



CITY of BOSTON

EXECUTIVE SUMMARY

**STRENGTHENING
THE HEARTBEAT
OF BOSTON**

**Integrated Strategies to Support a
Thriving Small Business Community**

2024

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OVERVIEW

Small businesses play a vital role in making Boston an appealing place to live, work, and visit, offering essential goods and services that enhance the overall quality of life.

They contribute to the creation of vibrant urban environments that attract residents, workers, students, and tourists. Small businesses foster a sense of community, connect people from all walks of life, and mirror the city's rich diversity across race and ethnicity, place of birth, and veteran status.¹

The City of Boston's first small business plan was published in 2016. While the goals and findings of that report remain relevant, the world has changed dramatically since then—and the challenges facing small businesses have evolved, as well. The COVID-19 pandemic left in its wake the shuttering of millions of businesses across the country. Emergency capital made available by the federal government helped keep some businesses afloat, but many businesses could not access these resources in time or at all. These and other challenges led to acute, lasting hardships for some small businesses and reinforced, and in some cases, deepened, racial and ethnic disparities in business ownership and wealth creation.²

A comprehensive strategy for the city's small businesses is essential for closing the racial wealth gap in Boston—a cornerstone goal of Mayor Michelle Wu's economic agenda. In 2022, the Wu Administration renamed its Office of Economic Development to the Office of Economic Opportunity and Inclusion (OEOI), with a new vision for a resilient, equitable, sustainable, and vibrant city that centers people and creates opportunities to build generational wealth. Within this vision, supports for small businesses, including those owned by under-represented entrepreneurs are seen as critical for advancing broad-based income and wealth generation. With the post-COVID surge in entrepreneurship activity, the case for a comprehensive small business strategy becomes even more central to the realization of an equitable, high-growth economy.³

Pictured below (from left to right):
Opening of Dorchester Food Co-op in
Dorchester, corner market in Roslinsale,
and the West Roxbury Farmers Market.



The strategies presented in this report have three primary goals:

- 1 Creating a thriving, diverse, and accessible small business sector in Boston and an ecosystem that centers small businesses;**
- 2 Contributing to the eventual elimination of the city's racial/ethnic wealth gap; and**
- 3 Stimulating the revitalization of the city's neighborhoods and major commercial hubs and corridors.**

The purpose of this report is to provide the City of Boston with a roadmap of actionable strategies to support the vitality of the city's small businesses, while also offering comprehensive insights to support implementation and execution of current and new policies and programs to support Boston's entrepreneurs. This report also provides a rich description of Boston's small business economy and ecosystem for use in future program and policy development. This document also serves as a re-commitment to small businesses across Boston, and is intended to be used by OEOI's Small Business

Office, as well as by other city staff and departments, the philanthropic community, private and non-profit partners looking to support small businesses in Boston, and of course, the broader small business ecosystem in the city and region.

Special emphasis is placed on supporting the city's micro-businesses, which are a cornerstone of income and wealth generation for Boston's diverse population.



THE CURRENT STATE OF BOSTON'S SMALL BUSINESSES

IDENTIFYING AND COUNTING SMALL BUSINESSES

This report defines small businesses as those with fewer than 50 employees or those with 50 or more employees but less than \$5 million in annual revenue. **Small business entities** encompass a variety of types, structures, and stages of businesses, including small business establishments as well as offices of individual practices (e.g., healthcare providers, professional services), nonemployer businesses that represent the business owner's primary job, and self-employed workers that typically work from home. We estimate that Boston is home to about 58,000 small business entities that are responsible for about 198,000 jobs.⁴

This report focuses on **small business establishments**, which are a subset of small business entities. Small business establishments are defined as operating businesses that are generally accessible to the public through a virtual or physical storefront.

Of its 58,000 small business entities, we estimate that Boston is home to over 18,000 small business establishments generating about \$28 billion in revenue that are responsible for more than 127,000 jobs.⁵ Small business entities that are not small business establishments consist mainly of individual, solo entrepreneurs ("solopreneurs"); nonemployer businesses that represent the business owner's primary job; self-employed workers; and individual practitioners. These businesses could be temporary or part-time. In this report, we refer to this group as **active entrepreneurs and solopreneurs**. Active entrepreneurs and solopreneurs are an important part of Boston's small business landscape, but this report focuses on small business establishments, which, by definition, have a presence in the city's neighborhoods and along its commercial corridors. However, many of the strategies presented in this report also apply to active entrepreneurs and solopreneurs, and they are a key potential growth segment for future small business initiatives (see Figure 1). Moving forward, we use the term "small business" to refer to small business establishments.

Pictured below (from left to right):
Boston skyline by Boojum Rock,
East Boston Open Streets.



Figure 1. **Small Business Ecosystem**



THE IMPACT OF BOSTON'S MICRO-BUSINESS ECONOMY

Micro-businesses—those with less than \$500,000 in revenue and fewer than 10 employees—make up 31% of Boston's small businesses, 11% of jobs at small businesses, and 5% of their sales. Micro-businesses include firms with and without employees (e.g., firms run by one person that have no employees). **Scaled small businesses** make up the remainder of small business activity (69% of business counts, 89% of jobs, and 95% of sales).⁶

Micro-businesses are a crucial focus of this report. In addition to representing more than three out of ten small businesses in Boston, they form the backbone of the city's commercial corridors and are more likely to be owned by under-represented entrepreneurs. Since 2020, conditions have been especially challenging for micro-businesses. Despite being over-represented in some consumer-facing segments that were severely impacted by the pandemic, micro-businesses were among the least likely to receive COVID assistance. In Boston, the majority of micro-businesses are consumer-facing, often serving markets as small as a single neighborhood.



THE STATE OF UNDER-REPRESENTED BUSINESS OWNERS

A key focus of this report is to assess the needs of under-represented entrepreneurs and develop supportive strategies that reflect and address their specific needs. Boston's diversity is one of its greatest assets, but there are significant disparities in business outcomes for different demographic groups, by race/ethnicity, sex, nativity, LGBTQ+ identity,^A and veteran status.

