

ARTHUR ANDERSEN/NSBU RELEASES SURVEY OF SMALL AND MID-SIZED BUSINESSES

Arthur Andersen's Enterprise Group, along with National Small Business United (NSBU), has released its annual Survey of Small and Mid-Sized Businesses. Now in its seventh year, the survey attempts to put its finger on the pulse of the small business community, to find out what owners are concerned about, what they are doing to build their businesses, and what they look for from the Federal government. Some interesting trends surfaced in the past year.

For one, the business climate has changed. A clear majority (68%) of the small and mid-sized business owners surveyed expect the economy to either remain flat (58%) or to decline (10%) during the next 12 months. Additionally, 85% of survey respondents expect the stock market to remain flat or to decline during the next 12 months. These figures represent a significant decline in economic optimism from last year.

Closer to home, owners are slightly more optimistic, but less so than in previous years. Most (68%) expect their gross revenues to rise during the next 12 months. However, the average anticipated increase has dropped from 5.5% in 1997 to 4.2% in 1998. The story for earnings is similar, a majority (65%) of respondents anticipate an increase in net profits, yet the average increase is expected to be 3.5%, down from last year's 4.4% forecast.

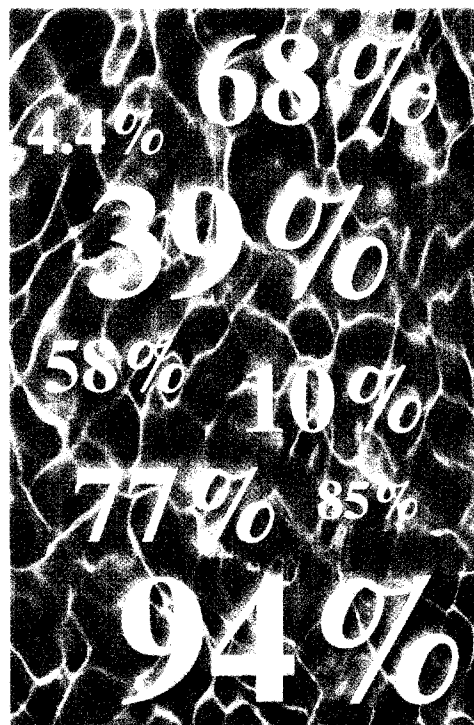
Reduced prospects for growth are coming at a time when labor costs continue to rise. Sixty-three percent of owners indicate that their labor costs are higher than a year ago, and 58% indicate that overall compensation levels will increase by an average of five percent during the next 12 months. Most aren't plan-

ning to hire more personnel; 74% indicate that their staffing levels will remain the same or decline. Small to mid-sized business owners are also concerned about health-care costs. After several years of moderate increases in costs, it appears that spiraling increases are back.

Technology is now ubiquitous in the small to mid-sized company: 94% now have computers. Owners are turning to the Internet as a research medium, marketing tool, and means of fueling growth. Sixty-five percent of respondents indicate their companies use the Internet, more than three times the 1996 total. Twenty-three percent of owners have a webpage today, and the same number indicated that they plan to launch one in the coming months.

Taxes and regulations are still seen as major impediments by many small and mid-sized business owners. More than three-quarters (77%) say the existing tax system should be changed dramatically, making it the most important issue requiring urgent government action, deemed twice as urgent as health-care reform. There is increasing sentiment to fix the tax system by implementing a national sales tax—it's favored by 39% of those concerned. A similar proportion recommends a flat tax, but this solution is less popular than it was in 1997. Social Security, which ranked as the fourth most important issue requiring urgent government action (behind tax reform, health-care reform, and capital gains tax incentives), is also a concern. Three-quarters of small and mid-sized business owners say that some sort of privatization is the answer.

Arthur Andersen's Enterprise Group specializes in helping emerging and middle market businesses increase their competitiveness in the marketplace. National Small Business United represents more than 23 million small businesses through its network of 65,000 members. □



ACCOUNTING FIRM SETTLES SOFTWARE COPYRIGHT CLAIMS

The Business Software Alliance (BSA) was formed by software manufacturers to help protect the rights of software copyright owners. It undertakes enforcement actions against organization end users, resellers, training schools, electronic bulletin board operators, and other entities suspected of making, using, or distributing illegal copies of software.

A major source of leads for BSA is its toll-free piracy hotline, (888) NO PIRACY. BSA also is involved in public awareness programs on copyright law and in encouraging voluntary compliance with those laws.

BSA recently announced a settlement with an accounting firm in Topeka, Kan., under which the firm paid BSA \$250,000. The payment is to be used by BSA to support its education and

enforcement efforts, thereby raising companies' awareness of the need for proper software licensing and management.

According to BSA, the settlement culminated a cooperative effort between the accounting firm and BSA to assess the accounting firm's compliance with software requirements. The voluntary self-audit was conducted after BSA received a report on its antipiracy hotline. The audit revealed more copies of software programs published by BSA members—Adobe, Lotus, Microsoft, and Symantec—than the firm had licenses to support. BSA, in announcing the settlement, stated the deficiencies uncovered demonstrate that even reputable, well-managed companies such as the accounting firm in question can experience problems in managing their software needs.

More information about BSA is available at its website, www.bsa.org, including its *Guide to Software Management*, which can be downloaded from the site. □

