



National Small Business Poll

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Small Business Poll

The Cash Flow Problem

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.

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Poll



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Executive Summary

- Cash flow is a “continuing” problem for one in five small-business owners. Another nearly one in two also suffers cash flow troubles, but less frequently than those with a continuing problem. One in three “never” experience cash flow difficulties. Larger, small businesses are as likely to encounter cash flow problems, if not more so, than the smallest.
- Small-business owners believe that the primary reason they experience cash flow problems is the difficulty they encounter collecting money due them (30 percent). The second most frequently cited reason is seasonality (23 percent). The third is unexpected variations in sales (15 percent) and the fourth, weak sales (13 percent).
- Small-business owners with a “continuing” problem are three times more likely to offer large, up-front capital outlay requirements for their cash flow difficulties than are those with a “common” or “occasional” problem. They are also 25 percent more likely to cite uncollected receivables. Those with an “occasional” problem are twice as likely to note seasonality as the primary reason as those with a “continuing” problem.
- Sixteen (16) percent report that their sales largely occur within a quarter or a six-month interval (seasonal). The “season” for those with sales concentrated in one quarter is usually the third or fourth quarter. The “season” for those with sales concentrated in a six-month period most often begins in the second quarter and carries through the third.
- There is no one most important action typically used to resolve a cash flow problem. However, 80 percent designate one of four actions as the most important usually taken: 26 percent say that their most important step is drawing on personal resources, e.g., personal savings or investments; 20 percent borrowing, i.e., taking out a loan or drawing down a line of credit; 19 percent adjusting scheduled purchases; and, 15 percent adjusting scheduled payments.
- Small-business owners with a “continuing” or a “common” cash flow problem are more than twice as likely to cite “borrowing” as their most important step as are those who have an “occasional” problem.
- Small-business owners employ multiple actions to fit specific cash flow situations. Only ten percent who ever experience cash flow problems use one measure exclusively. Half of those who use one exclusively attempt to collect money owed them and the bulk of the remainder rely on personal resources.
- The three most frequent responses to a cash flow problem (as opposed to the one most important) are: “try harder to collect the money owed you” (72 percent), “adjust scheduled purchases” (71 percent), and “draw on personal resources” (63 percent). The second tier of likely responses include: “adjust payment schedules” (50 percent) and “borrow” (47 percent). The most frequent actions are not always the most important or helpful.
- About 70 percent say that when borrowing for a cash flow problem, they are most likely to obtain a loan or draw down a line of credit from a commercial bank. Family and friends (11 percent) and financial institutions other than commercial banks (10 percent) are the next most likely sources of borrowing. Just eight percent identify the credit card as their most likely source.

The Cash Flow Problem

Perhaps no business problem is so well known to small-business owners and so little known to the public (including policy-makers) as cash flow. Just as the three basic rules in real estate are ‘location, location, and location,’ the three basic rules in small-business management are ‘cash, cash, and cash.’ What makes this simple idea so difficult to understand is that people often confuse cash with other business assets. People assume that the two are synonymous and they are not. While cash is an asset, it is only one kind of asset. Buildings, land, vehicles, machinery, furniture and fixtures are examples of others. But cash is a very special asset because only cash can be used to make payroll, cover bills, and pay taxes. A small-business owner cannot pay an employee with a desk (a business asset) or creditors with a warehouse full of inventory (also a business asset) or tax collectors with the latest computer. Employees, creditors, and government demand cash. In addition, cash must constantly be available, at times often not of the owners’ choosing and seemingly never when convenient. Small-business owners, therefore, must always have access to it. This edition of the *National Small Business Poll* focuses on the reasons for and the reactions to cash flow problems.

