



Herman J Russell Sr.  
International Center for Entrepreneurship



# Atlanta Small Business Survey

## *2007 Annual Business Report*

Prepared by Vladislav Maksimov

L. Gregory Henley, Ph.D  
Director  
Herman J. Russell, Sr. International Center for Entrepreneurship  
P.O. Box 4014  
J. Mack Robinson College of Business  
Georgia State University  
Atlanta, Georgia USA 30302-4014  
Telephone: 404-413-7542  
Fax: 404-413-7571

## Table of Contents

|  |    |
|--|----|
| Executive Summary .....  | 1  |
| Introduction.....  | 2  |
| Description of Organizations Participating in the Survey ..... | 3  |
| Growth .....   | 6  |
| Evaluation of the Region of Atlanta .....                      | 8  |
| Relocating the Principal Business Activity .....               | 10 |
| Electronic Business .....                                      | 11 |
| Outsourcing .....  | 12 |
| International Business .....                                   | 13 |
| Ownership and Leadership.....                                  | 20 |
| Founder Motivation .....                                       | 24 |
| Demographics.....  | 25 |
| Conclusion .....   | 27 |

## Table of Figures and Tables

|   |    |
|---|----|
| <i>Figure A: Number of Employees</i> .....                          | 3  |
| <i>Figure B: Firm Age</i> .....                                     | 3  |
| <i>Figure C: Primary Business Activity</i> .....                    | 4  |
| <i>Figure D: Annual Revenue</i> .....                               | 4  |
| <i>Figure E: Public Ownership</i> .....                             | 5  |
| <i>Figure F: Growth Plans</i> .....                                 | 6  |
| <i>Exhibit A: Equipment and Workforce Growth</i> .....              | 6  |
| <i>Exhibit B: Evaluation of Conditions in Atlanta</i> .....         | 8  |
| <i>Exhibit C: Evaluation of Services in Atlanta</i> .....           | 9  |
| <i>Figure G: Moving Plans</i> .....                                 | 10 |
| <i>Exhibit D: Reasons to Relocate</i> .....                         | 10 |
| <i>Exhibit E: Electronic Business Use</i> .....                     | 11 |
| <i>Exhibit F: Outsourcing Activities</i> .....                      | 12 |
| <i>Figure H: International Business</i> .....                       | 13 |
| <i>Figure I: Type of International Activities</i> .....             | 13 |
| <i>Table A: Reasons to NOT Conduct International Business</i> ..... | 14 |
| <i>Table B: Reasons to Conduct International Business</i> .....     | 15 |
| <i>Figure J: Foreign Country Scope</i> .....                        | 16 |
| <i>Figure K: Percentage of Foreign Revenue</i> .....                | 16 |
| <i>Figure L: Age at Internationalization</i> .....                  | 17 |
| <i>Table C: Countries and Perceived Country Risk</i> .....          | 17 |
| <i>Exhibit G: Perceived Risk Distribution</i> .....                 | 18 |
| <i>Figure M: Family Business</i> .....                              | 20 |
| <i>Figure N: Percent of Family Ownership</i> .....                  | 20 |
| <i>Figure O: Same Family Ownership in 5 Years</i> .....             | 21 |
| <i>Figure P: CEO's Relationship to Family</i> .....                 | 21 |
| <i>Figure Q: CEO's Closest Advisor</i> .....                        | 22 |
| <i>Figure S: Next Leader of the Business</i> .....                  | 22 |
| <i>Figure T: Leadership Transfer Timeframe</i> .....                | 23 |
| <i>Exhibit H: Founder Motivation</i> .....                          | 24 |
| <i>Figure U: Age of Respondent</i> .....                            | 25 |
| <i>Figure V: CEO's Gender</i> .....                                 | 25 |
| <i>Figure W: Women's Ownership</i> .....                            | 26 |
| <i>Figure X: Minority Ownership</i> .....                           | 26 |

## Executive Summary

- This report presents the results to the Atlanta Small Business Survey conducted in May 2007. 1549 small business owners or 6.2% of the selected sample participated in the online survey.
- The majority of the businesses whose owners participated in the survey have less than twenty employees (78%), are under 25 years of age (83%), have annual revenue of less than \$1 million (52%), represent service industries (57%), and are privately owned (99%).
- The responding sample of firms is dominated by growth oriented businesses (80%), nearly half of which (45%) plan to add new major equipment in the next six months and/or hire new employees (50%).
- On a scale from 1 to 6 (1 being very poor and 6 being excellent), small business owners rank conditions in Atlanta as good to very good (4 to 5), with the exception of the level of safety (3.9) and local transportation (3.3). Their evaluation of services available in Atlanta is similar (good to very good), with the exception of government services (3.3 – fair to good).
- Few businesses plan to move in the next six months (13%), most of which (8%) to Atlanta. The major reasons to relocate are larger facilities and lower costs.
- Atlanta firms use electronic business most frequently for communication with their suppliers and customers (82%) and with their employees (57%). Other uses include buying (65%), customer service (46%), and selling (40%).
- Few firms plan to outsource an activity currently performed internally in the next six months. There are more who would prefer a domestic provider (29%) to a foreign one (18%).
- Less than one third of the businesses (29%) conduct international business. For most, the degree of internationalization is relatively low indicated by the low country scope and the low foreign revenue. However, approximately one quarter of the international businesses have very high degrees of internationalization. In addition, the majority of businesses became international at a very early age. These facts indicate the high potential for future international growth.
- More than half of the firms (56%) are family businesses, most of which (57%) own 100 percent of the firm's stock, and plan to continue owning their business at least over the next five years (73%). The CEO is related to the family in 84% of the firms but only 40% plan the next leader to be a family member. Yet, most (69%) do not plan to make leadership changes in the next five years.
- Most businesses were found by visionary individuals, whose primary goals were to challenge themselves, to fulfill a personal vision, to achieve professional freedom, and to achieve flexibility in personal life.
- Two thirds of the respondents are ages between 45 and 64. Women lead and/or own the business in 30% of the cases, while minorities own only 17% of the businesses.

## **Introduction**

In the United States there are approximately 24 million business firms. More than 99% of them have fewer than 500 employees, and more than 89% have fewer than 20 employees. Such small businesses account for more than half of all employment in the United States. They are also more than twice as likely as large firms to produce high-tech, leading-edge innovations. Indeed, such important innovations as the airplane, the helicopter, the personal computer, the cardiac pacemaker, and FM radio were first produced by small businesses. Thus, small firms are essential to America's economy and to our way of life.

This statement holds for metropolitan Atlanta as well. The giants of Atlanta commerce, such as Coca Cola and Delta Airlines, were small firms in the early part of the twentieth century. Today, new giants are emerging from what were once small establishments. Although it is impossible to know which of Atlanta's current small businesses will emerge as tomorrow's world-class commercial giants, it is fair to say that the way to such results is paved by business leaders, community leaders, politicians, educators, and others who regularly make profound and sometimes irreversible decisions.

However, decisions about laws, infrastructure, business services, educational opportunities, capital allocation, and international networks are often made with good intentions but without adequate data. To inform such decisions, there needs to be a systematic record of facts, business conditions, trends, and opinions about the full community of small businesses in metropolitan Atlanta.

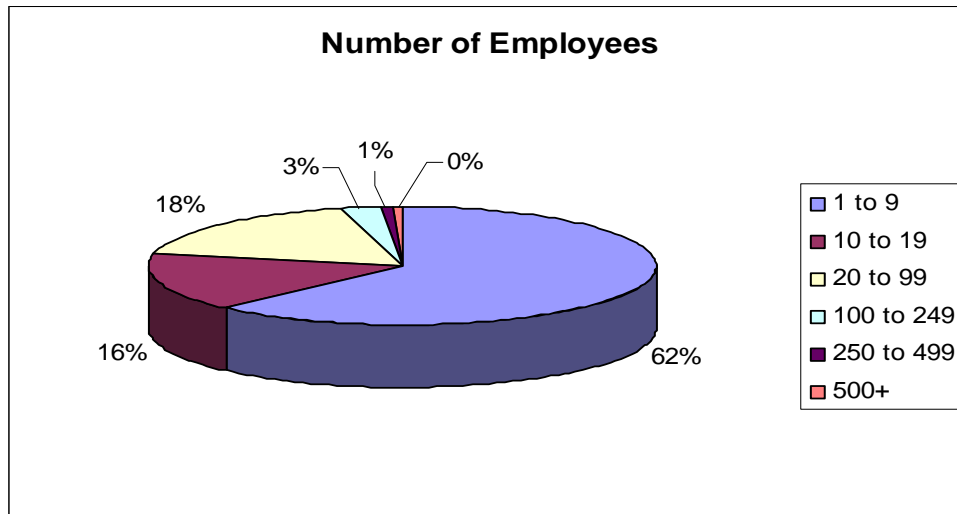
Georgia State University's Atlanta Small Business Survey serves that purpose. There are nearly 114,000 organizations headquartered in the 25 counties of metropolitan Atlanta, and nearly all have 500 or fewer employees. Of these, 75% or approximately 85,000 have less than 10 employees. In May 2007, we sent out email survey invitations to 25,000 randomly selected owners of organizations with less than 500 employees and located in the metropolitan Atlanta area. They were invited to participate in an online questionnaire about a variety of important business issues. 1,549 small business owners, or 6.2% of the selected sample, responded to our invitation and answered the questions that were relevant to them. This report provides the results of that initial survey.

It is our intent to periodically survey Atlanta's small business owners and to compare the results provided here with the results of future Atlanta Small Business Surveys in order to understand how dynamic business conditions, trends, and opinions affect the decisions of Atlanta's small business owners. Furthermore, our periodic surveys will enable us to survey opinion about additional special topics of current interest to Atlanta small business owners. All results will be distributed as widely as possible so that everyone in metropolitan Atlanta who is making decisions about a small business or a group of them can do so with better and more current information than they have ever had.

