

## Navigating Uncertainty and Growing Jobs: Considering Small Employer Firm Resilience During Challenging Economic Times

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# Overview

**Interise**

**Small Businesses & the Recession**

**Why Did Some Small Businesses Fare Better Than Others?**

**Methodology**

**Key Findings**

**Additional Insights**

**What's Next?**

# Interise



Interise stimulates economic revitalization in lower income communities. We provide a diverse group of small business owners with entrepreneurial education, new networks, and access to markets. Our community creates jobs, grows businesses, and develops community leaders.

# Interise StreetWise 'MBA'<sup>TM</sup>

**Drivers of Change**

New knowledge

New know-how

New connections

**Participant Outcomes**

New contracts and financing secured

New markets accessed

New revenue growth

**Local Impact**

Jobs created

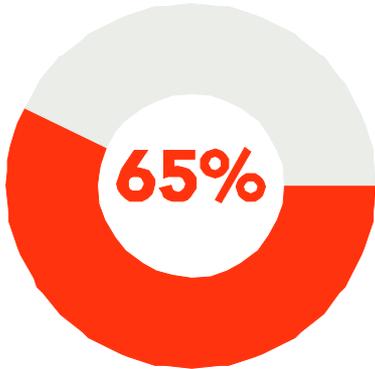
Successful local businesses

Stronger local economy

# Small Business and the U.S. Economy

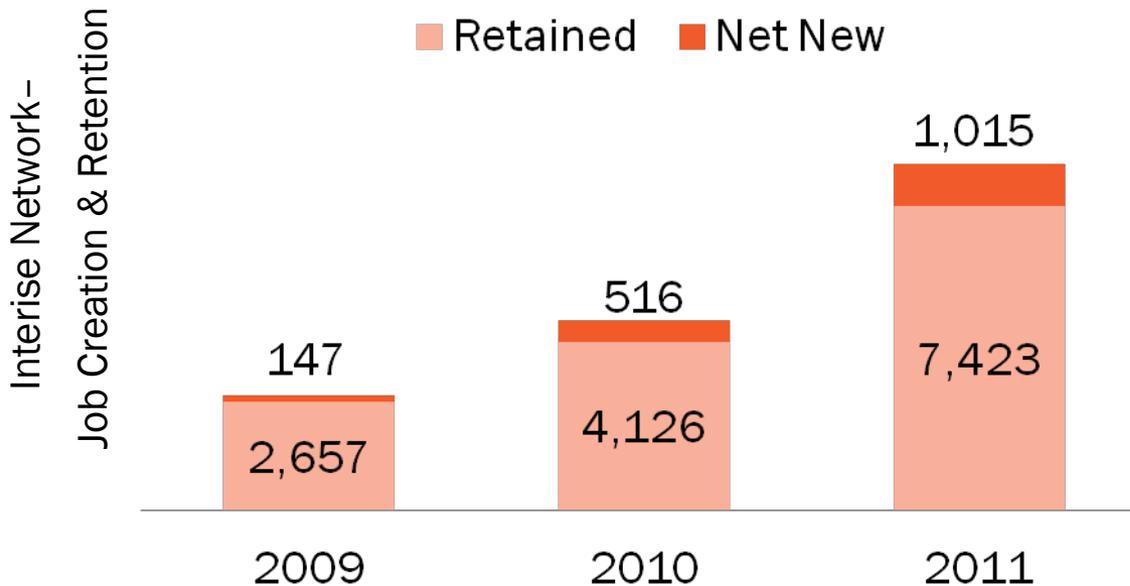


50%



**SMALL BUSINESSES EMPLOY ABOUT HALF OF ALL PRIVATE SECTOR EMPLOYEES AND, FROM 1993-2009, ACCOUNTED FOR NEARLY 65 PERCENT OF NET NEW JOBS, ACCORDING TO THE SBA**

# Interise Job Creation & Retention



**Our network's job growth rate was almost 7x that of private sector growth in 2010 & 2011**

Source: Bureau of Labor Statistics (visited February 14, 2013). "The Editor's Desk: Job openings and labor turnover in December 2010." [http://www.bls.gov/opub/ted/2011/ted\\_20110211.htm](http://www.bls.gov/opub/ted/2011/ted_20110211.htm). U.S. Department of Labor.

