

# Small business owners must plan to survive

BY JOHN F. DINI

According to a recent survey, the citizens of the United States are gloomier about their future than any time since the 1970s. Only 29 percent of Americans approve of the President. Only 14 percent approve of Congress. Only 6 percent viewed the economy positively, and over 80 percent think we are "heading in the wrong direction."

Is this malaise a result of actual events, or merely a reflection of the unending trumpets of doom that our media uses to sell their wares?

I have been in business as a manager and entrepreneur since 1972. That period encompasses three recessions, a wage and price freeze, three wars, inflation, stagflation, the dot-com bust, 9/11, and a myriad of economic and financial industry crises in 1973, 1987, 1992 and 2001. In truth, I don't believe I have seen as many negative indicators spread over so many segments of our economy as I do now.

Warning our clients to be prepared for a challenging economic climate is much like Paul Revere's ride. Paul Revere's warning to the American colonials was not welcome. It did, however, let them take action in a timely manner. Because they had read the indicators, because they had determined signals in advance (lanterns in the Old North Church) and because they had a predetermined action plan, the Minutemen were ready and able to react when the time came. Their purpose was to protect their leaders, John Hancock and Samuel Adams, from arrest by the British. Revere's warning was the trigger that allowed them to succeed.

## Long train coming

The issues our economy and our companies are facing now were generated in the behavior of the last two decades. We made decisions as a nation, and the results were inevitable.

In the 1990s, Congress amended the income tax code to free profits on home sales from taxation. This massive tax break could be enjoyed as frequently as every two years. It set off a trading frenzy in residential real estate that was unjustified by the population's demands. Courthouse steps were crowded with speculators and "no money down" infomercials from Hawaiian resorts were one indicator that the smart money had gone somewhere else.

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# VIEWPOINT: Surviving the downturn will require having a good game plan

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Now the suckers are left holding the bag.

We knew that everybody couldn't get rich on real estate. We knew that people with no money, no experience and no education couldn't all turn themselves in to millionaires overnight. Real Estate prices were driven by the Greater Fool theory.

As we've known since childhood, the music eventually stops and there aren't enough chairs for everyone. We watched this behavior grow to the point of foolishness, and now we are reaping the inevitable consequences.

As finance companies discovered that consumers were willing to pay exorbitant interest rates on their purchases, they realized that they could cover higher and higher defaults. We knew that it wasn't possible for an entire nation to spend 102 percent of its total income annually, and not eventually pay the piper.

Americans have chosen to live beyond their means for the last decade (financed in part by mythical real estate gains), and we are now reaping the inevitable consequences.

We happily shipped the dirty and polluting jobs that we didn't want overseas. We have chosen to ignore our export of heavy industry, because we were happy just to not see it in our own backyards.

Once we got started, it was easy to export virtually all of our manufacturing in return for lower prices at Wal-Mart. Now the cost of living is inflating at a double-digit rate in China, and we are reaping the inevitable consequences.

Oil is a limited natural resource. We have known this ever since its discovery. We have wrung our hands over our dependence on foreign petroleum reserves for over 30 years. And yet we insisted our government relax energy-saving measures.

Our vehicle mileage declined, while we diverted our food crops to even more expensive energy production. We took a rare and expensive commodity and made it both rarer and more expensive. Now we are reaping the inevitable consequences.

The double whammy of more expensive fossil fuels and more expensive food has only begun to ripple through our economy. Between the two, they affect the cost of virtually every single good and service in our lives. These are not predictions, they are facts.

## S.A. advantage

On the other hand, there is substantial good news. San Antonio is well-positioned to sustain in a downturn of the national or international economy. Our business base is diversified, but it is not immune to what happens elsewhere.

We have a major employment base in the financial services industry. That will probably get smaller. We are already seeing the impact of slowing truck sales. We reveled in the predictions of Toyota's impact on housing, retailers, restaurants, dry cleaners and schools. We have to accept that when the economic generator slows, so do all the ancillary beneficiaries.

Our oil and gas industry is not as pervasive as it is in other parts of Texas, but rising prices still help San Antonio considerably.

More expensive labor in the Far East favors

both San Antonio's low labor costs, and our strategic positioning to Mexican production facilities.

Our continued population growth has tempered the softening of our real estate market, and will absorb excess housing inventory more quickly than elsewhere in the country.

This doesn't mean we can be Pollyannas, because our customers and vendors in other parts of the country are under more pressure than we are. Their issues will affect us. We cannot observe the mushroom cloud on the horizon and blithely assumed that the shock wave will never reach us. It will. It is inevitable.

## THE MINUTEMEN DIDN'T SPEND DAYS IN CORPORATE RETREATS, OR PLUG PROJECTIONS INTO ALGORITHM SOFTWARE. HECK, THEY DIDN'T EVEN HAVE POWERPOINT!

The best news is that most small businesses have miniscule market share. If your company enjoys 1 percent of the local market, then obtaining another half percent could give you the most successful year ever. In a bad economy, poor competitors get weeded out.

Well-run companies grow and prosper. Most small business owners have made it this far on their reactions. They have been able to "turn on a dime."

That is fine for overcoming a 9/11 or dot-com event, something that lasts a quarter or two. A substantial correction, however, comes

along every 30 or 40 years or so. Quick reactions aren't enough to sustain success over a period of years.

There is no doubt that business owners who have a plan, monitor key indicators and manage by them, and who are positioned to take advantage of market opportunities, are more successful than those who don't.

Like our colonial forefathers, we need to read the indicators, watch for the signal, and know what actions will be needed.

You know the potential dangers to your business. Prepare for as many eventualities as you can imagine, and identify the trouble indicators.

What would you do if a number of customers suddenly cut back on their purchases? What if your largest supplier was unable to ship a popular product?

What if your inventory credit line was reduced?

Your first reaction may be, "I would probably go out of business." In reality, however, you probably wouldn't. You would find a way to persevere. You would react, and figure out a solution.

A little bit of planning, however, can transform problems into opportunities, and reduce the stress of dealing with challenges.

The Minutemen didn't spend days in corporate retreats, or plug projections into algorithm software. Heck, they didn't even have PowerPoint!

What they had was a realistic view of their situation and a simple plan of action. Spend a little time creating your scenario plan, and then hope you won't need it.

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