

## Survey Results: Small Businesses Need Help

### Introduction

In 2004, the economy in Hawai'i – moribund for the last several years – experienced a welcomed and vigorous upturn. With reports of overall increases in sales revenue and low unemployment, it would be easy to take for granted that Hawai'i's economy has turned the corner.

If this is the case, then why do over 32% of Hawai'i small businesses fall short of providing a middleclass standard of living for their owners and their families?

To gauge the pulse of the Hawai'i small business community, the Hawai'i Small Business Development Network commissioned its annual State of Small Business Survey. Market Trends Pacific, Inc. conducted **“The State of Small Business: Hawai'i 2005”** survey on behalf of the Hawai'i SBDC Network.

Between February 16, 2005 and March 3, 2005 a total of 507 telephone interviews were completed from a list of 5,000 randomly selected small businesses in Hawai'i<sup>1</sup>. Of the 507 small business owners and managers interviewed, 202 were located on O'ahu and 305 on the Neighbor Islands<sup>2</sup>. The margin of error is  $\pm 5.2\%$  statewide ( $\pm 6.9\%$  on O'ahu and  $\pm 9.8\%$  on the neighbor islands).

The survey respondents identified areas having significant negative impact upon their businesses, which include increased operating costs (noted by 60.6% of the respondents), employer-paid payroll taxes and medical insurance (42.6%), increased competition (34.5%), excessive governmental rules and regulations (30.8%), and lack of knowledge about business operations (15.4%).

However, 46.0% of the small business owners surveyed indicated that increased knowledge about how to operate a business had a significant positive impact on their business and improved their ability to succeed. The survey also demonstrates that small business owners want to learn more about business operations.

When asked, “If you had the opportunity to obtain free consulting for your business from highly trained and experienced professional management consultants, would you take advantage of that opportunity?” 47.1% said they would. “The need for this type of consulting is very high,” said Darryl Mleynek, state director of the Hawai'i Small Business Development Center Network. “With the State Legislature's support, more consulting of this type can be offered.”

The Hawai'i SBDC Network has a bill before the State Legislature requesting additional funding in order to meet this increasing demand.

<sup>1</sup> - 2,000 on O'ahu and 1,000 each on the neighbor islands.

<sup>2</sup> - 101 on Hawai'i, 100 on Kaua'i, and 104 on Maui.

## Comments on the Survey Results

### **Over 16,000 Small Businesses in Hawai'i Fail to Support a Middleclass Living**

In Hawai'i, small businesses account for 96.7% of all businesses, which are approximately 51,000 enterprises out of a total of 53,000 companies<sup>1</sup>. 32.3% of the respondents indicated that all small business owners in Hawai'i fail to earn sufficient income to create a middleclass standard of living for themselves and their families<sup>2</sup>. The percentages for O'ahu were 26.2% and for the Neighbor Islands 36.4%. "It is ironic that small businesses, which drive the economy in Hawai'i for the benefit of all of the state's citizens, do not themselves often fare well," Mleynek said.

This finding is one of many facts that emerge from this survey of the perceptions of small business owners in Hawai'i.

### **More than 1,600 small businesses have had employees called up for service in Iraq**

When asked whether the National Guard or Reserves had called up any of their employees to serve in Iraq, 3.2% of the respondents (approximately 1,600 companies in Hawai'i) answered that they had one to two employees called up. Of these small businesses, 62.4% (nearly 1,000 companies) said that the call-up of their employee(s) created somewhat of a hardship (37.5%); a lot of hardship (18.7%); or extreme hardship (6.2%) for the business.

### **2004 Revenues Up**

Not surprisingly, given the upturn in Hawai'i's economy, 45.9% of the respondents indicated that their sales in 2004 had increased (36.9%) or even increased greatly (8.9%). However, 13.6% said their sales had decreased. The small business owners attributed the positive impacts on their businesses to increased customer demand (48.9%), increased knowledge about how to operate a business (46.0%), reduced operating costs (20.5%), and increased Internet sales (11.4%). Negative impacts included increased operating costs (60.6%), employer-paid payroll taxes and medical insurance (42.6%), increased competition (34.5%), and excessive governmental rules and regulations (30.8%).

