

How Businesses Can Survive and What is More Even Thrive in This Economy!

Has the economy kept you up at night worrying about your business in this economy? You are not alone. Family business owners are anxious and troubled about financial bailouts, the extreme economic slowdown, and now again rising oil prices. These tough times threaten family businesses, some to the breaking point. Sound business practices have never been more important.

THE EFFECT OF THE SLOWDOWN ON FAMILY BUSINESSES

Analysts predict prolonged trouble for the economy, which many say will not fully recover until late 2010 at the earliest. What does this mean for family businesses? Economic recessions have historically been devastating for the poorly managed. Those particularly at risk are highly leveraged businesses. These types of enterprises might be newly formed or recently purchased, and directly involved with construction or real estate. Financial services and luxury retail/services industries are also not immune. Even if your business doesn't fit one of the above categories, you are most likely facing decreased demand from wary consumers.

THERE IS HOPE

Despite the stress and challenge, economic hard times can also be a time of great opportunity. The family business is uniquely positioned to take advantage of current conditions because they tend to be more responsive and flexible than their non-family counterparts. In one recent Laird Norton Tyee family business survey, 87 percent of family business leaders surveyed are highly optimistic looking forward over the next five years.

The tendency to look long-term with a commitment to building a legacy often sustains a willingness to invest despite a down market. Have any of your competitors failed? If so, you may create the opportunity to earn their customers.

History teaches us that periods of economic downturn often serve as the birthplace for new enterprises. In the United States, the number of new businesses increased dramatically between 1980 and 1987 and again between 1993 and 1999, both periods of significant economic crisis.

TIPS FOR FINDING OPPORTUNITY IN THE CURRENT ECONOMY

Clearly, your business faces many challenges, and your business performance may suffer, at least in the short-term. What can you do?

Experts suggest three important tips to help weather the storm:

1. **Rely on sound business management practices.** Tracking financial results is essential in a downturn. Create a realistic budget to ensure your revenues will cover your costs, and carefully consider which overhead costs can be cut back. Renegotiate with your vendors to save costs. Check out lower quality, lower cost versions of the products you sell for interested customers. Be sure to track your performance against the budget so that any market changes can be identified quickly.

Communication is always important and critical. Be sure to hold regular management meetings to discuss changes in the environment and brainstorm plans to address them.

2. **Be prepared for lower salary or distributions.** If your business has prospered in prior years and has normally made generous distributions to family members, you may encounter a culture shock when you are unable to meet compensation expectations.

To brace for such an occurrence family members should learn of the factors that impact their finances. All involved will be in a much better position to anticipate and adapt to changes in distributions with better and more complete information. Enhanced communication may also create inspiration regarding ways to improve financial performance.

3. **Honor the succession plan.** A senior generation member who has turned management of the business over to the next generation may be tempted to jump back into action during tough times. While the wisdom of the older generation and its prior successes are useful resources, remember that these are exactly the times when family members need to place 100 percent trust in the next generation's leaders. Ask for advice and gain perspective, but honor the succession plan and the abilities of you current leadership.

Many family businesses are feeling the burden of today's increased economic pressures. However, by adhering to tried and true business management practices, families can use the challenges of these tough times to become stronger, more unified, and ultimately more profitable.