2022 Small Business Survey:
Business Planning & Digital Utilization

NSBA
National Small Business Association
Foreword

America’s small businesses are starting to see the light at the end of the tunnel. After nearly three years of unprecedented turmoil, they are slowly recovering from the pandemic and resulting economic downturn, looking to the future with a renewed sense of persistence but now more acutely aware of the unexpected and out-of-their-control changes that can happen in a business. As with most Americans, small businesses have taken stock. They are working in different ways, relying more and more on digital connections and working to ensure their business can survive another major disruption.

The National Small Business Association (NSBA) has conducted this survey of small business about business planning and succession, their utilization of digital tools and what it means to be a small-business owner in today’s world. NSBA is the nation’s oldest small-business advocacy organization, serving its 65,000 members on a staunchly nonpartisan basis. We have members in every state and every industry in the nation and have been an outspoken proponent for policies that promote small-business growth and resilience.

Among the small-business owners surveyed, the overwhelming majority, 67 percent, are the original founder of their business, and 63 percent are the sole owner of the business. Just over half of small-business owners, 59 percent, have a plan to pass on or sell their business when they retire and 50 percent have identified a person to take over the primary management of the business when they’re ready to step down. One-in-four are unsure what they will do with the business when they are ready to retire.

When it comes to exit strategies, mergers and acquisitions are an important piece of the plan. Nearly half of small-business owners, 43 percent, say a merger or acquisition is important to their business exit strategy. Not surprising then, that the majority of small-business owners (59 percent) do NOT support legislative efforts to limit their ability to exit a business via a merger or acquisition.

Small businesses widely agree on the importance of a business plan, however just 74 percent report having one. Most small-business owners, 61 percent, say they personally wrote their business plan and 22 percent say they update it annually.

When asked about digital tools, small-business owners reported high utilization rates of a variety of digital tools and platforms. Furthermore, the overwhelming majority of small-business owners—89 percent—view digital tools and the technology sector positively. Among the top-utilized functions from digital tools: payments, interacting with customers, remote work and increasing productivity. In terms of specific digital tools, three-quarters of small-business owners say they use social media tools like Facebook and Twitter, 62 percent use digital payment platforms like Square or Stax, and 54 percent use marketing and email tools like MailChimp or Constant Contact.

These tools have a significant impact on how small-business owners run and plan for their business and the majority, 61 percent, say that digital tools have contributed to the growth of their business.

This survey was conducted online among 523 small businesses across the country May 23 – June 27. We hope you find the data in this report useful. Please contact the NSBA media affairs department with questions.

Sincerely,

Todd McCracken
NSBA President

Michael Stanek
NSBA Chair
Please describe how you came to run your business.

- I STARTED IT BY MYSELF / ORIGINAL FOUNDER: 66.73%
- I PURCHASED IT AS AN ALREADY EXISTING BUSINESS: 8%
- I STARTED IT WITH A FAMILY MEMBER: 6%
- I INHERITED THE BUSINESS: 5%
- I AM A NON-OWNING HEAD OF THE COMPANY: 4%
- I STARTED IT WITH A NON-FAMILY MEMBER: 4%
- I AM A PARTIAL OWNER: 2%
- I OPENED A FRANCHISE BUSINESS: 1%
- OTHER: 3%

How many other co-owners are currently part of your business?

- 1 – I AM THE SOLE OWNER: 63%
- 2-4: 29%
- MORE THAN 5: 7%
- ESOP: 1%
**Do you plan to pass on or sell your business when you are unable to work and/or ready to leave the business?**

- Yes: 59%
- No: 17%
- Not sure: 24%

**Have you already identified an interested person to take over the primary management of the business?**

- **YES, A FAMILY MEMBER**: 50%
- **YES, A CURRENT EMPLOYEE OF THE BUSINESS**: 23%
- **YES, AN UNAFFILIATED PERSON HAS EXPRESSED INTEREST**: 3%
- **YES, ANOTHER COMPANY HAS EXPRESSED INTEREST**: 5%
- **NO – I PLAN TO HIRE AN EXTERNAL PRESIDENT TO TAKE OVER**: 7%
- **NO PLAN YET**: 13%
### Business Succession

#### Have you developed a business succession/continuity plan?

- **Yes**: 39%
- **No**: 61%

#### If you haven’t developed a business succession plan, why?

- **My business is relatively new**: 32%
- **I haven’t had time to develop a plan**: 21%
- **I do not plan to retire any time soon**: 20%
- **I am happy running my business**: 6%
- **I don’t have a family member or employee who can take over**: 6%
- **I don’t anticipate my business will continue once I retire**: 5%
- **Other (please specify)**: 11%
What is the primary reason you developed a succession/exit plan?

