AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 2Q 2021
Management Accounting & Finance
Survey Background

• Conducted between April 27 – May 24, 2021
• Quarterly survey
• CPA decision makers
  – primarily CFOs, CEOs and Controllers
• AICPA members in Business & Industry
• 770 qualified responses
Survey Highlights

**Overall Index improves from 68 to a level of 78**
- US Economy optimism up from 60 to 70
- All components up between 6 to 14 points
- Expansion plans, revenue and profit expectations all trending upward

**Rebound in optimism about the economy, organization and expansion plans continues**
- U.S. Economy optimism rebounds from 47% in Q1 to 70% in Q2
- Organization optimism rebounds an additional 18 points to 76%
- Global economy outlook also improves another 13 points; now 50% are optimistic
- Expansion plans also improve to 61% now having plans to expand

**Overall levels of employment are now expected to be up across all industry sectors, although with some slight easing of projections after the Q1 rebound.**
Finding available skilled personnel continued its rise, now topping the list of challenges; with 67% now concerned about inflation, that challenge landed in the 5th slot; cybersecurity concerns makes its first appearance in the top ten list.
CPA Outlook Index (CPAOI)

The CPA Outlook Index is the composite of the following nine indicators at equal weights:

- U.S. Economy Optimism - Respondent optimism about the U.S. economy
- Organization Optimism - Respondent optimism about prospects for their own organization
- Expansion Plans - Respondent expectations of whether their business will expand over the next 12 months
- Revenue - Expectations for increases or decreases in revenue over the next 12 months
- Profits - Expectations for increases or decreases in profits over the next 12 months
- Employment - Expectations for increases or decreases in headcount over the next 12 months
- IT Spending - Plans for IT spending over the next 12 months
- Other Capital Spending - Plans for capital spending over the next 12 months
- Training & Development - Plans for spending on employee training and development over the next 12 months

The CPA Outlook Index is a robust measure of sentiment about the U.S. economy that is supported by the unique insight and knowledge that CEOs, CFOs, Controllers, and other CPA executives have about the prospects for their own organizations, their expectations for revenues and profits, and their plans for spending and employment.
A reading above 50 indicates a generally positive outlook with increasing activity.

A reading below 50 indicates a generally negative outlook with decreasing activity.
## CPA Outlook Index (CPAOI)

<table>
<thead>
<tr>
<th>Component</th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
<th>1Q21</th>
<th>2Q21</th>
<th>ΔQ to Q</th>
<th>ΔY to Y</th>
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<td>37</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>↑10</td>
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<td>Organization Optimism</td>
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<td>58</td>
<td>66</td>
<td>73</td>
<td>84</td>
<td>↑11</td>
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<tr>
<td>Expansion Plans</td>
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<td>54</td>
<td>61</td>
<td>71</td>
<td>80</td>
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<td>Revenue</td>
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<td>62</td>
<td>71</td>
<td>84</td>
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<tr>
<td>Profits</td>
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<td>47</td>
<td>53</td>
<td>64</td>
<td>78</td>
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<td>↑52</td>
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<td>Employment</td>
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<td>63</td>
<td>67</td>
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<td>Other Capital Spending</td>
<td>43</td>
<td>56</td>
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<tr>
<td>Training &amp; Development</td>
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<td>Total CPAOI</td>
<td>38</td>
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<td>78</td>
<td>↑10</td>
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CPA Outlook Index (CPAOI) vs. GDP

<table>
<thead>
<tr>
<th>Quarter</th>
<th>CPA Outlook Index</th>
<th>Change in GDP</th>
</tr>
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<tbody>
<tr>
<td>1Q20</td>
<td>72</td>
<td>-5.0%</td>
</tr>
<tr>
<td>2Q20</td>
<td>38</td>
<td>-31.4%</td>
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<tr>
<td>3Q20</td>
<td>54</td>
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<td>4Q20</td>
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<td>6.4%</td>
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<tr>
<td>2Q21</td>
<td>78</td>
<td>6.4%</td>
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</tbody>
</table>
Optimism for U.S. economy gains another 23 points to 70%

Both optimists and pessimists cite the new administration as part of their rationale. Optimists cite the additional stimulus, vaccine roll-out and pent-up demand. Concerns included potential policy impacts, especially on small business and specific sectors.

