

Small Businesses Need Party Favors

By CHARLES CRUMPLEY - 11/9/2009
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Big companies are starting to dance it up. Wall Street firms are almost back to prerecession levels; Goldman Sachs' third quarter revenues doubled and earnings tripled. Even Ford and General Motors have gotten a whiff of smelling salts.

But smaller companies on Main Street? They're not at the party.

Just last week, the Credit Management Association of Burbank released its third quarter survey of 800 credit managers across the western United States, and 64 percent said their collections of trade credit remain no better than fair. Worse, 74 percent see no change in the near future.

Trade credit is heavily used by medium and smaller companies; it is an unsecured loan that is repaid when goods are sold. So the fact that most companies are reporting that collections of such credit are only fair and that three out of four companies don't see any improvement soon, well, that doesn't exactly portend a quick bounce back for smaller companies.

Likewise, another report last week from SurePayroll, which provides payroll services to smaller companies, said that optimism among small business owners is "continuing to decline." The word "continuing" stopped me. It said optimism has dropped to 50 percent – one of the lowest levels of the year.

The press release began: "While Wall Street is telling us we're starting to recover, it seems that half of the business owners out there adamantly disagree."

Another survey released last week, this one done by the Los Angeles County Business Federation, didn't have much to get anyone in a party mood. Only 44 percent of local businesses thought the business outlook would improve next year, and 33 percent – one out of three – anticipate laying off workers next year. Yikes.

What's going on here? Why are big businesses grabbing a partner and gliding out to the dance floor while small businesses still seem slumped in their chairs?

Part of the answer may be a naturally occurring phenomenon – big companies have an advantage coming out of a recession like this – but a large part of the answer may be the old story that giant companies got the lion's share of the federal stimulus packages.

Yes, there were some goodies tossed at small businesses, but many businesses figure those bennies were too scattered and hard to get at. In the BizFed survey, local business operators said the stimulus program wasn't well communicated, there was poor implementation and they felt small businesses were left out.

According to the survey, 91 percent of respondents said they did not qualify for stimulus money, or did not apply to get it.

This is no insignificant matter. Smaller businesses account for 90-some percent of all businesses, and they account for about 100 percent of all jobs created (since big corporations specialize in cutting jobs to achieve efficiencies). And smaller companies are especially important in Los Angeles, which has a shortage of big corporations and relies to a large extent on the creative class.

Oh, sure. The economy will improve, and smaller companies will come around. Eventually.

But in the meantime, smaller and midsize company operators must feel like the folks in the lonely little house who didn't get an invitation to the big neighborhood shindig. And there they are, noses pressed to the window, watching the big guys dance it up.

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