Competing for small businesses

A survey of Massachusetts businesses with under 500 employees

April 23, 2024

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Agenda

- 12:00 PM Networking Lunch
- 12:30 PM Welcome and Introductions
- 12:45 PM Special Remarks - MA Executive Office of Economic Development
- 12:50 Small Business Survey Presentation
- 1:15 PM Q&A Portion
- 1:30 PM Closing Remarks

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Survey Background

- Results based on a statewide survey of 1,818 small business leaders in Massachusetts including over 1,000 women-owned businesses and 762 owned by entrepreneurs of color.
- This is the 3rd wave of the biannual Mass. small business survey, conducted so far in 2020, 2022, and 2024, focused on growth and sustainability needs.
- Fielded February 6 - March 21, 2024, via online interview with distribution through MGCC, CEE, business associations, and other orgs across the state.
- Data was weighted to known and estimated population parameters on gender and race/ethnicity of company owners using SBA and Census data.
- This project was sponsored by the Coalition for an Equitable Economy and the Mass Growth Capital Corporation. Community engagement support was provided by Harvard Catalyst.
- We would like to thank the many MA small business groups who helped distribute the survey.

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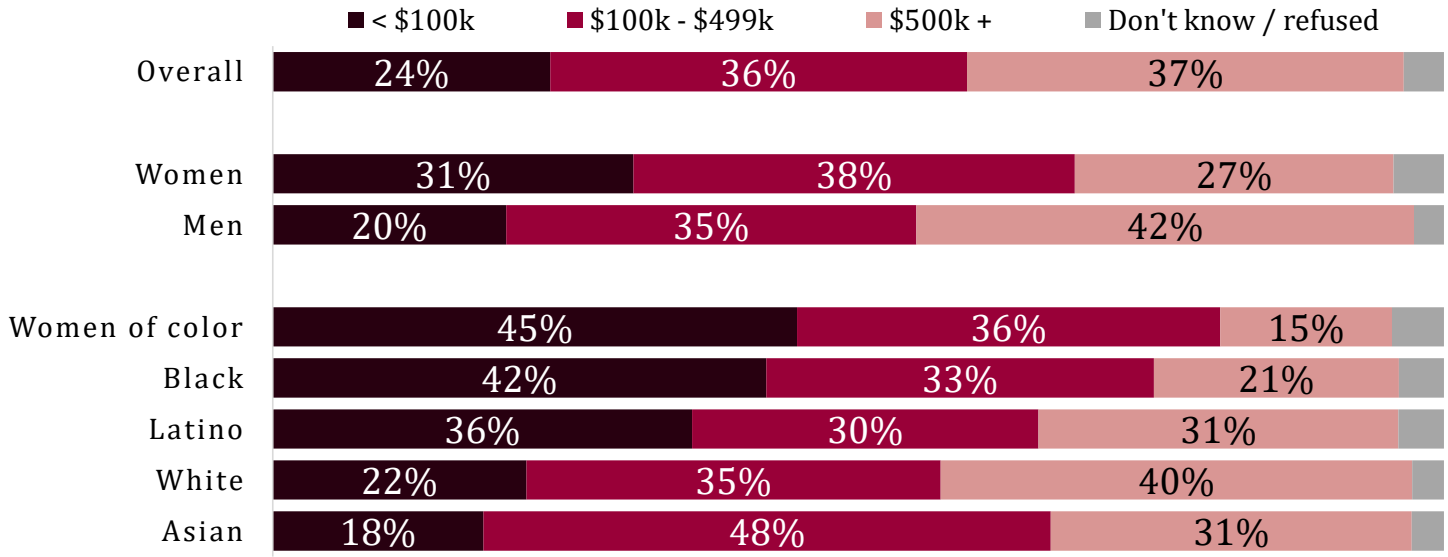
Business size and demographics

- Topline revenue has increased somewhat since 2022 given growth and inflation. Most businesses in the survey are under $500,000 and have 10 or fewer employees.

Businesses owned by Black, Latino entrepreneurs tend to have lower revenue totals

% who reported 2023 total business revenue by varying demographics



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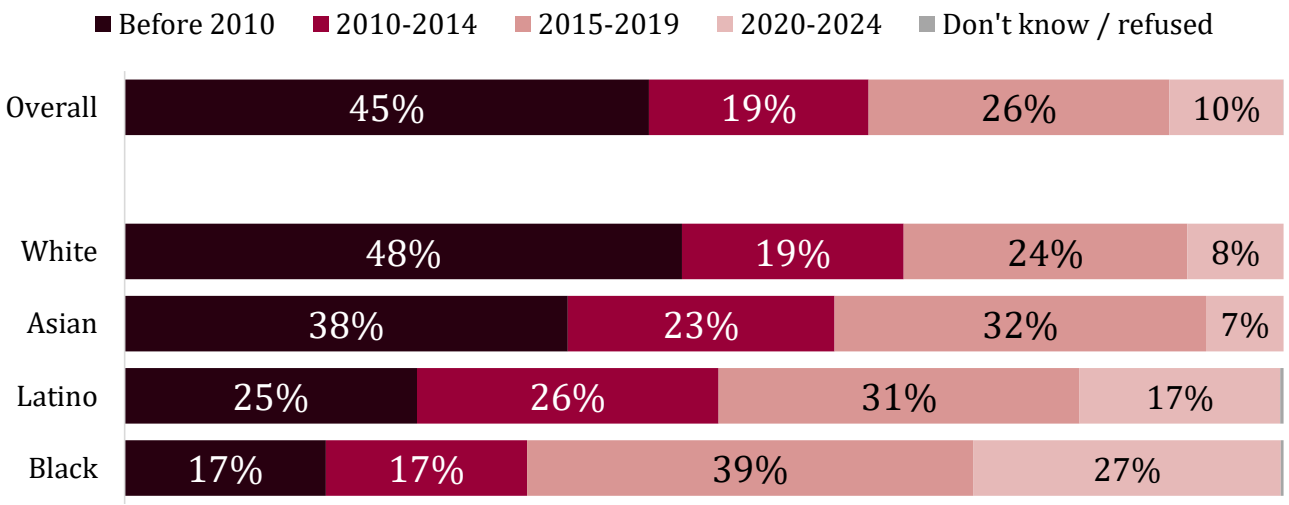
Q: What was the company's gross business revenue in 2021 not including funds received from COVID-19 relief grants (if any)? An estimate is fine.

Age of business

- Entrepreneurs of color tend to own newer businesses, which relates to many of the dynamics observed throughout the survey.

