NFIB Research Foundation

National Small Business Poll

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NFIB National Small Business Poll

Innovation

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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

Innovation

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

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

National Small Business Poll

Innovation

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Executive Summary

- Ten (10) percent of all small businesses purposefully innovate or invent with the intention of selling or leasing the results of their efforts. Innovations or inventions provide all sales for about one in five of these enterprises; they are responsible for 50 percent or more of sales in more than half. Employee-size of business appears unrelated to the propensity of small firms to purposefully innovate.

- Twenty (20) percent of small-businesses employ one or more people, including the owner(s), whose primary job is to develop new products, services, processes, or designs.

- Over the last three years, about 4 percent of all small employers or just over 1 percent a year have applied to a government agency for financial assistance to develop new products, services, processes or designs.

- More small employers own copyrights (13%) that they actively use in their businesses than own patents (5%).

- Design is a major innovative focus. Twenty-one (21) percent of small businesses market design. More than six of 10 who market design report half or more of their sales stem from it. However, the survey does not identify whether the design is for purposes of increasing productivity, such as, an electric circuit on a computer chip, or pleasure, such as, a dress design.

- Three of four small employers specifically and directly encourage their employees to suggest ideas for new products and services or better ways to produce and distribute them. Just over half offer bonuses and/or special recognition to employees who make suggestions used to increase business productivity or sales. The most common award is bonuses and recognition (32%) followed by bonuses exclusively (14%) and recognition exclusively (5%). The median number of employees who received an award last year, among those who provided awards, was two.

- Five percent of small-business owners claim it would be more accurate to classify themselves as a producer of technology than as a user or an "avoider" of technology. Another four percent volunteer that they are both producers and extensive users of technology. Sixteen (16) percent attempt to avoid technology.

- Forty-two (42) percent of all small businesses introduced at least one new or significantly improved product, service, process or design into their sales inventory in the prior year. Most often the introduction was a product (55%), followed by a service (29%), a process (8%) and a design (7%). Thirty-four (34) percent report that they have never introduced a new or significantly improved product, service, process or design. Another 11 percent say it has been three years or more since they have.

- The idea for this new or significantly improved product/service/process/design was developed internally in one-third (33%) of cases. Another 42 percent say they upgraded or modified the idea based on what they saw elsewhere. Almost 12 percent (or 5% of the total population) are trying to license or otherwise sell it.

Innovation

Innovation and its corollary, invention, are simply the first-time introduction of something that has been developed through the use of imagination, thought, and/or experiment. Its relevance here lies in the new or improved products, services, processes, and designs that are its by-products. These in turn lead to greater wealth and higher standards of living, making innovation of particular interest to policy-makers. Small businesses produce a significant number of innovations. While their precise contribution to overall innovative activity is difficult to quantify, smaller enterprises appear particularly adept at major breakthroughs in contrast to more incremental or evolutionary changes. Conventional wisdom holds that innovation is the property of a relative handful of small ventures; most are not innovative in the least. But even if conventional wisdom is correct, a series of important questions remain regarding the participation of small businesses and their owners in the innovation process. As a result, this issue of the *National Small Business Poll* is devoted to Innovation.

Purposeful Innovation

Just over one in 10 (11%) small, employing business owners purposefully innovates or invents things with the intention of selling or licensing those innovations or inventions (Q#2). The relative size of the firm appears inconsequential as purposeful activity is almost equally distributed across all three employee-sizes of business that were examined. While the sample size of most industries is too small to provide meaningful results, it appears that those in manufacturing and some in the more knowledge-intensive service industries are substantially more likely to purposefully innovate than are others.

A substantial share of firm sales among these purposeful innovators come from their inventions and/or innovations. Forty-six (46) percent report more than half of their sales are generated from these products, services, processes, and designs (Q#2a). Just 15 percent say fewer than 10 percent of sales originate from them. Meanwhile, one in five (21%) indicates that all of their sales result from their creations. The upshot is that while most innovative businesses obtain an important share of sales from their innovations, most have other sales as well. The data do not reveal if those other sales are closely tied to or totally divorced from their innovation(s).

