

SMB Job Generation Outlook Q2 2015



The SMB Job Generation Outlook examines executive perspectives on topics facing America's small to mid-sized business market, including the economy, employment trends, political and sociological environments, and the tangible impact these issues have on SMB business and employment planning.

SMB optimism on economy and job growth hits new survey highs

Over the past year, executive optimism regarding economic and job growth prospects has steadily risen throughout the U.S. small to mid-sized business market. Early in 2014, 40 percent of executives surveyed as part of the SMB Job Generation Outlook reported their companies to be in a position of “growth.” The most recent survey revealed a near 20-point leap in “growth” mode, noting 59 percent of execs surveyed in Q2 2015 report their companies to be in a position of “growth.” Another 36 percent report being stable and maintaining market position, and only a handful of SMBs foresee dire challenges threatening their business lifelines.

“...20-point leap in ‘growth’...”

economic prospects for their company, with 23

Considering the future from another angle, 77 percent of SMB executives report feeling optimistic about near-term

percent of those feeling very optimistic. This is an overall 8-point increase from the same time last year and the highest level of economic optimism in the SMB survey’s two-year history.

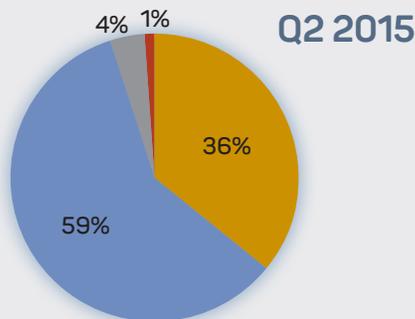
2015’s rise in economic and job growth optimism spans regional markets, industries and company size. From privately held businesses with a few hundred employees to

mid-market public corporations employing thousands, SMBs nationwide are optimistic about the future. Market confidence is bolstered by multiple correlating forces, including consistent (albeit moderate) job growth, lowering unemployment rates, upticks in GDP, reductions in transportation and raw material costs, and increased consumer optimism. Collectively, these factors support a continued rise in consumer spending and thereby, business profits.

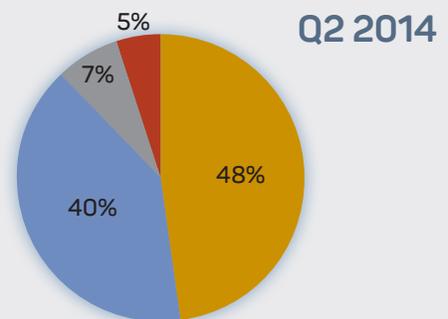
“...SMBs nationwide are optimistic about the future.”



Which statement best describes your company’s position for the next quarter?



- 36%** Maintaining stability
- 59%** Growth
- 4%** Controlled retrenchment
- 1%** Survival



