



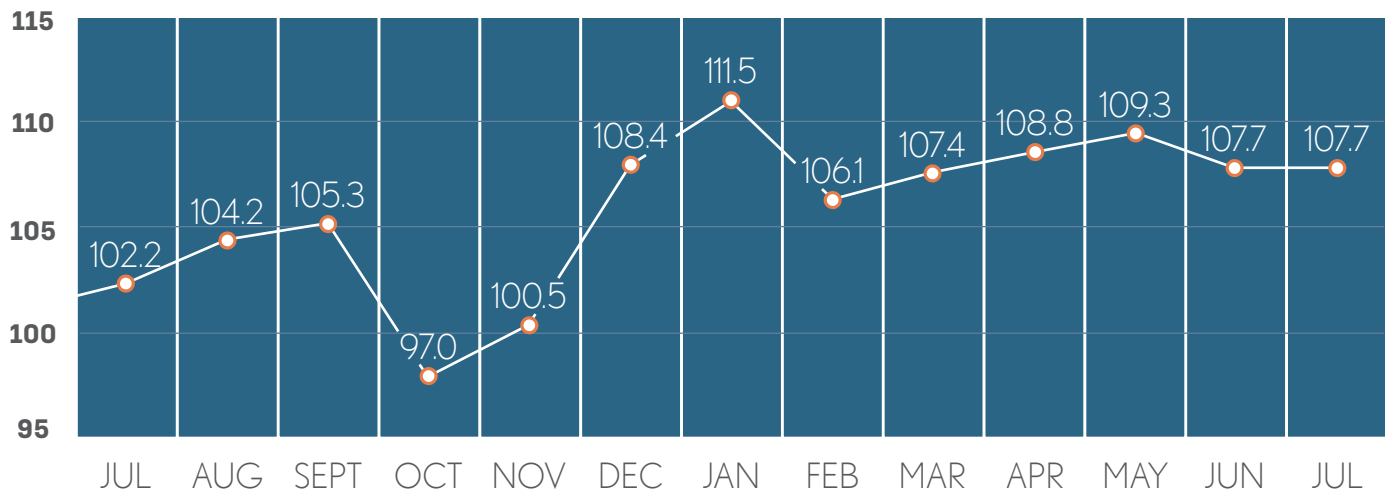
**WSJ | VISTAGE**  
SMALL BUSINESS CEO SURVEY

**AN ANNUAL REPORT**  
JULY 2013 - JULY 2014

## FROM SUDDEN LOWS TO RECORD HIGHS: CEO CONFIDENCE OVER THE PAST 12 MONTHS

**July  
2013**

**July  
2014**



After a burst of optimism in August, the federal shutdown in October caused confidence to plummet, but businesses quickly bounced back over the following months to a renewed high in January.

Severe winter weather negatively affected confidence for a short time, followed by steady regained confidence.

2013

THE WSJ/VISTAGE SMALL  
BUSINESS CEO SURVEY IS A  
MONTHLY SURVEY MEASURING  
THE SENTIMENT OF US SMALL  
BUSINESS CEOS AND OWNERS  
ABOUT THE ECONOMY.

**EXPLORE** THE SMALL  
BUSINESS CEO SURVEY BY  
**CLICKING ON** EACH MONTH.



2014

JULY 2013

# PIVOTING FROM INSURANCE:

## DELAY IN AFFORDABLE CARE ACT PENALTIES ENABLES OWNERS TO USE MONEY ELSEWHERE

"Many small businesses are eyeing expansion—at least temporarily—now that penalties under the Affordable Care Act's employer mandate have been delayed for a year. Nearly a quarter, or 24.4%, of small-business owners affected by the delay said they will invest in equipment or facilities with money that would otherwise have gone into complying with the health-care law."

The Wall Street Journal  
(7/31/13)

“We know the hammer is going to fall—we're not sure when—but we're going to keep growing until it comes down.”

—Monte Wood  
President of Opus Events Agency  
Vistage Member since 2011

“There was a reduction [of about 25%] in our premiums this year, so it's not going to cost as much to get to compliance as we originally thought. I don't mind complying especially if it's better than what we have today.”

—Austen Wright  
CEO of Gypsum Supply  
Vistage Member since 2009

102.2

The WSJ/Vistage Small Business CEO Confidence Index dropped slightly to 102.2, down from 103.7 in June.

