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NFIB National Small Business Poll

Strategic Alliances

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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Strategic Alliances

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Executive Summary

- Approximately 64 percent of small manufacturers and 63 percent of small businesses in general (all industries) currently hold or have held some type of alliance. The most utilized alliance type by small manufacturers is a long-term production agreement and the most utilized by small businesses is a licensing agreement.

- Businesses that keep alliances tend to maintain multiple alliances. Approximately 50 percent of small manufacturers and small businesses that have an alliance maintain three or more of them.

- Relatively few small manufacturers and small-business owners who initially form an alliance choose to discontinue that alliance or refrain from using alliances in general. Approximately 9 percent of manufacturers and 10 percent of small-business owners report having formed an alliance at some point, but do not currently maintain at least one.

- Alliance use by small manufacturers varies based on the size of the manufacturer, ranging from 53 percent use by those with less than 10 employees to 71 percent use by those with 20 or more employees. The widest variance in use, based on size, is the purchaser-supplier alliance.

- Small manufacturers appear to form alliances with larger businesses and similar/smaller businesses at about the same rate, although there are notable exceptions based on the type of alliance. Licensing agreements, product or service-based R&D alliances, and purchaser-supplier alliances tend to be formed with larger businesses. Only long-term outside contracting relationships tend to be more often formed with similar/smaller-sized partners.

- Alliances tend to be formed with partners who are drawn from either prior social or business relationships. Over 36 percent of the manufacturers and 40 percent of small-business owners report a prior social relationship with their most recent alliance partner and over 25 percent of the manufacturers held a previous alliance relationship. Almost 50 percent of the responding business owners had known their alliance partners for over 5 years.

- For the most part, small manufacturers and small-business owners are just as likely to make equity investments in the alliance as the alliance partner is to make an equity investment. Both groups tend to avoid alliances that involve high levels of non-recoverable investments.

- Eighty-four (84) percent of the small manufacturers and 76 percent of the small-business owners report positive alliance experiences. A majority of both small manufacturers and small-business owners indicate that their alliances are profitable, have exceeded expectations and have increased their ability to compete.

- Alliance experiences tend to be different given the size of the manufacturer. Smaller manufacturers (less than 10 employees) tend to have slightly higher numbers of alliances that fail to meet their expectations, but these same sized manufacturers also tend to be more optimistic about the futures of their alliances.

Strategic Alliances

The rapid pace of technology development and innovation, high costs of research and development, globalization of industries, rapidly changing trade constraints and barriers, and the rapid maturation of many industries have created a world in which cooperative behavior among small businesses may be becoming the rule rather than the exception. Strategic alliances, generally defined as relatively enduring agreements establishing exchange relationships between cooperating businesses, have grown almost tenfold in the past 20 years. These new organizational forms, centered upon cooperation among businesses, are necessitating a redefinition of our concepts of business size and scope—small businesses can now have the reach and impact of large businesses while large businesses can have the flexibility and innovation of small businesses. Past research and anecdotal reports of business activities suggest that small-business owners often enter alliance relationships to achieve specific strategic objectives, but even more often as a hedge against uncertainty or as a lifeline for a struggling business. These same reports suggest that a significant number of alliances fail. But is this the case? More importantly, do strategic alliances really offer small-business owners advantages that are worth the potential risks? This edition of the *National Small Business Poll* provides one of the first national surveys of alliance activities among small businesses, reviewing rates of alliance formation, types of alliance relationships, alliance partner sources and factors influencing alliance success. The focus of the survey is the alliance experiences of small manufacturers, but it also provides a comparison of those experiences to the alliance experiences of all types of small businesses.

General Alliance Use

Strategic alliances between businesses take many forms ranging from very informal information-sharing cooperatives to extremely formal equity or contract-based relationships. The types of alliances most widely used by small businesses and their success are the primary questions addressed in two parallel surveys. The first was composed of 610 small manufacturing businesses with less than 250 employees (referred to as "small manufacturers" in this discussion), and the second was composed of 151 small businesses with less than 250 employees from all industries (referred to as "small businesses").

a. Types and Rates of Alliance Use

The type of alliance most widely utilized by small manufacturers appears to be long-term "production" agreements. (Table 1 summarizes the frequency of alliance use by each type of alliance.) Just over one-quarter of respondents report at least one such alliance (Q#1F). Those in the smaller sample of 151 businesses of all types indicate that their most utilized alliances (33 percent) are long-term "licensing" agreements (Q#1A). Two alliance types are almost as widely used by manufacturers with nearly one-quarter indicating use of long-term "purchaser-supplier" agreements (Q#1I) such as "just-in-time" supply alliances or "total quality management" relationships, and long-term "outside contracting" (Q#1J) relationships. Both long-term "outside contracting" and long-term "marketing" agreements (Q#1D) are used by over 25 percent of the small-business owner respondents. The least utilized alliance types by all businesses are process-based research and development (R&D) alliances (Q#1H) and franchise agreements (Q#1C). Although some alliance types are more extensively utilized than others, aggregate responses indicate that a significant number of small manufacturers (64 percent) and small businesses (63 percent) have some form of alliance experience and currently use a wide-range of alliance types.

Long-term licensing agreements are found in 20 percent of small manufacturers (Q#1A) and are the most utilized by small businesses. Such agreements make technology and/or unique know-how available to alliance partners. Not only are small businesses using long-term licensing agreements, but they are using them fairly extensively with well over half of all businesses with licensing alliances indicating three or more such relationships (51 percent for manufacturers and 57 percent for small businesses).

Export-import trading alliances provide partners with access to either markets or products external to their home markets. Almost 15 percent of the small manufacturers surveyed have such alliances (Q#1B). The results suggest that firm size is important in international trade alliances with over 22 percent of manufacturers having more than 20 employees utilizing alliances for export-import trading, while only about 11 percent of manufacturers having less than 10 employees use such alliances. The results also suggest that manufacturers have such alliances at a higher rate than small businesses where just over 7 percent report import-export alliances.

The least utilized alliance form for small manufacturers, as well as small businesses, is franchise agreements. Although often considered to be more "one-way" types of agreements, franchises generally establish resource-sharing relationships that are both contract-based and formal. Again, size seems to play a role with manufacturers. Those employing 20 people or more tend to have higher numbers of franchise relationships (Q#1E).

Marketing alliances are typically established in an effort to procure new customers and markets through increased capabilities and skills not currently held by the business. Eighteen (18) percent of small manufacturers report having at least one such alliance (Q#1D). Small-business owners appear to establish such alliances at a slightly higher rate with over 25 percent reporting at least one marketing alliance. The difference between manufacturers and small businesses (all industries) may be attributable to the smaller number of potential customers for most manufacturing businesses and thus a lower need for marketing alliances.