Businesses owned by entrepreneurs of color tend to be newer

% whose company opened _____



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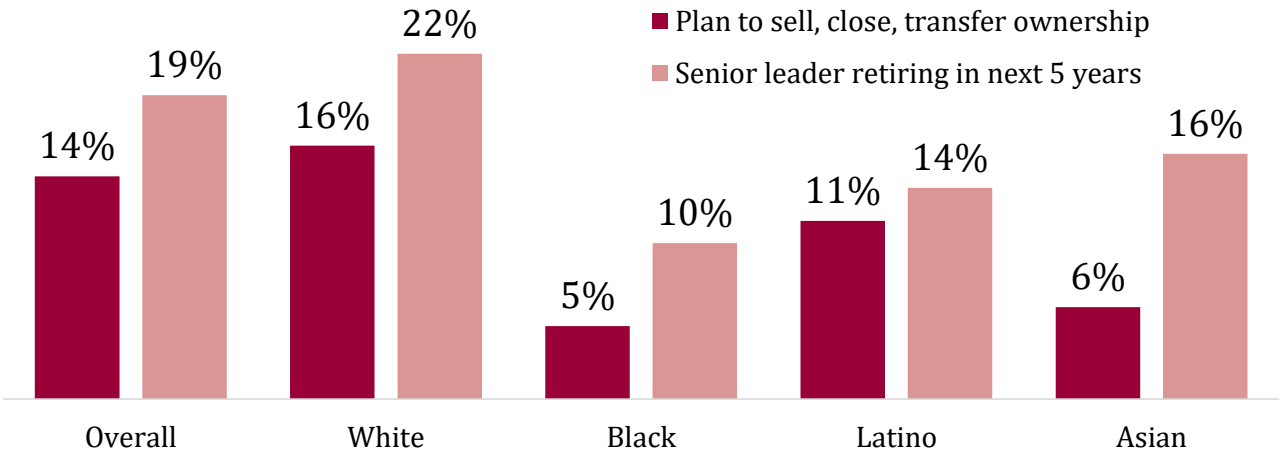
Q: When did your company open?

Retirements / changes coming

- White owned business are more likely to anticipate transitions and ownership changes in the near term.

White-owned businesses see more retirements and sales coming

% who see business changes or retirements coming soon



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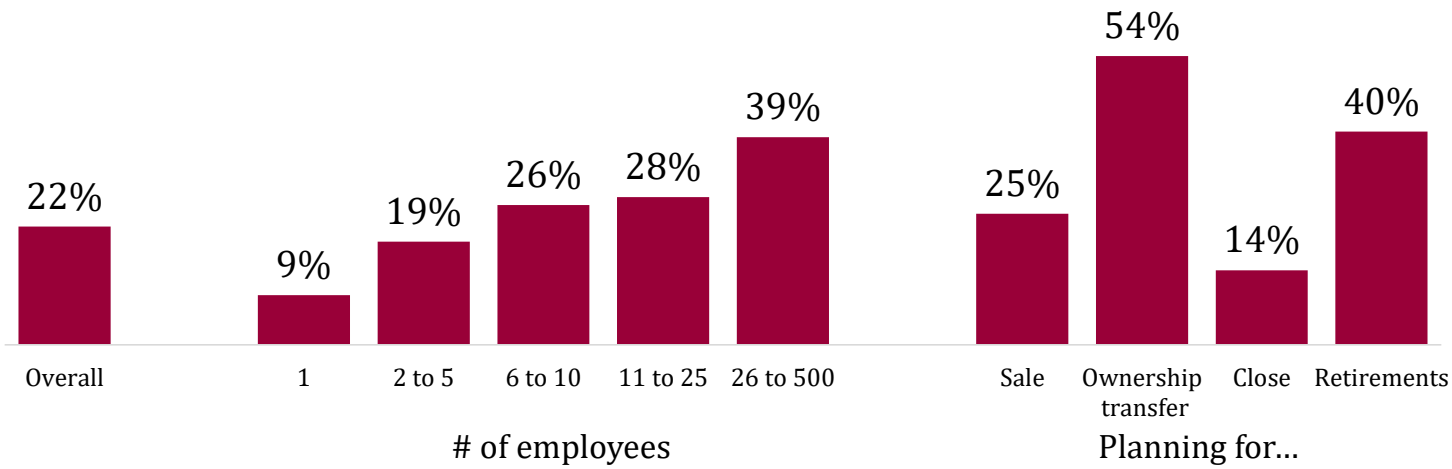
Q: Does your business have plans to do any of the following?
Q: Are any of the current most senior leaders of the company (founders, owners) planning retirement within the next five years?

Succession plans often missing

- Larger businesses are more likely to have succession plans. Many of those planning major transitions do not have plans in place.

Succession plans need attention, including for businesses with transitions ahead
% who say they have a succession plan in place



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Q: Including yourself, how many people are currently working for your company?
Q: Is there a succession plan in place for when senior leaders move on from the company?
Q: Does your business have plans to do any of the following (Sell / Close / Transfer ownership)?

Three-year priorities

- There is broad agreement on prioritizing increasing sales and customer bases. Entrepreneurs of color identify a broader range of priorities.

Massachusetts business leaders identify priorities for next three years

% who called each item a major priority

	Overall	White	Black	Latino	Asian
Increasing your business sales / revenue	84%	83%	83%	89%	88%
Finding new customers	77%	75%	74%	82%	83%
Improving your marketing	54%	51%	65%	67%	60%
Improving your online presence	49%	47%	59%	63%	49%
Getting capital	42%	36%	67%	70%	49%
Hiring more people	34%	31%	52%	54%	32%
Making your business more environmentally friendly	25%	21%	43%	51%	38%
Finding more space for the business	23%	21%	40%	46%	21%
Improving your accounting systems	21%	17%	49%	45%	20%
Improving your IT systems	20%	17%	36%	43%	27%

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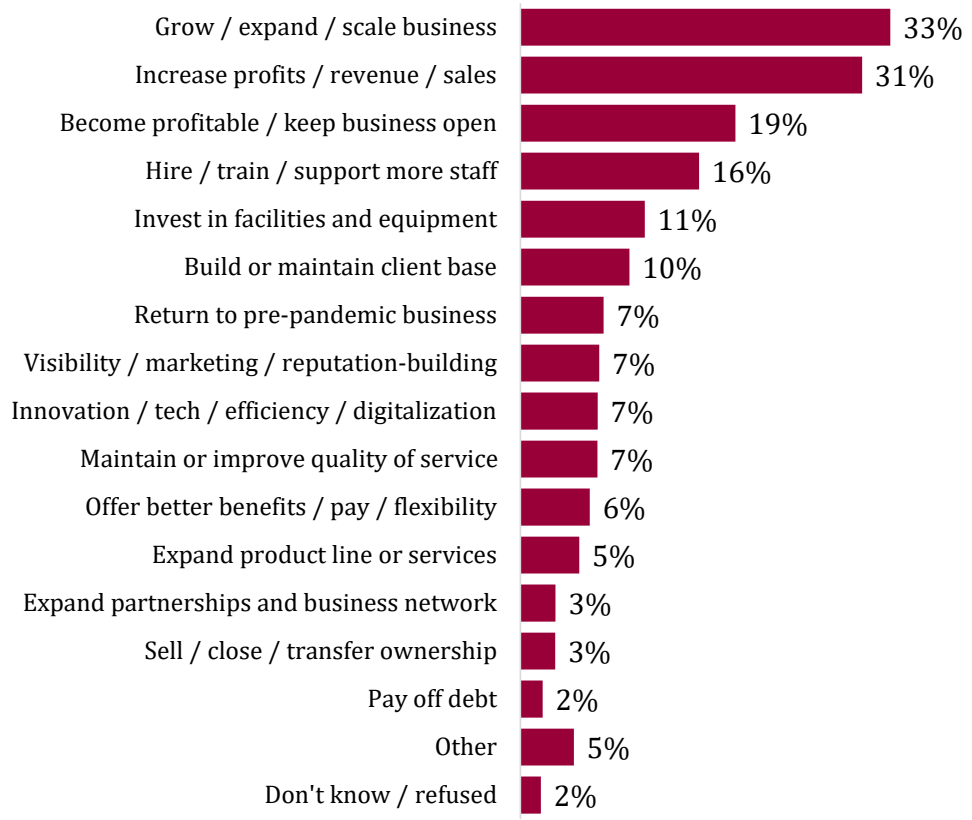
Q: Thinking about your company over the next three years, how high of a priority would you say each of the following goals are?

