NFIB Research Foundation

National Small Business Poll

Volume 6, Issue 2
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NFIB National Small Business Poll

Local Business Climate

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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.

Current individual reports are publicly accessible on the NFIB Web site **(www.nfib.com/research)** 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.

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Poll

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Executive Summary

- Sixty-five (65) percent of small-business owners think their local community has a favorable business climate, including 9 percent who think the climate is very favorable. In contrast, 20 percent think their community's climate is unfavorable, including 5 percent who think it is very unfavorable.

- Among the characteristics of the local business climate most valued by small-business owners are: community support, people working together, a strong customer base, constant growth/expansion, a close-knit community, little interference, opportunity/potential, diversity/variety, and quality of life. Among the characteristics of the local business climate least valued are: government interference/regulations, cost of doing business/taxes, no support/encouragement, competition, closed businesses, and a no-change attitude.

- Two-thirds think a "real community spirit" exists in their area. Other factors influencing the business climate most favorably include the local business community working closely together; cooperative relations between the public school system and the local business community; and, local colleges and universities, bankers and investors, and community organizations going out of their way to help local businesses, including those just starting.

- Half (50%) disagree with the proposition that local governments in the area go out of their way to create a favorable business climate.

- Small-business owners typically assess the entrepreneurial attitudes exhibited by people in the community as positive. For example, 74 percent believe that the local business community is open to new-comers and 65 percent think that their community's social values and culture stress the responsibility of the individual to manage his or her own life. But more disagree than agree that young people in the community are encouraged to be independent and start their own businesses.

- Eighty-six (86) percent own a business that was founded in the community.

- Twenty-four (24) percent are currently planning or considering a significant expansion of their business. Most (69%) intend to expand in their community. Of those intending to locate outside their community, business imperatives are pulling half to locate outside it and the local business climate is pushing 25 percent out of town.

- Thirteen (13) percent are giving serious consideration to relocating their business outside the community where it is now located. Thirty-one (31) percent indicate that attractive conditions elsewhere are pulling them away while 47 percent say local business conditions are pushing them out.

- Most small-business owners live near their businesses. It takes almost half (47%) just five minutes or less to commute between their home and business. Another 20 percent make the trip in six to 10 minutes.

- Seventy-eight (78) percent of small-business owners have not moved their personal residence since occupying their current business premises. Of those who have moved their personal residence, somewhat over half have moved it closer to the business and somewhat under half have moved it farther away.

Local Business Climate

The local business climate is often cited as a reason for some communities to be economically more successful than others. That reason creates a policy imperative to improve the local business climate. But the means to improve the local business climate are not always clear nor, where clear, easily implemented. In the first place, the elements that compose a positive local business climate may not be constant over time and space. These elements may vary from community to community, if not in kind, at least in emphasis or distribution. Further, the sequence of a healthy local business climate and local business success may be a "chicken and egg" question. Does success yield a healthy climate or the reverse? Such issues show that the state and local rankings that appear so prominently in business and economic development publications are little more than publicity gimmicks, often politically inspired. However, there is a subjective something called a local business climate, and the best ones to assess it are the people who operate within it. Many communities, even some states, are beginning to examine their business climates by considering local institutions and attitudes toward enterprise. Few comparative measures exist to help them. Thus, this issue of the *National Small Business Poll* attempts to establish national baseline measures against which to measure a Local Business Climate.

Local Institutions

Local institutions appear to play a large role in the local business climate and, therefore, should greatly encourage or discourage local business formation, operation, and growth. Some of these elements are more likely to support enterprise than are others. Yet, when small-business owners evaluate their local institutions, they do not sharply differentiate among them. The assessment of individual institutions appears moderately interrelated. That implies that these elements are either mutually supportive and re-enforcing, or small-business owners ignore or are oblivious to the differences.

Limited evidence suggests that small-business owners do not sharply distinguish among local institutions. While on the whole, small-business owners assign positive ratings to the individual institutions and infrastructure elements examined, no less than one quarter (nor more than one-half) assign negative ratings to every one. Given that owners chose to locate their businesses in these communities, many owners either miscalculated these factors at the outset or thought them unimportant, or conditions changed subsequently.

Small-business owners give their most favorable assessment to local community spirit. Sixty-seven (67) percent agree, including 17 percent who strongly agree, that "a real community spirit exists" in the area in which their business principally operates (Q#1B). In contrast, one in five (21%) disagree.

Community spirit obtains a 2.40 assessment by averaging responses on a five point scale ("1" strongly agree to "5" strongly disagree with non-respondents classified as neither agreeing nor disagreeing). Owners evaluate no other element as favorably.

