



National Small Business Poll

NEIB National

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2004

Small Business Poll

Business Structure

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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Small Business
Poll



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Executive Summary

- The most common legal form of business organization among small employers is the Subchapter S-corporation (31 percent). It is followed in frequency by the C-corporation (26 percent), the proprietorship (21 percent), the limited liability corporation (LLC) (12 percent), and the partnership (6 percent).
- It is uncommon to change legal forms. Of those who do change, most move from proprietorships to other forms. Changes occur most frequently for liability reasons.
- Boards of directors of small C-corporations typically have three members. Those members appear to have notable business experience and functional expertise. However, boards are more likely to serve in simple fulfillment of legal requirements (68 percent) than as advisory bodies (27 percent).
- A single individual (including a spouse) owns 59 percent of employing businesses. Another 27 percent have two owners. Both the number of owners and the composition of ownership changes little over time.
- Seventy-eight (78) percent of small employers have a single business location (excluding temporary work areas like a construction site). Another 14 percent have two. Most small employers with multiple locations have them exclusively in one state. One percent of all businesses have at least one location outside the United States.
- The home, including a garage, basement annex, etc., is the primary location for more than one in four employing businesses. The overwhelming majority of those have fewer than 10 employees. Twenty-six (26) percent with businesses located outside the home have home offices, i.e., a room (s) in the home that is used solely for business purposes.
- Employing businesses are typically open five days a week (52 percent). Just 3 percent are open fewer. The rest are open six (19 percent) or seven (26 percent) days a week.
- Employing businesses are open an average of about 11 hours per day and a median of almost nine. Six percent are open 24 hours a day.
- A management structure (beyond the owner) often appears when businesses have relatively few employees. Thirty-five (35) percent of all employing businesses have at least one person in addition to the owner(s) whose primary job is directing, managing, or supervising others. Two-thirds of firms employing 10-19 people have at least one such person and 80 percent of those with more than 20 employees do.
- Eighty-five (85) percent of small businesses are operated by owner/managers. The separation of ownership and management is most common among larger, small businesses.
- As businesses grow, employees more frequently functionally specialize in their work duties. For example, 36 percent have at least one employee whose sole function is accounting, bookkeeping, or finance. A non-ownership management structure seems to appear before specialized employee functions.

Business Structure

The structure and organization of large businesses is an on-going and much discussed topic of interest to students of management and governance. Their focus is on operation of highly complex, developed organizations with public ownership, functioning boards of directors, layers of management, hundreds if not thousands of functionally specialized employees, written policies and procedures, and so forth. Small firms, in contrast, are much simpler organizations. They are not little big businesses if for no other reason than they are resource constrained. For example, the legal form of organization can be an issue for them. Ownership is almost always in private hands, though not necessarily in the hands of one individual or family, and generally illiquid. The smallest businesses have little if any management structure. The number of functionally specialized employees is limited. Many of these businesses, particularly the smallest, are located primarily in the home; comparatively few have multiple locations. So, how are small businesses organized? At what size do they start developing layers of management (beyond the owners)? When do administrative functions start being performed by in-house specialists? To answer these questions and many similar ones, this issue of the *National Small Business Poll* addresses business structure.

One of the first organizational issues encountered when forming a business is its legal form. The legal form chosen has implications for taxes, liability, start-up costs, continuity, composition of ownership and other matters of concern to the business owner.

Legal Framework

Though the overwhelming majority of tax returns with business income are Schedule Cs operating under the proprietary form of business, a majority of small employers are now corporations. The most common legal form of small (employing) business is the small-business corporation, better known as the Sub-Chapter S-corporation. Thirty-one (31) percent of all employing small businesses possess this legal form (Q#1) and that proportion has been growing over time.

The second most common form of employing small business is the traditional corporation, the C-corporation (26 percent). Third is the proprietorship (21 percent), the one typically associated with small businesses, particularly very small and part-time operations. The limited liability corporation (LLC) (12 percent) follows, and lastly the partnership (6 percent). (The rapidly expanding LLC legal form resembles a partnership and is classified as such by the Internal Revenue Service.) The rest do not know or refused to answer.

Given the distribution of legal forms, the owners of approximately 70 percent of employing small businesses pay taxes as individuals, 26 percent as corporations, and the remaining 4 percent are undetermined. Multiple owners of individual businesses

are more frequent in partnerships and C-corporations than other legal forms. Nevertheless, if the form of taxpaying issue is framed to reflect the number of owners rather than the number of entities, the results are similar. Moreover, a large number of C-corporation owners legitimately zero-out corporate earnings (or almost do so) to avoid double taxation. It is, therefore, clear that the income tax most impacting small-business owners, even when including owners of C-corporations, is the personal income tax.