Over 20 percent of the small manufacturers report distribution-based alliances (Q#1E). Such alliances are typically established in order to provide channels not currently open to the business for distributing their products. Size once again appears to be an important factor. Smaller manufacturers tend to "go-it-alone" more so than larger manufacturers with just over 17 percent reporting at least one distribution alliance. The rate is virtually the same for small businesses as for manufacturers. However, it is assumed that more often than not, the small business provides the distribution channels (as opposed to the products that the manufacturers provide) as part of the alliance agreement.

Production alliances are typically established in order to acquire manufacturing capacity not currently available internally to the business or to provide excess manufacturing capacity for other businesses. Over 26 percent of small manufacturers report at least one production alliance (Q#1F). Not surprisingly, the rate of use for small manufacturers is considerably higher than for small businesses. Just over 11 percent of small-business owners report production alliances.

Technological innovation is often touted as the "holy-grail" for survival in many of today's markets. In an effort to leverage limited resources in the innovation process, small businesses often reach out through research and development (R&D) alliances. These types of alliances typically take two forms—product-based and process-based. Just over 12 percent of the small manufacturers hold at least one product-based R&D alliance (Q#1G) and almost 7 percent have process-based R&D alliances (Q#1H). These rates are similar for both manufacturers and small businesses.

Rationalizing resources has been a major consideration for most small-business owners in recent years. Oftentimes, specific alliance relationships are established in order to extend the resource capabilities of the business. These capability enhancements may be focused on eliminating waste in the production process or such endeavors as quality control. These types of alliances span the spectrum from agreements, establishing such programs as "just-in-time" delivery to "total quality management." Over 23 percent of small manufacturers and almost 14 percent of small-business owners report such purchaser-supplier agreements (Q#1I). These findings suggest that small businesses' suppliers and customers may generally expect the implementation of these types of programs to promote company goals, such as developing new resources.

Outside contracting agreements are sometimes more unidirectional in nature than other types of alliances and thus are often not considered as alliances. When these types of agreements are maintained for long periods of time however, they do take on many characteristics of more bi-directional relationships. When asked if they held "long-term" outside contracting agreements, over 23 percent of the small manufacturers and over 28 percent of the small-business owners report such agreements (Q#1J). These findings show the trend for small businesses to look toward outside services, which often include human resource management, logistics, advertising and marketing, and other non-core functions.

Collectively, survey responses indicate that a significant number of small manufacturers and small businesses utilize alliances. The responses also suggest that the small-business owners who do hold alliances typically manage multiple alliance relationships. For almost every alliance type held by both groups, over 50 percent manage three or more such alliances. This use of multiple alliances and alliance types provides an indication that small-business owners seek diversification to avoid an over-reliance on any one supplier or customer that might limit their future options.

b. Prior Alliance Use

A number of the surveyed small manufacturers and small businesses do not hold alliance relationships (241 of the 610 responding small manufacturers indicate no current alliance relationships and 62 of the 151 small-business owners indicate no current alliance relationships). Many factors influence a small-business owner not to form an alliance. Of particular interest are those businesses that have had an alliance in the past, but whose owners have discontinued the alliance relationship and chosen not to form new ones.

Nine (9) percent of the small manufacturers report past, but not current, alliance use as did an almost identical percentage of the small-business owners (Q#2). Some of the more prevalent factors influencing them to refrain from using alliances may be a lack of resources (physical or knowledge-based), a lack of opportunity, or a lack of perceived need.

Size and Alliance Use

Clear relationships appear between size - both the size of the responding business and the size of the alliance partner - and alliance use.

a. Responding Business Size and Alliance Use

The size of the respondent's business appears to have an impact on the rates of alliance use. For almost every type of alliance the larger the respondent's business, the more likely he/she is to report an alliance. The widest variance in use by size of the respondent's business is in production alliances and purchaser-supplier alliances. This suggests that while all-sized businesses utilize

Table 1
Summary of Alliance Use by Type:
Percentages of small manufacturers and small businesses with at least one such alliance

Types of long term agreements	(Manufacturers) 1-9 Employees	(Manufacturers) 10-19 Employees	(Manufacturers) 20-249 Employees	(Manufacturers) All sizes	Small businesses (general)[1]
Licensing	18.1%	22.9%	23.4%	20.0%	32.5%
Export/Import	11.3	15.4	22.4	14.4	7.3
Franchise	4.4	5.0	7.3	5.0	5.3
Marketing	17.2	18.9	18.0	18.0	25.2
Distribution	17.6	21.9	26.3	20.1	20.5
Production	24.0	27.4	33.7	26.5	11.3
Product/Service R&D	9.8	14.4	17.6	12.2	12.6
Process R&D	5.4	9.0	8.8	6.7	5.3
Purchaser/Supplier[2]	19.6	28.9	29.8	23.5	13.9
Outside Contracting[3]	20.1	28.9	28.8	23.2	28.5
Total percentage of responding businesses currently or previously having an alliance of any type	(114) 53.2%	(129) 64.2%	(147) 71.2%	(390) 63.9%	(95) 62.9%
Total respondents	204	201	205	610	151

[1] An initial survey of 610 small manufacturing businesses was completed. A second survey of 151 drawn from a wide range of small businesses was also completed for comparison purposes.

[2] These types of alliances include agreements relating to programs such as "just-in-time" supply or "total quality management" that are relatively long-term in nature.

[3] These include only such relationships that are long-term in nature.

alliances, resources do play a role in the decision of many business owners on forming alliances, the types of alliances formed, and the number of alliances managed at any one time. Larger businesses have more managerial resources and potential customers, both of which provide relatively more time or opportunity for investigating and establishing alliances. Smaller businesses are often "one person shops" and the owner/manager simply does not have the time or often the expertise to investigate alliance use or to manage an alliance once formed.

b. Alliance Types and Partner Size

Small manufacturers tend to form alliances at virtually equal rates with larger and similar/smaller-sized businesses for some alliance types. For others, there are important differences. Export-import trading alliances (Q#1B1), marketing alliances (Q#1D1), distribution alliances (Q#1E1), and production alliances (Q#1F1) tend to be formed as often with larger businesses as with similar/smaller-sized businesses. Licensing agreements (Q#1A1), franchise agreements (Q#1C1), product or service-based R&D alliances (Q#1G1), and purchaser-supplier agreements (Q#1I1) tend to be formed more often with larger businesses. Outside contracting (Q#1J1) is the only alliance type more often established with similar/smaller-sized partners.

Resource dependency theories suggesting smaller firms lack of resources have often been offered to explain the reason small businesses form alliances. The responses to this survey suggest that for most of the types of alliances mentioned above, small businesses are as often the source of resources as the seeker of resources. The type of alliance does however have an impact for certain types of alliances (licensing, franchises, R&D, and purchaser/supplier alliances) showing that small manufacturers for these types seek out larger businesses with the requisite resources as partners. The tendency for "larger" small firms (over 20 employees) to work with other small or similar-sized firms is evidenced in the other types of alliances.

