

Small Business: Optimism in face of uncertainty

June 20, 2007

By Joyce M. Rosenberg, The Associated Press

NEW YORK -- Judging by the gyrations in stock and bond markets over the last week, investors are a pretty uneasy lot these days. That anxiety doesn't seem to be spreading among small-business owners.

Interviews with a randomly picked sample of company owners show they're fairly upbeat although the economy is slowing and interest rates show no signs of coming down.

Dennis O'Connor, owner of Paradigm Communications, a public relations firm in Natick, Mass., said his company went through a slow period last winter, but business has since picked up. That's a good sign not only for Paradigm, but for its clients as well -- publicity and marketing are often the first casualties when nervous companies start cutting back.

"We had a couple of clients that went away due to budget issues -- they needed to hold back some of the money they had been spending," Mr. O'Connor said.

He responded to that dip by increasing his own business development efforts, and was pleased with the results: "I feel confident that the clients we have will stay with us."

Kel Kelly owns a marketing services agency, and like Mr. O'Connor sees signs of optimism among her clients that naturally spills over to her company.

"Business is very strong and we can see clients are releasing money and spending money and committing to programs and agency work," said Ms. Kelly, CEO of Kel & Partners in Hopkinton, Mass.

Ms. Kelly called business the strongest it's been in years, and said, "It's consistent across sectors - tech, consumer and health care."

The National Federation of Independent Business, which conducts a monthly survey of its members to determine their sentiments about the economy, said its Small Business Optimism Index edged up 0.4 percentage point to 97.2 in May, the first increase in four months. That does mean the optimism is lower than it was at the start of the year, but NFIB chief economist William Dunkelberg put the reading in perspective, saying there are no signs of recession.

"It's just that things are slow right now, but things are picking up," Mr. Dunkelberg said.

He noted that businesses are hiring -- they might not be expanding their payrolls, but they are hiring to fill open positions rather than leaving them open to cut costs.

Of course, small businesses in struggling industries, such as those related to the slumping housing market, aren't likely to be very optimistic. But there still are parts of the country where housing isn't hurting and where company owners are feeling good.

Rich Napier, president of Napier Signature Homes in Richmond, Va., said his business is improving because the local economy is strong, and people relocating to the area are in need of homes. He noted that interest rates, while higher than a few years ago, are still low by historical standards.

"Sales activity is picking up," he said. "It was bad last fall through the first quarter of this year."

Mr. Napier said he has negotiated three contracts for custom-built homes in the last six weeks, and he's seeing more interest in his inventory of already-built homes.

Napier, who's also president of the Homebuilders Association of Virginia, said that while the Northern Virginia housing market is slumping, other markets in the state are meeting or exceeding sales levels of last year.

"It is a pocketed market," he said of the industry nationwide.

One reason why many small-business owners are optimistic is because many have already weathered hard times in the past and have learned how to protect their companies during a downturn, or at least to mitigate the damage.

Sean Bisceglia has just launched his third company, TalentDrive, a Chicago-based resume sourcing and screening service, and structured it so it can respond to changes in the business and economic environment without having to resort to draconian measures.

"We're not going to get slammed," said Mr. Bisceglia, who suffered through the dot.com collapse. "I learned from experience, trust me. My company was very large and we had to lay off 50 percent of our staff in two months."

Mr. Bisceglia describes himself as "pensive" about the economic climate as his new business starts up. "I do think the economy is going to be in for an adjustment sooner than later, and I think we have to prepare ourselves for that."

As a veteran business owner, he's not daunted by hard times. As he noted, "I launched one company in 1992 at the bottom of the recession, and I bought another a year after 9/11."