Another important consideration when selecting a legal form is liability. Some legal forms provide notably greater protection for personal assets in the event of a liability suit than others. A little over two-thirds (69 percent) have more protective forms, 27 percent less, and 4 percent are indeterminate. Since larger, small businesses use the corporate form in over 90 percent of cases contrasted to 65 percent of cases among the smaller, small businesses, those most in need of liability protection appear most likely to have it.

Changes in Legal Form

Changes in the legal form of business occur infrequently. Only about 7 percent of businesses changed legal forms within the last three years (Q#4). Somewhat surprisingly, those changes were not highly correlated with business size.

The most frequent type of legal form from which owners moved was the proprietorship. Of those who changed, 57 percent moved from proprietorships to other forms (Q#4a). They typically fled from proprietorships to LLCs or Sub-chapter S-corporations. A few also left C-corporations for S-corporations. However, the number of cases from which these observations are made is small (n=51).

The most frequent purpose for the change was liability. Thirty-nine (39) percent of owners said that they changed legal status primarily for liability reasons (Q#4b). This rationale explains the large number leaving the proprietary form for other, liability protected legal forms. The second most frequent rationale for changing legal form was tax purposes (27 percent). A change in ownership collected 20 percent of respondents changing. The rest offered

other reasons or were not certain why the change was made.

Managing Partners

There were too few partnerships in the sample to determine the distribution between general and limited partnerships. However, it appears that owners of partnerships and S-corporations are far more likely to be managed on a day-to-day basis by one of the partners than by a professional manager. This seems true regardless of firm size. Seventy-three (73) percent of these businesses have a managing partner who operate the firm on a day-to-day basis compared to 13 percent who rest managerial responsibilities with a salaried manager (Q#2). The remainder did not respond to the question, implying its lack of clarity or the obvious nature of the answer. (Also, see Managers later in the text.)

Boards of Directors

C-corporations are required by state law to have a board of directors. But the board serves different functions in publicly-held and privately-held companies. In the former, directors are supposed to represent the stockholders and are expected to provide oversight of the company's management. In the latter, they are expected to provide counsel to owner/managers and may help cement important business relationships.

The evidence unfortunately shows that the board of directors is often a rubber stamp for management in publicly-held corporations and mere formalities in privately-held ones. For example, somewhat more than two-thirds (68 percent) of small employers, virtually all of whom are privately-held, say that their board exists primarily to fill legal requirements rather than to serve as an advisory body (27 percent) (Q#3c). There is a size effect. Owners of larger, small firms are more likely to use their boards for advisory purposes than are owners of smaller, small ones. Yet, owners of larger, small firms still are likely to use boards primarily in an advisory capacity in only 41 percent of cases.

Most small C-corporations have few members on their board (Q#3). The average number is 2.8 directors per firm with a median of three. The larger the firm, the more directors who sit on the board.

Companies employing 20 or more people average 3.5 board members compared to 1.5 for those employing nine or fewer.

Since a primary function of board members in smaller firms should be to provide counsel or insights, wise owners will ask people with experience to serve, particularly those with experience that is complementary to their own. Typically, board members currently own and operate their own businesses or have done so at some point in the past. Over 85 percent of companies have at least one person on the board with this type of experience (Q#3a). About 65 percent of all directors have a business ownership qualification.

Specific functional expertise also appears on most boards. For example, about one-third (33 percent) report at least one board member who has legal expertise (Q#3bA). Curiously, owners of the smallest are likely to have legal expertise more often than owners of the largest. This distribution suggests that incorporating owners may place their lawyers on their boards because they are ill-prepared to place anyone else on them, or they may do so as payment for legal fees (including a small share of the company stock).

Members of the board are considerably more likely to possess other types of expertise than legal. Seventy-three (73) percent reported at least one person on their board who has marketing or sales expertise (Q#3bC). Sixty-two (62) percent said that at least one board member has expertise in finance (Q#3bB). Fifty-eight (58) percent have two of these three types of expertise represented on the board and 28 percent have all three.

The anomaly of small-business boards of directors, therefore, is that despite having people with useful skills and experience serving on them, directors most often are names on a legal document rather than a useful advisory body.

Ownership

An important characteristic of small businesses is that they are privately-held. The small firm that goes public is rare, so rare in fact that publicly traded small businesses number no more than one-tenth of one percent of small employers. Moreover, 59 percent of small (employing) businesses are

owned by one individual (including his/her spouse if applicable) (Q#5). Twenty-seven (27) percent or over one in four have two owners. Another 14 percent have three or more. The average number is between two and three with a few outliers pushing the average up to the higher figure.

Ownership tends to be quite stable. Three percent have increased the number of owners over the last three years (Q#5a); four percent have decreased the number; and 93 percent have not changed it. Of those who have not changed the number of owners, 96 percent say that the same people who owned the business three years ago own it today (Q#5b). Thus, 89 percent have not changed ownership in any way over the last three years.

