

# The View from Main Street

A survey of Massachusetts businesses with under 500 employees

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# Survey Background

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- Results based on a statewide survey of 3,243 small business leaders in Massachusetts.
- Conducted June 30-August 9, 2022 via online interviewing with distribution through MGCC, business associations, and other organizations 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 made possible by assistance from The Mass Growth Capital Corporation. Survey incentives were provided by the Harvard T.H. Chan School of Public Health
- We would also like to thank the many small business groups throughout the state who helped distribute the survey.

# Key findings

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- Many small businesses are still feeling COVID's impact, with 53% reporting that they are not yet back to pre-COVID level revenues. Small and Black-owned businesses received less COVID funding than other businesses and are facing more structural hurdles to recovery.
- Hiring challenges and keeping up with inflation are the top concerns. In terms of other issues, larger businesses are more concerned with supply chain issues and smaller businesses with getting capital.
- Most small business employees are working in person. For those who are hybrid or remote, the expectation is they will remain so for at least the next year.

# Key findings

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- A more diverse community of small businesses is on the horizon, with white-owned businesses more likely to expect a sale or leadership transition.
- Business owned by entrepreneurs of color are *more likely* to have plans for expansion if capital were accessible to them, highlighting the opportunity Massachusetts has to grow our diverse small business economy.
- Capital access is a challenge for smaller businesses and businesses owned by people of color. Loan rejections are more common while capital needs are greater.
- At the same time, the threats to these business owners are also greater, including past due bills, less access to capital, more alternative financing, and less COVID relief funds.

# Key Findings

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- Only 15% of businesses reported using technical assistance, citing unfamiliarity as a key reason. Smaller businesses and those owned by entrepreneurs of color have used technical assistance more frequently.
- Those that utilize technical assistance report that it has been at least somewhat useful. Top areas of interest include helping find new revenue sources and help with digital marketing.
- Doing business with anchor institutions is more common among larger businesses. Key barriers to more work with them are focused on the administrative burdens. Many of those who have not worked with them believe their businesses do not offer the right products.

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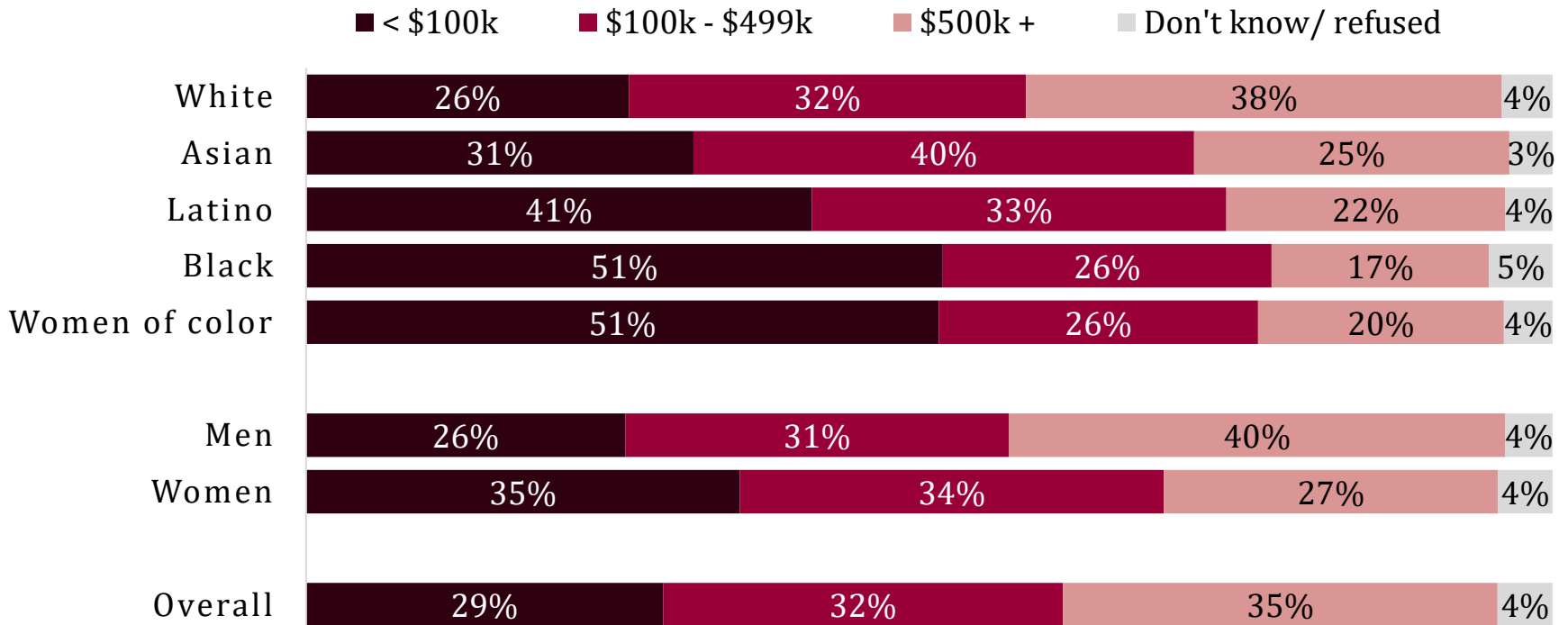
# Current Status

# Business size and demographics

- Businesses owned by women and people of color tend to be smaller, which impacts many other issues examined in this survey.

## Business owned by Latino, Black owners, and women of color tend to be smaller

*% who reported 2021 total business revenue by varying demographics*

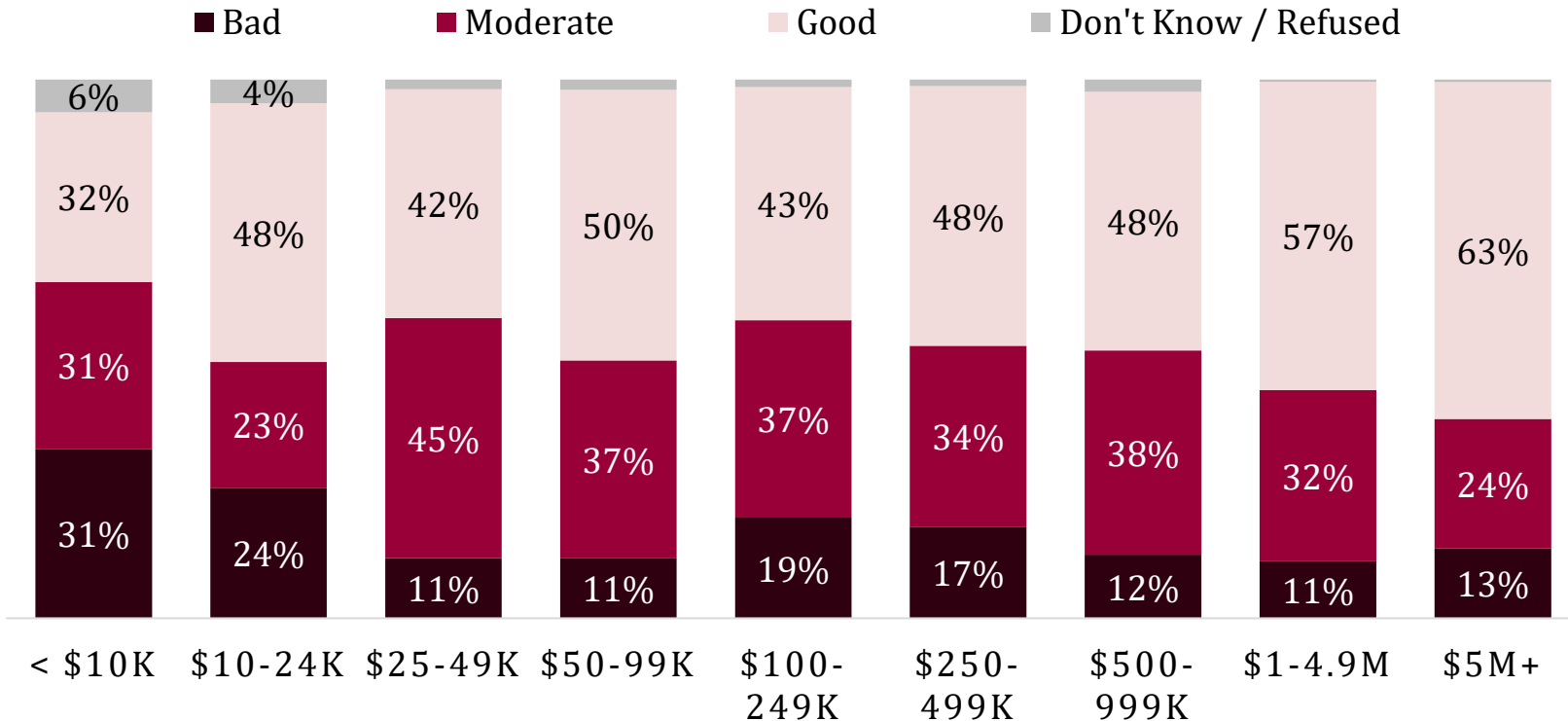


# Smallest business struggling most

- Larger businesses are more likely to say current business conditions are good.

