

How to Recession- Proof Your Business

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Recessions happen, and once they do, there isn't much you can do about it but deal with it and try to mitigate the impact of another one in the future. Taking measures to recession-proof your business is crucial for success. Keep reading for tips on how to recession-proof your business.

1. Secure capital before you need it.

"Flexible working capital will be the single most important factor to help keep doors open, as it was in 2008," said Eyal Lifshitz, CEO of BlueVine. "Business owners shouldn't wait until crisis strikes to seek out the money they need."

Lifshitz emphasizes how important this is, because once a recession hits, credit and capital become much harder to get. There is good news, though.

"Raising capital has become much easier today for small business owners," Lifshitz said. "Banks are easing credit, and fintech startups are expanding online lending options. So, securing capital at a time when the future is unclear would be a smart move."

2. Talk to partners and suppliers now.

"Chances are these businesses will be faced with the same challenges," Lifshitz said. "SMBs need to have open conversations with their partner networks now about the recession and their game plans to gauge the potential impact to their own business – and seek alternative partners as needed."

There are many people who keep your business afloat, and you want all of them to be on the same page as you when it comes to a recession.

"Talking to your partners and suppliers is important, as you always should keep a pulse on those that help your business churn," said Jennifer Earley, owner and marketing strategist at Amplified Marketing Services. "You are easily able to seek out ways that you can do business better, as well as identify potential pitfalls before they happen."

3. Think twice about big investments.

Lifshitz said that this one is important because opening a new office or buying new equipment may be a financially sound decision while business is booming, but "could come back to haunt a business owner if a recession hits." He suggests asking yourself a few questions about spending for your business, especially for those thinking about starting a business in the next year:

1. Do I really need state-of-the-art equipment?
2. Should I commit to long-term real estate or a multiyear software contract?
3. Is it the right time to hire more people, or should I wait?

"You simply don't want to have your business on the hook with large debt repayment if cash flow isn't coming in as projected due to market softness," Earley said. "I recommend reduced spending and [to] spend in areas that are necessary for keeping the lights on or have proven to have a strong ROI in the past."

4. Build an agile workforce.

"Layoffs leave a wide wake of damage, impacting the livelihood of the people let go, disrupting the business, and even tarnishing culture and brand," said Lifshitz, adding that it's important to hire carefully and thoughtfully, considering contractors and freelancers, with a potential downturn in mind.

Earley said that many businesses and organizations live by the mantra "do more with less."

"It's important to have a workforce that is able to pivot and quickly react when needed," she said. "With my small business clients, we continue to discuss resource allocation and the importance of cross-training the team in certain areas so that there's always a plan A, B and C to delivery."

She added that this applies to profitable times but to times of recession as well, because "if done the right way, there is always going to be talent on the team that can continue to move the ball forward, reducing the need to spend time (and money) ramping up resources."

Today's banking market

Getting capital is not always easy, with many examples in the past of how difficult it can be. But it's as easy today as it's ever been for business owners.

"They have far more options, from traditional banks to alternative lending options," Lifshitz said. "Even tech giants such as PayPal and Square have entered the financing market. But like in the last recession, a downturn could lead to credit becoming less available."

While researchers and predictors are hopeful that we won't see another recession as severe as 2008, it's hard to tell. Because of the unpredictability of it all, being cautious with where and how you spend your money, and how much money you seek, can be the difference between coming out on top and falling into the pit of recession.