## Description of Organizations Participating in the Survey

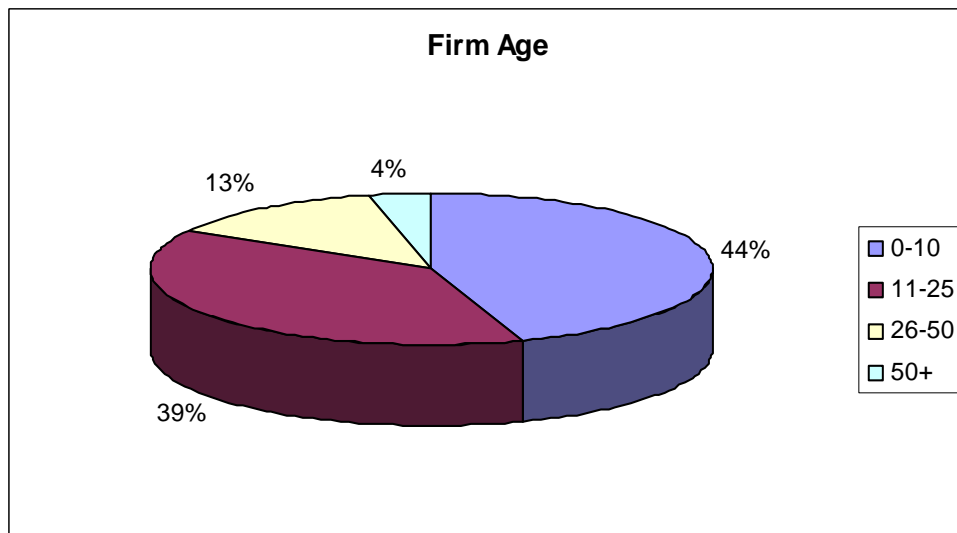
This section describes the general characteristics of the organizations whose owners responded to the Atlanta Small Business Survey. As Figure A suggests, 78% of the small business owners who responded to the survey led firms with less than 20 employees and only 4% of them led firms with a workforce size of 100 or more.

Figure A: Number of Employees



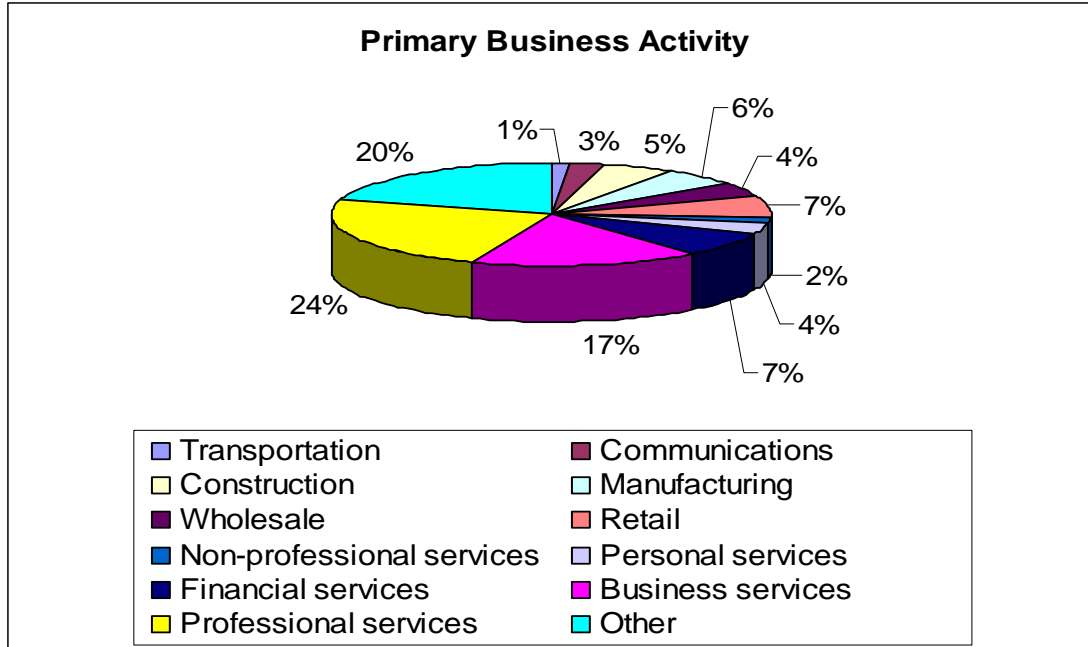
Not only are the majority of firms small, but they are also young. Figure B indicates that 44% of the firms in the sample are under 10 years of age and 83% are under 25. These statistics clearly reflect the growing attractiveness of the region for entrepreneurs.

Figure B: Firm Age



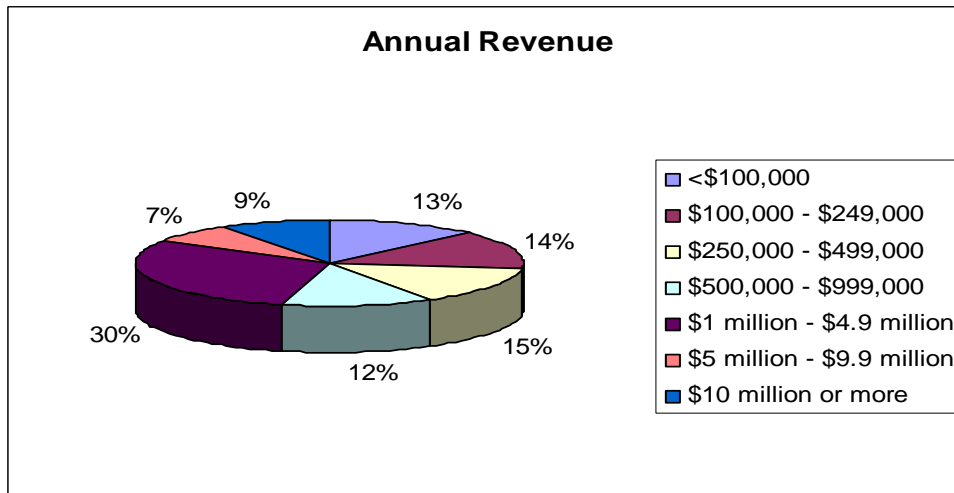
Further, Figure C shows that 57% of the respondent organizations represent service industries of various kinds. This percentage could be further magnified by the fact that the organizations under 'Other' represent primarily service industries such as insurance, consulting, marketing and advertising, and trade through salespeople.

Figure C: Primary Business Activity



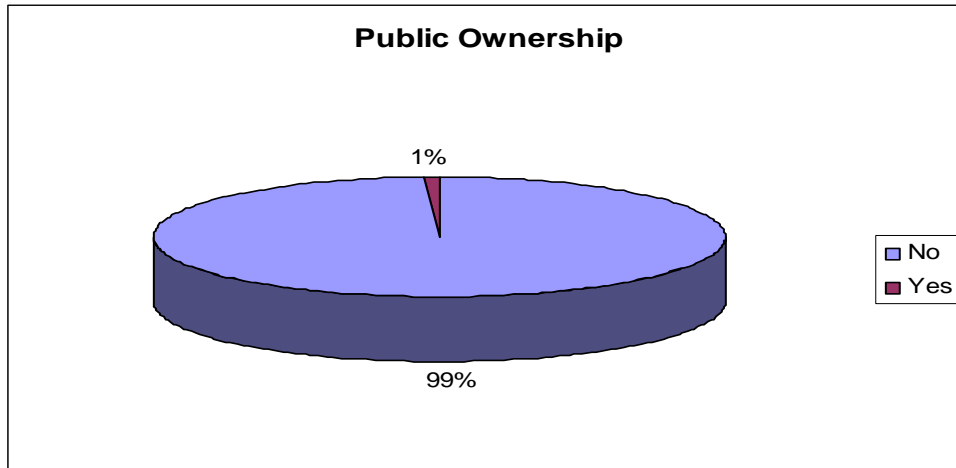
Corresponding to the size of organizations in Atlanta is their annual revenue. Of the 580 firms, for which owners answered this question, 52% have annual revenue of less than \$1 million and 48% generate higher sales. Given the distribution of size in our sample, as well as in Atlanta region, this suggests that some small businesses are able to generate substantial annual revenue, sometimes higher than \$1 million. This is definitely a promising characteristic of the region reflecting its potential for growth.

Figure D: Annual Revenue



Finally, the surveyed firms were predominantly private, 99%, as Figure E suggests.

*Figure E: Public Ownership*

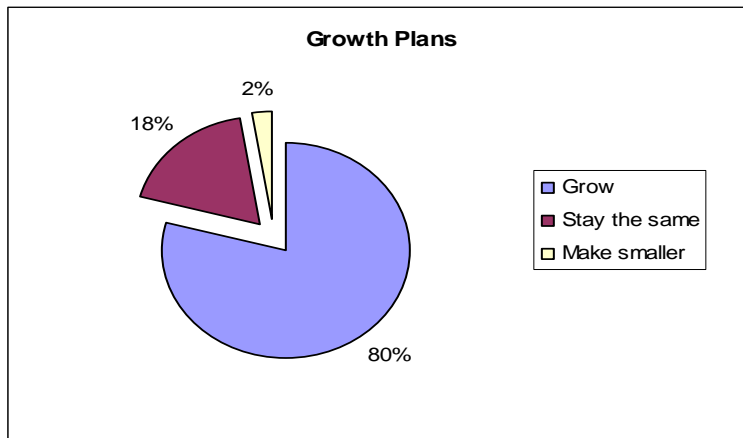


## Growth

This section outlays the overall growth plans of business owners, their recent and expected investments in major equipment, and their most recent and expected workforce growth.

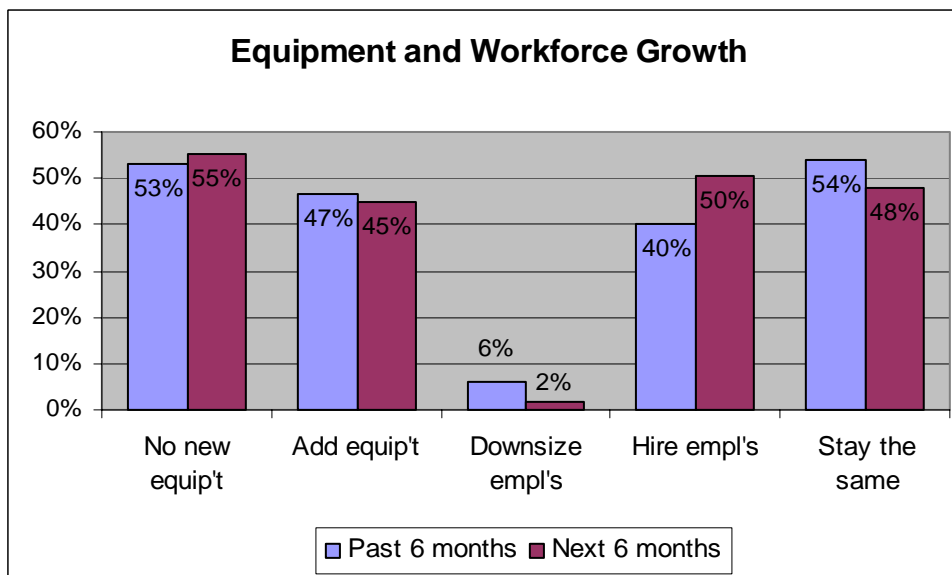
As can be seen on Figure F, the overwhelming majority of Atlanta small business owners are growth oriented clearly indicating the optimistic trend of development in the region.

*Figure F: Growth Plans*



Further, Exhibit A compares the percentage of firms investing in major equipment in the past six months to the fraction of firms expecting to invest in the next six months in the first two pairs of columns. The last three pairs of columns represent the comparison of workforce growth in the past six months to the expected employee growth for the next six months.