**76% OF CEOS WITH 50 OR MORE EMPLOYEES SAY THEIR BUSINESS WOULD HAVE BEEN READY**

to comply with the health care law by January (if there had not been a delay).



## SMALL BUSINESSES SAY U.S. BACKGROUND-CHECK SYSTEM HAS DRAWBACKS

"Since January, Daniel VanLoh has turned away nine new dishwashers and one line cook from his four Atlanta, Ga., restaurants within days of hiring them. The reason: Not one was authorized to work in the U.S., according to background checks he ran on the job applicants using a federal verification system, known as E-Verify."

The Wall Street Journal  
(7/24/13)

“It's a way of showing corporate clients that we're using best practices... It's a matter of conducting good business.”

—Greg DeJohn  
President of GSD Contracting  
Vistage Member since 2009



**27% OF SMALL FIRMS HAVE USED E-VERIFY TO RUN BACKGROUND CHECKS ON JOB APPLICANTS.**

AUGUST 2013

# NEW FLASH OF OPTIMISM FOR SMALL-BUSINESS OWNERS

"The overall economic outlook is unexceptional, but Main Street is more confident about the future than it has been in years. Small-business optimism surged in July and August to some of the highest levels since the recession started, according to a handful of recent surveys."

The Wall Street Journal  
(8/28/13)

“I’ve been telling my group good times are ahead.”

— Sunit Sanghrajka  
President of Luxury Trips LLC  
Vistage Member since 2000

“Business is not what it was 10 years ago, sure, but we’re growing and hiring.”

—Ann Herrmann-Nehdi  
Chief Executive of Lake Lure  
Vistage Member since 2001

104.2

The WSJ/Vistage Small Business Confidence Index rose to 104.2, reflecting small firms' greater confidence in the current economy.

**50% OF CEOS SAY ECONOMIC CONDITIONS HAVE IMPROVED** COMPARED

TO A YEAR AGO, NEARLY TWICE THE **26%** RECORDED LAST AUGUST.

JUST **10%** SAY CONDITIONS HAVE WORSENERD IN THE PAST YEAR, **DOWN FROM 22%** IN LAST AUGUST'S SURVEY.

50%

10%

28%

56%

14%

**28% OF CEOS SAY ECONOMIC CONDITIONS WILL IMPROVE** IN THE NEXT YEAR, WITH **56%** SAYING THEY WILL REMAIN THE SAME, AND JUST **14%** SAYING THEY WILL WORSENERD.

SEPTEMBER 2013

# HEALTH-CARE OVERHAUL PUSHES SMALL FIRMS TO LOCK IN RATES

"With major provisions of the federal health overhaul set to take effect Jan. 1, many U.S. insurers are prodding small-business customers to renew their current coverage early, to lock in lower rates".

"With all of the changes coming up in 2014, we want to provide you with options that allow you to make the right decision for you and your employees," said a recent letter from one major insurer, Blue Shield of California, which has made the pitch to all of its small-business customers, who can keep their 2013 rates if they act to renew existing plans by Oct. 14."

The Wall Street Journal  
(9/30/13)

“ We are trying to jump on lower rates right now. ”

– John Rasmussen  
President of Canfield Industries, Inc.  
Vistage Member since 2013

105.3

The WSJ/Vistage Small Business Confidence Index was 105.3, with small firms expressing the highest level of confidence since the first survey was conducted in June 2012.



**32%** OF CEOS REPORTED RENEWING THEIR HEALTH-CARE PLANS **EARLIER** THAN IN THE PAST.

**39%** OF CEOS RATE HEALTH CARE COSTS AS THEIR **LEADING EXPENSE** AFTER PAYROLL.



41% OF CEOS NOW OFFER OR PLAN TO OFFER **INCENTIVES** TO IMPROVE THE HEALTH OF THEIR EMPLOYEES.



OCTOBER 2013

# FEDERAL WOES FAZE SMALL-BUSINESS OWNERS

"Two weeks ago, **Andy Vabulas** canceled a \$100,000 plan to upgrade his company's aging communications system, saying he is holding off on spending until U.S. federal budget issues are resolved.

"We've decided to keep our money until we have a better idea of what's going on" in Washington, said **Mr. Vabulas**, the 58-year-old owner of I.B.I.S. Inc., a supply chain software firm in Peachtree Corners, Ga.

