



National Small Business Poll

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2002

Small Business Poll

Pre-ownership Experience

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.

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



Pre-ownership Experience

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Executive Summary

- About half of all small employers either worked in another small business (32%) or operated their own venture (18%) immediately prior to entering their current enterprise. Those small firms were the incubators for new business owners about 60 percent more frequently than would have been expected given small business's share of employment.
- Government, including the military, and non-profit organizations were incubators for comparatively few (about one in 10) current small-business owners. However, compared to their share of employment, they were the incubating organization relatively more often than were for-profit businesses employing more than 1,000 people.
- Thirty-six (36) percent of small employers owned and operated at least one business grossing \$5,000 or more prior to their current business.
- People tend to form businesses in familiar industries and sell familiar products/services to familiar customers. For example, almost two-thirds (65%) have worked a median of 12 years in the industry in which their current business operates. Twenty-two (22) percent placed their firms in unfamiliar industries and sold unfamiliar products/services to unfamiliar types of customers.
- Most small businesses initially have little or no division of labor. Their owners must therefore be a "jack-of-all-trades." Eighteen (18) percent of small employers had functional experience in sales/marketing, accounting/finance, production, servicing or operations, and personnel/human resources prior to entering their current business. Another 17 percent had it in three of the four areas. But 23 percent had no experience in any of the four prior to their current enterprise.
- Seventy (70) percent of small employers supervised people prior to entering their current business. Most now manage fewer people than they once did. This is particularly characteristic of those owning ventures now employing fewer than 10 people.
- Almost one in three (30%) participated as volunteers at the highest levels of non-profit organizations prior to entering their current business. The activities of that 30 percent included founding or helping create a non-profit organization with a minimum of 10 volunteers working at any one time, serving as president, chair or treasurer of any such organization or club, and organizing or chairing a fund-raising drive or campaign that netted \$10,000 or more.
- Small employers have notably more formal education than the adult population. The former are twice as likely to have earned a college degree and half as likely to have only completed high school or less.
- The most frequent course of study completed by small employers was business administration and related subjects. Fifty-five (55) percent did so. The second most frequently completed course of study was one of the hard sciences including engineering. Except for the few who took advanced degrees in law and health/medicine, those who took business were most likely to find their studies directly relevant to their current enterprise.

Pre-ownership Experience

Experience is said to be the best teacher. If that adage is true, those who have had relevant experience prior to business entry should on balance be the ones best prepared to form their own ventures. If the experience obtained is directly relevant, it should even better prepare those having it than those having just a tangential familiarity. Experienced people should therefore be the ones most likely to achieve success in their own enterprises, however one wishes to define “success.” The suggested importance of experience does not imply that those without it cannot successfully form their own ventures. There are ways to compensate for lack of experience. Partners (co-owners) or employment of individuals particularly strong in the owner’s weakness are two possibilities. Study and hobby experiences are others. But on balance prior experience should give a new owner a substantial edge on those without it. This issue of the *National Small Business Poll* focuses on the pre-ownership experience of currently operating small employers. It examines their prior employment and organizational efforts as well as their education and life experience. In isolation, these data often mean little and are merely general interest material. But when compared to the adult population and the population of those just entering business for themselves, the data can be and often are meaningful. It is therefore possible to examine whether experience generally is helpful to small-business owners and whether some types of experience are more useful than others. References and percentages from the adult population are made later to compare with the population of small employers. The former are usually based on data drawn from the Bureau of the Census’s *Statistical Abstract of the United States*. When they are made for populations of new business owners, they are based on data drawn from either NFIB and Wells Fargo’s *Business Stops and Starts* series or NFIB’s *New Business in America: The Firms & Their Owners*.

Prior Organization

A majority (57%) of small employers worked for someone else in another private business immediately prior to entering their current ventures (Q#1). A majority of that group (57% of 57%) worked in another small business (Q#1a). Thus, about one-third (32%) of current small employers moved directly from working for a small employer (defined in this question as having 100 or fewer employees) to being a small employer themselves. Fifteen (15) percent worked in a large business with 1,000 or more employees immediately prior and 10 percent worked in a mid-sized firm. Another 18 percent had been in their own business immediately prior to the current venture. Effectively, they left one and formed another. Combining small firms and self-employment, one-half of all current small employers worked in another small business immediately prior to entering their current enterprise. The new business therefore afforded half of the owners a similar milieu in which to operate. For them, the atmosphere was already familiar.