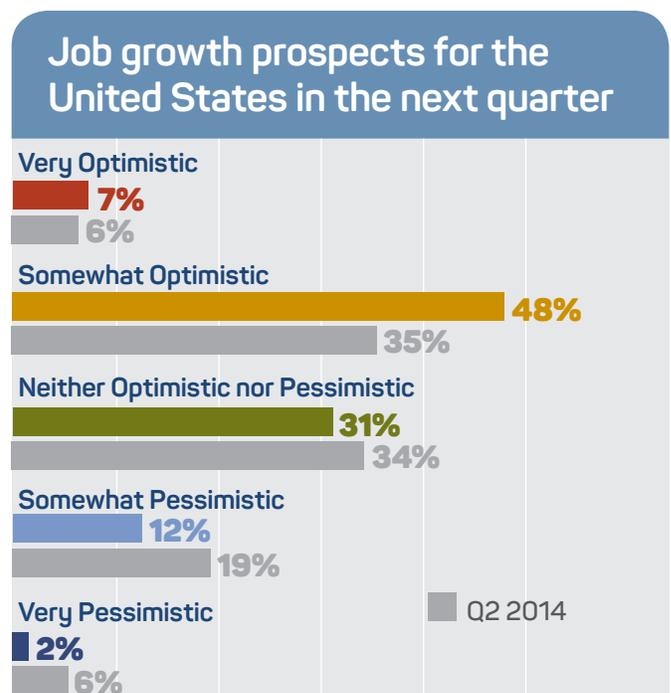
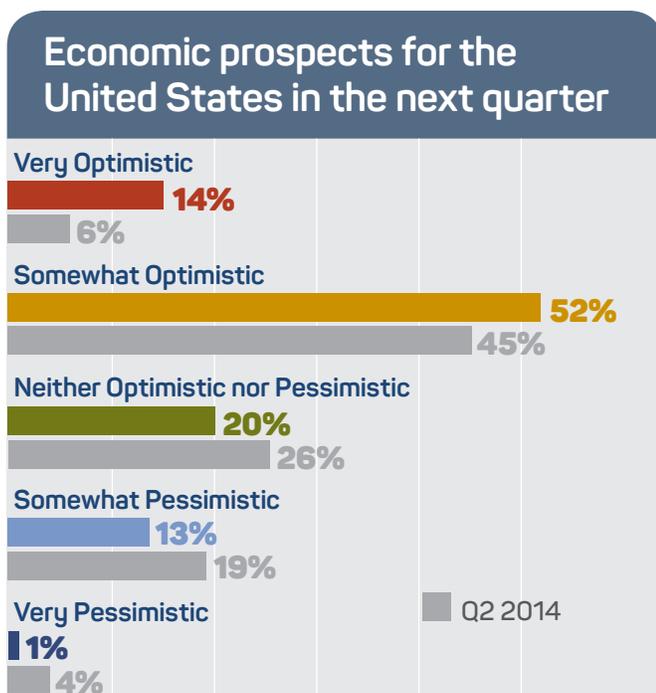
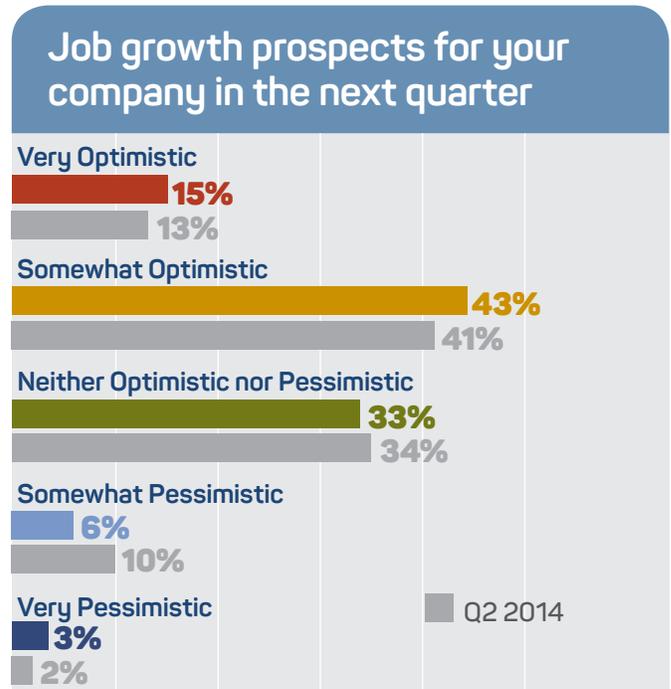
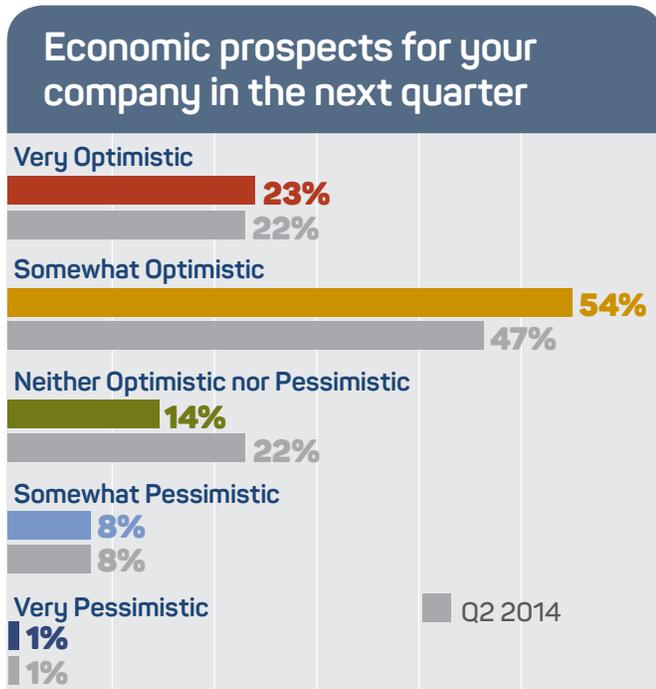
- 48%** Maintaining stability
- 40%** Growth
- 7%** Controlled retrenchment
- 5%** Survival

In addition to feeling positively about themselves, SMB optimism extends to the larger U.S. economy and national employment numbers. Two-thirds of SMB executives report feeling optimistic about the country's economic prospects for the coming quarter, and more than

half are optimistic about the nation's continued job growth. Not only has confidence in U.S. job growth risen 14 points in the past year, SMB executives also share a record-low in feelings of pessimism – in themselves, the nation, the economy and the future of continued job growth.

