

Seeing opportunities in a difficult economy

Philip Pecora has his finger on the pulse of Rochester's small-business community. As Genesee Regional Bank president and CEO and current president of the Small Business Council, he works directly with a broad range of small companies throughout the area. He is upbeat about the prospects for these firms and for his own business, which has boosted its work force by some 60 percent in the last 12 months to 40 employees. He discussed the state of small business locally and what he would like to achieve as SBC president in an interview with Rochester Business Journal editor Paul Ericson.

RBJ: Signs of recovery are emerging in the economy nationwide. Are small businesses locally beginning to see an improvement?

PHILIP PECORA: The small-business community in our area certainly has felt the stress of the global economic downturn; however, the negative impact has not been as severe as other parts of the country that had experienced more robust growth during the years of economic expansion. This fact is evident in our unemployment figures, where Rochester is currently holding at 8 percent as compared to New York State at 9 percent and the U.S. at 9.8 percent. There appears to be more stabilization than improvement at this point, but our economy never overheated, so the effects are much less severe.

RBJ: What segments of the small-business community are experiencing the strongest growth right now? And which are having the hardest time? Many larger companies are continuing to downsize or at least hold off on new hires. Do you think the same is true among smaller firms in Rochester?

PECORA: In contrast to larger local companies, small businesses have been growing and adding employees over the past two decades. Small businesses have recently been forced to pull back on hiring and have even cut back on their work forces due to macro issues. In general, though, it is the small-business community that has kept our employment numbers stable over the years, consuming the job losses of the large public companies.

RBJ: How has the current economic



Photo by Kimberly McKinzie

"It is the small-business community that has kept our employment numbers stable over the years," says Genesee Regional Bank president and CEO Philip Pecora, current president of the Small Business Council.

environment affected Genesee Regional Bank? How have you responded to it?

PECORA: The national media talk a great deal about small businesses currently not having access to bank financing as a result of the global financial crisis. Compared to when banks were overly aggressive in providing financing to those who, in hindsight, were not creditworthy, it may appear that banks aren't lending. Large financial institutions tend to develop their appetite for credit on macro conditions. When the economy is in good shape and businesses are increasing revenues and profitability, credit is readily available. In a recessionary period, large multiregional and global banks with diverse exposure to various markets pull back across the board and become very restrictive in their lending decisions, regardless of the specific condition of individual corporate borrowers.

This contraction among the larger financial institutions provides an opportunity for Genesee Regional Bank and other community banks to take some market share. We are maintaining our course, making consistent credit decisions based on our specific understanding of our communities and the businesses we have relation-

ships with. Of course, banks can't make loans without deposits, and the financial crisis also provided a benefit to community banks in that our depositors were reminded that larger isn't necessarily safer and a business owner or individual has a high degree of comfort in knowing who is housing their money.

RBJ: How do you see your role as SBC president?

PECORA: The Rochester SBC is a board-member-run organization focused on providing first-class events that celebrate business success and promote business-to-business and individual networking. My primary role as president is to ensure the recruitment of committed board members who drive the success of our events. The SBC is fortunate to have a strong board membership consisting of representatives from Rochester small business and service firms who have a strong interest in promoting and encouraging the growth of our local economy. As such, there is a great deal of self-motivation on our board that makes my role as president pretty easy.

RBJ: What are some of your top goals in this role—things you'd like the SBC to accomplish during your time as SBC

president?

PECORA: The SBC is a proud affiliate of the Rochester Business Alliance. Although our membership is independent from the RBA's, we are working on ways to provide mutual benefits to our members. Increasing membership is important because as an extremely lean, not-for-profit organization, those revenue dollars are reinvested in the programs and events that we give back to our members and deliver to the broader business community. As such, growing our membership is my priority as it will allow us to further enhance the SBC's offerings.

RBJ: The SBC offers a number of programs. Which ones are most popular with members? Are any new ones on the drawing board?