Goals over the next few years

- Growth and expansion are the top goals for Massachusetts small businesses over the next three years.
- Others have more specific goals like investments in staff, facilities, or tech

Businesses mostly looking to grow, increase sales
% who identify each as a three-year goal



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Q: Over the next three years, what are the main goals you would like your company to achieve?

Goals in their own words

Increase revenue, increase profit margins, increase employee benefits.

Financial gain, build community and encourage others to do more things they love.

To stay in business, with the raising cost of goods, labor costs and operational costs, I just hope we can survive.

To expand and help create job opportunities for other people in my community. Also give people who where formally incarcerated an opportunity for employment

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Q: Over the next three years, what are the main goals you would like your company to achieve?

Newer businesses, more priorities

- Newer businesses identify a broader range of priorities compared to older businesses.

Businesses that are newer identify a broader range of priorities

% who called each item a major priority by age of business

	Overall	0 - 4 years	5 - 9 years	10 - 14 years	15+ years
Increasing your business sales / revenue	84%	92%	88%	81%	83%
Finding new customers	77%	83%	80%	74%	75%
Improving your marketing	54%	62%	57%	51%	50%
Improving your online presence	49%	58%	53%	47%	46%
Getting capital	42%	59%	46%	44%	34%
Hiring more people	34%	38%	34%	39%	31%
Making your business more environmentally friendly	25%	38%	26%	26%	21%
Finding more space for the business	23%	37%	35%	23%	14%
Improving your accounting systems	21%	34%	23%	23%	16%
Improving your IT systems	20%	26%	19%	22%	19%

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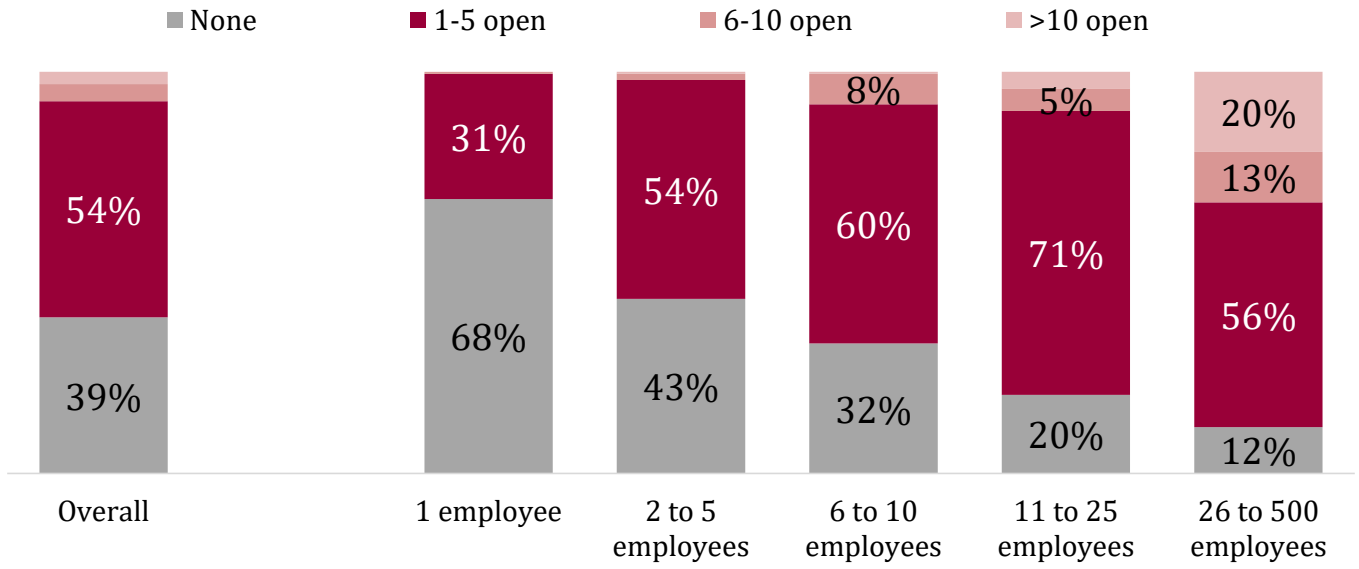
Q: Thinking about your company over the next three years, how high of a priority would you say each of the following goals are?
Q: When did your company open?

Most say they are hiring

- More than half of businesses say they are hiring, particularly larger businesses.

Most businesses with more than 1 employee say they are currently hiring

% of businesses who say they have _____ positions open



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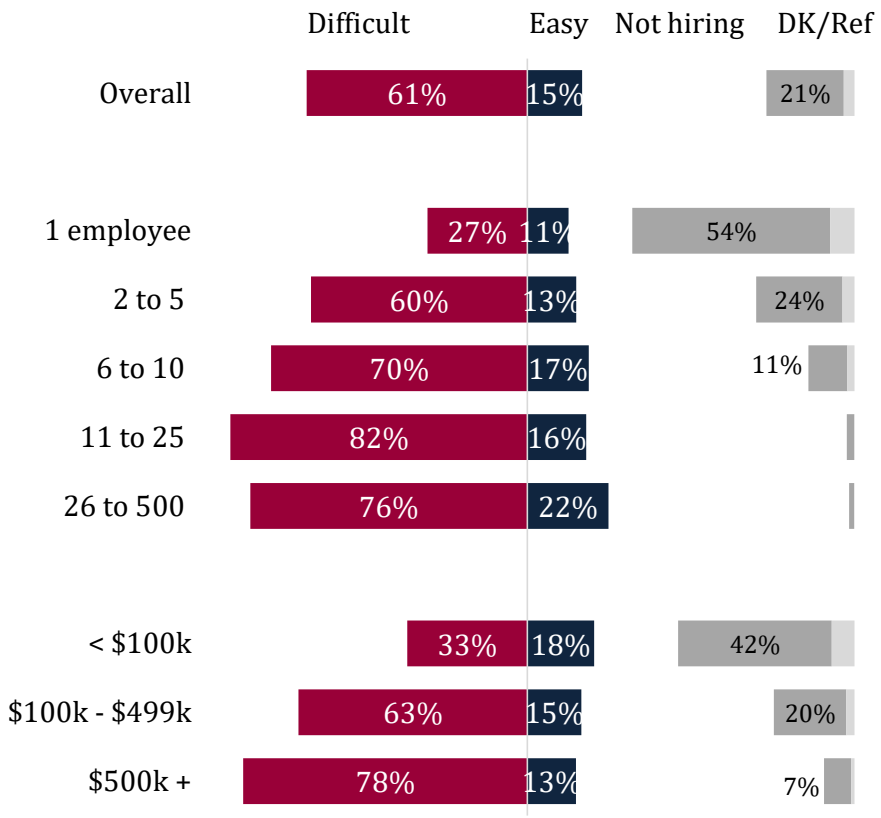
Q: How many open positions does your business have right now? An estimate is fine.

