallest firms.

Spouses (36 percent), sons (32 percent), and daughters (23 percent) are the ones who most frequently pitch-in to help (Q#5a).

### A Collaboration

Trying times or critical decisions can force a small-business owner to carefully evaluate the consequences of an action potentially taken (or not). At these crucial junctures, the owner may turn to a confidant or some other person upon whom he can rely for solid advice, purposeful evaluation, or simply to be a sounding board. The person selected for this responsibility obviously has a special relationship with the decision-maker and is a trusted collaborator. While not necessarily a co-decision-maker, this trusted advisor helps shape the firm. A family business could be defined as one in which at least two family members participate in critical decisions affecting the business.

Sixty-five (65) percent of small employers say that they have one person that they are likely to talk to or discuss matters with before making a critical business decision (Q#6). In 59 percent of those cases (38 percent of the total), that confidant is a family member (Q#6a). If some type of collaborative decision-making among two family members concerning critical matters becomes the essence of family business, there are somewhat over 2 million of them. Should the number of collaborators be increased to at least two, the number of family businesses defined by its decision-making would rise as well but doubtfully by very many. For example, 37 percent say that family member owners are generally active in major decisions.

A spouse is the person most likely (63 percent of the time) to occupy that position (Q#6a1). A son (11 percent) is the next most likely collaborator followed by a brother (9 percent), and a father (9 percent). (A more complete exposition of these data can also be found in *Advice and Advisors*, an earlier issue in the Series. The percentages between the populations in the two can vary a percentage point due to a filter made for this issue, though they are often greater within the 20 employee and over size category.)

### A Family Business Profile

A family business by one criterion or definition is often a family business by another as well. For example, 20 percent or 1.1 million (22 percent and 1.2 million adjusting for the community-property issue) report that they have at least two family members who own the business, at least two family members who help manage the business on a day-to-day basis, and at least one other family member who works in the business at least 20 hours per week for wages and or salary. If only the ownership and management criteria are employed, the number rises to 1.4 million (slightly higher adjusting for community property). If the management and the decision-making criteria are used, the figure becomes 24 percent or 1.3 million (slightly higher adjusting for community property). Similar combinations could be readily developed. The result, however, is that there is a substantial core of businesses in the United States that can be called “fam-

ily business” using any reasonable definition of the term. They obviously vary in detail, but their essential composition is similar. If a single number is required to quantify this population, 2.5 million is arbitrary though as sensible as any. That 2.5 million includes all employing businesses with an owner who says that another family member is also an owner, and two or more adult family members actively participate as a manager, employee, or as-needed volunteer.

## Intentions to Transfer Ownership

The eventual transfer of ownership is a major consideration for many small-business owners. It causes them to take a variety of actions that they otherwise would not, such as establishing various legal entities to minimize their Estate and Gift Tax, a.k.a., the Death Tax, liability, operating the business in a manner to give potential heirs experience and opportunity, etc. But while critical to some, a preoccupation with ownership transfer, particularly inter-generational transfer, is not common to all owners.

Forty-eight (48) percent of small employers say that they would like one or more of their family members to eventually take over the business and operate it (Q#11). That leaves a majority, albeit a slim one, who would prefer not to have someone in their family eventually take over. Those with larger ventures, in this case employing 20 or more people, express interest most frequently (63 percent) in having a family member eventually take over. Transferring larger firms is probably more appealing than transferring smaller ones because of their income-generating possibilities as well as their greater legacy value.

But wanting a family member to take over and expecting one to take over are very different issues. In fact, just 13 percent believe that it is “very likely” a family member will eventually take over though another 22 percent believe that it is “likely” (Q#11a). That means over one in 10 expect to be disappointed.

Most of the projected transfers are not eminent. Nine (9) percent intend to transfer their businesses within the next five years (Q#11b). However, one in five (20 percent) of those with a firm employing 20 or more people expect the transfer to occur in that

relatively brief time frame. Owners expecting to make a transfer in the next five years are older as a group. They average almost 60 years while the others average less than 50.

The survey also inquired about the likelihood of a business currently owned and operated by a parent(s) being transferred to a family member. Unfortunately, too few cases of this phenomenon were available to report meaningful results.