About one in 10 (10%) small employers were not working immediately prior to entering their current business. That does not necessarily mean the individual was unemployed, though unemployment is an obvious possibility. It is more likely that the individual would have been a student, a housewife, disabled, or even once-retired, but the data are insufficiently detailed to identify precisely what they had been doing.

Government and the non-profit sector produce relatively few business owners comparatively. Eight percent of them were employed by government, including the military, immediately prior to entry. Three percent came from the private non-profit sector. With government employment over twice as great as that from private non-profits, the relative numbers entering from each are similar.

These data illustrate that small employers in disproportionate numbers transition from small firms, often small firms that they owned. Small businesses (defined as 100 employees or fewer) employ approximately one-third of all people working in the United States. However, they are the incubator for about half of current employers. That means small businesses mentored about 50

percent more than would be expected statistically. Even that figure underestimates the small firm contribution. Ten (10) percent of current business owners were not working immediately prior to entry and were therefore not employed. If that group is temporarily set aside, the proportion of small employers channeled through the small business incubator is about 60 percent higher than would statistically be expected.

All other categories of prior organization are under-represented, although it is not possible to calculate a figure for those who were not employed without knowing precisely what they were doing. The important point, however, is that government and non-profits appear more likely mentors than large businesses. The question is why. Some governmental units and many non-profits are small. That would suggest size rather than for-profit/non-profit status is the more important influence. But whatever the reason, transition from a large employer to self-employment occurs relatively infrequently.

The distribution of the incubating source among currently operating small employers does not vary greatly from the distribution of incubating sources from a population of new business owners. The similarity suggests that the small business environment is a factor influencing someone to enter, not a factor influencing success once they have.

Prior Work Experience

A notable percentage of small employers had at least some business ownership experience prior to owning their current firm. While 18 percent entered directly from another firm that they owned, 36 percent – twice that number – had at one point in their lives owned a business that grossed at least \$5,000 (Q#6). While a \$5,000 gross represents a very small venture, certainly more so today than 30 years ago when some current owners were operating them, the figure is still large enough to eliminate many hobby, children's, and sideline operations that yield minimal business experience. Sales above the admittedly arbitrary figure begin to require skills necessary to the full-time operation of a business that employs people other than the owner(s). But even if the classification threshold were pushed

higher, a significant percentage would have owned businesses at one point in addition to those who directly transitioned from one.

Industry, Product/Service, and Customer Experience

Industry experience should provide a new business owner familiarity with markets, quantities, facilities and equipment requirements, sources of supply, potential advisors and “sounding boards,” etc., and may even be the source of the business idea. Though an adequate understanding of an industry and requirement of firms in it might be obtained from various sources, work experience in the industry should provide aspiring entrepreneurs a competitive advantage, at least initially. That appears to happen. Almost two-thirds (65%) of small employers had previously worked in the industry in which their current business is located; one-third (34%) had not (Q#2). (Even the largest broad industry, services, employs no more than 30 percent of all workers.) Further, the amount of work experience in the industry appears significant. The median is about 12 years and the average 14 years if they had any at all. Fourteen (14) percent of the experienced people have had over 20 years of industry work experience before entering their current business.

A second type of potentially useful experience is having worked with the same products or services in a prior job. Familiarity with the products/services now sold prior to entry eliminates an important “learning curve” that others may be forced to climb. About half (51%) said that they previously had worked with the same or similar products/services as the ones that they now sell and half did not (48%) (Q#3). The median time exposed prior to entry was again 12 years and the average 14.

Hobbies or special interests offer another way to gain familiarity with the products or services sold in the current business. The pet-lover who opens a dog obedience school is an example. Twenty-two (22) percent disclosed that the products and or services they now sell are related to a hobby or special interest that they had prior to forming the business (Q#9). The relationship is more common among those employing fewer than 10 people (23%) than among those employing 20 or more (15%). But taking a hobby

and turning it into a business provides the owner a relevant knowledge base that he might not have without it.

A third type of potentially useful experience is working with the same types of customers in a prior job. Some types of customers require different treatment and/or services than others. For example, younger people may be treated more informally than older people; relationships with customers in one industry may be very different from those in another. Understanding these differences should give an advantage to those who possess such knowledge. Almost two-thirds (64%) reported that they had previously worked with the same type of customer before entering their current business (Q#4). Yet, they had spent somewhat less time developing familiarity with their customer base than with the industry or with their products/services. Still, they had spent considerable time. The median was 10 years and the mean 12 years.

