

“Small Business – Big Opportunity” Finding Solutions to Small Business Challenges

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Jim Brett of the New England Council welcomes attendees.

On July 16, 2013, in partnership with the New England Council, and NYSE Euronext, the Travelers Institute held its ninth in a national series of small business symposia, “Small Business – Big Opportunity,” in Boston, Massachusetts. The luncheon symposium convened regional small businesses, policymakers, lenders and community leaders to discuss the small business environment throughout the region and address issues impacting small business growth and job creation. Panelists identified reasons for optimism within the regional and national economy and described actions their organizations have been taking to assist the New England small business community.

The symposium began with opening remarks by Joan Woodward, Travelers Executive Vice President, Public Policy and President of the Travelers Institute, and Jim Brett, President and CEO of the New England Council.

Woodward kicked off the discussion by highlighting the fact that as one of the largest insurers of small business in the U.S., Travelers believes small businesses are the economic engine of the United States, and the sector is a driver for creating and sustaining jobs. She went on to say that the company’s goal is to help small businesses thrive and not just survive. The Travelers Institute is hosting the “Small Business – Big Opportunity” symposium series to raise awareness of the challenges small businesses are facing and to propose solutions to these challenges.

Jim Brett welcomed attendees and provided an overview of the New England Council, sharing that its mission is to identify and support federal public policies and articulate the voice of its membership regionally and nationally on important issues facing New England. He spoke about the specific issues the Council is currently working on, which include immigration, environmental sustainability, student loans and tax policy. Brett emphasized the major role small businesses play in the economy, stating that within the past 15 years 65 percent of all new jobs were created by the small business community. Brett concluded by applauding the Travelers Institute for bringing the group together to find ways to help grow this sector.



Boston Fed Senior Economist Dr. Mary Burke delivers the keynote address.

Dr. Mary Burke, a Senior Economist at the Federal Reserve Bank of Boston, delivered the keynote address. She explained that the Boston Fed contributes to the national debate on monetary policy by overseeing the New England economy and trying to assist with economic growth and development. She pointed out that there are a lot of indicators projecting that economic growth will pick up moving forward; however, she also stated that there are a number of obstacles on the horizon. Burke shared that all of the New England economies are at or above their pre-recession peaks, and that Massachusetts has been the strongest economy in New England coming out of this recession. Nonetheless, she also pointed out that most states have not recovered their total level of employment – in fact, job growth has slowed in 2013, relative to 2012. Within the last 12 months in New England, the overall employment growth year after year is 1.1 percent.

Burke had a less positive outlook for small business. She spoke about programs targeted toward small business that are experiencing significant cuts. For example, the SBA budget was cut five percent due to the sequester, which equals a loss of \$24 million from the loan assistance program. She explained that every one dollar in low guarantee loan assistance subsidizes up to \$51 in actual borrowing, and that the SBA estimates that this could reduce actual borrowing by up to \$900 billion in the coming years.



Travelers Institute President Joan Woodward polls the audience for their thoughts on the economy and their business outlook.

After listening to Burke's economic outlook, Woodward polled the audience via electronic polling devices to get a sense of their feelings on the economy and the small business climate. The audience responded:

- 51% expect that a year from now the national economy and fiscal situation will be better than it is today
- 66% expect their business or industry outlook to be better than it is today
- 63% of attendees plan to grow and expand their business over the next year
- 44% view getting and retaining customers as the top challenge for their business today
- 50% agree that lifting regulatory burdens is important to the future of their businesses
- 39% believe operational regulations (licensing, permitting, inspections, etc.) cause the most compliance difficulty for their business
- 61% identified that their business currently has access to capital challenges

Following the audience polling, Woodward moderated a panel discussion, which included:

- April Anderson Lamoureux, President, Anderson Strategic Advisors, LLC and former Assistant Secretary for Economic Development, State of Massachusetts
- Joseph Bator, Senior Vice President and Director of Business Banking, Eastern Bank
- Lynn Bromley, Regional Advocate, Region One, U.S. Small Business Administration Office of Advocacy
- Mike Chapman, Chief Sales Officer, HUB International

