

Florida Small Business Confidence Index - Results for Second Quarter of 2017

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1. Overall findings

For the second quarter of 2017, the Florida small business confidence index was down slightly to 2.36 from 2.45 (2Q 2017 versus 2Q 2016, Table 1). Respondents were less likely to report strong sales, less likely to intend to hire new employees and slightly less optimistic about sales for the next year. Conversely, respondents were more optimistic about the Florida economy. For this item, more than 54 percent agreed or strongly agreed the state economy would grow significantly over the next year.

Table 1

Second Quarter Comparison: Florida Small Business Confidence Index

Item	Q2-2017	Q2-2016
Small Business Confidence Index	2.356	2.447
Florida economy will grow (strongly agree)	0.07	0.07
Florida economy will grow (agree)	0.47	0.44
Sales were higher the past 3 months	0.53	0.56
Sales will be higher next year	0.82	0.86
Will hire more than 10 new employees	0.07	0.07
Will hire a few new employees	0.39	0.45

Note: the index is the sum of the six responses with identical weights.

2. Detailed sales and employment responses

State-level confidence also appears in less concern over “Economic Uncertainty” when asked about the top issue facing Florida small businesses today (Figure 1). But as alluded to above, only 53 percent of the 478 responses reported higher sales over the last three months when compared to the same period for 2016. This response accounted for 56 percent a year ago (Figure 2). We see similarities to the Florida Consumer Sentiment Index over roughly the same period; as that study found a slight drop in consumer sentiment yet the overall level is relatively high from a long-term perspective.³ Further, a comparable pattern has been observed nationally, with the April Small Business Optimism Index showing a high level but with a slight decline.⁴

Figure 1 - What is the top issue facing Florida small businesses today?

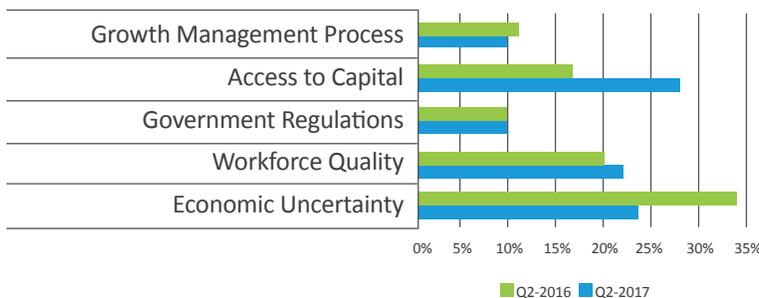
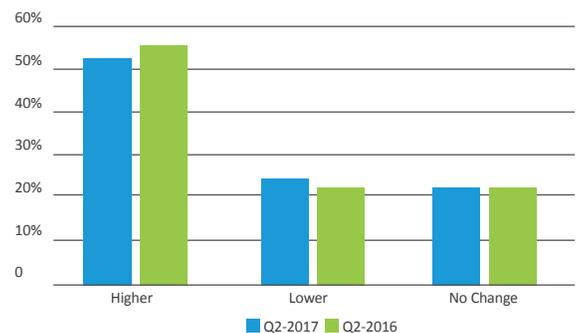


Figure 2 - How were your company's sales over the last 3 months compared to the same period last year?



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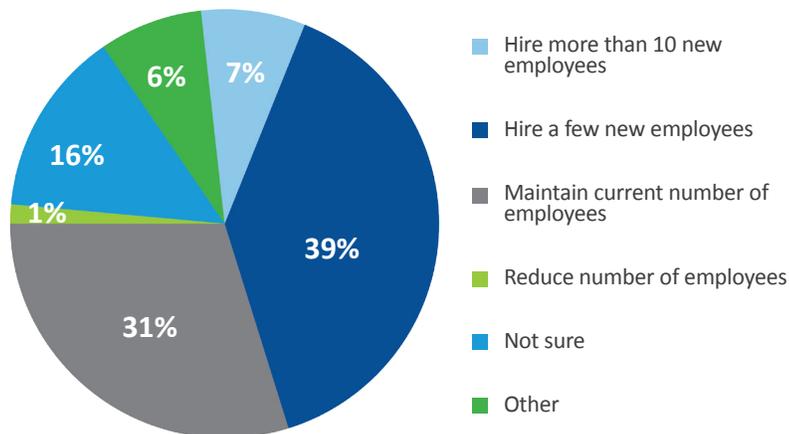
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³University of Florida Bureau of Economic and Business Research, 2017, *Consumer Sentiment* (May 30).