Almost twice as many small businesses as purposefully innovate, employ at least one person, including the owner(s), whose primary job is to develop new products, services, processes, or designs. Twenty (20) percent say that they have one or more such people doing so, suggesting that owners do not necessarily have to purposefully innovate in order to consider a creative function valuable to the business (Q#7b).

Over the last three years, about 4 percent or just over 1 percent a year have applied to a government agency for financial assistance to develop new products, services, processes or designs (Q#3).

Designs

Twenty-one (21) percent of small employers report that their businesses design things to be sold whether or not those designs can be copyrighted or patented (Q#6). Owners

with 10 or more employees are substantially more likely to engage in design activities than those with fewer than 10. Sales from design occur in between one-quarter and one-third of the 10 plus employee firms. An industry bias appears among the design-oriented enterprises. Those in knowledge-intensive service industries, such as information and professional, technical and scientific services appear more likely to use design than others as does manufacturing and construction. Small sample sizes, however, mean industry calculations are no more than suggestive.

Design is an important source of revenue for most who engage in it. Over half (57%) of that group report a majority of their sales stem from things that they have designed (Q#6a). While 11 percent report them as less than 10 percent of total sales, another 26 percent (or 6% of the population) report all of their sales originating from their designs. Thus, design capability is a critical factor in the sales of around 12 percent of all small businesses.

The survey did not distinguish between designs that increase productivity, such as changed circuits on a computer chip or even a redesigned restaurant kitchen improving efficiency, and designs intended for other utilities, such as fashion. Subsequent data and industry distribution of those whose sales are tied to design suggest that elements of both are represented.

Patents and Copyrights

Patents and copyrights often proxy for innovation in businesses. About 5 percent of small-business owners have a patent in their name or the business's name that they are actively exploiting (Q#4). Employee-size of business appears modestly related. The sample is too small to determine if industry is as well. However, one-third of all patents are held by manufacturers, though manufacturers constitute only 9 percent of the sample.

Copyrights are more common. Thirteen (13) percent hold at least one copyright (Q#5). Once the size of the firm reaches 10 employees, the propensity to hold one rises notably. Almost 20 percent of the latter group owns one or more. Owners of businesses in the knowledge-intensive service industries, such as information and professional, technical and technical services, join those in manufacturing as being more frequent holders.

New Products, Services, Designs or Processes

Innovation typically refers to those who are first - ever. But first can also be first in a particular market, or a negligible improvement, or even first use by an individual firm. From this vantage, a substantial share of small businesses place new products/services/process and designs on the market.

Forty-two (42) percent of all small-business owners claim that they introduced into the market at least one new, or significantly improved product, service, design or process within the last year; 58 percent say that they did not (Q#1). While owners of the largest, small firms were somewhat more likely to do so than owners of the smallest, small firms, innovation in its broadest sense was reasonably well distributed by firm size. Industry was more indicative of innovative propensities, though small sample sizes in many industries make it difficult to say so with certainty. A significant majority (61%) of those who introduced at least one of these new, or significantly improved products, services, processes, or designs, introduced more than one of them (Q#1a). The remainder focused on a single novelty.

The most likely type of introduction was a new product. Fifty-five (55) percent reported that their most important introduction was a product of some type (Q#1b). Another 29 percent said their most important introduction was a service. Eight percent believed theirs to be a process and another 7 percent cited a design. The latter two combined mean that 15 percent of owners saw their primary introductions in the prior year as something other than products or services.

The names or descriptions of those introductions were often familiar (Q#1f). For example, 36 respondents named a food or food product as their contribution. Food and food products also suggests that many, if not most, innovations are marginal changes in familiar products; radical changes seem uncommon. Still, a heathy number refused to answer specifics about their introduction on the grounds that their innovations are still under wraps or at the Patent Office waiting its imprimatur.