## Smaller businesses less likely to report good business conditions

*% of companies who say business conditions are good, bad, or moderate by business size*



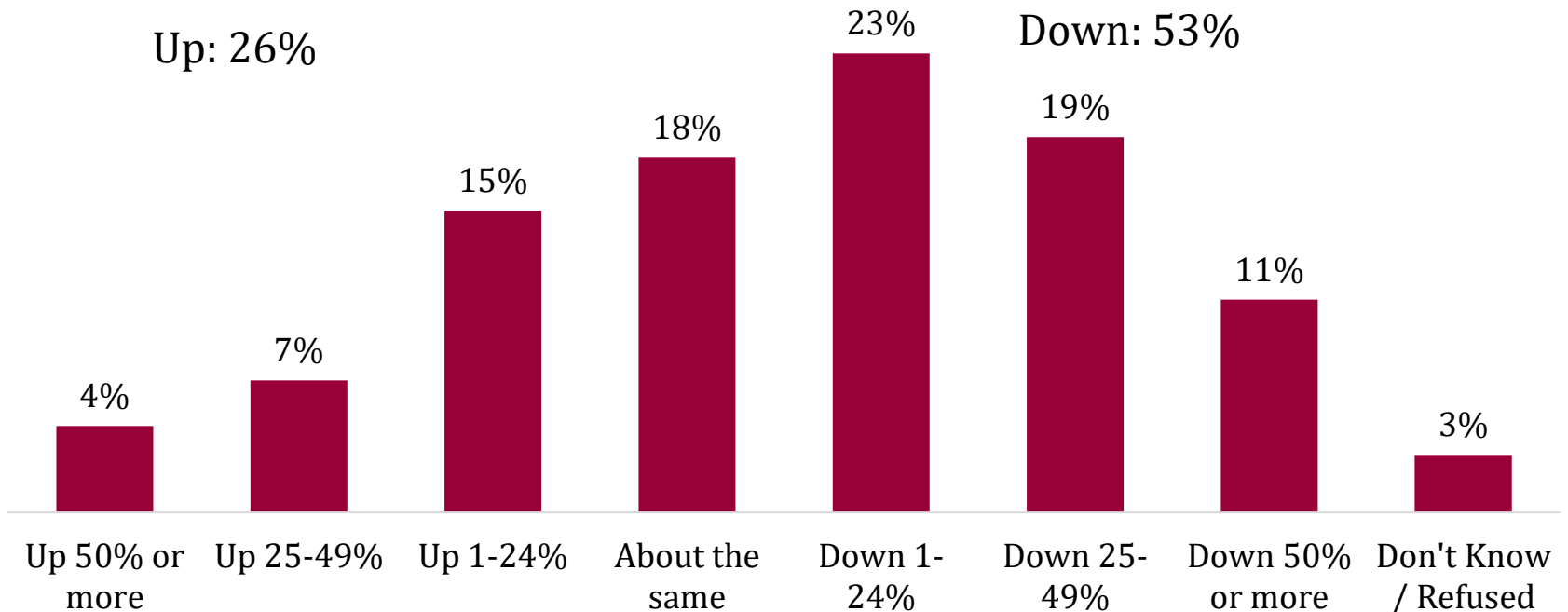


# Revenues not back to pre-COVID

- About half of businesses say revenues have not recovered to pre-COVID levels, while just 26% say they are ahead.

## Few businesses say revenues are ahead of where they were pre-COVID

*% of companies who say revenues are up, down, or the same since the pandemic began*



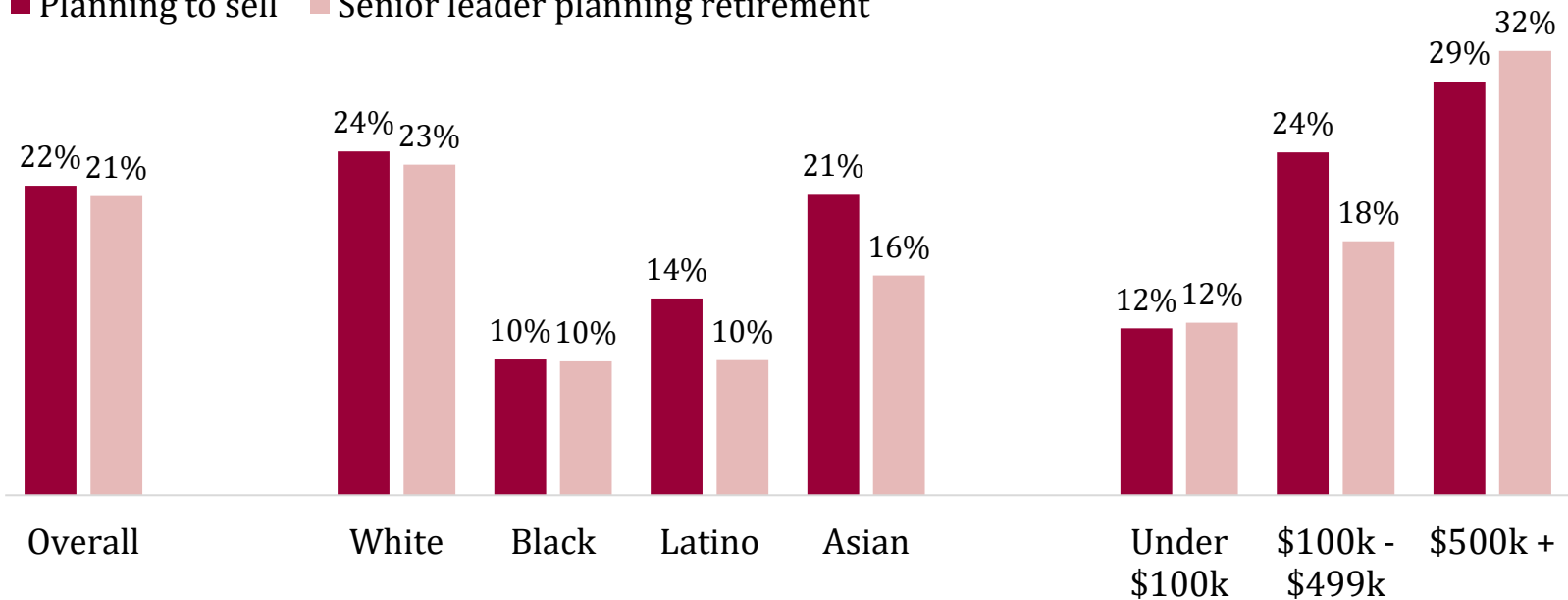
# Retirements / sales are coming

- White-owned and large businesses are more likely to say a senior leader is planning retirement in the next 5 years and more likely to see a sale of the business ahead.

## White-owned and larger businesses see more retirements and sales coming

% who say a senior business leader is planning on retiring within 5 years or a sale is ahead

■ Planning to sell ■ Senior leader planning retirement

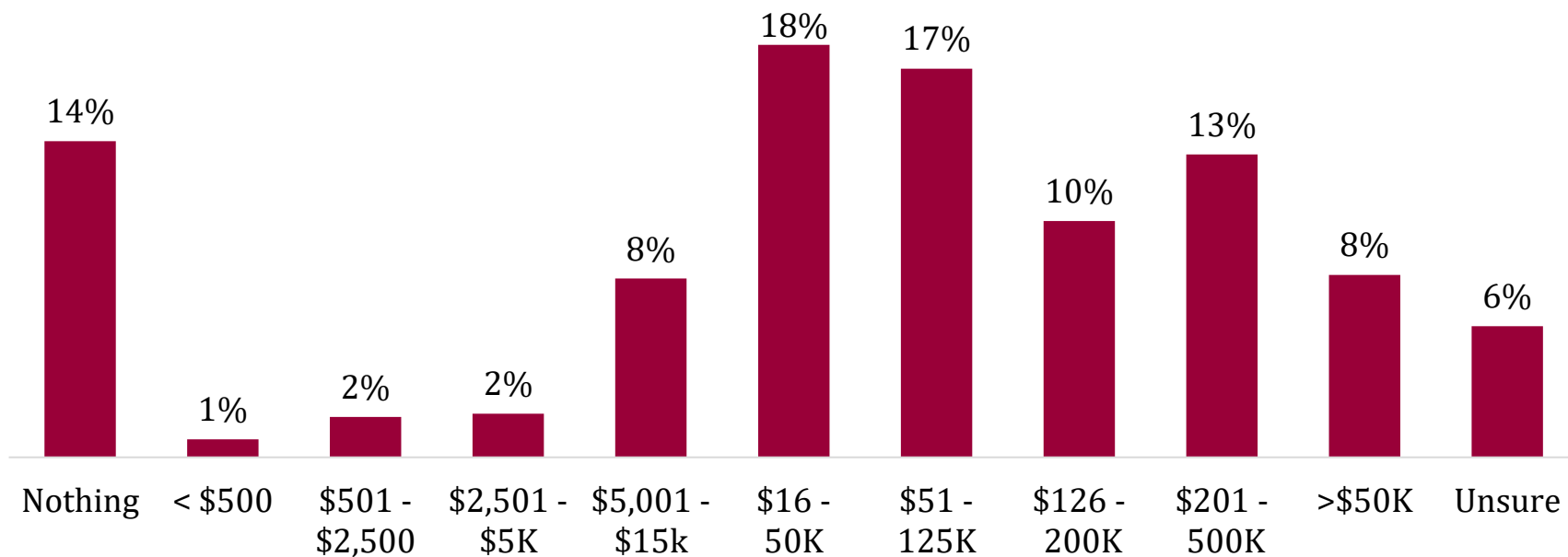


# Most businesses got COVID relief

- The vast majority (86%) of small business report receiving at least some COVID relief funding, with about half (48%) saying they got \$50k or more.