Small employing businesses also tend to be independent in the sense of not being held, even partially, by another entity. Just 4 percent reported that another business or a non-profit organization owns some part of the firm (Q#5c).

Mergers, acquisitions and divestitures are not typically associated with small business activity. Yet, small-business owners do buy and sell portions of their businesses as circumstances dictate. For example, 4 percent report that over the last three years they divided their businesses into two or more businesses or sold a substantial share of it to someone else (Q#5d). Since those owners are still in business, they obviously did not sell-out entirely. During the same period of time, 8 percent purchased another business or a substantial part of another business and integrated it into their current firm (Q#5e).

Locations

Over three-fourths (78 percent) of employing small businesses have a single business location (not counting work sites like a construction job site) (Q#6). Fourteen (14) percent have two locations and 8 percent have three or more. Of those with multiple locations, 72 percent have all of them in a single state (Q#6a). Five percent of those with multiple locations have one or more locations outside the United States (Q#6b). That amounts to about 1 percent of all small employers.

Twenty-seven (27) percent of employing small businesses have their primary location in the home (Q#6c). The home for

present purposes includes a basement, garage, annex, and so forth. Most of those lodge smaller businesses. Almost one-third (32 percent) of those employing nine or fewer people are located in the home. However, the figure falls to 7 percent among those employing 10 to 19 people.

Even if their businesses are not located in the home, many spend considerable time working there. Twenty-six (26) percent of owners whose businesses are not home-based or 18 percent of all small employers have a room set aside in their homes for the exclusive use as a business office (Q#6b1).

Business Hours

The amount of time a firm is open for business depends on several factors including customer expectations, costs of being open, and so forth. Industry is an important factor in this regard. Still, employing businesses are open about 11 hours per day on average with a median of almost nine.

a. Days of the Week

For years, local blue laws prohibited most businesses from being open on Sunday. That has changed. About one in four (26 percent) small employing businesses are now open every day of the week (Q#7). Still, 52 percent of small businesses are open five days a week, the most frequent number of days per week open. Another 19 percent are open six days a week. Virtually none (3 percent) are open less than five days a week.

The day most typically closed remains Sunday. Ninety-seven (97) percent of those not open seven days a week or about 72 percent of all small businesses close that day (Q#7c). Sixty-nine (69) percent close Saturdays. But relatively few close any other day of the week. Six percent close on Mondays; 4 percent on Tuesdays, 3 percent on Wednesdays; 4 percent on Thursdays; and 3 percent on Fridays. The reason that businesses close week days was not determined.

One in five (20 percent) open half-days (Q#7a). Typically, the half-day is Saturday (62 percent) (Q#7b). Another 14 percent open half-days on Sunday and 11 percent have business hours on multiple half-days. The smallest businesses are the most likely to close one or more half-days during the week.

b. Operating Hours

Six percent of all businesses remain open 24 hours a day (Q#8). The most common starting times are between 7:00 am and 9:00 am. Seventy-eight (78) percent open in that time frame with 8:00 am the most frequent start time (34 percent). Larger, small firms usually open a half hour to an hour earlier than smaller, small firms.

Closing times are somewhat more broadly distributed, but 64 percent close between 5:00 pm and 6:00 pm (including 6:30) (Q#8a). Another 18 percent close in the evening between 7:00 pm and 10:00 pm. Another 9 percent close in the hour before 5:00 pm. Larger, small firms are likely to close earlier than smaller, small firms. Thus, size of firm appears unrelated to the number of operating hours, but related to when they occur. There is no obvious explanation for the difference. Most likely it is tied to industry and/or regional preferences.

Managers and Functional Specialists

As organizations grow, people perform more specialized functions, one of which is management. Managers supervise and help plan the work performance of others. A variation on this theme is separation of ownership and management. In addition, as firms grow, they increasingly hire people whose only job is to perform increasingly specialized tasks.

a. Managers

A little over one in three (35 percent) small businesses have at least one employee, not including the owner(s), whose principle job is to direct, manage, or supervise the work of others (Q#9). Small businesses employing more people are more likely to have at least one such person than are those employing fewer. In fact, 80 percent of small businesses employing 20 or more people have at least one of them. Just 25 percent of those employing nine or fewer do. It appears that the first supervisory employee (not including the owners) is typically hired when the firm is quite small. By the time a firm reaches 5 employees, there is about a 50-50 chance one of those employees will be a supervisor. The reason that small businesses take on their first managerial employee so

quickly is likely associated with the owner's preference for doing or selling rather than supervising people.