Specific Alliance Experience

Sixty-four (64) percent of the small manufacturers report either currently or previously holding an alliance relationship (53 percent of those with less than 10 employees, 64 percent with between 10 and 19 employees and 71 percent with 20 or more employees). Sixty-three (63) percent of the small-business owners report current or prior alliance relationships. Twenty-four (24) percent of manufacturers report having formed their first alliance in the past four years (Q#3), but over 35 percent report forming their first alliance over 10 years ago. The type of alliance most often formed first by small manufacturers is a production alliance while the first type of alliance formed by small-business owners is most often a marketing alliance (Q#4). The least likely first alliance to be formed by the small manufacturers is a franchise, process-based R&D or service-based alliance. The least likely first alliance to be formed by a small-business owner is an export/import trading alliance.

Thus far, the responses provided by the business owners and managers relate to their alliance experience in general. In order to provide a better understanding about the specifics of some of their alliance relationships, those owners with alliances were asked to provide information about a specific alliance relationship. They were to report on the oldest alliance still in existence, but only if it was at least one year old. The one-year time limit was included because a number of the questions related to operational experience would not be relevant for very new alliances. Thirty-eight (38) percent of small manufacturers and 35 percent of small businesses have an alliance that meets these criteria.

a. History of the Alliance

Seventy-four (74) percent of the specific alliances that the small manufacturers discuss are relatively new having been formed since 2000 (Q#6). Just over 21 percent were formed prior to 2000. There are wide ranges of alliances described, but as was the case with the manufacturers general alliance experience, the most reported type of alliance is the production agreement (Q#7). The most common type for small businesses is the marketing agreement.

b. Alliance Partners

Survey results indicate alliance partnerships often evolve out of prior social relationships. More than 36 percent of the small manufacturers and 40 percent of the small-business owners report a social relationship existing prior to forming the alliance (Q#10). More than 25 percent of the small manufacturers had held a prior alliance with the current alliance partner (Q#10a). Over 47 percent of small manufacturers and 50 percent of small-business owners had known their alliance partner in excess of five years, while almost 8 percent of both business groups knew their alliance partners for over 20 years (Q#10b). These results suggest that the majority of alliances formed among small businesses are formed with partners with whom owners and managers have had either prior social or business relationships. Many of these relationships existed for a number of years prior to alliance formation. Forming alliances based on prior experience is often attributed to trust related issues and the potential for opportunistic behavior. The results of this survey seem to support that view.

c. Equity Involvement

Small-business owners often appear to form alliances as a "life-line." Respondents were asked if either they or their alliance partner had made equity investments in the alliance. Manufacturers report very similar rates for both themselves and their alliance partners. Twenty-three (23) percent made equity investments in the alliance or partner business (Q#8) and 26 percent of the partners had equity investments in either the alliance or the respondent's business (Q#9). As the manufacturers grow in size, the percentage of alliances in which both they and their alliance partners make equity investments tends to grow.

The story is similar for small businesses. The rate of equity contributions on the part of the respondent's business (15 percent had made equity investments) was 8 percentage points less than the rate at which they had received equity investments from alliance partners. Twenty-one (21) percent had partners who made equity investments in either the alliance or the respondent's business.

d. Resource Commitments

Although a number of owners and managers report making equity investments in the alliances or partner businesses in general, the levels of non-recoverable investments tend to be small. Sixty-eight (68) percent of small manufacturers and 75 percent of small-business owners report that their levels of non-recoverable investments are either small or very small (Q#11). Just over 15 percent of small manufacturers and 11 percent of small-business owners say that the level of non-recoverable investments is either large or very large. Obviously, the level of investment required would vary both with the type and age of the alliance. It appears that both groups typically take a relatively low-risk approach to alliances as it relates to non-recoverable investments.

e. Experience

Small-business owners and managers were asked a number of questions relating to the quality of their experience with the alliance. Their responses regarding the quality of their alliance experience are somewhat surprising given anecdotal accounts of alliance failure rates. The results of the survey may be somewhat skewed given that the owners and managers were asked about their oldest continuing alliance (at least one year old). The fact that the alliance had existed for at least a year indicates some level of success to begin with and excludes alliances that had failed relatively quickly. An alliance several years old is presumably even more successful than one just one or two years old.

More than 84 percent of the small manufacturers indicate that their experience with their oldest continuing alliance has been either good or very good (Q#12). Just over 76 percent report positive experiences in small businesses. Only 3 percent of the small manufacturers and about 4 percent of the small-business owners report bad experiences with their alliances. Almost 77 percent of small manufacturers report profitable alliance relationships and 63 percent of small-business owners also report positive financial returns (Q#13). Less than 5 percent of small manufacturers and 2 percent of small-business owners report unprofitable alliances. Notably, smaller percentages cite bad experiences than those that cite poor financial results. This suggests that the primary goals of the alliances in some cases are not necessarily financial in nature.

Sixty-four (64) percent of small manufacturers say that the alliance met expectations and 19 percent say that the alliance exceeded expectations (Q#14). Small-business owners indicated that alliances had met expectations almost 58 percent of the time and almost 30 percent of alliances had exceeded expectations. About 15 percent of the alliances for both business types had not met expectations.

Over 71 percent of the small manufacturers and 84 percent of the small-business owners report that their alliances had improved their ability to compete, with more than 36 percent of both groups reporting that their alliances had provided much improvement in their ability to compete (Q#15). About 27 percent of the former and 9 percent of the latter say that their alliance has done little to improve their competitive ability. Almost 6 percent of the small-business owners indicate that their alliances had actually hurt their ability to compete. This number was negligible for manufacturers.

The experience with the oldest continuing alliance and other alliances businesses currently hold or previously held are typically similar. About 56 percent of small manufacturers and 40 percent of small-business owners believe that the two experiences are alike (Q#16). However, over 27 percent of the former and 32 percent of the latter indicate that their experience with the older alliance was better compared to others. The reverse was true for about 7 percent of small manufacturers and 13 percent of the small-business owners.

Alliance experiences do tend to be somewhat different given the size of the business. Very small manufacturers (less than 10 employees) tend to have slightly higher percentages of businesses with alliances that fail to meet owner expectations or to provide financial returns. Additionally, a slightly higher percentage of this sized manufacturer tends to report that the alliances have not changed their ability to compete. The final result however is that significant numbers of both small manufacturers and small-business owners report that their alliances met their expectations, provided positive financial returns and improved their competitive ability. These results indicate that taking the time to investigate alliance opportunities may have a positive impact on businesses of all types and sizes.

f. Expectations for the Alliance

Respondents were generally optimistic about future financial returns for the alliance. Almost 57 percent of small manufacturers and 52 percent of small-business owners believe that financial returns from the alliance will improve (Q#13a). Fewer than 6 percent of the former and 13 percent of the latter believe that financial returns are likely to fall. The remainder either expected no change from current returns or did not know. Notably, the most optimistic group is small manufacturers with less than 10 employees. More than 61 percent of them believe that financial returns will get better.

