

2009 Industry Outlook



by *Julia Paulus*

As 2008 draws to a close, we're about to start a new year in a new world. With changes in government and the economy, it's time to step back and assess where your business is and where you want it to go.

That's why we looked to the experts for advice.

From technology to banking, we sought out experts from specific industries in St. Louis to advise you on what you need to consider to move your business in the right direction. Find your industry of interest and the advice you need to boost your business in 2009.

Industry: Banking

Sandy McCandless, U.S. Bank

What actions, regarding finances, do you think business owners should be taking?

Prudent owners know their businesses and industries. They can sense when there's a slowdown. They also know (by staying in close contact with their competition, suppliers and bank) the extent of any slowdown. Clearly, we are in an economic down-cycle. This is evident not only nationally but internationally as well. Business owners must do what they deem smart or necessary to maintain financial integrity. They should work to preserve operating capital. Instead of putting cash down on new equipment purchases, explore leasing (can be 100% financing). Also, in any economic downturn, equity capital is critical. Balance sheet leverage (total debt/tangible net worth) should be kept down if at all possible to avoid unforeseen issues. In other words, retain as much of your net profits as possible and build your own internal equity. This is prudent in normal times but critical in slow times. Also, pay particular attention to internal financial controls of your business. Know where every dollar is, and take steps to prevent gaps where discovered.

What advice would you give to entrepreneurs going into 2009?

Stay in good contact with your bank. Be responsive to questions or requests for updated financial information. The better your bank understands you and your business, better decisions can be made.

Your bank should be responsive to your questions or concerns as well. Explore alternative ways to operate your business more efficiently. Simple things like better treasury management products/services, electronic pay, etc. can provide tremendous benefit to small businesses.

Industry: Human Relations

Dixie Gillaspie, Pure Synchrony

What actions, regarding HR, do you think business owners should be taking?

Cutting costs is always one avenue to explore, and employee costs are, for most businesses, the largest line item on the P & L (profit and loss statement). So as a temporary solution, cutting staff seems logical. However, when cutting total staffing is not combined with an investment in improving the skills of the remaining staff, it is inevitable that quality will suffer, and in a competitive “down” market you stay in business by adding value, not compromising your ability to deliver it. In addition, as the baby boomers leave the work force, employers stand to lose a wealth of experience, knowledge and ability that many of us have come to take for granted. That means the people we look to train incoming staff, the people who have already figured out how to “work smarter” and the people who likely have the strongest relationships with customers and other staff are likely going to be phasing out of the workplace. So the strategy of cutting staffing costs now well may backfire if you aren’t developing new talent to take over when these people retire.

What advice would you give to entrepreneurs going into 2009?

Now is the ideal time to make the most of the resources you have, create internal mentoring and training programs to develop your newer employees, hire smarter, and manage processes more stringently with an eye to customer value as well as cost control.

Ray Edwards, AAIM Management Association

What actions, regarding HR, do you think business owners should be taking?

There is a natural sense of concern now based on uncertainty due to financial, political and other changes that are taking place around the world. Companies want to minimize the risk of this uncertainty wherever possible by reducing costs. However, we find that companies that take this time to review and re-emphasize their performance objectives, dealing with poor performers and keeping and adding strong performers, position themselves for success when the recovery comes.

What advice would you give to entrepreneurs going into 2009?

The best HR advice in any business climate is to keep the overall strategy in mind but make sure it is flexible enough to meet changing circumstances. Position your company to reinforce and reward people who help add revenue and reduce costs and have little patience for those who do not. Make sure your HR and other systems help rather than hinder your people in doing their jobs well. LaWanda Richardson, The Newberry Group Inc.

What advice would you give to entrepreneurs going into 2009?

Restructuring or downsizing: Although in many cases restructuring and downsizing is survival, you should consider effects it will have on an organization's success. It can affect the organization's relationship with its customers, suppliers, employees. In addition, it can affect the organization's structure, culture and climate. Legal issues: Identify federal, state and local laws concerning "mass layoff" and "plant closing" notices and other requirements. Check any notice requirements and exclusions under your general liability, directors and officers (D & O), and employment-practices liability insurance (EPLI) policies. Benefits: Identify any pay, severance and benefits continuation requirements under federal and state wage laws, under your employment policies, under any employment agreements, and under any health and benefit plans. Benefit statements are the best way to communicate to employees their total compensation package. Benefit statements should be provided annually. Employees: Identify resources that will be used to assist your efforts, such as your EAP (employee assistance program) and outplacement vendors. Health care coverage: You can also consider proactive measures to reduce your overall health insurance costs:

- Wellness programs, share premium payments, and consumer-driven health plans all can reduce cost.

- Healthy lifestyles: Partner with Regional Business Council, health care providers, local YMCAs and

- YWCA's, health insurance broker to provide nutrition, exercise (Gateway to Health Challenge) and

- wellness programs (encourage employees to take risk assessment). In addition, you can provide a smoking cessation program and weight loss programs to those employees who are interested.

Offer

- lower premiums to healthy employees, and encourage others to take preventative measures by offering incentives.

Communication: No matter what, always treat your employees with respect and dignity. If you are having a "mass layoff," be proactive by sending announcements to your employees, stockholders and the press.