The number of employees whose primary job is to manage others also varies by firm size. Those employing more than 20 people have a single employee performing that function in only 7 percent of cases compared to five or more in 34 percent of cases (Q#9a). Owners employing nine or fewer people have one manager in 64 percent of cases where they have at least one, and only 1 percent have five or more. The latter number is possible if a firm hires several temporaries or subcontracts considerable work to other businesses.

Some employees perform managerial tasks from time-to-time, but it is not their principal job. For example, someone in an office may have authority over others when the owner leaves to make a sales call. Or, one employee may develop the work schedule, but otherwise performs non-supervisory tasks. Sixty-two (62) percent of small employers say that they have such people (Q#9b). The smallest are least likely to have them (58 percent). Once the firm grows to 10 employees, about four of five have at least one with the number increasing as the firm gets larger.

A characteristic of large businesses, typically not present in small ones, is the separation of ownership and management. In other words, the individual who owns the business does not operate the business. This separation happens in small businesses as well. For example, a mother could own a business and give its operation to a son; a semi-retired owner could elevate an employee to be a full-time manager; or an owner could be so involved in some technical aspect of the business, such as research and development of a product, that he or she could delegate day-to-day operations to a professional.

About 85 percent of small businesses are in control of owner/managers (Q#D1). Size is an important factor in this regard. Eighty-seven (87) percent of those employing nine or fewer people have owner/managers while 77 percent of those employing 20 or more do. Little is known about the manager's authority or what the owner is doing. The survey did determine, however, that the owner is present/available in about

half those instances even if he/she does not actively manage the firm. In a disproportionately large share of those cases, the owner, non-manager was 65 years or older.

b. Functional Specialists

As firms grow larger, their owners not only hire more managerial employees, they also hire employees to perform more specialized functional tasks. The most common of the four specialized tasks about which queries were made was in accounting, bookkeeping or finance. Thirty-six (36) percent of small employers have at least one employee whose only job is to work on these topics (Q#10D). The propensity to have such an employee is tied to firm size with larger firms more likely than smaller ones to engage such a person. Those employing more than 20 people have at least one in 63 percent of cases while those with nine or fewer have at least one less than half as often.

A person whose only job is in marketing and/or sales can be found in 20 percent of small employing businesses (Q#10B). Again, the propensity to have at least one such person varies by firm size. The largest size class is two to three times more likely to have at least one marketing/sales employee as the smallest.

Seventeen (17) percent said that they have at least one employee whose exclusive task is to handle all government rules and regulations, licenses, and related paperwork (#10A). (Extrapolating that to 5.7 million small employers makes government generated paperwork a huge cost.) The largest class of small employers is twice as likely (30 percent) as the smallest to have such a person.

Personnel or human resources is the function least likely - of the four queried - to have at least one person whose sole job is devoted to a functional specialty. Just 12 percent have one (Q#10C). However, that figure rises to 31 percent in the largest size class, three times the frequency of the smallest size class.

No question was asked about production or doing, such as a barber or mechanic, due to the difficulty of the question in the time available to ask it. One assumes that jobs of this nature more typically are focused or functionally specific, though there is no direct evidence to support that view. However, it seems clear that

employees in small businesses typically perform multi-functional tasks in their assigned duties. Even comparatively large firms ask this of many employees. No doubt some larger, small firms out-source the accounting/bookkeeping function, for example, thereby reducing the opportunity to have an employee whose only job is performing a particular function. Still, outside production, functional specialization appears atypical in most small businesses.

Final Comments

The foregoing primarily serves to put numbers on things we already know. It provides little information that should shock anyone or even raise eyebrows. Small businesses are privately-held organizations whose ownership and management is typically unified and that have an administratively simple structure. Even trappings of larger firms such as boards of directors more often seem a useless appendage than an integral part of the organization.

There is little doubt that the small business structure, on balance, becomes more complex as firms get larger. Virtually every piece of data captured here about the structure of small employing businesses has a size dimension. Firms with nine or fewer employees almost always differ notably from those with more than 20, even more than 10. So, businesses begin to become more complex and employee tasks more specialized very soon in the growth process.

But verifying these phenomena and putting numbers on their distributions serves important purposes. It allows us to recognize the exceptions (and their frequency), determine if exceptions make differences, and eventually determine whether things are changing and how. Not coincidentally, it helps us understand public policy impacts on small employers, most visibly with respect to tax and liability issues – among the issues of greatest interest to small employers.

