

Inflation's Up, Unemployment is Down. What's a Small Business to do?

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for Office.com*

With all the problems small businesses face on a daily basis, let's add another. Conflicting economic data!

In the last few months the big economic numbers (inflation, unemployment, stock market performance, interest rates, housing starts, etc..) have all gone in contradictory directions. Some up, some down. Some both, depending on who's doing the analysis on CNBC that day.

For the first time in a decade, small businesses are getting conflicting information about the performance of the economy. Government statistics tell us that the average life of the average small business is ten years. That means that for the first time in the experience of the average small business, economic indicators are not going in the same direction: up!

To the extent that business operators know or care about such information, what do they make of the current situation? Do they make plans to expand and grow, contract and conserve, or just wait and see?

It's a tough enough call for large businesses with huge specialized staffs that help make economic predictions to guide business decision making. What is the owner of a small business, who relies on his or her own reading of the "economic tea leaves," to do?

Should small business owners even pay attention to such data? More importantly, should they make important business decisions based on it?

There's no question that some small businesses are highly sensitive to major economic trends. Those in the real estate and construction business need to pay very close attention to housing starts and mortgage interest rates. Those in labor-intensive businesses need to closely heed the national labor supply and cost data. The Small Business Association provides a wealth of information and most government agencies regularly release their findings to the public.

Many businesses, however, such as service businesses, are only indirectly or marginally affected by the kind of national economic data that seems to be daily fodder for the business press. Or, they are affected by only certain types of economic performance, the ups and downs of the stock market, for example, and not by others. In addition, some businesses are cyclical with the economy (they're up when it's up) while others are counter-cyclical (they're up when it's down, and vice versa). Here on Office.com, small business owners can use the research section to find the right national economic data, or can dig down to find everything from demographic information by zip code to a list of Environmental Services companies in the 303 area code.

The bottom line is that that no business escapes the reality of the health of the overall economy. And, small business owners ignore the information at their peril.

But it's equally true, that small businesses should not be making all their future plans based on national economic data. Governments perform a usual service by measuring major economic activities and the media perform an equally useful function by reporting it. But like anything, too much of a good thing can be a bad thing.

Learning to drink from a fire hose

The steady stream and volume of national economic data can make using it for intelligent business decision making like trying to drink from a fire hose. You need to be very, very careful lest you get soaked while quenching your thirst. With financial web sites now numbering in the hundreds and news being updated hourly, that fire hose can drown you.

For starters, you need to learn what is important for your business: Do daily fluctuations in the stock market impact you, your customers or suppliers? If not, put such information in the long term, "nice to know" category, but don't make major strategic decisions about your business based on the erratic nature of the stock market.

On the other hand, if some trend, like the price of a specific commodity's "futures" significantly impacts supply or demand for your business, you may need to tune in closely to sources that can provide quick, complete and accurate data. The Internet is particularly useful in this regard. Regular perusal of web sites linked to your area of interest can be very

helpful. Most of the major web search engines (Yahoo, Look Smart, Alta Vista, etc.) can help direct you.

Most trade associations maintain a web site that provides industry-specific economic links and their newsletters often expand on pertinent economic or demographic data. Office.com provides a message board forum where owners of specific types of businesses can discuss challenges facing their industry. VerticalNet offers a similar service for 56 different communities of owners, covering everything from bakeries to long-term care providers.

Focus, focus, focus

Keep in mind that no one knows your business as well as you. While you need to keep attuned to national, regional and local economic trends, if you have the confidence that you know what makes your business tick, don't let Alan Greenspan's periodic pronouncements dissuade you from doing what's right for your business.

Focus in on what's important, and ignore the rest.

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