### **Optimism for 2005**

For 2005, 59.2% of the businesses surveyed said they projected their sales to increase in 2005. They also said that they expected to hire additional employees (36.5%), make a capital investment in their business (26.0%), and develop a new product line (20.9%). This optimism seems to be based upon their belief that Hawai'i's economy will improve in 2005 (47.5%). Given the economy's robust performance in 2004, perhaps what is surprising is that the optimism is not greater—43.4% believe the economy will stay the same (35.3%) or worsen (9.1%). This dampened enthusiasm may be due to the fact that during the strongly performing economy in 2004, a sizable number of businesses (46.3%) saw their sales stay the same (32.7%), decrease (11.8%), or decrease greatly (1.8%). For those companies planning to hire new employees, 27.8% of the surveyed firms said that in 2004 they had some difficulty in hiring qualified employees (9.3%) or even found hiring qualified employees to be very difficult (18.5%).

<sup>1</sup> - According to 2005 figures from Dunn & Bradstreet.

<sup>2</sup> - This number is based on statistics from Dunn & Bradstreet for 2005 that indicate there are 53,000 businesses in Hawai'i. 96.7% of these are small businesses according to the SBA Office of Advocacy.

## Survey Results

Excluding all other income you may personally receive, was your business in 2004 sufficiently profitable to provide you and your family with a middleclass or better income through a combination of salary and profit?

Response	Statewide	Neighbor Islands	O'ahu
Yes	60.7%	58.0%	64.9%
No	32.3%	36.4%	26.2%
No Response	6.9%	5.6%	8.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: There are approximately 51,000 small businesses in Hawai'i. Of these, approximately 16,400 do not provide a middleclass living for their owners. *This number is based on statistics from Dunn & Bradstreet for 2005 that indicate there are 53,000 businesses in Hawai'i. 96.7% of these are small businesses according to the SBA Office of Advocacy.*

Have any of your employees been called up by the National Guard or Reserves to serve in Iraq?

Response	Statewide	Neighbor Islands	O'ahu
Yes	3.2%	2.3%	4.5%
No	96.2%	97.0%	95.0%
No Response	0.6%	0.7%	0.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

If you do have employees who were called up for duty in Iraq, to what extent has this created a hardship for your small business?

Response	Statewide	Neighbor Islands	O'ahu
Not at All	31.3%	42.8%	22.2%
A Little Hardship	6.3%	0.0%	11.1%
Somewhat of a Hardship	37.5%	28.6%	44.5%
A Lot of Hardship	18.7%	28.6%	11.1%
Extreme Hardship	6.2%	0.0%	11.1%
No Response	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Did the number of your employees change in 2004?

Response	Statewide	Neighbor Islands	O'ahu
Increased	19.1%	21.0%	16.3%
Decreased	8.1%	8.8%	6.9%
Stayed the Same	70.4%	68.2%	73.8%
No Response	2.4%	2.0%	3.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Was it difficult to find qualified employees?

Response	Statewide	Neighbor Islands	O'ahu
Not at All Difficult	27.8%	32.1%	21.3%
Not Very Difficult	22.5%	23.9%	20.3%
Somewhat Difficult	9.3%	7.6%	11.9%
Very Difficult	18.5%	19.0%	17.8%
No Response	21.9%	17.4%	28.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Did your sales/revenues change in 2004?

Response	Statewide	Neighbor Islands	O'ahu
Increased Greatly	8.9%	9.2%	8.4%
Increased	36.9%	40.0%	32.2%
Stayed the Same	32.7%	30.2%	36.6%
Decreased	11.8%	10.2%	14.4%
Decreased Greatly	1.8%	1.8%	1.5%
No Response	7.9%	8.6%	6.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Hawai'i Small Business Development Center State of Small Business Survey: Hawai'i 2005

Which of the following had a significant positive impact on your business in 2004?

Response	Statewide	Neighbor Islands	O'ahu
Lack of Competition	16.8%	16.4%	17.3%
Reduced Operating Costs	20.5%	20.7%	20.3%
Increased Customer Demand	48.9%	54.1%	41.1%
Increased Internet Sales	11.4%	11.8%	10.9%
Government Procurement	8.3%	7.2%	9.9%
Government loans/grants	3.7%	4.3%	3.0%
Government Consulting	4.1%	4.9%	3.0%
Increased Knowledge	46.0%	50.2%	39.6%

Which of the following had a significant negative impact on your business in 2004?