Business Structure

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Is your business legally structured as a proprietorship, a partnership, a regular corporation also called a C-corporation, a Sub-chapter S-corporation or a limited liability corporation?				
1. Proprietorship	24.4%	9.4%	3.9%	20.9%
2. Partnership	6.3	4.7	2.6	5.8
3. C-corporation	22.2	34.1	44.7	25.6
4. S-corporation	29.3	38.8	35.5	30.9
5. Limited liability corporation	12.9	9.4	11.8	12.4
6. (Other)	0.9	1.2	—	0.9
7. (DK/Refuse)	3.9	2.4	1.3	3.3
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752
2. Do you effectively have a managing partner or owner, or salaried manager who oversees day-to-day operations of the business? (If “S-corporation” or “Limited liability corporation” in Q#1.)				
1. Managing partner/owner	74.3%	62.5%	71.4%	72.6%
2. Salaried manager	10.4	27.5	20.0	13.4
3. (DK/Refuse)	15.3	10.0	8.6	14.0
Total	100.0%	100.0%	100.0%	100.0%
N	147	90	92	329
3. How many members are on your company’s Board of Directors? (If “C-corporation” in Q#1.)				
1. One	14.9%	14.3%	5.7%	13.2%
2. Two	41.8	32.1	28.6	25.7
3. Three	22.7	28.6	25.7	24.0
4. Four	12.8	14.3	14.3	13.2
5. Five or more	7.1	10.7	22.9	10.3
6. (DK/Refuse)	0.7	—	2.9	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	75	67	88	230
Ave.	1.5	2.9	3.5	2.8

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

3a. How many of those Board members currently own and operate their own business, or did own and operate one?

1. None	9.9%	25.9%	17.6%	13.4%
2. One	41.1	14.8	23.5	34.7
3. Two	27.7	33.3	26.5	28.2
4. Three	11.3	14.8	14.7	12.4
5. Four	4.3	7.4	5.9	5.0
6. Five or more	3.5	3.7	5.9	4.0
7. (DK/Refuse)	1.5	1.6	—	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	75	67	88	230

3b. Do one or more of your Board members have:?

A. Legal expertise

1. Yes	35.5%	27.6%	26.5%	32.8%
2. No	64.5	72.4	70.6	66.7
3. (DK/Refuse)	—	—	2.9	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	75	67	88	230

B. Finance expertise

1. Yes	63.1%	55.2%	64.7%	62.3%
2. No	36.9	44.8	29.4	36.8
3. (DK/Refuse)	—	—	5.9	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	75	67	88	230

C. Marketing or sales expertise

1. Yes	73.8%	69.0%	73.5%	73.0%
2. No	26.2	31.0	23.5	26.5
3. (DK/Refuse)	—	—	2.9	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	75	67	88	230

3c. Does the Board of Directors exist as a true advisory body, or does it primarily exist to fill legal requirements?

1. Advisory body	21.3%	34.5%	41.2%	26.5%
2. Legal requirements	74.5	55.2	50.0	67.6
3. (DK/Refuse)	4.2	6.9	8.8	5.9
Total	100.0%	100.0%	100.0%	100.0%
N	75	67	88	230

4. Has the legal status of this business changed in the last three years?

1. Yes	7.8%	5.8%	5.3%	7.4%
2. No	90.0	91.9	94.7	90.6
3. (DK/Refuse)	2.2	2.3	2.6	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

4a. What was the prior legal status? A proprietorship, a partnership, a C-corporation, an S-corporation, or an LLC? (If “Yes” in Q#4.)

1. Proprietorship	—%	—%	—%	56.9%
2. Partnership	—	—	—	6.9
3. C-corporation	—	—	—	12.1
4. S-corporation	—	—	—	3.4
5. Limited liability corporation	—	—	—	13.8
6. (DK/Refuse)	—	—	—	6.9
Total	100.0%	100.0%	100.0%	100.0%
N	27	12	12	51

4b. Why did you change it? Was it for:?

1. Tax purposes	—%	—%	—%	17.9%
2. Liability purposes	—	—	—	38.2
3. An ownership change	—	—	—	24.4
4. Other	—	—	—	11.2
5. (DK/Refuse)	—	—	—	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	27	12	12	51

5. Counting you and your spouse, if you have a spouse, as one owner, how many current owners of this business are there?

1. One	62.3%	51.2%	35.1%	58.6%
2. Two	26.2	24.4	33.8	26.7
3. Three	5.5	14.0	10.8	6.9
4. Four	3.6	7.0	2.7	3.9
5. Five or more	1.9	2.3	14.9	3.1
6. (DK/Refuse)	0.5	1.2	2.8	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752
Ave.	2.2	1.9	4.8	2.5

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

5a. In the last three years, has the number of owners increased, decreased or stayed the same?

1. Increased	2.2%	3.5%	6.7%	2.8%
2. Decreased	3.5	5.8	9.3	4.3
3. Stayed the same	94.3	90.7	82.7	92.9
4. (DK/Refuse)	—	—	1.3	0.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

5b. In the last three years, is (are) the individual(s) who own the business the same person (people) or has (have) the person (people) changed? Disregard any change in marital status over the last three years. (If “Stayed the same” in Q#5.)

