

11 Tips to Prepare Your Business for a Recession

While it may be possible to predict whether a recession is going to occur, it's not possible to control whether it happens. Therefore, the best way to increase the likelihood that your business continues to face success regardless of the state of the economy is to prepare far enough in advance. To help prepare, consider the following 11 tips.

1. Secure Financing Before You Need It Throughout the course of a recession, small businesses may need to ask for financial help, even if it's expensive. Don't think of this as a sign of failure. Instead, try to get ahead of the curve by securing financing before you actually need it. You're much more likely to be approved for a business line of credit when your company profits are going well, so do what you can to qualify. If you apply in the middle of a recession, it'll be harder to qualify so it's an action item worth pursuing in advance.

2. Protect Your Cash Flow Since 82% of businesses fail due to cash flow mismanagement, this is one of the most important aspects of surviving a recession. Strong cash flow management includes both following up on past-due invoices from clients and creating an emergency savings fund. Try to keep the equivalent of three to six months of expenses in an emergency cash fund.

Another way to protect your cash flow is to manage your receivables. You should have legal contracts in place regarding late fees to reduce the risk of outstanding balances going unpaid. You may also want to consider collecting deposits for high-paying jobs upfront to reduce the risk of nonpayment. While it might seem fine to let loyal clients get a few months behind on invoice payments, staying up to date with these helps you prepare for a recession and avoid operating at a loss.

3. Reduce Unnecessary Expenses One of the best ways to prepare your business for a recession is to carefully examine your expenses. Look for any areas where business expenses can be reduced and try to do this as early as possible. The more time that passes with your SMB operating at increased efficiency, the more money you'll save and the more prepared you'll be in case of a lasting recession. Examine your costs and determine how to increase the variability of expenses or decrease overall expenses.

4. Take a Serious Look at Staffing Take the time to look into your current staffing situation. You should have the right leaders in place to maintain focus on the goals and priorities of the company. Do what you can to retain your top talent. You should also inquire about whether your teams are being productive and delivering at the level they need to be to advance your goals. Opportunities to outsource and make your operations run more efficiently from a cost perspective, particularly with a solution that provides HR consulting expertise, can help you scale wisely to mitigate the need for downsizing.

5. Turn to Employees for Input Employees are heavily integrated in the day-to-day operations of your business. This means they often have great ideas regarding opportunities to increase savings and reduce business costs. Consider turning to them for their input on effective savings, as well as ideas for fueling growth for the future. Not only can this lead to strong ideas for surviving a recession, but it may also help your employees feel valued within your organization.

6. Maintain Strong Communication During a recession, communicating with confidence is as important as ever. Employees may be wondering about the stability of the company, the safety of their job or how daily operations could change. Always maintain strong communication, particularly when preparing for a recession. Without honest, accurate information, employees may begin to make assumptions and many of them are likely to be

incorrect. This can lead to fear and premature turnover as employees look to other options to attain the certainty they need. Be as transparent and authentic as possible with your people.

7. Promote the Employee Assistance Program If you have an employee assistance program (EAP) as part of your benefits program, remind employees of the EAP and any other wellness initiatives. EAPs are benefit programs that offer short-term counseling, referrals and other mental health services to employees who are having challenges with work-life balance. It's a confidential resource that can help your workforce process any changes or learn effective ways to manage anxiety. Recessions are stressful times and employees can benefit from having this resource available to them.

8. Offer Financial Tools to Employees While it's unlikely that small businesses entering a recession may be able to provide further financial help to their workforce, resources and guidance can go a long way. Some employers offer financial tools as a part of their benefits and wellness offerings, such as retirement or 401(k). If your company has this type of assistance available, tell your employees how to access it. These are often overlooked, resources that you can promote to your employees.

9. Strengthen Your Team It's always important to continue strengthening your team, whether or not you're facing a recession. Take the time to reaffirm your mission, vision and values to help your employees feel valued and connected to your company. Remind them why they chose your company and ask for their commitment to the path forward, through the ebbs and flows of the challenges ahead. When employees feel connected to a larger purpose during economic hardships, they're more likely to stay committed to overcoming challenges as a team.

10. Evaluate Business Relationships The driving force of success behind any business is relationships, particularly with their clients. Loyal customers may reduce their spending, but if you have a good relationship, they're going to stay committed to you instead of turning to competitors. Try to continually evaluate your business relationships and take the time to build meaningful connections. This should include everyone from customers and prospects to employees and suppliers.

If you find that most of your business comes from one or two clients, it's a good idea to consider expanding your services to new prospects. This helps reduce the risk of eliminating your entire cash flow if one client pulls back on spending during a recession.

11. Look for New Opportunities Every recession presents a unique opportunity for businesses to expand and diversify their offerings. Try to think of innovative products or services that you can promote to expand or diversify your offering, without raising business expenses. Leverage technology or automation to improve business unit economics. Keep an eye on what your competition is doing, maximize organizational efficiency and explore new markets.