"The local business community works closely together" and "the local public school system works cooperatively with local business groups" are the two elements receiving the next most positive scores. Small-business owners rank them almost identically with the former averaging 2.63 on the five point scale (Q#1F) and the latter 2.64 (Q#1D). Over 55 percent agree with each assertion of cooperation.

Collaboration (working closely together) among the local business community is likely more important to the economic success of local enterprises than many, including business owners, recognize. While individual businesses may compete vigorously for customers and sales, cooperation to improve the overall climate helps individual owners collectively compete against businesses in other locations and share the spill-overs that they and their brethren create.

Small-business owners have a curious and often inconsistent view of American education. They are more educated to a considerable extent than is the general public with half holding a bachelor's degree including nearly one in five with a graduate or professional degree (Q#D6). They also believe education is critically important. But, they are not always pleased with what is taught, the way it is taught or who is doing the teaching. Yet, small-business owners agree that "the local public school system works cooperatively with local business groups." They obviously do not think the public schools are as remote from the business community as they would appear to be. Forty-five (45) percent also agree that "area colleges and universities go out of their way to work with local businesses, including people trying to start them" (Q#1H). About 5 percent volunteer that there are no local colleges or universities. The 2.74 average evaluation ranks higher education at the top of the third tier of institutions creating a more favorable local business climate.

A majority (52%) of small-business owners agree that "bankers and investors in the community go out of their way to help local businesses, including people trying to start them" (Q#1B). However, 30 percent disagree. The average ranking owners assign the local financial community is 2.74, the same as colleges and universities. The traditional tense relationship between bankers and small-business owners appear in these figures, especially on the negative side. Still, the average score suggests considerable perceived support.

A majority of small employers (52%) agree that "community groups and organizations go out of their way to help local businesses, including those starting." Community groups receive a 2.76 average score. The term "community groups and organizations" means different things to different people. In all likelihood, the term to small-business owners means organizations like the local Chamber, Rotary, or even the local economic development authority. It typically does not mean the social activist organizations that other interests often use to define community group. But the survey contains no data to determine the distribution of these two meanings among the population.

The local media completes the group of institutions and infrastructure elements that constitutes the third tier. Publicity is important to the local business community not only because of immediate sales interests, but for long-term understanding of the problems and opportunities involved in business ownership. However, local business competes with other interests, local and not, for space and/or time in the media. While a majority (55%) agrees that the local media does a good job covering local business news, 34 percent do not (Q#1A). A relatively small 9 percent do not have an opinion. Owners provide the media a 2.78 average rating, a bit above the 3.00 absolute neutrality number.

Least helpful to the local business climate are local governments. Half (50%) of all small employers disagree with the proposition that "local governments go out of their way to create a favorable business climate for local businesses, including people who are trying to start them" (Q#1E). Thirty-five (35) percent agree with the remainder neither agreeing nor disagreeing, nor expressing a view. The average rating for local government is 3.25, the only one of the eight elements evaluated falling to the unfavorable side of the ledger.

Owners of the largest small businesses, those employing 20 or more people, typically offer the most positive assessments of every institution or element of infrastructure. However, the differences between large and small are modest on most dimensions. The most important exception involves the support of local bankers and investors. Owners of the largest on average have a 15 percentage point higher average evaluation than owners of the smallest. The disparity is understandable. Larger small firms tend to be older and more established, and usually have more favorable balance sheets. Relations with the financial community, therefore, are likely to be more established and positive. The second exception involves the helpfulness of local colleges and universities. This exception is also understandable given that owners of larger firms tend to be more highly educated and that the expertise offered in them is usually more applicable to larger than to smaller firms.

Local Values and Attitudes

Community values and attitudes play a very important role in the development of local businesses, particularly in the more innovative ones. Because these values and attitudes are difficult to identify let alone quantify, hard to change in the near-term, and often must be tangentially addressed, they are often ignored. Yet, values and attitudes are very much part of the local business climate, and a critical factor in its long-term development.

Respect for local business owners and their success is an important community value supporting development. The reason is that most people prefer to enter occupations or activities that peers hold in esteem. Many find respect is an important social reward. Where respect for successful business owners is pervasive, a series of role models and possibly mentors are available. The following three propositions, therefore, address small employer views of the regard the local community has for people who own businesses.

Most local communities have notable examples of people who have earned the respect of their community through business ownership. Seventy-four (74) percent agree that their community has many examples of well-respected people who made a success of themselves by starting a business (Q#8H). Just 16 percent disagree, yielding almost a five to one positive ratio. The average rating of this proposition on a five point scale is a very favorable 2.28. Thus, the overwhelming majority of communities have prominent citizens who put themselves in that position, at least in part, through business ownership.

Two-thirds (67%) agree that people with successful businesses get a lot of attention and admiration in the community (Q#8E). People know who they are for the positive contributions they have made. This proposition averages 2.39 on a five point scale, also very favorable. However, just 53 percent agree that most leaders in the community are people who own their own businesses (a 2.74 average) (Q#7B). The degree of urbanization is highly associated with those in rural areas much more likely to provide community leadership.

