

## Cautious Optimism, Continued Concern: A View of the National Economy and the Business Climate from Women Business Owners

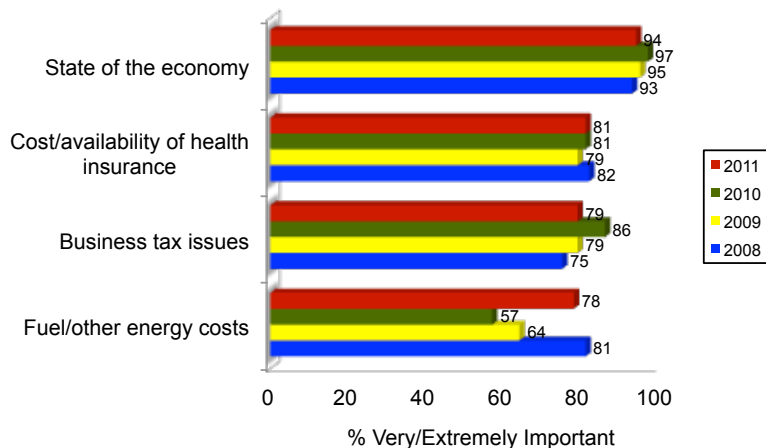
*In late spring 2011, an online survey was conducted among the members of the National Association of Women Business Owners, the nation's oldest, largest and most demographically diverse membership association comprised of women business owners in the country. This executive report summarizes members' viewpoints on the state of the economy and of their businesses, and their outlook for 2011 and beyond.*

### Most Important Policy Concerns

Echoing the concerns they have expressed in each of the last three annual issue surveys, NAWBO members again state clearly that the state of the US economy is the policy issue of greatest importance to their businesses at the present time. When given a list of ten key issues and asked to rate them on a 5-point scale of importance, fully 94% of NAWBO members report that the state of the economy is a very or extremely important issue for them in their business today – topping all other issues by a significant margin. The state of the economy is the top issue among all NAWBO members regardless of business age, size or industry, region of the country, or personal characteristics such as age or ethnicity.

Indeed, when asked a related question about which of five issues is most important for the US Congress to be concentrating on right now, the two options related to the economy – the federal budget deficit (36%) and job creation (36%) – outweighed the other three issues – health care (14%), Iraq and Afghanistan (3%) and illegal immigration (3%) – by a large margin. NAWBO members are more concerned than the average US adult about reducing the deficit compared to creating jobs,

### State of Economy Continues to Dominate Issue Concerns of NAWBO Members



which is not surprising given that NAWBO members have created their own jobs. This same question was asked in a CBS/New York Times national poll earlier this year, and in that survey 43% of US adults picked job creation above all other issues that Congress should be working on, followed by 18% choosing health care, 14% the federal budget deficit, 12% dealing with Iraq and Afghanistan, and 7% illegal immigration.

In addition to the economy, other issues of the greatest importance to NAWBO members across the country, from among the list of top ten issues tested, are:

- The cost and availability of health insurance for myself and my employees – 81% very or extremely important
- Business tax issues – 79% very or extremely important
- Fuel and other energy costs – 78%
- Education policies and their impact on the quality of the workforce – 65%
- National security issues, including domestic terrorism – 53%

The cost and availability of health insurance is an important top-tier issue to NAWBO members regardless of business size, industry, ethnicity or personal age. It is, however, a more important issue to members in the Northeast (90% very or extremely important) than in any other region of the country.

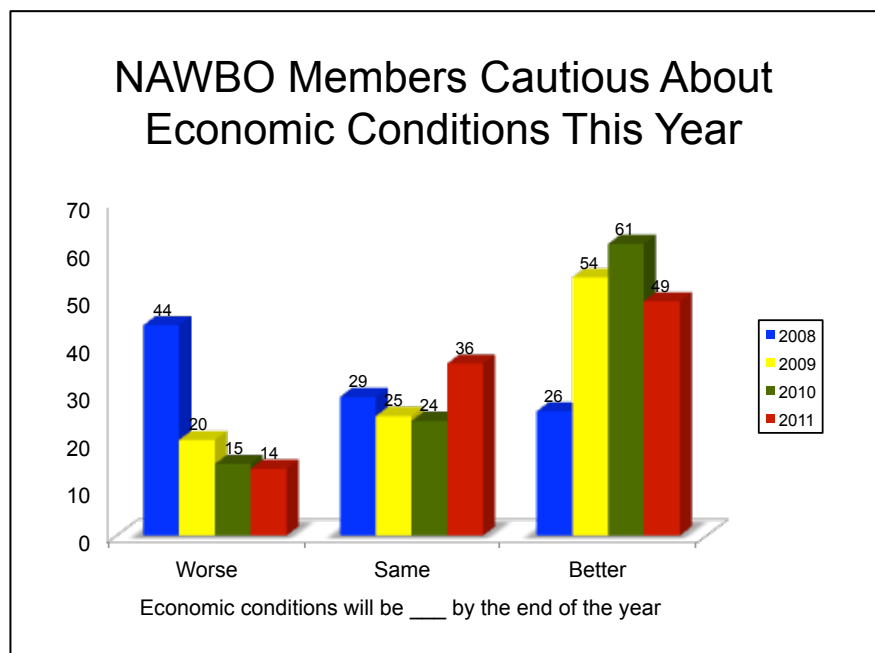
All other top-tier issues show few subgroup differences of note, with the exception of the impact of fuel costs, which are of greater than average concern among NAWBO members in the Midwest (86% very/extremely important) and those in non service sector businesses (85%) such as manufacturing, construction, and retail/wholesale trade.