The Cash Flow Problem and Its Causes

While cash flow ranks near the top in the hierarchy of small-business problems (third in NFIB’s *Small Business Problems and Priorities* as an example), the condition of individual segments of the small-business population varies notably. Nineteen (19) percent indicate that cash flow is a “continuing” business problem (Q#1); 14 percent term it a “common” problem; and, 33 percent say that it is an “occasional” problem. In contrast, another 33 percent assert that cash flow is “never” a problem. Looking at the issue from a different perspective, about one-third of the population has a frequent cash flow problem; one-third encounters it from time-to-time, and one-third never finds cash flow an issue.

One common but erroneous assumption is that cash flow problems arise only in the smallest businesses. In fact, they appear in small businesses of all sizes. Twenty-three (23) percent of those employing 20 or more people have a “continuing” problem compared to 18 percent among the 10-19 employees size group and 19 percent in the 1-9 employee category (Q#1). But there are businesses in certain industry segments that are more and less prone to the problem. Small-business owners in the financial services, for example, face cash flow problems relatively infrequently; manufacturers face them relatively often.

a. Primary Causes of Cash Flow Problems

Small-business owners experiencing cash flow problems most often feel that the pri-

mary reason for the trouble is associated with the difficulty collecting money owed them. Thirty (30) percent say that outstanding receivables are usually the primary reason for their cash flow problems (Q#2). If they could collect the money owed them more quickly, presumably the problem would occur much less often. This surprising response raises an obvious question: why aren't more receivables collected before cash problems arise? A more vigorous collections policy might avert a problem in the first place. The data gathered for this report offer no clues for the reason(s) receivables are not pursued more avidly, but they do suggest that small-business managers who extend customers credit often need to more carefully manage this aspect of their business.

The second most frequent source of cash flow problems is seasonality. Twenty-three (23) percent say that seasonality is their primary reason for a problem. Seasonality is a familiar situation to many businesses. A classic example may be the small retailer who must watch cash flow out the door as he builds inventories for the back-to-school season; only later does the flow reverse itself (hopefully) with cash coming back into the firm as seasonal sales are made. But seasonality can affect businesses as diverse as home-building, tourist lodges, and accountants.

While 23 percent associate their cash flow problems primarily with seasonality, the proportion of seasonal businesses is smaller than might be expected. Seven percent claim that their sales are concentrated in one quarter of the year (Q#7). Another nine percent say that their sales occur largely within a six-consecutive month span. Totaling the two means 16 percent or about one in six businesses have a heavy seasonal component. Thirty-four (34) percent describe their sales pattern as "lumpy" with strong and slow periods scattered throughout the year. These are not necessarily seasonal businesses, but share the condition of irregular sales. Almost half (48 percent) stand in contrast with sales that are evenly spread. Just 14 percent of this group report that cash flow problems are "continuous" compared to 40 percent who say that they "never" have them.

Seasonality is not confined to a particular quarter or series of months. The "sea-

son" can occur any time during the year (Q#7a). In fact, "one-quarter seasonal" businesses tend to have their "high" season in the third or fourth quarter with the third being the more frequent. "Two-quarter seasonal" businesses are very different. About 40 percent begin their "season" in the second quarter extending through the third. The second greatest number have theirs begin in January and see it last through the second quarter.

b. Further Causes of Cash Flow Problems

Uncollected receivables are most frequently blamed for cash flow problems and seasonality is blamed second most frequently. However, sales issues are associated with cash flow problems in more than one of four cases. Fifteen (15) percent of small-business owners generally associate a cash flow problem with unexpected variations in sales. In effect, their sales forecasts simply prove overly optimistic in light of changing conditions. This does not suggest that their sales are inherently weak nor that a forecast projected a sales increase. It simply means that actual sales cannot support the commitments made for the anticipated sales level. The cause of the cash flow problem, therefore, is a sales forecast error. The remedy is better sales forecasting, a task many small-business owners have difficulty carrying out.

The allied problem is weak sales. Thirteen (13) percent cite this trouble. Weak sales differ from unexpected variation in sales in that the former is a persistent lack of sales where the latter is a mismatch due to poor anticipation. The former implies sales levels are simply inadequate to sustain costs. The solution is generating more sales rather than rectifying the imbalance between forecast and actuality (which may mean generating more sales, at least in part).

