

Small businesses need 360-degree vision



When the economy slows, small-business owners most often focus on the top revenue line as a key indicator of company health.

In reality, the events that frequently sink a small company come from a direction in which the owner isn't looking. Devoting all your efforts to sales can leave you exposed to an ugly surprise from another quarter.

While falling sales are certainly a concern, they can usually be addressed by expense reductions and efficiencies in your organization. Issues with your suppliers, competitors, lenders or employees may not be so easily forecast or anticipated.

Entrepreneurs need to periodically and systematically look out 360 degrees from their business to see if there are other potential threats to their survival.

How dependent are you on your suppliers? If everything you need to run your business is readily available from a wide variety of sources, there is little reason for concern. On the other hand, if you have one or two major vendors who provide much of what you sell, it can be deadly to assume that they are healthy just because they are much bigger than you.

If your suppliers are public companies, it is a simple matter to go online and review their financial reports. If they are privately held, consider checking their Dun & Bradstreet report to see if they're paying their bills promptly and have a good credit rating. If you have any doubts about a supplier's stability, start cultivating a supplementary or replacement relationship right away.

We all have a tendency to regard competition much like gravity. It is always there; and while it has an effect on everything we do, we seldom think about it. Tough economic times, however, frequently bring new competitors out of the woodwork. Talk to your customers about whether you are in danger of losing business to a start-up with no infrastructure costs. Make sure you remind them of the support and stability that comes with an established relationship.

Listen to your customers for rumors of a weak or un-

derperforming competitor. You may be able to target their business and accelerate their departure from the playing field.

Because banks have money and big steel vaults, it can be easy to assume that they are safe and solvent. Recent events have taught us once again that is anything but true. Check www.FDIC.com to make certain your lender will be able to take care of your credit needs without dramatically raising rates or lowering your limits.

If your financial institution has recently been acquired, don't assume that the new ownership will treat your account the same. Make the extra effort to work your way up the management ladder until you find the bank officer who will be in charge of your business going forward.

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Finally, be aware of the impact of economic news on key employees. As your workers watch the bulletins about layoff after layoff, are they confident of their future? Even with rising unemployment, the best employees know they can find another position. You should be constantly communicating with them as to the health of your company and your industry.

If you're hiring, be doubly diligent about checking backgrounds, qualifications and references. Companies that are downsizing shed their poorest performers first. Those are not the ones you want to be adding to your payroll.

Of course, declining revenues and slow collections are still the biggest issue in a recession. If you periodically make a 360-degree sweep of the other potential threats to your business, you can avoid nasty surprises and focus on keeping your top line growing.

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