Source: Interise 2011 Impact Report

# Small Businesses & Uncertainty

## Small businesses face multiple challenges:

- Financing and credit challenges
- Limited resources
- Limited capacity
- Constrained ability to survive poor managerial decisions

During the Great Recession, small businesses struggled because of their inability to respond to the uncertainty brought on by weak sales & flagging consumer demand

### EMPLOYMENT DECLINE AMONG SMALL BUSINESSES

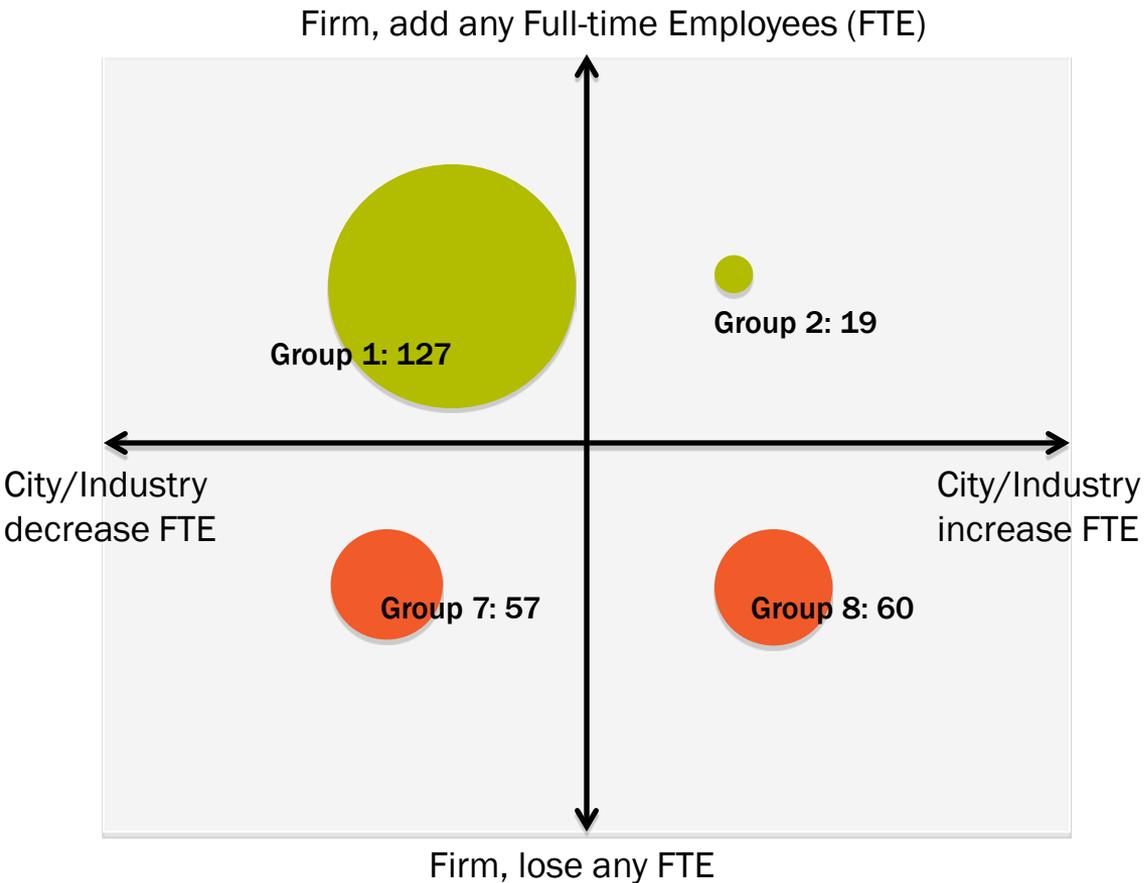
40% (2007-2009 RECESSION)



10% (2001 RECESSION)



# Why Did Some Small Firms Fare Better Than Others?



Group	Firm-level Job Growth Performance Relative to City/Industry (2008-2010)	Number of Survey Firms (N=374)
1	Firm added employees and outperformed city/industry, which lost employees	127
2	Firm maintained employees and outperformed city/industry, which lost employees	19
3-6	Not enough Information to determine resilience	111
7	Firm lost employees and underperformed city/industry by losing employees at a higher rate than the city/industry as a whole	57
8	Firm lost employees and underperformed city/industry, which added employees	60

# Understanding Small Business Resilience

During and after the Great Recession market volatility and uncertainty have increasingly become the new norm.

Some small business have been able to thrive despite a stormy economic climate....