Looking at the importance of these issues over time finds little change in the dominant importance of economic conditions. Health care costs and availability remains the #2 issue, as it was in 2008 and 2009. Business tax issues, the 3<sup>rd</sup> highest-rated policy issue, came in second in importance in 2009 and 2010. The cost of fuel has risen once again to prominence, as it did in 2008.

With the continuing dominance of these issues, other policy issues tested much lower in importance. Just 45% of NAWBO members feel that “payroll tax holidays and other measures to spur job creation” is a very or extremely important issue, 43% say that “conflict and political/economic unrest in other parts of the world” is a very/extremely important issue, 34% assign a high level of importance to “gaining access to Federal contract opportunities,” as do 34% who feel that “immigration reform” is a very or extremely important issue.

### Continued Caution on the State of the Economy

While most NAWBO members believe that the country is past the worst of the recent recession, they



remain cautious about the short-term economic situation – and are less optimistic looking forward to the end of this year than they were last year looking toward the end of 2010.

Similar to a national survey question posed by Ipsos/Reuters in a poll conducted early in 2011, 57% of NAWBO members and 57% of US adults alike feel that the economy has “stabilized but not yet begun to improve.” One-quarter (24%) of NAWBO members, but only 12% of US adults, feel that the US economy has “turned the corner on the current crisis,” while 18% of NAWBO members and 27% of all Americans believe that “the worst is yet to come.” Thus, women business owners are somewhat more positive in their view of where we are in the current recessionary cycle than the average American adult.

NAWBO members do, however, show more trepidation about short-term economic trends than they did one year ago. When asked how they think economic and business conditions will be in the country by the end of the year compared to today, 49% of NAWBO members believe that things will be better, 36% say they’ll be about the same, and 14% feel things will be worse. In the spring of 2010, fully 61% of NAWBO members believed that the economy would be better by the end of last year, 24% felt they’d be about the same, and 15% said things would be worse.

Looking within the NAWBO membership at the short-term economic outlook by major personal or business characteristics, there are no members significantly more pessimistic than average, but two groups of NAWBO members are found to be significantly more optimistic than average: owners of firms with between \$500,000 and \$1 million in revenues, 57% of whom feel that the economy will be better by the end of this year than it is today; and women of color, fully 66% of whom say that the economy will pick up by the end of 2011.

## **Business Outlook for 2011 and Beyond**

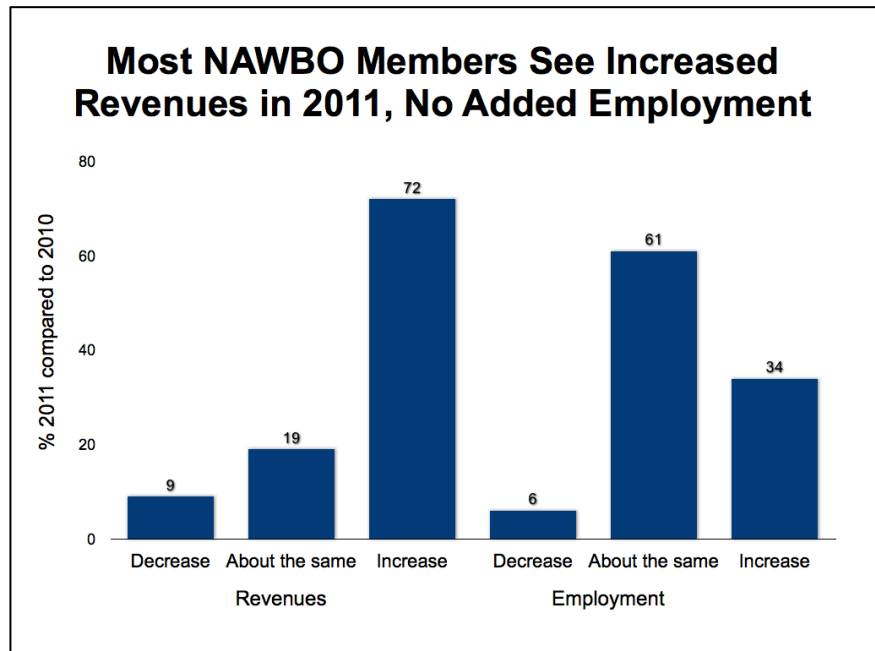
In addition to their views of critical policy issues and the state of the national economy, how do NAWBO members view the current state of their businesses, how do they see their revenues and employment changing in 2011, and what are their longer-term business growth plans?