Receptivity to change is increasingly considered an important ingredient in local economic development. Change implies acceptance of new ideas and the people who bring them. New blood in the community on a periodic basis is therefore likely to stimulate change and growth. The more locals are open to new people, the more likely newcomers will integrate and contribute – other factors equal. Seventy-five (75) percent claim that their business community is open to new-comers (Q#8D). No equivalent number from the perspective of new arrivals is available. Still, the 2.34 average is the most agreed upon proposition of the 17 presented in the survey. Few think their business community is closed.

Four propositions address the social and cultural values of the community. Each proposition embodies a series of ideas and behaviors that encourage or support entrepreneurial activity. In the opinion of small-business owners, the set of the four evaluated most likely to appear in their communities is personal responsibility. Sixty-five (65) percent agree that the social values and culture of the community stress the responsibility the individual has to manage his or her own life (Q#8I). Twenty (20) percent disagree, creating an average 2.50 score.

Closely related is the proposition that the social values and culture of the community emphasize self-sufficiency, autonomy, and personal initiative. Like personal responsibility, self-sufficiency, autonomy, and personal initiative contrast sharply with collectivism, dependence, and shared responsibility. These community values and behaviors are therefore likely to be associated with entrepreneurial activity. Sixty (60) percent agree that their community emphasizes these values (Q#8A). Twenty-four (24) percent disagree for a 2.62 average assessment.

Creativity and innovativeness are different concepts, though ones small employers' score almost identically to self-sufficiency. The essence of entrepreneurship is doing something new or different in the economic/business sphere. That places a premium on creativity and innovativeness. Fifty-eight (58) percent agree that the social values and culture of the community emphasizes creativity and innovativeness while 25 percent disagree (Q#8G). The proposition's average assessment is 2.64.

While the prior three propositions offer a support structure for entrepreneurial activity, they tend to be indirect influences. However, the fourth focuses on entrepreneurial risk-taking. It also is the one least frequently thought to characterize the local community. Forty-seven (47) percent of small employers say the social values and culture of the community encourage entrepreneurial risk-taking (Q#8C). Thirty-seven (37) percent disagree. The result is a 2.85 average evaluation.

Finally, more small employers disagree (45%) with the idea that young people in the community are encouraged to be independent and start their own businesses than agree (30%) with it. The proposition's 3.20 average rating is the lowest of the set. It also suggests that as the community values and culture move away from broad concepts that underpin entrepreneurial activity to concepts more directly supportive of such activity, the perceived prevalence of the item declines. Should this theme stand more rigorous testing, additional evidence – in this instance empirically-based rather than the more common historically-based - would be available to argue the critical importance of a broad based cultural component in entrepreneurial activity.

The Local Business Climate

Small employers typically feel good about the communities in which they are located. Sixty-five (65) percent report that their community's business climate is favorable. Of that group, almost one in 10 (9%) characterizes the climate as very favorable. Twenty (20) percent hold the opposite opinion and 11 percent fall in the middle. That means small employers are over three times as likely to term their community's business climate favorable as unfavorable. A strong economy likely contributes to the strength of the overall assessment and any comparisons must take it into account. Still, many communities should take heart that their small-business owners believe that they are located in a good place to do business.

In this instance, the whole appears to be greater than the sum of its parts. The average favorable rating assigned the local business climate on a five point scale is 2.39. That score is more positive than all but one of the eight institutions and structures separately evaluated, and all but two of the nine values and culture sets separately assessed. Thus, local business owners feel better about the total package the community has to offer than its individual components.

History in the Community

Prior research has established that most businesses are born, operate, and die in the same community; there is relatively little inter-community movement. Eighty-six (86) percent in this survey report that the business was founded in the community where it is now located (Q#2). Of the 14 percent who relocated their business into the community in which they now operate, 28 percent say they have done so in the last five years, 36 percent in the last six to10 years, another 28 percent in the last 11 to 20 years, and the remainder more than 20 years ago (Q#2a). While the number of relevant cases is small, it would appear that inter-community moves are steady and have not been influenced by shocks forcing clusters of moves.

The location of businesses has remained quite stable despite the fact that the community has often changed dramatically since the business was formed. Half think change has taken place in the community since they first started operation there (27 percent, dramatic change) and half think little or none has occurred (17 percent, not changed) (Q#3). A plurality (45%) assess any change experienced as resulting in a more favorable business climate, while 28 percent assess the change as resulting in a less favorable business climate (Q#3a). The remainder think that change in the business climate has not accompanied change in the community. However, assessing the distribution of favorable and unfavorable change must consider the likelihood that those experiencing an unfavorable change have a higher closure rate.