Much of this experience seems to be gained on the same job(s) as evidenced by the similarity in the median and means years acquiring it. Further, a substantial number claimed that they had significant relevant experience before entering their current enterprise. Forty-five (45) percent reported experience with all three areas, industry, products/services, customers. Twelve (12) percent reported it with two of the three and 19 percent one of the three. But, 22 percent proved novices to their particular business.

Functional Experience

Most small enterprises, particularly in their formative years, have little division of labor. Small employers therefore routinely perform or supervise performance of at least four primary functions in the business: sales/marketing, accounting/finance, production, servicing or operations, and personnel/human resources. Prior experience in these functional areas should help a new business owner in two ways. The first is that functional skills learned in one business are likely to be transferable to another. They should be usable in any firm regardless of industry, customer, etc. Second, since small employers must handle several functional areas, the more disparate the experiences they have had the more likely their background is to resemble operating one’s own

enterprise. This is potentially one of the reasons why small businesses serve as the primary incubator for other small businesses.

Functional experience is obtained most frequently prior to entering the current business in production, servicing, or operations. In other words, they made a product, performed a service, or planned or scheduled such things. Curiously, this type of functional experience is probably the least transferrable. Fifty-five (55) percent actually did something directly for the customer (Q#8C). The second most frequent type of functional experience was in sales or marketing. Half (50%) had such experience before entry (Q#8A). Forty-one (41) percent reported experience in personnel and/or human resources (Q#8D) and 38 percent reported it in accounting or finance (Q#8B).

If any experience was gained, the amount of time spent getting it did not vary greatly from function to function. Ten years was typical, though it appeared somewhat less in accounting or finance. This suggests that many obtained varying types of functional experiences at the same time or in the same job.

Almost three of four (73%) small employers obtained prior experience in at least one of these four functional areas. Eighteen (18) percent said that they had some experience in all four while almost that number (17%) said they had it in three of the four. Another 17 percent claimed to have it in two. But 21 percent reported it in a single area and 23 percent indicated that they had none whatsoever. The remainder did not report.

Supervisory Experience

Dealing with employees and handling personnel matters is usually among a small-business owner's least favorite things to do. But by definition, a small employer must delve into personnel issues, at least until the firm grows large enough so that the owner can afford someone to specialize in the area. In the meantime, supervisory experience presumably helps an owner become a more effective manager of people even if it does not endear him to the task.

Seventy (70) percent of small employers had experience supervising people before entering their current firms (Q#7). Curiously, those who now have larger, small firms

enjoyed no more frequent supervisory experience than those who now have smaller, small firms. The number of years of supervisory experience also varies little by current size of firm. A significant proportion has had notable supervisory experience, at least in terms of years managing employees. Almost half (48%) of all small employers and 69 percent of those with at least some prior supervisory experience have had six or more years of it. Twenty-six (26) percent of all small employers and 38 percent with at least some have had 11 years or more.

Most small employers with prior supervisory experience currently manage fewer people than they once did. However, there is a direct relationship between the current number of employees and the largest number ever supervised (Q#7a). Those who now have smaller firms tend to have supervised fewer people than those who now own larger firms. For example, small-business owners with prior supervisory experience and who now employ between one and nine people (an average of four) averaged a maximum of 25 people supervised. Owners with prior supervisory experience and who now have enterprises with between 20 and 249 employees (an average of 50) averaged a maximum of 46 people supervised. Employers now in smaller, small firms typically have supervised many more people in the past than they do at present. The same is not true in larger, small firms where the number of people supervised is similar in both settings.

Technological Level

It is difficult to classify the technological level of a business. So, the questionnaire asked the small employer if the current enterprise is more technologically advanced than the one he left immediately prior. The idea was that if the small employer could move to a more technologically advanced business than the one he left, he had more technological capability, relatively, than did others. The logic further ran that an aspiring entrepreneur would have more options and would likely be more successful if he could use a higher level of technology than not. The shortcoming is the lack of a base level to compare technological advance.

Nonetheless, a plurality of small employers (44%) disclosed that the technological level of their prior organization was similar

to one they now own (Q#5). If an owner moved from one organization to another doing similar things as many do, it is logical that the technological level would be similar. However, the remainder are almost equally divided between those who came from a more technologically advanced incubator and those who came from a less technologically advanced one. Eighteen (18) percent said that their prior organization was a lot more technologically advanced than their business now is and another 5 percent said simply that it was more advanced (23 percent in total). In contrast, 20 percent considered their prior organization a lot less technologically advanced and 10 percent considered it less advanced (30 percent in total).

