

From the Alaska SBDC Executive Director



Jon Bittner
Executive Director

I'm pleased to present the results of the Alaska Small Business Development Center's first annual Small Business Survey.

As an organization with over 35-years of experience working with and for Alaska's small business sector, the Alaska SBDC is in a unique position to see, first-hand, the profound impacts our clients have on Alaska and our economy. This survey was created as a way to help quantify and share some those insights, and to uncover important trends that will help drive Alaska's economic engine in the future.

I think you'll find some interesting surprises in this report. For instance, many are unaware that 99% of all Alaska businesses qualify as "small businesses," employing over 55% of Alaska's workforce and representing over 75% of the state's exporters. And, as Alaska continues to struggle through a recession, it would be natural to surmise that our small business sector would be reel-

ing from the effects of this economic downturn. Fortunately, Alaska's small business community seems to be weathering the storm, displaying remarkable resiliency and optimism in the face of this adversity. In fact, over 94% of the small businesses we surveyed indicated they are planning to increase or maintain their staff over the next year, and one third of our respondents said they plan to seek new capital in order to expand operations, create a new product or service, or invest in new equipment.

The types of capital small businesses are seeking is changing, with more angel and equity funding being sought than in any previous year. This may be the result of a strong sense of optimism small businesses feel about their company's prospects in 2018, with 64% projecting their financial situation to be good or very good. Unfortunately, that optimism does not extend to Alaska's economic outlook, with 79% of those surveyed indicating they are unsure or pessimistic about the statewide economy. Nearly one in five indicated that the economy and political uncertainty are the greatest challenges to small businesses in Alaska today.

We think all this means that Alaska businesses are surviving and thriving despite Alaska's ongoing recession. They are planning to expand, raise capital, and employ more people. But they still face some difficult hurdles, particularly as they seek funding suited to the realities of small business; look to hire qualified employees who exhibit both hard and soft skills; and work to overcome the state's long-term economic challenges.

Alaska's economic uncertainty is having a ripple effect on small businesses' ability to attract capital, recruit skilled workers and make long term investments. If we collectively work to solve or at least mitigate these issues, I believe we will see the true power of Alaska's small business community to diversify and transform our economy emerge.

WHAT WE DO

The Alaska Small Business Development Center (SBDC) was started in 1986 to provide no-cost advising services and low-cost educational programs to entrepreneurs looking to start or grow their small businesses. Hosted by the University of Alaska Anchorage and funded, in part, by the U.S. Small Business Administration, the Alaska SBDC currently maintains seven centers statewide including Anchorage, Mat-Su, Fairbanks, Juneau, Ketchikan, Homer and the Kenai Peninsula.

WHO WE ARE

Our staff is comprised of highly qualified, experienced business professionals, many with business ownership experience and/or advanced degrees in business. All Alaska SBDC's business advisors are certified through the Alaska SBDC's Professional Certification program, and offer confidential, one-on-one advising sessions and workshops across the state to help drive small business growth, expansion and innovation.

