



## ECONOMIC ENVIRONMENT – A BUSINESS OWNER’S BLINDSPOT



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When I was in college at Penn State University for my finance degree, I took as many economic courses as I could because I was drawn to how much I assumed it affected the world. As it turns out, as a two-time business owner and advisor to businesses, economics is the biggest factor in driving sustained growth and profitability. Yet, it is the most ignored topic by business owners when looking at their business thinking & planning.

During my 30 years working with all types of leaders in small, medium and large businesses, one consistent theme stands out – “Focus on today, do not worry about tomorrow. We’ll address that when we have to”.

When you are trying to maximize the success of every day, the thinking seems very sound and reasonable. Yet, leadership is managing a business in the moment – what I call the short game. The short game forces reactive business decisions to events and conditions as they occur in the marketplace, which means your business is continually at risk. And, that risk is financial success in terms of growth & profitability.

### THE SHORT GAME

The short game is important to every business, its leadership team and ownership. A focus on the short game ensures your “hand-to-hand” combat is focused on winning new clients and deals. Without the short game, a business cannot be successful. Let’s call the short game – sales & service. It’s all about sales and client retention, better defined as new sources of revenue and revenue retention. These goals help achieve the year’s financial objectives.



One thing is clear whether you are selling products, services or both. The mandate is established, the rules of engagement are set and it's all about execution. You are managing people, processes and technology already in place. As hard as it is to win new clients and grow revenue, it's the easiest in terms of planning because the planning is done.

But what happens when you focus solely on the short game? You've just created your first blind spot and open yourself to risks with the business.

## THE LONG GAME

The long game is defined as having both an awareness and plans B & C in place to adjust the short game given certain economic changes in your marketplace for the business throughout the year.

Why is the long game important?

It is important because there has been a shift in market conditions since the early 2000's. Past economic history is no longer the predictor of economic behavior for the future. Because we know those factors, we behave in a way that prevents those factors from re-occurring again to create the same event. So, the events tend to be unpredictable and more dramatic emotionally and financially.

## UNPREDICTABILITY

In the book *Economic Turbulence: Is A Volatile Economy Good For America*, the authors make a very important point that shows how hard it is feel comfortable running a business with consistent performance:

According to data from the Bureau of Labor Statistics (BLS), almost 115 million workers were separated from their jobs, 40 million of them involuntarily, from January 2005 through January 2007. About 121 million workers were hired over this same period, and national employment *increased* by 5.7 million.

That's right—40 million workers suffered an involuntary separation from their jobs in the midst of a national employment *expansion*.

You may ask why I decided to provide an employment example. Well, because employment affects buyer behavior (emotion) which directly impacts your success closing deals and keeping existing customers. This churn of employment doesn't mean 115 million workers let go were hired back. It doesn't mean your target market was/was not the victim of employment churn. What it does mean is you were not aware of the churn until it DID IMPACT YOUR BUSINESS.



## IMPACT ON YOUR BUSINESS

According to Small Business Trends, 40% of businesses are profitable, 30% break even and 30% lose money. The New York Federal Reserve reported that the last 2 recessions in 2001 and 2007-2009 had a materially larger negative impact on small businesses than larger ones affecting sales. Combine their analysis with Small Business Trends and the implications are very explicit – many small businesses cannot survive or need alternative financial support to replace lost revenue.

## TAKING PROACTIVE ACTION

Let's take a moment to focus on positive outcomes and sustaining consistent growth and profitability.

How can small businesses minimize their risk and maintain a desired level of success?

The answer is: Allocate time on your long game.

Creating a Plan B & C for the business should the positive economy shift, or change allows you to execute making changes, which is a much faster adjustment to the marketplace. For example, have you ever planned for longer sales cycles, more buyers hedging in commitment, clients considering other options? How about downward pricing pressure?

Some business owners will say they deal with some or all of these in a good economy. Well, how dramatic of a shift will it be in a bad economy? Are you prepared to have offsetting solutions and approaches to keep winning and retaining clients?

Imagine if you knew the economy was going to turn, but you did not know when. By today's standards, there are countless opinions and articles that talk about predicting not if, but when the next recession will occur. We may not know for sure when it will happen, but we do know it is much closer now, having been in a bull market for our 13<sup>th</sup> year.

Make A Plan – the effort you allocate today doesn't reward you financially immediately, but it prevents the financial distress you will feel when changes do happen. And, you are much closer to maintaining your desired level of success.

## ABOUT THE AUTHOR

David Newkirk is a leader in financial services with over 30 years of experience and expertise. During his career, David has launched 6 lines of business for both financial service companies and businesses serving financial institutions.

As a financial industry historian, David is able to innovate and leverage the trends in the macroeconomic environment with the dynamics of an organization to create long-term sustainable growth and prosperity to his clients.