Why were some small businesses able to maintain or expand their workforce?

What gave these firms a leg up?

What skills can they teach businesses that fared poorly in the stormy economic climate?

# Confronting Uncertainty



[outcomesmtm.com](http://outcomesmtm.com)



# Resilience; Maintaining and Adding Jobs

*“Strategic resilience is ... having the capacity to change before the case for change becomes deeply obvious.”*

*- Hamel and Välikangas in “The Quest for Resilience,” 2003*

## Aspects of Organizational Resilience

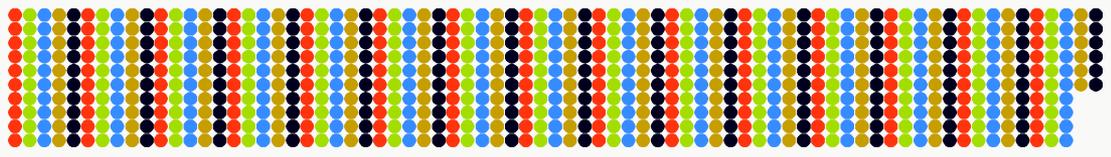
- Resilience is an outcome
- Resilience is multidimensional and not static
- Resilience exists over a range of conditions
- Resilience is good risk management
- Resilience is the organizational ability and confidence to act decisively and effectively in response to disruptions that could jeopardize long-term survival

# Studying Resilience Among Small Business

This study examines the relationship between one measure of resilience – *the ability to maintain or add jobs in relation to city/industry during the recession* – and particular aspects of strategy

**742** small employer firms

were program participants between 2008 and 2010

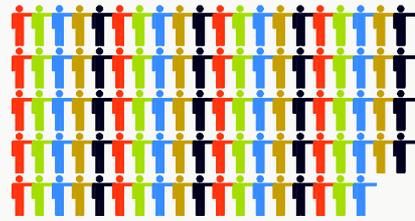


Survey data from **374** firms

examined using two methods of quantitative analysis



**88**  
Potential case study firms



**26** Screened firms



**16**  
Case study firms



including desk research on organizational resiliency

# Survey Results

## Survey Firms at a Glance

**374**

Number of survey firms

**253**

Number of firms adding net new FTEs or maintaining all FTEs

**414.5** FTEs

Net new full-time employees (FTEs) added, from 2007-2010

**121**

Number of firms losing net FTEs

**-2** FTEs

Median of net jobs lost per business for those reporting loss

**2** FTEs

Median of net new jobs created per business for those reporting zero or positive growth

## Synthesized Results of the Survey Analysis

### Managerial Strengths Positively Associated with Resiliency

- Confidence in overall leadership
- Value of government contracts
- Regular use of financial data and analysis
- Mean of all strategies in 2010

### Managerial Strengths Negatively Associated with Resiliency

- Confidence in retaining existing customers
- Confidence in applying for government contracts

### Managerial Strengths with Mixed Significant Results

- Knowing how to make an effective case for additional funding
- Using well thought out procedures to address human resource needs
- Sales strategy & marketing