## Most Massachusetts businesses report receiving at least some COVID relief funds

*Amount of COVID-19 relief funding each business reports receiving*

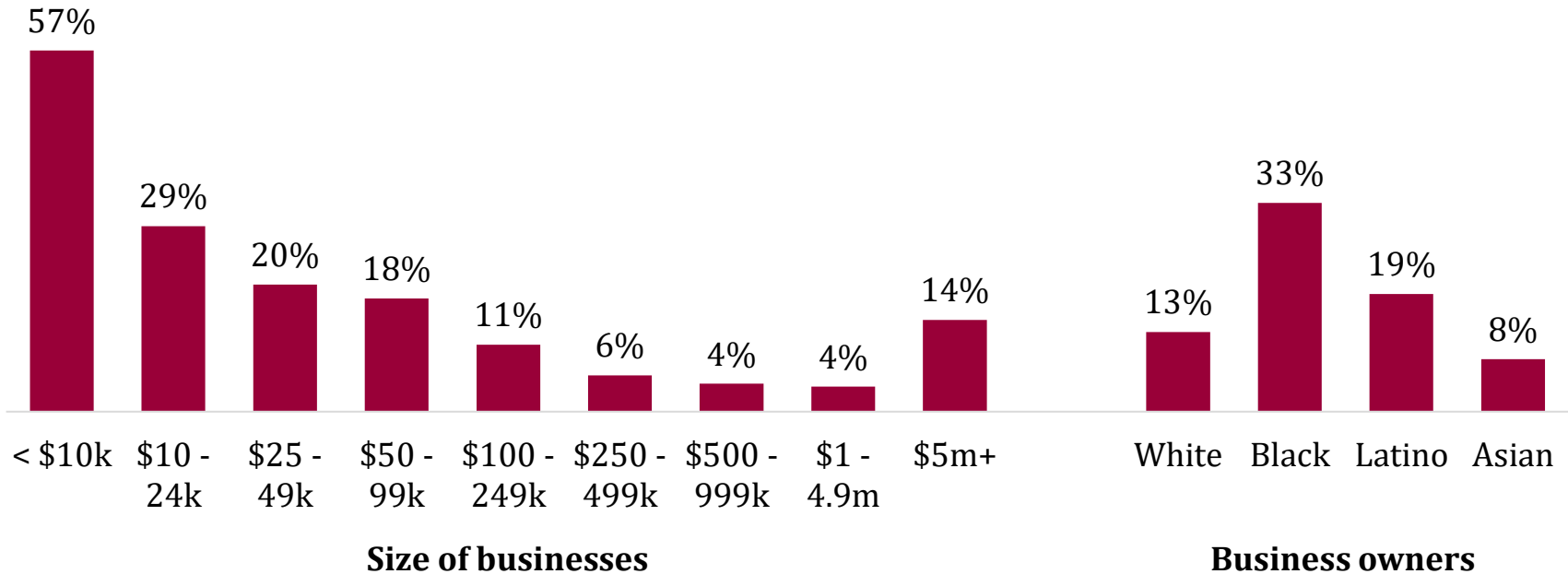


# Who missed out on COVID relief

- COVID relief helped keep many businesses afloat during COVID, but also missed more of the smallest businesses and more Black and Latino owned businesses.

## Smaller and Black owned businesses more likely to report no COVID funding

*% of businesses who report receiving no COVID relief funding*



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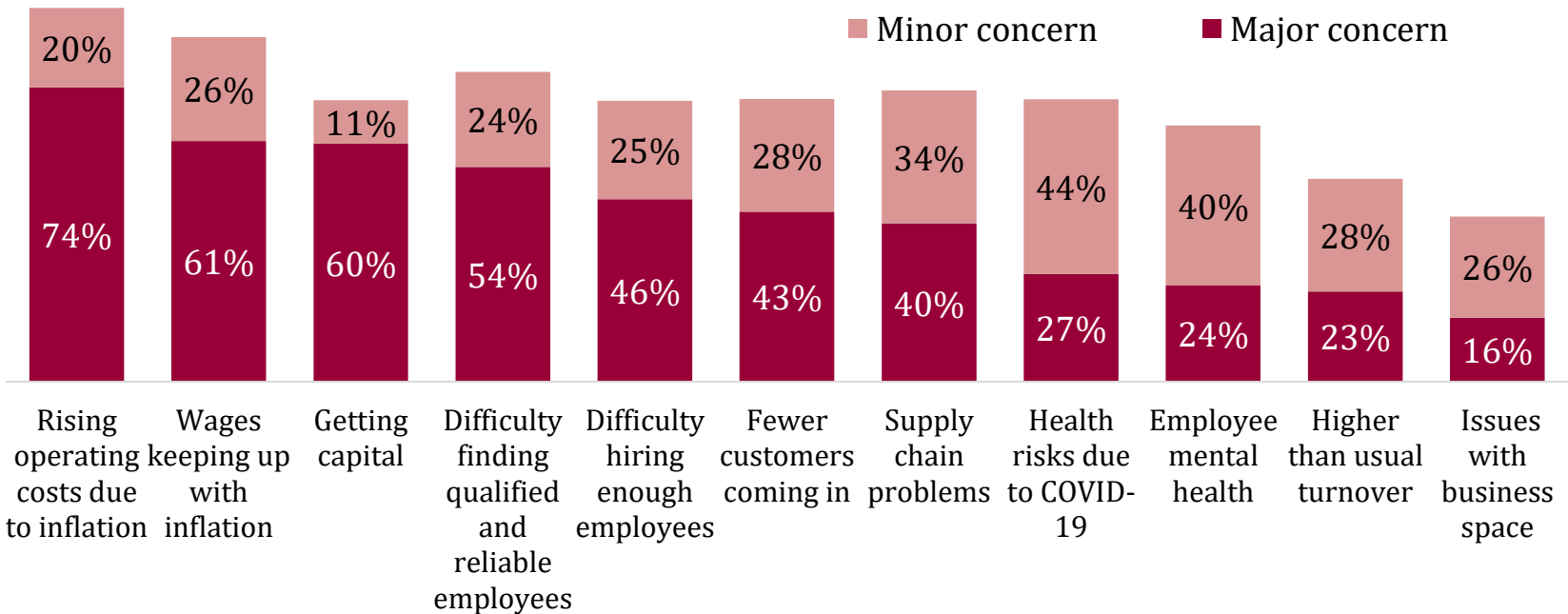
# Key challenges

# Inflation and hiring are key concerns

- Inflation and increasing wages are the top concerns of small businesses. Finding and keeping qualified employees is also an issue of broad concern.

## Inflation is biggest concern, followed by challenges hiring and retaining employees

*% who call each issue a minor or major concerns*



# Key concerns vary by size

- Larger businesses say hiring and supply chain issues are of greater concern, while more smaller businesses identify capital access and a decrease in customer flow.

## Key concerns vary considerably depending on the size of the business

*% calling each a “major concern” for the company (20+ point differences highlighted)*

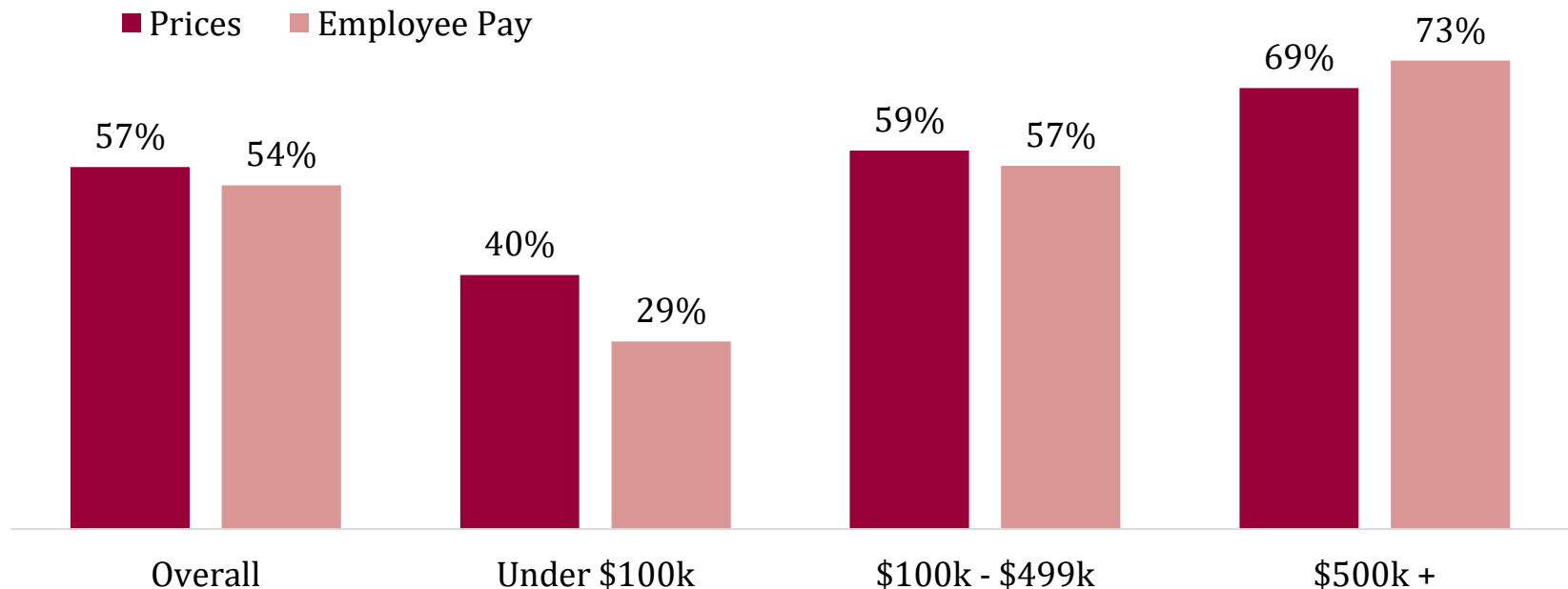
	Overall	< \$100k	\$100k - \$499k	\$500k +
Rising operating costs due to inflation	74%	67%	77%	78%
Wages keeping up with inflation	61%	55%	64%	63%
<b>Getting capital</b>	<b>60%</b>	<b>70%</b>	<b>63%</b>	<b>51%</b>
<b>Difficulty finding qualified and reliable employees</b>	<b>54%</b>	<b>39%</b>	<b>55%</b>	<b>67%</b>
<b>Difficulty hiring enough employees</b>	<b>46%</b>	<b>30%</b>	<b>46%</b>	<b>60%</b>
<b>Fewer customers coming in</b>	<b>43%</b>	<b>50%</b>	<b>48%</b>	<b>33%</b>
<b>Supply chain problems</b>	<b>40%</b>	<b>28%</b>	<b>39%</b>	<b>51%</b>
Health risks due to COVID-19	27%	34%	26%	22%
Employee mental health	24%	27%	23%	23%
Higher than usual turnover	23%	18%	24%	26%
Issues with business space	16%	21%	16%	12%