A large portion of small-business owners would like to keep the business in the family; somewhat fewer believe that it will happen; but as will be shown subsequently, a much smaller percentage actually will make the transition. Inheritances and/or sales to family members remain a small portion of ownership changes, let alone compared to de novo formations. Rather than lying in numbers, the policy importance of these transfers seems attached to their relatively large size and economic impact.

## Families in Business

Families in business do not necessarily revolve around a single firm. Relatives participating in one family enterprise may own and operate others themselves or in combinations with other family members, non-family members or some grouping of the two. Within the larger family unit, therefore, there may be several businesses operating at one time. That appears to happen frequently. No attempt has been made here to quantify the number of such enterprises. The intent is simply to determine the likelihood that members within a core family unit, defined here as spouse, parents, siblings, and adult children of the business owner (the person interviewed), own a business separate and distinct from the one discussed, and that the business is large enough to employ at least one person other than the owner(s). Non-employing ventures have been consciously excluded for purposes of consistency and distinguishing between marginal and more substantive operations.

Most small-business owners have a spouse. Eighty-five (85) percent say that they are currently married (Q#7), far above the adult population norm. Six (6) percent indicate that they are single and never have been married while 7 percent are divorced. Just a smattering report that they are currently separated or widowed.

Not only are a substantial number of spouses involved in the family business, but many have other businesses of their own. Of those who are married or separated, 9 percent say that their spouse has a business separate and distinct from the interviewed person's business and that it is large enough to employ people other than the owner(s) (Q#7a). That means about two in ten employing businesses are located in households where each spouse owns at least one enterprise. Over one-half million households or approximately one in 200 fit this description of a family in business. These numbers disregard any individual who owns multiple businesses or the presence of a third member in the household who also owns a separate business. If multiple businesses were counted (and the data set provides no capacity to do so), the concentration of business activity in comparatively few households would appear even greater.

Parents also continue to own and operate ventures separate from that of their children. Roughly one-third (32 percent) of small-business owners have both parents living; another one-third (33 percent) have one living parent; the remainder (34 percent) do not have a parent that is still alive (Q#10). Yet, seven (7) percent of those with at least one living parent own and operate a business (that employs others) separate and distinct from the child's (Q#9a). That means about 5 percent of all current owners have a parent in an equivalent occupational position. This phenomenon differs from one or more parents having owned a business at some point in their lives. It is a subset of that group. The number who had a parent who once owned a business is much greater.

Thirty-eight (38) percent of small-business owners do not have any children age 18 years or older (Q#8). Sixty-two (62) percent do. Of those with adult children, 15 percent have at least one child who owns a separate and distinct business that employs people other than the owner(s) (Q#8a). Most (82 percent) have only a single child with such a business, though 15 percent claim to have two or more children with at least one (Q#8b).

These numbers only provide a snapshot of the present. Children who currently are not business owners could become one later

in life. Further, an unknown number of owners have children who are less than 18 years old. Some of these could eventually become business owners as well. But even the cross-section suggests that business ownership among children is over 50 percent more frequent than would be expected given the proportion of business owners in the population. Thus, while the 15 percent does not appear high, it once again demonstrates that people involved in their own businesses tend to originate in families already associated with entrepreneurial activity.

Separate businesses are found most often among siblings. Small-business owners average 2.6 living brothers and sisters. Just 9 percent do not have at least one (Q#9). Of the 91 percent with a living sibling, one-quarter (25 percent) have one or more who own a separate and distinct business, large enough to employ one or more people other than the owner(s) (Q#9a). That means between one in four and one in five have at least one brother or sister in business for themselves. Most (77 percent) have just one sibling owning at least one such firm, but 7 percent have three or more (Q#9b). The proportion of siblings involved may seem high given the participation of adult children and parents, but it is not necessarily. Siblings should be relatively more plentiful than parents and children if for no other reason than their ages more closely approximate that of all business owners than do the ages of the other two groups.

About 31 percent of small employers say that they have someone in their immediate family who owns a different business than theirs. Those businesses do not include firms too small to have employees. If those smaller, non-employing enterprises were included along with preparatory activity prior to a formation (nascent activity), the number would obviously move much higher. How high it would move is only subject to a guess. Nor does that 31 percent consider family members who were or will be owners, but currently are not.