Small Business in Alaska



+ 99%

of all Alaska businesses fall under the SBA* definition of "small business".*



+ 72,000

small businesses in Alaska, from Ketchikan to Utqiagvik.*



+ 140,000

Alaskans are employed by small business.*

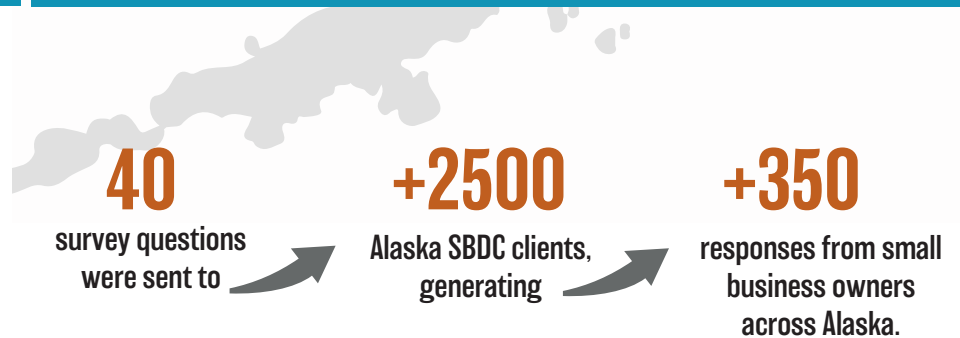


*Source: Small Business Administration

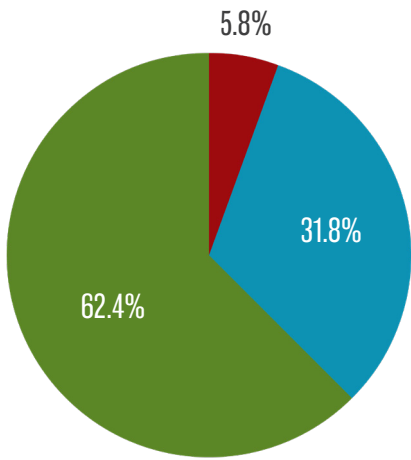
**Source: ffiec.gov

The Alaska SBDC 2017 Survey was designed to learn more about this important sector of Alaska's economy. Approximately 2500 questionnaires were sent to Alaska SBDC clients across Alaska. More than 350 questionnaires were completed, offering invaluable insight into Alaska's thriving small business sector.

Alaska SBDC's 2017 Small Business Survey



Alaska Jobs



2018 Plans for Hiring

The majority of small businesses surveyed indicated they were planning to maintain (62.4%) or increase (31.8%) their workforce in 2018. Only 5.8% planned on reducing staff in the coming year.

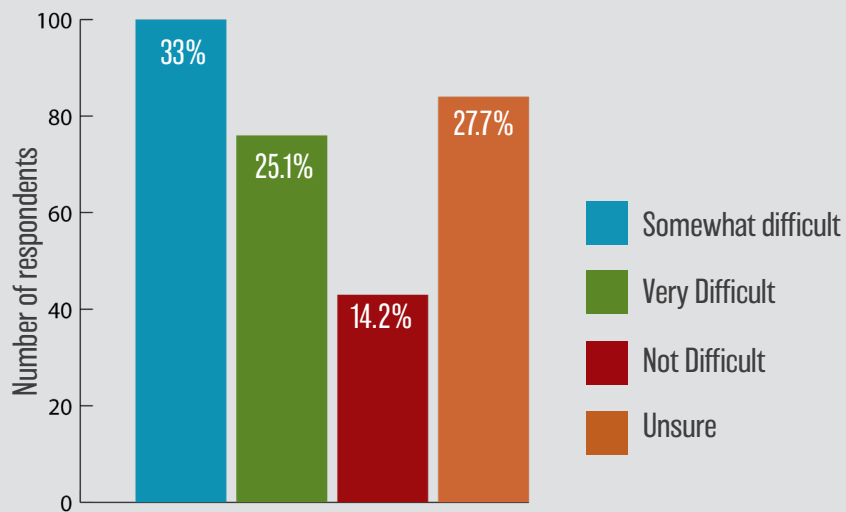


A large percentage (94%) of the small businesses surveyed indicate plans to maintain or grow their workforce in 2018, but anticipate significant trouble filling positions. Over 40% said that a lack of qualified candidates is to blame. Interestingly, it's not just technical skills that seems to be the issue, as 34% mentioned soft skills like punctuality, attitude and interpersonal communications as a significant barrier. Further, difficulty finding someone who would fit their business' culture was the second most frequent response.

Hiring is a Tough Part of the Job

58% of small businesses surveyed reported it was either very difficult or somewhat difficult to hire new employees for their business.

Only 14.2% indicated it was not difficult, while 28% were unsure.

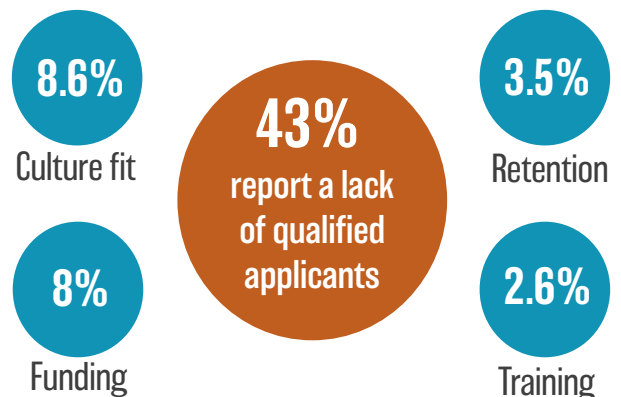


Difficult to Find Qualified Applicants

When asked to identify the biggest challenge faced when trying to hire someone, 43% of small businesses cited a lack of qualified applicants. Of those, 34% pointed to a need for improved "soft skills."

Other challenges included culture fit, lack of funding, employee retention, and training.

