



# Top 25 Ways to Prepare Your Small Business for the Next Recession

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Recessions are difficult to predict. The best time to prepare for a recession is when the economy is doing well. Planning is critical to ensure your business won't be affected during an economic downturn. We spoke with experts to get their insights on how to prepare your business for a recession.

Here are the top 25 ways to prepare your business for the next recession:

## **1. Increase Your Line of Credit**

**Laura Faulkner, Vice President of Marketing, [Credit One Bank](#)**

Demonstrate good payment behavior and increase your line of credit prior to a recession, as you may need a higher credit limit during the economic downturn. Most banks use a behavior score when making credit line decisions, so making payments on time is an important factor. In addition, paying more than the minimum amount due and paying in advance of your due date are also important because they portray you as a lower risk and could increase your behavior score.

## **2. Automate Workflows**

**Mike Hughes, Managing Director, [West Monroe Partners](#)**

In order to be prepared for the next recession, it's important that small businesses start optimizing their workflows now to drive productivity and efficiency. According to our [recent survey](#) of 250 business leaders, one way

executives are already looking to drive productivity is through the adoption of automation, with 69% of respondents having already adopted some form of automation in the workplace. While employee concerns may exist over automation taking their jobs, the overwhelming majority of managers (97%) agree that automation will allow them to do their jobs more effectively and let them spend time on more challenging tasks, and 90% of executives say the same.

### **3. Claim & Optimize Your Google My Business Listing**

**Bill Fukui, Vice President of Sales & Marketing, [Page 1 Solutions, LLC](#)**

This Google platform is much more than a free tool to put your business on the digital map. You can communicate all of your business information to prospective customers, upload engaging photos and videos, provide customers with a virtual tour of your office, cultivate and interact with customer reviews, and make time-limited posts that tell consumers about specials, events, and more.

All of these Google My Business (GMB) marketing tactics are free to use, so they are a cost-effective way to provide value to users performing searches for goods and services in your industry. What's more, should we enter a recession, customers are more likely to look closely at businesses to ensure that you fit within their budget and deliver sufficient value for the money they spend. Google My Business is a cost-effective way to inform and persuade users of this value proposition when they find you in online searches.

### **4. Stay Focused on Your Long-Term Goals**

**Heather Ishikawa, Senior Vice President, [Caliper](#)**

Although it is important to increase your savings for rainy days, you also want to make sure to keep working to achieve your long-term goals. You may have to change the approach or timeline, but you don't want to lose focus on the end game. If the business slows down, it is time to stop and think about what is working and what isn't working. Then figure out what you can do with what you have to build and/or maintain your competitive advantage.

## **5. Reduce Discretionary Expenses**

**Sabina Gault, CEO, [Konnect Agency](#)**

Any time there is financial instability (whether it's due to the economy or company shortfalls), the first step is an obvious one: reduce discretionary expenses. Discretionary expenses need to be cut, and this is the time to re-evaluate your company policies for travel, per diems, and office supplies. Most companies' highest expense after salaries is paying leases and bills for their office space. During a recession or other financial strain, look to see if you can sublease some of your space to offset those costs that must stay. Finally, look at vendor output and decide if you can hold off on online advertising, web design, accounting, or other miscellaneous services.

## **6. Make Conscious Decisions Based on KPIs**

**Scott Anderson, Audit Partner, [Sensiba San Filippo](#)**

One strategy to avoid making decisions with worst-case scenarios in mind is to incorporate warning levels into your reporting. Most companies are looking at key performance indicators on a weekly or monthly basis. Adding benchmark levels that would indicate that action may be required will help you stay the course if things are going fine, despite what media outlets or others are saying.

Whereas many businesses might hesitate to take action soon enough, you'll already have resolved what levels warrant action. The decision and logic are pre-defined with a trigger level to take action. This can prevent a business owner from indecision, which can cause a business to dig into a financial hole that could have been avoided. Remember, you can always change the course, but warning level indicators make for conscious, unemotional decisions.

## **7. Look for Ways to Optimize ROI**

**Deborah Sweeney, CEO, [MyCorporation](#)**

The best way to prepare your business for the next recession is to begin paying attention to areas where there is return on investment (ROI) for the

company. Keep an eye on methods where ROI can be optimized to grow your business. Look at ROI for everything you do. Then leverage your nimble nature to make adjustments and correct. Be willing to test, learn, and adjust quickly.

## **8. Simulate Your Cash Flow & Operating Expenses**

**Jason Patel, Former Career Ambassador – George Washington University & Founder, [Transizion](#)**

Cash flow is the lifeblood of a business, and when a recession hits, you need to be prepared to strap in and get leaner. This means you need to simulate your cash flow if revenue were to drop 30%, 40%, or even 50% in the event of a recession. You need to know how your business will survive if revenue slows down cash flow. Furthermore, look at your operating expenses and delve into what can be cut if the business were hit hard. You don't want to get lean without prior training; make sure you have your game plan once the economy slows.

## **9. Make Sure You Employ the Right People**

**Kimberly Rath, Co-Founder & Chairman, [Talent Plus, Inc.](#)**

Businesses that employ individuals who are caring are more likely to bounce back faster after a recession. It's important to carefully select individuals who are hardwired to be resilient, growth-oriented, resourceful, and optimistic. These are the traits that help one overcome financial difficulties. They are more likely to be optimistic and possibility thinkers. Use a validated assessment to help you select the best individuals who are hardwired to be an asset and who can add value to your organization.