⁴Dunkelberg, William C. and Holly Wade, 2017, *NFIB Small Business Economic Trends* (April).

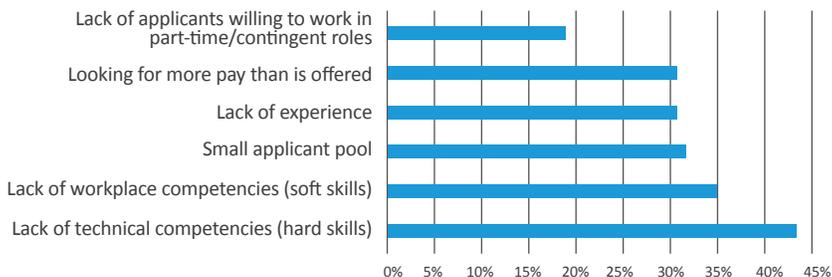
As mentioned, employment plans and sales expectations were both down slightly in the 2nd quarter of 2017. For employment, 7 percent reported intending to hire more than 10 new employees while 39 percent indicated a few new employees (Figure 3). The latter was at 45 percent one year ago. Sales expectations for the next year were down to 82 percent compared to 86 percent one year ago (not shown). Similar to past reports, Florida small business owners/managers express concern about finding quality applicants (see below) and obtaining financing (also see below), but 82 percent still expect sales to increase.

Figure 3 - What are your employment plans for the next year?



Regarding workforce quality issues, finding job applicants with technical competencies (hard skills, 43 percent) is the most frequently cited problem for the 2nd quarter of 2017, followed by workplace competencies (soft skills, 35); small applicant pools (32); experience deficiencies (31); pay expectations (31) and applicants who are not willing to work in part time/contingent roles (18, all in Figure 4). Interestingly, the top six changed in magnitude and position relative to the 2nd quarter of 2016, but they all stayed within the top six. For example, we do not report “reluctance to relocate” because it is consistently a low total for this survey item during any period. It is also important to note that for the workforce quality question, survey respondents were able to select all problems they had experienced when trying to find quality applicants.

Figure 4 - Which of the following are barriers to finding quality applicants (check all that apply)?



3. Access to capital

Expansion plans for Florida’s small businesses have declined slightly. Just under 44 percent have plans and this totaled 46 percent one year ago (not shown). However, the decline is not in respondent long-term plans (more than a year from now, up slightly) but is in the short term. This is reflected in just over one-third reporting difficulty in obtaining financing in the last year, a total well above the quarter from last year (not shown). Similarly, from Figure 1, 28 percent cite access to capital as their top concern and this was a relatively modest 17 percent one year ago.

Figure 5 - What type of financing were you unable to obtain (check all that apply)?



More detailed information on failure to obtain additional capital appears in Figure 5. Line of credit or a business credit card was an improvement area, with only 43 percent of those reporting difficulty found it here. Conversely, equity financing struggles were up from 13 percent one year ago to 18 percent. These are findings the authors find particularly important for the directors of the Florida SBDC Network. Small business owners need better information on the likelihood they will obtain these forms of financial capital as devoting time to low probability funds is not in their best interest.

4. Hurricane preparation

During 2Q 2017, survey respondents also provided information related to their hurricane preparedness. Questions in this area related to respondent perceptions for preparedness or expectations, as well as actions already taken to prepare for a hurricane. In general, respondents feel they are prepared and have the necessary materials needed to protect their business in the case of a hurricane. In fact, only about 16 percent indicated they were not prepared or poorly prepared in the event of a hurricane. Respondents showed the most preparedness in the area of data protection, with over 82 percent already taking steps to ensure backups of important data. However, the area of least preparation related to hurricanes was found in the planning processes.

