

Netbusiness

September, 2001

Small businesses struggle to predict what's next for them

As the nation's small businesses brace for economic uncertainty in the aftermath of this week's acts of terrorism in New York City and Washington, many are hoping for the best but preparing for the worst.

Toni Knight, president of WorldLink (www.worldlinkmedia.com) in New York is one small business owner who felt the impact immediately. Her 57-employee firm sells direct response television airtime and saw its programming preempted by round-the-clock coverage of the attack just a few minutes after the first plane struck the World Trade Center. "Most of our network partners aired no advertisements on Tuesday or Wednesday," says Knight. "And, since our advertisers are direct response (infomercial and spot clients that rely on viewer response), media buys are being canceled until a more appropriate time."

Already operating in a fragile economic environment, Knight predicts that the recent events will further weaken the advertising industry. However, she plans to work with other direct response industry leaders and says she won't "let these cowardly terrorist incidents disrupt and damage our business."

"I believe that this situation will be extra motivation for all small business owners to work hard," Knight adds, "and to show that terrorism will not pierce the spirit of entrepreneurialism."

Lena West, CEO of Yonkers, N.Y.-based xynoMedia Development (www.xynomedia.com), a 4-employee firm that helps early-stage firms develop and implement technology solutions, is still reeling emotionally from the attack. The events hit close to home for West, who dined with a friend in the World Trade Center on Monday night.

While West says she's giving herself time to heal and isn't ready to make predictions about the economy or her own firm's future yet, she does feel that more companies may be coming to her for help beefing up network security and rebuilding their technology bases. West has already offered such services at a free or discounted rate, and says she welcomes the opportunity to help the country rebuild. "One of our core competencies is disaster planning," says West. "We help companies figure out what they're going to do in situations like these. When the time is right to pick up and move on, I want to be able to help."

For some small firms, rebuilding may present opportunities that didn't exist over the last few years, but according to Raymond J. Keating, chief economist with the Washington-based small business advocacy group, The Small Business Survival Committee, it may not do much to boost the overall economy.

"The economy was slowing dramatically beforehand, and this disaster just adds to the uncertainty," says Keating. "Some economists are saying that the rebuilding process will help the economy, but I feel that any rebuilding that happens is really just making up for what's been lost."

Keating adds that a recession or further economic downturn could hurt the nation's small businesses even more than it would affect larger firms, mainly because smaller firms tend to operate on tighter margins.

Brian Headd, an economist with the Office of Advocacy within the Small Business Administration in Washington, concurs, and says startups and other small firms just don't have the resources or reserves to weather severe downturns.

"Most of these companies have tenuous financing that relies solely on banks, and that can make life more difficult for them," says Headd. "Overall, they live closer to the edge and as a result are more in danger of falling off."

Headd noted, however, that things are still up in the air in terms of what the economy is going to do and how the nation's entrepreneurs will be affected, and adds that it "all comes down to whether consumers worry and decide not to leave the house and not spend."

Rising gas prices, increased government regulations and the need for stepped-up security may also come into play in the next few months. Most affected, says Keating, will again be those companies operating on razor-thin profit margins.

Of course, some companies will be affected more than others. Reggie Best, president and CEO of Somerset, N.J.-based Netilla Networks, Inc. (www.netilla.com), says he hasn't seen any significant business changes in the last few days. Best's 30-employee networking service company supplies certified integrators with solutions that allow businesses to securely Web-enable software applications.

Like West, Best sees potential opportunity in the IT sector, which basically led the economic decline over the last 12-18 months. For example, a company looking to provide alternatives to air travel or beef up security within their networks might turn to a small provider like Netilla for help.

"What's actually going to happen isn't clear yet," says Best, "but these are a few issues we've been looking at closely while we wait to see what happens." He won't be alone.