1. Same people	95.3%	98.7%	96.8%	95.8%
2. Different people	4.0	1.3	3.2	3.6
3. (DK/Refuse)	0.6	—	—	0.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	333	180	164	677

5c. Does another business or a non-profit organization have some ownership in this firm? (If more than a single owner in Q#5.)

1. Yes	5.4%	2.4%	2.0%	4.5%
2. No	93.8	97.6	98.0	94.9
3. (DK/Refuse)	0.8	—	—	0.6
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	123	87	105	751

5d. In the last three years, have you divided your business into two or more businesses or sold a substantial share of it to someone else?

1. Yes	3.9%	7.0%	4.0%	4.3%
2. No	95.9	93.0	96.0	95.6
3. (DK/Refuse)	0.2	—	—	0.1
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

5e. In the last three years, have you purchased another business or a substantial share of one, and integrated it into this business?

1. Yes	7.2%	7.0%	17.3%	8.1%
2. No	92.5	91.9	82.7	91.5
3. (DK/Refuse)	0.3	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

6. Not counting work sites, such as a construction site, how many locations does this business have?

1. One	80.7%	72.9%	59.2%	77.8%
2. Two	12.9	15.3	17.1	13.5
3. Three	2.4	4.7	7.9	3.1
4. Four or more	3.8	7.1	14.5	5.1
5. (DK/Refuse)	0.3	—	1.3	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

6a. Are all the locations in the same state, or are they in more than one state? (If more than one location in Q#6.)

1. All same state	72.7%	75.0%	66.7%	72.0%
2. More than one state	27.3	25.0	33.3	28.0
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	67	53	77	197

6b. Do you have one or more locations outside the United States?

1. All same state	4.1%	4.3%	6.7%	4.6%
2. More than one state	95.0	95.7	93.3	94.8
3. (DK/Refuse)	0.8	—	—	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	67	53	77	197

6c. Is this business operated primarily from the home, including any associated structure, such as a garage or a barn?

1. Yes	31.9%	7.1%	5.3%	26.7%
2. No	66.2	91.8	93.4	71.6
3. (DK/Refuse)	1.9	1.2	1.3	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

6c1. Do you have a room set aside in your residence for exclusive use as a business office? (If “No” in Q#12.)

1. Yes	25.9%	30.4%	21.1%	25.9%
2. No	73.4	69.6	78.9	73.6
3. (DK/Refuse)	0.7	—	—	0.5
Total	100.0%	100.0%	100.0%	100.0%
N	231	180	185	752

7. How many days are you typically open for business?

1. < Five	3.1%	1.2%	1.3%	2.8%
2. Five	54.3	40.7	42.1	51.7
3. Six	18.1	27.9	18.4	19.1
4. Seven	24.3	30.2	38.2	26.3
5. (DK/Refuse)	0.2	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

7a. Are any of these half-days?

1. Yes	19.5%	25.6%	17.3%	19.9%
2. No	79.9	74.4	81.3	79.4
3. (DK/Refuse)	0.6	—	1.3	0.6
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

7b. Which is the typical half-day that you are open?

1. Monday thru Friday	3.1%	—%	—%	2.8%
2. Saturday	61.0	—	—	62.7
3. Sunday	12.2	—	—	14.6
4. Multiple half-days	13.0	—	—	11.4
5. (DK/Refuse)	1.6	—	—	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	72	48	35	155

7c. Are you typically closed: (Unless typically open seven days a week in Q#7. “Yes” answers only.)

	1-9 emp	10-19 emp	20-249 emp	All Firms
Sunday	97.1%	96.7%	97.8%	97.1%
Monday	5.6	6.8	4.3	5.6
Tuesday	3.7	3.4	2.2	3.6
Wednesday	3.3	3.3	2.2	3.2
Thursday	3.7	3.3	2.2	3.6
Friday	3.1	3.3	2.2	3.1
Saturday	71.0	51.7	69.6	68.9

8. What are your usual hours of operation? What time do you open?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Before 6 am	1.1%	1.2%	1.4%	1.2%
2. 6 am – 6:30 am	4.6	4.8	12.3	5.4
3. 7 am	11.2	15.5	19.2	12.4
4. 7:30 am	7.7	8.3	5.5	7.6
5. 8 am	34.3	38.1	28.8	34.2
6. 8:30 am	5.8	6.0	5.5	5.8
7. 9 am	19.3	13.1	8.2	17.6
8. Other, including “varies”	8.7	4.7	9.5	8.3
9. Open 24 hours	5.7	8.3	9.6	6.3
10. (DK/Refuse)	1.6	—	—	1.2

Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

8a. What time do you close?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Before 4 pm	1.1%	1.2%	1.4%	1.2%
2. 4 pm – 4:30 pm	4.6	4.8	12.3	5.4
3. 5 pm	11.2	15.5	19.2	12.4
4. 5:30 pm	7.7	8.3	5.5	7.6
5. 6 pm	34.3	38.1	28.8	34.2
6. 6:30 pm	5.8	6.0	5.5	5.8
7. 7 pm – 10 pm	19.3	13.1	8.2	17.6
8. Other, including “varies”	8.7	4.7	9.5	8.3
9. (DK/Refuse)	1.6	—	—	1.2

Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

9. Do you have any employees, not including yourself, whose primary job is to direct, manage, or supervise the work of other employees?