The direction of business climate change appears unrelated to the size of community change.

Changing Business Locations

Despite public official expressions to the contrary, the primary economic development strategy throughout the country remains recruitment of businesses located elsewhere. Recruitment appears in two forms - recruiting a business to move (in whole or in part) or recruiting a business to expand outside its present location.

Twenty-four (24) percent of small-business owners are currently planning or considering a significant expansion of their businesses (Q#4). The total rises to one-third among those whose firms employ more than 20 people. Most (69%) intending expansion plan to grow in their current community (Q#4a). That is also true of the typically more attractive larger, small employers. Still, 28 percent indicate that their expansion will occur outside their current community.

There are two principal reasons to look elsewhere. The first is a business reason of some type, such as proximity to a market or a supplier, which attracts them to locate elsewhere. Of those expecting to locate their expansion outside their current community, half (50%) report business reasons are pulling them elsewhere (Q#4a1). The second reason to look elsewhere is an unfavorable local business climate that is pushing them. The push could be a deteriorating local market, callous local officials, or any number of similar factors. Twenty-six (26) percent, or 2 percent of the entire population, say that their expansion is being pushed out of the community in which they are now located. Twenty-four (24) percent either do not know or refuse to answer. The unusually high non-response suggests that the question might not have been clear or their choice was not as dichotomous as it theoretically appears. Regardless, a significant number of local expansions will not occur locally, though the amount of direct influence local development officials have to shape those decisions is not obvious.

The second type of movement is picking up the business and taking it elsewhere. Thirteen (13) percent are now considering the option (Q#5). Given that 14 percent say the business moved from somewhere else, the number who report considering a move appears reasonable. Again, the primary reason for moving could be the pull of outside factors or the push of local factors. Differing from location of expansions, relocation appears much more frequently to be associated with an unattractive local business climate. Forty-seven (47) percent report they are considering a move due to a push while 31 percent indicate that attractive conditions elsewhere are pulling them away from the community (Q#5a).

Changing Residential Locations

The residence and the business are the two most important places (in terms of time spent) in a small-business owner's life. Any location decision affecting one, business or residence, could strongly influence location of the other. Under most circumstances, the nearer the two are, the better.

Most small employers live close to their businesses. Forty-seven (47) percent say that it takes them five minutes or less to drive from their residence to their place of business (Q#6). Many of these walk. The 47 percent includes 24 percent who operate home-based businesses (Q#D3). Another 20 percent drive to work in six to 10 minutes, meaning that two-thirds reach work in 10 minutes or less. Just 6 percent drive more than 30 minutes (one way). Those owning larger, small businesses are somewhat more likely to live farther away.

Seventy-eight (78) percent have not moved their personal residence since first occupying their current business location (Q#7). Of those who have changed residence, 12 percentage points have moved closer to the business while 8 percentage points have moved away from it. The data offer no reasons for the choice to move the residence nearer or farther.

Concluding Comments

The owners of small firms often transact business outside of their local communities. Still, these businessmen and women are substantially more likely to be influenced by their local business climates than are firms with global operations. A local business climate, therefore, is typically of much greater concern to small businesses than to large ones, and smaller, small business than to larger, small ones. Since the vast majority of business starts are very small and formed by local people, the same conditions apply to those starting a new venture. Local officials, therefore, exercise their greatest influence, for good or for ill, over the local small business population.

Owners of operating small businesses generally believe that their local business climate is favorable. That should not be surprising. Most are operating successfully where they are located and the overall economy is currently healthy, meaning that it is also healthy in most localities. Those planning significant near-term expansions typically expect to site them locally and those who expect to site them outside the community typically note that business reasons are pulling them there rather than local conditions pushing them out. A small number plan to move their entire operation, almost equally divided between those being pulled out and those being pushed out. While local officials have a right to regard these data as positive, a claim that they are largely responsible is tenuous. Half of small employers disagree with the idea that local government in their area goes out of the way to create a favorable business climate. Every other group assessed on this metric, from the local financial community to the local public schools, score positively and often very positively.

It is important to recognize that the assessments of the various components of the local business climate reported above are made by people currently in business. Those considering a start may have a different opinion of the same business climate. For example, while those operating usually believe the local business community is open to newcomers, those trying to get in may have a different perspective and may not agree. Further, an empirically-based, objective assessment of the local business climate may differ from the assessment made by owners of operating businesses. Any difference between the two does not matter in the short term, however, because people react to what they believe rather than to reality, and the people who primarily matter in this instance are those making business decisions. That situation can change over the longer term as prospective owners or policymakers react to a changing, possibly more objective, assessment of the climate while experience may sway current operators to change their views. Finally, while the components of a local business climate can be objectively measured, the relative importance of each component is likely to differ substantially from business to business. An enterprise developing software, for example, is likely to be very sensitive to the availability of people with a specific set of technical skills while a brick producer is likely to be highly sensitive to energy costs. Neither is likely to be sensitive to the component highly valued by the other. Thus, the value of these operating owner evaluations is that they provide an average perspective of those who operate within them, meaning those who react to the economic, social and cultural signals it sends.