Organization optimism improves 18 points from 58% in Q1 to 76% in Q2

Expansion plans rebound from 58% of with plans to expand their business in Q1 to now 69% having plans to expand. Of the balance, 21% expect to stay the same, 8% expect to contract a little, now only 2% expect to contract a lot.

Concern about inflation jumped from 44% to 67%; concern about deflation dropped to 2%

Concern about labor costs declined from 35% to 30% Raw materials cost concerns ticked up 9% to 41% as most significant Energy cost concerns decreased further from 15% to 11% Interest rate concerns inched up 2% to 12%
Optimism & Expansion

The economic outlook for the U.S. economy, your organization, and the expansion plans over the next 12 months
Inflation or Deflation?

For your business, over the next 6 months, which are you more concerned about? Inflation or deflation?
Inflationary Risk Factors

Which of the following potential inflationary factors represents the most significant risk to your business?

Food costs | Energy costs | Raw material costs | Labor costs | Interest rates | Other
---|---|---|---|---|---
2Q20 | 12% | 6% | 28% | 29% | 13% | 12%
3Q20 | 5% | 6% | 36% | 37% | 12% | 5%
4Q20 | 2% | 11% | 39% | 31% | 12% | 5%
1Q21 | 3% | 15% | 32% | 35% | 10% | 6%
2Q21 | 2% | 11% | 41% | 30% | 12% | 5%
Key Performance Indicator Summary

Revenues and Profits

Revenue projections improve; profit expectations rebound

Expected revenue for coming twelve months improve from an expected increase of 3.0% in Q1 to 5.0% looking ahead from Q2

Profit projections also rebounded to a 4.0% expected rate of increase for the coming year, up from the marginal projections of 0.2% in Q4 and 1.9% in Q1

Hiring and Employment

Headcount plans also show additional recovery

Anticipated rate of headcount change improved from 1.5% in Q1 to 2.5% in Q2

Salary and benefit expected costs are now expected to increase at a rate of 2.9%, rather than the 1.9% projected in Q1

Healthcare costs are now expected to increase at a rate of 5.1%, a slight increase from the 4.5% projected in Q1

Spending Plans

Spending plans improve

Expected rate of increase for IT spending increased from 2.8% to 3.5%

Other capital spending now projected to increase by 3.0%, up from 1.9% expected in Q1

Training spend now expected to increase by 2.1%, rather than the 1.0% increase last quarter

Marketing spending also continues to recover from 1.2% in Q1 to 2.0% in Q2

R&D spending plans also improved, up from 1.0% to 1.7%
Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators.
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### Key Performance Indicators

**Employees, Salary & Benefits, and Healthcare Costs**

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Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators.

### Pricing & Other Costs Average Change Expected

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<tr>
<td>Input Prices</td>
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<th>1Q21</th>
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<tr>
<td><strong>Other Capital</strong></td>
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<td><strong>Training</strong></td>
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</table>
Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators.
Hiring Plans Summary

Remain relatively strong

45% Have right number of employees

4% Have an excess of employees

14% Have too few, but hesitating to hire

33% Have too few and planning to hire

- Down 2% from Q1
- Down 1% from Q1
- Down 5% from Q1
- Up 14% from Q1
Top 10 Challenges Facing Organizations

- Availability of skilled personnel moves up as the #1 challenge
- Materials/supplies/equipment costs move from #6 to #2
- Domestic political leadership moves up 1 spot to #3
- Domestic economic conditions move down 3 spots to #4
- Regulatory requirements dropped 2 spots to #5
- Inflation comes onto the chart at #6
- Employee and benefit costs drop 2 slots to the #7 slot
- Staff turnover moved up 1 slot to #8
- Domestic competition dropped 2 slots to #9
- Cyber security concerns are the 10th position
## 10 Challenges YTD

