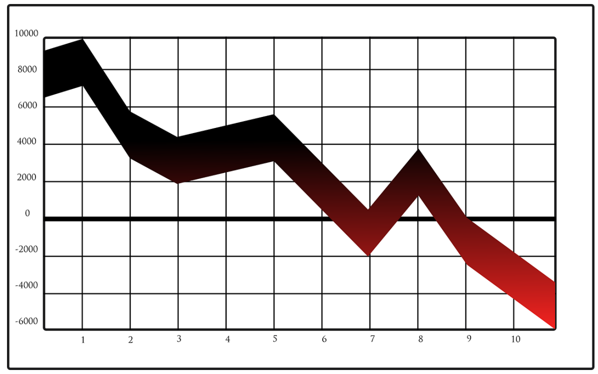
Preparing Your Business for a Recession



"Give me six hours to chop down a tree and I will spend the first four sharpening the ax."
— Abraham Lincoln

If a recession is coming our way, planning is essential. Here are three important things you need to know to come through ready for the next upswing.

Your number one strategy

In recessionary times, the number one survival strategy is to conserve cash. Businesses can accomplish this in three ways.

1. Increase inflow and restrict outflows. Reduce your exposure by tightening any credit offered to customers and by firmly collecting any payments due.

   Then reduce your cash outflow by taking advantage of the impact a slowdown might have on your vendors. Negotiate payment terms to maintain order volume, ask for off-invoice allowances or seek vendor help in pursuing manufacturers' rebates.

2. Closely and regularly (monthly or quarterly) monitor overhead expenses, costs of goods or services sold, and inventory carrying costs. Re-evaluate your offerings in light of a recession. Review order cycles and stock keeping unit depth. Avoid lines with heavy carrying requirements.

   Restaurants should carefully review menus and avoid offerings with burdensome inventory requirements or unpredictable demand. What do customers order during a recession? People still want to go out, but most will be looking for price points. Is this a good time to retool to get strong in takeout space? Should you take another look at your web presence?

   Throughout these efforts, studiously look for signs your prices should be increased - and act quickly.

3. Third, evaluate opportunities to use that hoarded cash to make advantaged acquisitions. Market with specific, measurable goals like increased store visits, increased dollars per customer visit, or leading a prospect to the first purchase.

Plan major purchases at year end to lock in favorable pricing and interest rates, or to capture tax advantages.

Brother. where art thou?

Building and retaining a quality team might see some easing if a recession develops, then again, finding good workers might remain challenging.

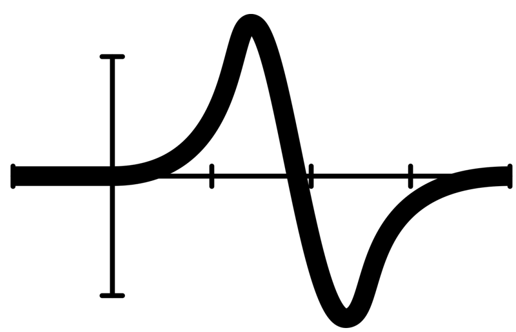
If staffing continues to be difficult,employers can mitigate this by redesigning jobs to focus on value creation. Re-evaluate duties, job descriptions and expectations. Find ways to connect performance to compensation - commission, incentives, or bonuses, for example.

Employers can also increase retention by making employees feel special. Look for ways to improve employee experience. Offer flexible schedules to accommodate day care needs. Provide memberships in fitness clubs, discount warehouses (Costco, Sam's Club), or travel services (AAA, etc.).

Offer tuition reimbursement programs for employee development. What if you invest in your employees and they leave? What if you don’t invest - and they stay?

If these suggestions sound expensive, what is the cost of turnover?

The sun also rises



It’s called an economic cycle for a reason, it goes around and comes around and goes around again. Be proactive in addressing the challenges of a potential recession. Your business will be the better for it, whether the recession comes or whether it doesn’t.

What about startups?

Thinking of starting a business? Since the Great Depression, businesses that start in a downturn have had a much higher success rate than those that start in boom times.

New entrants find fewer and weaker competitors, markets and needs going unserved, with used equipment and interesting leasing opportunities plentiful.