Indicate your feelings about the following prospects.

Comparing Q2 2015 to Q2 2014 statistics.



SMB seen as U.S. job generators; hiring plans on the rise

Positive feelings translate to positive actions. Eighty-eight percent of SMB executives agree with the statement, “Small and mid-sized businesses are the job generators of the U.S. economy” and 78 percent see their own company as a job generator. This belief of purpose and position in the marketplace underscores the positivity SMB executives currently report about opportunity and growth.

Year-long increases in economic optimism regarding individual companies and national

“...9-point jump in near-term job growth...”

prospects have led to a rise in hiring plans throughout the SMB market. More than half (54 percent) of responding SMBs

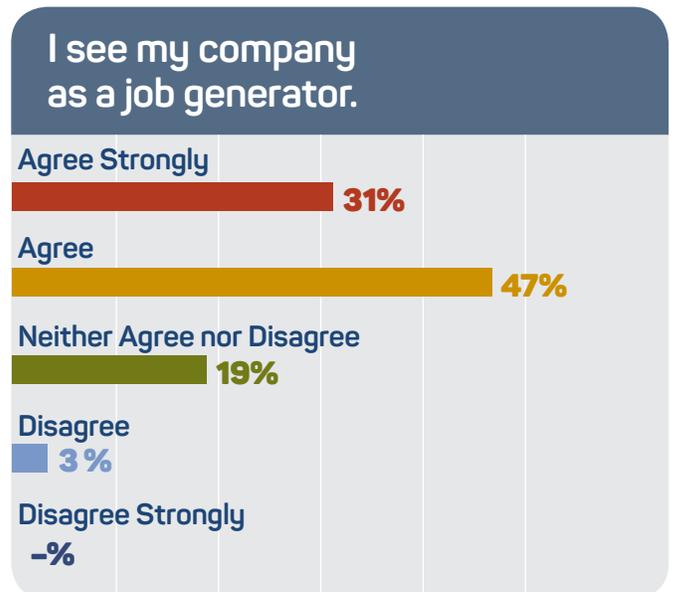
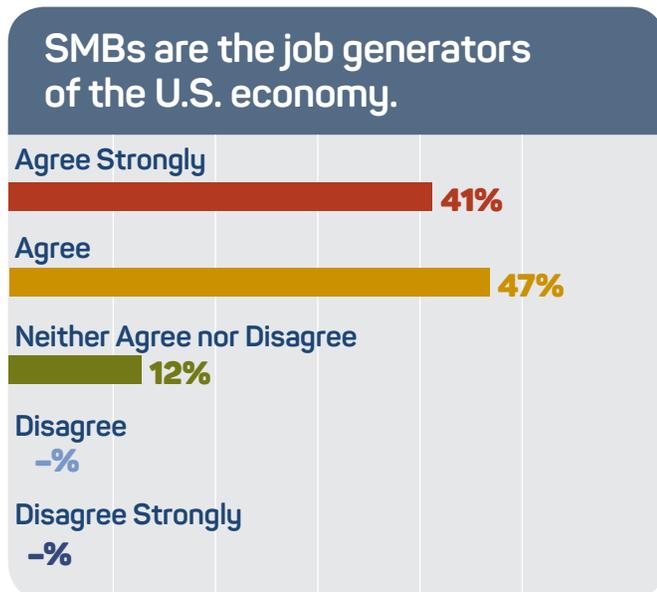
report plans to hire in the coming quarter. This

represents a 9-point jump in near-term job growth from one year ago and is relatively consistent across regions. SMBs from the West/Southwest shared the lowest hiring plan intentions, with half saying they plan to hire in the coming months. The greatest near-term growth was expressed in the Midwest, where 60 percent of SMBs are preparing to hire new employees.

Hiring plans gain strength when we look at year-long strategies. Over the course of the next 12 months, more than 60 percent of SMBs plan to add employees (a 4-point increase from Q2 2014) and only 7 percent share reduction plans. This is the smallest planned workforce reduction in the survey’s history.

“...more than 60 percent of SMBs plan to add employees...”