Only 28 percent of respondents reported having a formal hurricane plan, with only 22 percent having a post-hurricane recovery plan in place.

Last, when asked about expectations of a hurricane this coming year, 37 percent of respondents agreed or strongly agreed that they expected a hurricane in 2017. While the reported results provide insightful information related to the views and actions of small business owners in Florida relative to hurricane preparedness, it is important to note that the size, scope, and infrastructure of a company can influence the need for such preparedness.

5. Cybersecurity

One of the most pressing issues in small business today is that of cybersecurity. In fact, a 2016 study found that over 50 percent of small businesses in the United States had been breached during a 12-month span over 2015-16.⁵ More alarmingly, a subsequent study found that 87 percent of small business owners do not feel at risk of a cybersecurity attack.⁶

When asked whether their company had ever been impacted by a cybersecurity issue, only 14 percent of those surveyed responded “yes”. In addition, 56 percent of respondents agreed or strongly agreed that they were concerned about an external cybersecurity threat (see Table 2), and less than 25 percent agreed or strongly agreed that they were concerned about an internal threat. These findings were further supported by the actions being taken by small businesses in Florida to prepare for or deter a cybersecurity attack. In fact, over 90 percent of respondents indicated a safe Internet was critical to their company’s success, and over 88 percent suggested a strong cybersecurity and online safety posture was good for their company’s brand.

Despite these strong opinions, our findings suggest that a much smaller percentage of companies have policies in place related to cybersecurity.

From our sample, 38 percent of respondents indicated having a clear contingency plan in place for responding to or reporting a data breach or loss. Only 26 percent reported having a formal written Internet security policy for employees, with 33 percent having an informal policy.

The survey findings related to cybersecurity highlight an area that should be emphasized moving forward for all small businesses in Florida. The findings, in combination with past national studies, highlight the ease of overlooking cyber threats to small business.

Table 2

Florida Small Business Cybersecurity Attitudes and Preparation

Item	Q2-2017* Percent
Safe Internet is critical to company success	91.9
Strong cyber security is good for business	88.3
Company has a clear contingency plan	37.5
Concerned about external cyber threat	56.1
Concerned about internal cyber threat	24.8
Company has a formal Internet security policy	26.4
Company has an informal Internet security policy	32.5
Company has a policy for social media use	30.3
My company is investing enough to protect from cyber threat	51.4

**Respondents who marked Agree or Strongly Agree*

⁵2016 State of Cybersecurity in Small & Medium-Sized Businesses (SMB). Ponemon Institute. July 2016.

⁶<http://www.manta.com/resources/small-business-trends/small-business-owners-protecting-cyber-attack/>

6. About the survey

The results above are the product of 478 completed surveys and the authors appreciate the cooperation of these Floridians. The reported gender breakdown is 59 percent male and 41 percent female for the most active business owner. The largest number of responses by age (again, most active business owner) was 45-54 (32 percent) followed by 55-64 and 35-44 (each close to 25 percent). Senior business owners over the age of 65 represented 8 percent of the enterprise population.

The survey also includes Florida SBDC geographic information of the respondents. Top response areas include clients of the Florida SBDC at the University of Central Florida (UCF, Table 2), the Florida SBDC at the University of South Florida (USF) and the Florida SBDC at the University of North Florida (UNF). Collectively, these account for just over 55 percent of the survey responses.

Survey respondents came from a variety of industries. From the sample, 61.9% (296) identified as Service, 16.5% (79) Manufacturing, 9.2% (44) Retail, 6.5% (31) Construction, and 5.9% (28) Wholesale.

Survey Observations by Florida SBDC Region

Florida SBDC Region	Observations	Share of the Total <i>Percent</i>
FAMU	16	3.3
FGCU	41	8.6
FIU	32	6.7
Fort Lauderdale	36	7.5
IRSC	11	2.3
PBSC	28	5.9
UCF	94	19.7
UNF	93	19.5
USF	90	18.8
UWF	37	7.7
Total	478	100.0