Beltway battles are taking a toll on small-business owners, like **Mr. Vabulas**, whose confidence in the economy fell to a nine-month low in October, according to a survey by Vistage International Inc. and The Wall Street Journal.

The slump follows a budget impasse that forced many federal agencies to shut their doors for two weeks at the start of the fiscal year. It was the sharpest decline in confidence since January, when lawmakers clashed over federal spending during the so-called fiscal cliff crisis."

The Wall Street Journal  
(10/23/13)

97.0

The WSJ/Vistage Small Business CEO Confidence Index dropped to 97 from a record-high 105.3 in September, though it is up from 95.3 a year ago.

47%

36% OF CEOS REPORTED AN IMPROVING ECONOMY, **DOWN FROM 47% IN SEPTEMBER AND 50% IN AUGUST.**

36%

“ If others cut back, we have to cut back, too. ”

– Andy Vabulas  
CEO, I.B.I.S., Inc.  
Vistage Member since 2000

21% OF CEOS REPORTED HAVING DONE BUSINESS AS A **U.S. FEDERAL GOVERNMENT CONTRACTOR** IN THE PAST TWO YEARS.



NOVEMBER 2013

# SMALL BUSINESSES SHAKE OFF RECENT TURMOIL IN WASHINGTON

"Small companies are shaking off the recent turmoil in Washington and keeping their eyes on the horizon as they continue to grapple with an unsteady economy."

After dropping to a nine-month low in October, amid uncertainty linked to the two-week federal government shutdown, the WSJ/Vistage Small Business Confidence Index rose in November to 100.5, climbing back above a baseline score of 100. The gains were driven by an upturn in the number of companies expecting business conditions to improve in the months ahead."

The Wall Street Journal  
(11/20/13)

“ I wouldn't call this a robust economy, but it's showing signs of enough strength that we can now plan ahead with some certainty. ”

—Ashish Sanghrajka  
VP Sales of Big Five Tours & Expeditions Inc.  
Vistage Member since 2005

“ [The gains] are a sign that the economy is getting healthier. ”

—John Chester  
Owner of Wild Apple Ltd.  
Vistage Member since 1999

100.5

As small businesses recovered from the turmoil in Washington, the WSJ/Vistage Small Business CEO Confidence Index rose to 100.5.

44%



44% OF CEOS PLANNED TO **INCREASE TOTAL FIXED INVESTMENT EXPENDITURES**, THE HIGHEST PROPORTION SINCE THE SURVEY BEGAN IN JUNE 2012.

JUST 5% OF CEOS EXPECTED DECLINING REVENUES, THE **LOWEST LEVEL RECORDED IN THE PAST 18 MONTHS.**



5%

27%

21%

WHEN ASKED ABOUT PROSPECTS FOR THE YEAR AHEAD, **27% EXPECTED ECONOMIC CONDITIONS TO IMPROVE**, UP FROM 21% IN OCTOBER.



DECEMBER 2013

# SMALL BUSINESSES ANTICIPATE BREAKOUT YEAR AHEAD

"Entrepreneur **Bill Brown** had scaled back his San Jose, Calif., construction firm as demand for new Silicon Valley homes and offices dried up in recent years, cutting his staff by two-thirds, to 50 by late 2011.

But over the course of 2013, he has spent \$200,000 on equipment and some new trucks—after 'running the old trucks pretty hard for too long,' he says—and brought staff levels back to about 100 workers, recently hiring 20 more people. He plans to hire dozens more to fill new construction jobs in 2014.

After several false starts in the dragged out U.S. economic recovery, one might expect America's small-business owners to be wary. Yet many, such as **Mr. Brown**, expect 2014 to be a breakout year, one that finally puts the worst of the downturn behind them."

The Wall Street Journal  
(12/30/13)

**108.4** Optimism continued to increase in anticipation of the new year as the WSJ/Vistage Small Business CEO Confidence Index rose to 108.4.

“It's hard not to be optimistic. We're struggling to keep up with demand and I don't see this stopping any time soon.”

—Bill Brown  
Bill Brown Construction  
Vistage Member since 2005

## HIGHER REVENUES

WERE ANTICIPATED BY 77% OF ALL CEOS IN THE DECEMBER 2013 SURVEY, UP FROM 70% LAST MONTH AND 65% ONE YEAR AGO.

77%

70%

65%

“We've had a good sales year and we're above our numbers.”

