

Small Business Resilience — Strategies for Challenging Times

by **MICHAEL SIPE, President — CrossPointe Capital**

These are challenging times for small businesses in Central Oregon. We face inflation, labor shortages, lingering employee COVID fears, employee motivation issues, retention challenges, rapidly escalating wages, skyrocketing cost of goods sold, supply chain shortages and delays, increasing taxes and never-ending government regulations. Unfortunately, things will likely get worse before they get better, which may be a long time coming, as we continue to wrestle with the current inflation that will probably be followed by a painful economic “correction,” whether that takes the form of recession or stagflation.



We all see the problems, but what are we to do as local business owners, especially when the root causes of these problems are out of our direct control? Here are my suggestions for navigating the difficult months and years ahead. As an entrepreneur since the fourth grade, a current owner of small businesses, an executive coach to about 50 of the top business leaders in our region, and as a 30-year mergers and acquisitions advisor who's evaluated over 5,000 businesses in my career, I have a unique perspective on business survival, having ridden economic ups and downs over multiple decades.

Long term, we need a state government that is business-friendly. The Oregon government is distinctly unfriendly to business. Business is the only human activity that makes money, which it does through the creation of value. Everything else is supported by the economic engine of business. The government thinks it makes money, but it only taxes and spends. The last two years have dramatically illustrated the severe adverse impact that ill-advised, illegal and unconstitutional government lockdowns and mandates have on small business. Nearly every challenge we face as small businesses right now can be traced to the mandates and discriminatory regulations imposed over the last two years. The health of small business requires balanced, commonsense, business-minded leaders.

Over the next couple of years, we need to clearly understand the times in which we live. When the economy is strong, interest rates are low, inflation is modest, quality employees are easily found, raw material and inventory is readily available and demand is high...that's the time to be bullish, optimistic and expand with confidence. We are not in those times. This is a time for pragmatism and prudence.

Here are 11 suggestions for the year ahead:

1. Protect your cash. You'll likely need it.
2. Increase your credit lines, but don't use them for expansion. Preserve them for survival.
3. Put some profits into inventory reserves. Make strategic and quantity buys.
4. Make do with current facilities, or downsize. Expand in the coming down-market.
5. Clarify your mission, vision and values. Make them compelling and attractive to those you want to employ. Money is not the only motivator. Study the motivations of various generations and design your business culture accordingly.
6. No matter what, you're likely going to have to pay higher wages, so be very selective in hiring and expect a big ROI on the salaries you pay. Consider tying employee compensation to results. A small, but inspired and productive team can prosper as it out-produces, out-thinks and out-maneuvers bloated operations staffed with overpaid, entitled employees just riding the wage increase wave.
7. Consider hiring “young.” Many tasks can be done by teenagers at lower wages than heads of households, with the added benefit of building work ethic in the next generation. Internships are worth exploring.
8. Consider hiring “old.” Retirement is not all it's cracked up to be. Highly capable 60- to 80-year-olds can be lured back into the workforce with the right environment. They often don't value money as much as community, intellectual stimulation, flexibility and the chance to make a difference. “Returnships,” as well as internships, could fill some hiring gaps.
9. Consider creating a culture and environment that works for moms. The COVID years took many highly capable women out of the workforce. We need them to come back, and it may take more than a wage to convince them to do so.
10. Plan to work hard. Tough times either crush us or bring out the best in us. Let's get tough, work hard and thrive.
11. Stay calm. Be patient. Press on. This season too will pass.

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