

Nimble South Florida companies own weapons to fight recession

According to Federal Reserve Chairman Ben Bernanke, the nation will pull out of the recession by the third or fourth quarter of this year. Of course, the likelihood of that happening is about the same as Ootomom Nadye Suleman being invited to give the keynote address at the annual meeting of Planned Parenthood.



Jerry Haar

By any objective assessment, the fundamentals of the economy are not only poor but will worsen in the coming months.

To begin with, the economy contracted at an annual rate of 6.3% in the fourth quarter of 2008 – severe decline. Unemployment in March reached 8.5% and is predicted to top 10% nationwide. Moreover, a lot of the jobs lost in manufacturing, retailing and publishing will not be coming back, even after recovery sets in, due to restructuring.

And while many are still under the illusion that it's all about the implosion of the subprime mortgage market, these residential loans accounted for less than 20% of mortgage originations in 2004-2006 and only 3% in 2007.

The Four Horsemen of the Apocalypse are actually ARM resets, auto loans, student loans and commercial real estate and construction loans. ARM resets later this year and into next will cause real havoc. Auto loan and student loan delinquencies are accelerating, and commer-

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cial real estate and construction loans – 40% of bank loan portfolios vs. 26% for residential mortgages – are now beginning to take their toll on the economy.

Florida is one of the states hardest hit by the recession, and South Florida has been the bullseye in the target of economic meltdown. Besides the downturn in the residential real estate market, international trade and retailing – the two other legs of our economy – have also seen a significant contraction.

On the personal level, consumer bankruptcy filings have hit their highest level in 3 1/4 years (2, 247), with 75% of these filings classified as Chapter 7 (liquidation) rather than Chapter 13 (reorganization).

Given this bleak scenario, how can South Florida weather the storm?

Fortunately, the overwhelming majority of South Florida companies are small and medium size enterprises (SMEs); and this provides a great advantage in a downturn. More than half of all SMEs are family-owned, and that means in most cases – but not all – a close-knit, nurturing and more humanistic environment.

Employees in small firms form part of a team, part of an extended family,

rather than cogs in an impersonal wheel that coldly and precipitously dispenses pink slips when the going gets rough.

In downturns, SMEs resort to job-sharing programs, across-the-board pay cuts, reduced hours and unpaid vacations to keep their workforces intact. On the production side, these firms are agile and creative in managing inventories, resorting to just-in-time production, curtailing high-cost and low-turnover goods, boosting affordable products and services while trimming margins and streamlining supply chains.

SMEs are also showing flexibility in their financial arrangements – reducing debt levels, extending credit to suppliers, getting closer to their customers and shortening terms to questionable buyers.

As for what can individuals do, the answer is obvious: develop, maintain and continuously broaden the skill sets necessary to compete, while monitoring marketplace opportunities and networking on a regular basis. Books like "You, Inc.: The Art of Selling Yourself" by Harry Beckwith and Christine Clifford are good supporting tools.

Nor should one overlook the limitless opportunities that entrepreneurship provides, especially in downturns – namely, starting one's own business. Hewlett-Packard, Motorola, Revlon and MTV were all launched during downturns, as were scores of child care centers, life coaching firms, repair shops and massage therapy businesses.

Plan on another 12 to 16 months of

rough sailing, economically speaking. The effects of the pork-laden spending bill known as the "stimulus package" will not be felt until we've exited the recession. As for the so-called "shovel-ready" projects contained in the plan, do get the shovel ready – for there's a mountain-size pile of B.S. in that bill.

Looking forward, I have identified 30 industries that are positioned to do well despite the recession. No doubt there are many others. If South Florida companies and individuals can manifest the resilience, ingenuity and entrepreneurial drive that have gotten us through past economic downturns, we will come out of the current recession with flying colors.

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