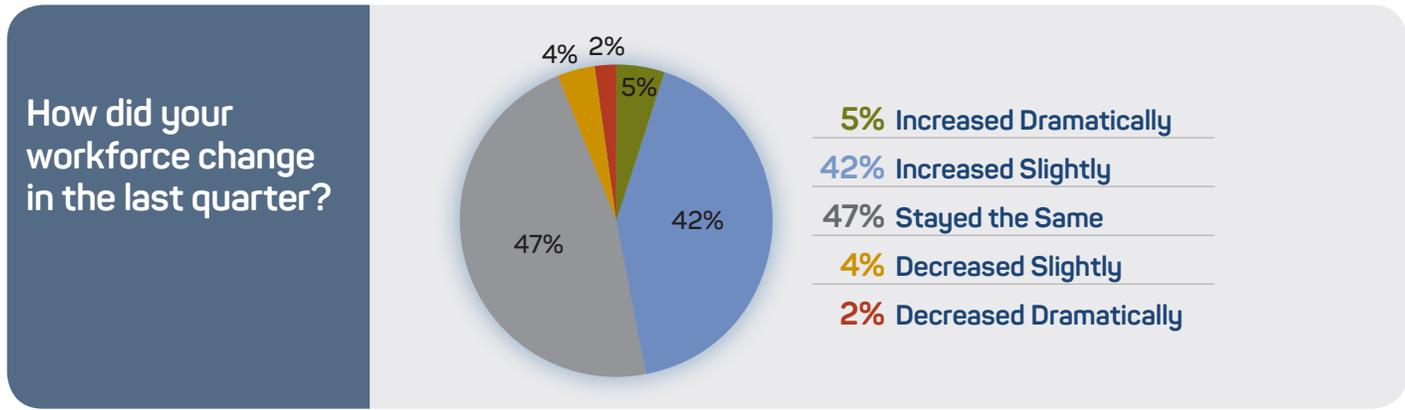
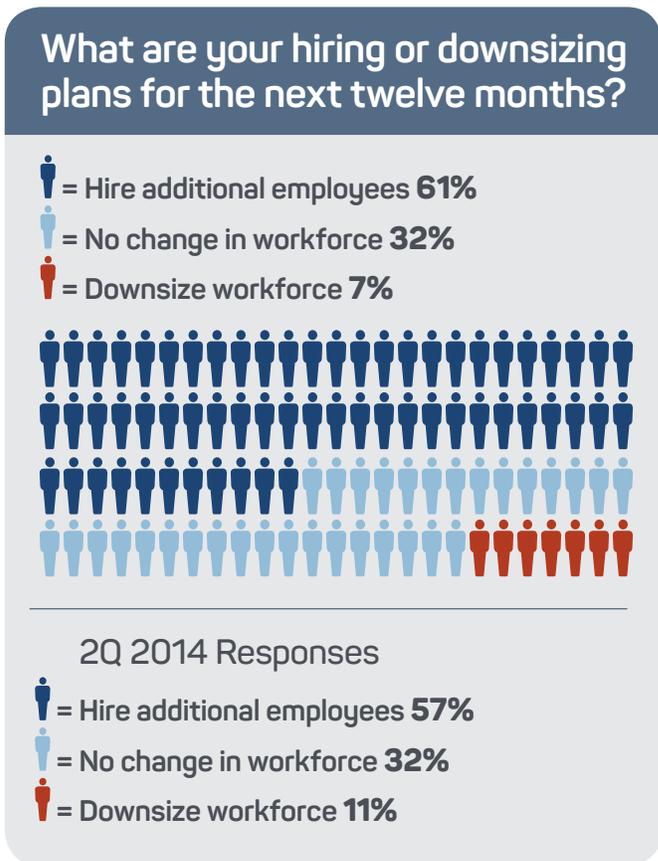
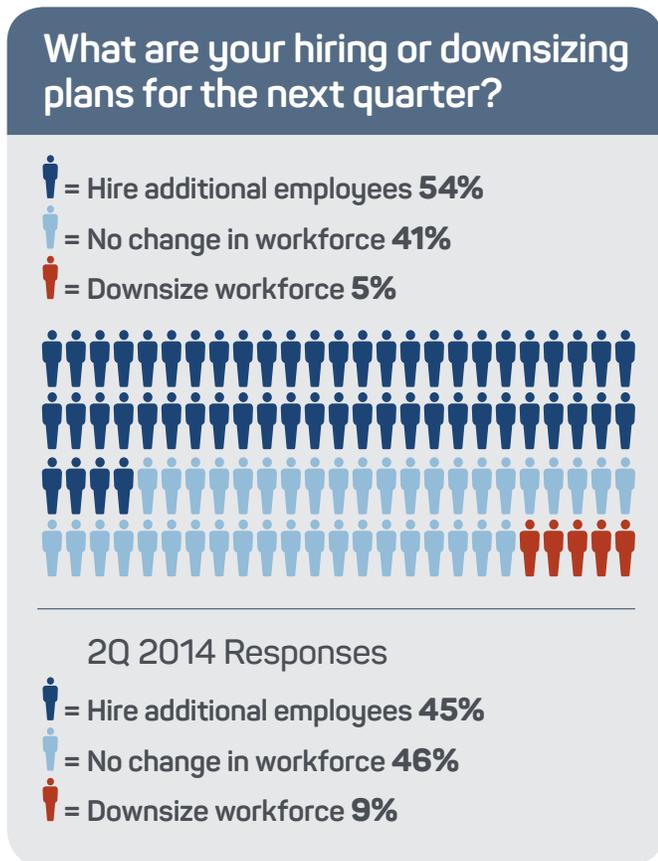
Indicate the extent to which you agree or disagree with the following.