For businesses located in the City of Boston:

- Data on self-reported minority-owned business enterprises (MBEs^B) from the most recent Annual Business Survey (ABS) in 2017 indicate that 19% of Boston's privately-held employer businesses identify as minority-owned, less than the share of working-age (25-64 years old) people of color (all racial/ethnic groups other than non-Hispanic whites) in Boston. Working-age people of color constituted 51% of the city's population in 2017 (selected to align with the year of data available from the ABS).⁷ In 2017, there were approximately 12 minority-owned firms in Boston per 1,000 working-age people of color, placing Boston 62nd among the top 100 cities (of which 99 have data). Boston ranks slightly higher for average revenue per firm (47th) and lower for average employees per firm (77th) at MBEs.⁸ Due to challenges ranging from capital access to market size, MBEs tend to be smaller than white, non-Hispanic-owned firms, and many have struggled to recover from the economic crises brought on by the pandemic.
- About 18% of privately-held employer firms in Boston are owned by women. In terms of the number of women-owned business enterprises (WBEs^C) per capita, Boston ranks 69th out of the 100 largest U.S. cities, with about 12 firms per 1,000 working-age women. By national standards, WBEs in Boston are relatively large, ranking 40th in terms of employees per firm and 12th in terms of revenue per firm.⁹
- Approximately 4% of the City of Boston's privately-held firms are owned by veterans. For every 1,000 working-age veterans, there are approximately 62 veteran-owned businesses, ranking 20th among the 100 largest U.S. cities (of which 91 have data on veteran business ownership). This exceeds the national average (37) considerably. Though Boston ranks high in terms of its rate of veteran-owned businesses, its veteran-owned businesses rank lower in terms of average employees and revenue per firm, ranking 44th in employees per firm and 47th in revenue per firm.¹⁰

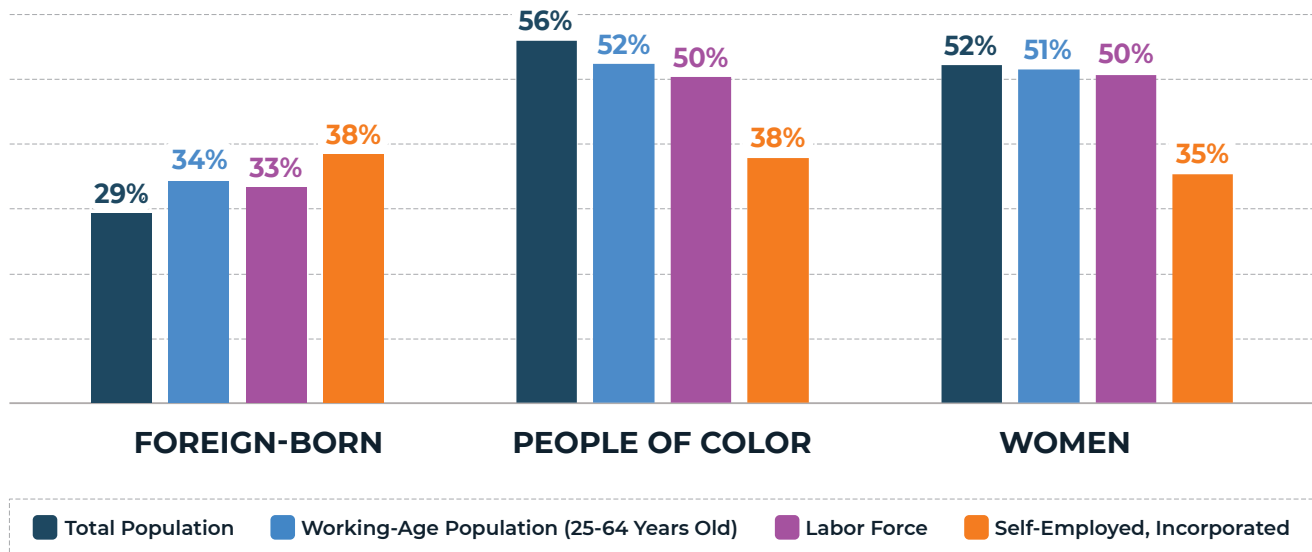
A. Although there are no Boston-specific data on firms owned by LGBTQ+ individuals, national surveys provide a snapshot of firm characteristics and challenges, such as capital access.

B. Note that MBEs, as discussed in this section, are identified through the business owner's response to the U.S. Census Bureau's Annual Business Survey (ABS). MBE reflects a business owner that identifies as a racial or ethnic minority (i.e., not white, non-Hispanic). These categories do not necessarily overlap with or correspond to the MBE certification provided by the City of Boston through its Supplier Diversity Program.

C. Similar to MBEs, WBEs are identified through the business owner's response to the ABS and do not necessarily overlap with or correspond to the WBE certification provided by the City of Boston.

Figure 2. Bostonian's Representation in Self-Employment Varies Across Under-Represented Groups

Share of Boston's Total Population, Working-Age Population, Labor Force, and Self-Employed, Incorporated Residents, 2022



Note: Groups overlap. Working-age population refers to people ages 25-64 years old. Labor force and self-employed, incorporated residents reflect the working-age population.

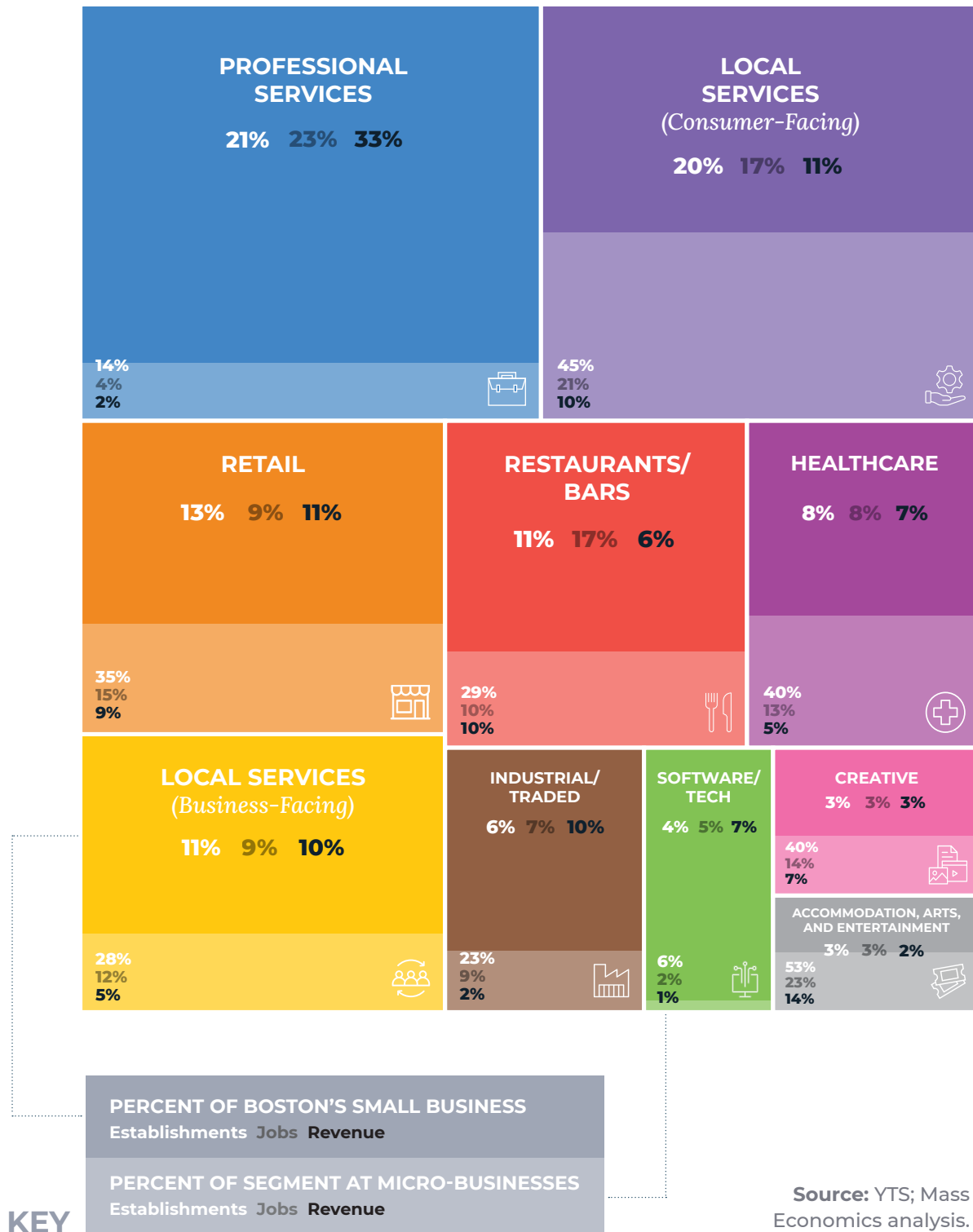
Source: U.S. Census Bureau ACS-IPUMS 2022 5-year estimates, accessed through IPUMS USA at the University of Minnesota; Mass Economics analysis.

