Preventing for 2020: Outlook and Challenges for Small Businesses

SCORE’s Acting CEO, Bridget Weston shared her message to small businesses last week by looking back at last year and looking forward to 2020. She summarized, “

By all accounts, the economy did well in 2019, and it continues to hum along at a decent pace in early 2020. GDP growth, unemployment, core inflation and manufacturing all moved in encouraging directions in 2019, and for most small businesses, that’s been good news for their bottom line. But while the economy remains strong now, our latest infographic, Small Business Outlook and Challenges for 2020, shows that growth may slow over the next couple of years.”

The main take away is how will your business prepare as you look ahead?

The Board of Governors of the Federal Reserve System predicts:

- GDP will decline to 2.0% in 2020, down from 2.2% in 2019,
- Unemployment is expected to improve slightly this year, but it is expected to climb in 2021 and 2022
- Core inflation is also expected to rise in 2020
- U.S. manufacturing sector is expected to see its steepest production decline since the 10-year period following the Great Recession (between 2008 and 2018).

It’s not all doom and gloom, though. Roughly 62% of small business owners report they’re feeling at least somewhat prepared for economic uncertainty, and 24% of them say they feel very confident about the future.

For small businesses wishing to survive the first year of the Roaring 20s, it all comes down to being prepared for uncertainty.
**Challenge 1: An Economic Downturn**

While another recession is unlikely according to the experts, 67% of small business owners aren’t so sure. At the very least, they anticipate an economic downturn—or worse—over the next 12 months.

**How to prepare:**
In the same Gallup survey, however, 75% of these same small business owners rated their company’s 2019 cash flow as “good” or “very good.” If you’ve had a good 2019 but are worried about the future, taking advantage of your good numbers early in 2020 could be key to mitigating risk. Apply for financing while your numbers are strong, and you’ll have the financial backing to weather the tough times if or when they arise.

**Challenge 2: A Tight Labor Market**

All the good news about unemployment being so low has been a mixed blessing for small business owners. It is great to see people working and putting money into the economy, but the low unemployment rate, combined with the growth of the gig economy and the trend toward remote workers has made it more difficult than ever for employers to fill open positions.

**How to prepare:**
It is estimated that 43% of the workforce is comprised of freelancers, and this actually presents an opportunity for small businesses. Outsourcing is a great way to build your business while saving money on salaries, benefits and taxes.

If outsourcing isn’t your bag, put together a plan to attract and retain talent by offering them the flexibility that comes with working remotely. More employees than ever are working remotely in some capacity in 2020, so developing a perk package that includes flexible hours and working from home may edge out your competition when it comes to finding talented employees.

**Challenge 3: Cyberattacks**

Cyberattacks aren’t isolated incidents anymore, and big, faceless conglomerates aren’t the only companies vulnerable to breaches. In fact, 43% of all cyberattacks targeted small business owners in 2019, the largest single sector of all. More than half of all attacks involved hacking, and 71% were financially motivated.
How to prepare:
The best way to prepare for a cyberattack is by educating yourself about what can be done to prevent breaches in the first place and then developing a plan to secure your business.

SCORE’s webinar, “What Small Businesses Need to Know About Cybersecurity” is a great place to start. Next, check out our eguide, “The Small Business Guide to Cybersecurity,” which not only helps you put the proper security measures in place, it outlines how to recognize and respond to a data breach if your business happens to experience one.

Challenge 4: Natural Disasters

Natural disasters aren’t just the big, sweeping threats that so many associate with climate change. Natural disasters can be a lot less dramatic, but no less devastating. A burst pipe, a server failure or a power outage can be just as destructive as a hurricane or tornado to a small business’s economic vitality, and it can leave an owner reeling. Sadly, between 40 and 60 percent of these businesses don’t recover.

How to prepare:
SCORE has a host of resources available to help small businesses prepare and address natural disasters. The best part? We’ve compiled them into a handy guide that allows you to quickly get to where you need to go.

What to Do Now

While our website has an extensive library of helpful content that can assist you in navigating the challenges facing your small business in the new decade, it is SCORE’s experienced and knowledgeable mentors who make all the difference. A SCORE mentor can work with you to identify the challenges you might face this year—be they economic or otherwise—and help you develop a preparedness plan to make sure you not only survive 2020 but thrive throughout it!

Reach out to a SCORE mentor today to get started.
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