Hiring poses major challenges

- Small businesses are struggling to fill open positions, with just 15% calling it "easy".
- Smaller businesses and those bringing in less than $100k in gross revenue are somewhat less likely to have positions open.

Most who are hiring say the process is difficult

% of firms who say filling positions has been easy / difficult



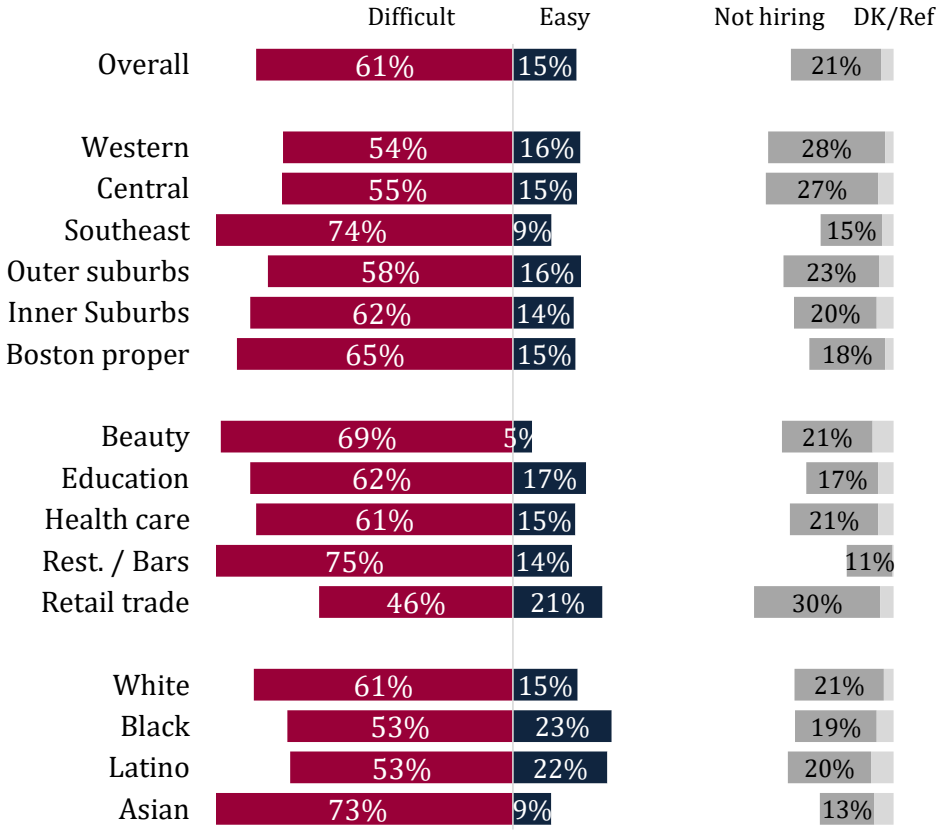
Q: How easy or difficult are you finding it to fill the positions you need to fill here in Massachusetts?

Hiring more challenging for some

- Across regions and sectors, more businesses say it has been difficult to hire than say it has been easy.
- Restaurants and beauty businesses as well as Asian-owned businesses report the greatest difficulties.

Hiring has been more difficult for some businesses

% of firms who say filling positions has been easy / difficult



Q: How easy or difficult are you finding it to fill the positions you need to fill here in Massachusetts?

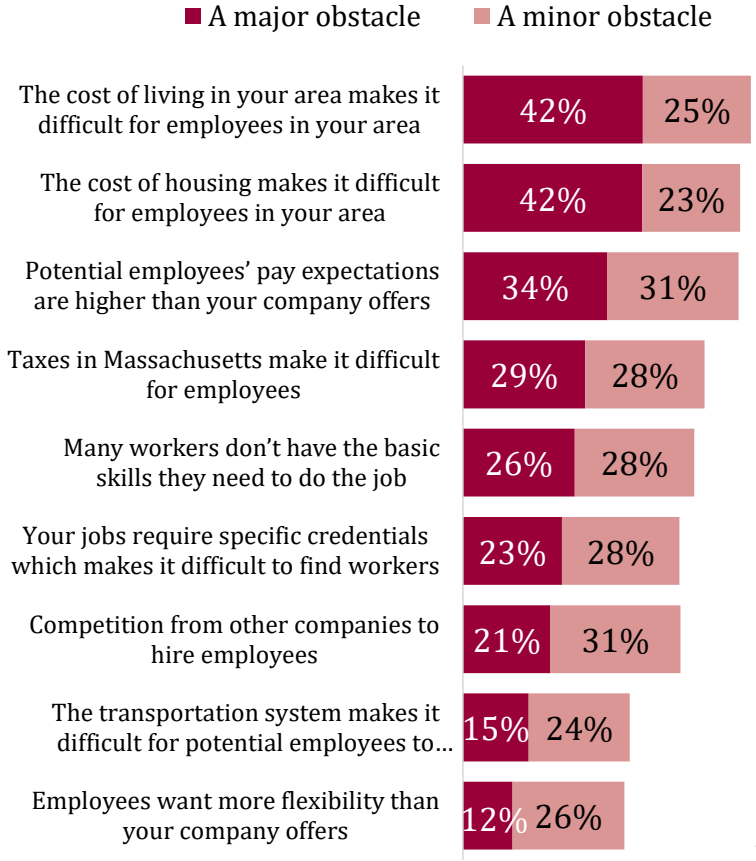
Cost of living, housing complicate hiring

- The state's housing crisis and overall cost of living are the top two issues hurting small employers' hiring prospects.
- These put pressure on wages, which is the number 3 issue.

Q: When it comes to hiring and keeping employees at your company, how much of an obstacle is each of the following?

High costs of housing, living pose biggest challenges

% who saying each issue has been an obstacle to hiring/retention



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Remote work changed little

- The vast majority of workers for small business are working completely or mostly in-person.

