

**Forbes**  
INSIGHTS

# SMALL BUSINESS AGENDA

HARNESSING TECHNOLOGY FOR GROWTH



IN ASSOCIATION WITH: **COX**  
Business®

# CONTENTS

Executive Summary .....	2
Key Findings.....	2
Who Is Today's Small Business Owner?.....	3
How Are Businesses Arranging Their Work? .....	4
How Does Technology Enable Small Businesses? .....	7
How Does Your Business Grow? .....	10
What Is the Future of Growth? .....	12
Conclusion .....	13
Acknowledgments.....	13
Methodology.....	13

## EXECUTIVE SUMMARY

Small businesses are the backbone of the American economy. According to the Small Business Administration, there are 28 million small businesses (with 500 or fewer employees) in the United States, representing 54% of all U.S. sales. These small businesses represent 49.2% of all employment and 64% of net new jobs in the private sector.<sup>1</sup>

Forbes Insights and Cox Business recently surveyed 300 executives from the smallest of these small businesses to learn about their work arrangements, growth strategies and how they use technology as a tool for success.

The survey reveals that very small businesses (one to 15 employees) and their owners seek a work arrangement that provides the best advantage to the organization and its stakeholders, and they capitalize on advanced technologies when they are able to understand how it meets their needs. This report analyzes the success and growth of these businesses, the role technology plays and how these executives look at future growth.

## KEY FINDINGS

### EFFECTS OF WORK ARRANGEMENTS:

- Eighty-eight percent of businesses that scaled up from a home office increased their revenues due to improved access to customers and increased operational efficiency.
- Businesses that have more employees working from commercial space or remotely after the transition are most likely to see positive impacts on their employees (60%) and company culture (44%).

### TECHNOLOGY:

- The technology challenge that looms largest when scaling up is understanding changing technology needs and what products and services will meet those needs (31%).
- So far, increased efficiency and cost savings have been the top benefits of technology (40%). It has also been critical for improving marketing and external communications. The next stage is to apply technology for growth.

### GROWTH:

- Customer expectations and needs will have the biggest influence on the growth of small companies in the next three to five years (58%).
- New technologies will be the second most important factor (48%). It is crucial that small business owners get technology right to best satisfy their customers' needs.

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<sup>1</sup>[https://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf)

## WHO IS TODAY'S SMALL BUSINESS OWNER?

Small businesses are the economic engine of this country,” says Stephen Rowley, senior vice president at Cox Business. “I don’t expect that to change. The entrepreneurial spirit is alive and well.”

The drivers behind this economic engine are the small business owners themselves. These individuals choose to create independent businesses and manage their own career destinies. And while there certainly is risk in taking this path (half of all small businesses do not survive their first five years<sup>2</sup>), there are people who are more than willing to face that risk head-on.

Small business owners tend to be stable, with long-established and solid businesses. Aligning with the data from the Small Business Administration, half of the businesses in this

survey are more than five years old, and a third have been around for even longer than that.

These business owners are largely mid-career and older professionals. While small businesses can be innovative and nimble, most small business owners do not fit the media image of the young, brash entrepreneur. The biggest age group of small business owners in the Forbes Insights survey is 35-44 (43%), and eight in 10

are over the age of 35. This survey sample skews slightly younger than all business owners in the U.S. According to the U.S. Census 2012 Survey of Business Owners,<sup>3</sup> half of all business owners are between the ages of 45 and 64.

Three out of five small business owners surveyed report being successful, while recognizing they still have work to do.

*“Small businesses are the economic engine of this country. I don’t expect that to change.”*

—STEPHEN ROWLEY  
SENIOR VICE PRESIDENT,  
COX BUSINESS

<sup>2</sup>[https://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf)

<sup>3</sup>[http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO\\_2012\\_00CSCBO08&prodType=table](http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSCBO08&prodType=table)

# HOW ARE BUSINESSES ARRANGING THEIR WORK?

**W**ork arrangements for small business are as varied as the businesses and their owners themselves. No matter how they start out, businesses evolve to create a work environment that best serves both their employees and customers. For some companies, that means the stability of long-established work arrangements, whether they started working from home or in an office. For others, that means changing the way and place they work to adapt to what is happening in the business today and what is expected in the future.

