

**Executive Analysis of Online Research
for The Alternative Board
Small Business Survey (December 2011)**



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EXECUTIVE SUMMARY

SymAction surveyed 300 business owners – half were TAB members, half were non-members – in December of 2011. They found stark differences across membership, duration in business, total revenue and several other variables.

TAB has a wealth of research findings to share with respondents as promised. Some of these key findings will generate considerable buzz among various media outlets – including HR, staffing, financial services, government, entrepreneurial, small business, industry trades and general business.

But the greatest value of this survey lies in the internal revelations.

Here are the Top Five findings to support the value of a TAB membership, including the advisory board:

- 1) 71% of TAB members believe their profitability in 2012 will increase up to 10% as a result of being part of an advisory board. 73% of non-members project up to a 10% increase in profits if they joined an advisory board.
- 2) Among those who reported an increase in profits last year (2011), 60% of them were TAB members.
- 3) 67% of TAB members trust their advisory board most to provide overall business advice.
- 4) TAB members top two reasons for valuing their advisory board are “their experience handling similar challenges” (47%) and their objective assessment of my company’s strengths and shortcomings” (44%).
- 5) TAB members overwhelmingly support the argument (by 92%) that they can learn from decisions in different industries (through their advisory board) in order to make better business decisions.

A few interesting highlights about the respondents:

- 85% of total respondents have family-owned businesses
- 68% identify themselves as the owner, 18% as President
- 24% work in professional, scientific or technical services, 18% in retail trade, 14% in construction, 13% in manufacturing and 6% in wholesale trade.
- 57% have two to nine full-time employees, 32% have 10 to 24 full-time employees.
- Only 2% of respondents would not join an advisory board of colleagues from non-competing industries

Here are the key findings from our quantitative research.

- 1) **Confident in the inherent value of an advisory board.** Business owners universally anticipate a sizable increase in profitability as a result of joining an advisory board. 25% of non-members actually project an increase of 11% or more in profits, compared to 19% of surveyed TAB members. Members' projections may be lower because they have a more precise frame of reference.

<i>How much do you believe that your profitability would increase over the next year as a result of being part of an advisory board of business owners?</i>	Total	TAB Members	Non-Members
1% to 5%	51%	46%	56%
6% to 10%	22%	25%	19%
11% to 20%	18%	12%	25%
21% or more	4%	7%	0%
It would have no effect	5%	10%	0%

Owners who have been in business for one to three years have a much higher projection for revenue growth, as a result of joining an advisory board, than owners who have been in business longer.

<i>How much do you believe that your revenue growth would increase over the next year as a result of being part of an advisory board of business owners?</i>	Total	In Business 1-3 years	In Business 4-7 years	In Business 8+ years
1% to 5%	35%	50%	23%	37%
6% to 10%	32%	50%	35%	31%
11% to 20%	3%	0%	6%	2%
21% or more	6%	0%	6%	6%
It would have no effect	25%	0%	30%	24%

- 2) **The fear of sharing sensitive information is holding them back, and holding you back.** No other obstacle is greater when introducing owners to a TAB advisory board. The value of information has never been higher, nor has the vulnerability of information. It's a universal concern – 69% among Canadian business owners, 64% overall.

<i>What would concern you most about interacting with these local non-competing business owners?</i>	Total	TAB Members	Non-Members
Sharing sensitive information about my company	64%	62%	65%
Being vulnerable to the mistakes I've made	21%	27%	15%
Having outsiders give me advice	15%	11%	20%

Among business owners who consider “access to credit/capital” to be their top financial challenge, “sharing sensitive information” is their top concern (72%). Among those who have been in business for one to three years, “having outsiders give me advice” is top choice at 45%, much higher than the overall average of 16%. In that same group, “being vulnerable to the mistakes I’ve made” is considerably higher (33%) than the overall average of 21%.

- 3) **Advisory boards add the most value for TAB members, but the value proposition needs to improve among non-members.** Clearly, we’ve convinced members that a group of non-competing businesses can help them make better decisions and lead to stronger results. When asked which resources can help overcome key business challenges, 56% of TAB members place the advisory board in their Top Two, compared to only 26% of non-members.

The most unique pick among non-members is the reliance on trusted family and friends. 38% of non-members cite this resource in their Top Two, compared to only 8% among TAB members. The key here is trust. Without knowing much about TAB advisory boards, the average business owner will side with the safer option.

All respondents view their employees as a universally important resource. Business owners are accustomed to tapping the people who have helped to build their companies and who understand the challenges ahead.

