

It feels like we're in a spiral and that things used to be a lot easier. We're trying to make sales, but it seems like everybody's feeling up against the wall. What are you seeing out there?

Today, it takes determination, skill, intention and attention to detail to run a small business. The good old days of haphazard management and winging it with customers, vendors and banks are out the window. In other words, as an owner/operator of a small business, you're going to have to be good at all aspects of running your business. Here is what I'm seeing out there.

Most sources report the recession is softening. The movement of most economic factors, if not upward, has at least slowed its downward march. Competition remains strong as a limited number of buyers have options and are spending their dollars more carefully than anytime in recent memory.

According to a recent NFIB survey, small business optimism, after hitting historic lows in the first quarter of 2009, has started to rise. Owner optimism peaked in 2004-2006, and has progressed steadily downwards since then. Present optimism level remains well below that seen in 2000-2001, which was our last recession period. (For these and other statistics, check out www.NFIB.com)

HIRING, SPENDING

When it comes to hiring, small businesses make up 50 percent - 80 percent of jobs in the economy - depending on how you count. Companies reporting they're looking to hire has dropped from a peak in 2000. It's important economic information, but the reasons for the drop can be misleading.

Today, we see low numbers of job openings and a drop in real wages for a number of reasons. Companies are being careful about expansion. Many are more quickly filling positions as unemployment rises. The ones that are hiring are often able to negotiate and pay less to acquire the talent they need, as large public companies downsize and competition for talent evaporates. This will show positive profit results for small business-profits a year down the road.

When it comes to credit, the small-business owners I talk to don't expect things to ease anytime soon. Owners are limiting spending in order to build reserves. There's a shift from reliance on bank debt to building up savings in order to self fund. Owners are taking a dual approach to paying down debt as they build up cash on hand, in order to have more maneuvering room. Some firms are seeing banks pulling in their lines. And banks today are looking for significant liquidity to justify extending any new lines of credit.

CONCERNS ABOUT SALES

Back to the NFIB August survey. Concern about poor sales dominated owners' thoughts as compared with inflation, taxes or competition from large businesses. This is of concern, since business owners are generally more optimistic than realistic in their predictions. For example, stats on the NFIB website show that small-business expectations for sales historically have run 15 percent higher than actual results.

Today's number-one concern about sales is probably a lagging and distorted indicator. We went through a very tough first quarter. We dealt with the financial consequences in the second quarter. More firms reduced prices than increased prices, by a margin of almost 3 to 1. For every firm reporting that profits are up, three reported profits were down. A similar 1 to 3 ratio was shown for price increase versus price reduction.

Personal experience with shortages of customers, sales, profits and cash on hand has driven business owners to focus on what they perceive they lack most - revenue from sales. The sense of lack of sales is very typical at the end of a recession, when in actuality things are already starting to, or about to, turn up. Even Ben Bernanke says that he expects things to turn up late this year, albeit slowly.

The upshot is, sales are happening, just not at the pace we were used to. Profit margins are tighter, leaving less room for mistakes and corrections. Customers have choices and we can't take anyone for granted. While employees may sit tight

for awhile, now is an opportune time to bond with key players by helping them to take care of their needs despite the economic challenges we all face.

We have to carefully plan where we're going and how to get from here to there. It is times like this that demand true skill and leadership. It is up to each of us to learn what we need to know and do to successfully move our companies forward into the new economic reality of less is more.

Looking for a good book? Try "The Upside of the Downturn: Ten Management Strategies to Prevail in the Recession and Thrive in the Aftermath" by Geoff Colvin.

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