The substantial percentage of business owners with family members also in business is difficult to interpret at all but the most superficial level. While it is obvious that only a handful of families do not control the activity of employing enterprises, it is equally obvious that a number of families are significantly

more likely to produce multiple owners than are others. Effectively, business ownership runs in families, but apparently not to the point that it excludes others. Given experience in other parts of the world, this mix could be particularly significant from a social as well as an economic perspective.

### Other Topics

Most small employers currently operating a firm started their ventures (65 percent) with a second large portion (22 percent) purchasing an on-going enterprise. About 7 percent inherited their businesses, though the proportion is double that among owners of larger, small firms (Q#12). Over one-third (38 percent) of them went into their businesses with a family member (Q#12a). The data do not tell us which family member; however the type of start probably has an influence. For example, a sibling is likely the family member in an inherited firm and a spouse in a de novo entry. Once again community property clouds the issue.

Almost three-quarters of those who inherited a business entered with a family member(s). Proportionally, the next most likely way to go into business with a family member was to purchase an on-going firm. The most common way to enter without a family member was a de novo start. However, in absolute terms the order of frequency is reversed.

Somewhat more (44 percent) entered alone than with a family member and another 17 percent went into business with a non-family member. Few (1 percent) were accompanied by both family and non-family members. As a result, at least 2 million of today's employing businesses originated as a family business if ownership is the defining criterion.

Owners of family businesses usually believe that working with other family members has had a positive financial impact on their ventures. Fifty-seven (57) percent say that family members in the business has increased the venture's financial success (Q#12). Thirty-one (31) percent say that it has had no affect one way or another on its financial success while 9 percent believe family members have limited it. To the extent that financial success reflects overall success, family members in the business appear to have a generally favorable effect on the firm.

### Final Comments

Families play an important role in business ownership and operation in the United States. As many as 57 percent of all employing enterprises could be termed family businesses and a non-mutually exclusive 31 percent of small employers have immediate family members who also own at least one other venture. Combinations of business characteristics or other measures of family and business activity could be developed and quantified to present additional perspectives on the phenomenon, but at this juncture it is unnecessary.

Family businesses usually involve a very limited number of family members. Husband and wife and one other is the typical combination. While larger enterprises more often engage a larger number of family members and are more likely to reach beyond the immediate family, these firms still commonly have a reasonably small number of family members involved and the focus remains spouse, children, siblings and parents. This is a very different portrait than the stereotypical 'if you're in the family, you're in the business.'

About half of all small employers hope to keep the firm within the family after they leave it. Yet, the number who eventually transfer their businesses to family members remains relatively small. The obvious question is why. What impedes them from doing so? And, is there anything that can be done to eliminate those obstacles?

If the focus is redirected from the firm to the family, another portrait of families in business appears. The perspective moves from the depth of family involvement in businesses to the breadth of family ownership among businesses. Some families are far more likely to exhibit an entrepreneurial bent than are others. In fact, there is almost a one in three chance that a small employer has someone in the immediate family who is also a small employer. That number is multiples of the chances for any randomly selected non-owner.

This perspective projects an entirely different set of issues and questions, not the least of which involves efficiencies gained though the reduction of transaction costs. Still, families in business are often regarded as a social, rather than an eco-

conomic phenomenon. And, while there is nothing wrong with recognizing their social aspects, businesses are economic entities and their economic aspects have much to tell us about business generally.

# Families in Business

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
<b>I. Which BEST describes YOUR position in the business? Are you the:</b>				
1. Owner/manager	85.5%	82.0%	69.7%	83.6%
2. Owner but NOT manager	7.5	3.4	3.9	6.7
3. Manager, but NOT owner	6.9	14.6	26.3	9.6
4. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	201	200	751
<b>2. Do one or more family members own any portion of this business? (If “Owner” in Q#1.)</b>				
1. Yes	47.6%	47.4%	58.2%	48.4%
2. No	52.4	51.3	41.8	51.5
3. (DK/Refuse)	—	1.3	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629
<b>2a. How many family members own a portion? (If “Yes” in Q#2.)</b>				
1. One other	68.1%	51.4%	43.8%	64.1%
2. Two others	17.8	28.6	18.8	19.0
3. Three others	9.8	8.6	12.5	9.9
4. Four or more others	3.6	11.4	25.0	6.5
5. (DK/Refuse)	0.7	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	155	80	84	319
Ave.	1.5	1.9	2.5	1.7