<i>Which of the following resources would you consider most valuable to your business when it comes to overcoming key challenges? (Top Two Choices)</i>	Total	TAB Members	Non-Members
Employees	53%	45%	62%
Advisory Board of Business Experts	41%	56%	26%
Leadership/Management Consultant	22%	27%	18%
Marketing/PR/Advertising Consultant	16%	20%	12%
Trusted Family and Friends	23%	8%	38%
Workshops/Seminars/Webinars	8%	8%	9%
Accountant or Attorney	11%	14%	9%
Business Books/Magazines/Journals	7%	6%	9%
Technical/Operations Consultant	8%	8%	9%
Board of Directors	7%	8%	6%

When the emphasis shifts from “key challenges” to “overall business advice,” business owners place an even higher value on the advisory board. Non-members’ trust is higher as well while employees are less significant of a resource.

<i>Who would you trust most to provide overall business advice (Top Two Choices)</i>	Total	TAB Members	Non-Members
Advisory Board of Business Experts	48%	67%	29%
Leadership/Management Consultant	27%	37%	18%
Trusted Family and Friends	31%	14%	47%
Accountant or Attorney	24%	28%	21%
Employees	25%	14%	35%
Board of Directors	13%	15%	11%
Workshops/Seminars/Webinars	8%	5%	12%
Business Books/Magazines/Journals	8%	8%	9%
Marketing/PR/Advertising Consultant	6%	9%	3%
Technical/Operations Consultant	5%	2%	9%

One notable difference below is the higher trust that non-members (12%) place in workshops, seminars and webinars than members (5%).

- 4) **Telling it like it is.** The unique backgrounds on any given advisory board can certainly offer members a fresh perspective, and it may even provide solutions that matter to their bottom line. But the most important dynamic throughout these discussions is having honest feedback – from people who say what they mean and mean what they say. The more we encourage “straight talk,” the better we can improve their businesses.

The preference among non-members to have a “fresh perspective” (second highest choice) suggest that they want an advisory to teach them something that they don’t already know. Non-members need a stronger assurance that they’re paying for something that they have not yet tried – and something that may potentially make a difference.

<i>If you were participating on an advisory board of local non-competing business owners, asking each other rough, honest and specific questions about improving your businesses, what would be the most important to have in that discussion?</i>	Total	TAB Members	Non-Members
Honest Feedback	30%	33%	29%
Fresh Perspective	20%	20%	21%
Actionable Ideas	20%	22%	18%
Real Solutions	17%	13%	21%
Open Collaboration	12%	12%	12%

- 5) **Diverse backgrounds on an advisory board adds value.** We tested the two statements below, in order to see whether business owners could apply the lessons learned across platforms. Members and non-members are more likely to see the benefits of TAB's current advisory board structure.

<i>Which of the following statements do you agree with most?</i>	Total	TAB Members	Non-Members
When you examine businesses, even in different industries, it's clear that they face very similar challenges. When I see someone making good decisions or even poor decisions, I can learn from those decisions to improve my own business. That's valuable knowledge.	81%	92%	71%
Comparing businesses across different platforms does very little for me. Their goals are different, their employees are different, their customers are different. The best way for me to learn and grow is to hear from people in my own industry, those who know what it's like to be in my shoes.	19%	8%	29%

- 6) **Walking in their shoes.** Business owners universally want an advisory board to be comprised of colleagues who have overcome the same challenges that they are facing. Having an objective assessment of strengths and shortcomings is more important among members, who probably have witnessed the benefits of such objectivity.

<i>If you joined an advisory board of non-competing business owners to receive strategic guidance on strengthening your business, what would you value most about meeting with them? (Top Two Choices)</i>	Total	TAB Members	Non-Members
Their experience handling similar challenges	51%	47%	56%
Their objective assessment of my company's strengths and shortcomings	34%	44%	24%
The practical use of their recommendations	35%	36%	35%
The innovative nature of their ideas	22%	20%	24%
Their leadership abilities	17%	11%	24%
Having a certified facilitator at every board meeting to guide the discussions and help me with strategic planning	13%	17%	9%
The emotional support to survive the highs and lows of business	10%	11%	9%
The financial success of their own companies	7%	9%	6%
The fact that they don't compete with my business	6%	4%	9%
I wouldn't join this type of advisory board	2%	1%	3%

Newer businesses place an even higher value on an advisory board’s experience handling similar challenges (78%). They’re also more attentive to the fact the board is not comprised of competing businesses – 45% of new businesses chose it among their top two, compared to only 6% overall.