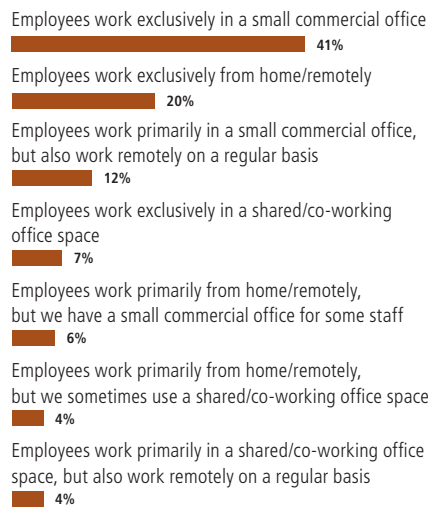
## FLEXIBILITY

Because of the flexibility of having only a few employees, very small businesses have many options for work arrangements, much more so than their larger, small business counterparts or enterprise-level businesses. The most popular work arrangement for those businesses surveyed by Forbes Insights is a small commercial space, followed by having employees who work exclusively from home (Fig. 1). Surprisingly, shared office space or co-working space is not very popular, either as a primary or exclusive work environment, or as part of a flexible system that includes remote work.

Companies that do mix office and remote work must find a balance that works for their employees and customers, and continue to review how well the arrangement works for their business as the market changes.

“We truly have a virtual organization,” says Jim Murphy, chief executive officer and founder of Afterburner, a performance improvement and leadership consulting company.

FIGURE 1. WHICH OF THE FOLLOWING BEST DESCRIBES THE CURRENT WORK ARRANGEMENT FOR YOUR BUSINESS?



“Seventy percent of our workforce is 1099s. There is really no need for brick and mortar; though several years ago we built out a very corporate-like facility where we offered programs and group trainings for our clients. With the rise of virtual training and WebEx, we don’t really use the space all that much, and we now plan to downsize the footprint of our offices.”

For those who choose to work exclusively from home or remotely, that decision is in part based on what works best for their clients, as demonstrated by Performance Methods Inc.,

*“When we started, I thought, what will clients think if we are not in a high-rise? I can assure you though, they couldn’t care less...because we are responsive to their needs and exceed their expectations.”*

—STEVE ANDERSEN  
PRESIDENT AND FOUNDER,  
PERFORMANCE METHODS INC.

a sales and account management consulting firm that was founded 17 years ago as a home-based business.

“A home office environment works best for our people,” says Steve Andersen, president and founder. “It has proven to be effective for our clients and our employees. When we started, I thought, what will clients think if we are not in a high-rise? I can assure you though, they couldn’t care less about what our office arrangement is because we are responsive to their needs and exceed their expectations.”

As customer expectations evolve, businesses are becoming more flexible whenever possible. A third of the business owners surveyed report that in the last five years, their business has grown increasingly more flexible, with more employees working from commercial office spaces, co-working spaces or exclusively remotely.

Almost a quarter of respondents report they have scaled up from a home office to a commercial space. That is the story for AcousticSheep, a manufacturer of headphones designed to improve sleeping. The company, which was named Small Business of the Year by the Consumer Technology

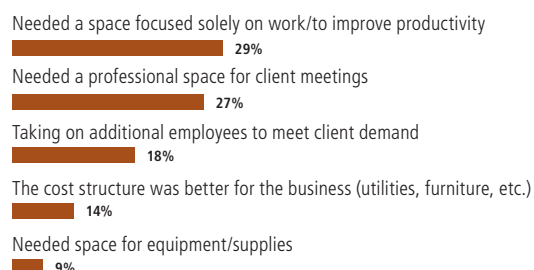
Association in 2015, started in the home of the founders.

“For the first seven years of our business, we worked out of our house,” says Dr. Wei-Shin Lai, chief executive officer of AcousticSheep and co-inventor of their signature headphone product, with her husband. “We had part-timers—sales, customer service, packers—working from our home. Two years ago, we decided to move operations to an office near our home. We noticed that because people were working from home and many had childcare responsibilities or other frequent interruptions, we were not as productive as we wanted. My husband and I still work from home, but I go into the office almost every day.”

Of these businesses that scaled up from a home office, most (84%) report an increase in revenue as a result of the change. This is due to both changes in access to customers and clients (48%) and changes in operational efficiency after expansion (40%).

This need to have a space focused solely on work and to improve productivity is not one experienced by AcousticSheep alone. In fact, it is one of the top two motivations for most companies to move beyond a home office to a commercial office (Fig. 2). Another key motivator is the desire to have a professional space for client meetings, which was a driver for the team at Afterburner to build out a state-of-the-art facility in Atlanta.