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

**2b. Which family member or members? Spouse, father, etc. NOT Fred, Ethel, etc. (If other family owners in Q#2a.) (Allow up to three responses.)**

1. Spouse	69.9%	54.3%	78.1%	66.5%
2. Father	8.0	14.3	18.8	9.6
3. Mother	4.7	11.4	12.5	6.1
4. Brother	10.1	22.9	31.3	13.4
5. Sister	6.5	11.4	6.3	7.0
6. Son	14.5	20.0	25.0	16.0
7. Daughter	3.6	5.7	21.9	5.2
8. Uncle	1.1	—	—	0.9
9. Aunt	0.4	—	—	0.3
10. Nephew	0.7	—	—	0.6
11. Niece	—	—	—	—
12. Cousin	1.4	—	6.3	1.7
13. In-Law	4.3	8.6	6.3	5.0
14. (Other)	1.4	2.9	—	1.5
15. (DK/Refuse)	0.7	—	—	0.6
Total	n.a.	n.a.	n.a.	n.a.
N	155	80	84	319

**2c. As a general rule, do these family member owners actively participate in CRITICAL business decisions or are they passive owners?**

1. Active owners	63.9%	65.7%	57.6%	63.5%
2. Passive owners	32.5	28.6	24.2	31.1
3. (Mixed - Some active; some passive)	2.5	5.7	8.2	4.3
4 (DK/Refuse)	1.1	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	155	80	84	319

**2d. Are there other owners of the business who are not family members?**

1. Yes	13.7%	28.0%	32.1%	16.7%
2. No	86.3	72.0	67.9	83.3
3 (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

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

**3. Do one or more family members help manage this business on a day to day basis? (If “owner/manager” in Q#1 and owner, but not manager in Q#1 if two or more others identified.)**

1. Yes	37.2%	44.0%	53.6%	39.2%
2. No	62.8	56.0	46.4	60.8
3 (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	306	161	140	607

**3a. Which family member or members? Spouse, father, etc. NOT Fred, Ethel, etc. (If other family owners in Q#3.) (Allow up to three responses.)**

1. Spouse	59.5%	56.7%	26.7%	55.6%
2. Father	4.7	6.7	10.0	5.5
3. Mother	0.9	—	3.3	1.1
4. Brother	8.4	20.0	16.7	10.5
5. Sister	3.3	6.7	3.3	3.6
6. Son	30.2	30.0	36.7	30.9
7. Daughter	8.4	10.0	20.0	9.5
8. Uncle	0.5	—	—	0.4
9. Aunt	0.9	—	3.3	1.1
10. Nephew	—	—	3.3	0.4
11. Niece	0.9	—	—	0.7
12. Cousin	1.9	—	3.3	1.8
13. In-Law	3.3	16.7	6.7	4.0
14. (Other)	0.9	—	—	0.7
15 (DK/Refuse)	0.9	—	—	0.7
Total	n.a.	n.a.	n.a.	n.a.
N	121	75	80	276

**4. Do one or more family members work more than 20 hours per week in this business for wages or salary whether or not in a managerial capacity?**

1. Yes	41.2%	60.0%	66.7%	45.1%
2. No	58.4	40.0	33.3	54.6
3. (DK/Refuse)	0.3	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

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

**4a. Which family member or members? Spouse, father, etc. NOT Fred, Ethel, etc. (If “Yes” in Q#4.) (Allow up to three responses.)**

1. Spouse	38.1%	46.3%	27.8%	38.0%
2. Father	2.5	7.3	5.6	3.5
3. Mother	0.8	4.9	2.8	1.6
4. Brother	9.2	19.5	16.7	11.4
5. Sister	6.3	4.9	5.6	6.0
6. Son	39.3	39.0	50.0	40.5
7. Daughter	12.6	12.2	25.0	13.9
8. Uncle	0.4	—	—	0.3
9. Aunt	0.4	—	—	0.3
10. Nephew	2.1	12.2	5.6	2.5
11. Niece	—	—	—	—
12. Cousin	3.8	—	5.6	3.5
13. In-law	7.5	17.1	13.9	9.1
14. (Other)	—	—	—	—
15. (DK/Refuse)	1.7	—	—	1.3
Total	n.a.	n.a.	n.a.	n.a.
N	133	101	94	328