## **10. Manage Debts Properly**

**Gerri Detweiler, Education Director, [Nav](#)**

To prepare a small business for the next recession, owners should reduce debt before the economy slows again. Less debt will give your business more flexibility if the economy slows. Pay off debt aggressively if you can afford to do so. If you can't pay off your debt, tackle your highest-cost balances first to get the most bang for your buck. Also, pay down personal debt. This will also make life less stressful if your business doesn't hit its normal sales or revenue

targets and you need to cut your personal income. If you can't pay down debt, make sure you have secured the lowest interest rates for which you qualify. Rates will continue to rise, and locking in lower rates as soon as possible is a smart move.

## **11. Create a Growth Mindset**

**Ollie Smith, CEO, [ExpertSure](#)**

One way to prepare your business for the next recession is to create a growth mindset. Instill a positive, you-can-achieve-about-anything mindset. This will be especially relevant when your employees come up against roadblocks down the road. Make sure to lead by example. If you expect everyone else to double down and work long hours late into the night, then you must do the same

## **12. Pay Off Your Business Credit Cards**

**Jordan Tarver, Credit Card Writer, [Fit Small Business](#)**

It's important to pay down any large outstanding balance on your business credit cards as soon as possible. Failing to do so can hurt your business during a recession, when money is harder to come by. Another smart move is to consolidate your credit card debt onto a credit card with a low APR. Consolidating your debt onto a business credit card with a lower interest rate can help reduce your monthly financial debts.

## **13. Develop & Follow a Strong Business Plan**

**Keith Chulumovich, CPA & Director, [O'Keefe](#)**

Business owners should look at every aspect of their business, starting with how well the business is performing against its business plan. Developing and following your business plan is fundamental to the success of any entity. Losing sight of it can bring unwanted results. It's crucial to monitor key performance indicators (KPIs), including loan covenants and looking at historical trends to see if they are moving in a positive or negative direction.

## **14. Shop Your Insurance Policies to Reduce Costs**

**Jeff Somers, President, [Insureon](#)**

To best prepare for the next recession or economic downturn, small business owners should ensure their business is protected. Because insurance coverage and prices tend to change each year, it's important that small business owners compare multiple quotes from different providers when renewing insurance or purchasing a new policy. This can lead to important savings and better coverage when every dollar counts during an economic downturn. Some insurance companies will also offer to bundle policies at a discount

### **15. Get Creative with Collecting Debts**

**David Royce, Founder & Chairman, [Aptive Environmental](#)**

The recession is a great opportunity for your business to extend better customer service. For those clients who might be struggling to make ends meet, get creative breaking up collections into smaller payments or extending the payment period. These types of clients will later reward your flexibility with their loyalty for the long term, and will often refer others to you because you gave them a helping hand.

### **16. Work with a Micro-Influencer**

**Ruth Klein, Entrepreneur, CEO, & Founder, [Expert Celebrity™ Branding](#)**

A micro-influencer is someone who is a few tiers above you in your same field and industry. They're someone whose career you aspire to have (in your own unique way, of course). They are currently engaged with the ideal clients you know you should be attracting too. Finding a micro-influencer you can work with helps to keep your brand engaging and relevant.

One of the reasons this person has become a micro-influencer is because they're consistent with their followers, and that's something you should try to emulate. Find out where your clients are, and connect with a micro-influencer on that platform (e.g., LinkedIn, Instagram, Twitter) and pitch symbiotic opportunities you can work on together. When you reach out to someone with a heartfelt, authentic pitch to work together, you'd be surprised what can happen.

### **17. Test Out Most Cost-Efficient Goods & Services**

**Mark Ortiz, Founder, [ReviewingThis](#)**

Businesses can prepare for a recession by testing out lower-priced goods or services. If your product comes with many bells and whistles, then look for opportunities to simplify the product to bring down the overall cost. Consumers will still spend money in a recession; the key difference is their sensitivity to pricing. By reducing the amount you spend on recurring expenses, you'll have a greater ability to adjust your prices to keep your customers buying throughout a recession.

## **18. Build Cash Reserves for Possible Purchase Opportunities**

**Eric Sztanyo, Lead Agent at Team Sztanyo & Founder, [We Buy NKY Houses](#)**

There may be no other industry than real estate that was hit as hard when the last great recession hit. If you didn't learn the lesson, then your business may be in for another rude awakening. To be prepared in real estate, you need to learn how to shift your business model for any kind of market.

While the latest boom market was great for sellers and houses flew off the market, when the next recession comes, inventory will stack up and buyers will be able to get discounts on properties. As a small business, you can prepare for this by building up your cash reserves to purchase these discount properties, rehab them, and flip them. Knowing that they may sit longer and that home prices will be trending down, all economic models and estimates will be adjusted accordingly.

## **19. Build a 12-Month Emergency Fund**

**Denym Bird, CEO, [Cryptosaver](#)**

You can prepare for the recession by very carefully managing your cash flow and building a 12-month emergency fund that will enable you to survive for the next 12 months in the event your business doesn't make any revenue. This should be enough to cover all of your operating expenses, including salaries for your employees.

## **20. Ramp Up Your Marketing Efforts**

**Nicole Hudson, President, [Inbound Lead Solutions](#)**

Ramp up your marketing before the recession hits your higher-level clients. Companies will still be in need of certain goods or services that your company

offers, and you could position yourself to take that business at a lower rate to them but a good rate for you. You may also think of other marketing strategies like asking new or existing clients to pre-pay or sign up for a retained amount of work ahead of time. Offer incentives for this as needed



## **21. Right-Size Your Labor Force**

**James Cassel, Co-Founder, [Cassel Salpeter](#)**

To protect your company when profitability is down and relief does not appear to be in sight, you've got to get lean and mean. Look to where you can right-size your labor force. Low performers must go, and top employees should stay. They help drive profits and carry your company towards the future. Beyond payroll, you've also got to look at everything that creates costs, chews up assets, and raises revenues. Preserving your profit margin in the face of a recession requires a lot of executive action. Many CEOs fail to right-size and never recover.