Local Business Climate

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

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

Let's talk a bit about your local business climate, the one in which your business principally operates.

1. Do you strongly agree, agree, neither agree nor disagree, disagree or strongly disagree with the following statements about the business climate in your community?

A. The local media does a good job of covering community business news.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	8.4%	12.2%	11.8%	9.1%
2. Agree	46.5	37.8	46.1	45.5
3. Neither agree nor disagree	8.2	8.5	11.8	8.6
4. Disagree	27.0	29.3	22.4	26.8
5. Strongly disagree	7.2	11.0	6.6	7.6
6. (DK/Refuse)	2.7	1.2	1.3	2.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.78	2.89	2.64	2.78

B. A real community spirit exists in your area.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	16.6%	19.5%	18.4%	17.1%
2. Agree	50.0	43.9	56.6	50.0
3. Neither agree nor disagree	12.1	9.8	7.9	11.4
4. Disagree	17.0	22.0	13.2	17.2
5. Strongly disagree	3.2	4.9	3.9	3.5
6. (DK/Refuse)	1.1	—	—	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.41	2.48	2.29	2.40

C. Bankers and investors in the community go out of their way to help local businesses, including people trying to start them.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	10.8%	10.8%	17.1%	11.4%
2. Agree	38.8	47.0	51.3	40.9
3. Neither agree nor disagree	12.0	12.0	10.5	11.9
4. Disagree	22.3	19.3	14.5	21.2
5. Strongly disagree	8.7	9.6	5.3	8.4
6. (DK/Refuse)	7.4	1.2	1.3	6.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.79	2.68	2.40	2.74

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

D. The local public school system works cooperatively with local business groups.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	10.6%	12.0%	13.0%	11.0%
2. Agree	44.6	41.0	42.9	44.0
3. Neither agree nor disagree	13.4	14.5	18.2	14.0
4. Disagree	18.5	20.5	16.9	18.6
5. Strongly disagree	6.0	6.0	2.6	5.6
6. (DK/Refuse)	7.0	6.0	6.5	6.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.65	2.67	2.53	2.64

E. Local governments in the area go out of their way to create a favorable business climate for local businesses, including people trying to start them.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	6.3%	4.9%	9.2%	6.4%
2. Agree	26.8	36.6	36.8	28.8
3. Neither agree nor disagree	14.1	13.4	6.6	13.3
4. Disagree	35.4	24.4	30.3	33.8
5. Strongly disagree	15.7	18.3	15.8	16.0
6. (DK/Refuse)	1.7	2.4	1.3	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	3.27	3.14	3.09	3.25

F. The local business community works closely together.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	8.8%	11.0%	13.2%	9.5%
2. Agree	48.1	50.0	50.0	48.5
3. Neither agree nor disagree	13.6	13.4	11.8	13.4
4. Disagree	22.3	22.0	19.7	22.0
5. Strongly disagree	4.2	3.7	3.9	4.1
6. (DK/Refuse)	3.0	—	1.3	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.65	2.57	2.53	2.63

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

G. Local community groups and organizations go out of their way to support local businesses, including people trying to start them.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	8.7%	9.8%	11.8%	9.1%
2. Agree	41.3	48.8	47.4	42.6
3. Neither agree nor disagree	14.9	13.4	13.2	14.6
4. Disagree	22.5	19.5	21.1	22.0
5. Strongly disagree	7.7	7.3	5.3	7.4
6. (DK/Refuse)	5.0	1.2	1.3	4.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.80	2.66	2.60	2.76

H. Area colleges and universities go out of their way to work with local businesses, including people trying to start them.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	8.7%	11.0%	13.0%	9.3%
2. Agree	34.5	40.2	44.2	36.0
3. Neither agree nor disagree	18.8	12.2	14.3	17.6
4. Disagree	21.2	23.2	16.9	20.9
5. Strongly disagree	4.2	6.1	2.6	4.2
6. (No local colleges/universities)	4.6	4.9	3.9	4.6
7. (DK/Refuse)	8.2	2.4	5.2	8.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.78	2.73	2.49	2.74

2. Was your business founded in the community where it is now located?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	86.8%	84.1%	83.1%	86.2%
2. No	12.8	15.9	16.9	13.6
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

2a. How many years have you personally operated the business in this community? (If "No" in Q#2.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. < 6 years	—%	—%	— %	28.0 %
2. 6 - 10 years	—	—	—	35.5
3. 11 - 20 years	—	—	—	28.0
4. 21 years or more	—	—	—	8.6
5. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	45	32	33	110