**5. Are there family members over 18 who are unpaid, but who periodically contribute to the business by offering a special skill, filling in for someone, or otherwise helping out?**

1. Yes	24.1%	13.3%	16.1%	22.3%
2. No	75.9	86.7	83.9	77.7
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**5a. Which family member or members? Spouse, father, etc. NOT Fred, Ethel, etc. (If “Yes” in Q#5.) (Allow up to three responses.)**

1. Spouse	36.2%			36.1%
2. Father	5.8			5.8
3. Mother	5.1			4.5
4. Brother	8.0			8.4
5. Sister	5.1			3.9
6. Son	31.2			31.6
7. Daughter	23.2			23.2
8. Uncle	2.9			2.6
9. Aunt	—			—
10. Nephew	1.4			1.9
11. Niece	—			—
12. Cousin	—			—
13. In-law	6.5			6.5
14. (Other)	—			—
15. (DK/Refuse)	2.2			1.9
Total	n.a.	n.a.	n.a.	n.a.
N	78	23	23	124

**6. 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	63.4%	71.1%	70.9%	64.8%
2. No	35.7	27.6	29.1	34.4
3. (DK/Refuse)	0.8	1.3	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	330	166	143	629

**6a. Is that person a family member? (If “Yes” in Q#6.)**

1. Yes	59.6%	58.5%	53.8%	59.0%
2. No	40.4	41.5	46.2	41.0
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	204	119	102	425

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

**6a1. Which family member? (If “Yes” in Q#6a.)**

1. Spouse	66.1%	51.7%	50.0%	63.4%
2. Father	7.8	13.8	11.1	8.7
3. Mother	0.9	3.4	—	1.1
4. Brother	7.8	13.8	16.7	9.1
5. Sister	1.8	3.4	—	1.9
6. Son	10.1	10.3	22.2	10.9
7. Daughter	2.3	3.4	—	2.3
8. Other, incl. in-law	2.3	—	—	1.9
9. (DK/Refuse)	0.9	—	—	0.8
Total	n.a.	n.a.	n.a.	n.a.
N	125	71	56	252

**7. Are you single, married, separated, divorced, or widowed?**

1. Single	6.4%	5.4%	7.3%	6.3%
2. Married	85.1	87.8	85.5	85.4
3. Separated	0.2	—	—	0.1
4. Divorced	6.9	5.4	7.3	6.8
5. Widowed	1.2	1.4	—	1.1
6. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**7a. Does your spouse also own a business, separate and distinct from this one, that employs people other than the owner or owners? (If “Married” or “Separated” in Q#7.)**

1. Yes	9.5%	10.8%	6.3%	9.4%
2. No	90.3	89.2	93.8	90.5
3. (DK/Refuse)	0.2	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	271	143	122	536

**8. How many children age 18 or over do you have?**

1. None	38.3%	38.7%	33.9%	38.0%
2. One	12.0	10.7	10.7	11.8
3. Two	24.1	28.0	25.0	24.5
4. Three	13.2	14.7	21.4	14.0
5. Four	4.8	4.0	7.1	4.9
6. Five or more.	7.2	4.0	1.8	6.5
7. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

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

**8a. Does one or more of your children over 18 own a business, separate and distinct from this one, that employs people other than the owner or owners? (If one or more children in Q#8.)**

1. Yes	14.5%	17.4%	16.7%	15.0%
2. No	85.2	82.6	83.3	84.8
3. (DK/Refuse)	0.3	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	201	102	95	398