# Case Study Results

## Case Study Firms at a Glance

**16**

Number of case study firms

**13.4  
Years**

Average length of time as business owner

**>\$500,000 –  
\$18 million**

Range of revenue of firms

**56.25%**

Firms reporting new financing since 2008

**38<sup>FTEs\*</sup>**

Average number of full-time employees (FTEs) per business

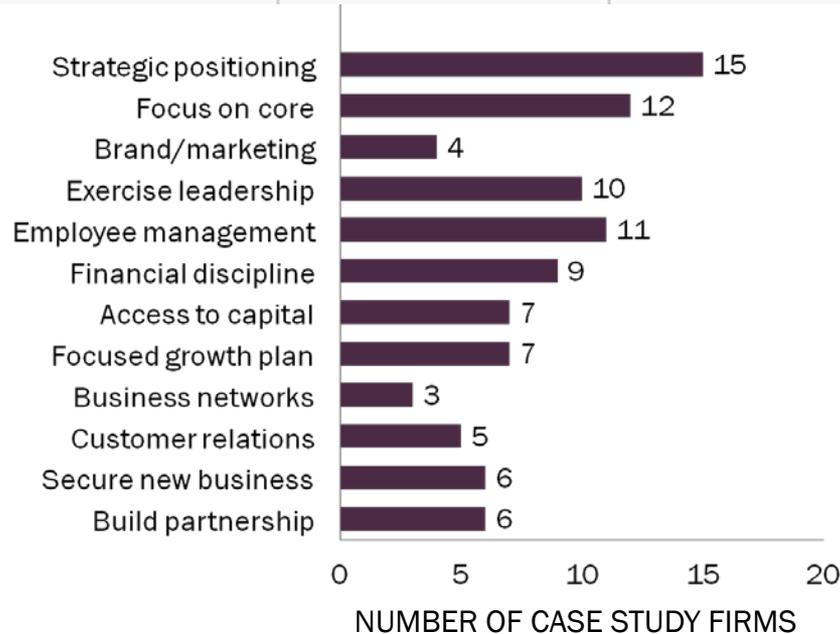
**14**

Number of firms adding net new FTEs or maintaining all FTEs

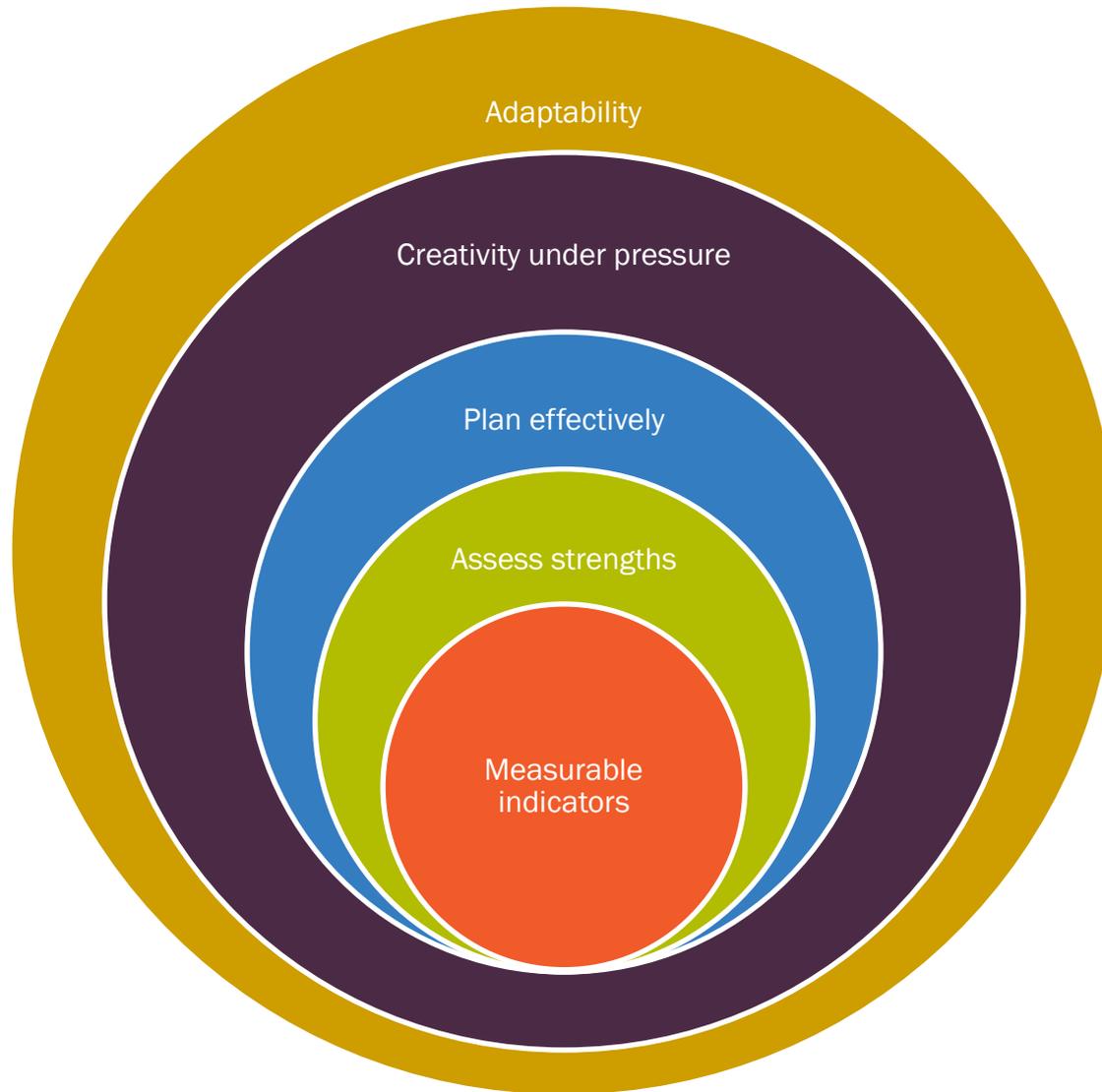
**6**

Number of firms reporting fluctuations in FTEs

### IDENTIFIED MANAGERIAL STRENGTHS



# Key Findings



# Capabilities of Resilience

## 5. Adaptability

Resilient firms are **adaptable**, committed to firm improvement and able to dynamically revise aspects of the firm's strategic positioning in response to market shifts rather than sticking to a conventional business routine or adopting a reactive posture. Adaptability also requires at least some competency in the aforementioned capabilities.

## 4. Creativity Under Pressure ▲

Resilient firms **demonstrate creativity under pressure**, trying new ideas that respond to the unexpected opportunities brought on by market volatility instead of relying on normal business routines or established strategic growth plans.

## 2. Assess Strengths ►

Resilient firms **correctly assess strengths and the business environment**, identifying possible responses rather than relying on formulas and planned strategic growth schemes.

## 3. Plan Effectively ▲

Resilient firms **plan effectively**, identifying alternative responses to dramatic change and demonstrating how these new approaches will add value instead of soliciting assistance without a clear vision of sustainability.

## 1. Measurable Indicators ▲

Resilient firms **make effective use of measurable indicators**, using them to build internal structures and create firm opportunities rather than simply focusing on survival.

BASIC FIRM HEALTH

TAKING CONTROL OF DESTINY

# Strategy Under Pressure



Photo: <http://ow.ly/hIKZ2>

## Firm at a Glance

Industry: Healthcare services

Location: Des Moines, Iowa

Length of time as a business owner:	13 years (co-owner)
Number of full time employees (FTEs) in 2008:	16
Number of FTEs added in 2009:	-1
Number of FTEs added in 2010:	9.5
Number of FTEs added in 2011:	15.5
Estimated employee turnover:	2% annually
Outperforming city/industry, as of 2010:	75.73%
Estimated revenue (in 2012):	\$13-18M
Reported increase in revenue:	490% (in 2011)
New financing since 2008:	None

# Resilience – No Quick Fix



Photo: Ed Gaillard, <http://ow.ly/hJ7f6/>

- Businesses must acquire the capacity for resilience *before* difficult economic times