A second way to judge the innovation of an introduction is the source of its idea. One-third (33%) report that they developed their introduction from scratch (Q#1e). The idea was new or, at least, the owner believes it to be. About 14 percent of the total population, therefore, believe that they developed and introduced into the market something new in the last year.

The innovation concept can be extended. An introduction can also be innovative when it represents a substantial upgrade or modification of existing products, etc. Forty-two (42) percent (or 18% of the population) report their introduction stems from modification or upgrading something in existence. Another 15 percent (or 6% of the population) say they copied the idea directly from someone else. While the latter type of introduction can be new to the firm or even to the local market, it is unlikely to be particularly innovative. Nine percent did not answer the question.

An innovative product, service, design or process typically can be licensed or sold. Twelve (12) percent are attempting to sell or license their primary introduction (Q#1d). That number represents about 5 percent of the total small employer population.

The innovativeness of these introductions might also be judged by the change in competitive position resulting from the novelty or by the owner's intent to sell or license it. Almost half (48%) say the introduction put their firms ahead of the competition (Q#1c). That suggests these owners believe their introduction has some market impact, even if localized. However, the remainder believe that their introduction kept them abreast of the competition (34%) or allowed them to catch up (11%). Seven percent did not answer. While it is always possible that a true market innovation could compensate for competitive shortfalls in other areas, true innovation in a market laggard is not likely.

The majority of small employers did not introduce anything of significance over the last 12 months. The immediate question then becomes - was this behavior normal or abnormal. The answer appears to be that it is too often normal. Fifty-nine (59) percent of those without an introduction in the last 12 months indicate that they have never introduced one or more new, or significantly improved, products, services, designs, or processes (Q#1g). That means about one in three (34%) small, employing businesses have never done anything that might be termed innovative, even if it were innovative just for the firm and not for the market. Another 10 percent who did nothing last year, did introduce something novel in the prior two years and 11 percent did in the years prior to that.

Employees in Innovation

Three in four (75%) small employers specifically and directly encourage their employees to suggest ideas for new products or services or better ways to produce and distribute the products and services they sell (Q#7). About 85 percent of those with 10 or more employees do so compared to 72 percent among those with less than 10.

While small-business owners say they want employee ideas, how often they actually use them is another matter. Over half (52%) of all employers and nearly two-thirds (65%) of those who encourage employee innovative suggestions give recognition and/or bonuses to those who come up with useful ideas that the business can turn into improvement in their products, services, designs and processes (Q#7a). Even 12 percent of those who do not specifically encourage employees to make suggested improvements provide rewards for such behavior. Bonuses plus recognition is the most common type of reward structure. Nearly two-thirds (64%) of those offering awards use both while 26 percent use bonuses exclusively and 10 percent use recognition exclusively.

Apparently, employees make helpful suggestions frequently and employers adopt them often as the number of employees receiving bonuses and recognition for their efforts demonstrate. About half of all small employers who provided awards gave them to one or two employees (Q#7a1). However, 43 percent say that last year they gave awards to at least half of their work force. It is quite possible that respondents in this latter group included profit-sharing programs as incentives for valued behavior of which suggestions are a part.

Producers, Users, and Avoiders of Technology

Five percent of small employers say that it would be most accurate to describe their

businesses as producers of technology. Another 4 percent volunteer that they are both producers and consumers of technology (Q#8). However, most small employers are primarily users of technology. Sixty-five (65) percent claim they are extensive users of technology and 16 percent avoid it whenever possible. One response class, modest users of technology, was inadvertently omitted, from the final questionnaire, though the category likely would have drawn respondents primarily from the extensive user class. Assuredly none would have been drawn from the producers of technology category.

Technology is hugely important in modern business whether it is as a producer or a consumer of it. Yet, 16 percent avoid technology whenever possible. Their reasons for avoiding it are instructive: 53 percent avoid technology because it costs too much (Q#9A); a non-mutually exclusive 52 percent avoid it because of the confusion and upheaval that inevitably accompanies technological change (Q#9B); 42 percent claim that technology depersonalizes and changes the atmosphere in the business (Q#9C); and, 61 percent say that the business ends up serving the technology rather then the reverse (Q#9D). The striking part of these reasons is the consistently high numbers who cite them. Most who try to avoid technology do not find a single issue with it, but an entire series of them.