Eight percent note unexpected variation in costs and the same number identify the need to make a large investment, i.e., front the cost, and wait for the sale or payment. Examples of the former are uninsured losses, government mandates, and unannounced price increases from suppliers. Examples of the latter are a builder constructing a house "on spec" and a designer fronting the cost of a large printing job

for a client. Both imply a substantial cash outlay up-front with customer payment coming later. As a result, the severity of the cash flow problem generated is based on the time lapse between outlay and payment and the owner's capacity to finance the outlay.

The frequency of cash flow problems and the primary reason for them appears tied in two ways. First, small employers who say cash flow is an "occasional" problem cite seasonality as the primary reason for their problem 26 percent of the time. However, when cash flow is a "continuous" problem, they cite seasonality 13 percent of the time. That difference suggests that small-business owners generally understand the nature of their seasonal problem and adjust, even if from time-to-time they are unable to adjust adequately. The result is comparatively few severe cash problems stemming from seasonality. Second, those who experience a "continuous" problem cite fronting a large cost(s) as the primary reason for their problem 14 percent of the time. Those with an occasional problem cite it five percent of the time. The implication is that fronting large costs is associated with continuous cash flow problems. Avoiding such costs to the extent possible, or at least sharing them, is an appropriate management objective.

Resolving Cash Flow Problems

The single most important actions small-business owners customarily take to resolve a cash flow problem is to draw on personal resources. One in four (25 percent) identify this action as the one most important (Q#4). Thus, if the business runs short of cash, the family "cookie jar" becomes the principle source of business finance. Hopefully, the money put into the business for cash flow purpose is just a "loan" from the owner. But even if these "loans" successfully overcome any immediate cash problem, the "loan" deprives the owner of any interest or income that might accrue were it invested elsewhere. In other words, these "loans" are not free and the money is at some degree of risk.

Three other actions are also often the one most important taken to resolve a cash flow problem — borrowing, adjusting scheduled purchases, and adjusting scheduled payments. Nineteen (19) percent say their most

important action is borrowing. The most likely source of loans (borrowing) to finance cash flow problems is commercial banks. Seventy (70) percent who borrow for cash flow purposes indicate that they take out a loan or draw down a line from one of them (Q#5). Other lending sources have comparatively small shares of the market. Eleven (11) percent borrow from family and friends and 10 percent from financial institutions other than commercial banks, e.g., finance companies. Seventy-two (72) percent who have a "continuing" cash flow problem also maintain a line of credit at a commercial bank compared to just 61 percent of those who never have a problem (Q#8).

Another 19 percent say that the one most important step they take to resolve a cash flow problem is to adjust scheduled purchases. They simply postpone, delay, or scale-back purchases they otherwise would make. Purchases that might be included are inventories, furniture, and machinery. One effect of these deferrals is to conserve cash, even when the "purchase" is a lease. Small-business owners presumably return to some semblance of their purchase schedule once their cash problem fades, but the interruption is an opportunity cost that never can be recovered. The data unfortunately do not address the opportunity(ies) foregone under such circumstances.

The final frequently taken one most important measure is adjusting payment schedules. Fourteen (14) percent top their list of potential actions with this step. Unfortunately, more detail is not available regarding use of the payment schedule option. Adjusting scheduled payments could mean foregoing cash discounts for early payment or withholding a planned payment prior to a due date. It could also mean a few days delay with an interest charge or otherwise changing scheduled payments without raising credit-rating issues. It could also mean "robbing Peter to pay Paul" which is considerably different than relinquishing an early payment discount. While there is no way to distinguish between those rescheduling payments without credit rating implications and those who reschedule and jeopardize it, this response is potentially the most troubling in the survey.