PECORA: The Business Person of the Year Award luncheon has become a "must-attend" event in our community. Approximately 1,000 local businesspeople attend each year to celebrate Rochester business success stories through the award ceremony and presentation of our keynote speaker. This year, we are very excited to feature well-known head golf professional Craig Harmon, who has been instrumental in contributing to the proud history and the success of Oak Hill Country Club.

Our board is constantly seeking ways to increase the value of the SBC to our members and the business community through the addition of new events, programs and other networking opportunities. We are very proud of the SBC's new Web site—www.rochestersbc.com—that was launched this past year. We will soon be offering a business/social networking feature to the site that will allow our members access to each others' services as well as discussion opportunities on important business topics.

RBJ: What are SBC members' top legislative concerns in Albany?

PECORA: As an affiliate of the Rochester Business Alliance, the SBC relies on the RBA for our legislative efforts. The SBC also contributes financially to Unshackle Upstate and supports the coalition's initiatives, particularly on the issues related to tax reform and wasteful government spending.

RBJ: Do local and state government adequately support small businesses in this area, or should they do more?

PECORA: Passive support by creating a more business-friendly environment locally and in New York State is what most small businesses desire in terms of government support. Government subsidy programs are positive gestures, but the root of the issue is government bureaucracy and the overall heavy tax burden we face as a result. Focusing on positive change in reducing government is a monumental task



Photo by Kimberly McKinzie

Pecora says "growing our membership" is his top goal as SBC president.

but the only material benefit that our politicians can provide our businesses.

RBJ: Is there enough capital to fuel small-business growth in Rochester now?

PECORA: Rochester has great intellectual capacity and a strong reputation for innovation. You will not find many venture capital firms in our local Yellow Pages, but there are a few firms that provide early-stage and mezzanine-level capital in the immediate area and the broader region.

What is surprising to many, and not very well publicized, is the number of private individuals who invest in hundreds of local companies each year. There is a strong network of entrepreneurs who are very willing to invest in a company with a promising story and a solid business plan. Networking is the key to realizing both these capital resources and business opportunities.

From the financing perspective, the banking environment remains very stable in Rochester with a wealth of community and regional banks that are anxious to establish relationships with good, solid businesses.

RBJ: What words of advice would you have for someone thinking of starting a business today?

PECORA: Plan well, and don't even think about taking the risk of starting a business unless you are well capitalized and have strong working relationships with key trusted advisers, including a banker, a

CPA and a lawyer who are all well-versed in small business.

RBJ: If he or she asked you what's the biggest myth or misconception about small business, what would you say?

PECORA: The biggest misconception about small business is that they are "mom and pop" lifestyle businesses. The great majority of people who live and work in our community are employed by a company with less than 100 employees.

RBJ: What do you think is the most common reason many small businesses fail?

PECORA: It's lack of proper planning, particularly from a capital perspective. Many small businesses confuse financing with capital. Building a solid balance sheet provides a company with ability to leverage its growth with senior bank financing during bullish periods, while protecting the survival of the business during challenging economic times. The businesses that are prospering are those that have planned accordingly and are taking advantage of the opportunities left by weaker competitors.

RBJ: Looking ahead, what key challenges are small businesses in Rochester likely to face over the next few years?

PECORA: One of the disadvantages for small businesses is the lack of resources (more time than financial) to support training programs for young or inexperienced workers. Historically, Rochester has developed a strong work force through training provided by the larger companies. Many local entrepreneurs today are products of training programs provided by our larger employers.

Creating opportunity for recent college graduates and our younger workers is a necessity to keep young talent in Rochester to provide the succession for our local companies. The SBC recognizes this challenge and is beginning to take steps to address it by recruiting younger professionals to join our board of directors and membership. We're also establishing relationships with organizations such as Rochester Young Professionals and Eastman Young Professionals.

RBJ: Finally, are you generally optimistic or pessimistic about the prospects for small businesses locally over the next five years?

PECORA: I remain very optimistic about local small businesses. Rochester's conservative reputation and resilience have protected us from the extremes of the recent recession but do not diminish the creativity and innovation that continue to be fostered in our business community. As president of the Small Business Council and of Genesee Regional Bank, I am fortunate to be reminded every day of the numerous successes that exist in our community. ■