*Exhibit A: Equipment and Workforce Growth*



Surprisingly, there are fewer firms planning to invest in major equipment in the next six months than there were firms which actually invested in such equipment in the last six months. However, the difference is marginal at only 2 percentage points. Overall, nearly half of the businesses have invested and plan to invest in major equipment.

With regard to workforce growth, the trend is definitely positive with 50% of the businesses planning to add employees in the next six months versus only 40% doing so in the past six months. Further, the proportion of organizations planning to downsize is almost negligible at 2%.

Altogether, these results suggest that businesses in the metro Atlanta area are on the upturn. Although the number of businesses planning to invest in major equipment is somewhat smaller than the number of businesses which actually made such an investment, the proportion of these businesses in the population is large enough to stimulate further growth. Along with the indicators of workforce growth and overall growth orientation, these results project a blooming future for businesses in the region.

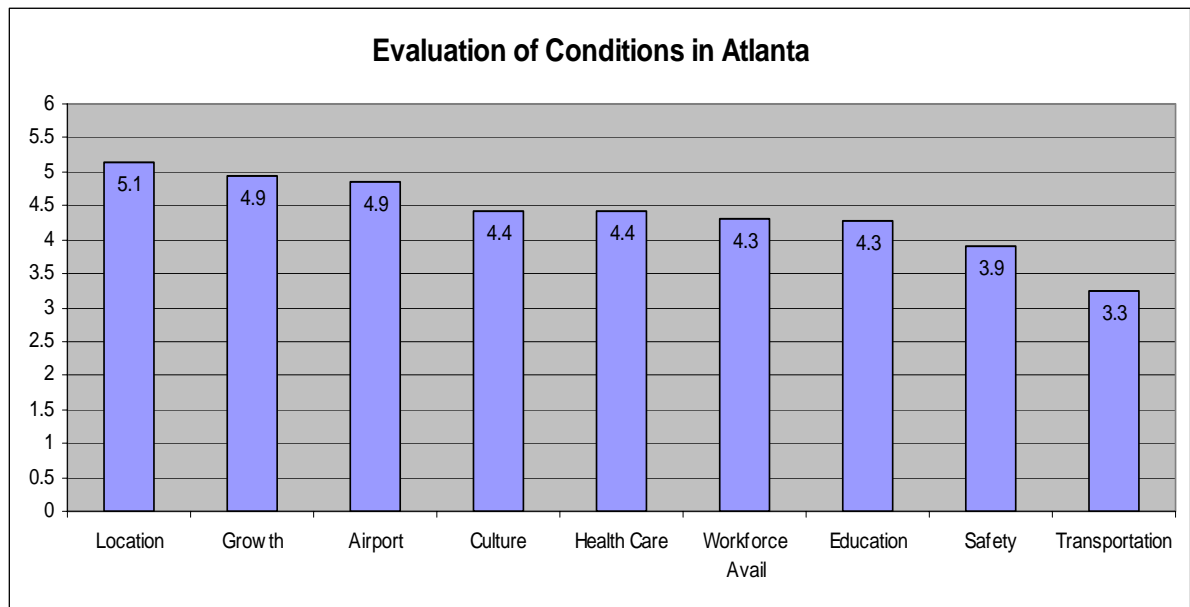
## Evaluation of the Region of Atlanta

This section reports the results of two questions in the survey. These questions ask small business owners to state their opinion on the general conditions of Atlanta area as a home to their business, as well as the services available in the area. Both questions used the following scale:

1 – Very Poor, 2 – Poor, 3 – Fair, 4 – Good, 5 – Very Good, 6 – Excellent

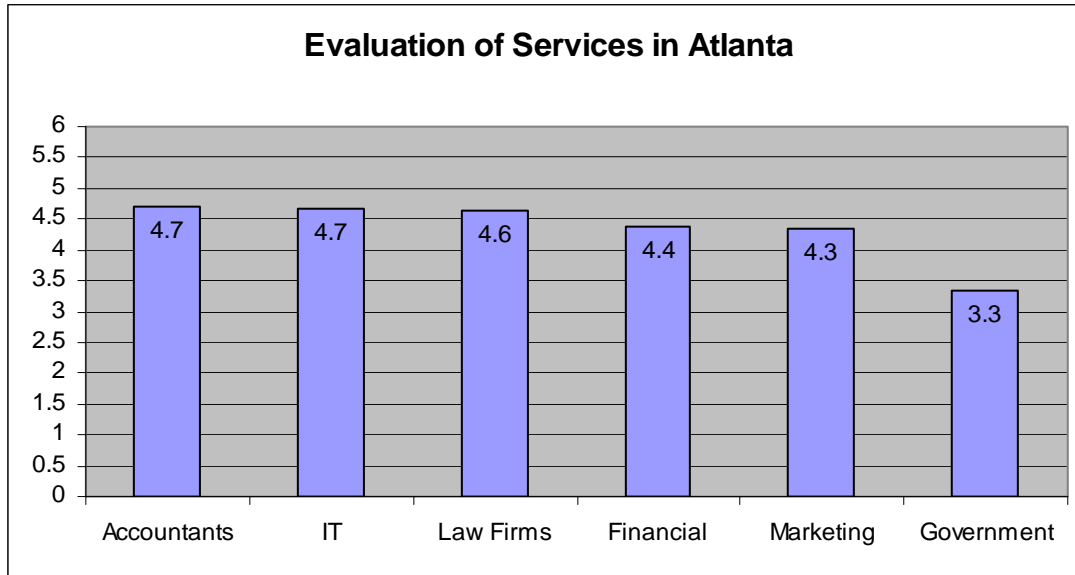
First, Exhibit B suggests that the overall evaluation of conditions in Atlanta is good to very good. Small business owners are particularly delighted with the advantages of the geographic location of Atlanta, the growth of the region, and the availability of an airport. However, they are least impressed with the local transportation system and are concerned with the overall safety in the area.

*Exhibit B: Evaluation of Conditions in Atlanta*



Second, Exhibit C shows that the overall ratings of services provided in the area are good to very good with no major differences among different types. The only low scoring service is government expressing the relative dissatisfaction of small business owners with the number of government services they receive in the region. In the open ended comment area provided in the survey, many respondents mentioned the amount of red tape and the relative inefficiency of the local tax system as potential impediments to adequate business activity.

*Exhibit C: Evaluation of Services in Atlanta*



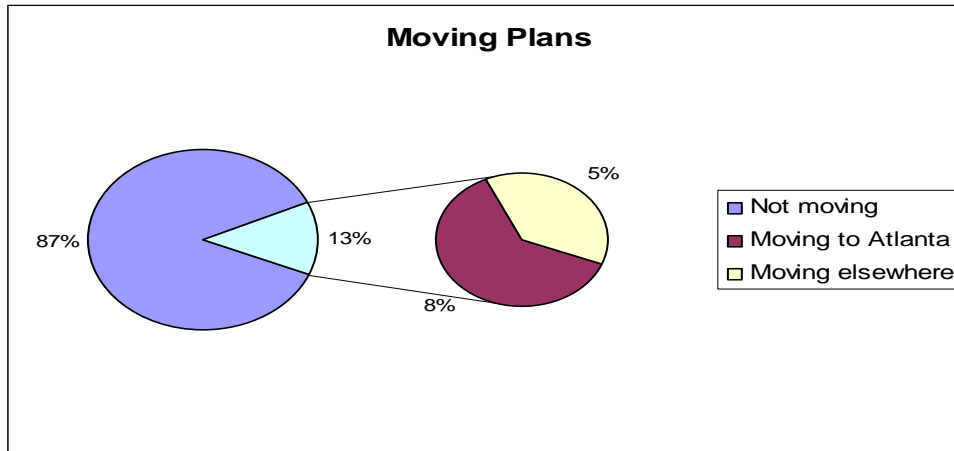
Overall, the evaluations of the area are adequate for promising business activity but certain areas need significant improvement.

## Relocating the Principal Business Activity

This section reports the proportion of firms planning to move to a new location and the reasons for their move.

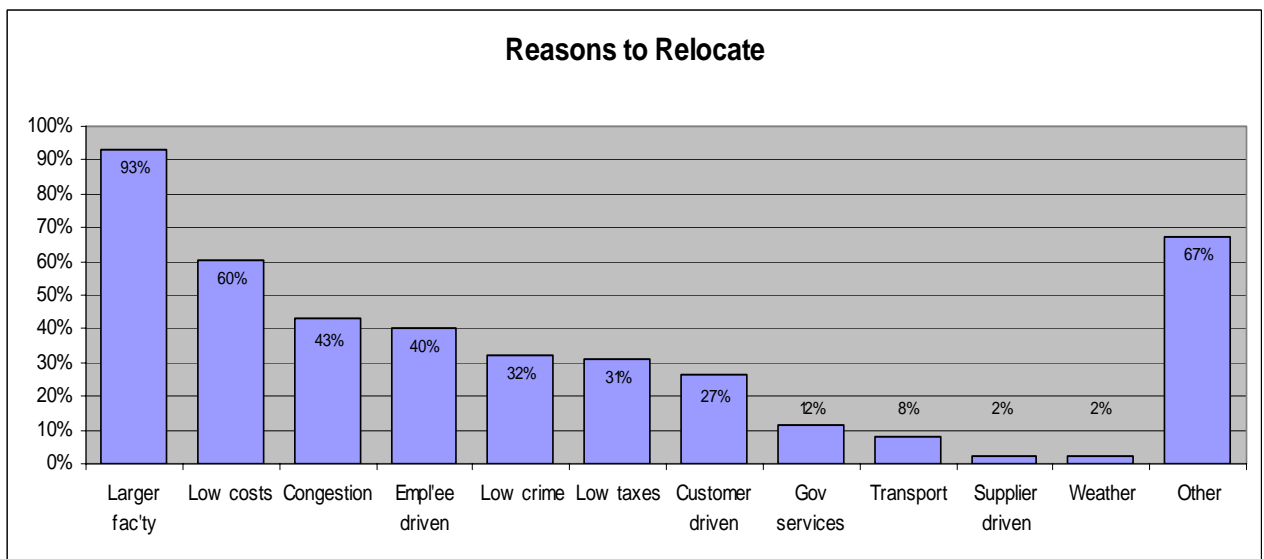
The majority of firms, 87%, do not plan to move their principal activity in the next six months. Of the ones moving, 62%, or 8% of the total, are moving to Atlanta and the rest are moving elsewhere.

Figure G: Moving Plans



Among the reasons to move, nearly all business owners planning to move – 93% pointed the need for a larger facility as a primary reason. Another important reason to move is the opportunity to lower costs, indicated by 60% of the moving firms. Among the other reasons, congestion and employee availability seem to score higher, while factors such as government services, transportation, supplier location, and weather do not seem to influence significantly the relocation decision.