Final Comments

Conventional wisdom is correct: a relatively modest portion of the small-business population is heavily involved in innovative activity; most are not. But the issue is significantly more subtle, if for no other reason than innovating firms may be involved in more conventional activities as well. Or, because all innovation is not technological. Or, because innovation and mundane change may not be as distinct in reality as in theory.

The number of small businesses engaged in innovative activity likely ranges between 5 and 15 percent, depending on the definition of innovative. No reasonable measure in the survey showed innovation-producing firms falling below 5 percent, and while some measures stretched considerably above 15 percent, the behavior measured in those outliers is unlikely to yield innovation. As a base, 5 percent have patents; 5 percent classify themselves primarily as producers of technology with an additional 4 percent saying they are both producers and extensive users; 5 percent are attempting to license or sell the rights of their (most important) new or significant introduction to the market within the last year.

At the other end of the spectrum, 14 percent claim to have made a new or significantly improved introduction into the market within the last year, the idea for which originated in the firm; 20 percent have at least one person whose primary job is to produce new things; 11 percent say their businesses purposefully innovate with the intention of selling or leasing their creations; 13 percent hold a copyright; and 21 percent design things to be sold.

These innovators lay in stark contrast to the third who have not introduced anything new or significantly improved in their existence and the 11 percent more who have not done so in at least three years. Unfortunately, the data are not available to compare these two groups in terms of profitability, etc.

Though most typically think of innovation in terms of products tied to technological development, innovation is much broader. New services, process advances, and more efficient design are innovative activities, too, and they appear to occupy as much attention of small-business owners as the more traditional form. Measuring small business participation in them however, may be even more difficult than measuring their participation in narrower product innovation. Clearly, it is important. Many small firms, not technically oriented, attempt to innovate other ways, but a good estimate of their numbers does not appear possible at this point. Nor can we determine if their role in technological innovation is greatly different from that in others.

Considerable change goes on in small business without any innovation. This change is not necessarily wasted motion, however. Small-business owners frequently attempt to improve their competitive position through change. The specific and direct encouragement that three-quarters of small employers give their employees to offer their suggestions is illustrative. But productivity increases cannot be equated with innovation. The former is likely to be new to the firm; the latter is new.

Innovation

(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 about some products and services your business sells.				
1. Did your business introduce at least one new, or significantly improved, product, service, design, or process into the market during the last year?				
1. Yes	40.8%	45.9%	48.7%	42.2%
2. No	59.2	52.9	51.3	57.7
3. (DK/Refuse)	—	1.2	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753
1a. Was it one new or significantly improved product, service, design, or process, or was it more than one? (If "Yes" in Q#1.)				
1. One	38.0%	38.5%	31.6%	37.3%
2. More than one	60.8	59.0	68.4	61.4
3. (DK/Refuse)	1.2	2.6	—	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	143	92	96	331
1b. Think of the single most important new, or significantly improved, product, service, design, or process your business introduced in the last year. (If "more than one" in Q#1a.)				
Was it a product, service, design, or process?				
1. Product	54.5%	55.3%	54.1%	54.5%
2. Service	29.8	26.3	29.7	29.4
3. Design	7.5	7.9	5.4	7.3
4. Process	7.5	10.5	10.8	8.2
5. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	143	92	96	331

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

1c. Did this new or significantly improved, product, service, design, or process put you ahead of the competition, allow you to stay abreast of the competition, or let you catch up to the competition?

1. Ahead of the competition	48.0%	47.4%	48.6%	48.0%
2. Abreast of the competition	34.2	36.8	32.4	34.3
3. Catch up to the competition	11.4	7.9	10.8	10.9
4. (DK/Refuse)	6.3	7.9	8.1	6.7
Total	100.0%	100.0%	100.0%	100.0%
N	142	91	95	328

1d. Are you attempting to license, or otherwise sell, the rights of this new (product/service/design/process) to other businesses that will resell it?