Response	Statewide	Neighbor Islands	O'ahu
Increased Competition	34.5%	34.1%	35.1%
Increased Operating Costs	60.6%	65.2%	53.5%
Decreased Customer Demand	16.8%	16.4%	17.3%
Excessive Governmental Rules/Regulations	30.8%	32.5%	28.2%
Inability to Obtain Capital/Loans	10.3%	11.1%	8.9%
Lack of Knowledge	15.4%	13.4%	18.3%
Employer Paid Payroll Taxes and Medical Insurance	42.6%	40.3%	46.0%

Did your business apply for a loan in 2004?

Response	Statewide	Neighbor Islands	O'ahu
Yes	13.2%	12.4%	14.4%
No	81.3%	82.0%	80.2%
No Response	5.5%	5.6%	5.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

If so, did your business receive the loan?

Response	Statewide	Neighbor Islands	O'ahu
Yes	79.1%	86.9%	69.0%
No	19.4%	10.5%	31.0%
No Response	1.5%	2.6%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Do you project a change in sales/revenues for 2005?

Response	Statewide	Neighbor Islands	O'ahu
Increase Greatly	14.0%	14.7%	12.9%
Increase	45.2%	49.8%	38.1%
Stay the Same	30.0%	25.3%	37.1%
Decrease	4.7%	4.3%	5.5%
Decrease Greatly	0.6%	0.3%	1.0%
No Response	5.5%	5.6%	5.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Do you project that your business will engage in any of the following activities in 2005?

Response	Statewide	Neighbor Islands	O'ahu
Make a Capital Investment	26.0%	34.1%	19.8%
Develop a New Product Line	20.9%	65.2%	68.8%
Hire Additional Employees	36.5%	16.4%	11.4%

Will the state of Hawai'i's economy in 2005 improve, worsen or stay the same?

Response	Statewide	Neighbor Islands	O'ahu
Improve	47.5%	49.8%	44.1%
Worsen	8.1%	6.9%	9.9%
Stay the Same	35.3%	32.1%	40.1%
No Response	9.1%	11.2%	5.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Will your county's economy in 2005 improve, worsen or stay the same?

Response	Statewide	Neighbor Islands	O'ahu
Improve	44.0%	46.9%	39.6%
Worsen	9.1%	6.9%	11.9%
Stay the Same	38.4%	32.1%	39.1%
No Response	8.5%	11.1%	9.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Hawai'i Small Business Development Center State of Small Business Survey: Hawai'i 2005

If you had the opportunity to obtain free consulting for your business from highly trained and experienced, professional management consultants, would you take advantage of that opportunity?

Response	Statewide	Neighbor Islands	O'ahu
Yes	47.1%	52.5%	39.1%
No	45.0%	40.0%	52.5%
No Response	7.9%	7.5%	8.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

How many years has your business been in operation?

Response	Statewide	Neighbor Islands	O'ahu
1 to 5 years	21.7%	24.9%	17.3%
6 to 12 years	24.5%	25.9%	22.3%
13 to 20 years	24.6%	25.6%	23.8%
21 years or more	29.2%	23.6%	36.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

What were your gross sales for 2004?

Response	Statewide	Neighbor Islands	O'ahu
Less than \$250,000	29.6%	29.8%	29.2%
\$250,000 but less than \$500,000	13.6%	12.5%	15.3%
\$500,000 but less than \$1 million	9.5%	10.2%	8.4%
\$1 million but less than \$2 million	8.9%	6.6%	12.4%
\$2 million but less than \$5 million	3.9%	3.6%	4.5%
Over \$5 million	3.1%	2.9%	3.5%
No Response	31.4%	34.4%	26.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

In which of the following types of activities is your business involved?

Response	Statewide	Neighbor Islands	O'ahu
Exporting to Foreign Countries	4.5%	3.0%	6.9%
Importing from Foreign Countries	10.1%	8.9%	11.9%
Internet Marketing	20.3%	23.3%	15.8%
Internet Selling	14.2%	15.4%	12.4%
Government Procurement	11.6%	8.9%	15.8%
Manufacturing	10.5%	9.8%	11.4%
Tourism	27.8%	32.5%	20.8%

The Hawai'i Small Business Development Center Network is a partnership program with the University of Hawai'i at Hilo and the U.S. Small Business Administration.