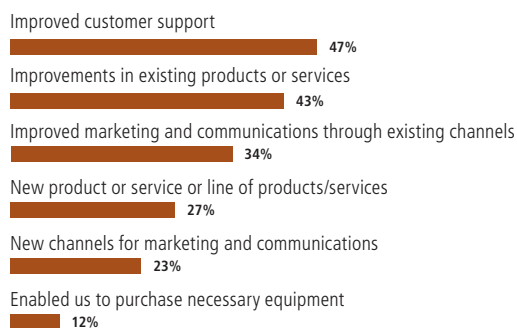
**FIGURE 2. WHAT MOTIVATED YOU TO MOVE BEYOND A HOME OFFICE FOR YOUR BUSINESS TO A PHYSICAL OFFICE SPACE?**



### BENEFITS OF OPERATIONAL CHANGE

Those businesses that changed their operational arrangements reaped the benefits, including improved customer support, improvements in existing products and services, and improved marketing and communication (Fig.3).

FIGURE 3. WHICH OF THE FOLLOWING DID YOU ADD OR IMPROVE FOR YOUR BUSINESS AS A RESULT OF THIS CHANGE IN YOUR OPERATIONAL MODEL?



AcousticSheep was strongly looking to improve customer support, especially as it related to delivering products to its customers.

“Part of the reason we moved to an office space is to have commercial space for packing and shipping,” says Dr. Lai. “That’s obvious, those employees need to be around the product. Then we also decided that the marketing and sales teams needed to have a physical presence with the product so they could see it, touch it, know how big the packaging was, etc. We moved them to the office, too, so they could really understand the product better and provide improved customer service.”

### CHALLENGES OF CHANGING THE OPERATIONAL MODEL

“A big challenge for small businesses is finding the right point to scale up the business,” says Ken Kraft, vice president of marketing at Cox Business. “Growth can derail quickly if a

business starts to scale without truly understanding the customer and whether there is sustainable demand.”

Cost was the biggest concern for companies that changed their operational model: one in five (19%) reported being concerned about additional or unknown costs when making such a transition. The business’s main stakeholders—employees and customers—were also keeping small business owners up at night. As the survey finds, one in 10 companies is concerned with finding employees and how the change would affect them, as well as how the change would impact clients, and whether a change would cause the business to lose clients or to gain too many to handle.

The underlying concern, therefore, is not whether to grow, but how to achieve the growth business owners are seeking.

“Our biggest challenge with moving from the home office was how to take that next step,” says AcousticSheep’s Dr. Lai. “We were confident in our growth and knew we had to do it. But because neither my husband nor I came from a business background, we had to figure things out on the fly. We probably reinvented the wheel for every little thing.”

Technology was equally unnerving. Having adequate technology for the industry and work structure is table stakes for small businesses. But can businesses always pay for what they need? One in 10 of the small business owners surveyed expressed concern that growing their business would result in an inability to afford new technologies.

*“A big challenge for small businesses is finding the right point to scale up the business.”*

—KEN KRAFT  
VICE PRESIDENT OF  
MARKETING,  
COX BUSINESS

# HOW DOES TECHNOLOGY ENABLE SMALL BUSINESSES?

**T**echnology presents certain challenges to business owners. For the most part, however, these executives truly value technology and connectivity, and recognize how critical it is for business success.

## EMBRACING TECHNOLOGY

Today's small business owners embrace technology—half report feeling ahead of the curve, either as leaders or fast followers. They view technology primarily as an enabler of customer relationships and also recognize its value in improving the work experience for employees.

“If you asked me two years ago, I would have said that we had not seen a big change as a result of technology,” says Afterburner's Murphy. “In the last two years, that has really shifted in our space. It is shifting heavily into providing virtual content and using learning management systems. I am not

*“Our space...is shifting heavily into providing virtual content and using learning management systems.”*

—JIM MURPHY  
CEO AND FOUNDER,  
AFTERBURNER

an early adopter when it comes to software—in our business, the live, in-person piece has been important for so long. So far, though, we haven't lost the energy and experiential aspect of our work; we've been able to hold people's attention virtually. I've been pleasantly surprised about that.”

Business owners look to connectivity (such as using mobile devices, increasing bandwidth or Internet access, and networking) to help keep costs in check, with savings and improved cost structure. While four in 10 report cost savings as the top benefit, those who scaled up from a small, home-based business find this even more valuable. Almost six in 10 (57%) of these companies appreciate how connectivity impacts costs.