<table>
<thead>
<tr>
<th></th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
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<th>2Q21</th>
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<tr>
<td>1</td>
<td>Domestic economic conditions</td>
<td>Domestic economic conditions</td>
<td>Domestic economic conditions</td>
<td>Domestic economic conditions</td>
<td>Availability of skilled personnel</td>
</tr>
<tr>
<td>2</td>
<td>Stagnant/declining markets</td>
<td>Domestic political leadership</td>
<td>Domestic political leadership</td>
<td>Availability of skilled personnel</td>
<td>Materials/supplies/equipment costs</td>
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<tr>
<td>3</td>
<td>Liquidity</td>
<td>Employee and benefits costs</td>
<td>Availability of skilled personnel</td>
<td>Regulatory requirements/changes</td>
<td>Domestic political leadership</td>
</tr>
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<td>4</td>
<td>Global economic conditions</td>
<td>Availability of skilled personnel</td>
<td>Regulatory requirements/changes</td>
<td>Domestic political leadership</td>
<td>Domestic economic conditions</td>
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<td>5</td>
<td>Regulatory requirements/changes</td>
<td>Stagnant/declining markets</td>
<td>Stagnant/declining markets</td>
<td>Employee and benefits costs</td>
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<td>6</td>
<td>Domestic political leadership</td>
<td>Regulatory requirements/changes</td>
<td>Global economic conditions</td>
<td>Materials/supplies/equipment costs</td>
<td>Inflation</td>
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<tr>
<td>7</td>
<td>Financing (access/cost of capital)</td>
<td>Global economic conditions</td>
<td>Domestic competition</td>
<td>Domestic competition</td>
<td>Employee and benefits costs</td>
</tr>
<tr>
<td>8</td>
<td>Availability of skilled personnel</td>
<td>Changing customer preferences</td>
<td>Developing new products/services/markets</td>
<td>Stagnant/declining markets</td>
<td>Staff Turnover</td>
</tr>
<tr>
<td>9</td>
<td>Employee and benefits costs</td>
<td>Domestic competition</td>
<td>Employee and benefits costs</td>
<td>Staff Turnover</td>
<td>Domestic competition</td>
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<tr>
<td>10</td>
<td>Changing customer preferences</td>
<td>Materials/supplies/equipment costs</td>
<td>Materials/supplies/equipment costs</td>
<td>Developing new products/services/markets</td>
<td>Cyber security concerns</td>
</tr>
</tbody>
</table>
Industry Sector Outlook

Retail improves; Wholesale trade rebounds

- **Retail trade** optimism improved further from 63% to 75%
- **Wholesale trade** rebounded from only 41% optimistic to now 81%

Retail hiring topped the chart in Q1 at an expected increase of 3.8% is now expecting a more moderate rate of increase of 2.9% going forward from Q2

Manufacturing jumps; Technology rebounds

- **Manufacturing** optimism jumps from 58% to 82% optimistic
- **Technology** rebounded; while a small number responded, 100% expressed optimism

Manufacturing hiring plans also improved from an expected increase of 2.4% in Q1 to 3.4% in Q2

Technology hiring expectations improved from 2.3% in Q1 to 3.8% in Q2
Organization Optimism by Industry

Retail Trade

- 2Q21: 75%
- 1Q21: 63%
- 4Q20: 48%
- 3Q20: 40%
- 2Q20: 42%
- 1Q20: 31%
- 4Q19: 29%
- 3Q19: 54%
- 2Q19: 63%

Wholesale Trade

- 2Q21: 81%
- 1Q21: 41%
- 4Q20: 50%
- 3Q20: 52%
- 2Q20: 58%
- 1Q20: 58%
- 4Q19: 52%
- 3Q19: 75%
- 2Q19: 75%

Manufacturing

- 2Q21: 82%
- 1Q21: 58%
- 4Q20: 54%
- 3Q20: 54%
- 2Q20: 31%
- 1Q20: 59%
- 4Q19: 55%
- 3Q19: 51%
- 2Q19: 57%

Technology

- 2Q21: 100%
- 1Q21: 44%
- 4Q20: 48%
- 3Q20: 65%
- 2Q20: 35%
- 1Q20: 76%
- 4Q19: 48%
- 3Q19: 75%
- 2Q19: 70%
Industry Sector Outlook

Construction optimism rebounded to 70% after declining from 52% in Q4 to only 44% optimistic in Q1. Construction hiring plans also ticked up, now expected to increase at 2.4% rather than the 2.2% projecting in Q1.