Challenges when trying to hire someone:



Capital Infusion



18%

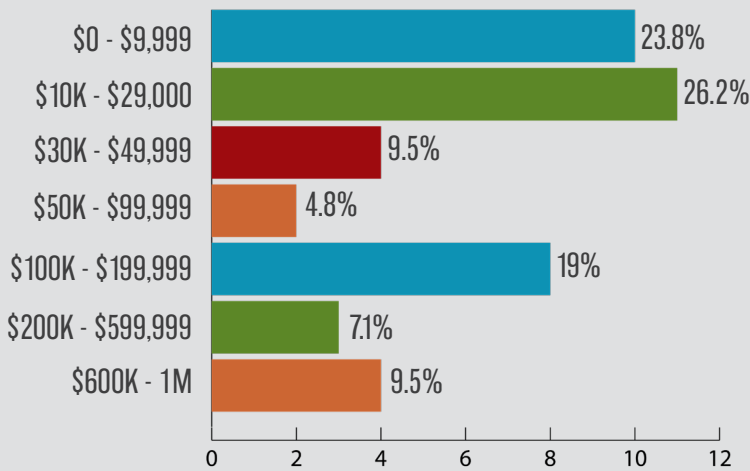
of small businesses surveyed reported they sought capital funding in the past 12 months.

Of those seeking funding, nearly **66%** report being successful.



One in five businesses reported seeking new capital in 2017; 66% indicated they were successful. Nearly one in three respondents reported they plan to seek new capital in 2018 to finance new products/services, expand operations or invest in new equipment. This seems to indicate an optimistic outlook for their business' growth. It is interesting to note that the types of funding they plan to seek is changing. Angel investment was listed as the second most popular financing option being sought after bank loans, which may be due largely to the Municipality of Anchorage's 49th State Angel Funds efforts to create and grow angel funds in Alaska.

Amount of capital small businesses reported receiving in the past 12 months:



Percentage of small businesses planning to seek capital in the next 12 months:



Survey question:

“What type of capital infusion will you seek?”

21% Bank/Financial Institution

14% Angel Investor

11% SBA Loan Guarantee

11% Family & Friends

10% Government Grant

9% Venture Capital

7% Crowd Funding

6% Credit Card

2% Suppliers

2% Online Lenders

8% Other

Economic Health

When asked about the economic future of the state, the vast majority of respondents were pessimistic or unsure. They were slightly less pessimistic or uncertain about the outlook for their local economies (71.8%). But, when it came to their own business' outlook, 64% felt they would do as good or better than the previous year. Additionally, nearly 60% indicated that their revenues in 2017 were higher than or equal to revenues in the previous year.

TOP 5 Greatest Challenges Facing Small Business

1. Finding funding
2. Operating costs
3. Economy
4. Marketing
5. Lack of experience/mentors



64%

predicted their financial situation would be good or very good in 12 months.



57%

of survey respondents reported their 2017 revenues were about the same or higher compared to 2016.



State's Economy is a Concern

While many Alaska small business owners reported confidence about the future of their business,

79%

survey respondents were either pessimistic or unsure about the state's economy over the next 12 months.

Looking Forward

The key takeaways from this report center around two things. First, Alaska's small businesses represent a vast and growing sector of our economy. As the state's economic struggles continue, Alaska's small businesses are not only surviving, they are thriving. This is reflected in their projected optimism about the financial future of their businesses, their anticipation to maintain or grow their workforce, and their desire to seek new capital for expansion, capital improvements and new equipment.

On the other hand, while we are seeing an uptick in small business development and anticipate further growth in the coming year, small businesses are facing some significant barriers. Difficulties in finding qualified applicants to fill open positions, particularly in seasonal or flexible-schedule jobs; finding new forms of capital; high operating costs stemming from shipping and health care; feeling the repercussions of Alaska's political and economic uncertainty; and developing new ways to market their products and services to a larger audience in the face of new technologies are all significant and justified concerns for today's small business owner and entrepreneur.

With 99% of Alaska's businesses classified as "small business," this sector represents an important economic driver. When it comes to new business starts, job growth, economic diversification and exporting goods no one does it better than small business owners. Finding ways to energize and support Alaska's small business sector is the key mission of the Alaska SBDC, but this sector needs the broader continued support of the state's policy makers, local governments, anchor businesses and community members. We need to drive home the fact that not only is Alaska open for business - business is good. By working collaboratively to break down barriers to small business growth, freeing up access to more capital, addressing the widespread workforce issues and providing a smoother and more intuitive regulatory environment we can help these entrepreneurs continue to transform our economy into a more stable, mature and diversified state.



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