- **IT IS SIMPLY A PART OF RUNNING MY BUSINESS**: 36%
- **DESIRE FOR MY BUSINESS TO CONTINUE**: 25%
- **I AM NEARING RETIREMENT AGE**: 20%
- **TAKING CARE OF EMPLOYEES AND CUSTOMERS**: 10%
- **OTHER (PLEASE SPECIFY)**: 5%
- **I HAVE RECEIVED PURCHASE OFFERS FOR MY COMPANY**: 3%
- **DESIRE TO GO IN A NEW DIRECTION**: 1%
- **I AM DISSATISFIED WITH MY COMPANY’S PROFITS**: 1%

How are you funding the succession/exit plan?

- **IT IS PART OF OUR GENERAL OPERATING FUNDS**: 41%
- **I WILL SEEK EXTERNAL FINANCING**: 18%
- **I HAVE SAVED MONEY FOR THE PROCESS**: 16%
- **OTHER**: 24%
Less than half of small-business owners have developed a business succession/continuity plan.
Mergers & Acquisitions

How important will a merger or acquisition be to your business exit strategy?

- Important: 43%
- Not Important: 36%
- No Opinion: 21%

In general, how supportive would you be of legislation that increases the barriers to exit via mergers or acquisitions?

- Strongly Support: 12%
- Somewhat Support: 5%
- Neither Support Nor Oppose: 24%
- Somewhat Unsupportive: 13%
- Strongly Unsupportive: 46%
Please check all true statements with regards to your business plan.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I PERSONALLY DID IT</td>
<td>61%</td>
</tr>
<tr>
<td>A MEMBER OF MY STAFF DID IT</td>
<td>6%</td>
</tr>
<tr>
<td>I HIRED AN OUTSIDE ORGANIZATION TO WRITE IT</td>
<td>10%</td>
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<tr>
<td>IT IS UPDATED ANNUALLY</td>
<td>22%</td>
</tr>
<tr>
<td>I USE IT ONLY FOR FINANCING NEEDS</td>
<td>10%</td>
</tr>
<tr>
<td>IT INCLUDES MY BUSINESS SUCCESSION PLAN</td>
<td>11%</td>
</tr>
<tr>
<td>I DON’T HAVE A FORMAL BUSINESS PLAN</td>
<td>26%</td>
</tr>
<tr>
<td>I USE OUR ANNUAL BUDGET AS THE BUSINESS PLAN</td>
<td>14%</td>
</tr>
</tbody>
</table>

74 percent of small-business owners have a business plan – 61 percent say they personally wrote it.
Have you conducted a business valuation in...

- **THE LAST 2 YEARS**: 30%
- **THE LAST 5 YEARS**: 10%
- **THE LAST 10 YEARS**: 5%
- **NEVER**: 54%

Do you anticipate the following taxes will impact selling or passing-down your business?

- **INCOME TAX**: 45% (Yes), 29% (No), 27% (Not sure)
- **GIFT TAX**: 46% (Yes), 33% (No), 21% (Not sure)
- **GENERATION-SKIPPING TAX**: 44% (Yes), 40% (No), 15% (Not sure)
- **ESTATE TAX**: 40% (Yes), 35% (No), 36% (Not sure)
- **CAPITAL GAINS TAX**: 43% (Yes), 25% (No), 32% (Not sure)
Digital Business Tools

How do you utilize digital tools in your business? (check all that apply)

- To Send and Receive Digital Payments: 78%
- To Interact with Customers and Market My Business Online: 77%
- To Work Remotely and Sustain Business Operations: 66%
- To Cut Costs, Automate Business Processes, and Be More Productive: 61%
- To Simplify Interaction with Private Institutions and Government: 48%
- I Don’t Utilize Digital Tools in My Business: 4%
- Other: 5%

What digital tools do you utilize in your business? (check all that apply)

- Social Media and Online Advertising (Facebook, Instagram, Twitter, etc.): 75%
- Digital Payments (Square, Stripe, etc.): 62%
- Marketing and Email (Mailchimp, Constant Contact, etc.): 54%
- Customer Relationship Management Software (Salesforce, SAP, Oracle, etc.): 40%
- E-Commerce (Amazon, Etsy, Shopify, etc.): 36%
- Other (Please Specify): 14%
Digital Business Tools

How much have digital tools contributed to the growth of your business (revenue, employees, etc.)?