	1-9 emp	10-19 emp	20-249 emp	All Firms
1. Yes	25.4%	67.4%	80.3%	35.2%
2. No	74.4	32.6	19.7	64.7
3. (DK/Refuse)	0.2	—	—	0.1

Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

9a. About how many employees is it whose primary job is to manage or supervise others? (If “Yes” in Q#9.)

1. One	64.0%	25.9%	6.8%	43.9%
2. Two	21.7	37.9	20.3	24.8
3. Three	10.6	20.7	22.0	15.1
4. Four	2.5	3.4	16.9	5.8
5. Five or more	1.2	12.1	33.9	10.4
6. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	85	132	159	376

9b. How many of your employees perform managerial or supervisory tasks from time-to-time, but primarily do other things?

1. None	41.5%	19.8%	19.7%	37.1%
2. One	36.2	23.3	7.9	32.1
3. Two	12.7	27.9	21.1	15.2
4. Three	4.2	16.3	15.8	6.6
5. Four	2.2	5.8	7.9	3.1
6. Five or more	1.5	7.0	25.0	5.1
7. (DK/Refuse)	0.7	—	2.6	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

10. Do you have at least one employee, not including yourself, whose ONLY job is:?

A. Handling government rules and regulations, licenses, and related paperwork.

1. Yes	14.4%	22.1%	30.3%	16.8%
2. No	85.4	77.9	68.4	83.0
3. (DK/Refuse)	0.2	—	1.3	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

B. Marketing and/or sales.

1. Yes	15.9%	29.1%	40.0%	19.5%
2. No	84.1	70.9	60.0	80.5
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

C. Personnel or human resources.

1. Yes	9.3%	18.6%	30.7%	12.3%
2. No	90.4	81.4	69.3	87.5
3. (DK/Refuse)	0.3	—	—	0.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

D. Accounting, bookkeeping, or finance.

1. Yes	29.4%	58.1%	63.2%	35.7%
2. No	70.3	41.9	36.8	64.0
3. (DK/Refuse)	0.3	—	—	0.3
<hr/>				
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

Demographics

D1. Which best describes your position in the business?

1. Owner/manager	86.5%	76.7%	77.3%	84.6%
2. Owner but NOT manager	6.8	10.5	8.0	7.3
3. Manager but NOT owner	6.8	12.8	14.7	8.1
4. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

1. Agriculture, forestry, fishing	7.1%	1.2%	2.7%	6.0%
2. Construction	8.9	10.6	12.0	9.4
3. Manufacturing, mining	7.4	8.2	13.3	7.5
4. Wholesale trade	4.6	5.9	6.7	4.9
5. Retail trade	13.7	21.2	12.0	14.3
6. Transportation and warehousing	2.0	2.4	5.3	2.4
7. Information	1.4	2.4	2.7	1.6
8. Finance and insurance	5.3	2.4	2.7	4.8
9. Real estate and rental leasing	5.0	1.2	2.7	5.0
10. Professional/scientific/ technical services	14.4	11.8	6.7	13.5
11. Adm. support/waste management services	1.9	1.2	2.7	1.9
12. Educational services	0.8	—	1.3	0.8
13. Health care and social assistance	3.3	5.9	6.7	3.9
14. Arts, entertainment, or recreation	1.6	3.5	4.0	2.0
15. Accommodations or food service	3.5	10.6	16.0	5.4
16. Other service, incl. repair, personal care	13.2	7.1	1.3	11.4
17. (Other)	4.4	3.5	1.3	4.0
18. (DK/Refuse)	1.1	1.2	—	1.0
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

1. Increased by 30 percent or more	17.8%	18.6%	18.4%	17.9%
2. Increased by 20 to 29 percent	9.9	8.1	13.2	10.0
3. Increased by 10 to 19 percent	22.3	30.2	23.7	23.3
4. Changed less than 10 percent one way or the other	28.9	26.7	31.6	28.9
5. Decreased by 10 percent or more	16.5	12.8	7.9	15.3
6. (DK/Refuse)	4.6	3.5	5.2	4.5
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

1. < 6 years	25.9%	17.6%	25.0%	24.9%
2. 6-10 years	17.0	22.4	15.8	17.4
3. 11-20 years	28.3	23.5	23.7	27.3
4. 21-30 years	16.6	21.2	19.7	17.4
5. 31 years+	9.4	14.1	13.2	10.3
6. (DK/Refuse)	2.8	1.2	2.6	2.6
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

D5. What is your highest level of formal education?