Not only are growth plans up, their tangible impact is being felt throughout the market. Forty-seven percent of responding SMBs say they increased their workforce last quarter and another 47 percent remained steady. Only 6 percent reported recent workforce reductions (the lowest employee decrease in two years).

While overall plans to hire are on the rise, very few SMBs report plans for large-scale growth. In both short and longer-term hiring objectives, nearly 90 percent of growing SMBs say their hiring plans are moderate in scale and limited to less than 10 percent of all company employees.

Indicate your future plans and past actions regarding hiring.



SMB hiring objectives threatened by qualified talent availability

The optimistic outlooks and growth projections of SMB companies across the country are at risk of being stymied by consistent and increasing issues related to finding, hiring and retaining qualified professional talent. Leaders nationwide acknowledge talent challenges such as the need to ensure enough employees – in the right positions – to effectively meet the demands of organic and inorganic growth and the importance of building knowledgeable, reliable leadership development pipelines.

Talent acquisition and retention challenges are significant to SMB executives. Nearly three-quarters report talent availability to be among

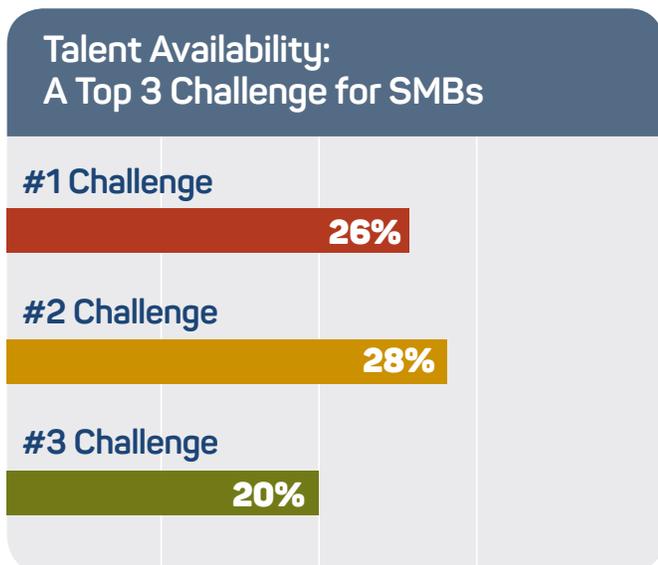
challenge. Also, hiring difficulties have intensified for many SMBs over the past year, with 56 percent of Q2 respondents saying hiring is harder now than it was one year ago. This increasing difficulty could present continuing troubles as businesses seek to fill positions requiring specific skill, technical abilities, educational backgrounds or verified field experience.

Over half of the leaders surveyed in Q2 report their company currently experiences difficulty filling open professional and management positions. In particular, SMB executives share that Sales, Information Technology and Accounting & Finance are toughest to fill. About a third of execs express neither difficulty nor ease related to talent acquisition, and only 4 percent report that filling open positions is easy.

“...Sales, IT and A&F are toughest to fill...”

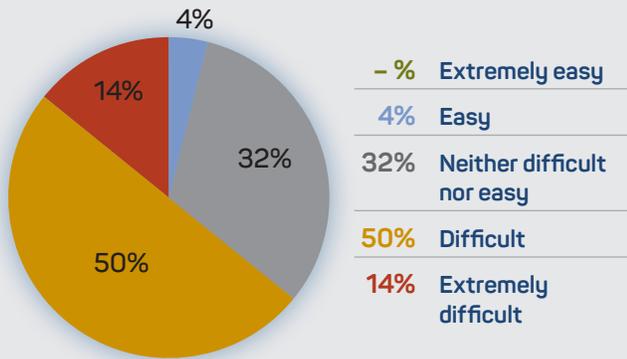
“...hiring difficulties have intensified for many SMBs...”

their company’s top 3 business concerns, and 26 percent of leaders report talent availability as their company’s #1 business



Indicate your company's current positions regarding talent.

How difficult is it for your company to find qualified candidates for open professional and management positions?