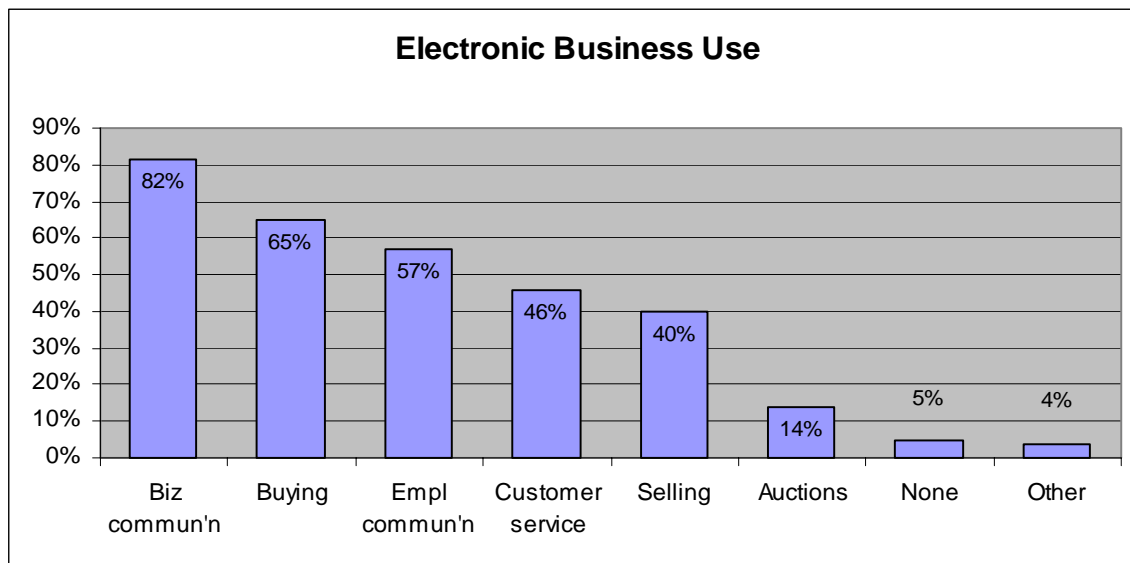
Exhibit D: Reasons to Relocate



## Electronic Business

This section describes the various ways in which small businesses conduct electronic business. Overall, it is impressive that 95% of the small businesses responding to the survey have at least one reason to conduct electronic business. Exhibit E indicates that the Internet is used most frequently for communication with suppliers and customers – 82% of the firms. Internal communication with employees is also important as evidenced by the 57% of firms having this practice. Interestingly, businesses use the Internet much more frequently to purchase products or services – 65% than they do to sell products or services – only 40%. Another interesting fact is that although 82% of the businesses communicate with their suppliers and customers online, only 46% offer online customer service. Finally, very few firms seem to participate in auctions or have other online activities.

*Exhibit E: Electronic Business Use*

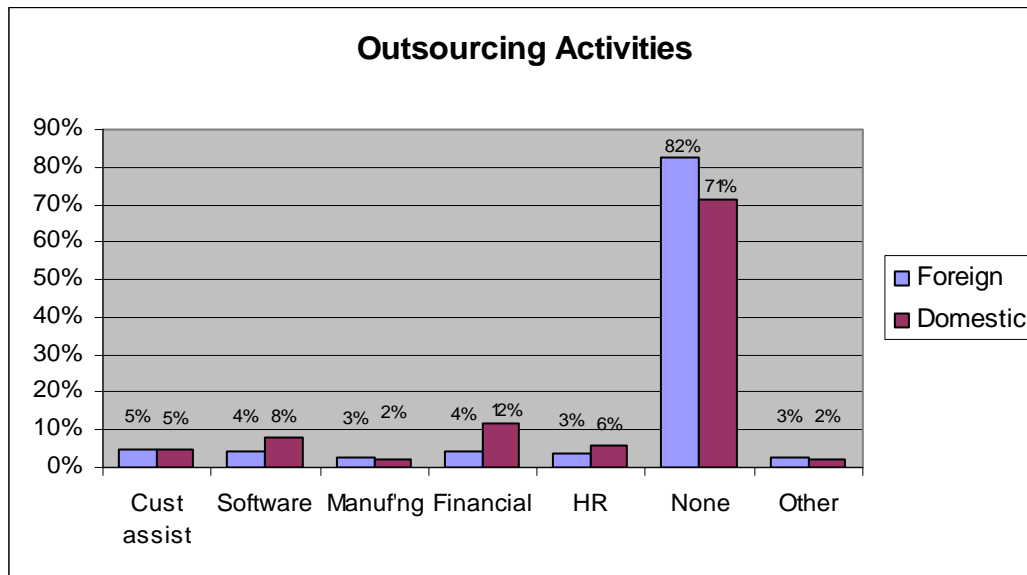


## Outsourcing

This section describes the types of business activities that firms plan to begin outsourcing in the next six months to a foreign or a domestic provider. It is evident from Exhibit F that the majority of firms are not planning to outsource any of their activities currently performed in-house. It is possible that many businesses already outsource some of their activities or that because of their small size the volume of the activity is still too small to pose an organizational difficulty for the business.

Further, for most business activities, firms prefer to outsource domestically rather than internationally. The only activity in which a foreign provider is favored is manufacturing, although the difference is only marginal at 1 percentage point. It is possible that the continuing trend of weakening the US Dollar in comparison to other currencies decreases the benefit of lower cost manufacturing in foreign countries. The influence of this economic trend could be compounded by the preference of the relatively small and young entrepreneurial firms in Atlanta to avoid the difficulties of international activities and rely on their existing knowledge of the local environment (see section 'International Business').

*Exhibit F: Outsourcing Activities*



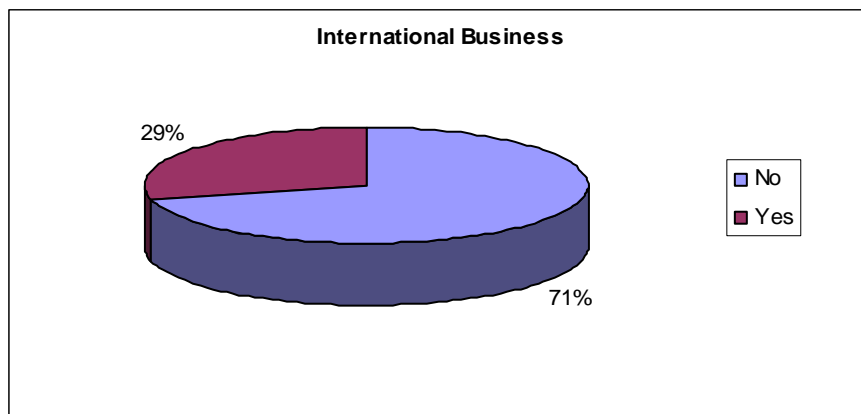
Finally, the most frequently mentioned business activities for outsourcing are financial services and accounting, as well as software. Human resource management and customer assistance follow closely after, while manufacturing is the activity least sought to outsource. These results might be due to the industry breakdown of the businesses in metro Atlanta area (see Figure C).

## International Business

This section describes some key aspects of the international business activities of the responding businesses such as type of international activity, number of countries in which some activity is conducted, the percentage of foreign revenue, and age at which the business expanded internationally. The section also reports on the level of business risk perceived by business owners in the countries they do business in, as well as the reasons they do or do not conduct international business.

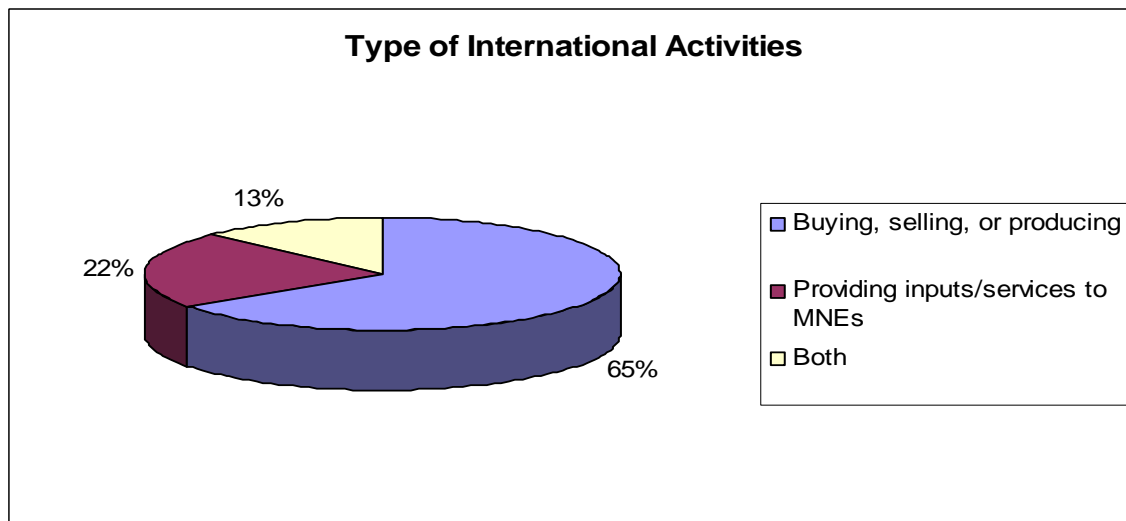
First, it is interesting that less than one third of the respondents – 29%, or 419 firms, have any international activities (see Figure H). These international activities are broadly organized in two categories shown on Figure I.

*Figure H: International Business*



Most businesses which have international operations – 65%, are involved in buying, selling, or producing in a foreign country, while about 22% provide inputs, services, or undertake marketing to firms engaged in international business. The remaining 13% do both.

*Figure I: Type of International Activities*



Given that 71% of the responding businesses are domestic, it is interesting to see how business owners support this decision. 808 business owners provided their reasoning behind this issue. Table A gives a summary of the top 10 reasons to not conduct international business, of which the top 3 dominate the answers given by the respondents.

For many businesses the decision to stay domestic is customer driven. Either local customer needs are too unique to transfer the expertise in satisfying them internationally or the businesses lack knowledge of the international markets. For other business it is simply impossible to expand internationally because their services can only be performed domestically. These first two reasons complement each other and reflect the dominant presence of service organizations in the metro Atlanta area described earlier.

The third most important reason to stay domestic is a matter of stage of development and volume of operations. Many firms in the area are young, and hence early in their stage of development. Most firms are also small, and hence have limited capabilities to handle large volumes of operation. These two factors combine to discourage firms from launching uncertain, potentially highly resource-demanding international operations before they have established a sound foundation domestically and tapped the growing local market. This behavior reflects the traditional logic of internationalization and stays in a stark contrast to the behavior of other firms who internationalize very early in their life cycles. Such firms are certainly present in Atlanta as described later in this section. Overall, while the first two reasons preclude any possibility of conducting international business, the third one suggests that internationalization is possible but at a later stage in the life cycle of the firms.