a. The Receivables Conundrum

Other measures are cited as the one most important action much less frequently. However, trying to collect money due is one of the more interesting. Even though 30 percent identify the inability to collect receivables as the primary reason for their cash flow problems, only six percent identify collections as the one most important step taken to resolve it. Complicating the issue further is the fact that increasing collections activity is the most frequently taken action to resolve a cash problem (discussed subsequently). Thus, too many receivables often contributes to the problem; small-business owners move to speed collections more frequently than taking any other action to solve their problem; but the step appears relatively ineffective. The question is, why? Why is collection so ineffective as an action to resolve a cash flow problem when it is a substantial cause of it. One likely reason is that collections take too long to rectify an immediate problem. Even if a vigorous collections effort began immediately, sufficient money could not be accumulated quickly enough to rectify the problem. Therefore, while an effective collections policy is an important step preventing a cash flow problem, it does not appear to be an effective step combating one.

Other potential steps such as employee layoffs or selling receivables are rarely the one most important step taken. Though they may be used in particular circumstances, they are not basic responses when cash problems arise.

b. Multiple Actions to Resolve a Cash Flow Problem

Small-business owners resolve their cash flow problems in many ways. Only 10 percent rely on a single action for all situations. About half of those collect receivables as their sole strategy and a smaller group employ personal resources exclusively. But most use a variety of actions. In fact, small employers use an average of over four separate actions, though they do not necessarily use each one every time a problem flares.

The most frequent action to address a cash flow problem is to try harder to collect the money owed them. Seventy-two (72) percent indicate that collections is

one of the strategies commonly employed when a problem exists (Q#3F). While the action appears not to be a particularly effective means to resolve a cash problem (given so few feel it is their most important action), it is a logical response to an associated problem.

A similar percentage of owners (71 percent) adjust scheduled purchases when confronted with a cash flow problem (Q#3E). They simply postpone, delay or perhaps even cancel planned expenditures. If the purchase were not to be financed, then the money set-aside for it can be used to resolve the problem. If the purchase were to be financed, delay might not resolve the problem but it will not exacerbate it either. Without knowledge of the specific circumstances that surround each instance, adjustment of scheduled purchases appears one of the more obvious and advisable steps to be taken.

The third most frequently taken step is to draw on personal resources. Small-business owners dip into their personal savings and investments frequently to put cash into the business, sometimes going to the extent of formally making the business a loan. Sixty-four (64) percent say that they usually draw on personal resources to handle a cash flow problem (Q#3A). Twenty (20) percent indicate that they cash in investments held on behalf of the business (Q#3B). However, business and personal resources are usually indistinguishable, even in the corporate form where legalities create formal divisions. The result is that three of four who say that they cashed in business investments also say that they used personal resources.

The remaining steps assessed emerge less frequently. Half adjust payment schedules as a measure to address cash flow problems (Q#3D). It is common (84 percent) for those adjusting payment schedules to also adjust purchase schedules. In fact, the two steps are taken in concert 42 percent of the time.

Forty-five (45) percent say that they borrow to address their cash flow problems (Q#3C). Two-thirds that borrow also put up personal resources. Thirteen (13) percent claim that they lay off employees (Q#3G). Eleven (11) percent sell their receivables (Q#3H).

Concluding Remarks

Small-business owners need to avoid cash flow problems. But cash flow problems happen (for better and worse reasons), even to those whose sales are spread throughout the year. The appropriate management response is, therefore, on two levels: the first level consists of measures to avoid the problem from the beginning. The second is to resolve a problem if it occurs. The data presented here suggest that one important preventive step is to maintain an effective credit and collections policy. A surprisingly large percentage of small-business owners, 30 percent, attribute their cash flow problems to failure in this area. While vigorous prosecution of such a policy can rebound in a loss of sales, particularly when a large monopolist is the primary customer, small-business owners should at least be aware of the trade-off that they make.

