

Personal ties help small business

BY ELLEN WULFHORST, REUTERS MAY 20, 2009



Flexibility is one of the many aspects of personal business relationships that give small businesses a boost in these troubled economic times, managers and experts say.

Photograph by: Eric Thayer, Reuters

NEW YORK (Reuters) - When sales manager David Martin needs extra help at his small Michigan business, he calls his employees' family members and asks them to pitch in on short notice.

That flexibility is one of the many aspects of personal business relationships that give small businesses a boost in these troubled economic times, managers and experts say.

The personal relationships that small business can cultivate -- better than its larger, corporate brethren -- can provide agility, trust and integrity that are valuable assets when credit is tight, creditors are impatient or customers are hesitant, they say.

Being able to call an employee's relatives for help, without being hampered by tiers of management, makes a huge difference, said Martin, a sales manager at SelfLube Co., which makes mold and die components in Coopersville, Michigan.

"They sure do make it easier," he said. "If we have somebody on the payroll that's just sitting around until we need them, you can see the downside to your overhead. So if we need somebody, we just call them and have them come in."

The relatives who help at SelfLube tend to be workers who don't want full-time jobs, he added.

FAMILY MEMBERS WORKING FOR FREE

Small businesses can also do things big corporations can't, such as asking family members for help or bartering with customers or suppliers.

A quarter of small businesses have a family member working for free, according to research by the American Express Open Small Business Monitor.

Research also shows that bartering has increased at a quarter of U.S. small businesses due to the economy.

Social networking is booming among micro-entrepreneurs, according to studies conducted by Charles Matthews, head of the International Council for Small Business and executive director of the Center for Entrepreneurship Education and Research at the University of Cincinnati.

A majority say the networking is valuable for feedback, problem-solving, getting fresh ideas and connecting with other small businesses, Matthews said.

Author Bruce Freeman, who writes books about small business, says a camaraderie seems to have developed among small businesses in the recession.

"With all the financial turmoil, with (accused swindler) Bernie Madoff, people are saying that dog-eat-dog doesn't work anymore," he said. "People are more willing to extend a helping hand."

But Martin Lehman, a counselor at SCORE, a nonprofit group that provides expertise to small businesses, warned business owners to exercise some caution.

Lehman once ran a chain of women's apparel stores but was forced to close them when he learned his partner was stealing money.

"There goes a personal relationship right there," he said. "When you have personal relationships, you really have to know who you are friendly with. It's really almost scary."

Personal relationships in small businesses can be a double-edged sword, said Andy Birol, a Solon, Ohio-based business consultant.

"Trust is earned. Trust is lost," he said. "The problem is, if you've broken your word in the past, or if you made a promise you can't keep, then there's no hiding."

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