➤ About one in four employer businesses in Boston is owned by foreign-born entrepreneurs, which is less than their representation among the working-age population (34%) in 2017. There were approximately 18 foreign-born-owned firms in Boston per 1,000 working-age foreign-born people in 2017; for this measure, Boston ranked only 45th out of 50 large U.S. cities (of which 48 have data). However, because Boston has a large foreign-born population compared to other large cities in the country, it ranks 15th of the 50 largest U.S. cities in terms of the percent of employer firms owned by the foreign-born population (26%).¹¹

Boston's immigrant population is highly diverse, and foreign-born people reside in all of the city's neighborhoods. As of 2022, the foreign-born population in the City of Boston is more likely to be self-employed with incorporated (formalized) businesses than their share of the total and working-age population and labor force would suggest. People of color and women each represent more than half of the City of Boston's total and working-age population, but they are less likely to be self-employed with incorporated businesses (see Figure 2). As in most places in the U.S., rates of foreign-born Bostonians' self-employment are higher than those of native-born residents (8.0% versus 5.3%).¹²

Figure 3. **Professional Services and Consumer-Facing Local Services are the Two Most Common Industry Segments for Small Business**

Small Business Industry Segments



SMALL BUSINESS SEGMENTS

No two businesses are alike, but firms in the same industry or of comparable size often share similar characteristics, needs, and challenges. For instance, a startup business faces very different growth challenges than a larger small business looking to expand into global markets. A growing industrial business has different real estate and talent needs than a new restaurant. Furthermore, capital needs, in terms of amounts and types, vary widely by industry, size, and stage of business. Given these differences, one way to better understand Boston's small business landscape is by categorizing firms according to size and industry.

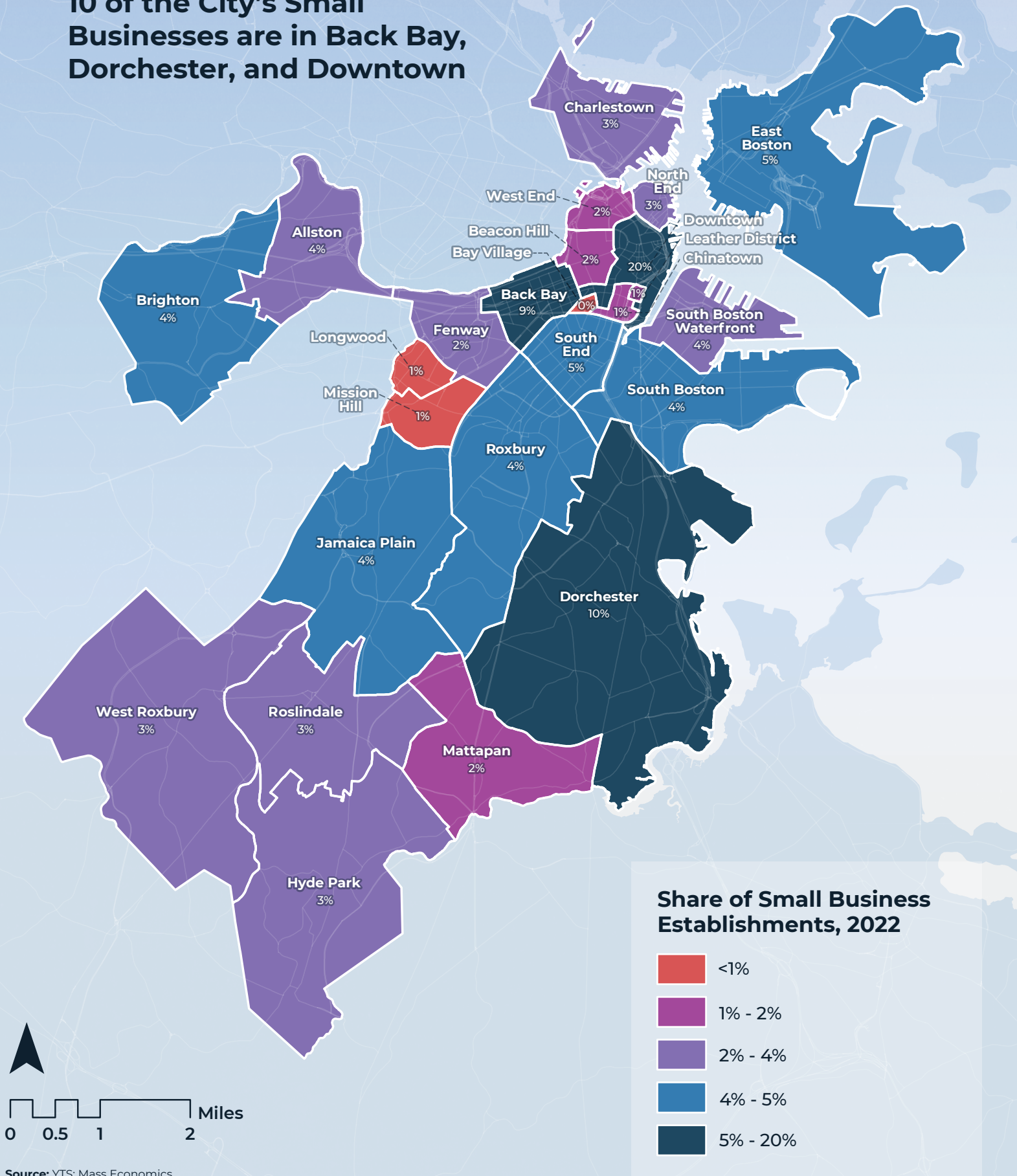
We create a segmentation for micro-businesses and scaled small businesses reflecting the key industry segments in which they are represented (see Figure 3). Figure 3 shows the small business industry segments by size, as well as their share of micro-businesses. The two biggest segments, professional services and consumer-facing local services, account for 41% of Boston's small businesses. Market areas vary by segment with, e.g., restaurants and retail primarily serving neighborhood market areas; local services (business-facing) serving customers across the city and in some cases, metro; and industrial and software/tech firms selling into national or even global markets.¹³ Across the segments, accommodation, arts, and entertainment; local services (consumer-facing); and healthcare have the highest shares of micro-businesses.

