



SMALL BUSINESS EMPLOYERS: **What's On Their Minds**

There is no question that virtually all businesses of all sizes in all industries have struggled in recent years as a result of the economic downturn. However, overall, small businesses have tended to struggle the most, for a number of reasons.

One is that, while large numbers of customers have been delinquent or even defaulted in making payments to businesses for their products and services, such activity hurts small businesses more, because these businesses are less able to

absorb these losses as a result of their size and their tight margins.

Another is the continuing introduction of new and revised government regulations. Again, while these pose a challenge to all businesses, they pose unique challenges to small businesses, which rarely have the manpower and the expertise to stay abreast of all of the requirements associated with these regulations, as well as, of course, the money required to come into compliance with these regulations.

Yet another major challenge for small businesses is the costs associated with the Affordable Care Act, accompanied by the many still unanswered questions as to how the whole program will “play out.”

In June 2014, LegalShield published the “Small Business Survey 2014,” which looked at the current “pulse” of small businesses (defined as businesses with 1 to 250 employees), and the perspectives of small business owners. The survey provides an overview of the perspectives of small business owners as they relate to challenges, risks, keys to success, and planned actions. This survey is a follow-up to a similar 2013 LegalShield survey.

Overall, the survey found, small business owners are slightly more optimistic about the economy this year than they were last year. While 46 percent of respondents last year reported that their “economic expectations for the next twelve months” were either “very strong” or “somewhat strong,” 53 percent reported similar expectations this year. Why the slight increase? “The big story is that the U.S. economy continues to be ‘in a recession’ as far as most businesses are concerned,” said Jerry Thomas, president and CEO of Decision Analyst, the firm that conducted the surveys for LegalShield. “There is a very slight improvement from 2013 to 2014, but that might be because some marginal small businesses went out of business, rather than the economy improving. However, it is fair to say that there appears to be a slightly stronger economy, but still very low growth.”

What Worries Small Business Owners?

What do small business owners consider their greatest risks? The survey found that their number one concern was the weak U.S. economy (48%). “There is so much ‘noise’ and uncertainty in the economic system that small business owners are finding it difficult to be optimistic in this environment,” said Bill Dunkelberg, chief economist for the National Federation of Independent Business.

Owners were also concerned about challenges associated with customers and competition, with 32 percent expressing concerns about the difficulties associated with finding new customers, 27 percent concerned about customers who don’t pay their bills, 23 percent concerned about excessive competition, and 20 percent concerned about the high cost of advertising.

Governmental requirements were also on their minds, with 27 percent of respondents expressing concerns over governmental rules and regulations, and 26 percent expressing concerns about the cost of health insurance.

Small business owners were also concerned about the personal side of business and the toll that owning businesses took on them, such as having to work long hours (20%), the shortage of qualified employees (19%), and being tied down to their businesses with very little vacation or free time (18%).

What Business Owners Plan to Do

How do small business owners plan to respond to these risks and subsequent concerns? The survey found that, while owners are concerned, they are also courageous and optimistic. For example, business expansion strategies are of great interest to them, with 37 percent of them planning to use more social media in sales and marketing efforts, 36 percent planning to purchase new equipment, 29 percent planning to expand services or introduce new products, 23 percent planning to increase the number of sales calls, 22 percent planning to increase marketing expenditures, and 18 percent planning to attend more trade shows or conferences.

Business owners also emphasized that employees are important to their future success, with 19 percent planning to improve employee training, 19 percent planning to increase the number of employees, and 17 percent planning to increase employees’ salaries or offer raises.

Thirty-one percent of small business owners

said that they planned to pay off debt.

Finding the Money to Grow

Of course, implementing growth plans require capital, and small business owners have a number of options available, some of more interest than others.

In large part, small business owners like to rely on themselves as much as possible, with 46 percent of them reporting that they plan to use personal savings or money, and 37 percent reporting that they plan to use past profits or retained earnings.

Credit cards, loans, and lines of credit also play into the mix, with 33 percent planning to use their business credit cards, 22 percent planning to use their personal credit cards, 22 percent planning to use lines of bank credit, 18 percent planning to rely on bank loans, seven percent planning to utilize lines of credit from credit unions, and seven percent planning to take advantage of Small Business Administration (SBA) or other government loans.

Friends and family can also plan a role, although much less so, with 9% stating that they plan to utilize investment money

EMPLOYEE BENEFITS/ PROGRAMS BEING OFFERED

What are the most popular benefits and related programs that small business employers offer?