Seasonal problems are also a common cause for cash flow problems. While many small-business owners have diversified their offerings and customers thereby leveling their monthly distribution of sales, seasonality often cannot be dodged. But those subject to large seasonal swings need to consider ways to stimulate activity in the traditionally slower parts of the year.

Problems caused by the inability to forecast sales changes have probably declined over the last several years due to better inventory controls. Still, accurate sales forecasts remain a vexing problem for most. Individual business owners just as often forecast their sales inaccurately as accurately. Very little attention is paid to this issue whether by business owners or their advisors, and that is unfortunate.

Other obvious techniques can be employed to avoid or at least reduce the incidence and severity of cash flow problems, e.g., having customers shoulder a larger share of large up-front costs. If they were easy to implement however, more small-business owners would be employing them than they do now. A stumbling point is that such steps may have a downside making small employers reticent to undertake them. An occasional cash flow problem may even be a small price to avoid steps that ultimately may have negative sales impacts. Yet, the goal is to avoid cash flow problems in the first place.

Once a cash flow problem appears, small-business owners commonly take multiple actions to rectify it. The most frequent significant step is marshaling personal resources. But they also frequently borrow and adjust purchase and payment schedules. Such steps are necessary to resolve an immediate, and possibly threatening, problem. They all also increased costs to the business. These increased costs must be paid for in some manner whether it is through lower earnings, higher selling prices, etc. Thus, any costs incurred preventing cash flow problems must be weighed against the real costs incurred experiencing them, real costs that can become so high they destroy the business.

The Cash Flow Problem

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

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

1. Is cash flow a continuing, common, occasional or never a business problem for you?

1. Continuing	18.8%	17.7%	23.0%	19.1%
2. Common	15.1	10.1	8.1	13.9
3. Occasional	31.8	35.4	36.5	32.7
4. Never	33.0	35.4	31.1	33.1
5. (DK/Refuse)	1.4	1.3	1.4	1.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

2. Is the PRIMARY reason for cash flow problems in your business generally associated with: (If cash flow is ever a problem in Q#1.)

1. The need to make large investments and wait for sales?	7.1%	7.8%	12.0%	7.7%
2. Unexpected variations in sales?	15.7	13.7	14.0	15.4
3. Seasonality?	22.3	25.5	24.0	22.8
4. Unexpected variation in costs?	7.1	11.8	10.0	7.9
5. Weak Sales?	14.0	11.8	8.0	13.1
6. Difficulty collecting money owed you?	30.2	27.5	28.0	29.7
7. (DK/Refuse)	3.6	2.0	4.0	3.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

3. When cash flow problems occur, how do you usually handle them? Do you usually:

A. Draw on personal resource?

1. Yes	66.6%	47.1%	46.0%	62.5%
2. No	32.4	51.0	54.0	36.5
3. (DK/Refuse)	1.0	2.0	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

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

B. Cash in investments held on behalf of the business?

1. Yes	20.2%	19.6%	14.0%	19.5%
2. No	78.6	78.4	84.0	79.1
3. (DK/Refuse)	1.3	2.0	2.0	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

C. Borrow?

1. Yes	43.4%	47.1%	52.0%	44.6%
2. No	55.4	51.0	48.0	54.2
3. (DK/Refuse)	1.3	2.0	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

D. Adjust scheduled payments?

1. Yes	48.2%	50.0%	62.0%	49.8%
2. No	50.5	48.0	36.0	48.8
3. (DK/Refuse)	1.3	2.0	2.0	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	93

E. Adjust scheduled purchases?

1. Yes	69.6%	72.5%	77.6%	70.7%
2. No	28.8	25.5	22.4	27.8
3. (DK/Refuse)	1.5	2.0	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

F. Try harder to collect money owed you?

1. Yes	71.9%	64.7%	75.5%	71.5%
2. No	26.0	33.3	24.5	26.6
3. (DK/Refuse)	2.0	2.0	—	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