More are adding to the overall technological level than taking away from it when they transition from their former organization to their current one. Part of that net technological advance could be the result of the economy gradually shifting to more technologically sophisticated firms. But importantly the change appears despite the limited resources typical of new entrants and smaller firms. As a result, it appears that many learned something in their incubating organization about technology that they can apply in the new business. The data are too slim to make further allusions.

Volunteer Work

Volunteer work is often considerably more than making cookies for a school bake sale or licking stamps for a city council campaign. It can involve millions of dollars, untold hours, and exceptional organizational, people, and sales skills. While not normally considered a training ground for business owners, volunteer work can develop and/or hone the very same skills that are required in business. It is therefore possible that significant volunteer work will provide valuable experience for people who become small-business owners.

Before going into their current business, 13 percent of small employers founded or helped create a non-profit organization, club, campaign or drive that had 10 or more people working for it at any one time (Q#9A). Nineteen (19) percent said that they were president, chair, or treasurer of a non-profit organization, club, or volunteer committee that had 10 or more volunteers

working for it at any one time (Q#9B), and 15 percent reported that they had organized or chaired a fund-raising event, drive or campaign for a non-profit organization or cause that raised \$10,000 or more (Q#9C). Thirty (30) percent indicated that they had participated in at least one of these three levels of volunteer activity prior to owning their current business. Eight (8) percent participated in two levels and 5 percent said that they had done all three.

It is difficult to compare this level of volunteer activity with that of the general population since most general population data simply examine the number of adults volunteering for any activity in a year. For example, we know that 55 percent of adults in 1998 told researchers that they performed some volunteer activity that helped others. Americans in general do significant amounts of volunteer work, but the organizational and fund-raising activities of those who later become small employers does seem extraordinary.

The upshot is that almost one in three small employers used volunteer activity to sharpen their business skills prior to entering their current venture. In all likelihood, the volunteer at the time did not consciously think of this work as preparation for business formation, though it clearly was. One might presume that women would be particular beneficiaries from volunteer organizations, perhaps through their children's schools. However, there appears to be no relationship between sex of the owner and their pre-business propensity to have volunteered for a significant non-profit activity.

Education

Formal education is not experience in the true sense of the word, but formal education should bring insights and skills to business ownership that otherwise would not be present. Some of those skills will have direct applicability. For example, chemistry courses are likely crucial to successful operation of a testing laboratory. Some may be indirectly applicable. For example, a literature major may find her course of study indirectly applicable to the operation of a second-hand book store. But on balance what has been learned in the classroom and laboratory should provide advantages to people entering their own firms.

Small-business owners are more educated than the population as a whole and the gap appears to be growing. For example, almost half of the public has a high school education or less; just over 20 percent of the small employer population has the same (Q#10). One in four adults in the general population earned a bachelor's degree or more; one in two small employers did. These education levels are modestly higher than those collected for other surveys in this series, but the tenor is similar.

The most common course of study for small employers (at their highest level of study) is business. Forty-five (45) percent reported a concentration in business (Q#10a). Among those who own firms with 10 or more employees, the figure rose to 55 percent. The second greatest number received theirs focusing in science, engineering, or math. Twenty-two (22) percent, about half the number who pursued a business course, studied the hard sciences. A science background is most frequent in the smallest firms for reasons that are not immediately clear. About half as many again (11%) concentrated in the arts and humanities, subject matter such as literature, languages, theology and philosophy. The remainder of small employers had formal training in other areas including about one in 20 who received professional degrees in law or medicine. In contrast, just 20 percent of all the bachelor's degrees conferred in the late 1990s were in business administration, management, etc. About one in four received their degree in one of the hard sciences or engineering, a proportion similar to the current small employer population.

Almost half (46%) of those with at least some college (or vocational school) found their primary course of study directly applicable to their business (Q#10b). Another 33 percent said that it was "indirectly" applicable while just 21 percent did not believe that it was at all applicable. Business was distinguished as the most applicable subject matter with the exception of the limited number studying medicine and law. Fifty-seven (57) percent who pursued business in school were likely to find their course of study directly applicable to their current enterprise. Thirty-nine (39) percent who pursued the hard sciences found the same. Other courses of study appeared less appli-

cable. Each had a substantial contingent who believed their educational concentration not at all applicable to their current firm.

Sometimes before entering a business there is a need to quickly brush up on a particular skill or even to learn one. The missing skill usually can be brought up to minimal competence with some type of short course, seminar, etc., that is presented outside the formal educational structure. These can be found all over the country, virtually every day of the year. Almost one of three (32%) participated in such an activity specifically intended to prepare them for ownership sometime during the year prior to entry (Q#11).