—Jorge Arroyo  
President of Benefit Consultants Group Inc.  
Vistage Member since 2000



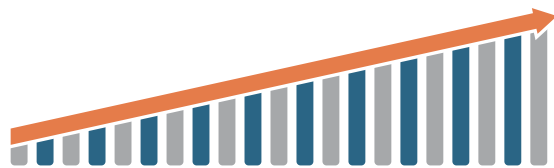
**PROFITABILITY** WAS EXPECTED TO IMPROVE BY 61% OF ALL CEOS, UP FROM LAST MONTH'S 54% AND LAST YEAR'S 51%.

JANUARY 2014

# RENEWED SENSE OF CONFIDENCE AMONG SMALL FIRMS

"Without the heavy burden of uncertainty due to Congressional indecision, small firms have expressed a renewed sense of economic confidence. Unlike the pattern in the past few years, where the resolution of one D.C. crisis was followed by another, hopefully this time the economy will be able to gain strength over the year ahead without the added burden of uncertainty originating in D.C. Overall, the strength in confidence among small firms will provide just what small businesses do best: job creation."

– Dr. Richard Curtin  
University of Michigan



WHEN ASKED ABOUT **PROSPECTS FOR THE YEAR AHEAD**, 41% OF CEOs EXPECTED THE ECONOMY TO IMPROVE, UP FROM 38% IN DECEMBER AND 26% LAST JANUARY.

111.5

Every component of The WSJ/Vistage Small Business CEO Confidence Index reached a new peak as the index itself rose to 111.5.

The majority of small businesses plan to **add** employees to their payrolls during the year ahead.

NET ADDITIONS TO THE **TOTAL NUMBER OF EMPLOYEES** WERE PLANNED BY 62% OF ALL CEOS, UP FROM 56% IN DECEMBER AND LAST YEAR'S 47%.

62%

56%

47%

“Overall, the economic outlook has not been brighter since June 2012.”  
– Dr. Richard Curtin  
University of Michigan

78%



## RIISING REVENUES

WERE ANTICIPATED BY 78% OF ALL CEOS IN THE JANUARY 2014 SURVEY, IMPROVING ON LAST MONTH'S PEAK OF 77% AND THE 73% SET IN SEPTEMBER 2013.

# SMALL BUSINESS SALES DECLINE AMID WINTER WEATHER

"The unusual snap of cold weather is taking a toll on small-business owners, who are likely to have less of a cash cushion than bigger firms to tide them over when things get tough.

At Carpet Fair, Inc., which owns six flooring stores in the Baltimore area, sales are down 16% so far this month from the same period last year and **Maureen Anderson\***, the chain's president, says it is all weather-related.

'There's a direct correlation, especially in my business,' she says. 'If an appliance breaks or a TV breaks, people want to replace it right away. If flooring needs to be replaced, they can wait a little bit.' She expects sales for the first three months of the year to be down by about 10%.

Small-business owners nationwide started the year with high hopes, amid signs that consumers were ready to start spending more freely again and credit markets thawing. Many were poised to ramp up spending and hiring plans."

The Wall Street Journal  
(2/19/14)

\*Vistage Member Since 2012

106.1

Due to the effects the polar vortex had on businesses and consumers alike, the WSJ/Vistage Small Business CEO Confidence Index fell to 106.1.

WHEN ASKED IF THE **HARSH WEATHER** HAD AFFECTED THE OUTLOOK FOR 1ST QUARTER SALES, **30% OF ALL CEOs SAID IT HAD LOWERED THEIR SALES ESTIMATES.**



**10% OF ALL CEOs REPORTED CUTS IN STAFF AND OTHER SPENDING DUE TO THE HARSH WINTER WEATHER.**

WHEN ASKED ABOUT THE CURRENT STATE OF THE ECONOMY, **43% OF CEOs REPORTED THAT IT HAD RECENTLY IMPROVED, DOWN FROM 53% IN JANUARY.**

53%

43%

MARCH 2014

# MARCH SEES THAW IN CHILLY SMALL-BUSINESS OUTLOOK

"Many small firms expect the economy to improve along with the weather. That's the takeaway from the March results of the Wall Street Journal/Vistage International Small Business CEO survey, showing an increase in the confidence level of business owners whose ventures have less than \$20 million in revenue."

