

[2-minute meeting]

by Sarah Brouillard

Beyond the bunker: Upsize Summit event sizes up economy

"We think you should dig a really big bunker and stay in it for about 10 years," joked Charlie Mahar, president and chief investment officer at Tealwood Asset Management in Minneapolis.

He was speaking at the economics breakout session at the Upsize Small-Business Summit, held earlier this year at Earle Brown Heritage Center in Brooklyn Park. (This entire edition of Two-Minute Meeting is devoted to covering panelists' comments at the event.)

Mahar and four other panelists, invited by Upsize magazine, weighed in on the state of the economy from a state and national perspective.

He sees two sectors experiencing a "deep recession." The first is housing, where there have been "abuses and excesses, whether it's in mortgage finance or in the supply of housing or in consumer credit."

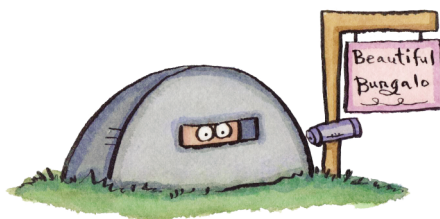
In 2006 alone, 25 percent of all mortgages underwritten were sub-prime, he said. Today, the industry is undergoing a "long-term, serious workout."

The other sector in the midst of recession is that of big-ticket consumer durable items, such as autos, he said. The rest of the economy, as far as he can see, is going through a "plain vanilla cyclical slowdown."

A recession is defined as two consecutive quarters of negative GDP, or gross domestic product. "We could very well get that," he said. "But by the time that news is out, we're already moving on ... to recovery."

Dan Forbes, an assistant professor at the University of Minnesota, Carlson School of Management, used similar words to describe the economy.

He said it's in the midst of a "general downturn that we go through from time to time," as



well as a "systemwide mini-crisis in the financial markets."

The upshot is there will be re-regulation in some industries, and changes in the role of the Federal Reserve in the economy.

While the state of Minnesota has ridden out prior downturns better than other regions because of its diverse economy, "this is not one of them," said Forbes. "I think we will share in this and participate in the downturn that is going on."

Hardest hit in the state are housing- and timber-related industries and building-related companies.

Also affected are consumer-discretionary businesses. Inflation and the high costs of oil and food crowd out other items on people's budgets, and people can't turn to debt as they did in the past, said Forbes.

Health care, however, tends to be more recession-proof; that sector has been somewhat insulated, and has been a bright spot for the state.

What to do? Panelists give advice to help weather tough times

Upsize Small-Business Summit panelists offered advice on how companies can weather the current downturn.

Dorothy Bridges, president and CEO of Minneapolis-based Franklin Bank, suggested owners look at their business plans, adjust them to today's market and economic climate — and redesign them if necessary.

"Cut costs where you can, and focus tightly on revenue-growing areas," she said.

Elin Raymond, CEO of The Sage Group, a Minneapolis-based marketing and communications firm, said owners should conduct due diligence before investing any marketing dollars.

Figure out which marketing initiatives have had the greatest return on investment, and if necessary, make cuts.

Some marketing initiatives "you might fall in love with because they're terribly, terribly clever. But if they don't really advance your business going forward, especially in a bad economy, you've got to try something else," she said.

During a downturn, customers are crucial. The current ones "are obviously your best customers, your best source of new revenue going forward." And it costs less to market to them.

Pinpoint where they come from, and then, don't lose track of them, Raymond said.

Also keep an eye on building a database of prospective customers. The most efficient way to do so is via the Internet, and e-mail marketing is less expensive than traditional marketing.

Move carefully when layoffs are necessary, attorney advises

When layoffs are necessary, be careful how you handle them, said Upsize Small-Business Summit panelist Laura Pfeiffer, co-chair of the employment law group at Winthrop & Weinstine, a Minneapolis-based law firm. Otherwise owners may subject themselves to legal liability.

"One of the biggest indicators as to whether someone will sue you after they leave their employment is whether they can find a job again," she said.

"If they can't find another position, then they're often thinking more about, 'Well, maybe things weren't so great at that place of employment ... maybe I have a claim here.'"

Companies must manage their termination message by being consistent — about who decided to make the termination, and the reason behind it.

She's developed scripts for employers to use at termination meetings because "oftentimes they're not going to go very smoothly."

Afterwards, it's important to follow up with a letter that repeats on paper the message that was conveyed in person.

Layoffs that fall disproportionately on people over 40 can lead to accusations of ageism. That demographic group is protected by federal and state anti-discrimination laws, and they're entitled to more time — 45 days instead of the usual 21 days — to consider and sign their severance agreements.