While talent concerns are troublesome to the majority of SMBs, qualified professionals nationwide are experiencing several positive effects from the challenging hiring environment. Eighty-three percent of SMBs report that employee take-home wages rose last year, and

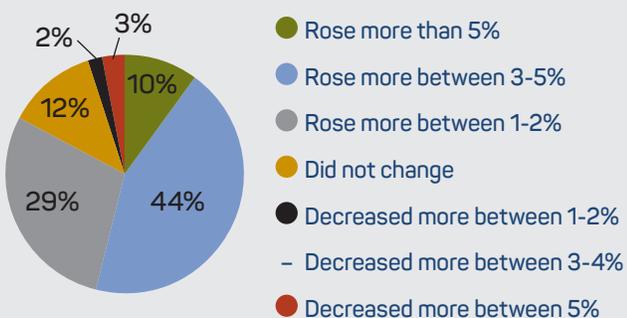
What areas of open professional and management positions are most difficult for your company to find qualified candidates?



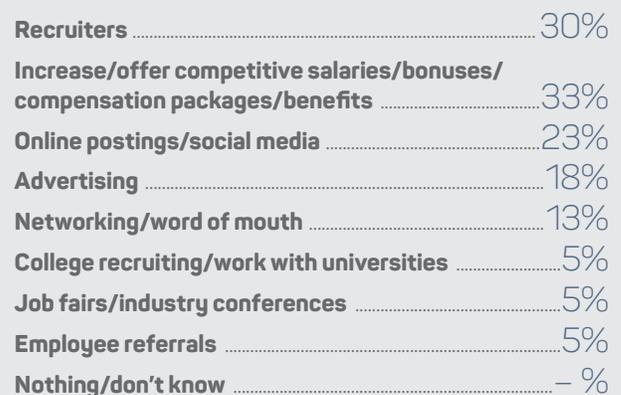
*Multiple responses allowed.

about a third of responding execs say they are actively increasing salaries, bonuses and benefits to better attract and recruit qualified talent. Many companies also report engaging recruiters, placing advertising for open positions and leveraging online job postings to increase hiring effectiveness.

Collectively and companywide, how did your employees' take-home wages change last year?



What is your company doing to attract/recruit qualified professional talent?



*Multiple responses allowed.

Shifting workforce pools present challenges *and* opportunities

Changing generational and professional workforces are affecting small to mid-sized businesses in a variety of ways. Baby Boomer retirements are rising steadily, while more and more Boomers seek “enclave careers” and look to utilize earned wisdom and experience. Having built professional skills through internships and entry-level positions, Millennials are now preparing to move into leadership and management roles, and millions of U.S. Military veterans are transitioning into the civilian talent pool, bringing technical and organizational proficiencies many SMBs seek for continued growth.

How does the retirement of Baby Boomers impact your business?

- 59%** Creates a knowledge gap that’s difficult to bridge
- 20%** Improves our ability to consider new approaches/processes
- 27%** Enhances our prospects for future innovation and growth
- 17%** Impairs our ability to compete in the market

**Multiple responses allowed.*

How much impact does the retirement of Baby Boomers have on your business?

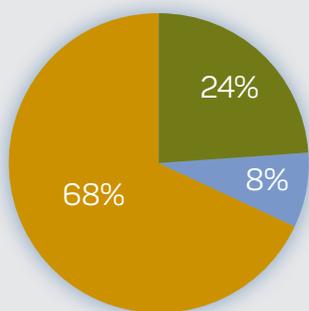


- 20%**
A large impact
- 52%**
Some impact
- 28%**
No impact at all

Are you hiring retirees back on a contract basis?

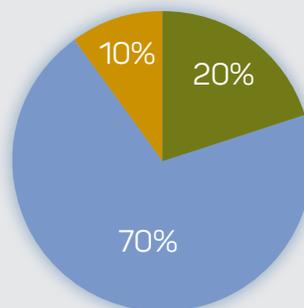
- 18%** Yes
- 58%** No
- 19%** Considering it, but have not yet decided
- 5%** Don’t know

In the next quarter, are you going to make an effort to:



- 24%** Hire more Millennials
- 8%** Hire less Millennials
- 68%** No formal plans to do either

Do you have specific plans to recruit and/or hire military veterans in the next quarter?