Final Comments[1]

Approximately 64 percent of surveyed small manufacturers and 63 percent of surveyed small-business owners report that they currently have or have had in the past at least one alliance relationship. Small businesses that have alliances tend to have both multiple alliances and multiple types of alliances. Alliance formation does appear to be linked to resource capabilities, since the number of owners and managers reporting alliances grows with the size of their businesses. Smaller businesses tend to form most types of alliances with larger businesses at approximately the same rate as larger businesses form alliances with similar/smaller-sized businesses. However, there are exceptions. Licensing agreements, franchise agreements, product or service-based R&D alliances and purchaser-supplier alliances tend to be formed more often with larger partners. While some small businesses are relatively new to the alliance process, more than 35 percent have maintained alliances for over 10 years.

Alliance partners are most often drawn from prior social or business relationships and have been known to the respondents for more than five years. It does not appear that in general small manufacturers form alliances as “life lines” since they tend to make equity investments in the alliances as often as their partners make equity investments. The rate of investment by small-business owners, in contrast, tends to be significantly higher than the rate of investment by alliance partners. On the other hand, neither group tends to structure alliances in such a way that the levels of non-recoverable investments are high.

The small manufacturers and small-business owners surveyed tend to be very pleased with their alliance experiences. A significant percentage indicates that their alliance experience has been good with positive financial returns, improved abilities to compete, and expectations met. The result is that alliances appear to offer smaller firms substantial potential as a means to expand the business with relatively little financial investment.

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[1] The survey also posed a series of questions regarding the competitive environment in which alliances are formed (Q#17A-17M). Results from these questions are not directly pertinent to the foregoing discussion, and are therefore not mentioned here. The results can be found on the master table following the text.

Strategic Alliances

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

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

Let's ... talk about long-term formal and informal cooperative agreements with other businesses.

1. How many ________ agreements with other businesses does your firm currently hold?

A. Licensing

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	81.9%	77.1%	76.6%	80.0%	67.5 %
2. One	4.4	6.5	3.4	4.5	7.3
3. Two	4.4	4.0	5.9	4.8	4.6
4. Three or more	8.8	10.0	18.0	9.5	15.9
5. (DK/Refuse)	0.5	2.5	2.0	1.2	4.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

A1. How many of them are only with businesses smaller or equal in size to yours?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	—%	—%	—%	52.7%	—%
2. One	—	—	—	15.2	—
3. Two or more	—	—	—	31.2	—
4. (DK/ Refuse)	—	—	—	0.9	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	36	41	44	121	42

B. Export or Import Trading

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	88.7%	84.6%	77.6%	85.6%	92.7%
2. One	7.4	4.0	7.3	6.9	2.6
3. Two	3.9	5.0	3.9	4.2	0.7
4. Three or more	—	5.0	9.8	2.8	2.0
5. (DK/Refuse)	—	1.5	1.5	0.5	2.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

B1. How many of them are only with businesses smaller or equal in size to yours?

1. None	—%	—%	—%	47.6%	—%
2. One	—	—	—	23.2	—
3. Two or more	—	—	—	23.2	—
4. (DK/ Refuse)	—	—	—	6.1	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	23	28	43	94	8

C. Franchise

1. None	95.6%	95.0%	92.7%	95.0%	94.7%
2. One	1.5	1.0	2.0	1.5	2.6
3. Two	1.5	2.0	2.0	1.7	0.7
4. Three or more	1.5	0.5	2.0	1.3	1.4
5. (DK/Refuse)	—	1.5	1.0	0.5	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

C1. How many of them are only with businesses smaller or equal in size to yours?

1. None	—%	—%	—%	—%	—%
2. One	—	—	—	—	—
3. Two or more	—	—	—	—	—
4. (DK/ Refuse)	—	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	9	7	12	28	7

D. Marketing

1. None	82.8%	81.1%	78.5%	82.0%	74.8%
2. One	3.4	2.5	3.4	3.2	9.9
3. Two	4.9	4.0	5.4	4.9	6.6
4. Three or more	8.8	9.5	9.3	8.7	7.3
5. (DK/Refuse)	—	3.0	3.5	1.2	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
	Employee Size of Manufacturer				

D1. How many of them are only with businesses smaller or equal in size to yours?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	—%	—%	—%	50.0%	—%
2. One	—	—	—	9.0	—
3. Two or more	—	—	—	39.0	—
4. (DK/Refuse)	—	—	—	2.0	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	35	32	37	104	36

E. Distribution

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	82.4%	78.1%	73.7%	79.9%	79.5%
2. One	4.9	6.0	3.4	4.7	6.0
3. Two	2.9	1.5	2.0	2.3	2.6
4. Three or more	9.8	12.4	18.5	12.4	9.9
5. (DK/Refuse)	—	2.0	2.5	0.7	2.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

E1. How many of them are only with businesses smaller or equal in size to yours?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	—%	—%	—%	50.0%	—%
2. One	—	—	—	18.1	—
3. Two or more	—	—	—	30.2	—
4. (DK/Refuse)	—	—	—	1.7	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	36	40	49	125	28

F. Production

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	76.0%	72.6%	66.3%	73.5%	88.7%
2. One	7.8	5.5	6.3	7.0	3.3
3. Two	2.0	5.0	3.4	2.8	3.3
4. Three or more	13.2	12.4	20.0	14.4	2.6
5. (DK/Refuse)	1.0	4.5	3.9	2.2	2.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

F1. How many of them are only with businesses smaller or equal in size to yours?

1. None	—%	—%	50.8%	50.7%	—%
2. One	—	—	13.1	21.5	—
3. Two or more	—	—	32.8	27.1	—
4. (DK/Refuse)	—	—	3.3	0.7	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	37	46	61	144	14

G. Product or service-based research and development

1. None	90.2%	85.6%	82.4%	87.8%	87.4%
2. One	3.9	6.5	5.4	4.7	2.0
3. Two	2.0	2.5	3.4	2.3	4.0
4. Three or more	3.9	3.5	7.3	4.5	4.6
5. (DK/Refuse)	—	2.0	1.5	0.6	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

G1. How many of them are only with businesses smaller or equal in size to yours?