NEIGHBORHOOD LOCATIONS OF SMALL BUSINESSES

Boston is home to 25 distinct neighborhoods.¹⁴ Based on the most current neighborhood boundaries, as defined by the City of Boston, Downtown stands out as the neighborhood with the largest share of the city's small businesses, closely followed by Dorchester and Back Bay (see Figure 4). These three neighborhoods are collectively home to about 40% of the city's small businesses, with professional services and consumer-facing local services being the dominant segments in these neighborhoods.

Micro-businesses are more evenly distributed across the city, with eight neighborhoods—Downtown, Dorchester and Back Bay but also East Boston, South End, Brighton, Roxbury, and Jamaica Plain—all having at least five percent of these businesses. In the City of Boston overall, micro-businesses make up 31% of all small businesses. At the neighborhood level, the micro-business share of all small businesses is highest in Roslindale, where micro-businesses make up nearly half (46%) of small businesses. In four other neighborhoods—Jamaica Plain, Roxbury, Mattapan, and Dorchester—micro-businesses make up at least 40% of all small businesses. Conversely, the Leather District, Bay Village, Downtown, and South Boston Waterfront have the lowest shares of micro-businesses, accounting for less than one-fifth of the small business presence in these areas.

Figure 4. **About 4 in 10 of the City's Small Businesses are in Back Bay, Dorchester, and Downtown**



THE SMALL BUSINESS ECOSYSTEM

BUSINESS SUPPORT ORGANIZATIONS (BSOs)

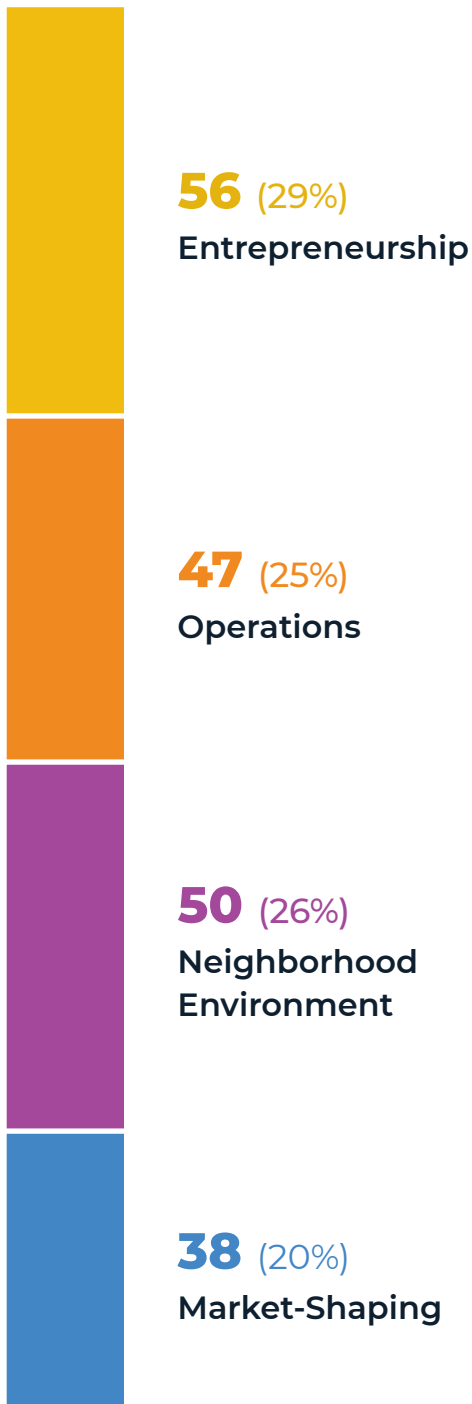
Experienced and aspiring entrepreneurs alike rely on a variety of BSOs to access a wide range of resources, from financial literacy to pre-launch assistance, opportunity evaluation, and support with navigating the complexities of talent, real estate, or specialized inputs like equipment or data. BSOs can be stand-alone non-profits, a City of Boston program or office, or an initiative supported by a university or the private sector. By providing valuable advice, services, and advocacy, BSOs are critical to the success of the city's small businesses.

The project team identified 191 BSOs in the City of Boston. 56 of these are **Entrepreneurship BSOs**, which provide direct services and support to small business owners and aspiring entrepreneurs. 50 are **Neighborhood Environment BSOs**, which focus on the environment in which the city's business operates (including Main Streets organizations). 47 are **Operations BSOs**, which focus on linking businesses to input (e.g., workers, real estate, specialized inputs) and output (i.e., customer) markets. Another 38 BSOs are **Market-Shaping BSOs**, which aim to influence input and output market conditions in the city by, for example, influencing the availability of workers with specific skills and training or increasing overall demand for specific industries (see Figure 5).

BSOs are highly concentrated in some areas of the city, with Downtown alone accounting for over one-third of business-supporting organizations. BSOs that focus on neighborhood environment, such as Main Streets organizations, are scattered across the city but do not cover all of Boston's neighborhoods. Conversely, BSOs focused on entrepreneurship, operations, and market-shaping are most heavily concentrated in the Downtown, Leather District, Chinatown, West End, Back Bay, South End, and the South Boston Waterfront neighborhoods. Only 42 BSOs focused on entrepreneurship, operations, and market-shaping are located outside of these areas, and 22 of 42 are located in the relatively large neighborhoods of Dorchester and Roxbury.

Through interviews and roundtables conducted with about 50 stakeholders from ecosystem organizations like business or entrepreneur support organizations, business associations, and anchor institutions, we believe that the overall quality of the ecosystem is higher today than it was in the mid-2010s. Although there are fewer BSOs overall, there has been an expansion and/or strengthening of many of those that remain. In addition to the development of individual providers, the pandemic had the beneficial effect of catalyzing the evolution and performance of the ecosystem as a whole.

Figure 5. **191 Business Support Organizations (BSOs) Across Boston**



Source: Mass Economics analysis.

ENTREPRENEURSHIP PROGRAMMING

Business owners today can benefit from an abundance of no- and low-cost digital resources and tools that can be accessed 24/7 from anywhere in the world. Equally significant is the widening availability of no- and low-cost entrepreneurship education and training options. The availability of digital tools and education programs for entrepreneurs is complemented by in-person programming offered by a host of BSOs across Boston's small business ecosystem.

Despite the presence of these tools and platforms and their potential value and importance to aspiring entrepreneurs from underserved communities, critical barriers remain, including awareness of these programs, language accessibility, and, in the case of digital tools, access to high-quality internet and computer resources.