Life Experience

The great philosopher Woody Allen opined that "80 percent of success is showing up." The corollary is that people learn something just by hanging around. Whether or not someone learns something particularly applicable to operating ones' own business by merely existing is another matter. On the chance that they might, the number of years the small employer has owned the firm was subtracted from the owner's personal age. The result is the age at which the individual entered the business or the years of life experience prior to entry.

The age of entry is remarkably well distributed across age group. The largest group found in a single five-year span is between 31 and 35 years of age. Nineteen (19) percent effectively said that they entered their current business in their early 30s (Q#12). But the overwhelming majority formed theirs between the ages of 26 and 46 years of age. The large numbers under 26 are suspect. Many would have had to begin quite young, a possibility given inheritances though not a likelihood. Confusion could have arisen between the length of ownership and age of the business which in fact led a small number to report that they owned the business longer than they were alive. When data were not available for both data points or when the net was less than 18, the respondent was classified as providing insufficient data.

If sales growth and employee size are measures of success, Mr. Allen got it wrong. There appears to be no relationship between age of entry, in other words life experience, and business success.

Final Comments

Small-business owners as a group have gained considerable experience prior to entering their current firms. For the most part they have spent years practicing skills that appear directly relevant to business ownership. Those skills are often varied and diverse, a breadth that is particularly appropriate for a “jack-of-all-trades” small employer. Small-business owners also tend to enter business in industries that are familiar with products and/or services as well as customer types that they have worked with before. Many have transitioned from incubating organizations that are little different from the ones they left. They have been in the small business environment before. Further, directly relevant formal education often complements workplace experience. The result is that experience and background reasonably prepare more small employers than not to establish their own ventures.

Still, if the current population of small-business owners is so experienced and experience is so valuable, why do so many leave their ventures so soon? Aside from obvious explanations such as some choose (prefer) to do other things, some miscalculate and find a hostile market environment, and some do not have pre-business experience, a cross-section of the small employer population as this one includes many successes. While small business churning is a fact of economic life, much of it occurs among a group of ever revolving firms. The corner restaurant that seems to have a new owner every three months is an example. But a portion of small employers remain in business for reasonably long periods. They are stable. And while they constitute a comparatively small percentage over a 10- or 20-year period, they also constitute a significant portion at any point in time.

The data presented here do not show that pre-business experience is directly related to eventual success. They do not show the opposite, either. But they demonstrate that people who form their own businesses have considerable prior backgrounds that should help them increase the odds of achieving their business objectives.

Pre-ownership Experience

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

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
I. Immediately prior to going into this business, did you work for:				
1. Your own business?	19.1%	15.1%	21.8%	18.9%
2. Another private business?	57.0	65.1	50.0	57.2
3. A private non-profit organization?	3.8	2.3	3.8	3.6
4. A government including the military? OR	8.8	5.8	5.1	8.1
5. Were you not working at the time?	9.7	9.3	16.7	10.3
6. (DK/Refuse)	1.7	2.3	2.6	1.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

Ia. Was the business: (If “Another private business” in Q#1.)

1. Large, with more than 1,000 employees in the entire organization?	25.3%	29.8%	30.8%	26.3%
2. Medium-sized, with between 100 and 1,000 employees in the entire organization?	15.4	19.3	25.6	16.7
3. Small, with fewer than 100 employees in the entire organization?	58.8	50.9	43.6	56.5
4. (DK/Refuse)	0.5	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	193	130	101	424

2. Before going into your current business, about how many years had you worked in the industry of this business, OR had you never worked in the industry before? (If respondent is unclear about “industry,” then “like the construction industry or the health care industry.”)

1. Never	33.7%	33.7%	39.7%	34.3%
2. 1-2 years	2.5	4.7	6.4	3.1
3. 3-5 years	8.6	11.6	10.3	9.1
4. 6-10 years	19.4	12.8	12.8	18.1
5. 11-20 years	21.6	23.3	17.9	21.4
6. 21 or more years	13.9	12.8	11.5	13.6
7. (DK/Refuse)	0.2	1.2	1.3	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

3. Before going into this business, about how many years had you produced, serviced, distributed or sold the same or similar products and services as the ones you are selling now, OR had you basically not worked with them before?