# Reacting to inflation

- Small businesses have been less able to respond to the impacts of inflation with price or pay increases.

## Smaller businesses less likely to report raising prices or employee pay

*% in each revenue category who report raising \_\_\_\_\_ in response to inflation*

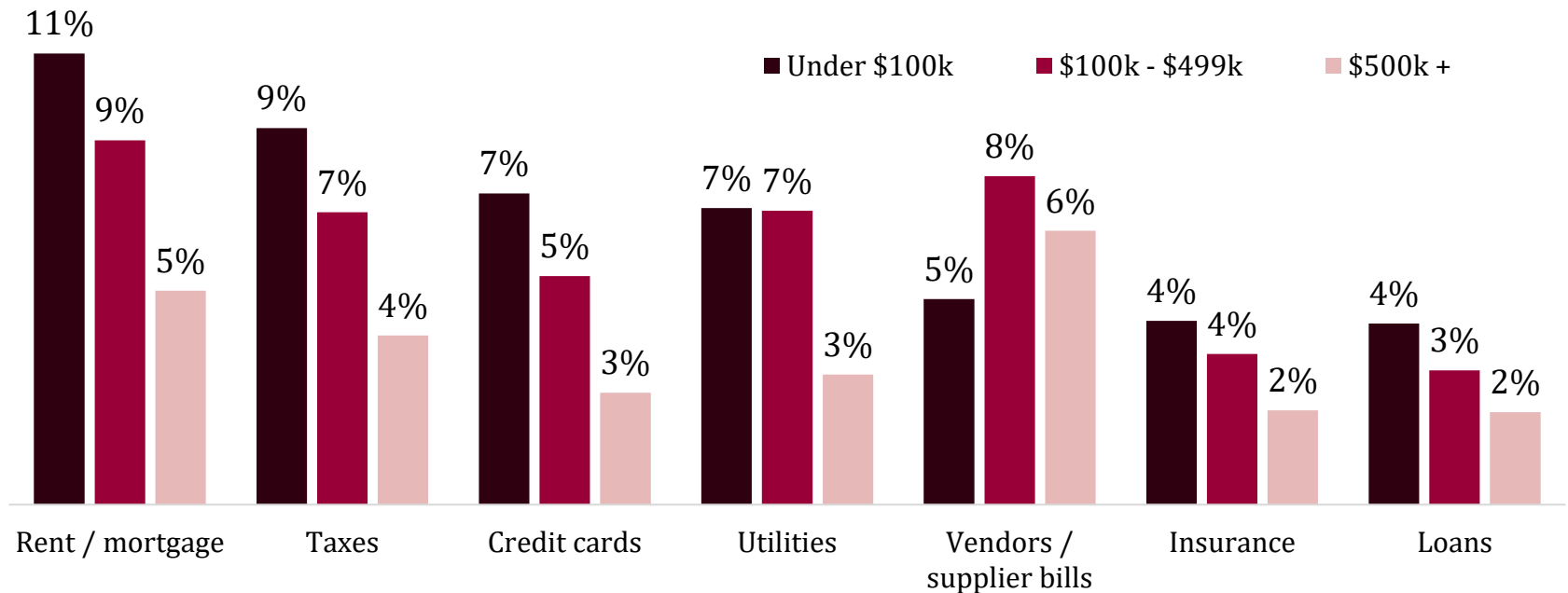




# Past due bills

- Rent and taxes are the most common past due bills, with smaller businesses more likely to say they are behind.

**Among businesses that have past due bills, rent/mortgage is the most common**  
*% of reported past due bills by business revenue*



# Past due bills and taxes

- Most businesses are up to date on payments, though past due bills and taxes remain a concern.

## Past due bills and taxes remain a concern among some businesses

*% of business owners who report having bills 3 months or more past due*

	Overall	White	Black	Latino	Asian
Rent / mortgage	8%	6%	15%	18%	17%
Vendors / supplier bills	6%	6%	10%	14%	11%
Taxes	6%	5%	15%	14%	7%
Utilities	5%	4%	12%	12%	8%
Credit cards	5%	3%	10%	14%	9%
Insurance	3%	2%	9%	7%	5%
Loans	3%	2%	7%	8%	5%
None of these	78%	83%	60%	57%	64%
Don't Know / Refused	4%	2%	6%	4%	5%

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# Capital Access

# Reasons for seeking capital

- Business owned by people of color are more likely to say they are seeking capital and identify equipment purchases, expansion, and hiring as top capital priorities.

## Main reasons small businesses say they are seeking access to capital

*% who identify each as a reason they are seeking access to new capital*

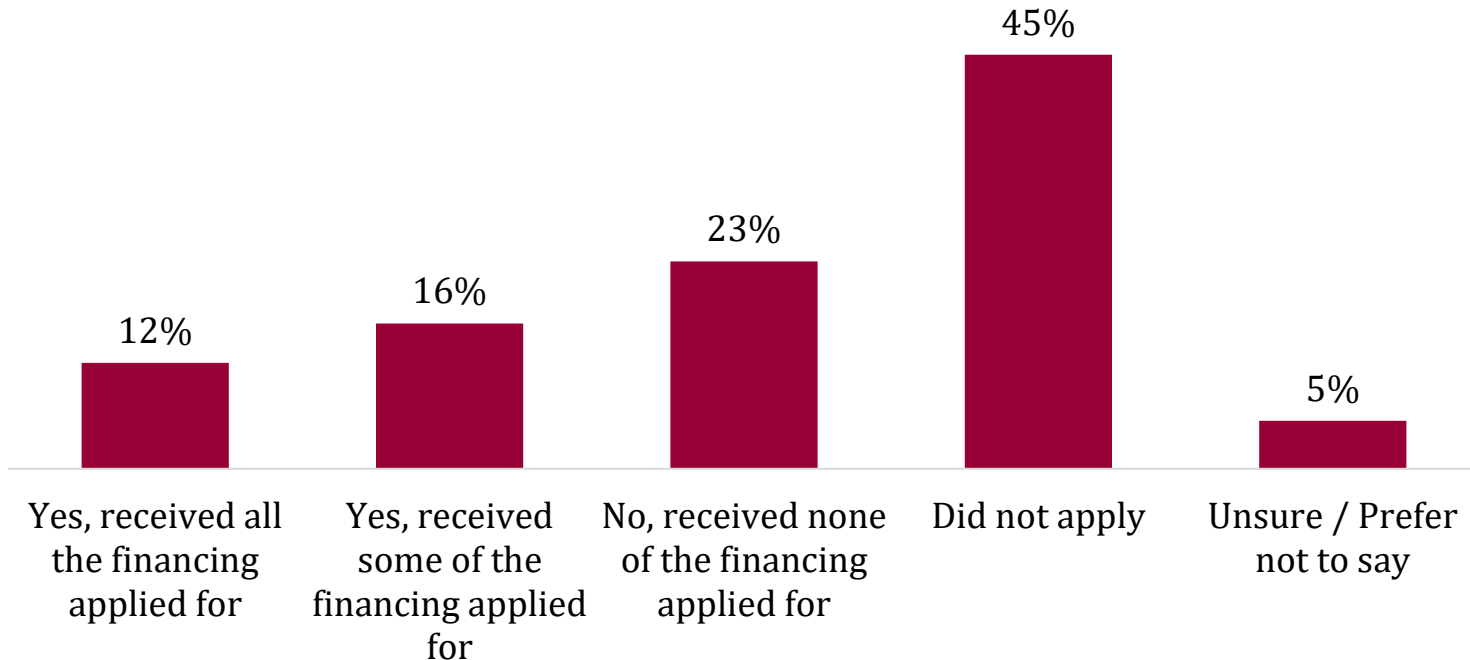
	Overall	White	Black	Latino	Asian
Equipment purchases	28%	24%	52%	47%	35%
Expansion	24%	21%	50%	45%	26%
Hiring	24%	20%	46%	41%	35%
Renovate an existing location	15%	14%	13%	20%	23%
Investment capital	15%	12%	30%	32%	22%
Refinance existing debt	11%	10%	14%	20%	20%
Open a new location	10%	9%	21%	16%	11%
Something else	3%	3%	5%	6%	3%
No, not seeking capital	41%	47%	13%	13%	25%
Don't Know / Refused	5%	3%	5%	3%	7%

# Applying for capital

- About half of businesses say they applied for capital in the last 2 years, but most of those who applied received less than what they requested.