BOSTON'S SMALL BUSINESS CAPITAL LANDSCAPE

Almost every conversation with or survey of BSOs or small businesses identifies capital as a challenge to firm stability and growth. On the lending side, challenges with capital access have intensified in recent years with the curtailment of COVID-era funding programs, the rise in interest rates, and the tightening of lending standards. On the equity side, which affects only a small number of businesses (but has an outsized effect on those), venture capital (VC) is in a period of realignment as capital costs rise and entirely new segments, especially those related to artificial intelligence/machine learning (AI/ML), drive investment.

The project team identified 525 capital providers within Boston city limits; just over half of these (268) are lenders. There are an additional 225 equity investors, as well as 32 capital providers of other types (see Figure 6). The outsized presence of equity-related capital sources reflects the importance of Boston as both a provider and recipient of venture capital and the region's historic role in the development and growth of private equity.¹⁵

Capital deployment over the last five years has been greatly shaped by the COVID pandemic, its devastating impact on small businesses, and the collective response to the circumstances, most prominently the creation of the Paycheck Protection Program (PPP), which funneled more than \$800 billion in loans to businesses across the U.S. We estimate that more than half (up to 55%) of small business lending in Boston during the 2020-2021 period could be tied to PPP loans, slightly higher than the national share (51%). However, there is strong evidence that locally and nationally, smaller businesses and those owned by people of color were less likely to receive PPP funding.¹⁶



Mayor Michelle Wu speaking at Main Streets Boston Conference, 2023.

Figure 6.
Capital Providers by Type

CAPITAL SOURCE	WITHIN BOSTON	% OF TOTAL
Bank	197	38%
Microlender/ Alternative Lender	6	1%
CDFI	17	3%
Credit Union	48	9%
Lenders	268	51%
Private Equity	70	13%
Angel Investor Group	10	2%
Venture Capital	145	28%
Equity Investors	225	43%
Accelerator	13	2%
Other	19	4%
Other	32	6%
TOTAL	525	100%

Notes: Other capital providers include Federal and City Agencies, Commercialization Grant Programs, Corporate Venture Capital, and Quasi-Public Agencies.

Source: Banks: Federal Deposit Insurance Corporation (FDIC). Summary of Deposits – Annual Survey of Branch Deposits (SOD). Microlenders/Alternative Lenders: Project research. CDFIs: U.S. Department of the Treasury: Community Development Financial Institutions Fund (CDFI). List of Certified CDFIs. Credit Unions: National Credit Union Administration (NCUA). 5300 Call Report Data. Private Equity: Project research. Venture Capital and Angel Investor Groups: Project research. Other: Project research.

Figure 7. **Small Business Capital Deployment Trends in Boston (\$M)**

CAPITAL SOURCE	2014	2019	2020	2021	2022
Large Bank Lending (<\$1M)	\$600	\$630	\$1,617	\$1,150	\$567
Community Bank Lending (excl. CDFIs)	\$268	\$156	\$526	\$379	\$187
CDFIs	\$2	\$59	\$28	\$14	\$8
Credit Unions	\$37	\$24	\$68	\$59	\$33
Lending	\$907	\$869	\$2,239	\$1,603	\$795
Angel	\$194	\$111	\$51	\$341	\$209
Venture Capital	\$428	\$714	\$815	\$2,464	\$986
Equity Investment	\$623	\$825	\$866	\$2,805	\$1,195
TOTAL	\$1,530	\$1,695	\$3,105	\$4,408	\$1,990

Notes: Real 2022 dollars; 2022 CDFI data are estimated and reflect the application of national growth rates to 2021 data; values do not sum due to rounding; community bank lending data are estimates driven by the large bank lending ratio; CDFI data are actual numbers that are removed from the community bank lending total.

Source: FFIEC-CRA; CDFI; NCUA; CBInsights.

Figure 8. **Small Business Lending per Job at Boston Small Businesses**

CAPITAL SOURCE	2014	2019	2020	2021	2022
Large Bank Lending (<\$1M)	\$4,299	\$3,953	\$11,607	\$7,354	\$3,381
Community Bank Lending (excl. CDFIs)	\$1,923	\$981	\$3,776	\$2,427	\$1,113
CDFIs	\$15	\$373	\$199	\$92	\$45
Credit Unions	\$262	\$151	\$486	\$379	\$197
Lending	\$6,500	\$5,458	\$16,069	\$10,251	\$4,735

Notes: Real 2022 dollars; 2022 CDFI data are estimated and reflect the application of national growth rates to 2021 data; values do not sum due to rounding; community bank lending data are estimates driven by the large bank lending ratio; CDFI data are actual numbers that are removed from the community bank lending total.

Source: FFIEC-CRA; CDFI; NCUA; CBInsights; ES-202 Commonwealth of MA; QWI; YTS; NES; BFS; ACS.

In real terms, lending in 2022 was lower than in the pre-pandemic period (see Figure 7). Because the Boston small business economy has been growing over the past decade, the stagnation in lending has translated to even steeper declines in lending per small business employee (which is often used as proxy for demand for loans) (see Figure 8).

Compared to lending, the equity side of small business financing in Boston shows a different trajectory that has been trending upward since 2014. After a record year of investment in 2021, when investments reached almost \$350 billion nationally, 2022 investments declined precipitously both locally and nationally.¹⁷ But even with this dramatic decline, VC and angel capital deployments in 2022 were still almost twice what they were in 2014 and greater than total small business lending in Boston (see Figure 7).¹⁸ It is important to remember that even in the Boston area, one of the country's largest venture markets, only a tiny fraction of entrepreneurs and small businesses get venture funding in any given year.

Moreover, from an equitable economy perspective, the growth of VC, especially when coupled with the flat-lining of funding from other sources, suggests heightened barriers for meeting the capital needs of diverse entrepreneurs.

Whether measured by absolute dollar volume, lending per small business, or lending per small business job, there is significant variation in capital access across Boston's neighborhoods. Seven neighborhoods rank above average on both small business lending by large banks (the only institutions required to report by sub-county geographies) relative to the number of small businesses and the number of small business jobs: Back Bay, South Boston Waterfront, South Boston, Charlestown, West End, and Bay Village (see Figure 9). In terms of the locations of capital providers, banks, credit unions, and CDFIs are widely dispersed. On the equity side, it is difficult to track sub-city deployment of capital, but we do know that VC and angel investor offices are highly concentrated geographically, with over 70% of such offices located in Downtown and Back Bay (see Figure 10).