1. Yes	11.4%	13.2%	13.2%	11.8%
2. No	88.6	86.8	86.8	88.2
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	142	91	95	328

1e. Where did you get the idea for this (product/service/design/process)? Did you develop it from scratch yourself, upgrade or modify it based on what you saw somewhere else, or directly copy an idea you saw somewhere else?

1. Developed new	31.2%	45.9%	34.2%	33.2%
2. Upgraded or modified	43.5	35.1	39.5	42.1
3. Copied	16.2	10.8	13.2	15.2
4. (DK/Refuse)	9.1	8.1	13.1	9.4
Total	100.0%	100.0%	100.0%	100.0%
N	142	91	95	328

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

1f. What is the new (product/service/design/process)? Please describe it.

_____

1g. Approximately, how many years has it been since your business introduced at least one new or significantly improved product, service, design, or process into the market? (If "No" in Q#1.)

1. Never have	60.9%	48.9%	55.0%	59.2%
2. 1 - 2 years ago	17.5	24.4	15.0	18.0
3. 3 - 5 years ago	13.5	13.3	15.0	13.6
4. > 5 years ago	4.9	6.7	10.0	5.5
5. (DK/Refuse)	3.2	6.7	5.0	3.7
Total	100.0%	100.0%	100.0%	100.0%
N	209	109	104	422

2. Does your business purposefully innovate or invent things with the intention of selling or licensing those innovations or inventions?

1. Yes	10.7%	13.1%	14.1%	11.3%
2. No	88.7	86.9	85.9	88.2
3. (DK/Refuse)	0.6	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

2a. Approximately, what percent of your sales come from your innovations or inventions? (If "Yes" in Q#2.)

1. > 10 percent	—%	—%	—%	14.8%
2. 10 - 49 percent	—	—	—	37.0
3. 50 - 99 percent	—	—	—	24.7
4. All	—	—	—	21.0
5. (DK/Refuse)	—	—	—	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	32	23	27	82

3. Within the last three years, have you applied to a government agency for financial assistance to develop new products, services, designs, or processes?

1. Yes	3.3%	3.6%	6.4%	3.7%
2. No	96.0	96.4	92.3	95.7
3. (DK/Refuse)	0.6	—	1.3	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
4. Do you, in your own or in the business's name, own a patent that you actively use as part of the business?				
1. Yes	4.6%	3.6%	6.5%	4.7%
2. No	94.9	96.4	93.5	94.9
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753
5. Do you, in your own or in the business's name, own a copyright that you actively use as part of the business?				
1. Yes	11.0%	19.0%	18.2%	12.5%
2. No	88.5	81.0	81.8	87.1
3. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753
6. Does your business design things to be sold, whether or not those designs are patentable or copyrightable?				
1. Yes	19.6%	29.4%	26.9%	21.4%
2. No	78.1	68.2	73.1	76.6
3. (DK/Refuse)	2.3	2.4	—	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753
6a. Approximately, what percent of your sales come from things you have designed? (If "Yes" in Q#6.)				
1. > 10 percent	11.9%	8.7%	10.0%	11.2%
2. 10 - 49 percent	28.0	30.4	25.0	30.4
3. 50 - 99 percent	29.7	30.4	35.0	30.4
4. All	26.3	26.1	25.0	26.1
5. (DK/Refuse)	4.2	4.3	5.0	4.3
Total	100.0%	100.0%	100.0%	100.0%
N	65	54	50	169
7. Do you specifically and directly encourage employees to suggest ideas for new products or services, or better ways to produce or distribute your products or services?				
1. Yes	71.8%	86.7%	84.6%	74.6%
2. No	27.4	13.3	15.4	24.7
3. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

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

7a. Does your business give bonuses or special recognition to employees who come up with useful ideas that you are able to turn into improved products, services, designs, or processes? Is that bonuses, recognition or both?