## About half said their business applied for capital in the last 2 years

*% who said they applied for capital and how it turned out*



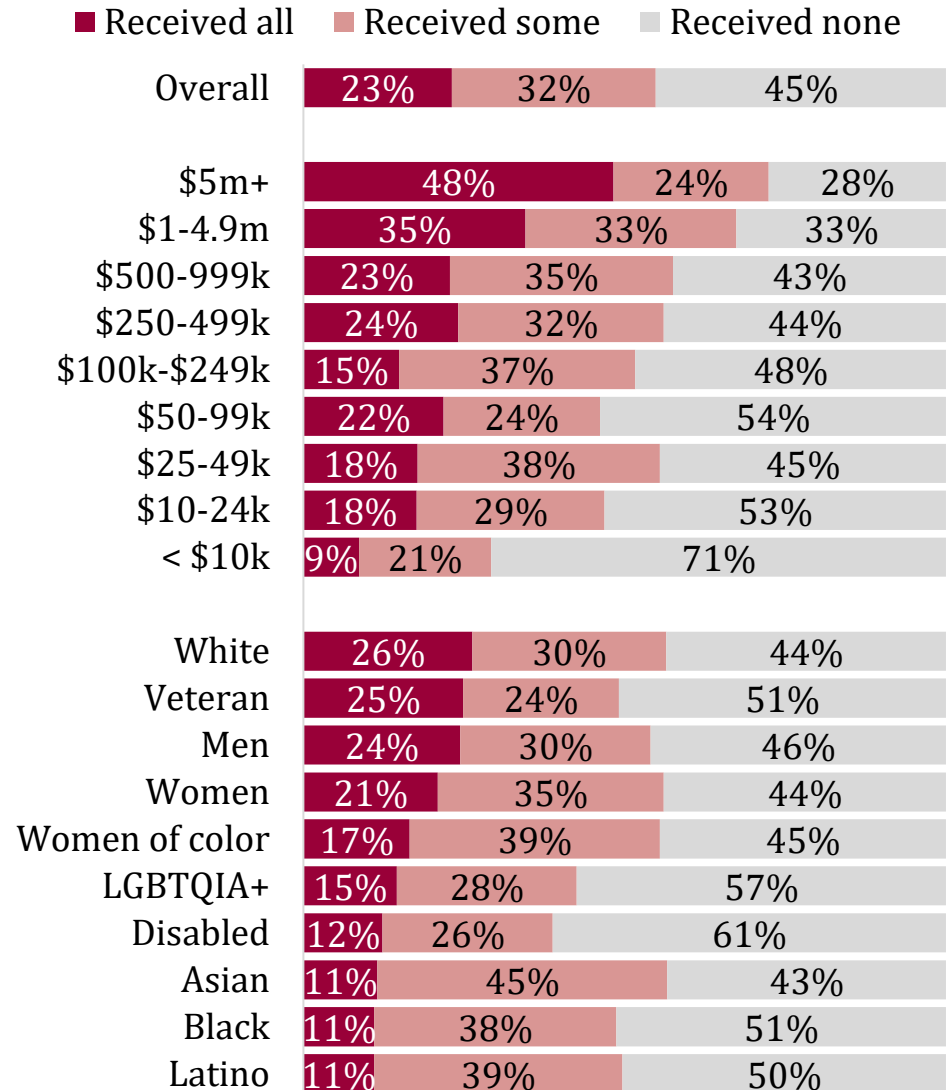
# How much financing was received

- Overall, 23% of those who applied in the last 2 years said they received the full amount of financing they requested.
- White-owned and larger businesses were most likely to be approved for the full amount they requested.

*Q: Other than COVID relief funding, has your company applied for or received any new loans or financing in the last 2 years?*

## What happened to financing applications

*% who applied for financing in the last 2 years who ...*



# Loan application challenges

- Smaller businesses and Black and Latino-owned businesses report experiencing more problems applying for loans and financing.

## Larger and white owned businesses report fewer loan problems

*% who reported problems with loan applications (among those who applied for new funding)*

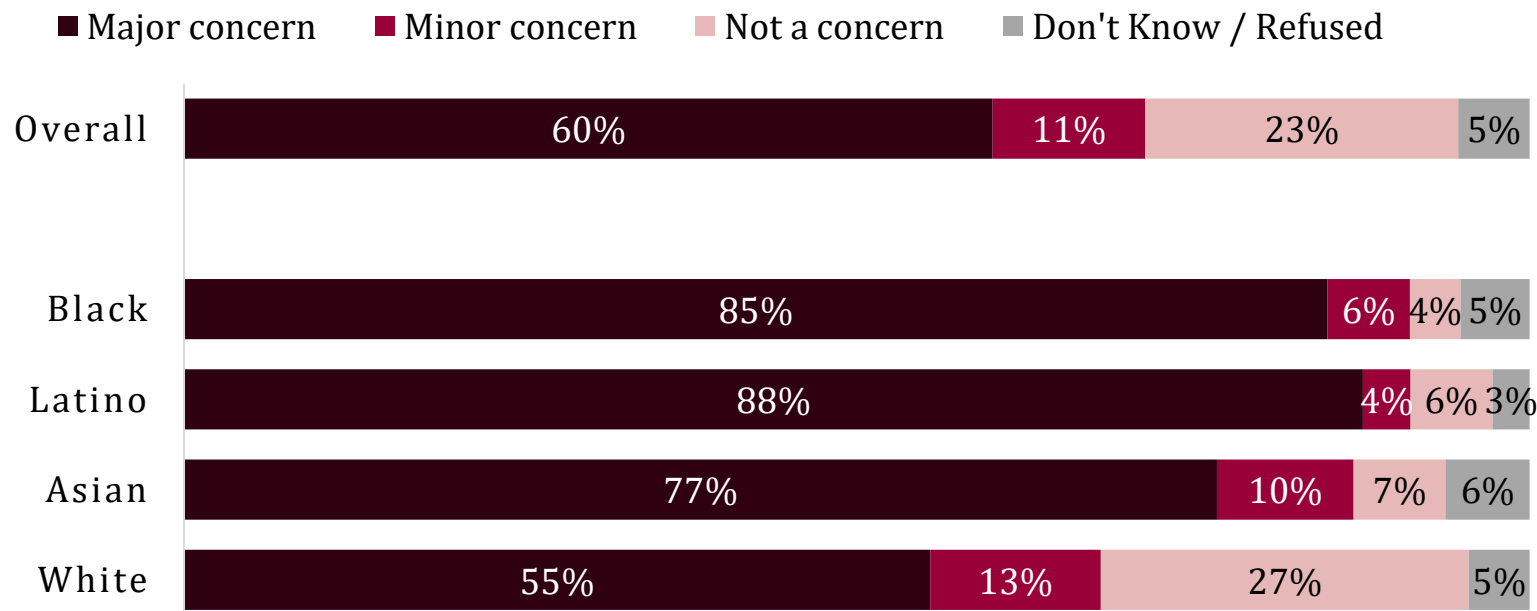
	Black	Latino	Asian	White	Under \$100k	\$100k - \$499k	\$500k +
Getting rejected	41%	39%	25%	26%	35%	28%	20%
Lack of connections	33%	17%	15%	10%	14%	14%	9%
High interest rate	29%	22%	23%	21%	19%	26%	20%
Complex application process	29%	27%	30%	19%	21%	21%	21%
Long wait for credit decision	27%	25%	18%	16%	17%	19%	16%
Unfavorable repayment terms	24%	19%	16%	16%	15%	19%	14%
Received misleading information	18%	7%	11%	8%	15%	6%	7%
Don't know where to begin	17%	12%	17%	9%	14%	10%	8%
Discrimination	13%	7%	2%	3%	6%	5%	3%
Language access	1%	4%	11%	0%	2%	2%	0%
Other	4%	6%	4%	7%	7%	5%	8%
Experienced no challenges	6%	13%	10%	29%	21%	19%	35%
Don't Know / Refused	11%	13%	23%	13%	15%	13%	13%

# Disparities in access to capital

- Among businesses owned by entrepreneurs of color, far more call access to capital a major concern.

