



Lincoln Business Journal Pages



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The only certainty is change: Business leadership discuss planning in 'new normal'

by Michelle Leach

In early January, U.S. Small Business Administration Nebraska District Office leadership highlighted how the SBA was addressing "disaster preparation." Off of crisis flooding, additional threats have since

presented themselves in a big way. At the time of this writing, the President officially declared the coronavirus outbreak a "national emergency," and the SBA on March 12 announced low-interest federal disaster loans for working capital available to small

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Craig Boesch, director, Small Business Development Center (SBDC) Lincoln Center, LNK and SE Nebraska.

businesses suffering "substantial economic injury" resulting from the new coronavirus responsible for COVID-19 disease.

"Regarding individual safety, the agency is referring individuals to the CDC, and state and local agencies for personal safety," said SBA Nebraska District Director Leon Milobar. "The SBA is concerned about the impact on businesses."

An informational notice published March 10 reminded lenders of their unilateral authority to provide relief with deferments on SBA 7(a) and 504 loans and microloans, which Milobar said has been communicated to the Nebraska Bankers Association, too.

Most discussions thus far, he noted, are on keeping employees healthy and businesses operating; he encouraged plans for potential home confinement (employees should do the same).

"I recommend reaching out to suppliers and to your customers to determine how they will operate under these conditions," he said. "Talk to your employees, so they

are aware of how the business can or will operate. Review travel and the need to be a public event."

Broadly, SBA is providing disaster preparation materials to owners and lenders (for their customers).

A member of the taskforce on preparedness and building resiliency in communities and businesses, Milobar said it appears most individuals and businesses don't have a disaster plan for continuing operations.

"We will be working through a variety of program partners on educating the public on having a plan and recommending the business test the plan on a regular basis," he said. "The taskforce is still collecting data and more information will be coming out later."

Go to Federal Emergency Management Agency (FEMA) or the Red Cross for sample disaster plans.

"Remember: The state is still recovering from last year's flood," he said. "There are issues with housing, road construction,

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Milobar



Synhorst

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leaves, and the need for employees. Flood recovery can take many years."

Pivoting from disaster preparation to activity among small businesses, Milobar highlighted the number of startups seeking financing, and businesses undergoing ownership changes.

"Up to this point in time, loan delinquency rates (0.3%) and default rates (0.3%) have been at an all-time low," he said. "The only other items are the continued consolidation in lenders and mergers between technology — data mining companies."

As compared to 2019, lending has slowed.

"The numbers of loans remain the same, but the actual size of loans has decreased substantially," he said. "Through February, dollar volume of loans is down 47% year over year. This is due to over a 50% reduction in demand for million-dollar loans."

A resource partner with the SBA, Lincoln SCORE provides free mentoring and low-cost workshops for startups and

on-going businesses, according to Certified SCORE Mentor, Workshop Presenter and Past Chair Ken Merlin.

"I would describe the overall environment as 'foggy' with respect to business opportunities and community support," he said. "There is a lot of good information available for startups on the SCORE.org website, SBA, courses in entrepreneurship at [Southeast Community College] and college business schools, Nebraska government agencies like the secretary of state and the department of revenue have streamlined their process for starting a business."

Furthermore, Merlin noted SCORE gets two mentoring requests per week.

"But we don't have the volunteer staff to follow these projects to completion — don't know who succeeded or failed, or why?" he referred to statistics not being shared at a national level. "We need a coordinated effort lead by the Department of Economic Development to access the needs of the small business ecosystem in Lincoln, [and] to include future business development in

retail, manufacturing and services to clear the fog."

Merlin further highlighted Lincoln SCORE's sponsorship of workshops at SCC, presented by small business subject experts in legal, accounting, marketing, insurance and banking.

"We are currently recruiting subject matter experts and more retired business owners to increase our mentoring staff from 15 to 25," he said.

Economic uncertainty is a growing consideration as significant stock market volatility and a global viral pandemic force consideration of dramatic alterations to current lifestyle standards, according to Craig Boesch, director of the Small Business Development Center (SBDC) Lincoln Center at the University of Nebraska-Lincoln.

"It remains to be seen how this will affect all businesses, small or large," he said. "With this latest disruption, new challenges will certainly arise. I feel confident those challenges will spawn adaptations."

Boesch surmised those positioned to

help will remain very busy and may gain in the process.

"As will others that pivot to join in," he said. "For the adept and nimble, new challenges can represent opportunity."

Boesch reminded us that, as a term, "disruption" has always been part of the business lexicon.

The effect of change, gradual or abrupt, on small businesses can be significant," he said. "In my lifetime, the retail scene has evolved dramatically; the once bustling heart of small communities, Main Street, has been slowly set adrift with the arrival of 'big box,' and now, 'big logistic.' Through it all, small business has thrived in some capacity."

In fact, Boesch pointed to many small businesses who serve a much larger geography than they once did — and provide products or services that locals don't immediately consume.

"Ninety-nine percent of the total number of businesses in Nebraska are considered small businesses, employing just under half of all those working in business in our state," he said. "Small business in Nebraska remains strong, growing and adaptable."

If asked a few weeks ago about the climate, Lincoln Independent Business Association President and CEO Bud Synhorst would have said Lincoln businesses are in a "strong position."

"All indications were heading in a good direction, based on sales tax receipts [and so on]; however, with the ever-changing world we are in now, with the COVID-19 virus ... the cancellation of sporting events, concerts and community activities, we are concerned for our businesses," he said; for instance, no spectators at the state boys basketball tournament and its effect on convenience and retail stores, hotels, restaurants, boutiques — all kinds of businesses.

"As those activities continue to be cancelled, I am concerned for our small businesses," Synhorst said.

LIBA membership remain concerned about how businesses will grow in the current environment.

"What we considered 'normal' a few weeks ago will not be 'normal' any longer," he said. "We may start talking about the 'new normal,' however it may look in the coming days, weeks and months."

Synhorst recalled his time in Cedar Rapids during the historic 2008 floods: "We had no idea of the impact it would have on our community. We had no idea how long evacuations would last or what changes we would see hour by hour or day by day. I believe we are in the same situation moving forward with the COVID-19 virus and the changes it will bring about in our lives. Some days we will be thinking what is important in the next hour, then the next day, then the next week, then the coming months."

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