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

G. Lay off employees?

1. Yes	12.5%	12.0%	18.0%	13.0%
2. No	86.0	88.0	82.0	85.8
3. (DK/Refuse)	1.6	—	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

H. Sell your receivables?

1. Yes	11.9%	6.7%	7.1%	10.9%
2. No	84.5	91.1	92.9	86.0
3. (DK/Refuse)	3.6	2.2	—	3.1
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

4. Which is the one most important action you usually take to resolve a cash flow problem? Do you:

1. Draw on personal resources?	28.0%	21.6%	14.0%	25.9%
2. Cash in investments held on behalf of the business?	4.1	3.9	4.0	4.0
3. Borrow?	17.8	27.5	30.0	20.0
4. Adjust scheduled payments?	14.2	13.7	18.0	14.6
5. Adjust scheduled purchases?	19.6	15.7	22.0	19.4
6. Try harder to collect money owed you?	6.9	9.8	8.0	7.3
7. Lay off employees?	1.3	2.0	4.0	1.6
8. Sell your receivables?	3.3	—	—	2.6
9. (Other)	1.3	3.9	—	1.4
10. (DK/Refused)	3.6	2.0	—	3.0
Total	100.0%	100.0%	100.0%	100.0%
N	230	127	136	493

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

5. When you borrow for a cash flow problem, what is the most likely source? Is it: (If yes to Q#3C.)

1. A loan or line of credit from a commercial bank?	66.9%	78.3%	87.5%	70.4%
2. A loan or line of credit from another financial institution?	10.7	13.0	4.2	10.2
3. A credit card?	9.5	—	4.2	7.9
4. A business supplier?	—	—	—	—
5. Family or friends?	11.8	8.7	4.2	10.6
6. (Other)	1.2	—	—	0.9
7. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	99	57	68	224

6. Do you maintain a credit line at a financial institution?

1. Yes	61.4 %	71.3%	78.4%	64.1%
2. No	36.6	25.0	18.9	33.6
3. (DK/Refuse)	2.0	3.8	2.8	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

7. As a general rule, are your sales:

1. Concentrated in one calendar quarter of the year?	7.7%	6.3%	4.1%	7.2%
2. Largely occurring within a span of a six consecutive month period during the year?	8.2	10.0	9.6	8.5
3. Spread pretty evenly throughout the year?	47.7	50.0	50.7	48.2
4. Lumpy, with strong periods and slow periods scattered throughout the year?	34.1	32.5	32.9	33.8
5. (DK/Refuse)	2.4	1.3	2.7	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

7a. When do the strong sales occur/begin to occur? (Seasonal sales in Q#7.)

1. January-March	26.3%	23.5%
2. April-June	27.4	30.3
3. July-September	23.2	23.5
4. October-December	17.9	18.5
5. (DK/Refuse)	5.3	4.2
<hr/>		
Total	100.0%	100.0%
N	95	119

8. Do you currently use an outside payroll service to process payroll for you?

1. Yes	20.6%	40.0%	50.0%	25.5%
2. No	78.9	60.0%	50.0	74.1
3. (DK/Refuse)	0.5	—	—	0.4
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

Demographics

D1. Is your primary business activity:

1. Construction?	10.0%	17.7%	8.2%	10.7%
2. Manufacturing?	8.0	8.9	11.0	8.4
3. Wholesale?	5.5	2.5	5.5	5.2
4. Retail?	21.9	22.8	21.9	22.0
5. Transportation?	4.2	3.8	5.5	4.3
6. Communication?	2.0	2.5	1.4	2.0
7. Financial Services?	7.2	2.5	2.7	6.3
8. Services?	24.9	25.3	26.0	25.0
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(18.8)	(31.6)	(31.6)	(21.4)
B. Professional, e.g., health, legal, education, engineering	(40.9)	(31.6)	(31.6)	(39.0)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(25.9)	(15.8)	(10.5)	(26.2)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(10.1)	(21.1)	(26.3)	(12.8)
E. (Other)	(0.7)	—	—	(0.5)
9. Agriculture, forestry, fishing?	5.4	3.8	1.4	4.8
10. (Other)	0.3	—	—	0.3
11. (DK/Refuse)	0.5	—	1.4	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