## Capital access a greater concern to businesses owned by entrepreneurs of color

*% of businesses who identify "getting capital" as a concern*



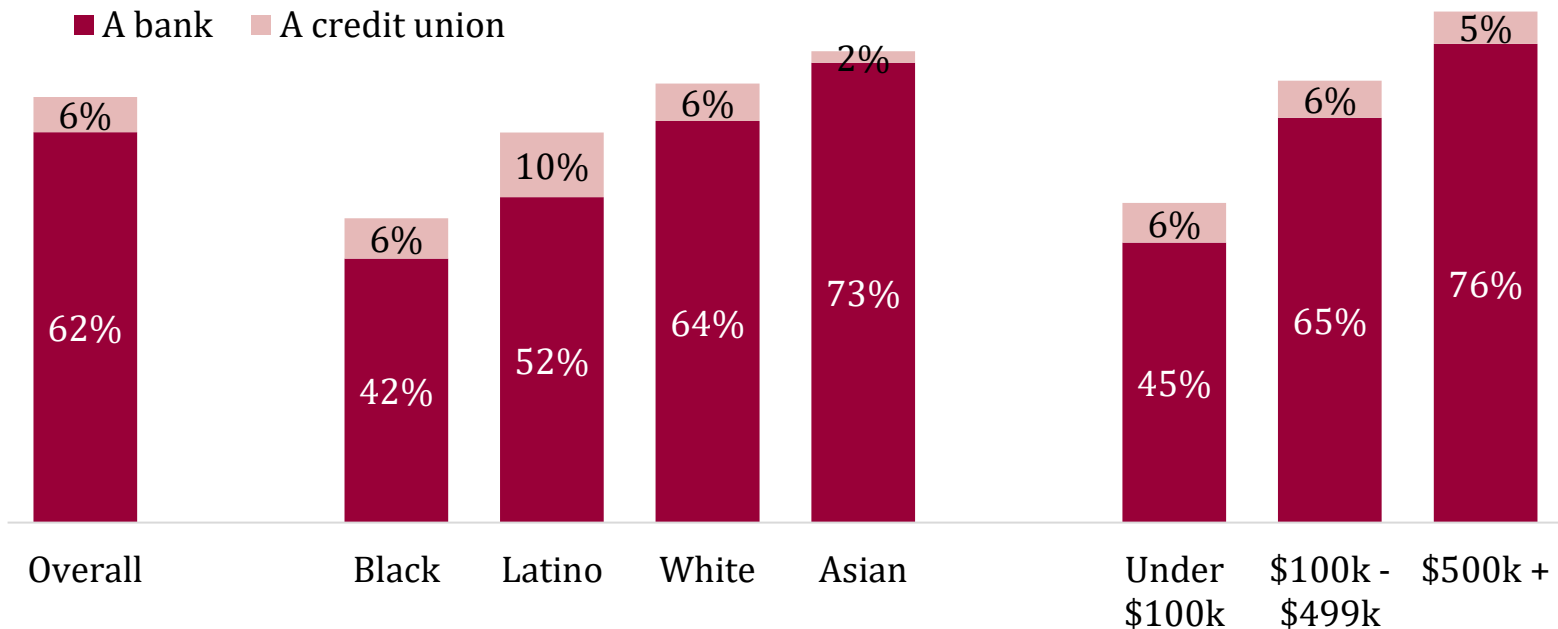


# Credit from banks / credit unions

- Black and Latino-owned and smaller businesses are less likely to report either banks or credit unions as loan / credit sources.

## Major differences in the use of banks and credit union as sources of credit

*% that use banks or credit unions for loans, credit cards, or lines of credit*

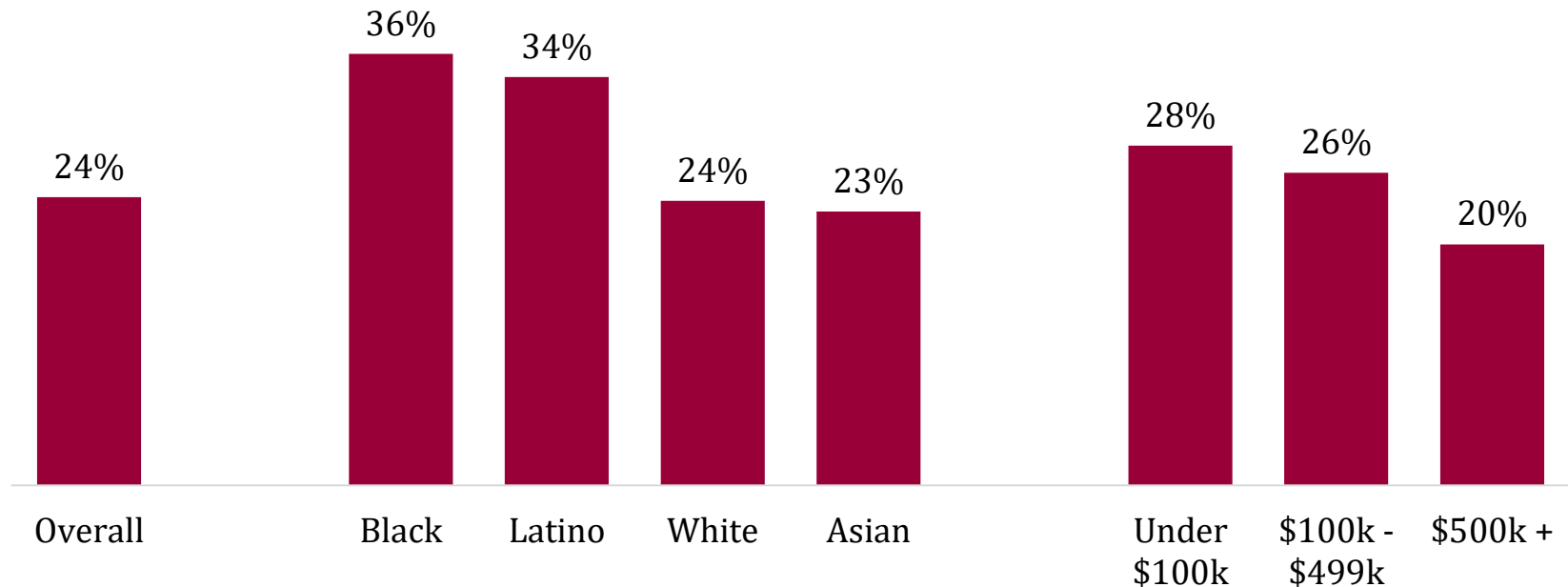


# Use of alternative funding sources

- Most businesses do not use alternative credit sources, though it is more common among Black and Latino-owned businesses and smaller businesses.

## About a quarter of businesses use funding sources other than banks

*% of businesses using any other financing source beyond banks and credit unions*



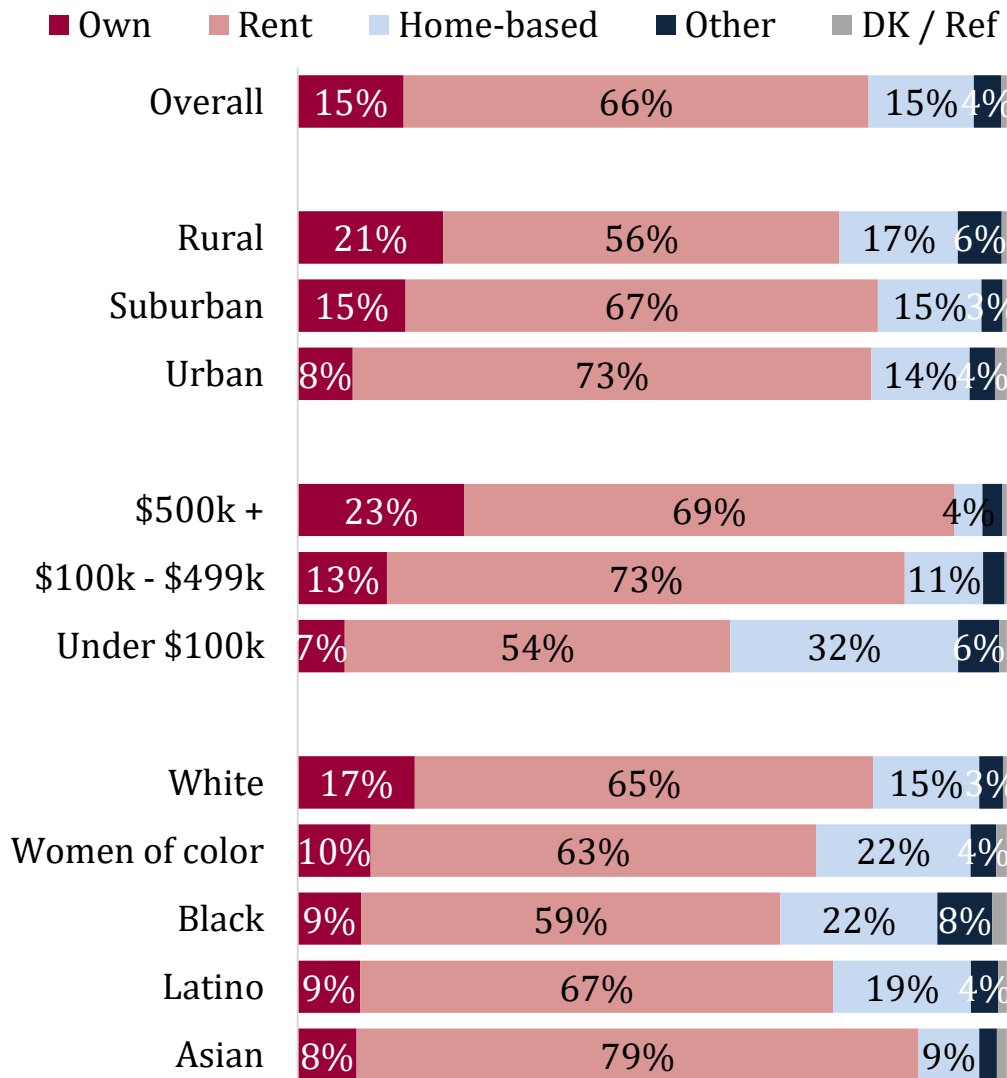
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# Real estate

# Owning, renting, and more

- Most business rent their space with businesses in urban areas especially likely to rent.
- Smaller businesses and those owned by people of color are more likely to rent or be a home-based business.