<i>If you joined an advisory board of non-competing business owners to receive strategic guidance on strengthening your business, what would you value most about meeting with them? (Top Two Choices)</i>	In Business 1-3 years	In Business 4-7 years	In Business 8+ years
Their experience handling similar challenges	78%	66%	48%
Their objective assessment of my company’s strengths and shortcomings	0%	47%	33%
The practical use of their recommendations	22%	29%	37%
The innovative nature of their ideas	33%	3%	25%
Their leadership abilities	11%	3%	20%
Having a certified facilitator at every board meeting to guide the discussions and help me with strategic planning	0%	13%	14%
The emotional support to survive the highs and lows of business	0%	5%	11%
The financial success of their own companies	11%	13%	6%
The fact that they don’t compete with my business	45%	0%	6%
I wouldn’t join this type of advisory board	0%	11%	0%

- 7) **Getting the right talent in the door.** Record levels of unemployment have not changed the fact that employee mobility is high and loyalty is low. Business owners may have a large talent pool from which to choose, but “finding the most qualified employees” is their top staffing challenge.

<i>Which of the following staffing challenges facing business concerns you the most?</i>	Total
Finding the most qualified employees	38%
Training and developing employees	24%
Retaining the most qualified employees	24%
Providing competitive employee benefits	14%

- 8) **Help them find more people like them.** Let’s face it. These business owners love what they do. They’re driven by a deeper motivation, one that requires a vested interest and a longstanding commitment. When they’re looking to grow their business by expanding their payroll, there’s one ingredient that makes an employee most valuable. Passion. And the more you help them determine which candidates will have the passion for that business, the stronger TAB’s value proposition will become. Non-members value “smarter people” a bit higher than “passionate people.”

<i>When it comes to your employees, what is most important to you? Hiring ...?</i>	Total	TAB Members	Non-Members
More passionate people	30%	36%	24%
Better people	26%	32%	21%
Smarter people	19%	12%	26%
More assertive people	15%	9%	21%
More creative people	9%	10%	9%

- 9) **The best advice – developing a winning sales and marketing strategy.** The reason why TAB members pick leadership coaching as a close second is the exposure that they receive of our leadership coaching practices through our advisory boards. But it should encourage us to see that 68% of non-members want an advisory service that we already provide in great depth.

<i>Which of the following advisory services do you believe would help you personally as a business owner the most?</i>	Total	TAB Members	Non-Members
Sales/Marketing strategy	54%	40%	68%
Leadership coaching	30%	43%	18%
Social media integration	7%	9%	6%
Technology/operation	7%	8%	6%
Government compliance reviews	2%	1%	3%

- 10) **Emphasize leadership before it’s too late.** The longer they’ve been in business, the less likely they prioritize leadership coaching as the most important advisory service. Owners who have been in business for 1-3 years favor leadership coaching (48%) over sales/marketing strategy (41%), compared to those in business for 8 or more years favoring sales/marketing strategy (58%) over leadership coaching (28%). We need to capture their attention on this issue before they become set in their leadership style (or lack thereof).

<i>Which of the following advisory services do you believe would help you personally as a business owner the most?</i>	In Business 1-3 years	In Business 4-7 years	In Business 8+ years
Sales/Marketing strategy	41%	62%	58%
Leadership coaching	48%	21%	28%

- 11) **Members want growth, non-members want capital – separated by revenue.** When asked which financial challenge concerns them the most, non-members are finding it tougher to access capital. But members overwhelmingly believe that “managing growth” is a far greater financial challenge.

<i>Which of the following financial challenges facing business concerns you the most?</i>	Total	TAB Members	Non-Members
Access to credit/capital	31%	24%	38%
Government regulation and compliance	30%	34%	26%
Managing growth	27%	34%	21%
Containing energy costs	11%	8%	15%

This gap is primarily attributed to revenue. Among business owners with \$500K to \$1M in revenue, 66% were non-members. Conversely, among those \$3M to \$5M in revenue, 66% were TAB members.

<i>Revenue Splits among business owners</i>	\$500K - \$1M	\$1M - \$3M	\$3M - \$5M	\$5M - \$6M
TAB Members	34%	54%	66%	60%
Non-Members	66%	46%	34%	40%

- 12) **Reeling from an overregulated business climate.** Among the top two threats facing U.S. small businesses, members and non-members pointed to government regulations, sluggish demand, and availability of capital. Sluggish demand may not be a suitable topic to energize business owners. However, TAB can captivate them with solutions that decrease their exposure to excessive regulations, and those that increase borrowing prospects.