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

3. Has the community in which your current business is located changed dramatically, quite a bit, modestly, or not changed since you first started operation there?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Dramatically	25.1%	28.6%	35.5%	26.5%
2. Quite a bit	22.8	25.0	26.3	23.4
3. Modestly	33.8	31.0	25.0	32.6
4. Not changed	18.0	15.5	13.2	17.3
5. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

3a. Has the change in the community resulted in a more favorable, less favorable, or no change in the business climate? (If changed in Q#3.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. More favorable	44.5%	39.1%	53.0%	44.8%
2. Less favorable	28.1	29.0	24.2	27.8
3. No change	27.0	31.9	22.7	27.1
4. (DK/Refuse)	0.4	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	288	169	174	631

4. Are you currently planning or considering significant expansion of your business?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	22.3%	31.3%	32.5%	24.3%
2. No	77.7	67.5	64.9	75.4
3. (DK/Refuse)	—	1.2	2.6	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

4a. Will that expansion, if you go forward, occur in your current community or elsewhere? (If planning or considering in Q#4.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Current community	70.5%	68.0%	64.0%	69.3%
2. Elsewhere	28.1	28.0	28.0	28.0
3. (DK/Refuse)	1.4	4.0	8.0	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	75	61	66	202

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

4a1. Why somewhere else? Is it because: ? (If elsewhere in Q#4a.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Business reasons are attracting you elsewhere	—%	—%	—%	50.0%
2. An unfavorable local business climate is encouraging you to look elsewhere	—	—	—	26.0
3. (Both)	—	—	—	—
4. (DK/Refuse)	—	—	—	24.0
Total	100.0%	100.0%	100.0%	100.0%
N	20	16	18	54

5. Are you considering moving your business to a different community?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	13.8%	11.0%	9.1%	13.0%
2. No	86.2	86.6	89.6	86.6
3. (DK/Refuse)	—	2.4	1.3	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

5a. Why are you considering a move? Is it because: ? (If considering a move in Q#5.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Business reasons are attracting you elsewhere	32.9%	—%	—%	31.0%
2. An unfavorable local business climate is encouraging you to look elsewhere	43.5	—	—	47.0
3. (Both)	4.7	—	—	5.0
4. (DK/Refuse)	11.9	—	—	16.0
Total	100.0%	100.0%	100.0%	100.0%
N	47	22	17	86

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

6. About how long is the drive, in minutes, from where you live to where your business is located?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Home-based/< five minutes	51.2%	33.5%	27.5%	47.0%
2. Six to 10 minutes	20.1	20.7	17.4	19.9
3. 11 to 15 minutes	11.5	14.2	15.8	12.2
4. 16 to 30 minutes	12.0	18.7	26.7	14.2
5. > 30 minutes	4.9	11.7	11.5	6.2
6. (DK/Refuse)	0.3	1.2	1.1	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

7. Since first occupying your current business location, have you moved your personal residence much farther, farther, closer, much closer, or has there been no change?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Much farther	0.6%	—%	2.6%	0.8%
2. Farther	6.6	11.1	11.7	7.6
3. No change	79.8	77.8	68.8	78.5
4. Closer	7.1	8.6	13.0	7.8
5. Much closer	5.0	2.5	3.9	4.6
6. (DK/Refuse)	0.9	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

8. Do you strongly agree, agree, neither agree nor disagree, disagree or strongly disagree with the following statements about the business climate in your community?

A. The social values and culture of the community emphasize self-sufficiency, autonomy, and personal initiative.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	7.6%	7.3%	10.5%	7.8%
2. Agree	51.6	51.2	55.3	51.9
3. Neither agree nor disagree	10.8	11.0	14.5	11.2
4. Disagree	19.0	24.4	11.8	18.8
5. Strongly disagree	5.1	4.9	5.3	5.1
6. (DK/Refuse)	6.0	1.2	2.6	5.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.63	2.69	2.48	2.62

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

B. Most leaders in your community are people who own their own businesses.

1. Strongly agree	10.0%	9.9%	10.7%	10.0%
2. Agree	42.6	43.2	45.3	42.9
3. Neither agree nor disagree	9.0	12.3	13.3	9.8
4. Disagree	30.4	28.4	21.3	29.3
5. Strongly disagree	3.4	4.9	4.0	3.6
6. (DK/Refuse)	4.6	1.2	5.3	4.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.75	2.76	2.62	2.74