These businesses also value connectivity because of the ability to work remotely, better integrate digital resources and improve network performance (38%). The ability to work remotely is key for the team at MaineWorks, a labor staffing business that provides immediate labor to clients within the industrial construction industry in Maine and New Hampshire. Owner Margo Walsh started this social impact business out of her minivan, which was the base of operations for the first three years of the business.

“We rely on smartphones,” says Walsh. “That's how we run the whole business. I'm in my truck all day, and our human resource director does field work, as well. We don't even have a landline. We have an office—the chief operating officer works there—but the rest of us are on the road and don't need an office. That's why we are in the cloud, so we can all access the same information on one platform from anywhere in the state.”

The ability to work remotely and integrate digital resources



is key for AcousticSheep, as well.

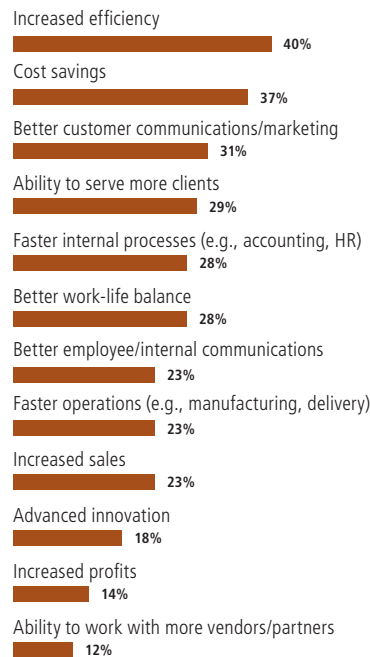
“A lot of our documents are stored in the cloud,” says Dr. Lai. “So that we can share our documents and work collectively without having to use email. We also try to use the latest technology to streamline our business processes and keep costs down. For example, we use a virtual time clock for our hourly employees (accessible from an iPad kiosk in the office or virtually). Then we export that information directly to payroll.” Technology also enables the team at Performance Methods to work remotely and better integrate digital resources.

“It does not take a lot of technology to connect or communicate effectively with employees and customers,” says Andersen. “Web interconnectivity, which even 10 years ago was sometimes unpredictable, is now very reliable. Online meetings are

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—DR. WEI-SHIN LAI  
CHIEF EXECUTIVE OFFICER,  
ACOUSTICSHEEP

**FIGURE 4. WHAT HAVE BEEN THE BENEFITS OF TECHNOLOGY TO YOUR BUSINESS?**



the norm for many companies, enabling people to engage in the moment.”

Overall, small business executives recognize the value technology brings to their businesses in the shape of increased efficiency, cost savings, and better communications and marketing to customers (Fig. 4).

### VALUING TECHNOLOGY

When looking at the value of technology, executives were asked to rate the important benefits for different stakeholders of the

FIGURE 5. HOW IMPORTANT ARE CURRENT TECHNOLOGIES TO YOUR BUSINESS?\*

	Employees	Customers	Suppliers/ Partners	Execs
IMPROVED MARKETING/EXTERNAL COMMUNICATIONS	50%	55%	47%	53%
ABILITY TO COLLECT AND STORE DATA	45%	37%	40%	45%
IMPACT ON DAY-TO-DAY OPERATIONS (SUCH AS HR AND ACCOUNTING)	45%	37%	42%	44%
E-COMMERCE	39%	39%	42%	41%
PRODUCT DESIGN/DEVELOPMENT	38%	40%	39%	43%
IMPROVED INTERNAL COMMUNICATIONS	38%	37%	39%	43%

\*Percentages are combined total of those who rated each technology as “important” or “critical”

business—employees, customers, suppliers and partners, and the executives themselves. Across the board, the biggest benefit of technology to all stakeholders was improved marketing and communications (Fig. 5).

Technology refers to a broad set of products and solutions that help drive business success, and business owners have to navigate many different options. Whatever the specific value technology brings to a business, it is critical to find and use technologies that work for the industry and the business itself.

“As a business owner, I want to understand the value or promise of technology before investing in it,” says Performance Method’s Andersen. “I am very aware of the potential power and value of technology, and also the things that can go wrong. Technology cannot enable a process or best practice that the business cannot articulate or explain first.”

### CHALLENGES OF TECHNOLOGY

When considering the biggest technology challenge they faced when scaling up, a third of the small business owners surveyed reported challenges understanding the business’s changing technology needs and what products and services to use. This challenge surpassed others, including providing connectivity and finding the right technology resources (Fig. 6).