Real Estate and Property also recovered to 72% after falling from 45% to only 32% optimistic in Q1. Real Estate hiring expectations eased slightly from 1.3% to a 1.2% rate of increase.

Finance and Insurance optimism rebounded to 81% optimistic from 53% in Q1. Finance and insurance hiring is expected to improve from 1.6% in Q1 to 2.2% going forward from Q2.

Professional Services also continued its recovery to now 77% optimistic. Professional services hiring is now expected to increase at a rate of 1.4%, up slightly from 1.0% at Q1.

Construction rebounds; Real estate also recovers

Finance & Insurance rebounds; Professional Services improves
Organization Optimism by Industry

### Construction
- 2Q21: 70%
- 1Q21: 52%
- 4Q20: 49%
- 3Q20: 66%
- 2Q20: 76%
- 1Q20: 83%
- 4Q19: 66%
- 3Q19: 76%
- 2Q19: 83%

### Real Estate & Property
- 2Q21: 72%
- 1Q21: 68%
- 4Q20: 31%
- 3Q20: 38%
- 2Q20: 69%
- 1Q20: 68%
- 4Q19: 52%
- 3Q19: 67%
- 2Q19: 67%

### Finance & Insurance
- 2Q21: 81%
- 1Q21: 65%
- 4Q20: 49%
- 3Q20: 74%
- 2Q20: 75%
- 1Q20: 67%
- 4Q19: 77%
- 3Q19: 77%
- 2Q19: 81%

### Professional Service
- 1Q21: 77%
- 4Q20: 50%
- 3Q20: 40%
- 2Q20: 68%
- 1Q20: 67%
- 4Q19: 61%
- 3Q19: 61%
- 2Q19: 65%
- 1Q19: 65%

2Q 2021 Economic Outlook Survey
Healthcare - providers optimism rebounds

Healthcare provider optimism rebounded to 71% optimistic after falling from 56% in Q4 to only 39% in Q1.
Expected hiring by Healthcare providers, is now expected to increase by 1.4%, up slightly from 1.3% in Q1.

Healthcare – others optimism improves

Healthcare–other also improved further to 82% optimistic, up from 61% in Q1.
Healthcare – other hiring is now expected to increase at a rate of 3.9%, up from 2.9% in Q1.
Expected Employment Change by Industry

Thinking about the coming 12 months, please comment on the probable change for your organization for number of employees.
Region and Business-size Outlook

**Northeast** – optimism improved 26 points to 85%
**South** – improved 20 points from 58% to 78% optimistic
**Midwest** – optimism ticked up from 62% to 69%
**West** – rebounded from 59% to 80% optimistic

For employers with > $1 billion in revenues, only 7% have excess employees, while 50% have too few. Of those with too few employees, 17% remain hesitant while 33% are planning to hire.

Of those in the $100 million to $1 billion category, 51% say they have too few employees; 10% are hesitant; while 41% are hiring.

In the $10 - $100 million range, 48% now have too few employees; of those with too few, 13% are hesitant; 35% are hiring.

Of employers with revenues < $10 million 43% have too few employees; 17% are hesitant; 26% are hiring.

Expectations for expansion by businesses with revenues < $10 million improved from 48% to 63%. Plans for companies in the $10 - $100 million category added 4 points to 69%. Companies in the $100 million to $1 billion range improved 15 points to 73%; those with revenues in excess of $1 billion gained jumped 19 points to now 80% having plans to expand.
## Organization Optimism by Region

The rating that best describes your view for the economic outlook for your own organization for the next 12 months.