*Table A: Reasons to NOT Conduct International Business*

| <b><i>Reasons to NOT conduct international business</i></b> |  |
|---|--|
| <b>1</b>  | <b>Product/service tailored to local needs</b>   |
| <b>2</b>  | <b>Services difficult/impossible to transport internationally</b>                      |
| <b>3</b>  | <b>Sufficient business domestically – attempt to focus rather than spread too thin</b> |
| 4   | Complexity of foreign environment – regulation, taxes                                  |
| 5   | Lack expertise   |
| 6   | Cost concerns – travel, risk of losing money   |
| 7   | Security concerns  |
| 8   | Language and culture concerns  |
| 9   | Insufficient resources (mostly human, not financial) to handle growth                  |
| 10  | Positioning strategies   |

Some of the other international challenges crossing small business owners' minds include the increased complexity of dealing with different regulations in other countries, the lack of foreign expertise possessed by the key personnel, the increase in expenses and financial risk, the level of political stability, language and cultural differences, and insufficient supply of qualified personnel to handle growth even in domestic operations. Interestingly, all these challenges do not preclude the possibility of conducting international business, but rather if overcome increase the likelihood of internationalization. Finally, some owners suggested that their strategic distinctiveness lies in their positioning in the metro Atlanta area, and hence any strategic moves outside of this region are unreasonable at this stage.

Further, Table B provides a summary of the answers of 307 business owners regarding their reasons to conduct international business. Again, the top 3 reasons are most frequently mentioned among all responses.

Not surprisingly, two of the top 3 reasons to conduct international business are related to market expansion or growth and the opportunity to reduce cost, especially manufacturing. The latter possibly reflects the higher percentage of manufacturing firms in the sample of firms conducting international business (10%) compared to the percentage of manufacturing firms in the overall sample (6%).

The third most frequently mentioned reason to conduct international business is the fact that many firms' clients are international themselves. As a result, firms have to provide their services internationally. This is expected, given that one third of the international businesses in the sample are in that category (see Figure I).

*Table B: Reasons to Conduct International Business*

| <b>Reasons to conduct international business</b> |  |
|--|--|
| <b>1</b>   | <b>Market driven - growth potential, untapped market</b>           |
| <b>2</b>   | <b>Supply driven, e.g. cost of manufacturing</b>                   |
| <b>3</b>   | <b>Client driven - providing services to international clients</b> |
| 4  | Diversification of geographic base - lower risk of focusing        |
| 5  | Foreign Human capital - talent, education                          |
| 6  | Quality of foreign goods - better production expertise, work ethic |
| 7  | Internet sales are easy, secure credit card payments               |
| 8  | Existing partnerships  |
| 9  | Less competition   |
| 10   | Economies of scale   |

Further, some business owners point out the wealth of resources in foreign countries that could be exploited such as high quality human capital – both specialized and general. The former could complement the limited domestic human capital, while the latter enhances the quality of goods or services offered for sale.

For others, strategic reasons such as less competition or exploiting existing partnerships triggered the decision to internationalize. The opportunity to reduce competition clearly indicates novelty of the goods or services offered, while the exploitation of partnerships indicates the importance of networks in reducing the uncertainty of foreign expansion.

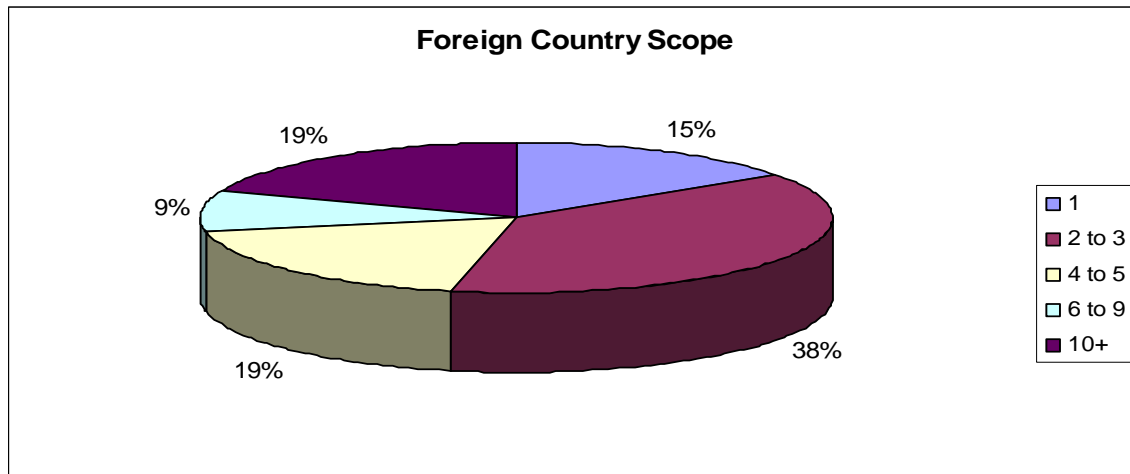
In addition, rational economic reasoning convinced some of the owners in the attractiveness of international business. Clearly, broadening the geographic base could diversify the overall risk of the business or cause economies of scale. Finally, businesses using the Internet to sell, find it easier to sell internationally. Given that only 40% of the respondent firms currently use the Internet to sell products or services (see Exhibit E), it could be expected that in future international sales over the Internet will increase along with an increase in the number of businesses using the Internet for selling.

Focusing on the businesses conducting international business only, it is interesting to know more about some key aspects of their international operations such as their scope

of foreign operations, percent of foreign revenue, age at internationalization, and perceived foreign risk.

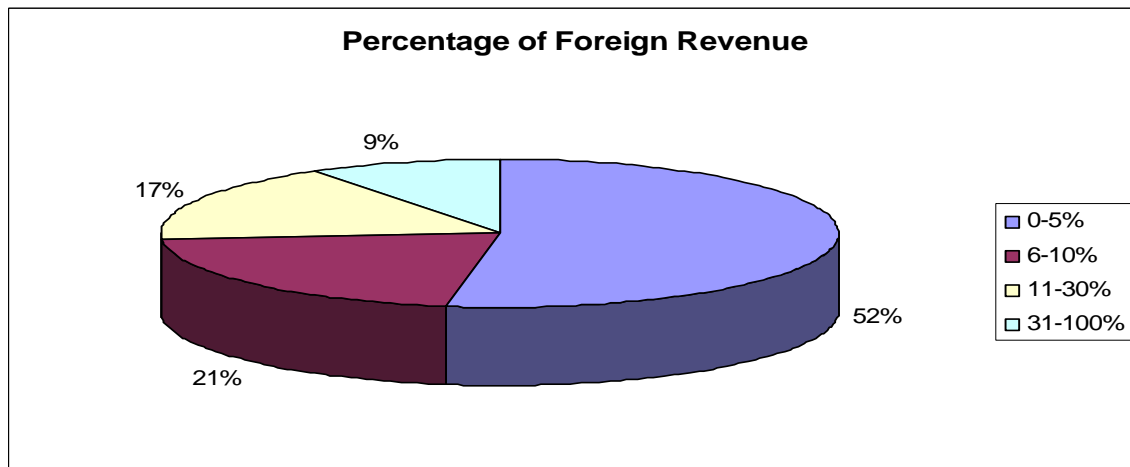
Figure J illustrates the percentage distribution of firms based on the number of foreign countries they conduct business in. More than half – 53%, have some operations in up to three foreign countries. This relatively low extent of internationalization reflects the small size and young age of the businesses in the area and suggests that there is much potential for further internationalization.

*Figure J: Foreign Country Scope*



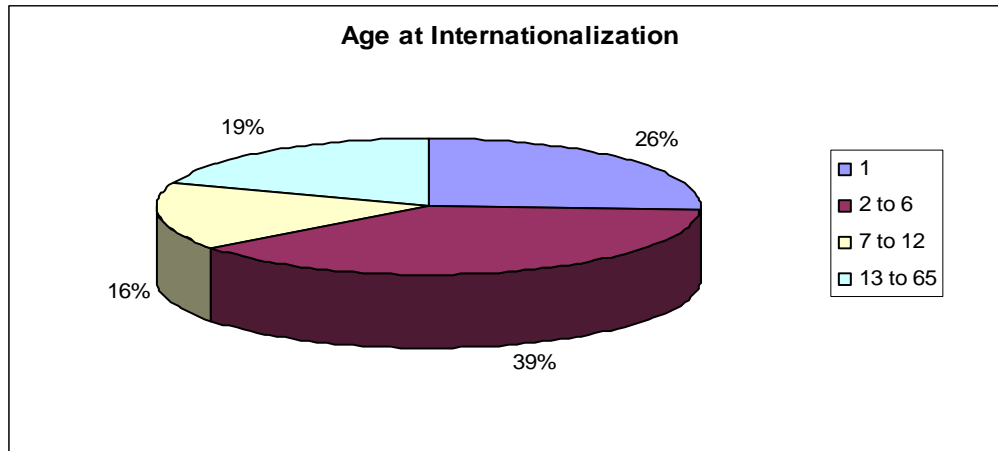
The relatively small degree of internationalization is also confirmed by the percentage of revenue businesses generate from foreign countries. Figure K illustrates that 73% of them accumulate only 10% or less of their revenue from foreign countries. However, both Figure J and Figure K indicate that about one quarter of the businesses conducting international business are highly international doing business in many foreign countries and generating a large proportion of their sales from foreign sources. This is a good illustration of the high potential of international operations and the Atlanta region as a home to such organizations.

*Figure K: Percentage of Foreign Revenue*



Interestingly, the majority of international firms in Atlanta – 65%, internationalized within six years from inception. Coupled with the fact that businesses in the area are predominantly young, this is a truly amazing statistic demonstrating the increasingly international character of new businesses in the metro Atlanta region. In addition, this finding illustrates a strikingly different international behavior from the traditional approach observed among many businesses trying to build a strong domestic foundation first and only then expand internationally. This latter behavior was also captured with this survey and reported and explained earlier in this section and in table A.

Figure L: Age at Internationalization



Next, respondents were asked to report the foreign countries in which they do business and the level of risk they associate with these countries. A summary of these results is reported in Table C. Not surprisingly, the more industrialized countries including Japan, Canada, Australia, and most of Western Europe are associated with very low risk.

