



Baby Boomer-owned small business can help resuscitate urban economies

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Cities across the nation are faced with a crucible. Slammed by economic recession and COVID-19, their economic losses in tax revenue, employment and municipal bond ratings have been staggering. Add to that increasing civil unrest, racial tensions and a spike in urban crime and one can clearly understand why many city dwellers and businesses that can are moving to the suburbs and exurbs.

So how can cities protect and fortify their economic base while providing growth opportunities for those who live and work in their communities? Not by attracting large global companies (although Amazon did try in New York), due to the high cost of real estate in particular; not through start-ups, most of which fail and generate few jobs and tax revenue; and not via federal, state and local government largesse that was shrinking even prior to the pandemic. It is small and medium-size enterprises (SMEs) – especially those owned by Baby Boomers – that are the best hope for urban economies to muddle through these trying times until a broad recovery is underway.

Admittedly, small business is not the most impactful engine for most job creation, innovation and prosperity in the nation, as Rob Atkinson and Michael Lind argue in “Big is Beautiful.” But in large urban areas where jobs in services far exceed those in manufacturing, SMEs have a vital role to play.

By any measure, Boomer-owned businesses drive local economies, representing at least 40 percent of a city’s economy. And in absolute numbers, they represent 50 percent of privately held businesses in the U.S. The 3.5 million Boomer-owned/operated businesses in the U.S. employ an estimated 72 million full-time workers and are valued between \$13-15 trillion. That is a figure five times greater than the market value of Amazon, Apple and Google combined.

The International Economic Development Council suggests that the retention and expansion of businesses generates 80 percent of a community’s economic activity. And if Baby Boomer-owned business account for 50 percent of a community’s businesses, then a case can be made that 30-40 percent of a city’s economy is directly tied to the successful transition of these businesses.

Be that as it may, approximately 2.4 million boomer owners are poised to transition by 2027, yet less than three out of 10 owners have a comprehensive documented transition plan that includes initiatives to increase growth, profitability and market value. Only six in 10 have a contingency plan for running their business if they die unexpectedly or become permanently disabled. If the millions of Boomers marching toward transition by 2027 fail, it could devastate communities for decades.

Cities, the source of 90 percent of all reported COVID-19 cases, are both the epicenter of the pandemic and the main locales of the vast majority of these Boomer-owned small and medium size businesses poised for transition. Therefore, it is urgent and imperative that these businesses and local economic development organizations work arduously to help these firms stay afloat and strengthen their performance during these trying times.

For privately held businesses, there are various pathways to transition: inter-generational (if the firm is family-owned); transfer between partners; sale to management, employees or a third party; partial sale or recapitalization; and orderly liquidation. (Obviously, the last pathway is least desirable.) And in some cases, the Boomer-owned business may wish to transition by first purchasing a competitor to gain more market share and increase overall value before selling — and perhaps starting a new business, since seniors represent one of the fastest growing demographics for starting new businesses.

Whatever the case, Boomer-owned firms can benefit immeasurably from the indispensable role played by local economic development agencies and chambers of commerce, where they comprise 60 percent or more of membership.

There are no easy answers to the unprecedented challenges faced by cities. But SMEs owned and commandeered by Baby Boomers, working closely with their local economic development organizations, can help resuscitate urban economies and help pave the way for the economic renewal of America's cities.

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