

The Challenge of Tariffs

What Leaders Should Consider Now

by MICHAEL SIPE, Chairman — Vistage Int'l 667

After a surge of optimism following the 2024 election, small business confidence is now on the decline. According to the March WSJ/Vistage Small Business CEO Confidence Index, sentiment has dropped for the third consecutive month — this time by 9.4 points to 85.4. Since December, confidence has fallen 26.5 points, effectively wiping out the previous surge and returning to levels seen last summer.



So, what's driving this reversal in mood? The primary culprits are economic uncertainty, deteriorating outlooks, and a growing fear of tariffs.

Tariffs: Familiar Economics, New Uncertainty

Tariffs are not new. We've seen them before, and their effect is well documented: they raise the cost of imported goods, squeezing margins for U.S. businesses and inflating prices for consumers. Even if these policies eventually nudge companies toward domestic suppliers, the shift doesn't happen overnight — and domestic alternatives are rarely cheaper.

Businesses are once again faced with three options: figure out how to operate more cost efficiently, absorb the higher costs or pass them on to customers. And many will end up doing all three.

What sets the current environment apart, however, is the sheer unpredictability of the tariff policy rollout. This makes planning difficult.

In business, unpredictability is dangerous. Markets reward stability, and when that's missing, decision-making stalls. Whether you're a public company or a small business, uncertainty breeds fear — and fear freezes action.

Fear Is the Real Threat

Pricing is fundamentally an emotional process. Fear plays a bigger role than we often admit, both for the salesperson and the buyer. And right now, fear is driving the market.

Customers are nervous. They're seeing price increases and bracing for more. In response, some are:

- Negotiating harder
- Delaying purchases
- Reducing inventory
- Canceling or pausing projects

The cause? Not just the price hikes themselves — but the fear of what's next.

So What Should You Do?

When costs rise — whether from supply chain disruptions, labor shortages, inflation, or tariffs — many leaders fall into the trap of waiting too long to act. The biggest mistake? A price increase that's too little, too late.

Here are three actions business leaders should consider taking now:

1. Fine Tune Your Processes

This is an excellent opportunity to streamline operations, cut out waste and assure your operating practices are lean. Almost every organization can find ways to cut operating costs. Now would be a good time to do so.

2. Get Ahead of Price Increases

If your sourcing mix is affected by tariffs, quantify the impact and adjust pricing immediately. Don't lose months of margin running endless scenarios. Move quicker than you're comfortable with and raise prices by more than you think is necessary. Being slow or timid puts your business at risk.

3. Choose the Right Strategy

Decide how to present the increase to your customers:

- If the hike is substantial and clearly tied to tariffs, a separate surcharge might help with transparency and understanding.

- If you'd rather maintain pricing flexibility even if tariffs are repealed, roll it into your product price with value-driven justifications.

Whichever path you choose, be transparent, empathetic, and proactive in your communication. Customers respond best when they feel informed,



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not ambushed.

4. Align Your Team

Price changes don't just affect customers — they impact your team. Make sure your salespeople are trained, confident, and prepared to explain the increases. Support them with clear messaging and position your pricing adjustments as part of a thoughtful, values-based response to external pressures.

The Path Forward

The small businesses that endure challenging cycles like this are the ones that innovate, operate efficiently, act early, communicate clearly, and stay nimble. Don't wait for certainty. It may never come.

Now is the time to:

- Improve operating efficiencies
- Reassess your pricing model
- Re-evaluate your supply chain
- Stay close to your customers and employees
- Lead with clarity, confidence, and courage

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