1. Yes, bonuses	13.7%	16.7%	15.6%	14.2%
2. Yes, recognition	4.9	4.8	6.5	5.1
3. Yes, bonuses and recognition	30.6	38.1	39.0	32.2
4. No	50.5	40.5	39.0	48.3
5. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

7a1. In the last year, how many different employees received such recognition or bonuses? (If "Yes" in Q#7a.)

1. One employee	30.8%	16.7%	4.3%	26.1%
2. Two employees	25.0	18.8	19.1	23.6
3. Three employees	11.0	14.6	14.9	11.9
4. 4 - 5 employees	9.7	12.5	23.4	11.7
5. 6 or more employees	8.1	25.0	21.3	11.7
6. (DK/Refuse)	15.3	12.5	17.0	15.1
Total	100.0%	100.0%	100.0%	100.0%
N	168	115	121	404

7b. Do you have any employees including yourself whose primary job it is to develop new products, services, designs, or processes?

1. Yes	19.5%	20.2%	24.7%	20.1%
2. No	80.2	79.8	75.3	79.7
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

8. Would it be most accurate to describe your business as a producer of technology, an extensive user of technology, or as one that avoids technology whenever possible?

1. Producer of technology	4.5%	5.9%	5.1%	4.7%
2. Extensive user of technology	63.2	71.8	74.7	65.2
3. Avoids technology	17.7	9.4	6.3	15.7
4. (Producer and user)	4.5	4.7	5.1	4.4
5. (Other)	4.5	4.7	5.1	4.6
6. (DK/Refuse)	5.7	3.6	5.1	5.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
9. Why do you avoid using technology in your business? Is it because: ?				
A. Technology costs too much				
1. Yes	52.3%	—%	—%	53.2%
2. No	45.9	—	—	45.2
3. (DK/Refuse)	1.8	—	—	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	68	22	13	103
B. Confusion and upheaval always accompany technology				
1. Yes	51.4%	—%	—%	51.6%
2. No	46.8	—	—	46.8
3. (DK/Refuse)	1.8	—	—	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	68	22	13	103
C. Technology depersonalizes and changes the atmosphere				
1. Yes	41.4%	—%	—%	42.3%
2. No	54.1	—	—	53.7
3. (DK/Refuse)	4.5	—	—	4.1
Total	100.0%	100.0%	100.0%	100.0%
N	68	22	13	103
D. The business ends up serving the technology rather than the opposite				
1. Yes	60.4%	—%	—%	60.5%
2. No	35.1	—	—	35.5
3. (DK/Refuse)	4.5	—	—	4.0
Total	100.0%	100.0%	100.0%	100.0%
N	68	22	13	103

Demographics

D1. Which best describes your position in the business?

	Employee Size of Firm 1-9 emp	10-19 emp	20-249 emp	All Firms
1. Owner/manager	84.1%	75.0%	70.5%	81.7%
2. Owner but NOT manager	5.4	7.1	6.4	5.7
3. Manager but NOT owner	10.5	17.9	23.1	12.5
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

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

1. Agriculture, forestry, fishing	2.9%	1.2%	2.6%	2.7%
2. Construction	10.4	11.0	10.3	10.4
3. Manufacturing, mining	4.9	8.5	14.1	6.2
4. Wholesale trade	4.5	4.9	6.4	4.7
5. Retail trade	14.0	13.4	10.3	13.6
6. Transportation and warehousing	2.4	2.4	5.1	2.7
7. Information	2.6	2.4	2.6	2.5
8. Finance and insurance	4.9	—	2.6	4.2
9. Real estate and rental leasing	5.3	1.2	2.6	4.6
10. Professional/scientific/ technical services	11.0	15.9	9.0	11.3
11. Adm. support/waste management services	3.8	3.7	2.6	3.7
12. Educational services	0.3	1.2	—	0.4
13. Health care and social assistance	5.9	4.9	7.7	6.0
14. Arts, entertainment, or recreation	1.9	1.2	1.3	1.8
15. Accommodations or food service	4.6	13.4	12.8	6.4
16. Other service, incl. repair, personal care	13.1	7.3	6.4	11.8
17. (Other)	6.5	4.9	3.8	6.1
18. (DK/Refuse)	1.0	2.4	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