Exactly two-thirds (66.6%) of small business employers offer sick leave/paid vacation, and 59.6% of employees utilize these. And 87.8% of employers fully pay these, while 8.5% arrange for employees to partially pay for them.

Almost two-thirds (64.9%) of small business employers offer medical health insurance, and 51.9% of their employees participate. And 21.6% of employers pay the full amount, while 70.3% arrange for employees to partially pay.

Just over 60% (60.6%) of small business employers offer 401(k) or other retirement plans, and 51.2% of employees participate. And 14.8% of employers pay the full amount, while 64.8% arrange for employees to partially pay.

Just over 50% (51.9%) of small business employers offer dental insurance, and 40.3% of employees participate. And 20.2% of employers pay the full amount, while 62.1% arrange for employees to partially pay.

Just over 45% (45.8%) of small business employers offer life insurance, and 34.9% of employees participate. And 45.5% of employers pay the full amount, while 39.9% arrange for employees to partially pay.

Just over 30% (30.7%) of small business employers offer short-term disability insurance, and 17.9% of employees participate. And 37.9% of employers pay the full amount, while 33.8% arrange for employees to partially pay.

Almost 30% (28.3%) of small business employers offer long-term disability insurance, and 15.1% of employees participate. And 41.3% of employers pay the full amount, while 32.9% arrange for the employees to partially pay.

Almost 25% (24.5%) of small business employers offer maternity/paternity leave, and 2%



of employees participate. And 50% of employers pay the full amount, while 29% arrange for the employees to partially pay.

Almost 25% (24%) of small business employers offer accidental death insurance, and 3.9% of employees participate. And 46.9% of employers pay the full amount, while 35% arrange for the employees to partially pay.

Almost 20% (19.7%) of small business employers offer "comp time," and 3% of employees participate. And 81.9% of employers pay the full amount, while 9.5% arrange for the employees to partially pay.

SOURCES:

Small Business Survey 2014. LegalShield and Decision Analyst. (June 2014).

Small Business Employee Benefits Analysis. LegalShield and Decision Analyst. (July 2014).

from family or friends, and 7% planning to utilize loans from family or friends.

What It Takes to Succeed

Of course, once business owners identify the risks and challenges they face, how they plan to address these, and how they plan to fund their efforts, the next question is how they plan to ensure that their efforts will be successful.

Overall, small business owners were quite clear in the survey that they rely on themselves much more than they rely on employees to ensure that their businesses continue to remain successful. In fact, nine of the top ten keys they listed had nothing, or very little, to do with employees.

As far as small business owners are concerned, the most important strategy for success is providing great customer service (71%); followed by integrity, honesty and truthfulness (67%); self-discipline and self-motivation (62%); working hard and working long hours (52%); being thrifty and saving money (39%); offering a unique product or service (39%); having adequate savings or financial resources (35%); caring about others and being unselfish (32%); and focusing on strategy (31%).

Fifty-five percent stated that hiring good employees was important to their success.

This isn't surprising, according to Thomas. "The owner is generally the key to a small business's success," he said. "Small businesses typically cannot attract top-quality employees, because their pay scales are far below those in large corporations. As a result, small business owners do rely more on themselves than on their employees."

How Employees Are Feeling

While small business owners made it clear that they rely primarily on themselves to ensure their success in business, all of them, with the exceptions of "one-person shops" and family-only owned and run businesses, have to hire and rely on employees to keep their businesses running.

In addition to publishing the "Small Business

Survey 2014," LegalShield also published the "Small Business Employee Benefits Analysis," which provides insights into small business employee job satisfaction levels and their perspectives on benefits packages.

When asked how small business employers could improve job satisfaction, 57 percent of employees said "better pay, more raises, more money." Tied for second were "better or more benefits" (14%) and "more personal time off and vacation" (14%), followed by "flextime and/or more flexible work hours" (7%).

As the survey highlights, pay is the primary concern of employees working in small businesses. "These percentages are not surprising in light of declining U.S. household incomes among the majority of the population," said Thomas. "I don't think you could conclude from these numbers that money is the most important aspect of their jobs. However, it is uppermost in their minds right now because of economic distress."

So how do benefits fit in? As noted, they are tied for the second most important element of improved job satisfaction mentioned by employees. The Sidebar (below) identifies the most popular benefits that small business employers offer, as well as how popular these benefits are with the employees themselves.



(855) 572-7653
legalshield.com