Mayor Michelle Wu joins a ribbon-cutting ceremony to open the new Eastie Farm Greenhouse.
[Mayor's Office Photo by Isabel Leon]

Figure 9. **Large Bank Small Business Lending (<\$1M) is Uneven Across Neighborhoods**

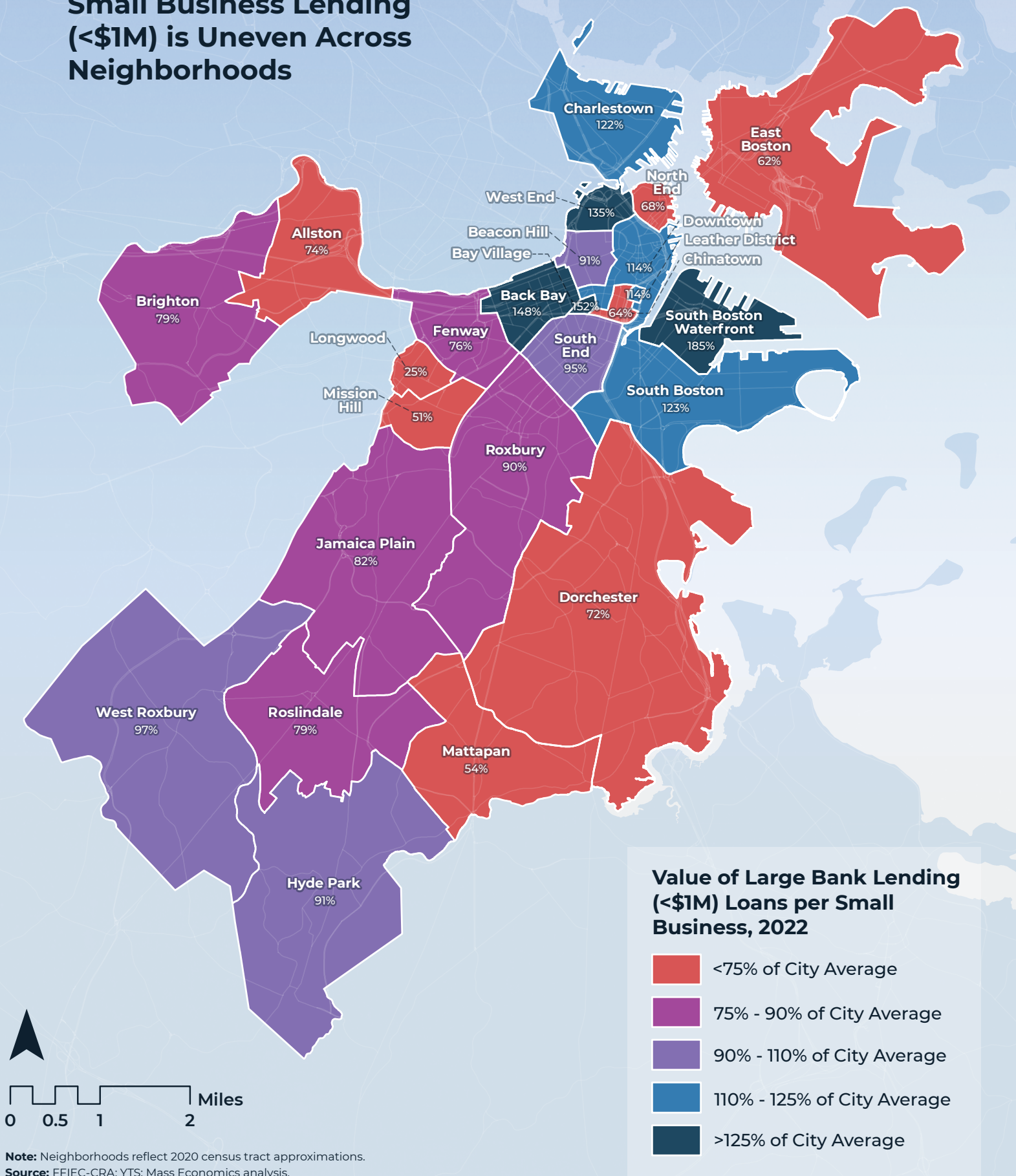
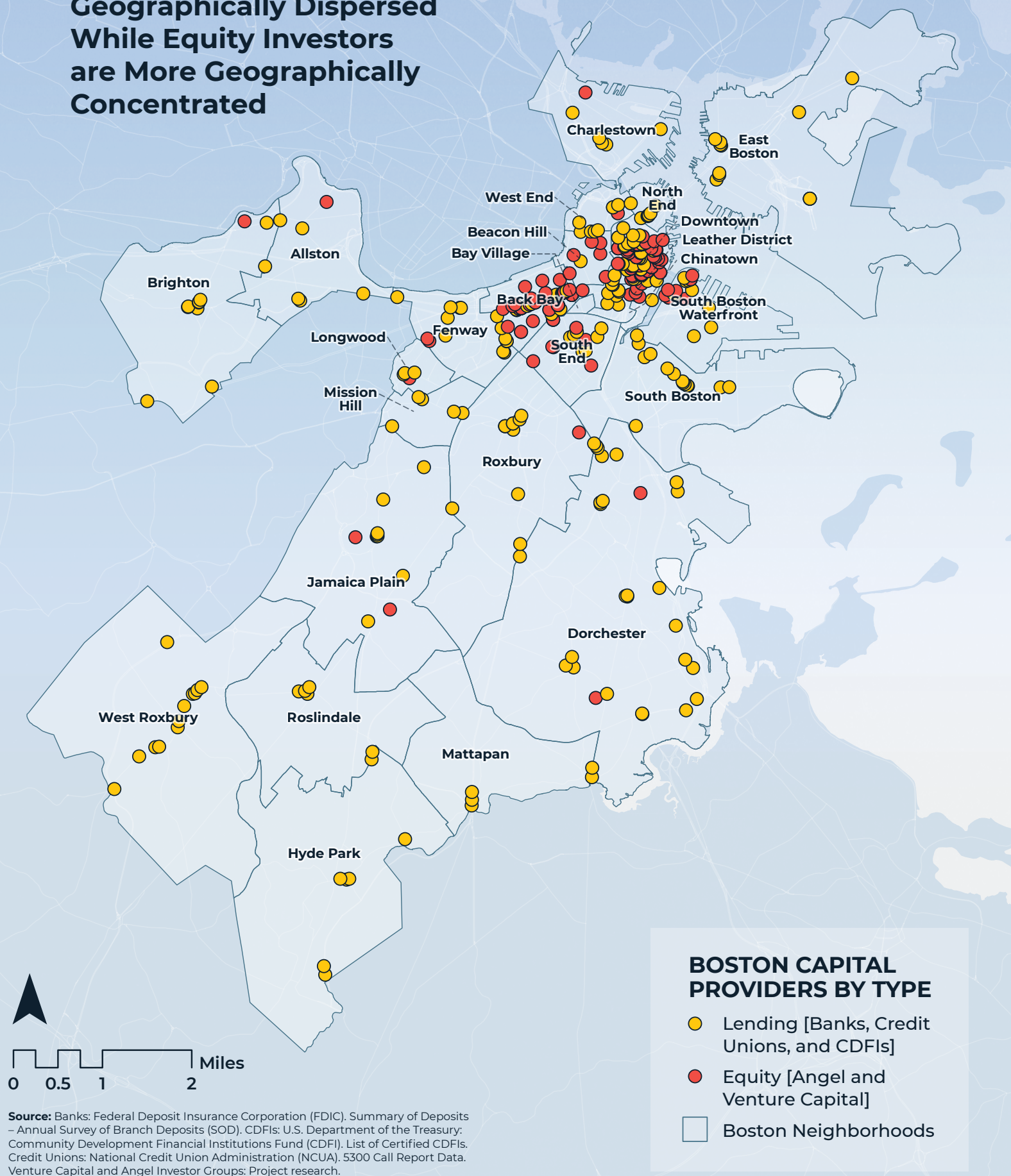


Figure 10. **Lenders are Geographically Dispersed While Equity Investors are More Geographically Concentrated**



STRATEGY RECOMMENDATIONS

Boston's small business ecosystem is at a critical inflection point, transitioning from the COVID-19 crisis response of the last several years to an enduring community of support for entrepreneurs and business owners.