Table C: Countries and Perceived Country Risk

| <b>Countries and perceived country risk</b> |                 |                      |                  |                       |
|---|-----------------|----------------------|------------------|-----------------------|
| <b>Very low risk</b>                        | <b>Low risk</b> | <b>Moderate risk</b> | <b>High risk</b> | <b>Very high risk</b> |
| UK  | UK              | China                | China            | Vietnam               |
| Canada                                      | Germany         | Mexico               | Mexico           | Pakistan              |
| Germany                                     | Brazil          | Brazil               | Taiwan           | China                 |
| Mexico                                      | Canada          | Argentina            | Saudi Arabia     | Columbia              |
| France                                      | Mexico          | South Africa         | Pakistan         | Iraq                  |
| Italy                                       | India           | Jamaica              | Ukraine          | Nigeria               |
| Japan                                       | Korea           | Puerto Rico          | Brazil           | Peru                  |
| Ireland                                     | Russia          | Bulgaria             | Argentina        | Thailand              |
| Australia                                   | Philippines     | UAE                  | Vietnam          |                       |
| Netherlands                                 | Israel          | Chile                | India            |                       |
| India                                       | Chile           | Korea                |                  |                       |
| China                                       | China           | Indonesia            |                  |                       |
|   | Italy           | Japan                |                  |                       |
|   | Ireland         | Germany              |                  |                       |
|   | Hong Kong       |                      |                  |                       |

In addition, developing economies such as Mexico, China, and India are also mentioned. In the case of Mexico, it is likely that the closeness of the country to the US reduces the relative unfamiliarity and uncertainty with it compared to countries at a similar economic stage of development across the world. In the case of China and India, it is likely that some individuals or businesses have prior experience in or with these countries or have relationships with such individuals or businesses.

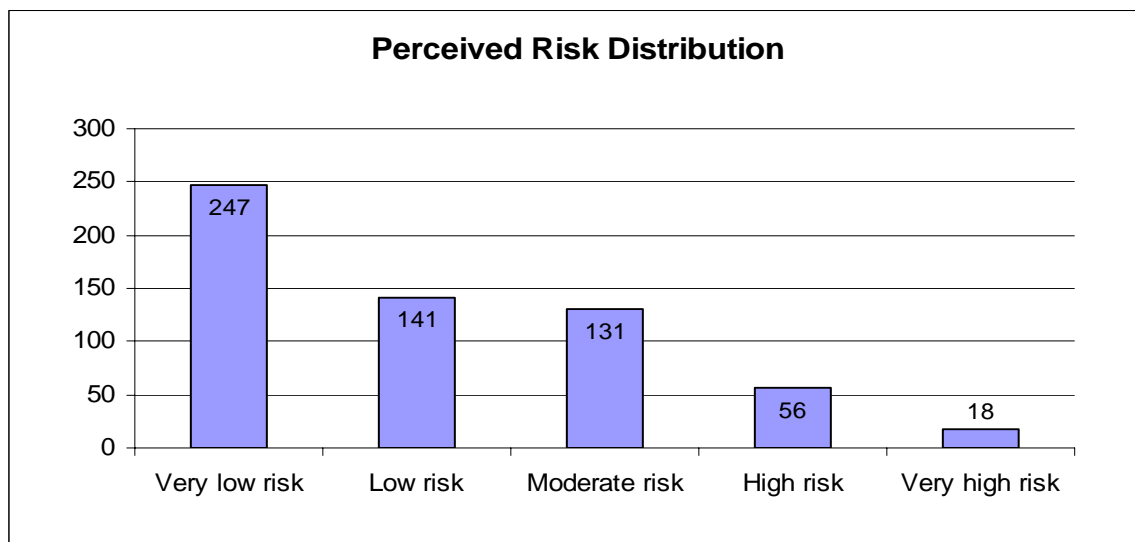
Interestingly, China, India, and Mexico are associated with different degrees of risk – from very low to very high, by different business owners. Presumably, this difference is due to the developing nature of these economies and the varying extent of experience with or in them of the key personnel in the responding businesses.

The list of countries associated with low risk to a large extent includes all countries associated with very low risk, but is expanded with the inclusion of some Latin American countries – Brazil and Chile, Asian and Pacific countries – Korea, Hong Kong, and Philippines, Israel, and Russia. Again, this perception might be related to the relatively more advanced and growing nature of these economies compared to other developing economies and the level of experience of varying individuals with or in these countries.

The list of countries associated with moderate risk is clearly dominated by developing economies including countries in Latin America – Brazil, Argentina, and Chile, in South-East Asia – China, Korea, and Indonesia, in Eastern Europe – Bulgaria, in the Mid-East – United Arab Emirates, and in Africa – South Africa. The list also includes countries that are relatively close to the US such as countries in the Caribbean – Puerto Rico and Jamaica.

Among the countries included in the high risk and very high risk categories are some of the countries mentioned before but also countries with political instability and/or economic volatility. Such countries include Iraq, Pakistan, Nigeria, Columbia, Vietnam, Taiwan, Ukraine, and Saudi Arabia.

*Exhibit G: Perceived Risk Distribution*



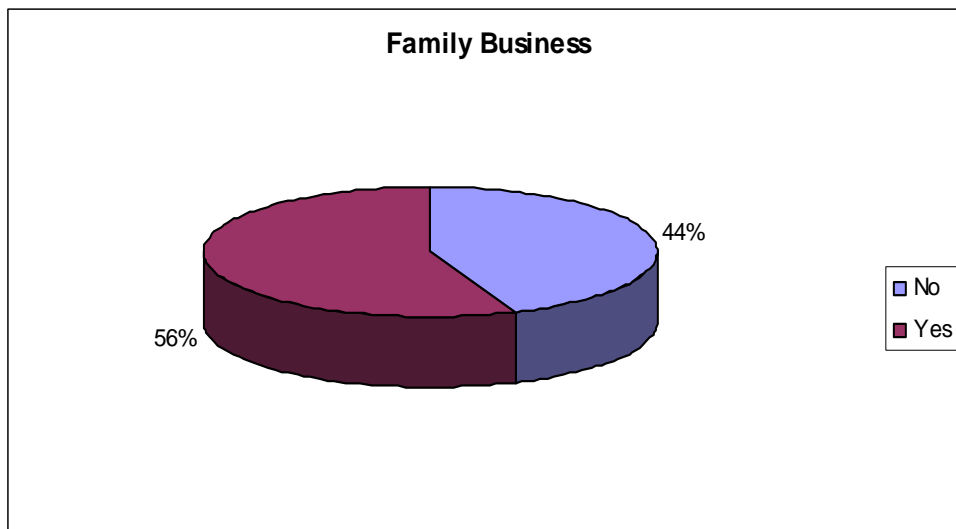
Naturally, businesses prefer to do business in foreign countries where they perceive lower risk. As Exhibit G shows, most business owners report countries associated with very low levels of risk and the number of countries reported decreases with increasing levels of perceived risk. Even though many businesses internationalize at a very young age, and seemingly assume more risk than others, they still target countries where they feel more secure, potentially because they have prior experiences or knowledge associated with these countries, or because they have relationships with individuals or businesses that have such experiences or knowledge.

## Ownership and Leadership

This section reports a number of statistics regarding the current state of family ownership and leadership of the businesses, as well as their future plans along those two categories.

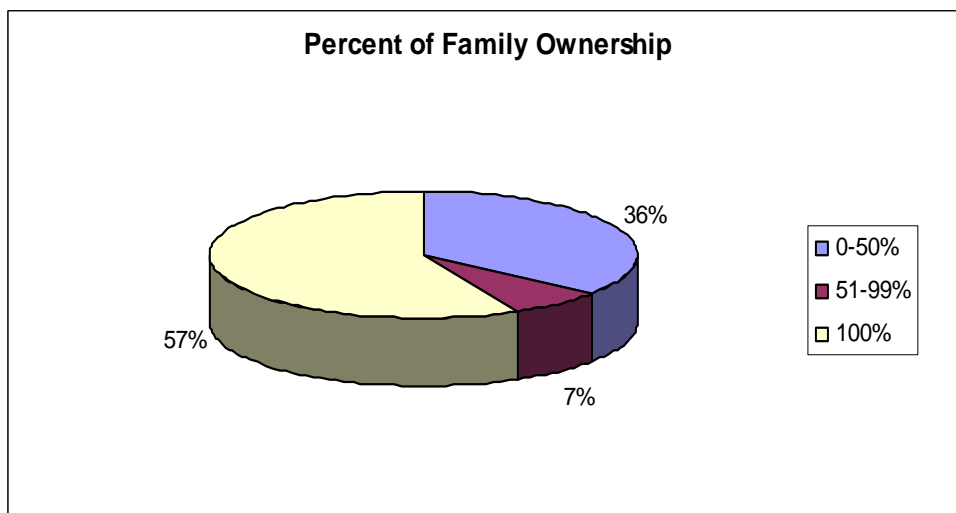
First, Figure M reveals that 56% of the businesses are family type businesses. This means that the family has a majority ownership of the firm, holds an effective control of the management, involves more than one family member in the daily management activities, or that control of the company has passed from one generation to the next.

*Figure M: Family Business*



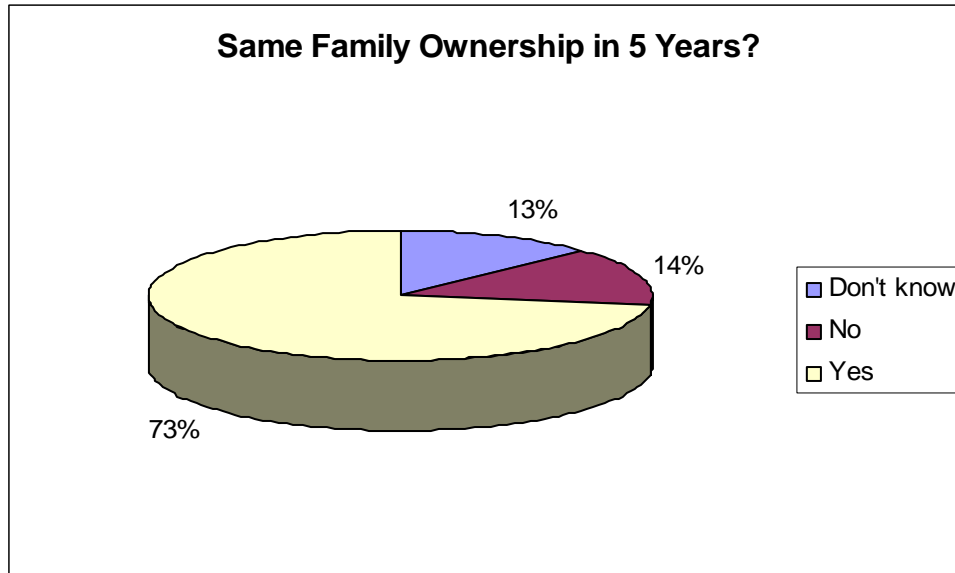
Among the firms reporting family ownership (839), 57% report 100% ownership, while only 36% of these firms own 50% or less of the firms' equity (see Figure N).