	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	19.7%	19.0%	17.9%	19.5%
2. Increased by 20 to 29 percent	15.9	22.6	17.9	16.8
3. Increased by 10 to 19 percent	23.2	29.8	28.2	24.4
4. Changed less than 10 percent one way or the other	25.2	16.7	26.9	24.4
5. Decreased by 10 percent or more	11.5	6.0	6.4	10.4
6. (DK/Refuse)	4.4	6.0	2.6	4.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753
D4. How long have you owned or operated this business?				
1. < 6 years	24.3%	17.1%	16.9%	22.7%
2. 6-10 years	17.0	20.7	15.6	17.3
3. 11-20 years	27.9	26.8	28.6	27.8
4. 21-30 years	19.3	17.1	19.5	19.1
5. 31 years+	9.9	15.9	19.5	11.5
6. (DK/Refuse)	1.7	2.4	—	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753
D5. What is your highest level of formal education?				
1. Did not complete high school	2.1%	1.2%	2.5%	2.0%
2. High school diploma/GED	9.3	16.7	10.1	18.1
3. Some college or an associates degree	24.2	21.4	25.3	24.1
4. Vocational or technical school degree	4.5	3.6	5.1	4.4
5. College diploma	29.2	35.7	30.4	30.0
6. Advanced or professional degree	19.6	20.2	26.6	20.4
7. (DK/Refuse)	1.1	1.2	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	201	200	753

		Employee Size of Firm			
		1-9 emp	10-19 emp	20-249 emp	All Firms
D6.	**Please tell me your age.**				
	1. <25	1.8%	1.2%	1.3%	1.6%
	2. 25-34	6.4	7.1	5.1	6.3
	3. 35-44	15.1	21.4	17.9	16.1
	4. 45-54	32.0	36.9	33.3	32.7
	5. 55-64	30.7	21.4	29.5	29.6
	6. 65+	11.9	10.7	12.8	11.9
	7. (DK/Refuse)	2.1	1.2	—	1.8
	Total	100.0%	100.0%	100.0%	100.0%
	N	352	201	200	753
D7.	**What is the zip code of your business?**				
	1. East (zips 010-219)	16.6%	14.5%	19.5%	16.6%
	2. South (zips 220-427)	21.0	21.7	20.8	21.1
	3. Mid-West (zips 430-567, 600-658)	22.2	21.7	26.0	22.5
	4. Central (zips 570-599, 660-898)	24.3	25.3	24.7	24.4
	5. West (zips 900-999)	15.9	16.9	9.1	15.3
	6. (DK/Refuse)	—	—	—	—
	Total	100.0%	100.0%	100.0%	100.0%
	N	352	201	200	753
D8.	**Urbanization (Derived from the zip code.)**				
	1. Highly Urban	10.4%	10.6%	13.0%	10.6%
	2. Urban	20.9	21.2	15.6	20.4
	3. Fringe Urban	19.5	23.5	28.6	20.8
	4. Small Cities/Towns	20.9	15.3	19.5	20.2
	5. Rural	20.6	22.4	20.8	20.8
	6. (DK/Refuse)	7.8	7.1	2.6	7.2
	Total	100.0%	100.0%	100.0%	100.0%
	N	352	201	200	753
D9.	**Sex**				
	1. Male	79.9%	81.0%	88.5%	80.9%
	2. Female	20.1	19.0	11.5	19.1
	Total	100.0%	100.0%	100.0%	100.0%
	N	352	201	200	753

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 October 20 and December 2, 2005 from a sample of small employers. "Small employer" was defined for purposes of this survey as a business owner employing no less than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation's direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate for the highly skewed 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 were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

Table A1

Sample Composition Under Varying Scenarios

	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	352	47
10-19	82	11	200	27	201	27
20-249	75	10	200	27	200	27
All Firms	750	100	750	101	753	101

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

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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.

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