Industry: Business Management

Mark Birsinger, M.A. Birsinger and Company, LLC

What actions, regarding management, do you think business owners should be taking?

Attitude is everything. Adopting a "down market attitude" can seal your fate. Once you expect less, you accept less, from yourself, your employees and the market. Times like these are where true leadership is defined. Either your company will go into a tailspin, wither and die or you can take charge, get your house in order, develop and deploy a plan for growth, and thrive. It's a time for motivation, sound business practices and growth. A well-run small business is uniquely positioned to take advantage of tough times. A smart small-business owner will assess their current situation, pull together, be aggressive and take advantage of all available opportunities.

Recommendations:

- You must have the right people—dedicated overachievers. If not, make changes.

- Create a detailed action plan for the next six months—plan your growth with specific targets, dates and goals.
- Reel in AR (accounts receivable), don't pay bills until due, preserve cash and pay down debt.
- Renegotiate everything you buy—better terms and/or better pricing.
- Regularly stay in front of every current client—always adding value, solving problems and up-selling at every opportunity.
- Be aggressive, get out there and prospect—offer smart incentives to gain profitable new business.
- Motivate your employees and offer the market something new—you must actively lead your business forward.

What advice would you give to entrepreneurs going into 2009?

Right now is a great time to grow your small business. In a tough economy there are plenty of available growth opportunities for hardworking, well-run and properly positioned small businesses. Going into 2009, make sure you:

- Are as cash-healthy as possible.
- Are properly staffed with only the best employees.
- Assemble an advisory board of experts in areas where you may be lacking.
- Revisit, update and promote all of your strategic advantages.
- Create a six-month detailed action plan so you know where you're going and how you are going to get there.
- Aggressively and intelligently prospect; you must outwork your competition.
- Take care of your greatest asset—your current client base—add value, problem-solve and up-sell.
- Have accurate and real-time reporting of all of your critical business functions.
- Are focused on providing maximum client benefit and value.
- Stay positive, motivated and provide leadership to your company and the market.
- Use every opportunity possible to promote your company and tell your story.

Bill Collier, The Great Game of Business

What actions, regarding management, do you think business owners should be taking?

Sound, fundamental business practices are appropriate in both prosperous and rough times. Just as business owners shouldn't go wild with overspending when things are going well, they shouldn't overreact with layoffs and cutbacks during downturns. It's too late now, obviously, to prepare for the current downturn. But it's clearly better to enter a sluggish period properly prepared than to try to make massive adjustments after the trouble starts.

Stay positive. As the owner, you set the tone, and your employees will take their cues from you. Keep, motivate and continue to develop your best people. Maintain your profile in the market by continuing your marketing and sales activities. Watch for opportunities to grow while your competitors are pulling back. You might even be able to acquire a weaker competitor.

Industry: Marketing

Bob Kochan, Kochan & Co.

What actions, regarding marketing, do you think business owners should be taking?

When times get tough, a businessperson's instinct is to protect profits, spend less and cut advertising as an expense. It's a strategy that is much like being in a race and saving money by not buying fuel to get to the finish line. The strategy of reducing or eliminating advertising to achieve the short-term result of enhancing a bottom line misses the long-term opportunity to take away market share from competitors who have adopted the "turn off the faucet" strategy. Studies have shown that advertisers who cut marketing expense during a recession lose sales, lose market share and take longer to recuperate losses than those who maintain consumer awareness. It's less expensive to maintain than to rebuild. The savvy businessperson can actually gain an advantage during a recession since the overall competitive environment tends to be weaker. Studies show that businesses who continued to advertise during a down economy averaged high growth both during and following a recession.

Industry: Technology

Tony Hausmann, The Newberry Group Inc.

What actions, regarding technology, do you think business owners should be taking?

Consumers have reduced their spending, credit is tight, and this has resulted in the unfortunate job losses and reports indicating that this will continue for the time being. Business owners need to ensure that their data and networks are secure. No matter how gently an owner handles these situations, disgruntled employees may have access to sensitive data or network access, and this needs to be addressed. Secondly, many companies look to hire IT contractors in lieu of hiring full-time employees, especially during these times. The use of contingent IT labor allows companies to implement and manage new IT solutions without the burden of hiring full-time employees or risk losing them during weak economic times. There are many qualified local IT resources who actually prefer contract work. Engagements can range anywhere from three months to over a year. For some companies, this may result in significant cost savings without jeopardizing or impacting their business because of technology glitches or insufficient software applications.

John Kistler, J&B Technologies

What advice would you give to entrepreneurs going into 2009?

Entrepreneurs who want to go into business can't right now because they can't get credit. They need to stay at their jobs. Employees need to come in early and stay late. Employees need to get noticed. Make sure your boss knows you're valuable. If he doesn't know you're there, you're not at the top of his keep list. For people that already have businesses, get as much cash as possible until you can sleep at night. Sit down and talk with your banker. Don't let them be surprised. Come up with a budget and help them see what's going on. Get noticed and stay noticed. Get cash and keep cash.

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<http://www.sbmon.com/DesktopModules/EngagePublish/printerfriendly.aspx?itemId=341...>
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