

How to Survive a Recession
by Jeffrey L. Josephson

Executive Summary

With a chorus of analysts declaring that we are in a recession, 2008 has started off with a 14% decline in the Dow, tens of billions of dollars in investments have been written off, and the housing market is facing a slump that sees no bottom. Notwithstanding the fact that you can only know if you've been in a recession through hindsight, it is clear that credit markets are spooked (and businesses thrive on credit,) and that any rational business owner needs to take steps to protect his business, himself, his employees, and his customers.

Having lived through more recessions than I care to remember (1975, 1982, 1987, 1992, 2001,) I thought I would do a little homework and see what people are saying; and offer a few thoughts of my own.

Heard on the Web (Or should I say "Herd on the Web?")

I've always been always fascinated by lists of solutions, like the "7 Surefire Strategies To Recession-Proof Your Business," or "5 Ways to a Flatter Tummy." We're a lot more like the Chinese than we like to think when it comes to this sort of thing, I suppose. But do you, as a business owner, really believe that there is a list that you can follow to solve your problems? Or is it just a method of getting you to read the article? My view is that editors are lazy, and they think business owners are as dumb as teenyboppers, and have a similar attention span. (By the same token, I know more than a few CEOs for whom this is true!) But I was wondering if there's anyone out there giving good advice.

Here's what I found when I Googled "Recession Proof Your Business":

7 Surefire Strategies To Recession-Proof Your Business (Grade: D-)

I found this one on PowerHomeBiz.com, a site that caters to home business owners, most of whom have been suckered into some Ponzi scheme or other. The author's advice follows, along with my dismissive commentary:

Author's Advice	Commentary
Diversify	Nonsense. In a weak economy, the potential advantage to your risk profile that diversification can offer is overwhelmingly outweighed by its cost. It's much better to find one thing that you can do that will generate a profit, and stick with it. Get rid of any activity that doesn't make money quickly.
Offer Outstanding Customer Service	I'm not against keeping your customers happy so you can retain them, but not at the expense of profit. Figure out what it will take to keep your profitable customers, and give it to them; but feel free to lose the losers.
Intensify Marketing	Agreed. You need to increase your sales to compensate for lost accounts. Take advantage of your competitors' instinct to cut back in marketing by increasing your own.
Adopt Cutting Edge Technologies	Unless the investment is going to pay off in 3 months or less, don't do it. Extend the use of your assets, to conserve cash, for as long as possible in a recession
Stay Focused	While the headline sounds correct, the text refers to staying focused on your "long term goals and objectives." Nonsense. If you don't survive the short term, there is no long term. Stay focused on your short term need to maintain a positive cash flow.
Seek New Ways to Improve	Here the author refers to reading books, and talking to experts, to find ways to become efficient and effective. And this was the top hit on Google?
	This is hysterical: The title of the article says "7 Surefire Strategies...", but there are only 6!

And you wonder why people go out of business?

Three Methods for Securing Your Business (Grade: B-)

Here’s another expert from the home-based market, but in this case, the author actually has some decent advice.

Author’s Advice	Commentary
Contact past clients and leads	Good idea. The first phone call you should make is to lapsed customers, and see if you can re-kindle the relationship, and the revenue flow.
Accommodate a variety of budgets	Good idea. Be flexible in how you package and price your products so you can find a way to say “yes,” and make a profit – no matter how small.
Add new components to your marketing plan	Good idea. This is the time to get pro-active. Put your company out there, in as many forums and media as possible, so as to increase the chances of a potential customer finding you.

The only weakness here is that this isn’t enough, but it’s good advice nonetheless.

Recession Proofing Your Business (Grade B)

This article is from a small business advice Web site, and is not bad.

Author’s Advice	Commentary
Cut expenses carefully	Good idea. Cut where you can, but retain the ability to capitalize on opportunities.
Give customers what they want	Good idea. As above, find a way to say “yes,” and still make a profit.
Listen to employees	A good idea, but with a caveat: Only listen to the good ideas, not the bad ones; but how do you know the difference? Only do things that will pay off in the near term.
Understand your costs	Absolutely right. Waste creeps into the process during good times because there’s no need to pinch pennies. Now’s the time to audit yourself, and cut unnecessary expenses.
Reduce debt	Good idea, but with a caveat: Make sure you retain enough cash to operate!
Seek opportunities	This is like Mom and apple pie, but the author doesn’t tell you how to do it.

For an article that’s purposely written to be read quickly, it’s got good advice. But is that all we’re capable of absorbing?

8 Strategies to Become Recession Proof (Grade C)

This one was actually written after the last recession, and purports to tell you what to do to prevent you from being a casualty when it’s early enough to do something like this. But it still has some reasonable advice that you can use when you’re standing on the precipice, which is the context of my comments.

Author’s Advice	Commentary
Use “Call to Action” Marketing	In a recession, marketing should be focused on creating awareness of your business as an option, and be very focused on high-potential markets. The message shouldn’t be a call to action, but an offer to help.
Promote “because we care” specials	Good idea. Your prospects are hurting; sympathy reaches them.
Increase word-of-mouth referrals	Bad idea. While networking is “cheap” in dollars, it is very expensive in time. And you meet more people who want to sell than buy. Put your time into better things.
Sales training	A good idea if you have the right people. First fire your low performing

	25%, then train the rest.
Improve customer service	A good idea if you first reduce its cost. Cut out people and services that do not provide a near-term ROI. Then find ways to turn CSRs into resellers and upsellers.
Management Development	My personal view is that investing in management development in a recession is colossally stupid. Instead, find ways to re-focus managers on increasing cash-flow, sales and ROI; and measure them on it. If that requires training, fine; but the goal comes first.
Solidify the team	Absolutely right. People need to know that you have a plan that's going to get them, and their families, through this. But don't just say you have a plan. Build one around increasing cash flow, sales and ROI, and get your people on board to implement it.
Strategic Planning	Good advice, but the author's time focus (3 years,) is far too long. The question is: What are we going to do to make money this month, then next month, and then the month after that? How are we going to survive?