C. The social values and culture of the community encourage entrepreneurial risk-taking.

1. Strongly agree	6.6%	4.8%	6.5%	6.4%
2. Agree	39.6	42.2	44.2	40.3
3. Neither agree nor disagree	14.7	10.8	16.9	14.5
4. Disagree	29.3	31.3	22.1	28.8
5. Strongly disagree	4.2	8.4	6.5	8.4
6. (DK/Refuse)	5.6	2.4	3.9	5.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.85	2.95	2.77	2.85

D. The local business community is open to new-comers.

1. Strongly agree	10.8%	12.2%	14.5%	11.3%
2. Agree	63.1	67.1	61.8	63.4
3. Neither agree nor disagree	7.7	7.3	7.9	7.7
4. Disagree	11.9	8.5	10.5	11.4
5. Strongly disagree	4.3	3.7	2.6	4.1
6. (DK/Refuse)	2.2	1.2	2.6	2.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.36	2.26	2.25	2.34

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

E. Those with successful businesses get a lot of attention and admiration within the community.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	13.6%	11.0%	14.5%	13.4%
2. Agree	53.5	54.9	53.9	53.7
3. Neither agree nor disagree	12.2	12.2	13.2	12.3
4. Disagree	16.5	17.1	15.8	16.5
5. Strongly disagree	1.6	2.4	2.6	1.8
6. (DK/Refuse)	2.5	2.4	—	2.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.39	2.44	2.39	2.39

F. Young people in the community are encouraged to be independent and start their own businesses.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	2.9%	3.6%	3.9%	3.1%
2. Agree	27.0	26.5	26.3	26.9
3. Neither agree nor disagree	17.7	19.3	25.0	18.6
4. Disagree	37.1	32.5	36.8	36.6
5. Strongly disagree	8.4	13.3	3.9	8.5
6. (DK/Refuse)	6.9	4.8	3.9	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	3.21	3.25	3.08	3.20

G. The social values and culture of the community emphasize creativity and innovativeness.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Strongly agree	8.0%	7.3%	11.8%	8.3%
2. Agree	50.9	48.8	43.4	49.9
3. Neither agree nor disagree	10.1	18.3	21.1	12.0
4. Disagree	21.0	19.5	19.7	20.7
5. Strongly disagree	5.0	4.9	2.6	4.7
6. (DK/Refuse)	5.0	1.2	1.3	4.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.64	2.69	2.58	2.64

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

H. The community has many examples of well-respected people who made a success of themselves by starting a business.

1. Strongly agree	15.6%	15.7%	23.7%	16.4%
2. Agree	57.6	59.0	59.2	57.9
3. Neither agree nor disagree	8.0	8.4	9.2	8.2
4. Disagree	14.4	8.4	5.3	12.9
5. Strongly disagree	2.4	6.0	1.3	2.7
6. (DK/Refuse)	1.9	2.4	1.3	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.30	2.30	2.03	2.28

I. The social values and culture of the community stress the responsibility the individual has to manage his or her own life.

1. Strongly agree	9.0%	9.6%	10.5%	9.2%
2. Agree	56.0	53.0	60.5	56.1
3. Neither agree nor disagree	10.6	15.7	10.5	11.1
4. Disagree	16.2	14.5	14.5	15.9
5. Strongly disagree	4.5	6.0	2.6	4.5
6. (DK/Refuse)	3.6	1.2	1.3	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.51	2.54	2.39	2.50

9. Overall, is your community's business climate very favorable, favorable, neither favorable nor unfavorable, unfavorable, or very unfavorable?

1. Very favorable	9.0%	9.6%	10.5%	9.2%
2. Favorable	56.0	53.0	60.5	56.1
3. Neither favorable nor unfavorable	10.6	15.7	10.5	11.1
4. Unfavorable	16.2	14.5	14.5	15.9
5. Very unfavorable	4.5	6.0	2.6	4.5
6. (DK/Refuse)	3.6	1.2	1.3	3.2
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
Average	2.37	2.51	2.40	2.39

10. What do you like best about the local business climate? (Open question)

Community support/everyone works together; customer base; constant growth/expansion; close-knit community; small town/community atmosphere; location; leaves me alone/no interference; opportunity/potential; diversity/variety; welcome new businesses/open to small business; quality of life/nice place to live; and, successful here.

11. What do you like least about the local business climate? (Open question)

Government interference/regulations; cost of doing business/taxes; no support/encouragement; competition; not a lot of businesses here/closed/left; big business/Wal-Mart; the economy; low wages in the area; and, conservative/don't like change.