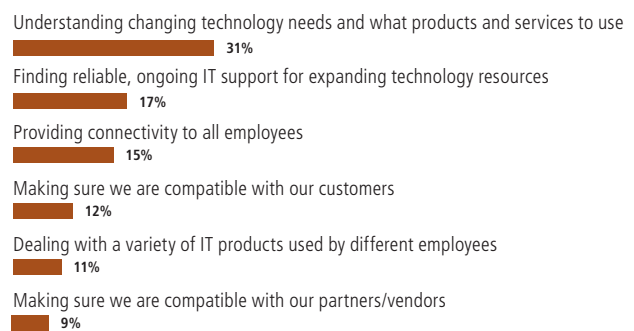
“Not everyone is an expert in all the functions within a business,” says Cox Business’s Kraft. “You don’t know what you don’t know, and people fear what they don’t know. Technology is a good example of that. The choices a business owner makes, including hardware, software, cloud and security procedures,

have a big impact on a business. And finding trusted advisors can be daunting, as can finding the right partner or IT employees.”

At Afterburner, one of the biggest technology concerns is with bandwidth and wanting to ensure that the staff can provide the best possible service to their customers.

“Our system, which is based in our building in Atlanta, was not as reliable as we would have liked,” says Murphy. “We were having trouble with our WebEx’s. On the receiving end, everyone participating in these virtual programs is logging in through Wi-Fi or on their phones, so bandwidth issues are a big concern for us. We are picky about how we are perceived and the environment we create for our learners, so we are always thinking about how and where our content is being digested.”

FIGURE 6. WHAT IS THE BIGGEST TECHNOLOGY CHALLENGE YOU FACED AS YOU SCALED UP YOUR BUSINESS?



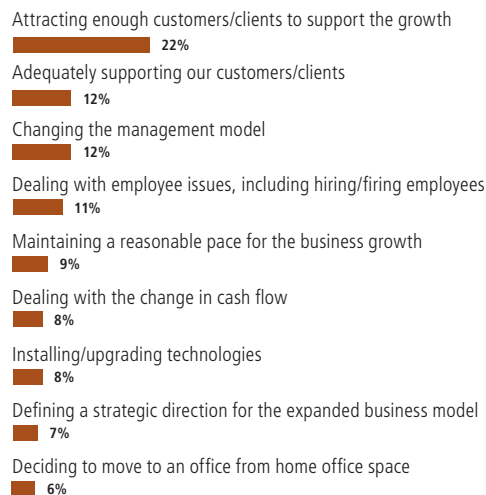
# HOW DOES YOUR BUSINESS GROW?

**B**usiness owners in the Forbes Insights survey recognize the impact their company growth has on customer support as well as on products and services. Yet that growth is a double-edged sword, with both benefits and challenges.

## CHALLENGES AND OPPORTUNITIES OF GROWTH

The biggest challenge of growth is also the biggest opportunity. The biggest challenge businesses faced when scaling up was being able to attract enough customers and clients to support the growth—one in five cited this as a challenge (Fig. 7).

**FIGURE 7. WHAT IS THE BIGGEST BUSINESS CHALLENGE YOU FACED AS YOU SCALED UP YOUR BUSINESS?**



**FIGURE 8. WHAT IS THE BIGGEST BUSINESS SUCCESS YOU EXPERIENCED AS YOU SCALED UP YOUR BUSINESS?**



That is true no matter the type or size of the client base. When thinking about growth, MaineWorks’ Walsh is focused on serving vulnerable populations and creating a labor pool for businesses in Maine and New Hampshire. “We are not interested in exponential growth. We are interested in planned, responsive growth as well as access to funding. We want to grow to bring in more people who have obstacles and find them employment.”

Turning the top challenge into the top opportunity, the biggest success companies achieve by scaling up is the ability to attract more customers (Fig. 8).

FIGURE 9. WHAT ARE THE RESULTS OF YOUR BUSINESS GROWTH?