1. None	—%	—%	—%	58.6%	—%
2. One	—	—	—	22.9	—
3. Two or more	—	—	—	17.1	—
4. (DK/Refuse)	—	—	—	1.4	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	20	25	33	78	16

H. Process-based research and development

1. None	94.6%	91.0%	91.2%	93.3%	94.7%
2. One	2.5	3.0	3.4	2.8	2.0
3. Two	2.0	1.0	1.5	1.7	1.3
4. Three or more	2.5	1.2	2.0	1.0	—
5. (DK/Refuse)	0.5	3.5	2.0	1.1	2.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

H1. How many of them are only with businesses smaller or equal in size to yours?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	—%	—%	—%	—%	—%
2. One	—	—	—	—	—
3. Two or more	—	—	—	—	—
4. (DK/Refuse)	—	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	10	11	14	35	5

I. Purchaser or supplier, such as just-in-time, or Total Quality Management

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	80.4%	71.1%	70.2%	76.5%	86.1%
2. One	3.4	5.0	5.4	4.2	5.3
3. Two	6.9	4.0	4.9	5.8	1.3
4. Three or more	8.8	15.4	17.6	12.2	4.6
5. (DK/Refuse)	0.5	4.5	2.0	1.3	2.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

I1. How many of them are only with businesses smaller or equal in size to yours?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	—%	—%	68.4%	68.9%	—%
2. One	—	—	8.8	11.4	—
3. Two or more	—	—	21.1	18.9	—
4. (DK/Refuse)	—	—	1.8	0.8	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	39	49	57	145	17

J. Outside contractor agreements lasting more than ONE year

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. None	79.9%	71.1%	71.2%	76.8%	71.5%
2. One	9.8	4.5	3.9	7.6	4.6
3. Two	2.9	6.5	8.3	4.7	3.3
4. Three or more	6.9	16.4	15.1	10.1	17.2
5. (DK/Refuse)	0.5	1.5	1.5	0.8	3.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

J1. How many of them are only with businesses smaller or equal in size to yours?

1. None	—%	43.6%	48.2%	46.6%	—%
2. One	—	9.1	14.3	18.0	—
3. Two or more	—	47.3	35.7	32.3	—
4. (DK/ Refuse)	—	—	1.8	3.0	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	40	55	56	151	38

2. Though you currently have no such agreements, did you ever have one? (If "No" to Q#1 A-J.)

1. Yes	10.0%	10.0%	4.9%	9.0%	9.7%
2. No	89.0	87.5	86.9	89.0	87.1
3. (DK/Refuse)	1.0	2.5	8.2	2.0	3.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	100	80	61	241	62

3. In what year was your first such agreement, also called an alliance, formed?

1. 2000 - 2004	28.1%	19.4%	19.7%	24.2%	29.5%
2. 1995 - 1999	20.2	24.8	23.1	21.7	22.1
3. 1990 - 1994	11.4	20.2	10.2	12.8	11.6
4. 1980 - 1989	13.2	17.8	19.7	15.8	13.7
5. Before 1980	7.0	7.0	8.2	7.3	9.5
6. (DK/Refuse)	20.2	10.9	19.0	18.2	13.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	114	129	147	390	95

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

4. What type of an agreement or alliance was it?

1. Licensing	2.6%	2.3%	4.8%	3.0 %	6.3%
2. Export/Import Trading	0.9	0.8	2.7	1.4	2.1
3. Franchise	1.8	0.8	—	0.8	5.3
4. Marketing	12.3	8.5	8.2	10.5	15.8
5. Distribution	9.6	7.0	10.2	10.2	5.3
6. Production	25.4	20.9	17.0	25.3	10.5
7. Product or service-based R & D	1.8	4.7	2.0	2.2	7.4
8. Process-based R & D	0.9	—	1.4	0.8	—
9. Purchaser supplier, such as TQM	11.4	12.4	8.8	11.0	7.4
10. Outside contractor agreements lasting more than a year	7.0	8.5	10.2	8.3	7.4
11. Service	0.9	1.6	0.7	1.1	6.3
11. Other\Unclassified	10.5	21.7	16.3	14.3	13.7
12. (DK/Refuse)	10.5	6.2	15.0	11.0	11.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	114	129	147	390	95

5. Do you have a current alliance or agreement that is more than one year old? (If "Yes" at least once in Q#1 A-J.)

1. Yes	56.7%	69.4%	59.7%	59.9%	61.6%
2. No	41.3	30.6	38.9	38.7	40.4
3. (DK/Refuse)	1.9	—	1.4	1.5	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	104	121	144	369	89

6. In what year was your first such alliance formed? (If "Yes" in Q#5.)

1. 2000 - 2004	72.9%	73.8%	76.7%	74.1%	67.9%
2. 1995 - 1999	15.3	14.3	15.1	15.1	15.1
3. 1990 - 1994	3.4	2.4	1.2	2.4	13.2
4. 1980-1989	3.4	4.8	1.2	2.9	1.9
5. Before 1980	1.7	—	—	1.0	—
6. (DK/Refuse)	3.4	4.8	5.8	4.4	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	59	84	86	229	53

I want to ask you about that alliance.

7. What type of alliance was it?

	Employee Size of Manufacturer 1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Licensing	5.3%	2.5%	3.7%	4.1%	5.8%
2. Export/Import Trading	—	1.3	1.2	0.5	—
3. Franchise	1.8	—	—	1.0	3.8
4. Marketing	14.0	5.0	13.6	12.3	28.8
5. Distribution	15.8	10.0	12.3	15.9	13.5
6. Production	26.3	27.5	21.0	28.2	5.8
7. Product or service-based R & D	3.5	5.0	3.7	3.6	9.6
8. Process-based R & D	3.5	—	—	1.5	—
9. Purchaser supplier, such as TQM	10.5	12.5	11.1	10.8	9.6
10. Outside contractor agreements lasting more than a year	8.8	12.5	9.9	10.3	10.4
11. Service	—	2.5	1.2	1.0	3.8
12. Other\Unclassified	7.0	8.8	13.6	9.2	15.4
13. (DK/Refuse)	1.8	1.3	1.2	1.5	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

8. Did you make an equity investment in the alliance?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Yes	21.1%	18.8%	28.4%	22.6%	15.4%
2. No	77.2	80.0	71.6	76.4	84.6
3. (DK/Refuse)	1.8	1.3	—	1.0	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

9. Did your alliance partner (most important partner, if more than one) make an equity investment in the agreement?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Yes	22.8%	45.0%	40.7%	25.9%	21.2%
2. No	70.2	53.8	59.3	72.9	78.8
3. (DK/Refuse)	—	1.3	—	1.4	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

10. Prior to forming the alliance, did you EVER have a social or business relationship with your alliance partner?

1. Yes	29.8%	45.0%	40.7%	36.5%	40.4%
2. No	70.2	53.8	59.3	63.5	59.6
3. (DK/Refuse)	—	1.3	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

10a. Did the relationship include a prior alliance? (If "Yes" in Q#11.)

1. Yes	—%	—%	—%	25.7%	—%
2. No	—	—	—	72.9	—
3. (DK/Refuse)	—	—	—	1.4	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	17	36	33	86	21

10b. How many years have you known this alliance partner?