First of all, as business owners usually are, NAWBO members are much more optimistic about their business prospects this year than they are about general economic conditions. A 62% majority believe that the health of their business will be better by the end of 2011 than it is today, while 31% feel it will be about the same and only 7% think things in their business will be worse by the end of this year.

The overall level of optimism of NAWBO members about their own business prospects has remained positive and stable for the past three years, and is much improved from the pessimism they felt back in 2008 when they saw economic storm clouds brewing. The most optimistic NAWBO members include: members with firm revenues under \$100,000, 79% of whom say their businesses will be stronger at the end of 2011 than they are today; members who have been in business for five years or less, 75% of whom are optimistic about their short-term business prospects; NAWBO members in the Northeast region of the country, 76% of whom are optimistic; and women of color, 71% of whom are optimistic.

NAWBO members derive their optimism from their view that firm revenues will improve this year, but – for most NAWBO members – increased revenues will not be leading to increased hiring. Fully 72% of NAWBO members believe that their firm’s revenues will be higher by year-end compared with 2010 revenues, including 24% who feel that revenues will be up 20% or more.

Only 19% believe that their 2011 revenues will be unchanged from last year, and just 9% say revenues will decline. Who's the most optimistic about firm revenues? Younger owners of younger, smaller firms: 83% of the owners of firms in operation for five years or less say that 2011 revenues will be up, as do 79% of the owners of firms with less than \$100,000 in revenues, and 82% of NAWBO members who are under the age of 45.



With respect to hiring, however, a 61% majority of NAWBO members say that their employment levels will remain unchanged this year. One-third (34%) of NAWBO members say they will increase staffing this year, while just 6% will decrease staffing. Who's hiring this year? The owners of firms that already account for the largest share of firm employment and revenues. A 56% majority of NAWBO members who employ 10 or more workers say that they'll be adding staff this year compared to last. (This population comprises 17% of NAWBO membership compared to 2% of the general women-owned business population.) In addition, nearly half (47%) of NAWBO members whose businesses generate \$500,000 or more in annual revenues will be hiring this year. (This population comprises 34% of NAWBO membership compared to 4% of the general women-owned business population.) Among all other major membership subgroups, a solid majority of members say that hiring levels will remain the same this year compared to 2010.

Despite their continued concern about economic conditions and their short-term caution about hiring, when taking a longer view NAWBO members are very much focused on growing their businesses. When asked what their business goal is over the next three years, fully three-quarters (73%) are focused on growth: 37% on growing through expansion into new markets, 33% on growth through greater efficiency and productivity, and 3% on growth through merger or acquisition. Only 7% say they'll just keep things as they are now over the next three years, 8% are playing defense and focusing on survival, and just 3% say they'll downsize, close, or sell their business.

Who among NAWBO members are the most focused on growth and business expansion? First, a solid majority of ALL members are growth-oriented, regardless of region, industry, size or age. That said, a larger share than average of members under the age of 45 (80%) are focused on growth, as is an 81% majority of those who have been in business for five years or less. The most focused on growth, however, are NAWBO members who have 10 or more employees. Among this key membership group (in which 17% of members are found), fully 85% are growth-oriented: 44% plan to grow by expanding into new markets, 32% will grow through increasing efficiency and profitability, and 9% plan to growth through a merger or acquisition.

## Survey Methodology

From April 18 to May 7, 2011, an online survey was conducted among members of NAWBO, the National Association of Women Business Owners. Over this three-week period, 570 responses were received, similar to the responses received in earlier member surveys (for comparison purposes and for the trend information contained in this report, the survey sizes in previous years were: 2010, N=545; 2009, N=756; 2008, N=510). For a survey of sample size N=570, the sampling error is plus or minus 4.1% at a 95% level of confidence. This means that, 95 times out of 100, survey responses will be within 4% of true population values.

This survey was conducted for NAWBO by Womenable, a for-profit social enterprise whose mission is to improve the environment for women-owned businesses worldwide by: conducting insightful and actionable research; communicating information and insights in a clear, concise, and thought-provoking manner; and working with the stewards of women's entrepreneurship around the world – including organizations like NAWBO – to implement, evaluate and improve policies and programs to support women's enterprise development.