1. Did not complete high school	3.1%	3.4%	—%	2.9%
2. High school diploma/GED	22.2	17.2	17.3	21.2
3. Some college or an associates degree	17.1	20.7	17.3	21.2
4. Vocational or technical school degree	4.7	2.3	4.0	4.4
5. College diploma	32.7	40.2	44.0	34.6
6. Advanced or professional degree	17.0	14.9	16.0	16.7
7. (DK/Refuse)	3.1	1.1	1.3	2.5
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

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

D6. Please tell me your age.

1. <25	1.1%	—%	—%	0.9%
2. 25-34	6.7	11.8	6.6	7.3
3. 35-44	19.0	16.5	17.1	18.5
4. 45-54	29.9	35.3	30.3	30.5
5. 55-64	28.5	25.9	34.2	28.8
6. 65+	10.8	8.2	9.2	10.4
7. (DK/Refuse)	3.9	2.4	2.6	3.6
Total	100.0%	100.0%	100.0%	100.0%
N	353	200	199	752

D7. What is the zip code of your business?

1. East (zips 010-219)	15.1%	17.6%	14.7%	15.3%
2. South (zips 220-427)	15.2	22.4	16.0	16.1
3. Mid-West (zips 430-567, 600-658)	24.0	23.5	32.0	24.7
4. Central (zips 570-599, 660-898)	27.6	20.0	21.3	26.2
5. West (zips 900-999)	18.1	16.5	16.0	17.7
6. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D8. Urbanization (Derived from zip code)

1. Highly Urban	10.8%	12.8%	13.2%	11.3%
2. Urban	17.2	16.3	18.4	17.3
3. Fringe Urban	18.5	16.3	21.1	18.5
4. Small Cities/Towns	18.0	25.6	18.4	18.9
5. Rural	25.4	25.6	26.3	25.5
Total	100.0%	100.0%	100.0%	100.0%
N	350	200	201	751

D9. Sex

1. Male	81.5%	83.7%	82.9%	81.9%
2. Female	18.5	16.3	17.1	18.1
Total	100.0%	100.0%	100.0%	100.0%
N	351	200	199	751

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 in December 2004 from a sample of small employers. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate

for the highly skewed 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

Employee Size of Firm	Expected from Random Sample*		Obtained from Stratified Random Sample			
	Interviews Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
1-9	593	79	350	47	353	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	199	27
All Firms	750	100	750	101	752	101

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

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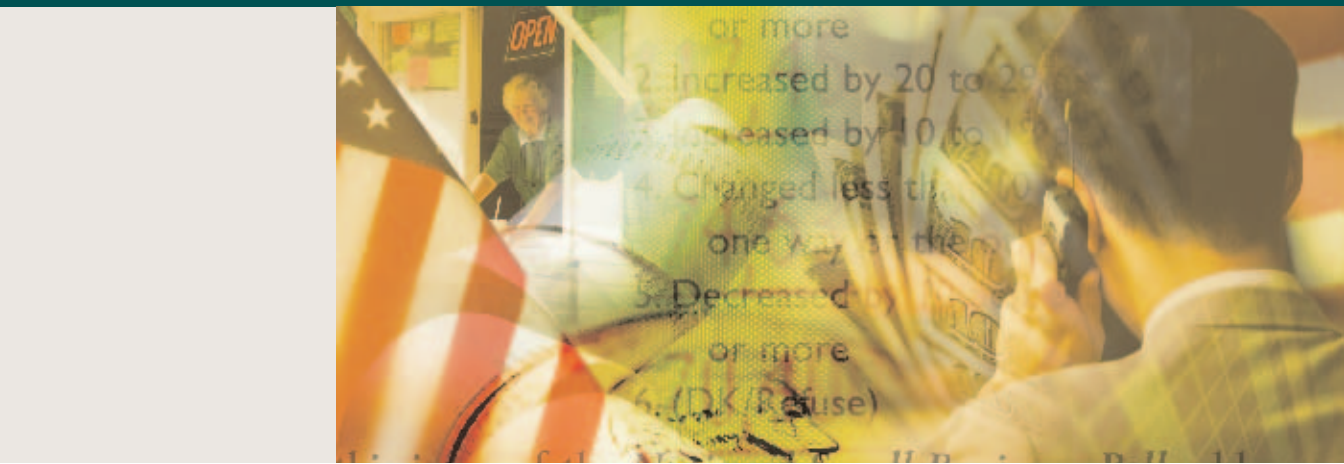
Table Notes

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.

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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