The Importance of Small and Micro Businesses in Boston

Alvaro Lima, Director of Research, 2019
Agenda:

- Importance of Micro and Small Businesses
- The Boston Economy – The Background for Growth
- A Business Development Framework
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Small businesses – establishments with less than 50 employees – are a key element of the Boston economy:

- In Boston, there are more than 17,000 small businesses making up 91% of all private establishments.
- They account for 35% of Boston’s private employment representing 204,795 direct jobs and more than $14.2 billion in personal income.
- Their annual contribution to the gross regional product is over $29.5 billion.

AND AS IMPORTANT

- They provide entry level jobs and entrepreneurial opportunities to immigrant, minority and low income populations.
- They supply needed goods and services to all neighborhoods of Boston.
- They are crucial for the maintenance of existing physical infrastructure.
- They create “social capital” in communities that need to build “strong ties,” particularly among immigrant communities.

Of the 17,732 Micro and Small establishments:

- 48% (9,383) are Micro businesses (1-4 employees)
- 43% (8,349) are Small businesses (5-49 employees)
- Together, Micro and Small make up 91% of all establishments

Together, Micro and Small businesses, make up the majority of establishments in all industries.
Together, Small and Micro businesses make up the majority of establishments in all neighborhoods.
- Fenway/Kenmore and parts of Back Bay have the largest business establishments with an average number of employees over 100.

- In contrast, West Roxbury and parts of Mattapan, Dorchester, and Roxbury average around 10 employees per establishment.
Out of 589,235 people employed in the private sector, 35% or 204,795 are employed by micro and small businesses:

- 5% (27,742) are employed in Micro businesses
- 30% (177,053) are employed in Small businesses

*Total employees for Suffolk County is provided by industry but not by establishment size. Therefore, Suffolk employees within an industry are allocated by establishment size based upon state level proportions. The counts are then reduced based upon the share of Suffolk jobs by industry located in Boston calculated from employment totals provided by the MA Executive Office of Labor and Workforce Development. Source: U.S. Census Bureau, County Business Patterns, 2016, BPDA Research Division Analysis.
**Micro and Small businesses make up the majority of employment in the following industries:**

- **Real Estate and Rental and Leasing**
- **Other Services**
- **Construction**
- **Accommodation and Food Services**
- **Other**

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Types of micro and small businesses:

- Communications
- Computer Dealers, Repair & Training
- Construction & Demolition
- Business Consultants
- Convenience Stores
- Copying & Duplicating Services
- Cosmetics & Perfumes Retail
- Credit & Debit Counseling
- Dance Companies & Instructions
- Data Processing Services
- Day Care Centers
- Dentists
- Delivery Services
- Designers
- Driving Instruction
- Economic Research Analysis
- Educational Consultants
- Electric Contractors
- Employee Benefits & Compensation Plans
- Employment Agencies & Opportunities

- Entertainers
- Events
- Executive Search
- Exercise & Physical Fitness
- Exporters
- Manufacturers
- Facilities Management
- Fashion Designers
- Financial Advisory Services
- Floor Laying Refinishing & Resurfacing
- Florists
- Food Markets
- Lawyers
- Fruits, Vegetables & Produce
- Fuel Management
- Fund Raising Counselors
- Funeral Homes
- Garbage Collection
- General Contractors
- AND THE LIST GOES ON......
Micro and Small businesses are spatially distributed across the city
They are concentrated within the Main Streets & the Back Streets Districts.
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The number of business establishments in Boston fell from 2000 to 2009, but rose from 2009 to 2016.

In 2016, there were 19,512 establishments in Boston, up from 17,590 in 2009.
In 2017, Boston’s total payroll and non-payroll jobs increased to 812,153, continuing the trend of strong job growth since 2010. Total jobs are forecast to reach 829,000 by 2030.

Payroll jobs reached a total of 644,062 in 2017, while self-employment jobs reached 168,091.