- Digital tools have significantly contributed to the growth of my business: 24%
- Digital tools have moderately contributed to the growth of my business: 37%
- The impact has not been noticeable: 35%
- Digital tools have caused the growth of my business to decline: 4%

In general, how do you view digital tools and the technology sector?

- Very positive: 53%
- Somewhat positive: 36%
- No opinion: 7%
- Somewhat negative: 4%
- Very negative: 0%
Demographics

Which of the following best describes the structure of your business?

- C-Corp: 15%
- S-Corp: 29%
- Sole Proprietorship: 7%
- LLC: 44%
- Nonprofit: 4%

How many total full-time personnel are currently employed by your business?

- 0: 15%
- 1 to 5: 46%
- 6 to 10: 11%
- 11 to 20: 11%
- 21 to 100: 15%
- 101 to 500: 2%

How many years has your firm been in business?

- Less than 1 year: 6%
- 1 to 5 years: 29%
- 6 to 10 years: 20%
- More than 11 years: 46%

What were your gross sales or revenues for your most recent fiscal year?

- Less than $100,000: 29%
- $100,000 to less than $250,000: 12%
- $250,000 to less than $500,000: 8%
- $500,000 to less than $1,000,000: 11%
- $1,000,000 to less than $5,000,000: 24%
- $5,000,000 to less than $25,000,000: 8%
- $25,000,000 to less than $75,000,000: 2%
- $75,000,000 or more: 2%
- N/A: 5%
Demographics

Which of the following best describes the industry or sector in which your business operates?

- Professional, Scientific and Technical Services (54): 24%
- Construction (23): 9%
- Manufacturing (31-33): 9%
- Other Services (Except Public Administration) (81): 9%
- Retail Trade (44-45): 5%
- Information (51): 5%
- Health Care and Social Assistance (62): 4%
- Transportation and Warehousing (48-49): 4%
- Finance & Insurance (52): 4%
- Educational Services (61): 3%
- Agriculture, Forestry, Fishing and Hunting (11): 3%
- Wholesale Trade (42): 3%
- Management of Companies and Enterprises (55): 3%
- Administrative, Support, Waste Management and Remediation (56): 3%
- Arts, Entertainment, and Recreation (71): 3%
- Utilities (22): 2%
- Accommodation and Food Services (72): 2%
- Real Estate, Rental and Leasing (53): 2%
- All other sectors: 1%

Are you engaged at all in the federal contracting marketplace? (check all that apply)

- Yes – I am a Prime Contractor: 16%
- Yes – I am a Subcontractor: 8%
- Yes – I am registered but no contracts yet: 50%
- No: 26%
Demographics

In what state or U.S. territory is your company currently headquartered?

- NEW ENGLAND (CONNECTICUT, MAINE, MASSACHUSETTS, NEW HAMPSHIRE, RHODE ISLAND, VERMONT) 4%
- MID- ATLANTIC (DELAWARE, DISTRICT OF COLUMBIA, MARYLAND, NEW YORK, NEW JERSEY, PENNSYLVANIA, VIRGINIA, WEST VIRGINIA) 23%
- GREAT LAKES (ILLINOIS, INDIANA, MICHIGAN, MINNESOTA, OHIO, WISCONSIN) 12%
- FARM BELT (IOWA, KANSAS, MISSOURI, NORTH DAKOTA, NEBRASKA, SOUTH DAKOTA) 5%
- SOUTH (ALABAMA, ARKANSAS, FLORIDA, GEORGIA, KENTUCKY, LOUISIANA, MISSISSIPPI, NORTH CAROLINA, OKLAHOMA, SOUTH CAROLINA, TENNESSEE, TEXAS) 35%
- MOUNTAIN (ARIZONA, COLORADO, IDAHO, MONTANA, NEVADA, NEW MEXICO, UTAH, WYOMING) 9%
- PACIFIC (ALASKA, CALIFORNIA, HAWAII, OREGON, WASHINGTON) 11%
- U.S. TERRITORIES (GUAM, PUERTO RICO, VIRGIN ISLANDS) 1%

Methodology: This survey was conducted online among 523 small businesses across the country May 23 – June 27. Please contact the NSBA media affairs department with questions.