The Wall Street Journal  
(3/26/14)

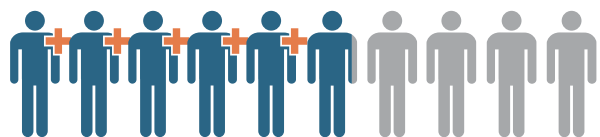
“ We're very encouraged. ”

—David Koc  
Principal, TDK Technologies LLC  
Vistage Member since 2012

“ We're willing to put some money back into the business. It's a good time to grow. ”

—Ira Holtzman  
Owner of Lower Electric LLC.  
Vistage Member since 2012

NET ADDITIONS TO THE TOTAL NUMBER OF EMPLOYEES WERE PLANNED BY **59%** OF ALL CEOS, JUST BELOW THE PEAK OF **62%** SET IN JANUARY.



107.4

The WSJ/Vistage Small Business CEO Confidence Index inched upward to 107.4 as the weather began to improve and normal business operations resumed.

**46% OF CEOS PLANNED TO INCREASE FIXED INVESTMENTS,**



JUST DOWN FROM **47%** IN FEBRUARY, compared to only **40%** this time last year.

**78% OF CEOS VOICED THEIR DISAPPROVAL OF PRESIDENT OBAMA'S PROPOSAL TO RAISE THE PAY THRESHOLD** to make more employees eligible for overtime pay; just **17%** of all firms voiced their support.

## LOAN REBOUND MISSES BLACK BUSINESSES

"Black entrepreneurs have largely missed out on a rebound in federal small-business lending since the financial crisis ended. More than four years into the nation's economic recovery, African-Americans looking for loans are struggling to overcome deeper financial distress, tighter lending standards and cutbacks by some lenders."

The Wall Street Journal  
(3/14/14)

APRIL 2014

# STEADY GAINS IN CONFIDENCE AND HIRING PRACTICES

"Small firms have maintained a confident outlook despite being challenged on multiple fronts that directly affect their revenues and profits. High levels of political and economic uncertainty as well as changes in regulations about health care, sick time, minimum wages, overtime policies, among other items, caused a diversion in time from their primary task of managing and expanding their firms. This diversion acted to diminish the benefits of what new small firms do best: create jobs.

The April data indicates that small firms are now eager to expand their payrolls and to increase their investments in new equipment and structures to gain higher revenues. To be sure, firms anticipate modest economic gains in the year ahead and have expressed an abiding appreciation for not extending themselves too far ahead of actual economic developments."

- Dr. Richard Curtin  
University of Michigan

PROFITABILITY WAS  
EXPECTED TO **IMPROVE**  
**BY 60%** OF ALL CEOS,  
UP FROM 57% IN MARCH  
AND FEBRUARY.

60%



108.8

With optimism slowly warming following the harsh winter, The WSJ/ Vistage Small Business CEO Confidence Index rose to 108.8, marking its eleventh consecutive year-to-year gain in confidence.

## FINDING QUALIFIED WORKERS WAS THE BIGGEST CHALLENGE IN HIRING EXPERIENCED BY CEOS.

- **46%** HAD TROUBLE FINDING QUALIFIED WORKERS.
- **24%** HAD TROUBLE FINDING GOOD CULTURE FIT.
- **17%** HAD TROUBLE WITH THE TIMING OF NEW HIRES.



**55%** OF CEOS EXPECTED TO ADD **FULL-TIME WORKERS**, ALTHOUGH 14% EXPECTED TO ADD SOME PART-TIME EMPLOYEES.



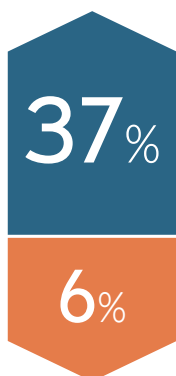
MAY 2014

# CEO CONFIDENCE BOOSTED BY ECONOMIC OPTIMISM

"To be sure, small firms do not expect the road to expansion to be smooth, nor the long term pace of growth to be fast. The survival and growth of small firms depend, as it always has, on their quick adaptation to new economic prospects as well as new regulations."

- Dr. Richard Curtin  
University of Michigan

**37%** OF CEOS EXPECT OVERALL ECONOMIC CONDITIONS WILL IMPROVE, BUT **ONLY 6% EXPECT IT TO WORSEN**, the lowest recorded level in the past two years (compared to 33% and 15%, respectively, in May 2013).



109.3

The WSJ/Vistage Small Business CEO Confidence Index rose to 109.3 in the May 2014 survey, up from 108.8 in April and last May's 103.0.