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

1. Increased by 30 percent or more?	7.7%	12.5%	17.3%	9.2%
2. Increased by 20 to 29 percent?	15.0	18.8	13.3	15.3
3. Increased by 10 to 19 percent?	30.2	25.0	30.7	29.7
4. Changed less than 10 percent one way or the other?	26.9	25.0	22.7	26.3
5. Decreased by 10 percent or more?	13.7	12.5	10.7	13.3
6. (DK/Refuse)	6.5	6.3	5.3	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

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	22.6%	7.5%	2.7%	19.0%
2. No	76.3	92.5	95.9	79.9
3. (DK/Refuse)	1.2	—	1.4	1.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

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

1. < 6 years	27.8%	26.3%	19.2%	26.8%
2. 6-10 years	18.9	15.0	17.8	18.4
3. 11-20 years	28.6	30.0	30.1	28.9
4. 21-30 years	13.0	17.5	12.3	13.4
5. 31 years+	10.0	8.8	17.8	10.7
6. (DK/Refuse)	1.7	2.5	2.7	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

D5. What is your highest level of formal education?

1. Did not complete high school	2.8%	1.3%	1.4%	2.5%
2. High school diploma/GED	17.9	16.3	9.6	16.9
3. Some college or an associates degree	20.4	23.8	24.7	21.2
4. Vocational or technical school degree	3.7	1.3	1.4	3.2
5. College Diploma	34.1	43.8	43.8	36.1
6. Advanced or professional degree	19.2	12.5	19.2	18.5
7. (DK/Refuse)	1.9	1.3	—	1.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

D6. Please tell me your age.

1. <25	0.8%	—%	2.7%	0.9%
2. 25-34	9.4	17.5	12.2	10.5
3. 35-44	27.9	27.5	29.7	28.1
4. 45-54	31.3	35.0	31.1	31.6
5. 55-64	17.9	13.8	16.2	17.3
6. 65+	9.4	2.5	5.4	8.2
7. (DK/Refuse)	3.3	3.8	2.7	3.3
Total	100.0%	100.0%	100.0%	100.0%

N	350	200	202	752
	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)	19.6%	17.5%	19.2%	19.4%
2. South (zips 220-427)	20.8	16.3	23.3	20.6
3. Mid-West (zips 430-567, 600-658)	22.5	32.5	24.7	23.8
4. Central (zips 570-599, 660-898)	19.3	20.0	20.5	18.5
5. West (zips 900-999)	17.8	13.8	12.3	16.8
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	200	752

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

1. <\$100,000	16.6%	2.5%	2.7%	13.7%
2. \$100,000 - \$249,999	14.4	6.3	4.1	12.5
3. \$250,000 - \$499,999	14.0	8.8	5.4	12.6
4. \$500,000 - \$999,999	13.2	18.8	12.2	13.7
5. \$1 million - \$4.9 million	12.7	30.0	37.8	17.0
6. \$5 million - \$9.9 million	2.2	5.0	8.1	3.1
7. \$10 million or more	0.8	1.3	14.9	2.3
8. (DK/Refuse)	26.1	27.6	14.9	25.2
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

D9. Sex

Male	74.9%	75.0%	74.3%	74.9%
Female	25.1	25.0	25.7	25.1
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	202	752

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 Education Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the Poll were conducted between June 18 and July 25, 2001 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			
	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	200	27
20-249	75	10	200	27	202	27
All Firms	750	100	750	101	752	101

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

The Sponsors

The **NFIB Education Foundation** is a small-business-oriented research and education 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 was established in 1980 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 produces ad hoc reports on issues of concern to small-business owners including regulatory analyses of selected proposed regulations through its Regulatory Impact Model (RIM).

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