<table>
<thead>
<tr>
<th>Region</th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
<th>1Q21</th>
<th>2Q21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>27%</td>
<td>37%</td>
<td>46%</td>
<td>62%</td>
<td>69%</td>
</tr>
<tr>
<td>West</td>
<td>30%</td>
<td>42%</td>
<td>50%</td>
<td>59%</td>
<td>80%</td>
</tr>
<tr>
<td>South</td>
<td>34%</td>
<td>46%</td>
<td>52%</td>
<td>58%</td>
<td>78%</td>
</tr>
<tr>
<td>Northeast</td>
<td>26%</td>
<td>38%</td>
<td>51%</td>
<td>59%</td>
<td>85%</td>
</tr>
</tbody>
</table>
Expansion Plans by Business Size

52% of all businesses expect to expand a little in the next twelve months
17% expect to expand a lot
21% expect to stay the same
8% expect to contract a little
2% expect to contract a lot

Indicate whether you expect your business to expand or contract over the next 12 months

<table>
<thead>
<tr>
<th>Business Size</th>
<th>2Q19</th>
<th>3Q19</th>
<th>4Q19</th>
<th>1Q20</th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
<th>1Q21</th>
<th>2Q21</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10 million</td>
<td>63%</td>
<td>62%</td>
<td>52%</td>
<td>62%</td>
<td>24%</td>
<td>40%</td>
<td>41%</td>
<td>48%</td>
<td>63%</td>
</tr>
<tr>
<td>$10 to &lt;$100 million</td>
<td>66%</td>
<td>64%</td>
<td>59%</td>
<td>64%</td>
<td>24%</td>
<td>41%</td>
<td>44%</td>
<td>65%</td>
<td>66%</td>
</tr>
<tr>
<td>$100 million to &lt;$1 billion</td>
<td>63%</td>
<td>54%</td>
<td>62%</td>
<td>65%</td>
<td>23%</td>
<td>48%</td>
<td>57%</td>
<td>58%</td>
<td>73%</td>
</tr>
<tr>
<td>&gt; $1 billion</td>
<td>64%</td>
<td>63%</td>
<td>68%</td>
<td>63%</td>
<td>26%</td>
<td>44%</td>
<td>53%</td>
<td>61%</td>
<td>80%</td>
</tr>
</tbody>
</table>
Hiring Plans by Business Size

Given current conditions, how would you characterize your overall staffing situation relative to your needs? (i.e., do you have excess capacity or are employees stretched)

<table>
<thead>
<tr>
<th>Business Size</th>
<th>Excess</th>
<th>Appropriate</th>
<th>Too Few, Hesitated</th>
<th>Too Few, Planning to Hire</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10 million</td>
<td>4%</td>
<td>49%</td>
<td>17%</td>
<td>26%</td>
<td>4%</td>
</tr>
<tr>
<td>$10 to &lt;$100 million</td>
<td>4%</td>
<td>43%</td>
<td>13%</td>
<td>35%</td>
<td>5%</td>
</tr>
<tr>
<td>$100 million to &lt;$1 billion</td>
<td>3%</td>
<td>43%</td>
<td>10%</td>
<td>41%</td>
<td>3%</td>
</tr>
<tr>
<td>&gt; $1 billion</td>
<td>7%</td>
<td>40%</td>
<td>17%</td>
<td>33%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Demographics

Type of Organization

- Privately Owned Entity: 69%
- Not for Profit: 17%
- Publicly Listed Company: 12%
- Other: 1%
- Government: 1%

Position

- 43% for CFO
- 19% for CEO/COO
- 17% for President
- 12% for Vice-President/SVP
- 7% for Controller/Comptroller
- 6% for Accounting, Audit, Tax or...
- 6% for Director/Managing Director
- 4% for Other (please specify)
- 3% for Chief Officers...
Demographics

Individuals working for organization

<table>
<thead>
<tr>
<th>Size of Organization</th>
<th>0%</th>
<th>5%</th>
<th>10%</th>
<th>15%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 billion or more</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$500 million to under $1 billion</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$250 million to under $500 million</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$100 million to under $250 million</td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50 million to under $100 million</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$10 million to under $50 million</td>
<td>30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0 to under $10 million</td>
<td>22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Size of Organization

- 1 (only you): 1%
- 2-4: 3%
- 5-10: 5%
- 11-25: 7%
- 26-50: 12%
- 51-100: 15%
- 101-250: 17%
- 251-1,000: 18%
- 1,001-5,000: 11%
- 5,001-10,000: 3%
- More than 10,000: 8%
Thank you!

For additional information contact:

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