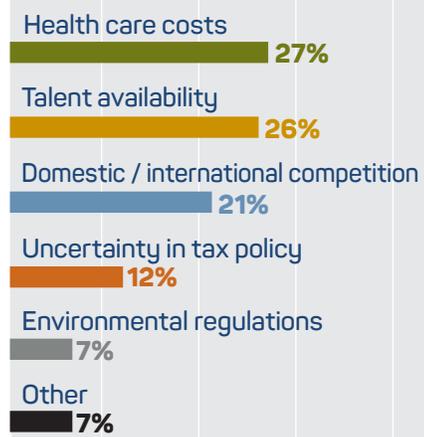


- 20%** Yes, we have specific plans to hire military veterans in the next quarter
- 70%** We hire military veterans, but we do not have a specific plan for the next quarter
- 10%** No, we will not hire military veterans in the next quarter

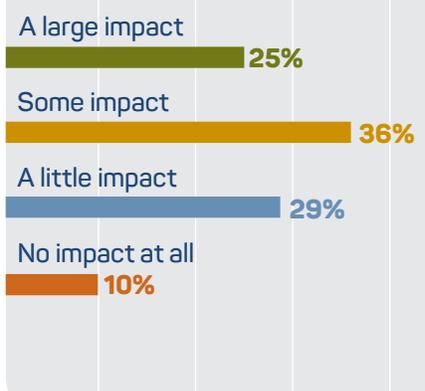
Key business and political issues affecting American SMBs

Several significant political and sociological issues are dominating attention throughout the U.S. business and media landscapes. Discussions on health care, wages and immigration are inescapable, and the uncertainty around potential governmental actions and legislation serves to heighten concerns in the SMB. While the majority of SMBs report that increasing the federal minimum wage to \$10.10 per hour would have no effect on their company's stability, they are being pressured to address other challenging topics such as rising health care costs, skilled talent availability and competition.

Please rank the following issues on the challenge they represent to your company in the next quarter.



How much of an impact does the Patient Protection and Affordable Care Act (aka Obamacare) have on your business plans?



What is your company doing to address health care costs?



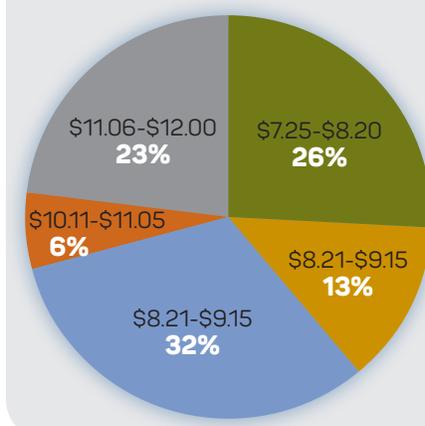
**Multiple responses allowed.*

If the minimum wage was to increase to \$10.10 per hour, what impact would that have on your business?

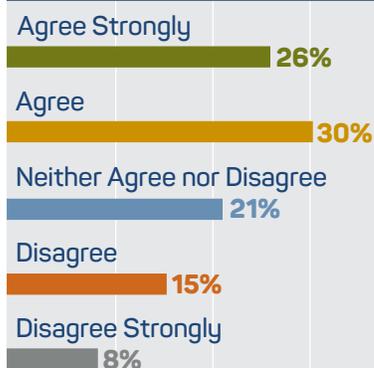


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Where would you ideally like to see the minimum hourly wage set?



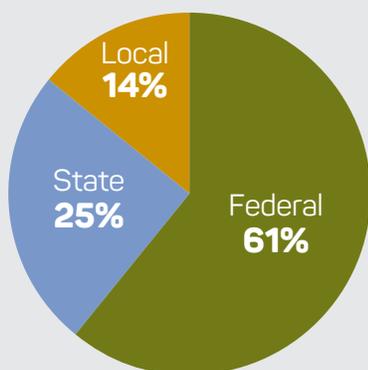
The U.S. should ease requirements for skilled workers in IT, science and other high-demand fields.



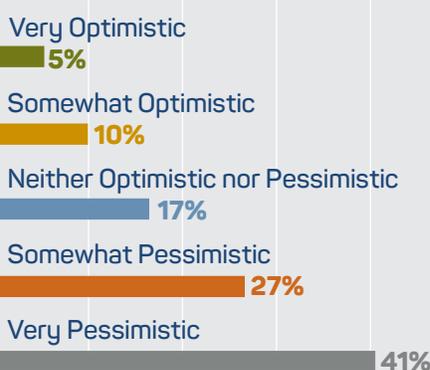
State and federal governments deliver differing impacts to SMB

The roles and effects of governmental actions in the U.S. small to mid-sized business market are wide-ranging, and many SMB execs consider Congress and state legislatures as impediments to business growth. While 61 percent of execs say the federal government is more influential to their company than state or local bodies, their optimism about its effectiveness is minimal. Surveyed executives express high levels of pessimism regarding national bipartisanship, and 69 percent say Congress negatively impacts issues related to employment and the economy. SMB leaders cite lower taxes, reduced regulations and less red tape as possible governmental actions that could benefit their companies.