JUST **5%** OF CEOS THOUGHT THE ECONOMY HAD WORSENER, THE **LOWEST LEVEL RECORDED DURING THE PAST TWO YEARS**, AND 21 PERCENTAGE POINTS BELOW THE PEAK IN NOVEMBER, 2012.

**RIISING SALES REVENUES WERE**



ANTICIPATED BY 76% OF ALL CEOS IN MAY, UP FROM 74% IN APRIL AND 68% IN LAST MAY'S SURVEY.

"Overall, the recent data indicate that firms viewed the near zero rate of GDP growth in the 1st quarter as a consequence of an extraordinarily harsh winter, which would have little impact on the performance of the economy going forward."

- Dr. Richard Curtin  
University of Michigan

JUNE 2014

# SKILLS SHORTAGE MEANS MANY JOBS GO UNFILLED

"Growing numbers of small-business owners say unfilled job openings are thwarting their growth at a time of high confidence in the economy. About 33% of 848 small-business owners and chief executives said they had unfilled job openings in June because they couldn't identify qualified applicants, up from 31% of 811 owners nearly two years ago, according to surveys by The Wall Street Journal and Vistage International, a San Diego peer advisory group for executives. During this period, owners' confidence in the economy increased.

The tightening of the labor market is one factor, according to economists. The unemployment rate in June was 6.1%, down from 8.2% two years ago. A shortage of workers with the right skills and experience is also a major impediment."

The Wall Street Journal  
(7/9/14)

**NET ADDITIONS** TO THE TOTAL NUMBER OF EMPLOYEES WERE PLANNED BY 59% OF ALL CEOS, between last month's 58% and the January peak of 62%.



107.7

The WSJ/Vistage Small Business CEO Confidence Index slipped to 107.7 in June from 109.3

in May, but still posted a healthy gain above last year's 103.7.



HALF (55%) OF ALL CEOS REPORTED THAT THEY CURRENTLY HAD **UNFILLED POSITIONS.**

- **57%** were unable to identify applicants with the relevant skills and experience
- **23%** reported a lack of applicants
- **16%** refrained from hiring due to uncertainty about the future



**74%** OF CEOS THAT UNFILLED POSITIONS HAD **LIMITED THE GROWTH OF THEIR BUSINESS.**

**60%** OF CEOS WITH UNFILLED JOBS HAVE ALREADY **RAISED WAGE OFFERS FOR HARD-TO-FILL POSITIONS.**



JULY 2014

## 57% OF SMALL BUSINESS CEOS PLAN TO INCREASE HIRING THIS YEAR

"Over the past six months, economic confidence among small business firms has shown only slight month-to-month variations, with the July Index nearly identical to the six month average (107.8). The small changes in the components indicates that small firms shifted slightly from planned gains in employment to planned increases in investment, although gains in both jobs and investments remained at more favorable levels than in last July's survey."

Although anticipated growth in revenues and profits inched upward, the gains were not significant. These gains did stand in contrast to the slight decline in favorable prospects for the overall economy during the year ahead, which mirrored the overall reassessment in other forecasts for the national economy. The gain in revenues may be partly due to recently increased prices for products or services by small firms, reported by 41% in July."

- Dr. Richard Curtin  
University of Michigan

41% OF CEOS HAVE RECENTLY **RAISED PRICES** FOR THEIR GOODS OR SERVICES.



107.7

The WSJ/Vistage Small Business CEO Confidence Index was 107.7 in the July survey, identical to June's reading, and well above last year's 102.2.

73%

72%

68%

RIISING REVENUES WERE ANTICIPATED BY **73%** OF ALL CEOS IN JULY, UP FROM **72%** ONE MONTH AND **68%** ONE YEAR EARLIER.

57%

EXPECT THEIR FIRMS' **PROFITABILITY TO IMPROVE** DURING THE NEXT 12 MONTHS, compared to 55% in June and 53% this time last year



**57%** OF ALL CEOS PLANNED TO **INCREASE** THEIR NET NUMBER OF EMPLOYEES

"The data indicate that hiring plans remained as robust in July as any time during the first half of 2014, and point toward the continuation of strong employment gains in the nation during the year ahead. The key issue is whether the growing need for more workers can be mainly accomplished by drawing workers back into the labor force at current wages, or if wage increases will be needed to attract the necessary workers."

- Dr. Richard Curtin  
University of Michigan