1. > 3 years	21.8%	14.9%	18.8%	19.7%	18.0%
2. 3 - 5 years	36.4	32.4	33.8	35.1	30.0
3. 6 - 10 years	23.6	23.0	23.8	23.9	28.0
4. 11 - 20 years	12.7	25.7	16.3	16.3	16.0
5. More than 20 years	5.5	4.1	7.5	7.5	8.0
6. (DK/Refuse)	—	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	55	74	84	209	50

11. If this alliance were dissolved today, would your firm's NON-RECOVERABLE investment in cash and other assets, such as technology or market knowledge, be?

1. Very large	1.8%	5.0%	4.9%	3.6%	1.9%
2. Large	10.5	12.5	13.6	11.7	9.6
3. Neither large nor small	15.8	12.5	16.0	15.2	11.5
4. Small	22.8	31.3	23.5	24.9	32.7
5. Very small	47.4	36.3	40.7	43.1	42.3
6. (Too soon to know)	—	1.3	1.2	0.5	—
7. (DK/Refuse)	1.8	1.3	—	1.0	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

12. How has the experience with this alliance been to date? Would you say it has been:?

1. Very good	47.4%	30.0%	39.5%	41.6%	40.4%
2. Good	38.6	56.3	43.2	43.1	36.5
3. Neither good nor bad	8.8	10.0	14.8	11.2	19.2
4. Bad	1.8	1.3	1.2	1.5	3.8
5. Very bad	1.8	1.3	1.2	1.5	—
6. (Too soon to know)	1.7	—	—	1.0	—
7. (DK/Refuse)	—	1.1	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

13. Have the financial returns from this alliance been:?

1. Very profitable	8.8%	11.3%	7.4%	8.7%	1.9%
2. Profitable	70.2	63.8	65.4	68.2	61.5
3. Break-even	14.0	20.0	13.6	15.4	26.9
4. Unprofitable	1.8	3.6	7.4	3.6	1.9
5. Very unprofitable	1.8	—	—	1.0	—
6. (Too soon to know)	3.5	1.3	3.7	2.6	—
7. (DK/Refuse)	—	—	2.5	0.6	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

13a. Do you expect the financial returns for the duration of the alliance to get:?

1. Much better	17.5%	8.8%	7.4%	12.5%	7.7%
2. Better	43.9	38.8	46.9	44.3	44.2
3. Not change	31.6	46.3	39.5	37.5	32.7
4. Worse	3.5	3.8	6.2	4.2	11.5
5. Much worse	3.5	—	—	1.6	1.9
6. (Too soon to know)	—	1.3	—	—	—
7. (DK/Refuse)	—	1.3	—	—	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

14. How has the alliance performed compared to your expectations for it?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Much better	3.5%	5.0%	6.2%	4.6%	11.5%
2. Better	15.8	16.3	9.9	14.4	15.4
3. As expected	61.4	65.0	66.7	64.1	57.7
4. Worse	14.0	11.3	16.0	13.8	15.4
5. Much worse	5.4	1.3	1.2	3.1	—
6. (Too soon to know)	—	1.3	—	—	—
7. (DK/Refuse)	—	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

15. How much has this alliance improved your ability to compete? Would you say it has improved your ability:?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Very much	21.1%	12.5%	12.3%	16.8%	11.5%
2. Much	19.3	15.0	23.5	19.8	25.0
3. Some	29.8	42.5	38.3	35.0	48.1
4. Hasn't changed it	29.8	28.8	22.2	27.4	9.6
5. Has hurt it	—	1.3	2.5	0.5	5.8
6. (Too soon to know)	—	—	—	—	—
7. (DK/Refuse)	—	—	1.2	0.5	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

16. How does this alliance compare to other alliances you have been involved in? Is it:?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Much better	14.0%	7.5%	2.5%	9.2%	9.6%
2. Better	17.5	17.5	21.0	18.5	23.1
3. Same	50.9	60.0	61.7	56.4	40.4
4. Worse	5.3	5.0	11.1	6.7	13.5
5. Much worse	—	—	1.2	0.5	—
6. (Not applicable; have not been in others)	10.5	6.3	1.2	6.7	11.5
7. (Too soon to know)	—	—	—	—	—
8. (DK/Refuse)	1.8	3.8	1.2	2.1	1.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	57	80	81	218	52

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

17. As I read the following, please tell me which of the two statements describes your business more accurately or do both describe it equally.

A. My business places a strong emphasis on:

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Tried and tested practices, equipment, and products or services					
1. Strongly	50.5%	47.8%	38.5%	47.1%	45.7%
2. Not so strongly	11.8	7.0	10.2	10.6	13.9
Innovation, technological leadership and R&D					
3. Not so strongly	2.5	2.0	2.0	2.3	1.3
4. Strongly	14.2	16.4	20.2	15.8	9.3
5. (Equally; the same)	18.6	23.9	27.8	21.8	21.9
6. (DK/Refuse)	2.5	3.0	1.5	2.3	7.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

B. In the last three years, my business has marketed:

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Many NEW products or services					
1. Strongly	29.9%	29.4%	38.0%	31.8%	26.5%
2. Not so strongly	16.2	17.4	14.6	16.0	12.6
Innovation, technological leadership and R&D					
3. Not so strongly	11.3	10.9	8.3	10.5	14.6
4. Strongly	27.9	20.4	20.0	24.6	23.8
5. (Equally; the same)	6.4	12.9	11.7	8.8	10.6
6. (DK/Refuse)	8.3	9.0	7.3	8.3	11.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

C. In the last three years, changes in my products or services have been:

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Mostly of a minor nature					
1. Strongly	58.8%	53.7%	43.4%	54.3%	51.0%
2. Not so strongly	13.7	12.4	11.7	13.0	14.6
Usually quite dramatic					
3. Not so strongly	4.4	4.5	3.4	.2	3.3
4. Strongly	16.2	22.9	32.2	21.2	22.5
5. (Equally; the same)	4.9	4.5	6.8	5.2	5.3
6. (DK/Refuse)	2.0	2.0	2.4	2.2	3.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer 1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
D. My business typically:					
Responds to initiatives my competitors initiate					
1. Strongly	10.8%	14.4%	9.3%	11.0%	7.9%
2. Not so strongly	9.8	10.4	6.3	9.0	6.6
Initiates action to which my competitors then respond					
3. Not so strongly	10.8	10.9	13.2	11.3	11.6
4. Strongly	30.4	34.3	41.5	33.8	31.1
5. (Equally; the same)	15.2	14.9	20.0	16.3	15.2
6. (DK/Refuse)	23.0	14.9	9.8	18.5	27.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151
E. My business is ______ the first to introduce new products or services, administrative techniques, etc.					
Often					
1. Strongly	25.5%	28.9%	35.1%	28.3%	23.8%
2. Not strongly	4.4	7.5	10.7	6.5	4.6
Seldom					
3. Not so strongly	16.2	14.9	15.6	15.8	21.9
4. Strongly	41.2	34.3	22.4	35.5	33.1
5. (Equally; the same)	3.9	5.0	8.8	5.3	5.3
6. (DK/Refuse)	8.8	9.5	7.3	8.5	11.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151
F. My business typically:					
Seeks to avoid competitive clashes, preferring a "live and let live" posture					
1. Strongly	41.2%	27.4%	30.7%	36.4%	39.7%
2. Not so strongly	12.3	11.9	10.7	11.9	16.6
Adopts a very competitive "undo the competitors" posture					
3. Not so strongly	7.8	10.4	5.4	7.7	3.3
4. Strongly	27.5	34.8	42.4	32.2	29.1
5. (Equally; the same)	5.4	7.0	6.8	6.0	6.0
6. (DK/Refuse)	5.9	8.5	3.9	5.8	5.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