The City itself has an important role to play centering small business in the day-to-day work of its departments, as well as serving as a convener and catalyst for the ecosystem as a whole. The City can also make targeted investments to meet critical needs that have been exposed, but not fully addressed, over the last several years. While these strategies are targeted to the needs of small business establishments, in many cases, they can also serve other small business entities like active entrepreneurs and solopreneurs.

Recommendations are grouped in three categories that reflect the ways in which the City can optimize its existing interactions with small businesses, foster a responsive and accessible ecosystem, and address critical resource gaps: organizing the city, organizing the ecosystem, and filling critical gaps.

Aerial of Blue Hill Avenue.



ORGANIZING THE CITY

The City of Boston touches small businesses throughout their life cycle, through actions such as registering new businesses, issuing permits and licenses, and investing in neighborhoods. The City has also historically offered a range of technical assistance and grant programs through its Office of Small Business and supports 20 Main Streets districts located in neighborhood commercial corridors city-wide.

Our research made clear that small businesses often find city regulations complex and hard to understand, and that the processes for securing permits and licenses are often cumbersome, time-consuming, and costly. The business owners and BSOs we spoke with shared a strong desire for greater clarity on availability and means of accessing City services and resources, as well as how to resolve questions and roadblocks when they arise. The City can organize its resources with small businesses in mind to provide exceptional service. To this end, we propose two sets of strategy recommendations:

A. BUILD A “SMALL BUSINESS-CENTRIC” OPERATING MODEL FOR CITY SERVICES AND OPPORTUNITIES

- i. Create an inter-agency working group within City Hall
- ii. Build a small business pathway for procurement

B. CREATE A SOLUTIONS-ORIENTED “FRONT DOOR” TO SMALL BUSINESS SUPPORT

- i. Establish a concierge-style small business team
- ii. Educate small businesses at every opportunity

“A lot of these departments are siloed, and that creates layers and layers of complexity that we don’t necessarily need... If I tell a department that I want to launch an initiative to open more food trucks in the city, it’s going to involve Public Works, Police, Transportation, etc. And they’re all going to be looking at it through their own lenses, not thinking about how to create the most prosperous environment for small businesses in Boston.”

– City of Boston Employee

ORGANIZING THE ECOSYSTEM

Boston's small business ecosystem has become more robust and better connected in recent years, with the emergence of new and expanded providers and offerings. Nevertheless, the funding and attention that sustained so much good work during the pandemic is slowly diminishing. At the same time, earlier efforts focused on bridging the equity gap in key sectors, such as city-wide diverse procurement and innovation initiatives, were overtaken in 2020 by the urgency of the public health crisis and need for emergency relief. The City now has an opportunity to serve as a powerful convener and facilitator of ecosystem collaboration in these areas. We propose two sets of strategy recommendations:

A. ENSURE CONTINUOUS RESOURCE MAPPING AND NAVIGATION

- i. Launch a "one-stop for small business"
- ii. Convene and cultivate the network of small business support partners

B. DEVELOP CROSS-SECTOR COUNCILS

- i. Create a Diverse Innovation Council
- ii. Create a Small Business Procurement Council

Due to challenges ranging from capital access to market size, MBEs, on average, tend to be smaller than majority-owned firms, and many have struggled to recover from the economic crises brought on by the pandemic.

– See Chapter 3, Under-Represented Entrepreneurs

In 2022, Latino and Black founders—13.0% and 6.6% of the Massachusetts population, respectively—received just 3.4% and 0.6% of 2022 VC deal flow.

– See Chapter 3, Boston's Small Business Capital Landscape

Mayor Michelle Wu joins SBA Administrator Isabel Guzman at Nubian Markets in Roxbury for a conversation with local BSOs and small business owners.



FILLING CRITICAL GAPS

The experience of the pandemic and post-pandemic changes in the local economy—coupled with longstanding barriers to opportunity for many small businesses—highlights small business needs that are not adequately addressed in Boston’s current small business ecosystem.

Administrative and record-keeping gaps precluded many small businesses from receiving emergency assistance during the pandemic and remain a challenge for many, especially micro-businesses. This back-office skills and systems gap limits businesses’ capacity for financial planning and management, which makes it harder to secure capital, invest for growth, and build wealth.

In order to help address these gaps, the City should:

A. INCREASE CAPITAL ACCESS

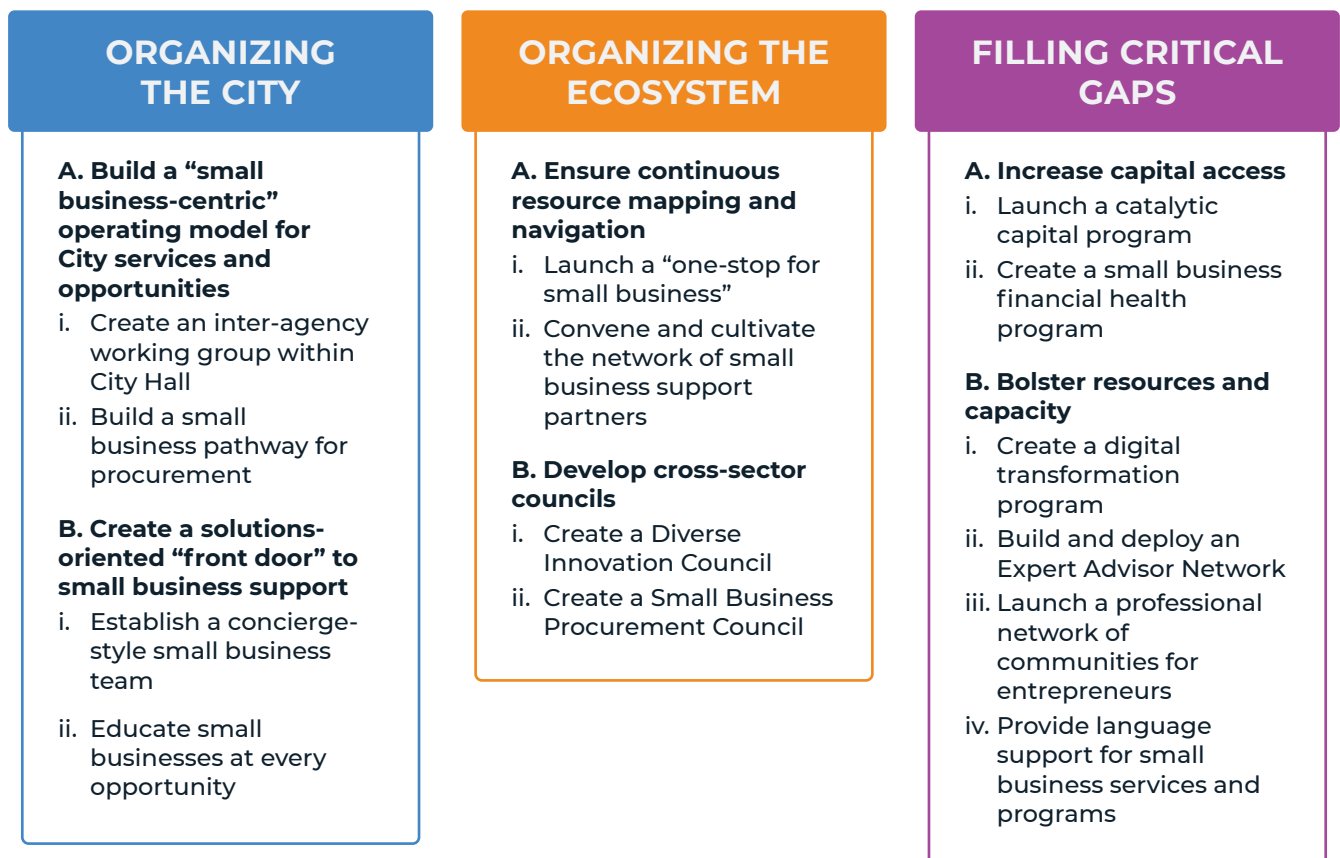
- i. Launch a catalytic capital program
- ii. Create a small business financial health program