Boston Total and Payroll Jobs, 2001-2017

Note: Shading signifies recession. Source: U.S. Bureau of Economic Analysis (BEA), Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BPDA Research Division Analysis.
- Health Care & Social Assistance is the largest and one of the fastest growing industries in Boston.
- Despite recent declines, Boston still has more than 2.5 times the employment share in Finance and Insurance than the national average.
- Employment in Professional, Scientific, and Technical Services has grown by 30% from 2001 to 2016 and is double the national share of employment.
- Manufacturing employment has fallen by almost 60% from 2001 to 2016 and represents a much smaller share of Boston employment than the national average.
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Business Development Framework

**Domestic & Wage Labor**
- **BENEFITS**
  - Independence
  - Limited liability (easy to exit)
  - Ability to gain more than wage
- **CHALLENGES/LIMITATIONS**
  - Volatility/high failure rate
  - Limitations to profit
  - Limited capacity
- **ENABLERS**
  - Easy to start
  - Easy to reach customers
  - Little skill training
  - Low capital requirements
  - Fast breakeven

**Self-employed**
- **BENEFITS**
  - Improved stability
  - Higher profit
  - Improved customer reach
- **CHALLENGES/LIMITATIONS**
  - Increased competitive threat
  - More difficult to exit
  - Higher managerial involvement needs
  - Limited capacity
- **ENABLERS**
  - Build reputation and steady client base
  - More capital - fixed costs
  - Get licenses/permits

**Small Employer**
- **BENEFITS**
  - Lower failure rate
  - Steady profit
  - Further customer reach
  - Scale economies
- **CHALLENGES/LIMITATIONS**
  - Management delegation
  - Attracting skilled managers
  - Growing IT/computer needs
- **ENABLERS**
  - Expand client base
  - Expand org. structure
  - Get mgmt. training
  - Get loans

**Growth Business**
- **BENEFITS**
  - Return on capital
  - Managerial skills
  - Income target
  - Technical skills
  - Fixed costs
  - Variable costs

### Business Development Framework - Example

**TRANSPORTATION**
- Taxi/Limo driver
- Delivery (food, other)
- 1-3 limos
- Multiple cars (3+)

**BEAUTY/GROOMING**
- Manicurist
- Hair Stylist
- Leased seat in hair salon
- Nail Salon
- Chain of nail/beauty salons

**CLEANING SERVICES**
- Janitor
- Cleaning person or House cleaner
- Solo operator (janitor, cleaning person)
- Solo franchise
- Local contractor
- Regional contractors (commercial, residential)

**EATING PLACES**
- Cook
- Waiter
- Take-out stand
- Restaurant (with eat-in, take-out, delivery)
- Multiple restaurants

**RETAIL**
- Cashier
- Salesperson
- Door-to-door sales
- Small franchise
- Retail chain

**Source:** Enterprise Development, Alvaro Lima, 2007. www.digaai.com
A framework to understand micro and small businesses development by looking at social forms of production:

- Production for income
- Production for direct use
- Production for profit

Self-employment (micro-businesses)

- Growth businesses
- Small businesses

Production for Profit – How do they differ?

- Ownership Structure
  1. Single owner or not incorporated
  2. Independently or family owned
  3. Limited liability & more complex legal structure

- Employment & Revenue Size & Capital Structure
  1. 1-2 people & < 10K & < $100K
  2. < 500 people & < $20M …
  3. > 500 people …

- Financial Structure & Ability to Leverage
  1. Simple cash flow & no ability to leverage
  2. Bank financing
  3. External financing, investors, VC, investment banks

- Management Structure
  1. Hands-on worker & control everything
  2. Management across all functions
  3. Professional management, board, investors

- Skill Sets
  1. Finding & servicing customers
  2. Detailed understanding of industry
  3. Financial and organizational skills

- Employment Size & Structure

- Technology, Production & Markets
  1. Low to no technology
  2. Single technology, production & markets
  3. Multiple products, technology & markets

- Success
  1. Make enough individual income & control lifestyle
  2. Salary & Profits & Value of Company
  3. IPO/share price