1. Not worked with	47.5%	45.9%	49.4%	47.5%
2. 1-2 years	2.4	3.5	3.9	2.6
3. 3-5 years	6.9	11.8	9.1	7.6
4. 6-10 years	15.2	12.9	10.4	14.5
5. 11-20 years	16.9	18.8	18.2	17.3
6. 21 years or more	9.6	7.1	7.8	9.1
7. (DK/Refuse)	1.6	—	1.3	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

4. Before going into this business, about how many years had you worked with the same type of customer, such as the general public, a special segment of the public, a particular industry that you now have as your primary customer, OR have you not worked with this type of customer before?

1. Not worked with	33.6%	36.0%	35.9%	34.1%
2. 1-2 years	2.7	4.7	3.8	3.0
3. 3-5 years	10.4	11.6	12.8	10.8
4. 6-10 years	18.1	14.0	17.9	17.7
5. 11-20 years	22.2	20.9	15.4	21.4
6. 21 years or more	11.2	12.8	11.5	11.4
7. (DK/Refuse)	1.7	—	2.6	1.6
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

5. Was the last organization you worked for prior to entering this business relatively more advanced technologically, relatively less advanced technologically, or about the same technological level as this business? Would that be a lot more/lot less advanced? (If working immediately prior to entry in Q#1.)

1. Lot more advanced	17.2%	18.4%	19.0%	17.5%
2. More advanced	4.6	6.6	4.8	4.8
3. About the same	45.0	39.5	39.7	43.9
4. Less advanced	9.2	9.2	12.7	9.5
5. Lot less advanced	19.1	21.1	20.6	19.5
6. (DK/Refuse)	4.9	5.2	3.2	4.8
Total	100.0%	100.0%	100.0%	100.0%
N	305	176	162	643

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

6. Prior to this business, did you ever operate a business of your own that grossed at least \$5,000?

1. Yes	35.6%	34.9%	39.0%	35.8%
2. No	64.1	65.1	61.0	63.9
3. (DK/Refuse)	0.3	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

7. About how many years of experience did you have managing or supervising employees before going into this business, OR didn't you have any experience?

1. None	29.8%	31.8%	30.8%	30.1%
2. 1-2 years	5.5	4.7	3.8	5.3
3. 3-5 years	15.9	16.5	16.7	16.0
4. 6-10 years	22.9	16.5	20.5	22.0
5. 11-20 years	19.5	21.2	17.9	19.5
6. 21 years or more	6.1	8.2	10.3	6.8
7. (DK/Refuse)	0.3	1.2	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

7a. What was the largest number of employees that were under you at any one time? (If experience in Q#7.)

1. 1-2 employees	3.6%	1.7%	—%	3.1%
2. 3-5 employees	15.5	8.6	9.3	14.2
3. 6-10 employees	18.0	12.1	9.3	16.5
4. 11-20 employees	27.0	24.1	18.5	25.9
5. 21-50 employees	21.8	32.8	25.9	23.3
6. 51 employees or more	13.3	20.7	37.0	16.3
7. (DK/Refuse)	0.9	—	—	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	238	135	137	510

8. About how many years of _____ experience did you have before going into this business OR didn't you have any?

A. Sales or marketing

1. None	50.7%	44.7%	48.1%	49.8%
2. 1-2 years	9.6	5.9	2.6	8.5
3. 3-5 years	9.6	17.6	14.3	10.9
4. 6-10 years	13.7	10.6	15.6	13.6
5. 11-20 years	12.4	14.1	14.3	12.8
6. 21 years or more	3.5	7.1	5.2	4.0
7. (DK/Refuse)	0.5	—	—	0.4

Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

B. Accounting or finance

1. None	61.7%	60.3%	55.3%	60.9%
2. 1-2 years	8.1	9.6	9.2	8.3
3. 3-5 years	9.8	9.6	13.2	10.1
4. 6-9 years	6.6	4.8	7.9	6.6
5. 11-20 years	8.9	9.6	7.9	8.8
6. 21 years or more	4.0	4.8	5.3	4.2
7. (DK/Refuse)	0.9	1.2	1.3	1.0

Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

C. Production, servicing, or operations

1. None	43.1%	45.3%	46.2%	43.6%
2. 1-2 years	3.9	5.8	3.8	4.1
3. 3-5 years	14.6	12.8	10.3	14.0
4. 6-10 years	16.9	12.8	16.7	16.5
5. 11-20 years	13.9	16.3	15.4	14.3
6. 21 years or more	5.8	4.7	6.4	5.7
7. (DK/Refuse)	1.7	2.3	1.3	1.7

Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

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

D. Personnel or human resources

1. None	57.0%	52.9%	57.1%	56.6%
2. 1-2 years	5.3	3.5	3.9	5.0
3. 3-5 years	7.7	12.9	11.7	8.6
4. 6-10 years	13.5	10.6	10.4	12.9
5. 11-20 years	10.2	15.3	10.4	10.8
6. 21 years or more	3.9	3.5	5.2	4.0
7. (DK/Refuse)	2.4	1.2	1.3	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

9. Before going into this business:

A. Did you ever found or help create a non-profit organization, club, campaign, or drive that had 10 or more volunteers working for it at any one time?