	Total	Scaled up from smaller home-based offices to more commercial office space, co-work space or exclusively remote	Grown increasingly flexible with more working from employee commercial spaces
POSITIVE CHANGE IN EMPLOYEES	41%	46%	60%
POSITIVE CHANGE IN HOW WE ARE VIEWED BY CUSTOMERS	33%	20%	30%
POSITIVE CHANGE IN FINANCIAL PICTURE, SUCH AS CONSOLIDATING DEBT OR INCREASED REVENUE	32%	35%	33%
POSITIVE CHANGE IN COMPANY CULTURE	32%	36%	44%
POSITIVE CHANGE IN NUMBER OF CUSTOMERS OR VALUE OF CUSTOMER TRANSACTIONS	31%	25%	29%
POSITIVE CHANGE IN HOW WE HANDLE TECHNOLOGY AND RELATED ISSUES	18%	14%	16%

### GROWTH IMPACTS EMPLOYEES

Two in five companies in this survey report a positive change in how the growth of the business impacted employees. Notably, three in five of those who transitioned to a more flexible business model have seen a positive change in their employees. Company culture is another area where those increasingly flexible companies in particular saw a real difference in terms of positive impact, especially as compared with the overall group of small businesses in this survey (Fig. 9).

AcousticSheep’s owners have employees firmly in mind as

they think about how they are going to grow in the next few years.

“We are confident that the wellness market is growing. And we are confident in our ability as a market leader in our niche of sleep products,” says Dr. Lai. “Our concern for the next three to five years is about finding the right employees. Our business is human resource dependent, and right now we are constrained in our output because of that. Our growth is dependent on investing in the right people to take our sales and productivity to the next level.”

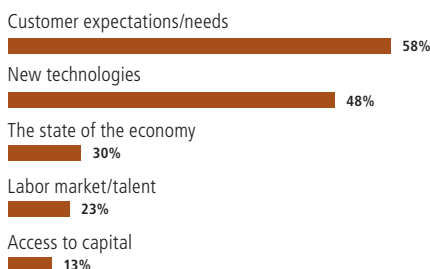
# WHAT IS THE FUTURE OF GROWTH?

Looking ahead, small business owners continue to focus on what the two primary drivers of a business are: customer expectations and technologies (Fig. 10).

For MaineWorks, technology that enables it to function more effectively and efficiently is key to expansion. “Our focus in the next three to five years is revenue growth, and expanding within Maine and into New Hampshire,” says Walsh. “Maine is a huge state, and that forces us to find comprehensive, supportive technology. Recruiting is like a dispatching function, think logistics. We need software that helps us do that and is interactive.”

Satisfying customer expectations will not be possible without introducing new technologies to improve communications with customers, innovate products or services, or offer omni-channel shopping solutions. These two areas—customer expectations and technology—will have the biggest impact, and small business owners who get them right will come out on top.

FIGURE 10. WHAT WILL BE THE TOP FACTORS INFLUENCING YOUR GROWTH OVER THE NEXT THREE YEARS?



*“Maine is a huge state, and that forces us to find comprehensive, supportive technology. Recruiting is like a dispatching function, think logistics. We need software that helps us do that and is interactive.”*

— MARGO WALSH  
FOUNDER AND OWNER,  
MAINEWORKS

## CONCLUSION

Small business owners spend their time and energy thinking about how to provide value—to their employees, customers and other stakeholders. Technology and connectivity both play key roles in the current state and future growth of these businesses. Indeed, connectivity has been described by some as the heartbeat of small business—it moves the business forward when it works well, and it is noticeable and troublesome when it doesn't.

Technology drives both the type of work environment a company wants to, or is able to, provide its employees and how the company interacts with customers. While business owners are challenged with understanding the ever-changing world of technology and choosing the best solutions to meet their needs, that does not stop them from pushing forward toward growth.

“From fast and reliable broadband solutions to voice services with mobile features, technology solutions help small businesses operate as efficiently as possible,” says Cox Business’s Rowley. “Ultimately, it is best for small businesses to spend less time worrying about day-to-day logistics and more time innovating and connecting with their customer bases. As this survey shows, that’s what fuels their continued success.”

“Too many people look at the customer as an inconvenient necessity required to make the sale,” says Performance Methods’ Andersen. “I look into the future and ask what kinds of value do my clients expect, what kind of alignment with my company would they like, what kind of relationship would they be most comfortable with? The winning technologies for all businesses are those that ultimately help people create value and do so at a faster pace as the speed of business is increasing.”

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- Jim Murphy, CEO and Founder, Afterburner
- Stephen Rowley, Senior Vice President, Cox Business
- Margo Walsh, Founder and Owner, MaineWorks

### METHODOLOGY

Partnering with Cox Business, Forbes Insights conducted a survey of 300 small business decision makers in the United States. Titles of respondents participating in this June 2016 research include: business owner/partner (44%), COO/head of operations (13%), other C-suite (13%), director (10%), SVP/VP (7%). The study included numerous industries representing the American small business landscape, all employing between one and 15 employees.

# Forbes

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## INSIGHTS

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