**8b. How many of your children age 18 or over own such a business? (If “Yes” in Q#8a.)**

1. One				81.5%
2. Two or more				15.4
3. (DK/Refuse)				3.1
Total	100.0%	100.0%	100.0%	100.0%
N	30	17	17	64

**9. How many living brothers and sisters do you have?**

1. None	8.6%	8.0%	10.7%	8.7%
2. One	25.6	25.3	23.2	25.4
3. Two	24.7	25.3	26.8	24.9
4. Three	16.8	20.0	23.2	17.6
5. Four	8.3	10.7	5.4	8.3
6. Five or more	15.0	10.7	5.4	14.2
7. (DK/Refuse)	1.0	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**9a. Do one or more of your brothers and sisters now own a business, separate and distinct from this one, that employs people other than the owner or owners? (If one or more brothers and sisters in Q#9.)**

1. Yes	24.2%	26.1%	34.0%	25.2%
2. No	74.1	73.9	66.0	73.4
3. (DK/Refuse)	1.7	—	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	293	153	200	574

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

**9b. How many of your brothers and sisters own such a business? (If “Yes” in Q#9a.)**

1. One	75.6%			76.7%
2. Two	16.5			16.4
3. Three or more	7.9			6.9
4. (DK/Refuse)	—			—
Total	100.0%	100.0%	100.0%	100.0%
N	66	42	43	151

**10. Are both of your parents surviving, just one, or neither of them?**

1. Both	32.0%	32.9%	34.5%	32.3%
2. One	32.8	36.8	29.1	33.0
3. Neither	34.9	30.3	36.4	34.5
4. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**10a. Does [either/your parent] own a business, separate and distinct from this one, that employs people other than the owner or owners? (If “Both” or “One” in Q#10.)**

1. Yes	5.6%	15.4%	11.4%	7.1%
2. No	93.4	84.6	88.6	92.1
3. (DK/Refuse)	1.0	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	213	115	92	420

**11. Would you like one or more of your family members to eventually take over and operate this business?**

1. Yes	46.2%	46.7%	62.5%	47.5%
2. No	50.0	49.3	30.4	48.4
3. (DK/Refuse)	3.7	4.0	7.1	4.1
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**11a. Do you think it is very likely, likely, unlikely or very unlikely that one or more family members actually will?**

1. Very likely	11.7%	17.3%	23.6%	13.2%
2. Likely	21.5	20.0	32.7	22.2
3. Unlikely	33.7	28.0	21.8	32.2
4. Very unlikely	31.3	32.0	16.4	30.2
5. (DK/Refuse)	1.8	2.7	5.4	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**11b. Do you plan to transfer ownership of this business to one or more of your family members within the next five years?**

1. Yes	7.0%	13.3%	19.6%	8.7%
2. No	86.3	84.0	75.0	85.1
3. (DK/Refuse)	6.7	2.7	5.4	6.2
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**12. Did you start this business, purchase it, inherit it, or were you an employee brought into ownership?**

1. Started	67.4%	61.3%	44.6%	64.9%
2. Purchased	20.3	24.0	30.4	21.5
3. Inherited	6.0	6.7	12.5	6.6
4. Brought in	6.2	8.0	12.5	6.9
5. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**12a. Did you go into business yourself, with a family member, or with a non-family member?**

1. Self	46.2%	38.7%	29.1%	44.1%
2. With family member	37.3	40.0	43.6	38.1
3. With non-family member	15.3	18.7	27.3	16.6
4. (Family and non-family members)	0.7	1.3	—	1.0
5. (DK/Refuse)	0.5	1.3	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

**13. Do you believe that working with family members in this business has: (If “Owner/manager” or “Owner, but not manager” in Q#1, and “Yes” in either Q#2, Q#3, Q#4, or Q#5.)**

1. Increased your business’s financial success	57.2%	57.1%	65.2%	57.9%
2. Had no effect on your business’s financial success	30.6	35.7	28.3	30.9
3. Limited your business’s financial success	9.5	5.4	4.3	8.6
4. (DK/Refused)	2.8	1.8	2.2	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	238	125	120	483



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

**14. Would you consider consulting a banker about business succession planning?**

1. Yes	26.5%	37.3%	41.8%	28.8%
2. Already have	3.4	2.7	7.3	3.7
3. No	68.8	58.7	50.9	66.4
4. (DK/Refuse)	1.2	1.3	—	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	320	166	143	629

## 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
<b>D7. What is the zip code of your business?</b>				
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

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- 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*
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