1. Yes	12.9%	14.1%	15.6%	13.3%
2. No	87.1	85.9	84.4	86.8
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

B. Were you the president, chair or treasurer of any non-profit organization, club or volunteer committee that had 10 or more volunteers working for it at any one time?

1. Yes	18.5%	16.3%	26.0%	19.0%
2. No	81.2	83.7	74.0	80.8
3. (DK/Refuse)	0.3	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

C. Did you organize or chair a fund-raising event, drive or campaign for a non-profit organization or cause that raised \$10,000 or more?

1. Yes	13.3%	18.6%	23.4%	14.9%
2. No	86.7	81.4	76.6	85.1
3. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D. Did you have a hobby or special interest that was related to the products or services you now sell?

1. Yes	23.2%	18.6%	15.4%	21.9%
2. No	76.5	80.2	84.6	77.7
3. (DK/Refuse)	0.3	1.2	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

10. What is your highest level of formal education?

1. Did not complete high school	0.8%	—%	1.3%	0.8%
2. High school diploma/GED	21.7	12.9	14.3	20.0
3. Some college or an associates degree	24.0	27.1	19.5	23.9
4. Vocational or technical school degree	3.3	1.2	1.3	2.9
5. College diploma	30.3	36.5	39.0	31.8
6. Advanced or professional degree	19.5	22.4	24.7	20.3
7. (DK/Refuse)	0.5	—	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

10a. Which of the following best describes the course of study at your highest level of formal education? (If “Some college” or more in Q#10.)

1. Business (accounting, marketing, etc.)	41.8%	54.8%	56.1%	44.9%
2. Education	5.3	6.8	4.5	5.4
3. Social sciences (history, sociology, etc.)	8.7	4.1	10.6	8.4
4. Science, math, engineering	23.6	20.5	15.2	22.3
5. Arts and humanities (English, theology, etc.)	12.1	8.2	7.6	11.1
6. Law	3.2	1.4	3.0	3.0
7. Medicine/health	2.8	4.1	1.5	2.8
8. (DK/Refuse)	2.5	—	1.5	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	261	168	166	595

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

10b. Is the primary subject matter in your course of study directly applicable to your current business, indirectly applicable, or not at all applicable? (Includes “Vocational or technical school degree” in Q#10.)

1. Directly	44.9%	50.7%	48.4%	46.0%
2. Indirectly	32.7	30.7	32.8	32.5
3. Not at all	22.0	18.7	18.8	21.2
4. (DK/Refuse)	0.4	—	—	0.3
Total	100.0%	100.0%	100.0%	100.0%
N	272	172	169	613

11. In the year immediately before entering this business, did you take one or more special workshops or seminars, outside a formal education program, specifically to prepare yourself for this business?

1. Yes	33.2%	25.9%	29.9%	32.1%
2. No	66.5	72.9	70.1	67.5
3. (DK/Refuse)	0.3	1.2	—	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

12. Age of formation - Life experience prior to entry (Calculated)

1. <26 years	14.4%	15.3%	18.2%	14.9%
2. 26 - 30 years	15.2	14.1	18.4	15.4
3. 31 - 35 years	18.3	18.8	19.7	18.5
4. 36 - 40 years	17.7	12.9	14.5	16.9
5. 41 - 45 years	13.6	15.3	13.2	13.8
6. 46 - 50 years	7.7	8.2	1.3	7.1
7. 51+ years	6.6	10.6	7.9	7.1
8. (Insufficient data)	6.4	4.7	7.8	6.4
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

Demographics

D1. Is your primary business activity:

