

## Small Business Owners' Sword of Damocles

As we progress further into this New Year, many small business owners cannot help but have the feeling that they are sitting under, not one, but rather several Swords of Damocles.

Every piece of good news which brightens their outlook seems to be partnered with an equal amount of disquieting news. The country performed heroically in developing and fielding not one, but several anti-COVID vaccines. This fantastic news, however, was equaled with reports of delays in distributing the vaccines, people stating that they would refuse to take the treatment and unexplained adverse reactions to the medication. Additionally, there are reports of mutating versions of the virus being discovered in other places around the world and the potential lack of available treatment. The pandemic could continue longer than expected which would delay the anticipated economic recovery.

Studies report that there is a tremendous amount of pent-up consumer demand that, when unleashed, will drive the economic recovery to even greater heights. This being said, due to the news dichotomy in the above paragraph, a good number of consumers are still leery about even taking the first steps in this direction.

The way business is being conducted has and is being completely upended. The Wall Street Journal reports that, when faced with returns of online purchases, large companies are relying upon Artificial Intelligence to determine if return shipping costs would be more expensive than just letting the consumer keep the purchase and refunding the price paid. What options are available to the small business owner? Can they, with their tight profit margins, afford this option?

Other financial impacts facing small business owners include:

- The cost of newly acquired debt through the EIDL program and the potential for less than full forgiveness under the PPP Loan program.
- The cost of previously waived or deferred charges such as rent and lease payments, supplier credits and lines of credit that have been taken in order to remain in business.

Along those lines, but at the federal level, is the political upheaval being brought about by the recent election. In particular, there now are talks about increasing the minimum wage to \$15 per hour. If the base wage is \$15 how much more of an increase will have to be paid for supervisory and managerial personnel? With tight profit margins, small business owners will be forced to make extremely hard choices. At the state level, there are discussions about mandating medical leave and making permanent the Department of Labor and Industry temporary regulations dealing with COVID. This also increases the cost of doing business and decreases front line productivity of the employees who now have to shoulder an increasing administrative burden.

What can be done to help ensure our region's economy recovers? Small business owners can:

- Be cognizant of debt service needs and the impact, both positive and negative, of PPP loan forgiveness
- Carefully manage both inventory and supply chains. As the vaccine rollout improves, the potential for the anticipated increase in consumer spending will also rise and your business will need to be ready to respond. Also, competition for these dollars will increase which will impact the prices you can charge. This must be factored into both cost and pricing strategies.
- Take the time to sit down with your management team and do a cashflow projection for the next twelve months. Do a weekly cashflow analysis for the first three months and then monthly thereafter. Let this be the guide in addressing the above matters
- Add planning for the goal of shoring up cash reserves on your balance sheet so that you will have time to respond to unforeseen disruptions.
- Remember Dwight Eisenhower's dictum: "Plans are useless but planning is indispensable."
- Ensure you communicate your needs to your elected officials at the local, state and national level. Use business organizations, like the Hampton Roads Chamber, to add power to your voice.

Our elected officials can also assist in the region's economic recovery. Some recommendations include:

- Nothing hurts small business more than political uncertainty. Avoid enacting new regulations and legislation that increases the cost of doing business outside the market forces impacting your small business community. Mandating medical leave and making permanent the Department of Labor and Industry temporary regulations, increase the cost of doing business and decrease frontline productivity of the employees who now must shoulder an increasing administrative burden.
- Being pro-economic development. Help the tourism industry get back on its feet and reestablished as this is a vital pillar of both our region's and the Commonwealth's economy.
- Maintain Virginia's "Right to Work" status so that out of state businesses can continue to consider locating here and thus expand our business base.
- Keep the State's economy on sound financial footing in order to help hasten the recovery.

- Finally, avoid all efforts that promote additional regulation, unnecessary litigation and levies for small businesses at all levels of government.

Small business owners are those dedicated individuals who risk, in some cases, everything to live their dreams. They deliver jobs to the region, generate tax revenues and increase the region's quality of life. Right now it appears that the thread holding the sword over their heads is becoming increasingly strained.

As our economic recovery enters its nascent stages, there will be plenty of uncertainty around and the Sword of Damocles will undoubtedly take a swing or two at our business community. We must ensure our small business owners are prepared and able to respond to these heretofore unknown challenges.

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