**Owning, renting, work from home, or something else**  
 % of business who say they \_\_\_\_\_ their space



# Real estate expansion plans

- Black and Latino owned business are more likely to say they would like to buy or rent new space, expand, or open a new location.

## Black and Latino owned businesses are more likely to have expansion plans

% of business owners who say they would like to \_\_\_\_\_ in the next 2 years

	Overall	White	Black	Latino	Asian	Under \$100k	\$100k - \$499k	\$500k +
Buy new space	21%	20%	38%	38%	15%	20%	22%	22%
Expand existing space	19%	19%	24%	26%	12%	20%	18%	20%
Rent new space	17%	16%	27%	22%	21%	24%	15%	13%
Open a new location	14%	12%	26%	25%	19%	15%	14%	13%
Move within MA	6%	6%	9%	6%	9%	8%	8%	4%
Something else	6%	6%	5%	9%	3%	6%	5%	6%
Reduce your space	4%	4%	2%	3%	7%	3%	4%	5%
Move to another state	4%	4%	6%	2%	3%	4%	4%	3%

None of these	39%	42%	17%	21%	42%	34%	40%	41%
Don't Know / Refused	4%	4%	3%	2%	7%	3%	5%	3%

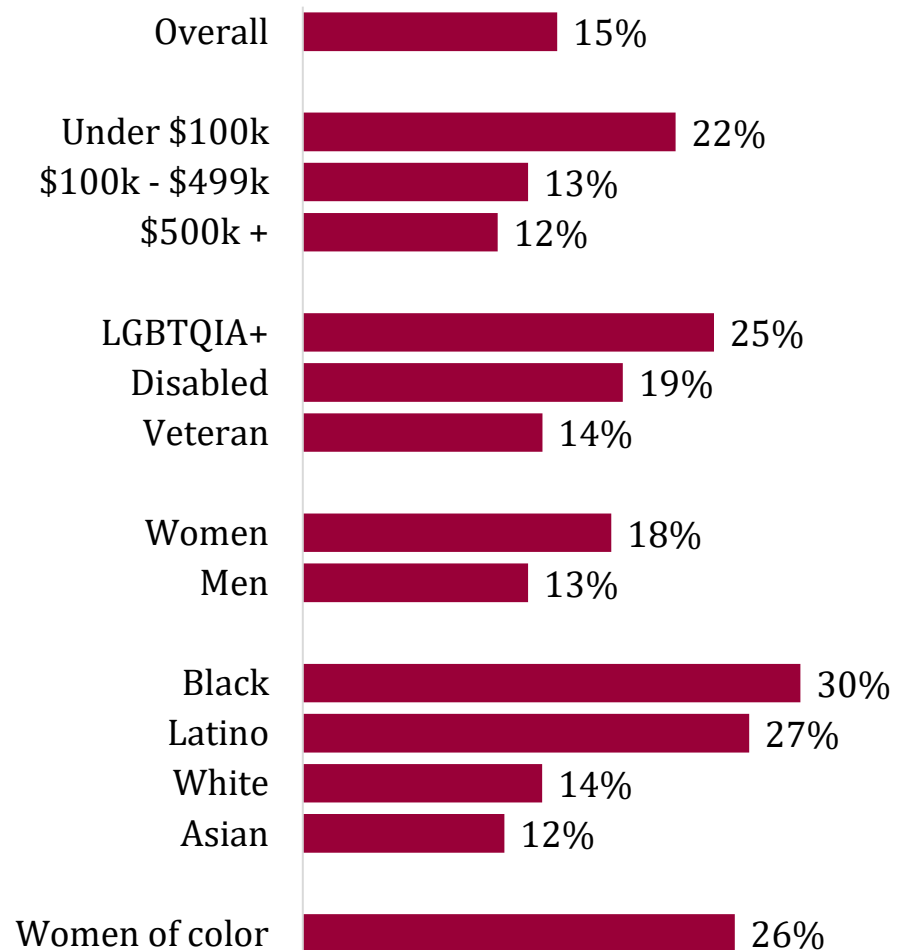
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# Technical assistance

# Using technical assistance

- Only 15% of businesses report receiving assistance, coaching, or advice in the past year.
- Smaller businesses were more likely to receive TA, as were LGBTQIA+, Black, Latino, and women of color owned businesses.

**Smaller businesses report using TA more**  
*% of businesses that report receiving technical assistance in the past year*

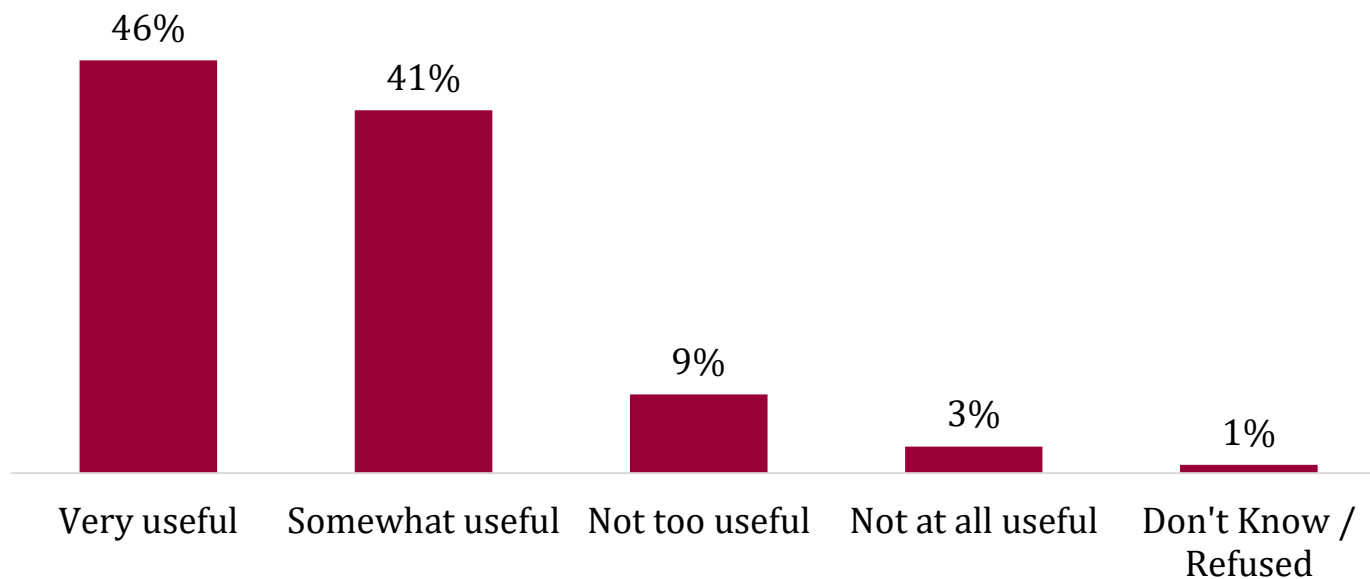


# Most who used it found TA useful

- Overall, 87% who used TA report finding it at least somewhat useful with half calling it “very useful”.

## Most who used TA in the last year say it was at least somewhat useful

*% of businesses who used technical assistance in the last year who found it: \_\_\_\_\_*