- Resilience depends on numerous variables and varies over time, so firms need to constantly work toward increased resilience

# Translating Strategy into Action

## Demonstrated Challenges Among Study Firms:

- Manage human resources
- Effective employee management
- Effective growth management
- Build internal capacity & adaptability skills



Photo: <http://ow.ly/hH1CT>

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# Planning for a Rainy Day

## Building Capacity to Manage and Proactively Respond

- Balance between control and flexibility
- Reliable systems and organizational structures to create consistent operations and the capacity to pivot
- Strong management team
- CEO focused on strategy, not operations



Photo: <http://ow.ly/hH2Hf>

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# Implications

- Support small business development programs that are focused on building the capabilities that improve the sustainability of *existing* businesses – creativity, flexibility and adaptability.
- Integrate small business capacity building and lending.
  - If a bank gives a small business a loan without a strategic plan, they are gambling. If that business has a strategic plan, it's an investment.
- Identify existing small businesses that are less resilient and target ways to better prepare them to navigate uncertainty.
- Strengthen local and regional economic areas through small business development that supports the growth and sustainability of existing small businesses as well as the creation of new ones.

# Navigating Uncertainty – the Sequel

**In the next phase of research, Interise will focus on:**

- **A more nuanced—and comprehensive—look at resilience**

- How does the local business environment and community impact small business resilience?
- How and why does firm resilience degrade or improve over time?

- **A deeper understanding of what's necessary to improve a firm's capacity for resilience**

- What is the relationship between small business development and strategic hiring and the creation of responsive organizational structures in building resilience?
- How to help develop the capacities for greater resilience?
  - How can these employer firms foster the competitive orientation and innovation necessary to rapidly respond to volatile environments?
  - How can small employer firms better attract, hire, and support the people who possess these traits and capabilities?

# Learn More



*If you are committed to helping small businesses in your community  
or interested in the next phase of our research ...*

***We should talk.***

**Jean Horstman, CEO**

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