B. BOLSTER RESOURCES AND CAPACITY

- i. Create a digital transformation program
- ii. Build and deploy an Expert Advisor Network
- iii. Launch professional networks for communities of entrepreneurs
- iv. Provide language support for small business services and programs

Figure 11 summarizes the recommendations by category.

Figure 11. **Summary of Strategy Recommendations**



FINAL REMARKS

Boston's small businesses are the foundation of quality of life in its neighborhoods and a source of wealth and prosperity for its residents. Its small businesses are one of its greatest, most resilient assets.

During, and in the aftermath of, the COVID-19 pandemic, we witnessed the capacity of small businesses to adapt in real time to fundamental environment shifts—in where and how they operate, and in their pursuit of emerging opportunities as local demand for goods and services evolves. But the impacts of COVID-19 remain deeply felt, and longstanding inequities and barriers that were exposed in crisis need to be addressed. For Boston to become a global model of economic equity for working people, current and future entrepreneurs and small businesses—especially those from historically under-resourced and under-represented communities—must have an environment that enables them to reach their full potential to thrive. Offering strategies to organize the city and ecosystem, as well as fill critical gaps therein, this report charts a path toward that more equitable future.

ENDNOTES

1. Of Boston's 549,400 people ages 18 and older, more than half identify as people of color, more than one-third speak a language besides English at home, more than three-in-ten were born in another country, and 3% are veterans. 8% identify as lesbian, gay, bisexual, or trans (LGBT). Note: Aside from LGBT percent, which reflects data pooled from 2010, 2013, 2015, and 2017, data are from 2022. Source: ACS 2022 1-Year Estimates; Mather, Darien E., Amar Mehta, Roy Wada, Helen Ayanian, Makaila Manukyan, and Dan Dooley. "Demographic Characteristics and Social Determinants of Health Among Boston's Lesbian, Gay, Bisexual, and Transgender Adult Residents, 2010-2017." Data Brief. Boston Public Health Commission, 2019. <<https://www.boston.gov/sites/default/files/file/2021/03/Data%20Brief%20-%20LGBT%20Population%20in%20Boston%20Part%201%20of%202.pdf>>.
2. Cowley, Stacy. "Racial Bias Skewed Small-Business Relief Lending, Study Says." The New York Times. October 11, 2021. <<https://www.nytimes.com/2021/10/11/business/ppp-loans-covid-racial-bias.html>>; Fairlie, Robert. "The Impacts of COVID-19 on Racial Disparities in Small Business Earnings." Office of Advocacy, Small Business Administration, August 16, 2022. <https://advocacy.sba.gov/wp-content/uploads/2022/08/Report_COVID-and-Racial-Disparities_508c.pdf>.
3. Decker, Ryan and Haltiwanger, John. "Surging Business Formation in the Pandemic: Causes and Consequences?" Brookings Papers on Economic Activity. Fall 2023. <<https://www.brookings.edu/articles/surging-business-formation-in-the-pandemic-causes-and-consequences/>>.
4. Source: YTS; NES; BFS; ACS; Mass Economics analysis.
5. Source: YTS; Mass Economics analysis.
6. Source: YTS; Mass Economics analysis.
7. Source: ABS 2017; ACS 2017 5-Year Estimates.
8. Source: ABS 2017; ACS 2017 5-Year Estimates.
9. Source: ABS 2017; ACS 2017 5-Year Estimates.
10. Source: ABS 2017; ACS 2017 5-Year Estimates.
11. Source: ABS 2017; ACS 2017 5-Year Estimates.
12. Source: U.S. Census Bureau ACS-IPUMS 2022 5-year estimates, accessed through IPUMS USA at the University of Minnesota; Mass Economics analysis.
13. Lynch, Teresa and Manduca, Robert (forthcoming), "Evidence of a Third Industry Type and Implications for Regional Economic Strategy and Planning," Economic Development Quarterly.
14. Note that the Harbor Islands are excluded because there are not any small businesses.
15. It is difficult to obtain a complete and accurate count of capital providers in a city: data lag behind real-time organizational shifts; sources like corporate venture capital groups are hard to track; and alternative sources like crowdfunding generally don't have reporting standards, making it difficult to compile information. Wholly private sources—friends and family investments, some instances of angel investing—and the use of personal credit cards or savings to fund business activities are largely untracked, though surveys tell us that these sources can be important.
16. "The View from Main Street: A survey of Massachusetts businesses with under 500 employees." Presentation by Steve Koczela, President of The MassINC Polling Group. September 22, 2022. <<https://www.massincpolling.com/the-topline/poll-massachusetts-small-businesses-still-recovering-from-covid-half-say-revenues-still-down-inflation-struggles-continue>>.
17. Hu, Krystal. "U.S. VC funding cools from 2021 record as investors keep their powder dry." Reuters. January 6, 2023. <<https://www.reuters.com/markets/us/us-vc-funding-cools-2021-record-investors-keep-their-powder-dry-2023-01-06/>>.
18. Angel reflects the sum of seed and series A funding. Venture capital reflects the sum of seed and 75% of series A funding. It is worth noting that 2014 values for Angel and VC reflect the most current, updated numbers from the data sources for that year; these values are different from those in the 2016 report, which were the best available at the time.

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