*Figure N: Percent of Family Ownership*



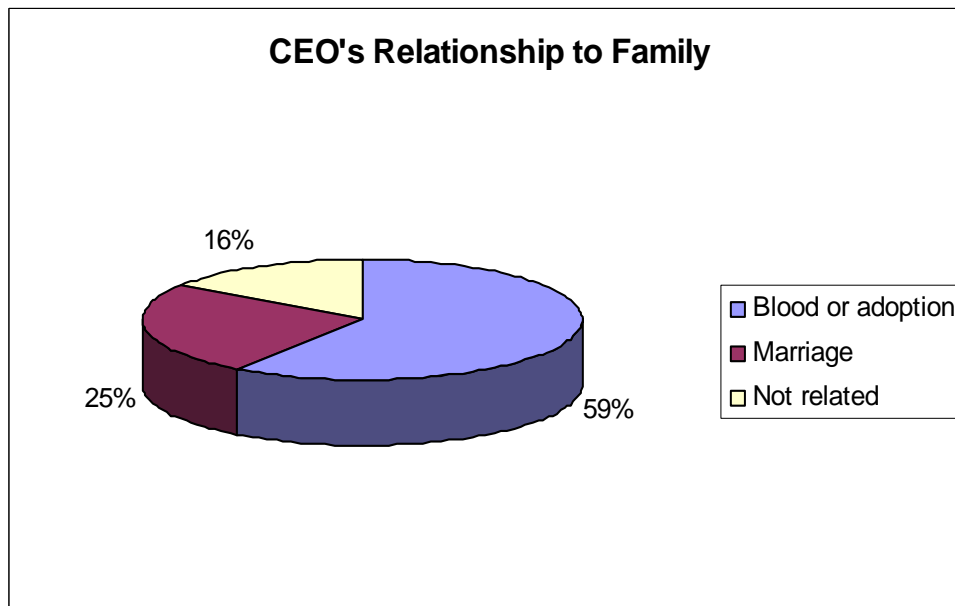
In addition, the majority of businesses – 73%, expect the same family to own the business in five years (see Figure O). Apparently, the families owning their businesses have long term plans with respect to the businesses they are associated with.

Figure O: Same Family Ownership in 5 Years



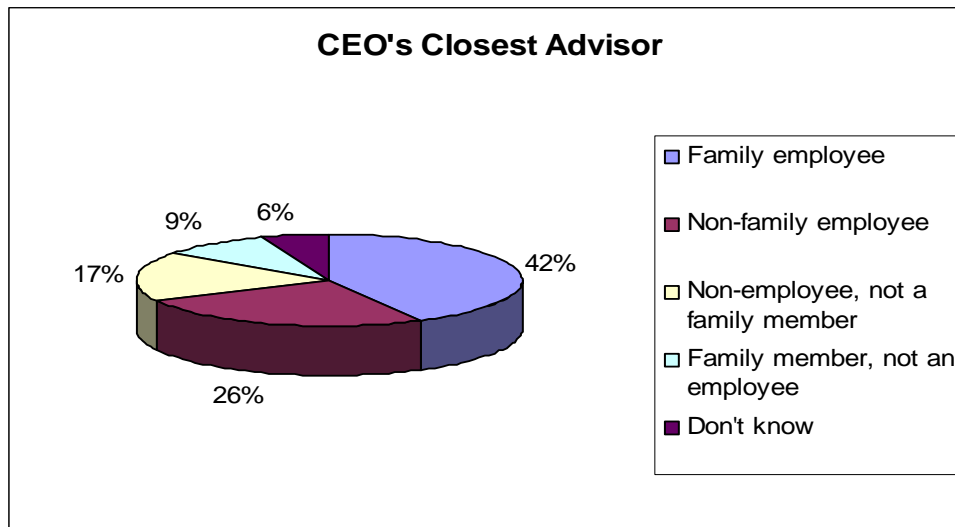
With regard to the leadership of the businesses, the vast majority – 84% are led by a CEO related to the family. Of these, most are related to the family by blood or adoption and one quarter of all are related by marriage (see Figure P). Clearly, families are cautious in selecting the leader of the business, preferring someone who they know well and consider trustworthy.

Figure P: CEO's Relationship to Family



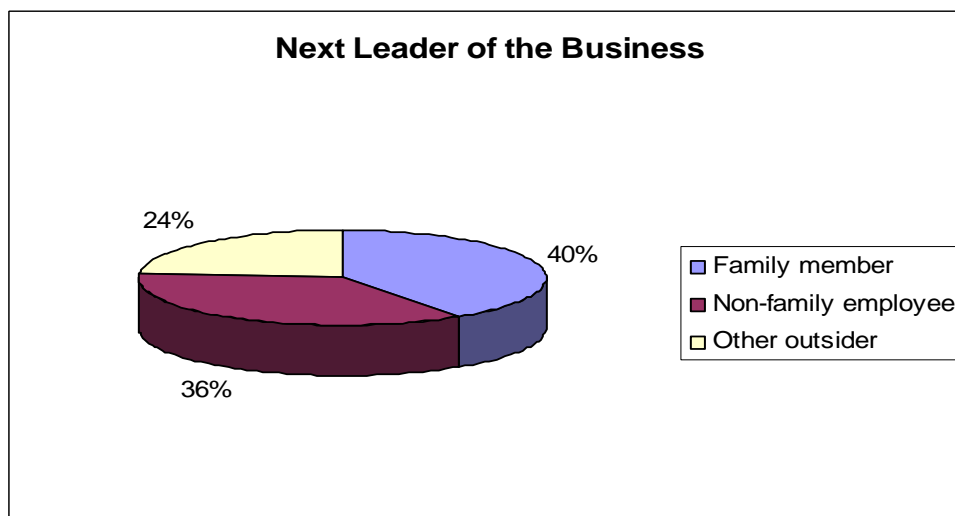
The closest advisor of the CEO is in most cases – 68%, an employee of the business rather than an outsider – Figure Q. Reflecting the high family involvement in the businesses, it is expected that the employee advising the CEO is more often a family member than a non-family member. However, given the high proportion of CEOs who are related to the family, illustrated on Figure P, it is interesting to note that nearly half of these CEOs do not use this relationship in their professional activities.

Figure Q: CEO's Closest Advisor



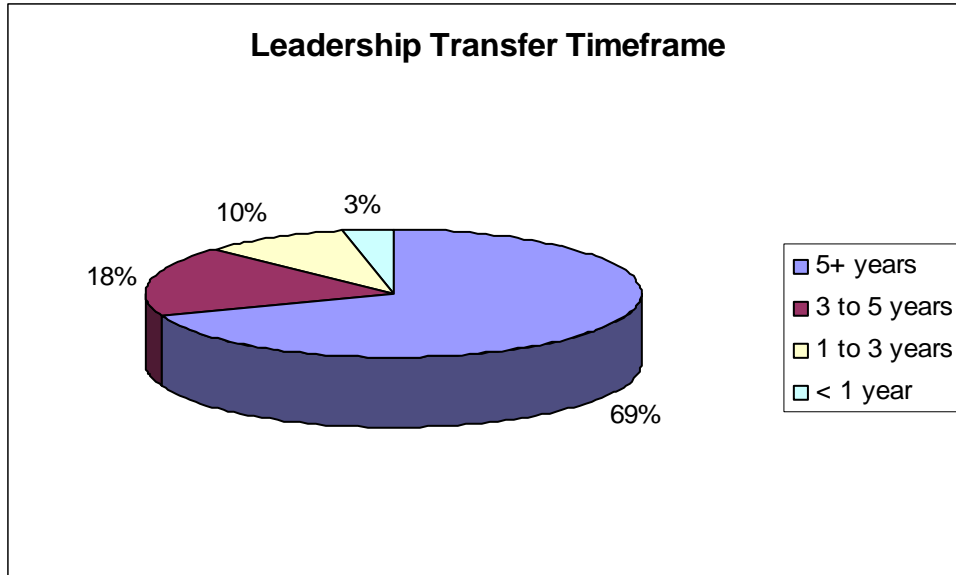
Interestingly, when asked who they expect the next leader of the business to be, only 40% of the business owners indicated a family member. This is a more than 50% drop from the 84% of businesses whose CEO is currently related to the family. Perhaps, business owners expect their businesses to grow in future, as indicated on Figure F, and hence to need a professional capable of managing a larger organization. Another possibility is that the owners are trying to provide growth incentives for the current employees of the firm.

Figure S: Next Leader of the Business



At the same time, however, more than two thirds of the firms – 69%, expect any leadership transfer to take place in five years or more. This definitely speaks of the long-term orientation of the businesses in the area and their cautious approach to any changes in the ownership or leadership of their business.

*Figure T: Leadership Transfer Timeframe*



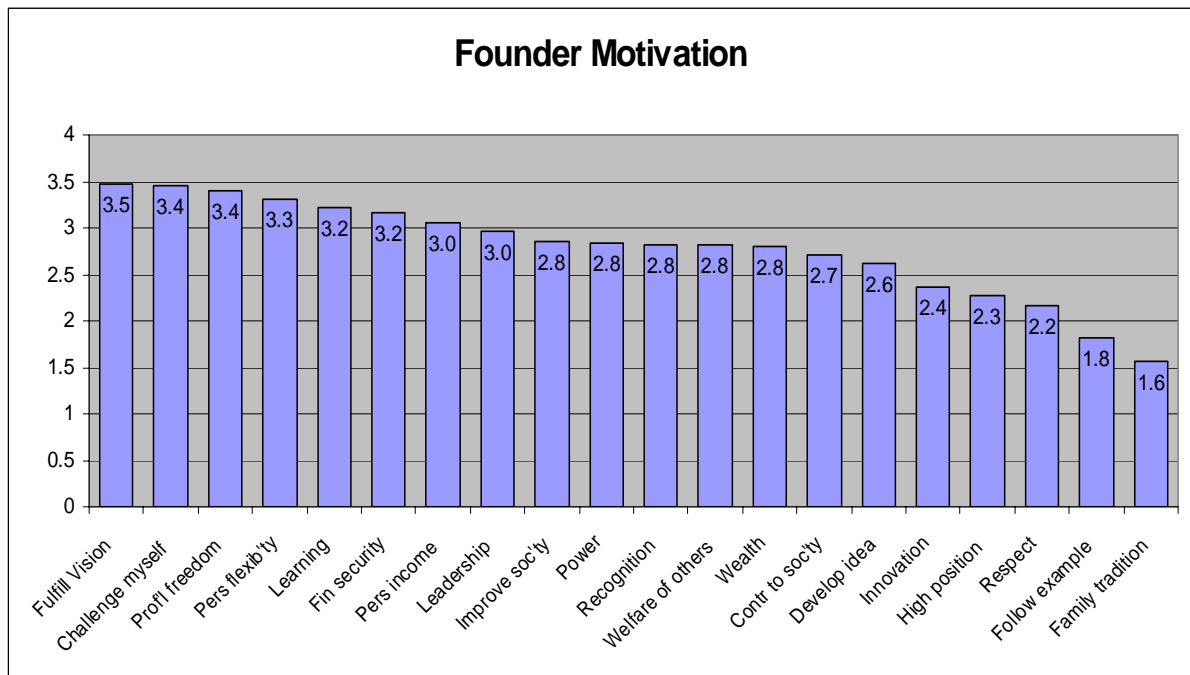
## Founder Motivation

This section presents the rankings of the various reasons for founders to start up the business. The respondents ranked each reason on the following scale:

1—not descriptive, 2—weakly descriptive, 3—somewhat descriptive, 4—very descriptive

Exhibit H displays the results of these rankings provided by 794 small business owners. At the very top are factors that describe the typical visionary individual with an entrepreneurial mindset. These factors include: to fulfill a personal vision, to challenge oneself, to achieve professional freedom, and to achieve greater flexibility in personal life. Other reasons including more traditional managerial goals such as achieving greater power, recognition, respect, or wealth or social reasons such as contributing to or improving society, or enhancing the welfare of others ranked as average in motivating founders to start up their business. Finally, reasons external to the personality of the founder such as following the example of someone else or following a family tradition were very weakly descriptive of the founding motivation of the responding owners.

