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Small business: Riding out the economic slowdown

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## Worried about the economic slowdown?

Needless to say, you're not alone.

Consumer confidence dropped from 78.4 in January to 69.6 last month, the lowest reading since February 1992, according to the Reuters/University of Michigan Surveys of Consumers.

Although the results aren't too encouraging, there are ways you can help your business weather the storm, experts say -- provided you don't drag your feet.

"If you wait too long to do something, then all of a sudden it's a crisis," says Bill Lenhart, a partner with BDO Consulting in Manhattan. "It's much better to identify issues early on" which means taking "fast and decisive" action.

"Good times can mask underlying problems," explains Lenhart. "When you have a bit of a downturn, these problems surface and you have to deal with them quickly."

Management must quickly determine core needs and shed excess costs, he advises. The bottom line: This is the time to really pay attention to where your money is going.

"Do a profit-and-loss statement each week," recommends George Cloutier, chairman of American Management Services, an Orlando, Fla.-based management consulting firm. "You need to sit down at the end of every week and know whether you've made money or not."

Look at all aspects of your business and come up with a plan to improve efficiencies. At a minimum, this plan should include ways to reduce costs, improve inventory controls, enhance purchasing procedures and accelerate cash flow, says Lenhart.

Remember: You want to free up as much cash as possible. Now is not the time to make unnecessary purchases or overextend yourself, experts say.

"Don't go crazy and expand your plant and facilities just when your customers are going to disappear," says Bill Dunkelberg, chief economist for the National Federation of Independent Business in Washington. "Don't fill your shelves with inventory when there's a chance you don't need it."

And don't go on a hiring spree if you're not sure that you can sustain the growth. If you need extra hands, consider temporary employees or outsourcing, says Jim Hazy, co-author of "Complex Systems Leadership Theory" and an associate professor at the Adelphi University School of Business in Garden City.

Beyond that, he adds, you want to strengthen your relationships with your banks and lenders and negotiate the best possible prices and terms with your vendors and suppliers. After all, they don't want to lose your business during these tough economic times.

And try to make sure the suppliers you deal with are strong enough to weather the storm, says Hazy, who also is president of Leadership Science, Llc, a research and consulting firm in Morristown, N.J. "You might want to identify an alternate supply source in case something happens," he recommends.

The key is to be prepared without overreacting, he says.

"Everything goes in cycles no matter what your business," explains Howard Kipnes, president of Cedar Knolls, Inc., a Hauppauge-based residential contractor specializing in new homes and major renovations. "The economy will definitely make a comeback -- it's just a matter of when."

In the meantime, he's responded to the slowdown by not making any new land acquisitions. He still is building homes, but is doing more work in major renovations.

"You have to listen to the market," says Kipnes, who keeps a careful eye on expenses. This includes continually re-evaluating where his advertising dollars are spent and what kind of return on investment he's getting.

Cloutier likes that approach. "Measure each aspect of your sales and marketing program," he advises. "Drop the ones you can't see clearly and increase the ones that work."

The key, he notes, is to be on the ball and take control.

"Act like a general, not a private," he says.

After all, this isn't the time to be falling asleep at the wheel.

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