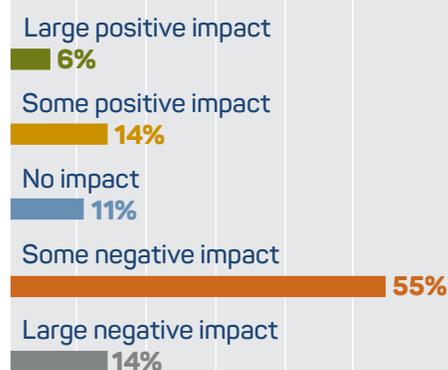
Please indicate which level of government has the most impact on your business.



Please indicate your feelings about Bipartisanship in Federal Government.



What impact do you think the U.S. Congress has on issues related to the economy and employment?

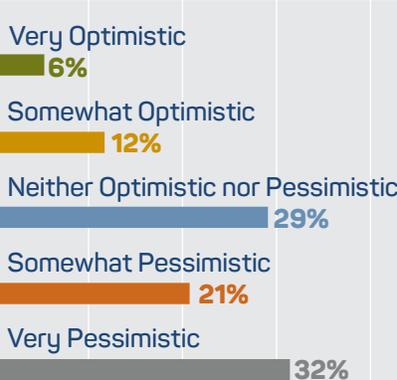


Please share your ideas on how the U.S. Congress can specifically impact your company or market.

- 23% Tax reform/lower taxes
- 26% Reduce regulations/less red tape
- 4% Partisan/gridlock/not get things done
- 15% More bipartisan/work together/get things done
- 13% Address health care issues
- 6% Help businesses/more business friendly
- 8% Reduce/change spending
- 26% Other

*Multiple responses allowed.

Please indicate your feelings about Bipartisanship in State Government.



What more could your state government do to help businesses?

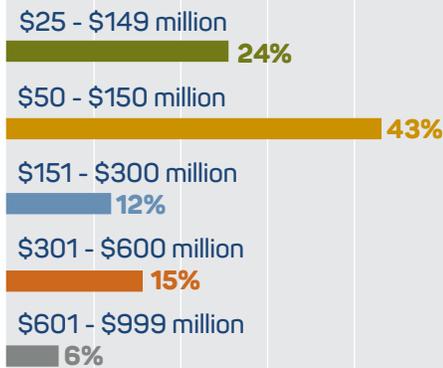
- 45% Lower/cut taxes
- 19% Reduce regulations/less red tape/do not interfere
- 6% Better tax breaks/incentives/subsidies
- 2% Better labor policies (union's, worker's comp, unemployment, etc.)
- 6% Be more business friendly
- 3% Improve education
- 5% Address health care issues
- 26% Other

*Multiple responses allowed.

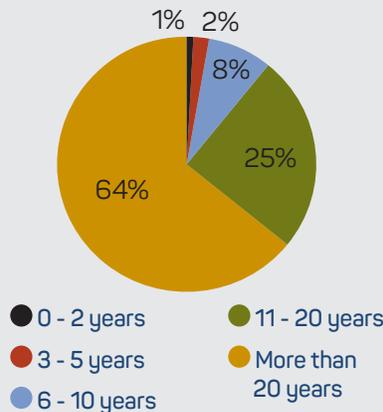
Q2 2015 SMB Job Generation Outlook Respondent Data

The SMB Job Generation Outlook is an innovative approach to traditional hiring and employment surveys designed to capture the visions and priorities of today's SMB executives. Each quarter, the Outlook reports on recent and planned business activities as well as gathers opinions related to workforce and political environments. For more than two years, Lucas Group has polled SMB execs from across the country and a variety of industry sectors. From family-owned businesses with several hundred people to corporations that employ thousands, the Outlook seeks to uncover what the SMB market most wants, needs, worries about and forecasts for its future.

What is your projected 2015 business revenue?



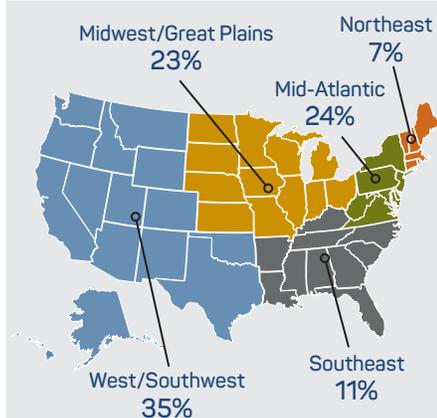
How long has your company been in business?



In what industry do you compete?



In what region are you located?



How many employees do you have?