Anderson Lamoureux shared that in Massachusetts, 85 percent of the total businesses are small businesses and that they employ more than half of the work force. As such, almost every state action is tied to a small business outcome. She spoke about her former role as Massachusetts Assistant Secretary for Economic Development and the launch of the Choosing to Compete in the 21st Century initiative that is the state's economic agenda and action plan. Part of the plan was to increase the ease of doing business in the state that prompted a regulatory review, which began in 2010. The review was sparked by a study issued by the SBA, which identified a cost of more than \$8,000 for businesses to comply with federal regulations alone. Today, roughly over 500 Massachusetts regulations have been reviewed; and of those, 276 regulations have been reformed, 74 regulations were appealed outright and 202 regulations have been streamlined. Furthermore, a regulatory ombudsman was appointed to serve as a single point of contact for businesses on all regulatory concerns.

Bromley began by describing her job, as New England's Regional Advocate, as sitting on the same side of the table as small businesses. She highlighted the independence of the Office of Advocacy, noting that it does not represent or speak on behalf of the administration or the SBA, but rather specifically and exclusively for small businesses.

In Washington, the Office of Advocacy works in two spheres; she calls it the two R's:

1. Regulation – bringing the voice of small business before the administration and policymakers regarding pending regulation.
2. Research – conducting and disseminating research examining the contributions and challenges for small businesses in the U.S. economy.

As the Regional Advocate in the field, Bromley is always looking for barriers, best practices and big ideas in regard to small businesses. Her advice to small business is to keep an open dialogue with her. In particular, she encourages small business



L to R: Mike Chapman, HUB; Lynn Bromley, SBA Office of Advocacy; Joan Woodward, Travelers Institute; Joseph Bator, Eastern Bank; and April Anderson Lamoureux, Anderson Strategic Advisors

owners and others to reach out to her office during the open comment period if a proposed regulation looks like it will have a negative impact on their business. She explained that it is much easier to change or even stop a regulation before it is adopted than it is to make a change after it is on the books.

Bator described the mission of Eastern Bank as working with the underrepresented – such as small businesses. He spoke about the bank’s relationship with the SBA – they are a top provider of SBA loans to small businesses. SBA loans are available to small businesses that are not traditionally bankable. During the financial crisis, lending standards tightened across the board and access to capital became very difficult to attain, but Eastern Bank decided to double the number of small business loans they issued in 2009, and they kept doubling. The bank is now the SBA’s top lender. Bator also spoke about access to capital today – saying the pendulum has swung all the way back and that it is much easier to get a loan today than it was pre-recession. However, in his experience, small businesses are much more reluctant to take these loans and hire and grow due to the uncertainty of the current economic climate. He provided the example of the Affordable Care Act; many small businesses are unsure whether the law will create financial burdens for their businesses and are hesitant to take steps to grow.

Bator’s advice to small businesses is that it is too late to get capital when you actually need it. You need to acquire capital before you need it. He provided the example of GM and Ford. Before the financial crisis, Ford leveraged capital and GM did not; fast forward and Ford had the resources that GM did not have to weather a crisis. That same story plays out in small businesses every day.

Chapman explained that one of the biggest challenges within his line of work is helping his clients transfer and manage risk. Chapman went on to explain that expectations for small businesses have changed. Today, there are many more questions related to emerging risk and there is now risk in areas that never existed before, such as technology. Now there is much more

discussion revolving around the risk of privacy and cyber liability and what to do from a compliance standpoint.

Chapman explained that it does not end with risk identification; he says it is very important to create a business continuity plan. He identified two areas within business continuity planning – pure continuity planning, what happens if your business cannot operate as normal and continuity planning for the perpetuation of your business – succession planning. On average, when Chapman polls the small businesses he works with, about 30 to 40 percent say they have a good business continuity plan. Chapman says he sees around the same percentage if he asks small businesses if they are prepared for a natural disaster or crisis. However, he thinks these numbers are too low and encouraged all businesses in attendance to reach out to him for a sample plan template.

Panelists agreed that the current economic uncertainty presents many challenges, that there is more optimism currently, and more small businesses are in a position to grow and add jobs. Attendees were urged to keep an open dialogue with their advocacy groups and make their voices heard to elected officials so they have a better understanding of the challenges facing small businesses.



Joseph Bator and April Anderson Lamoureux



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