G. My business is inclined toward:

Low risk projects with normal rates of return					
1. Strongly	55.4%	48.8%	42.0%	51.0%	52.3%
2. Not so strongly	11.3	13.9	13.7	12.3	7.9
High risk projects with a chance of very high returns					
3. Not so strongly	6.4	4.5	6.3	6.0	5.3
4. Strongly	13.2	12.4	15.6	13.7	18.5
5. (Equally; the same)	8.3	14.9	17.6	11.8	9.3
6. (DK/Refuse)	5.4	5.5	4.9	5.2	6.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

H. Due to the nature of the business environment in which I operate, it is best to:

Explore potential opportunities gradually through cautious, incremental behavior					
1. Strongly	60.3%	53.2%	43.4%	54.9%	49.7%
2. Not so strongly	13.7	11.9	14.1	13.6	8.6
Take bold, wide-ranging actions to achieve the firm's objectives					
3. Not so strongly	2.9	5.5	3.4	3.3	5.3
4. Strongly	10.3	16.9	25.9	15.1	21.9
5. (Equally; the same)	4.4	9.5	12.7	7.3	7.3
6. (DK/Refuse)	8.3	3.0	0.5	5.7	7.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

I. My business ______ needs to change its marketing practices to meet the competition.

Rarely					
1. Strongly	53.9%	47.8%	41.5%	49.9%	49.7%
2. Not so strongly	10.8	12.4	13.2	11.5	17.2
Frequently					
3. Not so strongly	3.9	3.0	6.8	4.5	6.0
4. Strongly	20.1	27.4	31.7	24.2	19.9
5. (Equally; the same)	4.4	3.5	3.9	4.2	2.6
6. (DK/Refuse)	6.9	6.0	2.9	5.7	4.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

J. The business environment in which I operate is:

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Safe with little threat to my firm's survival and well-being					
1. Strongly	52.9%	46.8%	35.1%	47.7%	46.4%
2. Not so strongly	13.7	12.4	13.2	13.3	12.6
Risky with one false step meaning potential disaster objectives					
3. Not so strongly	9.3	8.5	8.8	9.0	9.3
4. Strongly	18.6	20.9	29.8	21.8	22.5
5. (Equally; the same)	4.4	8.0	10.2	6.5	6.6
6. (DK/Refuse)	1.0	3.5	2.9	1.7	2.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

K. The business environment in which I operate is:

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Rich in marketing and investment opportunities					
1. Strongly	20.1%	28.9%	17.1%	20.7%	25.2%
2. Not so strongly	14.7	12.4	9.3	13.0	13.9
Stressful, exacting, hostile, and hard to survive in:					
3. Not so strongly	10.8	11.9	13.2	11.5	6.0
4. Strongly	37.3	35.8	42.4	38.3	26.5
5. (Equally; the same)	7.4	8.5	12.7	8.9	15.9
6. (DK/Refuse)	9.8	2.5	5.4	7.5	12.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

L. My business:

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Can control and manipulate the business environment to its advantage					
1. Strongly	18.1%	18.4%	11.7%	16.5%	18.5%
2. Not so strongly	8.8	9.5	9.8	9.0	21.2
Initiatives amount to little against the economic and technological forces aligned against me					
3. Not so strongly	14.7	11.4	20.0	15.4	15.2
4. Strongly	40.7	41.3	35.1	39.6	25.8
5. (Equally; the same)	9.8	10.4	12.7	10.7	15.9
6. (DK/Refuse)	7.8	9.0	10.7	8.8	13.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
M. The industry in which my business is located is:					
Intensely competitive					
1. Strongly	47.1%	58.2%	64.9%	53.3%	53.0%
2. Not strongly	4.4	7.5	9.8	6.2	13.2
Minimally competitive					
3. Not so strongly	10.3	6.0	4.4	8.0	10.6
4. Strongly	32.4	24.4	14.1	26 8	17.2
5. (Equally; the same)	3.9	3.5	5.9	4.3	6.0
6. (DK/Refuse)	2.0	0.5	1.0	1.3	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

Demographics

D1. Which best describes your position in the business?

	Employee Size of Manufacturer 1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Owner/manager	89.2%	86.1%	84.4%	87.5%	83.4%
2. Owner but NOT manager	5.4	8.0	4.9	5.7	7.9
3. Manager but NOT owner	5.4	6.0	10.7	6.8	8.6
4. (DK/Refuse)	—	—	—	—	
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

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

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Agriculture, forestry, fishing	—%	—%	—%	—%	6.6%
2. Construction	—	—	—	—	15.9
3. Manufacturing, mining	100.0	100.0	100.0	100.0	6.6
4. Wholesale trade	—	—	—	—	5.3
5. Retail trade	—	—	—	—	15.2
6. Transportation and warehousing	—	—	—	—	—
7. Information	—	—	—	—	2.0
8. Finance and insurance	—	—	—	—	4.0
9. Real estate and rental leasing	—	—	—	—	2.6
10. Professional/scientific/ technical services	—	—	—	—	13.9
11. Adm. support/waste management services	—	—	—	—	2.0
12. Educational services	—	—	—	—	—
13. Health care and social assistance	—	—	—	—	4.0
14. Arts, entertainment, or recreation	—	—	—	—	2.0
15. Accommodations or food service	—	—	—	—	6.0
16. Other service, incl. repair, personal care	—	—	—	—	11.9
17. (Other)	—	—	—	—	1.4
18. (DK/Refuse)	—	—	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

D2a. What type of products do you manufacture?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Food Products	0.5%	—%	—%	0.3%	—%
2. Apparel, textiles, leather	6.9	6.5	3.9	6.0	—
3. Wood products, furniture	13.7	12.4	12.7	13.3	—
4. Paper; allied products	4.4	4.0	5.4	4.7	—
5. Printing	13.7	10.4	7.8	11.6	—
6. Chemicals, rubber plastics	7.8	9.0	10.7	8.8	—
7. Stone, glass, clay cement	2.0	1.0	6.3	2.8	—
8. Metal fabrication	16.2	20.9	16.1	16.9	—
9. Machinery; equipment	17.6	15.9	12.7	16.3	—
10. Instruments	4.4	4.5	5.9	4.8	—
11. (Electronics)	2.9	4.0	3.4	3.2	—
12. (Other)	9.8	11.4	15.1	11.3	—
13. (DK/Refuse)	—	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	9

