ALASKA SBDC
2021 ALASKA ANNUAL SMALL BUSINESS SURVEY
We grow small business
Economy shows signs of recovery, but some challenges still remain.

The past three years have been the most challenging we’ve seen in the Alaska SBDC’s 35-year history. Business models were flipped upside-down, the workforce and workplace were fundamentally changed, supply lines were disrupted, and basic infrastructure was stretched to the breaking point. Through it all, Alaskans and the small businesses that make up our communities have persevered and, in some cases, even thrived.

With this much change and disruption happening for so long, it can be hard to get a feel for where we’re at as a state and more importantly, where we’re going. That is why I’m particularly excited to present this year’s 5th Annual Small Business Survey results. For the past five years, the Alaska SBDC has reached out to hundreds of businesses across the state to get their feedback on barriers to business, the economy, their financial situation, and other important topics. As federal relief funds for businesses are exhausted and local and state governments are trying to decide how best to support their economies, this information is more relevant than ever.

Overall, this survey found that businesses were much more optimistic about the economic future of local and state economies. In 2020, for the first time since the Alaska SBDC launched the survey, more businesses thought the economy would get worse rather than improve in the next 12 months. In 2021, the trend flipped back (just barely) into more positive than negative outlooks.

When it came to barriers to business, survey respondents added rising cost of goods and services as well as shipping to their top problems alongside familiar issues like finding employees. We also see a lot of businesses needing additional funding in the new year, but a significant amount of concerns about their ability to be able to secure it.

As the pandemic winds down and our economy ramps back up, we hope that the information we’ve collected here can help policymakers and business leaders develop strategies and make decisions that will help all of our small businesses recover faster. Whether it’s the COVID pandemic or any other difficulty that the state might face, the best way to get through it remains the same: together.
It has never been easy to start or run a business in Alaska, but these last few years have been particularly difficult. During the pandemic, businesses have contended with lockdowns, quarantined workers, remote operations, supply chain breakdowns, shortages, increasing prices, extreme unpredictability, a shift from traditional to relief financing and more. This has resulted in a variety of changes to the usual barriers to business that the survey results have shown over the past four years.

As illustrated in graph G1, the top challenge in 2021 was supply chain issues/shipping costs which increased from 5% in 2017 to 50% in 2021. COVID-19 related issues was the next major challenge, with 45% in 2021 compared to 80% in 2020. Rounding out the top three challenges, and making its first appearance on the survey, was Inflation/cost of goods.

All of these factors are causing businesses to struggle to stay open. While the percentage of businesses that said they were likely or very likely to fail within the next six months did drop from 26% to 18%, this still represents a large number of Alaska businesses at risk. As shown in graph G2, when we look at the responses by region, we see that businesses in Ketchikan and Fairbanks are particularly concerned with their economic futures.
As indicated in graph G4, one of the difficulties many businesses are facing as they transition from “hunker down” to “sprint forward” is that the last few years have been rough on everyone’s financials. Even if businesses were able to secure funding through the relief programs, they still might find it hard to secure traditional forms of financing due to lack of sales, changing markets, or just general uncertainty about their industry.

Of those surveyed (see graph G5), 61% felt it would be difficult to raise new capital in the next 12 months with only 9% indicating they felt it would not be difficult. Most COVID relief programs for businesses are expended at this point and this is particularly problematic for businesses who are trying to take advantage of the recovering economy. Many businesses will find it difficult – if not impossible – to recover from economic effects of the pandemic without new capital to buy inventory, replace equipment, add staff, or engage in marketing efforts.

G6: What would make it easier to raise capital for your small business?
The last two years have seen a significant increase in the number of businesses seeking and receiving funding, primarily due to the creation and deployment of a variety of relief funding through the Coronavirus Aid, Relief and Economic Security (CARES) and American Relief Plan (ARPA) Acts. Moving into 2022, we see indications that businesses are recovering financially from the COVID-19 driven economic slowdown with over 45% indicating this year’s revenues were higher than last year. Unfortunately, we’re also seeing a higher-than-normal number of businesses indicating that they will close in the next six months without new funding or a significantly improved economic situation (seen in G2 on page 3).

This disparity appears to be driven by industry and how quickly they are able to recover. Looking to graph G9, tourism businesses are struggling the most to come back from the last two years of fewer visitors and increasing costs on top of workforce difficulties. Wholesale dealers and transportation companies on the other hand are predicting a very good 2022 on top of two years of better than average economic activity. Both the struggling and the prospering businesses are driving a larger than usual desire by businesses to seek funding in 2022, but the expectation from 60% of those seeking funding is that it would be either very or somewhat difficult to secure.
Alaska has always struggled to find enough people to staff our businesses due to our small population and large geographic area. The pandemic has exacerbated those problems by not only changing the economy, but also the way people view work. In graph G12, businesses trying to take advantage of the economic recovery are finding it difficult to fill empty positions or retain existing workforce.

Almost all of the businesses surveyed indicated they were looking to grow or maintain their current workforce in 2022. Unfortunately, they also indicated it was difficult or very difficult to find anyone to fill those positions. They list several reasons, including: a lack of qualified applicants, not being able to pay enough and seasonal issues, as the biggest challenges to hiring. While all areas of the state are having difficulty finding employees, some regions are particularly hard hit. The Kenai Peninsula had the most difficulty of any area surveyed due to a lack of qualified applicants.
The data from this year’s survey is an unusual mixture of optimism and pessimism. There are clear indications the economy, both statewide and nationally, is moving to recovery, but there are also some clear barriers standing in the way of that recovery. Some of the issues are localized and have been present to some extent long before the COVID pandemic happened. Small population, difficulty finding employees, and operational costs have been on the barriers to business list for several years.

Some of the issues, however, are national or global in nature and there is little that can be done on the local level to address them. Global supply chain issues, rising inflation, increasing interest rates, and the continuing impacts of new COVID-19 variants are difficult to predict and even harder to plan for as a business owner. It’s important for policymakers to identify what issues can be addressed and mitigated versus which ones are beyond our ability to change when determining how to respond to the business sectors changing needs.

It should also be noted that there are other large pulses of federal funding that are going to be deployed in the near future through the recently passed infrastructure bill and potentially though other relief bills being considered on the federal level. While these bills contain a variety of funding that will be extremely beneficial to the state, its residents and the businesses that make up our economy, it could also result in the already difficult workforce situation becoming even more strained. As every state in the nation starts trying to use the infrastructure funding they receive, skilled workers will be at an even higher demand than they currently are. Construction supply chains could become strained again and even non-construction related businesses could feel the workforce issues as workers start to move towards trade jobs and away from other professions.

As the state moves into its recovery phase, there is still a lot of work that needs to be done to help our businesses position themselves in the best possible way to take advantage of that recovery. Identifying ways that we can help people get back into the workforce, unlock supply chain delays, lower costs, and unlock more private sector funding will all be necessary to help our entrepreneurs go back to growing our economy. As we go into the third year since COVID-19 first appeared, we are seeing significant signs of hope and prosperity on the horizon; we just need to ensure that our public and private sectors are prepared for the transition from hunker down to sprint forward.
With 36 years under our belt, the Alaska SBDC provides no-cost business coaching and low-cost workshops throughout the state of Alaska via our eight centers.

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