Businesses have seen remote work levels remain fairly stable since 2022
Average % of workers who are in each arrangement

	2022	2024
Average percent working all onsite/in-person	77%	79%
Average percent working mostly onsite/in-person	7%	8%
Average percent working mostly remotely	7%	6%
Average percent working all remotely	8%	6%

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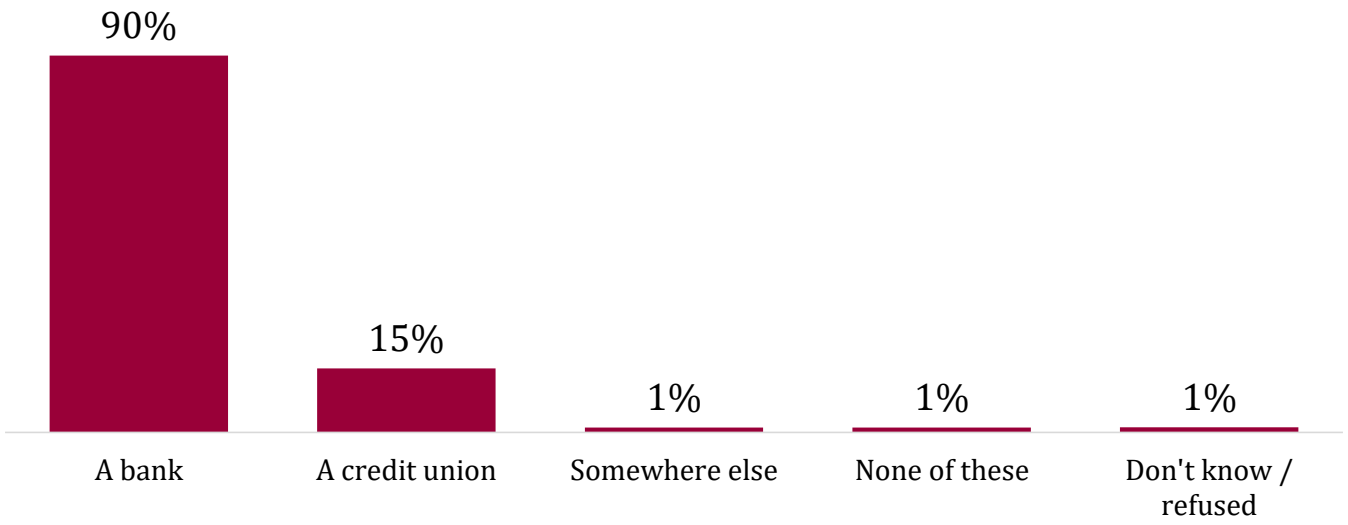
Q: How many total employees or contractors does the company have in each situation at this time? An estimate is fine.

Checking / savings accounts

- Nearly all say their businesses have a checking or savings account with a bank or credit union.

Banks and credit unions are nearly ubiquitous for checking / savings

% who say they have a business checking / savings account



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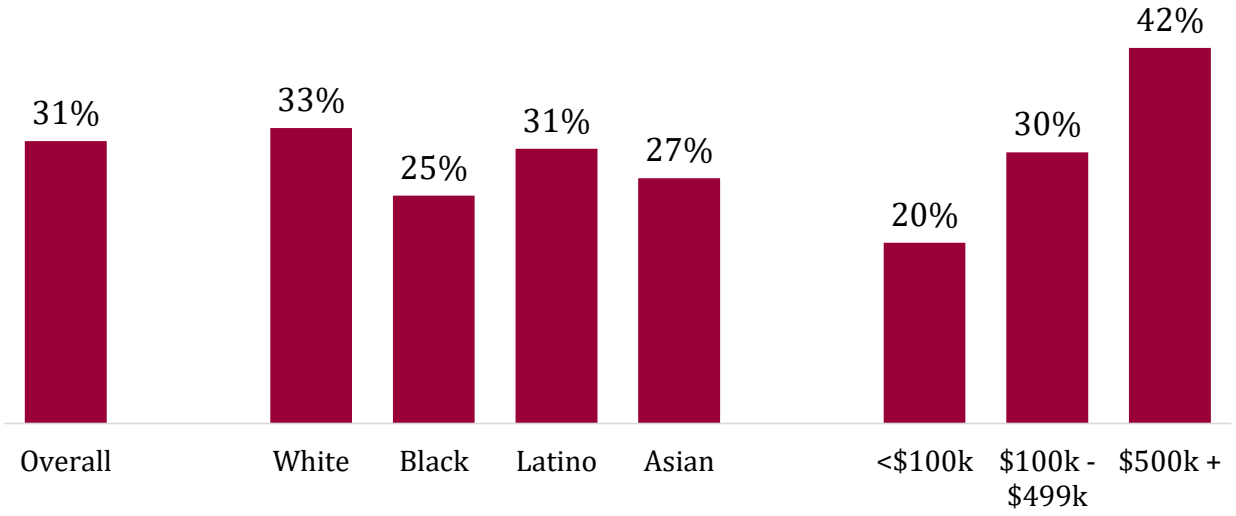
Q: Does your company have a business checking account or savings account with any of the following?

Applying for financing

- Larger and white-owned businesses have been somewhat more likely to apply for financing. The financial markets have greatly changed since the prior wave.

About one in three say they have applied for financing in the last 2 years

% of businesses who say they have applied for new loans / financing



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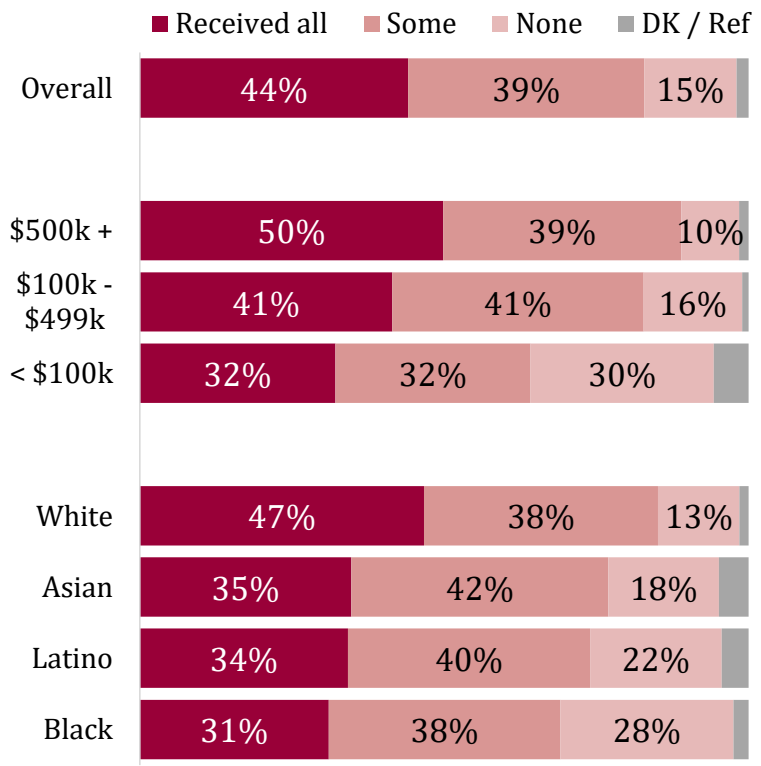
Q: Has your company applied for any new loans or financing in the last 2 years?