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

Demographics

D1. Which best describes your position in the business?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Owner/manager	83.8%	75.6%	71.1%	81.7%
2. Owner but NOT manager	7.2	7.3	6.6	7.2
3. Manager but NOT owner	9.0	17.1	22.4	11.1
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

D2. Is your primary business activity: (NAICs code)

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Agriculture, forestry, fishing	3.8%	2.5%	1.3%	3.5%
2. Construction	9.6	11.1	10.5	9.8
3. Manufacturing, mining	8.6	17.3	14.5	10.1
4. Wholesale trade	4.3	6.2	6.6	4.7
5. Retail trade	17.0	16.0	13.2	16.5
6. Transportation and warehousing	2.2	2.5	3.9	2.4
7. Information	1.4	1.2	1.3	1.4
8. Finance and insurance	6.7	1.2	1.3	5.6
9. Real estate and rental leasing	2.9	2.5	3.9	2.9
10. Professional/scientific/ technical services	17.1	6.2	9.2	15.2
11. Adm. support/waste management services	3.0	1.2	1.3	2.7
12. Educational services	0.6	1.2	—	0.6
13. Health care and social assistance	4.6	9.9	5.3	5.2
14. Arts, entertainment, or recreation	1.9	1.2	1.3	1.8
15. Accommodations or food service	4.8	12.3	18.4	6.9
16. Other service, incl. repair, personal care	11.2	7.4	6.6	10.4
17. (Other)	—	—	1.3	0.1
18. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

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

D3. Over the last two years, have your real volume sales:?

1. Increased by 30 percent or more	11.5%	10.8%	14.3%	11.7%
2. Increased by 20 to 29 percent	14.1	22.9	13.0	14.9
3. Increased by 10 to 19 percent	25.9	27.7	28.6	26.4
4. Changed less than 10 percent one way or the other	26.7	26.5	31.2	27.2
5. Decreased by 10 percent or more	13.6	6.0	6.5	12.1
6. (DK/Refuse)	8.1	6.0	6.5	7.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

D4. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	29.2%	4.8%	3.9%	24.1%
2. No	70.5	92.8	93.5	75.1
3. (DK/Refuse)	0.3	2.4	2.6	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

D5. How long have you owned or operated this business?

1. < 6 years	23.2%	14.6%	19.5%	21.9%
2. 6-10 years	20.1	17.1	19.5	19.7
3. 11-20 years	28.5	32.9	23.4	28.4
4. 21-30 years	20.1	23.2	18.2	20.2
5. 31 years+	7.6	9.8	16.9	8.7
6. (DK/Refuse)	0.6	2.4	2.6	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

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

D6. What is your highest level of formal education?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Did not complete high school	3.9%	2.4%	1.3%	3.5%
2. High school diploma/GED	25.5	16.9	14.7	23.6
3. Some college or an associates degree	20.2	21.7	21.3	20.5
4. Vocational or technical school degree	2.2	2.4	—	2.0
5. College diploma	31.1	34.9	38.7	32.3
6. Advanced or professional degree	15.6	19.3	20.0	16.4
7. (DK/Refuse)	1.4	—	4.0	1.8
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

D7. Please tell me your age.

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. <25	0.8%	1.2%	—%	0.8%
2. 25-34	4.8	6.0	5.3	5.0
3. 35-44	23.4	22.6	17.1	22.7
4. 45-54	28.6	31.0	36.8	29.6
5. 55-64	27.9	26.2	23.7	27.3
6. 65+	11.7	8.3	10.5	11.2
7. (DK/Refuse)	2.7	4.8	6.6	3.3
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

D8. What is the zip code of your business?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. East (zips 010-219)	22.0%	18.3%	11.7%	20.6%
2. South (zips 220-427)	20.4	19.5	19.5	20.2
3. Mid-West (zips 430-567, 600-658)	23.4	28.0	24.7	24.0
4. Central (zips 570-599, 660-898)	21.3	18.3	24.7	21.3
5. West (zips 900-999)	11.2	13.4	15.6	12.0
6. (DK/Refuse)	1.6	2.4	3.9	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D9. Urbanization (Derived from zip code.)				
1. Highly Urban	10.9%	11.0%	13.3%	11.2%
2. Urban	19.1	17.1	21.3	19.1
3. Fringe Urban	18.7	19.5	17.3	18.6
4. Small Cities/Towns	21.5	24.4	20.0	21.7
5. Rural	23.9	19.5	18.7	22.9
6. (Not Known)	5.9	8.5	9.3	6.5
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754
D10. Sex				
Male	79.5%	78.3%	81.8%	79.6%
Female	20.5	21.7	18.2	20.4
Total	100.0%	100.0%	100.0%	100.0%
N	351	201	202	754

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 April 12 - May 26, 2006 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 is typically employed to compensate for the highly skewed distribution 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 are 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

	Expected from Random Sample*		Obtained from Stratified Random Sample			
Employee Size of Firm	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	351	46
10-19	82	11	200	27	201	27
20-249	75	10	200	27	202	27
All Firms	750	100	750	101	754	100

* *Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.*

Previous Publications in This Series

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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. The Foundation's functions were recently transferred from the NFIB Education Foundation.

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