*Exhibit H: Founder Motivation*

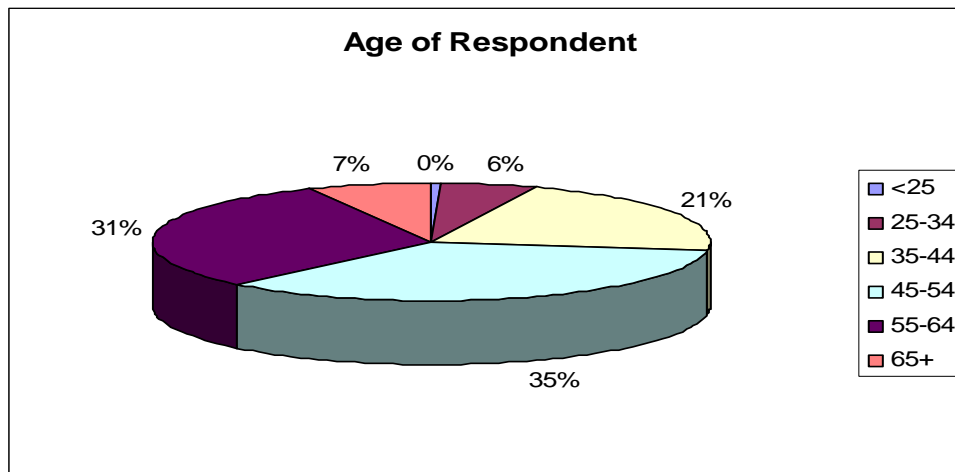


## Demographics

This section presents some demographics with regard to the responding individuals and their businesses. These include age of respondents, gender of the CEO, ownership by women, and ownership by minority groups.

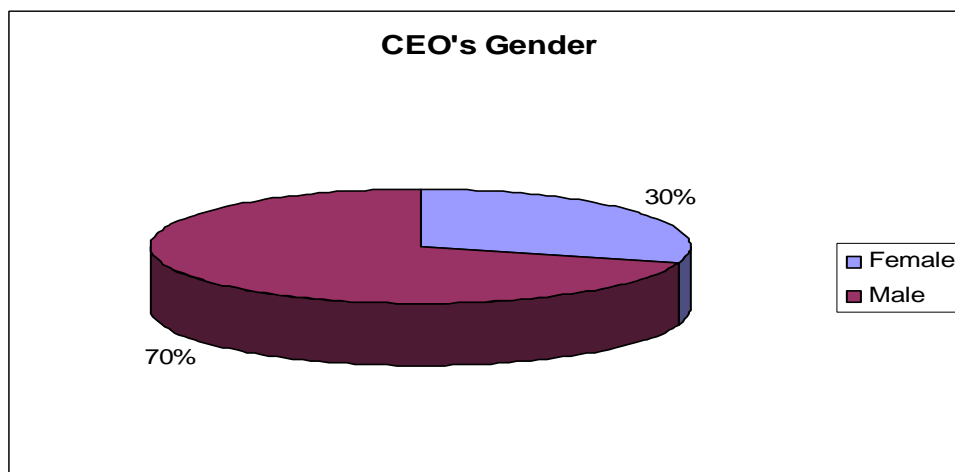
First, Figure U unveils that the vast majority of the respondents – 87%, were between 35 and 64 years of age, with nearly two thirds, or 66%, between 45 and 64 years of age. Considering the fact that most respondents were owners of the business or were performing a major leadership task in the business such as being the CEO, the president, the founder, or a managing director, these age statistics to a large degree reveal the composition of the ownership/leadership of the small businesses participating in the survey. These results suggest that the small businesses in Atlanta area are led by individuals in the most mature age group.

*Figure U: Age of Respondent*



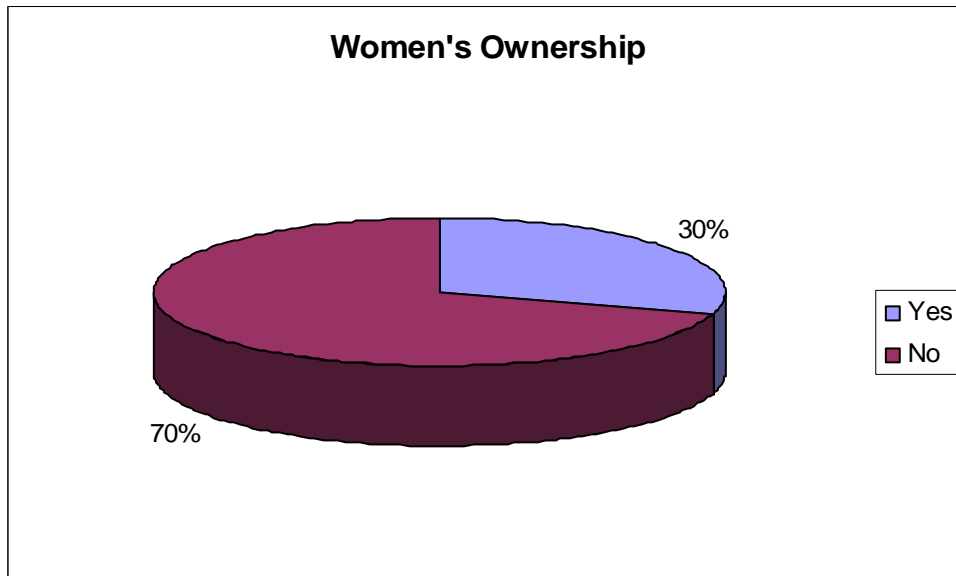
Next, it is encouraging that nearly one third of the businesses are led by women (see Figure V).

*Figure V: CEO's Gender*



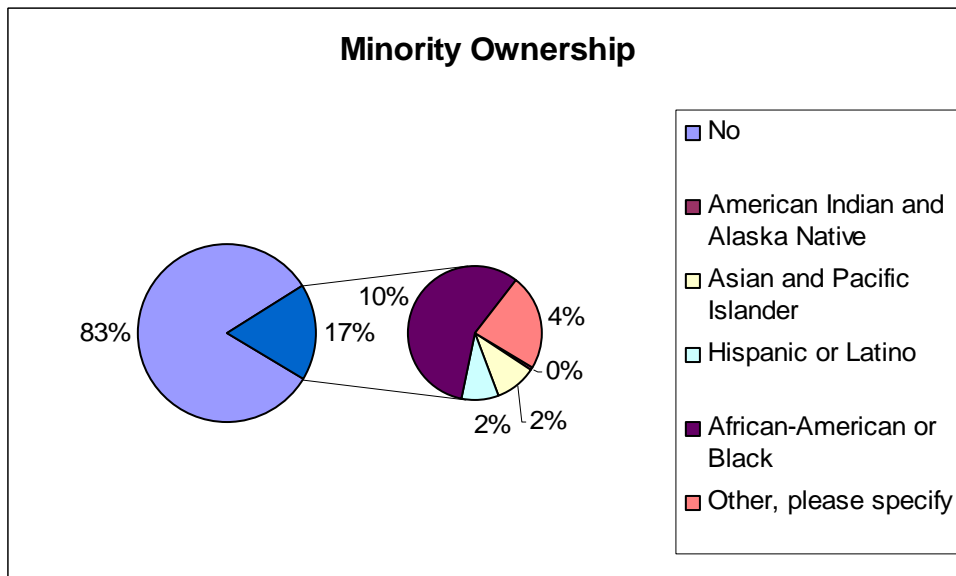
Moreover, this proportion is mirrored when it comes to ownership (see Figure W).

Figure W: Women's Ownership



Finally, minorities seem to own a very small percentage of the businesses participating in the survey. Figure X suggests that only 17% of firms are owned by individuals belonging to a minority group. The most represented minority group is African-American or Black with 10% which is expected for the region. However, the overall ethnic ownership breakdown does not reflect proportionally the ethnical breakdown of the population in the region.

Figure X: Minority Ownership



## **Conclusion**

This report presents the results to the Atlanta Small Business Survey conducted in May 2007. 1549 respondents or 6.2% of the selected sample participated in the online survey. The results indicate a number of interesting facts about the businesses in the metro Atlanta area.

First, businesses in the region are predominantly small and young, owned privately by families, founded by visionary type individuals with strong entrepreneurial mindsets, and future growth oriented. This is believed to be a strong foundation for a blooming business activity in the area.

Second, the majority of businesses represent service industries, which partially determines the relatively lower involvement in international business. Most businesses conducting international business have low degree of internationalization but entered the international arena very early in their life cycles. According to recent theory, such behavior may lead to increased growth in future. Therefore, it is expected that business growth in the region will increase even further as international involvement increases.

Third, local businesses are generally pleased with the conditions and services in Atlanta area, except for the level of safety, transportation, and government services. Most of them do not plan to outsource any activities currently performed inside, but to the extent they do, they prefer to outsource to domestic providers. In addition, although not many businesses plan to move soon, the ones moving intend to move to larger facilities, and hence provide another indicator of future growth.

Finally, most family businesses in the region have long term plans for their ventures as indicated by their intention of continued family ownership. However, many families are willing to let a non-family member lead the business in future suggesting intentions of growing large businesses which need to be managed by professional managers.

Overall, the report depicts an optimistic and promising business environment in the metro Atlanta region. Our intention is to continue conducting this survey on a regular basis in future in order to keep track of this environment. We also intend to supply these results back to the business community and other interested parties. We hope that involvement in the survey will increase in future, so that we can generate more representative results for the region.