Status of finance applications

- Among those who applied for financing, larger and white-owned businesses are more likely to report receiving all or some of their capital request.

Approval rates also impact access to capital

% who say they received _____ of their loan / financing



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Q: Did your company receive the new loans you applied for in the past 2 years?

Problems getting capital

- Small business faced many more challenges getting capital compared to 2022, led by a spike in interest rates.
- The number of businesses who said they faced "no challenges" fell by half.

Interest rates have created capital access challenges

% who say had _____ problem applying for financing

	2022	2024
High interest rate	**15%**	**50%**
Unfavorable repayment terms	**10%**	**27%**
Getting rejected	**17%**	**26%**
Complex application process	14%	22%
Long wait for credit decision	10%	17%
Lack of connections	9%	11%
Misleading information	5%	13%
Don't know where to begin	9%	8%
Discrimination	3%	5%
Language access	1%	4%
Other	8%	4%
Experienced no challenges	34%	19%
Don't know / refused	19%	8%

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Q: Over the last 2 years, has your company had any of the following problems applying for loans financing, other than grants? Select all that apply.

Problems getting capital

- High interest rates are a challenge across the board. Black owned businesses are more likely to say they there have been rejected than other businesses.

Applicants identify a range of challenges in applying for financing

% who say had _____ problem applying for financing

	Overall	White	Black	Latino	Asian
High interest rate	50%	51%	43%	41%	45%
Unfavorable repayment terms	27%	29%	34%	15%	21%
Getting rejected	26%	25%	42%	24%	27%
Complex application process	22%	22%	15%	23%	32%
Long wait for credit decision	17%	16%	17%	18%	11%
Lack of connections	11%	11%	22%	6%	13%
Misleading information	13%	14%	17%	9%	12%
Don't know where to begin	8%	8%	4%	3%	12%
Discrimination	5%	5%	13%	5%	10%
Language access	4%	3%	2%	11%	9%
Other	4%	5%	1%	5%	2%
Experienced no challenges	19%	20%	16%	18%	12%
Don't know / refused	8%	6%	2%	11%	12%

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Q: Over the last 2 years, has your company had any of the following problems applying for loans financing, other than grants? Select all that apply.

Reasons for seeking capital

- Most are seeking capital for one or more reasons. Entrepreneurs of color are more likely to say they are seeking capital for equipment purchases, working capital, and expansion.

Entrepreneurs of color identify a broader range of capital needs

% of businesses who say they are seeking capital for each purpose

	Overall	White	Black	Latino	Asian
Equipment purchases	32%	29%	44%	41%	38%
Cover operating costs	30%	27%	48%	43%	40%
Expansion	23%	21%	34%	38%	18%
Hiring	20%	17%	35%	32%	21%
Refinance existing debt	17%	18%	16%	19%	15%
Renovate an exisiting location	16%	16%	15%	21%	23%
Investment capital	14%	12%	25%	27%	13%
Open a new location	12%	11%	18%	19%	12%
Purchase land or building	12%	11%	18%	16%	9%
Something else	3%	3%	5%	4%	1%
Total seeking capital for 1+ reasons	**64%**	**62%**	**85%**	**83%**	**72%**
No, not seeking capital	30%	34%	12%	15%	18%
Don't know / refused	6%	4%	3%	2%	10%

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Q: Are you seeking new capital for any of the following purposes at this time?

Real estate goals

- Black and Latino-owned businesses describe a broader range of goals relative to their businesses' space.

Many say they would like to buy, rent, or expand, particularly Black and Latino owners
% of businesses who say would like to take each step over the next two years

	Overall	White	Black	Latino	Asian
Buy new space	20%	18%	30%	28%	16%
Rent new space	19%	19%	25%	23%	20%
Expand existing space	19%	18%	24%	30%	13%
Open a new location	18%	16%	23%	30%	18%
Move within Massachusetts	8%	9%	12%	12%	4%
Move to another state	4%	4%	5%	5%	6%
Reduce your space	3%	3%	4%	1%	4%
Something else	6%	6%	6%	5%	3%
None of these	38%	41%	17%	26%	35%
Don't know / refused	5%	4%	6%	4%	10%

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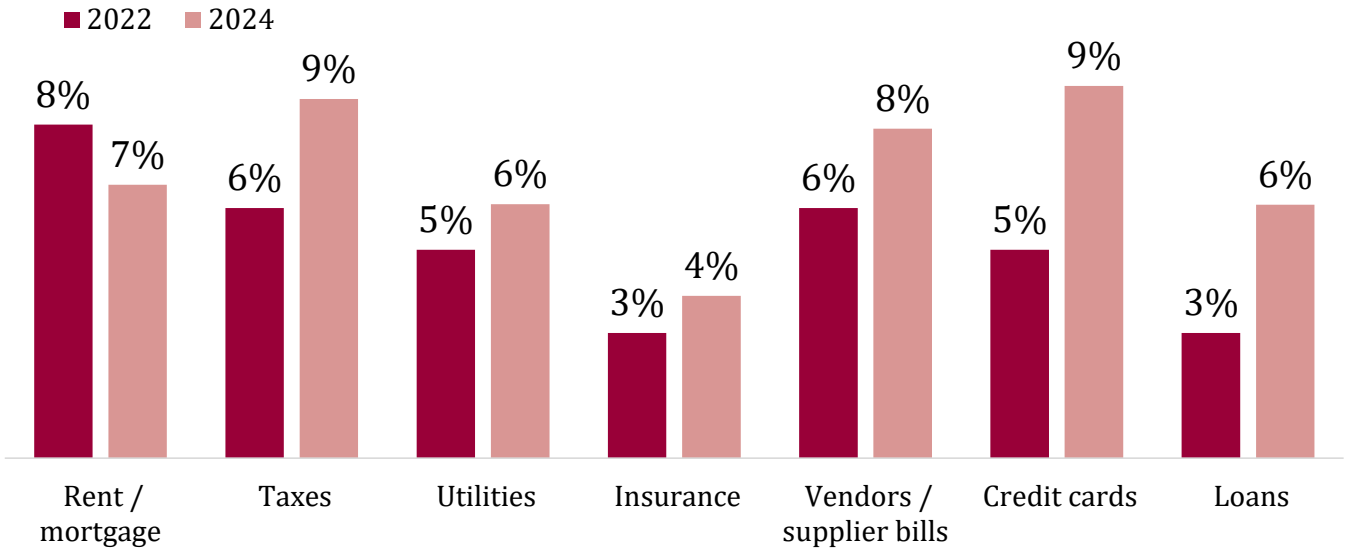
Q: Would your company like to do any of the following in the next 2 years with regards to your company's space?

Past due bills are more common

- Businesses reporting past due bills have increased since 2022 across a range of items.