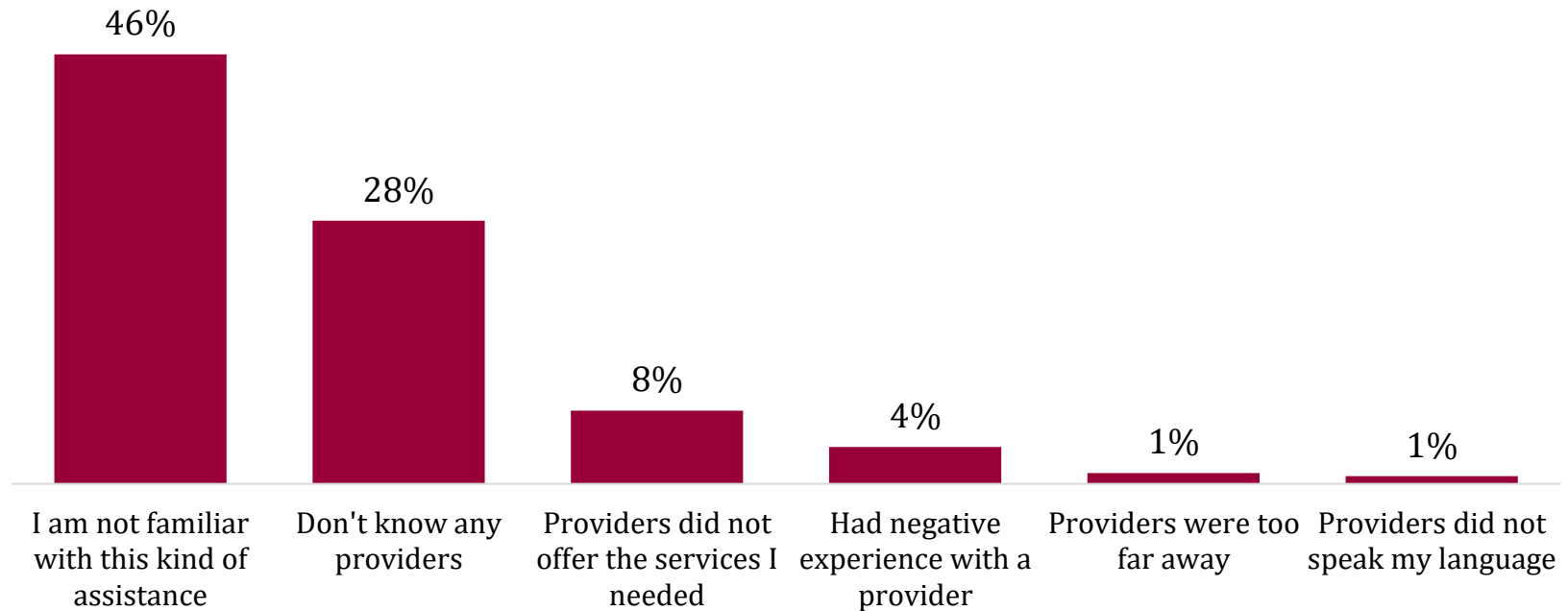


# Why businesses have not used TA

- Among those who have not used TA, a general lack of familiarity or not knowing any providers are the most common reasons.

## Lack of familiarity with technical assistance cited as key reason for not using it

*% of businesses who have not received technical assistance who cite each reason*



# What kinds of TA businesses need

- Finding new revenue sources and grant funding are the top two TA requests. In general, businesses owned by people of color say they would see value in more kinds of TA.

## Grant funding, revenue sources, digital marketing are most common TA needs

*% of businesses that say each kind of technical assistance would be “very useful”*

	Overall	White	Black	Latino	Asian
Access to / applying for grant funding	62%	59%	82%	77%	76%
Finding new revenue sources	54%	51%	76%	72%	59%
Using social media	44%	41%	63%	60%	49%
Digital marketing	42%	38%	65%	61%	44%
Access to low interest loans	42%	38%	65%	64%	52%
Creating or revising financial plans	30%	26%	58%	56%	35%
Accounting and bookkeeping	29%	25%	60%	48%	32%
Assessing strategic priorities	29%	25%	58%	50%	33%
Selling online	26%	23%	50%	40%	30%
Creating or revising your business plan	26%	22%	54%	50%	30%
Human resources guidance or coaching	21%	17%	48%	42%	26%
Changing brand messaging	18%	15%	43%	32%	26%
Legal help ...	18%	13%	44%	39%	31%
Diversity, equity, and inclusion training	15%	11%	40%	42%	26%
Crisis communications	12%	9%	34%	27%	21%

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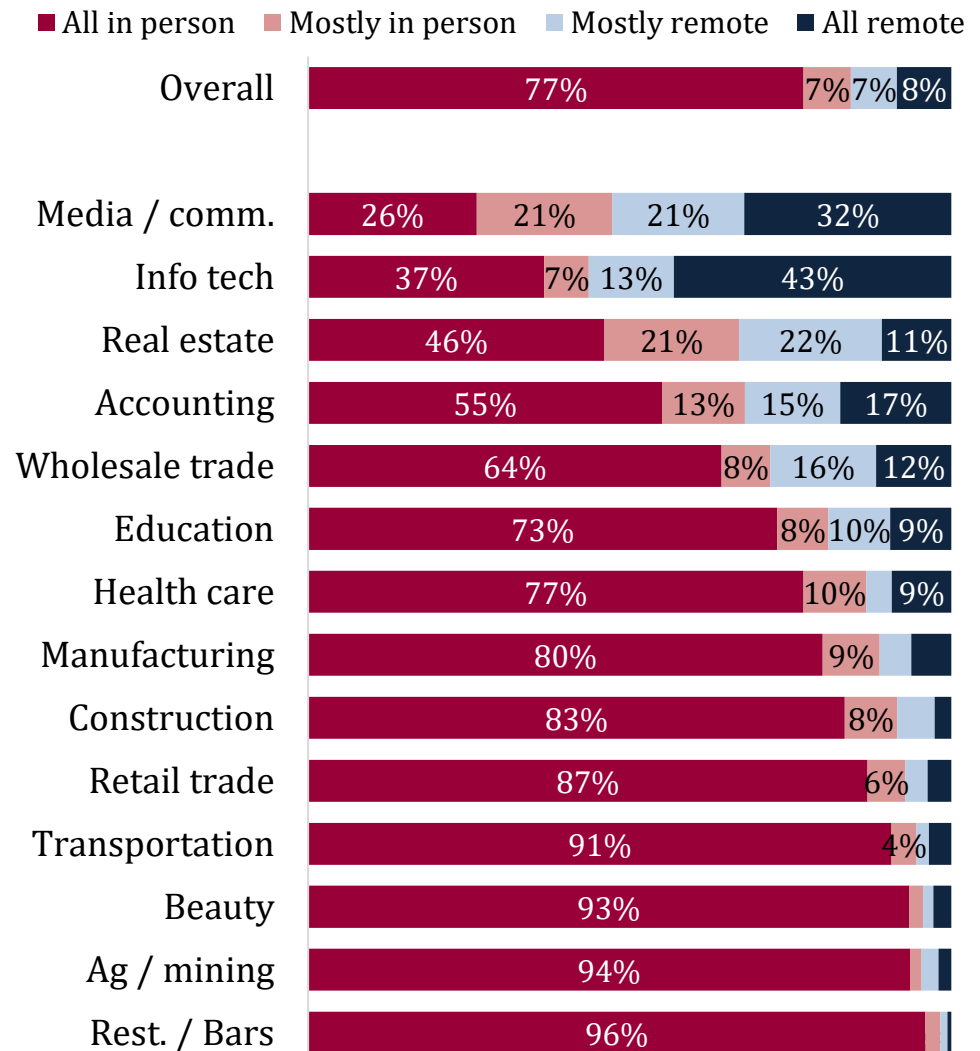
# Remote work

# The shape of remote work

- Overall, most small business employees work onsite, with only about a quarter of employees working remotely for any portion of their work.
- The amount of remote vs in person work varies significantly by sector, with office occupations much more remote.

*Q: Does your company allow any employees to work remotely?*

**Remote work patterns vary by business type**  
Average % of employees and contractors working remotely



# Remote work unlikely to change

- Most small business employees are working onsite. Among those working remotely, no change is expected in the year ahead. There is no “return to the office” on the horizon.

## No change expected in remote work patterns over the next year

*Average % of employees and contractors working remotely now and one year from now*

	Now	One year from now
Average % of company working entirely in person	77%	77%
Average % of company working mostly in person	7%	8%
Average % of company working mostly remote	7%	7%
Average % of company working entirely remote	8%	8%

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# Anchor institutions

# Working with anchor institutions

- Business from anchor institutions tends to go to larger businesses, though projects with cultural institution and non-profit are more evenly distributed.

## Small business report less frequent business from anchor institutions

*% of businesses who report working with each type of institution*

	Overall	Under \$100k	\$100k - \$499k	\$500k +	Gap \$500k - <\$100k
Large businesses	28%	20%	25%	37%	17%
Colleges and universities	22%	15%	21%	29%	14%
Local governments	19%	11%	20%	25%	13%
Cultural institutions	15%	15%	15%	16%	1%
Large non-profits	15%	13%	14%	18%	5%
Hospitals	14%	8%	13%	20%	12%
Foundations	12%	10%	10%	15%	5%
State government	11%	7%	8%	17%	10%
None of the above	47%	55%	49%	40%	
Don't Know / Refused	5%	5%	3%	5%	

# Barriers to anchor institutions

- More businesses who have not worked with anchor institutions say they don't have the right products or services. Those who have say knowledge, capacity, and paperwork are key barriers to doing more.

## Knowledge, capacity, paperwork, product offerings are key barriers

*% who say each is a barrier to working / working more with anchor institutions (key items highlighted)*

	Have worked with them	Have not
I don't know how to find opportunities to do business with anchor institutions	22%	21%
My company does not have enough capacity to meet anchor institutions' needs	20%	18%
It takes too much paperwork and time	18%	7%
There are too many regulations	13%	7%
I don't believe we will win competitive bid processes	11%	7%
The payment terms are not possible for us to accept	11%	4%
I would need too much capital up front	10%	7%
We can only do some of the work but not all of the work on a given project	10%	3%
My business doesn't offer the services/goods they want or need	8%	35%
We don't have the required certifications	5%	4%
My business is located too far away from most anchor institutions	4%	4%
We can't meet the insurance and bonding requirements	3%	3%
<i>Other</i>	11%	7%
<i>None of these things</i>	25%	24%
<i>Don't Know / Refused</i>	7%	6%





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