1. Construction?	12.4%	11.8%	11.7%	12.3%
2. Manufacturing?	10.7	10.6	11.7	10.8
3. Wholesale?	6.6	5.9	3.9	6.3
4. Retail?	19.9	21.2	19.5	20.0
5. Transportation?	2.2	4.7	6.5	2.9
6. Communication?	3.0	2.4	2.6	2.9
7. Financial Services?	5.2	5.9	5.2	5.3
8. Services?	35.2	34.1	35.1	35.0
A. Non-professional, e.g., lodging, auto repair, garages, recreation	(27.2)	(31.0)	(32.1)	(28.1)
B. Professional, e.g., health, legal, education, engineering	(40.6)	(34.5)	(39.3)	(39.9)
C. Business, e.g., advertising, mail, employment agencies, computer services, security, equipment rental	(17.9)	(23.8)	(10.7)	(16.7)
D. Personal, e.g., laundries, beauty shop, photography, funeral services, child care	(12.5)	(13.8)	(14.3)	(12.8)
E. (Other/D/K)	(1.8)	(6.8)	(3.6)	(2.5)
9. Agriculture, forestry, fishing?	3.3	—	1.3	1.0
10. (Other)	0.9	1.2	1.3	1.0
11. (DK/Refuse)	0.6	2.4	1.3	0.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

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

1. Increased by 30 percent or more?	15.2%	17.4%	15.6%	15.5%
2. Increased by 20 to 29 percent?	9.6	10.5	11.7	9.9
3. Increased by 10 to 19 percent?	24.5	23.3	29.9	24.8
4. Changed less than 10 percent one way or the other?	26.0	30.2	24.7	26.3
5. Decreased by 10 percent or more?	20.8	14.0	14.3	19.5
6. (DK/Refuse)	3.9	4.6	3.9	3.9
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

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

D3. Is this business operated primarily from the home, including any associated structures such as a garage or a barn?

1. Yes	28.7%	10.5%	3.9%	24.3%
2. No	69.3	87.2	93.5	73.5
3. (DK/Refuse)	2.0	2.3	2.6	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

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

1. < 6 years	28.7%	23.3%	16.7%	26.9%
2. 6-10 years	17.9	23.3	15.4	18.2
3. 11-20 years	29.8	29.1	30.8	29.8
4. 21-30 years	14.7	14.0	21.8	15.3
5. 31 years+	6.9	8.1	12.8	7.6
6. (DK/Refuse)	2.0	2.3	2.6	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D5. What is your highest level of formal education?

1. Did not complete high school	0.8%	—%	1.3%	0.8%
2. High school diploma/GED	21.7	12.9	14.3	20.0
3. Some college or an associates degree	24.0	27.1	19.5	23.9
4. Vocational or technical school degree	3.3	1.2	1.3	2.9
5. College diploma	30.3	36.5	39.0	31.8
6. Advanced or professional degree	19.5	22.4	24.7	20.3
7. (DK/Refuse)	0.5	—	—	0.1
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D6. Please tell me your age.

1. <25	4.7%	3.5%	5.1%	4.6%
2. 25-34	9.4	4.7	3.8	8.4
3. 35-44	24.5	23.5	25.6	24.5
4. 45-54	31.5	38.8	30.8	32.2
5. 55-64	22.9	21.2	23.1	22.7
6. 65+	6.7	8.2	11.5	7.4
7. (DK/Refuse)	0.3	—	—	0.2
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

	Employee Size of Firm			
	1-9 emp	10-19 emp	20-249 emp	All Firms
D7. What is the zip code of your business?				
1. East (zips 010-219)	20.8%	17.6%	14.1%	19.8%
2. South (zips 220-427)	21.0	16.5	23.1	20.7
3. Mid-West (zips 430-567, 600-658)	18.2	24.7	26.9	19.7
4. Central (zips 570-599, 660-898)	19.2	20.0	20.5	19.5
5. West (zips 900-999)	20.8	21.2	15.4	20.3
6. (DK/Refuse)	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

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

1. <\$100,000	17.4%	1.2%	1.3%	14.1%
2. \$100,000-\$249,999	22.7	2.3	1.3	18.5
3. \$250,000-\$499,999	14.4	9.3	2.6	12.7
4. \$500,000-\$999,999	14.6	14.0	10.3	14.1
5. \$1 million-\$4.9 million	11.6	43.0	38.5	17.6
6. \$5 million - \$9.9 million	1.4	7.0	14.1	3.2
7. \$10 million or more	0.9	3.5	16.7	2.7
8. (DK/Refuse)	16.9	19.8	15.4	17.0
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

D9. Sex

Male	82.0%	83.7%	85.7%	82.5%
Female	18.0	16.3	14.3	17.5
Total	100.0%	100.0%	100.0%	100.0%
N	352	200	201	753

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 September 3 - September 27, 2002 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	352	47
10-19	82	11	200	27	200	27
20-249	75	10	200	27	201	27
All Firms	750	100	750	101	753	101

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

The Sponsors

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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