Other than rent, other past due bills have ticked up since 2022

% of businesses who say they are 3+ months past due on each type of bill



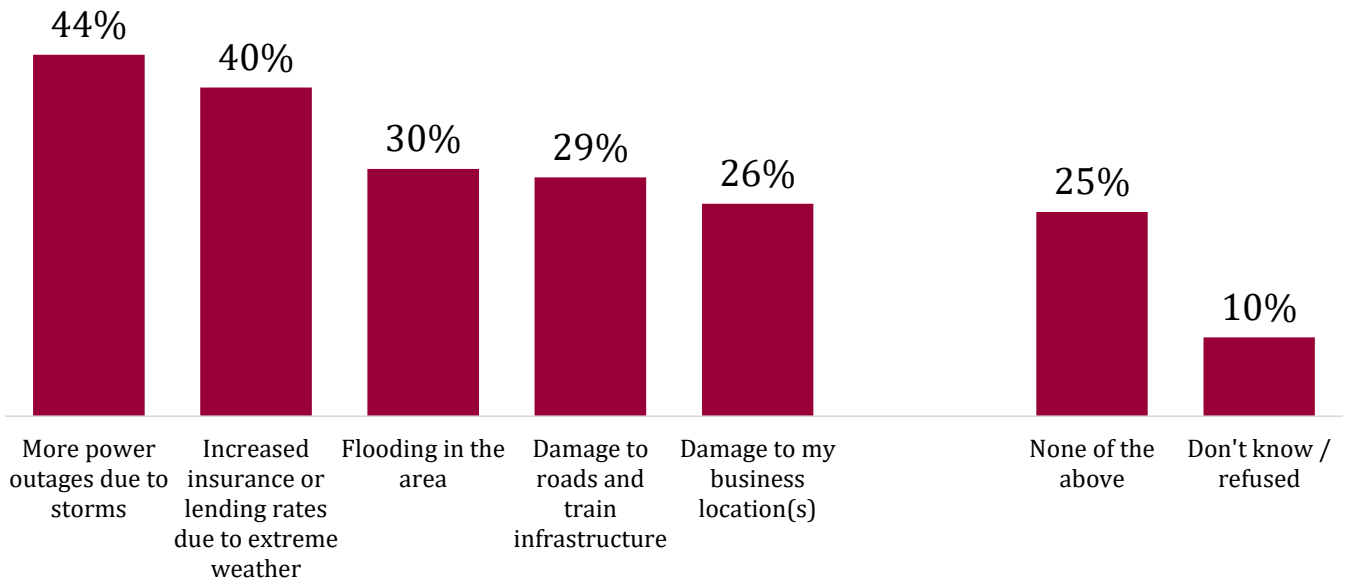
Q: Does your company currently have 3 or more months of past due payments for any of the following? Select all that apply.

Climate change impacts

- Entrepreneurs anticipate a range of impacts to their businesses as climate change worsens.

Businesses anticipate power issues, insurance rates increases, damage

% of businesses who say climate change will have each impact



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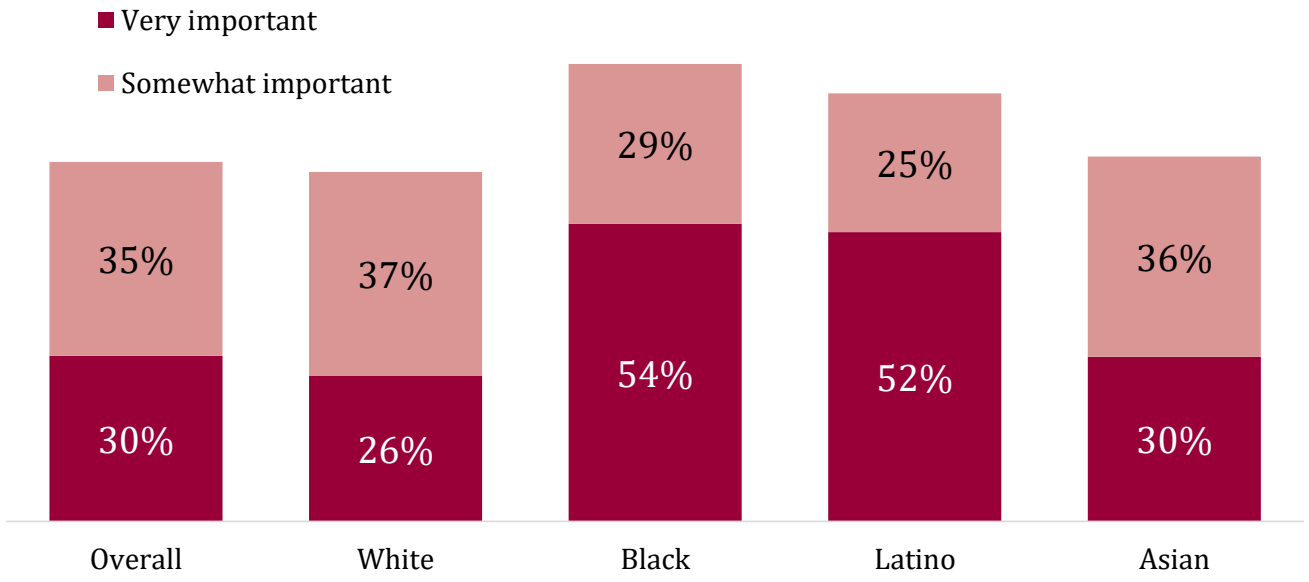
Q: Which of the following impacts do you think climate change could have on your business?

Clean energy matters

- Businesses owned by entrepreneurs of color were more likely to seek increases in clean energy usage.

Most call boosting clean energy use important to their business

% of businesses who say increasing clean energy usage is _____



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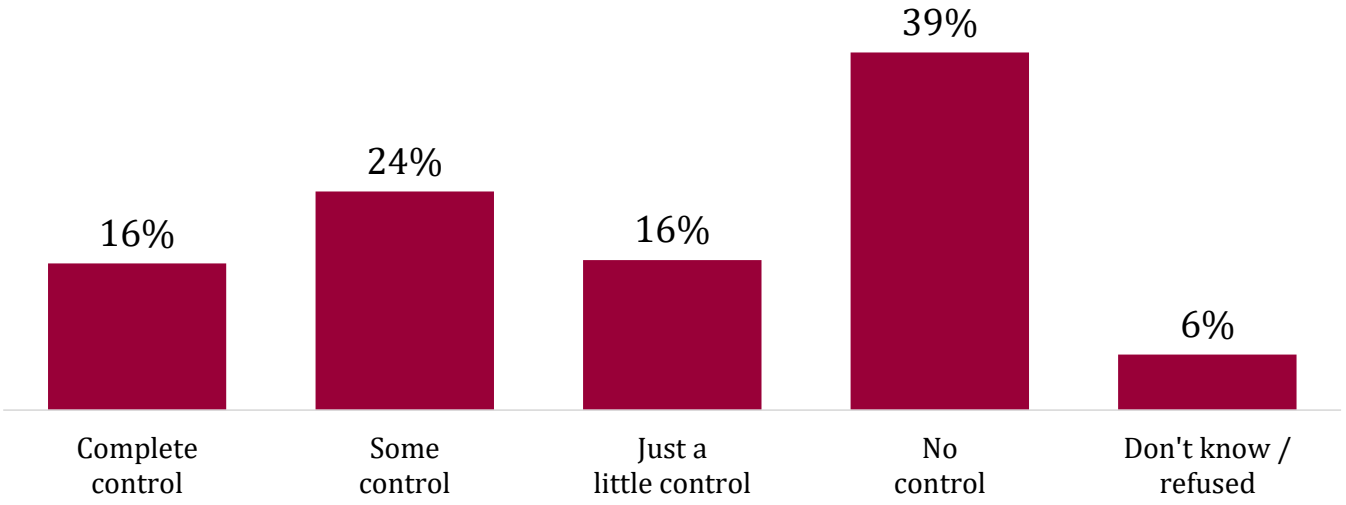
Q: How important is it to your company to increase your use of clean energy sources?