While the author raises some good issues, she (understandably because of when she wrote the article,) misses the key point: You have to survive.

9 Strategies to Recession Proof Your Business (Grade: D)

This article is from a guy who writes newsletters; so I suppose, like all of us, he's trying to feather his own bed.

Author's Advice	Commentary
Present a polished image	Self serving, and dumb. Obviously, this guy wants to sell his newsletters, but the fact is that polish means nothing in a recession. What does work may be executable through a newsletter, but polish has nothing to do with it.
Get in your customer's face at least six times a year	More self-serving advice. Does that author think we're so dumb as to not recognize his distribution (i.e. repeat business,) strategy?
Return phone calls promptly	If I had to give one piece of advice to a business owner whose business was going down the tubes, this wouldn't be it. After all, the caller might be the bank.
Identify and sell your value	Good advice. The author clearly understands that people buy benefits, not features, and recommends that you figure out what yours are.
Be a problem solver	Excellent advice. During a recession, people have problems. You will thrive if you can solve them
Be reliable	More "Mom and apple pie" advice that has no added value when facing a recession. In fact, reliability (in meeting your customers' needs,) is far less important than your own survival.
Maintain high standards of integrity and quality	Not that I'm against integrity and quality, but if it doesn't help me survive, what good does it do? Another wasted piece of advice.
Say "Thank You"	This will surely recession proof my business – Not!
Be patient	During a recession, patience is the one thing you cannot afford. Obviously, this is just a way to justify measuring his newsletters' success after you've spent a year sending them out, rather than after one or two sends.

Clearly, we are not finding the kind of objective advice we need in order to get through this. Whatever shall we do? Let's try some other search terms. How about, "How to survive a recession"?

How to Survive a Recession (Grade: A-)

Not surprisingly, an article from a UK Web site actually had some good advice. They first list some warning signs and give advice regarding what to do about it. To me, the importance of recognizing the recession and its impact on your business is critical. It's not enough to listen to everyone talk about it, and

say to yourself, “there’s a recession,” you have to see it in your own business in order to know how, and when, to respond.

Warning Signs	What to Do	Commentary
DEBTORS: increasing age, credit limits exceeded, increasing reliance on individual customers, increased bad debts and credit/debit notes.	Swifter invoicing, better credit control, reviewing credit periods offered, obtaining payments on delivery, factoring or invoice discounting, use collection agencies.	Even a small increase in age can mean the chickens have come home to roost. Do not die of a thousand cuts. Recognize the problem while it’s small.
CREDITORS: increasing age, checks "in drawer", lack of long-standing relationships, final demands or writs, arrears to Inland Revenue or Customs and Excise	Negotiate longer credit periods, get the right balance without jeopardizing suppliers, know which are key, pay on pre-determined dates, meet regularly with suppliers	Cash is king. Keep as much of it as you can.
STOCK: increasing levels and static sales, deteriorating age profile, returns, delays in invoicing	Reduce stocks - continually clear out old/surplus lines, set minimum/maximum for each stock line, refuse to accept early deliveries, consider buying in bulk, minimize level of buffer stocks	Don’t let inventories rise. Better to be out of stock than have to write off investment.

Then they offer some general tips.

Author’s Advice	Commentary
Recessions are optional	Absolutely correct. The degree to which your company will be minimized by specific actions you take to deal with the threats. Do nothing, and you will fail. Do the right things, and you can survive.
Set goals for profit	Work towards a monthly profit goal, and don’t stop fixing things until you hit it – every month.
Have a plan	Have a plan to achieve your profit goals. Write it down. Make it realistic. Make sure everyone knows his role and does his job. Monitor it every day.
Work less	Leveraging the 80/20 rule means that 20% of the things you do account for 80% of your profit. Stop doing the 80% that generate only 20% of the profit; put half of that time into solving the problem, and take the other half off.
Have one effective day at a time.	They said it better than I could: If you keep getting closer to your goals every day you, will eventually get there. Make a To-Do list, prioritize the action items, and work your way down the list.
Keep selling	Never take your foot off the gas.
Your customers are a goldmine	Know their needs, and fulfill them. Ask for references, and follow them up.
Delegate	The more time you spend doing things that other people can do, the less time you have to think clearly about how to solve the problem.
Improve your business by 50%	Whether you do one thing that improves it by 50%, or five things that improve it by 10% each, just get it done. And if you don’t know what to do? Ask your customers, prospects, employees, anyone!
Work <i>on</i> your business, not <i>in</i> it	Solving the recession problem requires perspective that you can’t get if you’re up to your elbows in day-to-day operations. If you need help getting perspective, call in a consultant.

Analysis

I was almost losing hope that I would be able to find anything useful on the topic, but this last one (from startups.co.uk,) comports with my own experience.

Now, if you’ll excuse me, I have to go work on surviving the recession.