



## RESILIENCE IN A SMALL BUSINESS

The Holiday times, among other things, should include reflection on Gifts Given and Gifts Received, and on the many things for which We Should Be Thankful.

We should also reflect on the year being completed, as well as think about the year we'll soon be entering.

So what thoughts go through the minds of owners and employees of small businesses?

For far too many small businesses, both locally and nationally, the predominant thought is, "Whew! I'm glad this year is over!"

Here's a sampling of comments from York County businesses in the past 60 days:

- This year, our sales dropped to 2006 levels.
- I've seen a lot of my competition disappear.
- Business is there, it's just harder to get.

When we evaluate a business, we talk about its assets, liabilities, sales, products, market position, and all the other factors that go into measuring the value of a specific enterprise.

Resilience of the small business is more and more the name of the game in today's environment.

Actually, this Resilience factor applies to Big Business, too. Banks that received TARP money, General Motors, Insurance companies that are going into receivership—they all have problems with the Resilience Test.

But let's talk about Resilience in a small business. I think there are several types of resilience.

### Cash Resilience Is Important

One type of resilience is cash reserve—either of the business itself, or of the Owner, who might put more money into the business from time to time.

Businesses try to keep one to three months' operating reserve in the checking account at all time. Emphasis on the word try.

Three months' operating reserve is just not possible for many businesses, large or small. Let's hope the big selling season eases the pain.

Once the cash reserve is gone, a number of standard tactics are available, including stretching Payables, discounting Receivables, borrowing money from the Bank or others, and using credit cards.

And of course or someone in the owner's family contributes more money, possibly from diminished retirement funds.

### Psychological Resilience of the Owner

I haven't heard of any methodology to factor the owner's personal resilience into an evaluation of the business' health, but I submit that how the owner feels about his or her business may be the crucial factor in times of stress.

Owning and operating a small business is stressful enough, even in normal times. The owner is responsible for the same range of managerial functions assumed by the CEO of a large multi-national company.

The Small Business Owner is therefore responsible for Sales, Marketing, Production, New Product Development, Human Relations, Legal, Environmental, Accounting and Tax, Information Technology, and so on. And on.

Fluctuations in overseas currency exchange rates are about the only thing that the Small Business Owner doesn't have to worry about, compared to the multi-national CEO!

The thing is, the large CEO usually has knowledgeable and skilled people around to at least help. Small Business Owners are pretty much on their own.

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Small Business Ownership, for all its rewards, can be very stressful even in good times.

In bad times, well...

## **So, What's The Most Important Factor in Small Business Resilience?**

You can probably guess my answer—it's the Owner's capacity to handle all the stresses, day in and day out.

And to do so while still keeping a vision of positive future outcomes for the businesses' key players—customers, employees, vendors, and lenders.

Keeping that vision takes energy—energy which must somehow come from inside the Owner.

How do these successful—and right now, surviving is a success story for many small businesses—owners maintain a reservoir of positive, seemingly inexhaustible energy?

I don't have a profile, but my experience tells me that many of these surviving but successful owners have many of the following characteristics:

- Stable marriage
- Strong faith foundation
- Self-Confidence
- Positive Attitude
- Open to Change
- Continue to Learn
- Continue to Adapt

Even with these factors, some businesses will probably not make it.

Small Business success results from a combination of the factors mentioned at the beginning of this article—assets, liabilities, sales, cash flow and all that.

But those things are just measurements, and don't tell the full story.

The hidden part of the story—and in times like this, the more important part of the story—is what is going on inside and around the owner.

The story is as much about the Owner's resilience as it is the business's resilience.