Control over energy source?

- While businesses are interested in increasing use of clean energy, few say they have much control over the source of energy for their business

Most businesses have little control when it comes to energy sources

% of businesses who say they have _____ of their energy sources



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Q: How much control does your company have over which energy sources are used to power your business locations?

Taking environmental action

- Businesses have taken a range of environmental actions, but few report having a sustainability plan

Waste reduction was the most frequent action, with few reporting energy projects
% of businesses who say they have taken each step

	Overall	White	Black	Latino	Asian
We have taken action to reduce our waste	44%	46%	35%	31%	36%
We have pursued energy efficiency projects	28%	30%	16%	22%	16%
We have taken action to reduce our water usage	24%	24%	24%	27%	23%
We have completed an energy audit	23%	25%	14%	16%	15%
We have participated in state or local public processes on the environment or climate	11%	12%	10%	11%	10%
We have a sustainability plan	10%	11%	13%	10%	6%
None of the above	30%	29%	31%	35%	39%
Don't know / refused	7%	5%	6%	14%	9%

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Q: Which of the following actions has your business taken?

Types of Business Support Sought

- Business owners are more in search of loans, grants, revenue, and marketing than in past years.
- Networking opportunities (new this year) would also be in high demand.

Q: How useful would each of the following types of (financial and management / business planning / communications and marketing) support be to the company in the next few months?

Funding remains the most common need from TA

% who said each form of technical assistance would be very useful

	2020	2022	2024	Change
Access to / applying for grant funding		62%	74%	↑
Finding new revenue sources	58%	54%	61%	↑
Access to low interest loans	37%	42%	50%	↑
Using social media	39%	44%	50%	↑
Networking opportunities with potential customers			50%	
Digital marketing	40%	42%	47%	↑
Selling online	30%	26%	33%	↑
Creating or revising financial plans	26%	30%	32%	→
Accounting, bookkeeping, and cash management		29%	31%	→
Assessing strategic priorities	25%	29%	31%	→
Creating or revising your business plan	24%	26%	25%	→
Human resources guidance or coaching	17%	21%	22%	→
Making your business more environmentally friendly			21%	
Legal help dealing with creditors, suppliers, or landlords	16%	18%	19%	→
Diversity, equity, and inclusion training	15%	15%	18%	→
Changing brand messaging	19%	18%	18%	→
Crisis communications	17%	12%	13%	→

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TA still a mystery to many

- Among those who have not used technical assistance recently (~80%), a lack of familiarity was by far the top reason why they have not done so.

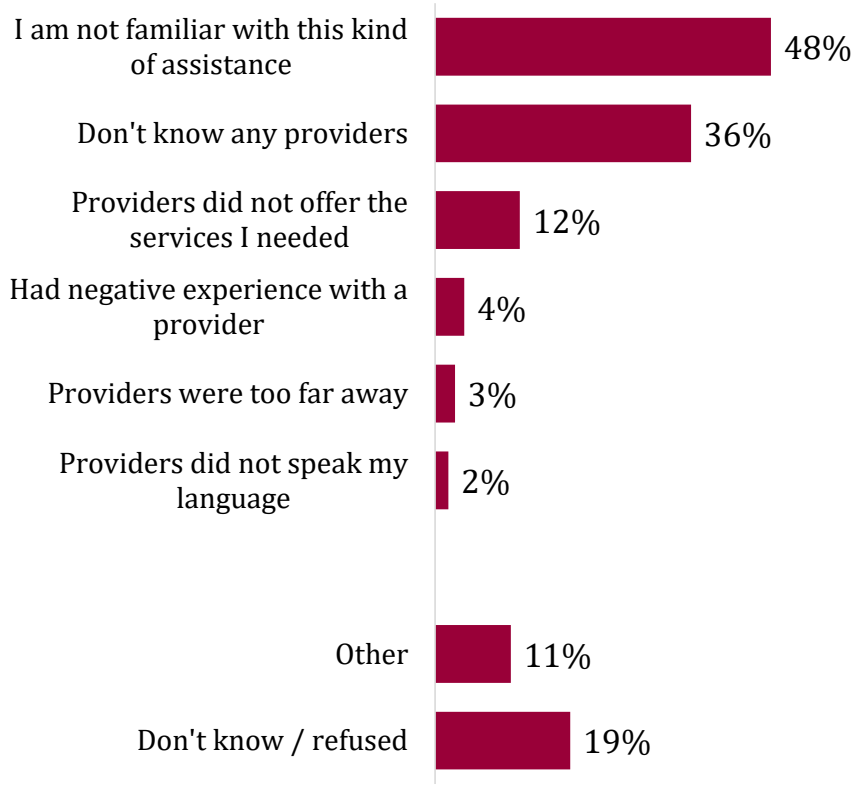
Q: What are some of the reasons you have not used a provider for assistance, coaching, or advice in the last 12 months?

Q: Community organizations often assist, coach and advise businesses on a pro bono basis on issues like financial planning, business planning, or communications and marketing. Has your company received this type of assistance, coaching, or advice in the last 12 months?

TA stands for "Technical Assistance" and is shorthand for the various coaching and advising organizations that help businesses.

Most not familiar with TA or with TA providers

% of those who did not use TA who cited each reason



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Key takeaways

1. State of Businesses
    a. There remains significant entrepreneurial energy among the state's small businesses, particularly among those owned or founded by people of color. This translates to greater interest in expanding real estate footprints and investing to grow the business.
    b. Businesses owned by entrepreneurs of color express interest in a range of clean energy and climate actions.
2. Business Needs
    a. When it comes to hiring, competitiveness is about costs for employees – specifically housing and cost of living.
    b. Communication around resources and available business supports is still fragmented and not clear to businesses owners. Business support organizations, chambers and community investors play a vital role in coordinating and marketing resources.
3. Opportunities for Policymakers and Investors
    a. With higher interest rates and tighter credit rules, capital access is an even greater challenge than in the past. Access to working and expansion capital is still a major hurdle particularly for entrepreneurs of color.
    b. The "Silver Tsunami" is real and presents an opportunity to support maturing businesses with exit planning and transitions to employee ownership.

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