Availability of capital was higher among non-members (33%), likely attributed to the fact that there were more non-members in the \$500K to \$1M revenue tier. But they universally agree that government regulations (39% among members, 37% among non-members) are placing a tremendous strain on them.

<i>What do you consider to be the biggest threat to U.S. small businesses? (Top Two Choices)</i>	TAB Members	Non-Members
Sluggish Demand	31%	47%
Government Regulations	39%	37%
Availability of Credit/Capital	28%	33%
Taxes	19%	23%
Unemployment	22%	17%
Greater Competition	12%	17%
Failure to attract top talent	8%	0%

The difference between nations is significant. U.S. business owners feel much more overwhelmed by government regulations and fewer borrowing options. Canadian business owners picked

“failure to attract top talent in far greater numbers – it was actually the second highest threat. Changing your empathic tone is critical between these nations.

<i>What do you consider to be the biggest threat to small businesses? (Top Two Choices)</i>	U.S.	Canada
Sluggish Demand	39%	49%
Government Regulations	38%	23%
Availability of Credit/Capital	31%	26%
Taxes	21%	23%
Unemployment	19%	3%
Greater Competition	14%	9%
Failure to attract top talent	4%	31%

- 13) **Feeling the cost strain.** Costs were not passed onto consumers comparably over the last year. The increase in the price of their products and services was not nearly as high as key cost drivers. 44% of total respondents stated that prices increased in 2011 while benefits costs increased for 66% and salaries/raises increased for 54%. It gets to the very heart of what keeps business owners awake at night. “Yes, we’re reeling from tough times and higher costs, but do we really want to risk losing our customer base by forcing them to pay for our financial struggles?”
- 14) **The health care topic is alive and well.** When 86% of U.S. business owners tell you that health care costs increased in 2011, you can be sure that it’s weighing heavily on their minds. Even if we can’t change national health care laws, we can certainly allow these business owners to have their voices heard.

<i>Over the last year, would you say that health care costs have ...? (U.S. only)</i>	In Business 1-3 years	In Business 4-7 years	In Business 8+ years
Increased	72%	79%	87%
Decreased	6%	6%	6%
No change at all	6%	6%	4%

- 15) **Local economy on the rise.** Business owners have seen improvements in the local economy over the last year – 62% among members and 44% among non-members. But even more encouraging is their economic forecast. Two-thirds of respondents universally see the local economy doing better by next year – whether by membership status or even country (U.S./Canada).

- 16) **Be wary of the pessimistic ones.** Among business owners who see the economy getting worse, it's nearly an even split. Only 51% of them believe they can learn from businesses in different industries. A more pessimistic member or prospect is less likely to be open to learning across platforms. If you know that an owner has a negative outlook for the economy, we may face a tougher battle in assimilating them into a diverse advisory board.

<i>Which of the following statements do you agree with most?</i>	Economy Getting Better	Economy Getting Worse
When you examine businesses, even in different industries, it's clear that they face very similar challenges. When I see someone making good decisions or even poor decisions, I can learn from those decisions to improve my own business. That's valuable knowledge.	80%	51%
Comparing businesses across different platforms does very little for me. Their goals are different, their employees are different, their customers are different. The best way for me to learn and grow is to hear from people in my own industry, those who know what it's like to be in my shoes.	20%	49%

- 17) **Better days for TAB members and newer businesses.** TAB members enjoyed much greater financial success than non-members. Only 38% of members reported that profits decreased over the last year, compared to 56% of non-members. An even more notable trend was the lower profitability among more established businesses.

<i>Please state whether profits have ... over the last year.</i>	Total	In Business 1-3 years	In Business 4-7 years	In Business 8+ years
Increased	44%	78%	34%	44%
Decreased	47%	11%	63%	47%
No change at all	9%	11%	3%	9%

- 18) **Family comes first.** If they own a family business, then it’s more likely that “family-owned” matters (67% to 33%). And since the overwhelming majority of members and prospects are family-owned, TAB needs to integrate this theme whenever possible. Even more reassuring, yet not surprising, is how this value grows over time. The longer they’ve been in business, the more important it is to have a family-owned enterprise. 62% of owners in business for eight or more years consider “family-owned” important, compared to 34% of owners in business for four to seven years, and 33% of those in business for one to three years.

<i>How important is it to you that your current business is family owned?</i>	Total	In Business 1-3 years	In Business 4-7 years	In Business 8+ years
Important (Net)	57%	33%	34%	62%
Not Important (Net)	28%	67%	24%	27%
My business is not family-owned	15%	0%	42%	11%