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

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Increased by 30 percent or more	12.7%	13.4%	17.1%	13.9%	19.2%
2. Increased by 20 to 29 percent	9.8	11.9	13.2	11.1	14.6
3. Increased by 10 to 19 percent	16.7	18.4	20.5	17.9	24.5
4. Changed less than 10 percent one way or the other	27.9	22.9	25.9	26.8	19.2
5. Decreased by 10 percent or more	30.9	31.8	22.4	29.0	17.2
6. (DK/Refuse)	2.0	1.5	1.0	1.3	5.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	200	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

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

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Yes	23.0%	—%	1.0%	16.0%	37.7%
2. No	77.0	98.0	99.0	83.6	62.3
3. (DK/Refuse)	—	1.0	—	0.3	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

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

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. < 6 years	20.1%	11.9%	14.6%	17.5%	25.2%
2. 6-10 years	20.1	15.9	17.1	18.7	17.9
3. 11-20 years	24.0	26.9	25.4	24.7	25.8
4. 21-30 years	24.0	23.4	21.5	23.3	16.6
5. 31 years+	10.3	17.9	18.0	13.5	9.3
6. (DK/Refuse)	1.5	4.0	3.4	2.3	5.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

D6. What is your highest level of formal education?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Did not complete high school	2.5%	1.5%	2.0%	2.2%	1.3%
2. High school diploma/GED	22.1	18.9	11.7	19.0	20.5
3. Some college or an associates degree	23.0	22.9	18.5	22.0	23.8
4. Vocational or technical school degree	8.3	2.0	2.4	6.0	3.3
5. College diploma	35.3	36.8	49.3	38.8	35.8
6. Advanced or professional degree	8.3	16.4	16.1	11.6	15.2
7. (DK/Refuse)	0.5	1.5	—	0.5	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	600	151

D7. Please tell me your age.

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. <25	0.5%	—%	—%	0.3%	2.0%
2. 25-34	3.4	4.0	3.9	3.7	7.9
3. 35-44	20.6	20.9	20.0	20.4	22.5
4. 45-54	28.4	35.3	31.7	30.4	39.1
5. 55-64	30.4	27.4	27.8	29.2	20.5
6. 65+	15.2	10.0	14.1	14.1	7.3
7. (DK/Refuse)	1.5	2.5	2.4	1.8	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

	Employee Size of Manufacturer				
	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus

D8. What is the zip code of your business?

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. East (zips 010-219)	17.2%	20.7%	18.6%	18.1%	11.4%
2. South (zips 220-427)	20.6	18.2	15.7	19.1	20.8
3. Mid-West (zips 430-567, 600-658)	29.4	27.3	31.9	29.6	29.5
4. Central (zips 570-599, 660-898)	21.6	20.7	17.6	20.4	25.5
5. West (zips 900-999)	11.3	13.1	16.2	12.9	13.4
6. (DK/Refuse)	—	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

D9. Urbanization (Derived from zip code)

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
1. Highly Urban	7.4%	14.4%	13.2%	9.9%	13.2%
2. Urban	20.1	16.4	22.0	19.9	19.2
3. Fringe Urban	18.1	23.4	22.4	20.1	21.9
4. Small Cities/Towns	17.2	19.4	21.0	18.6	19.2
5. Rural	33.8	20.9	16.6	27.6	20.5
6. (DK/Refuse)	3.4	5.5	4.9	4.0	6.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	600	151

D10. Sex

	1-9 emp	10-19 emp	20-249 emp	All Mfgers	All Sm Bus
Male	76.0%	81.5%	90.5%	80.5%	71.5%
Female	24.0	18.5	9.5	19.5	28.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	204	201	205	610	151

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 February 2 - March 24 , 2004 from samples of small manufacturers and small employers in all industries. “Small” 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. Two samples were drawn from the file. The first was a random stratified sample of small manufacturers designed to compensate for their highly skewed distribution by employee size of firm (Table A1). Almost 60 percent of small manufacturers in the United States employ just 1-9 people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small manufacturing population is often an important differentiating variable, it is necessary 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.

The second sample drawn was a random sample from all industries of small employers with firms having fewer than 250 employees. A proportionate number of manufacturers was included. It was less important for current purposes to examine the population by firm size than manufacturers. As a result, the different and simpler sampling strategy was employed for the general population.

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	355	59	200	33	204	33
10-19	98	16	200	33	201	33
20-249	147	25	200	33	205	34
All Firms	600	100	600	100	610	100

**Sample universe developed from 2001 data produced by the Bureau of the Census which is available on the agency web site.*

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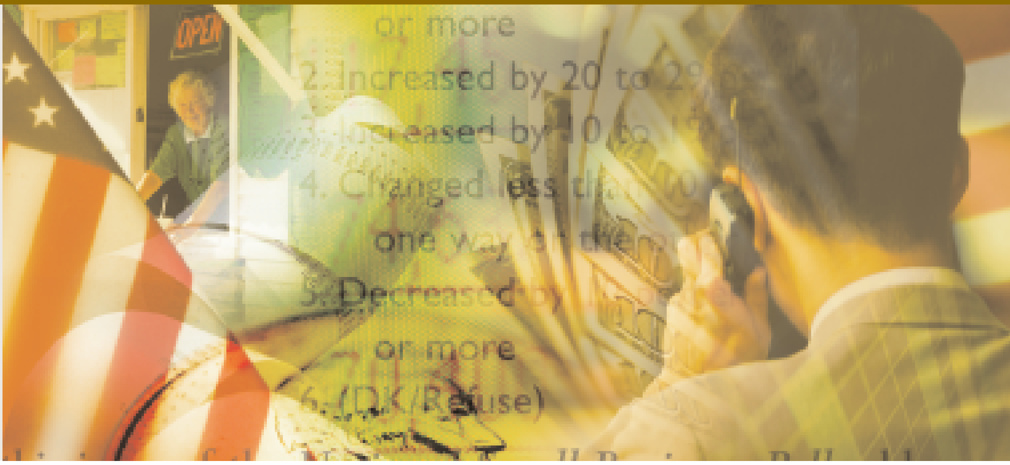
The Sponsor

The **NFIB Research Foundation** is a small-business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy related problems small-business owners encounter. Its periodic reports include *Small Business Economic Trends, Small Business Problems and Priorities*, and now the *National Small Business Poll.* The Foundation also publishes ad hoc reports on issues of concern to small-business owners. Included are analyses of selected proposed regulations using its Regulatory Impact Model (RIM). The Foundation's functions were recently transferred from the NFIB Education Foundation.



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