

2001: Small-Business Odyssey

This year will be a challenge for small-business owners. But there is plenty to be upbeat about.

*By Richard W. Oliver
for Office.com*

Jan. 15, 2001— In this column, I focus on both longer-term and near-term small-business concerns. I offer some suggestions that are likely to shape your business in 2001.

Let's start with the most obvious:

Cash Is King

Cash is king for 2001. Overall credit markets will tighten (A federal interest-rate reduction takes 18 months to affect the economy), and those with cash will reign. My adage for 2001 ? Earnings are an opinion; cash is a fact. Here are three tough but necessary strategies that will get you more money:

1. If in debt, get out. Or if you're on good terms with your bank, negotiate better terms with lower payments.
2. Use your "supplier good will" to stretch your payables to the max.
3. Collect your receivables as fast as possible.
4. Spend in one area - technologies that heighten productivity.

Let's move on to what's in store for 2001:

From a Sprint to a Walk

The cooling economy won't have a hard landing, but it won't be soft, either. A "hard landing" implies a recession and severe economic hard times. That's unlikely to happen. The economy's forward motion is like a large ship — once it's in motion, it takes a lot to stop it. Continued strong investments, the availability of unprecedented levels of effective technology and historically low unemployment should prevent things from getting really bad.

The adjustments will be far from "soft," however. Nervous consumers will spend less (the ultimate driver of our economy), and that will trickle down, leaving less business for everybody. My estimate? A

revenue decrease for individual businesses of 5 percent to 15 percent on average. A staggering 144 companies issued earnings warnings in the last two weeks of 2000, and 2001 earnings-growth estimates for the S&P 500 dropped from a forecast of 15.6 percent, made in November, to under 5 percent, made at the end of December.

Furthermore, a slowdown in corporate information-technology spending will affect the earnings of tech companies, today's big economic drivers. To remain competitive, their customers will continue to buy technology, but they may slow their spending and ask for more price concessions.

Tougher competition won't be just in the technology markets, though. Price competition will increase in virtually all sectors, while the number and kind of "free" services will increase as companies scramble to attract what buyers there are.

Everybody on the Web

The Silver Lining

Cheaper goods provided with more services are bad news if you're selling but great news if you're buying. In particular, the price of information-technology products (PCs, phones) and services (data, voice and broadband) will continue their downward spiral. Credit will also get cheaper in the coming year, and solid business ideas will regain favor.

In 2001, business owners will finally get some relief from the protracted labor shortage. The dot-com implosion put a lot of talented and creative people back into job-search mode - more than 10,000 workers in December alone. Many industrial giants and financial firms have already announced cuts for this year. Slowing growth means less expansion for many sectors, easing employment-pressure demand at the bottom end of the pay scale, as well.

More "Better, Faster, Smaller"

The past two years have been stellar in terms of productivity-enhancing technology. This pace is unlikely to slow in 2001 with the launch of Intel's 2 GHz memory chip and third-generation wireless technology. Wireless developments will "untether" every communication and computing device. More widespread broadband availability will enable richer media to be delivered across the Internet. And the widespread use of voice communications over the Internet will begin to change the face of telecommunications radically. Furthermore, these developments will not become the sole domain of

deep-pocketed major companies but will be within the reach of most small-business owners' budgets.

These technology trends contain bad news and good news for small companies. The bad news: You'll need to consume more and more technology to stay competitive and, in many cases, be "allowed" to be in the game - for example, being part of a large-company supply chain. The good news: The technology will be cheaper and you will, in fact, be more competitive.

E-Commerce Hits the Mainstream

The bursting of the dot-com bubble has gotten all the headlines. But the quieter story, by now a cliché, is that the Internet really has radically changed the way companies do business. Behind the scenes, the most striking changes have taken place in big companies. The Web has revolutionized supply-chain management, purchasing and communications within and between companies. Traditional retailers are now reaping huge rewards from their Web divisions, and many local mom-and-pop stores have increased their business through the wider distribution that the Internet enables.

Small-business owners have lagged behind other companies in migrating to the Web, but I expect to see a major shift in 2001. They will have no choice.

Richard W. Oliver is a featured columnist for Office.com, writing about the implications of managing technology. He is a professor of management at the Owen Graduate School of Management at Vanderbilt University. Quoted in The Wall Street Journal and USA Today and having appeared on CNN, Oliver is the author of "The Coming Biotech Age: The Business of Bio-Materials" (McGraw-Hill, 2000).