

Recession Protection

Strategies to Protect Small Businesses

Protecting your or your client's small business against a pending recession might seem like an overwhelming or even impossible task, but it is an important step that every adviser and entrepreneur must think about.

Saving for the future is not just an abstract idea; it should be a goal that a business strives for throughout the year. By utilizing lean and agile principles, you can ensure that your company is doing everything possible to reduce costs and run at maximum efficiency, affecting more than just your financial statements.

As a business owner with more than a little experience in business efficiencies, here are some tips on how to recession-proof your business.

Create a Solid Plan

Every small-business owner knows the importance of keeping costs in line, but few create a plan solely for ensuring that wasteful practices are eliminated. This is the basis of a lean and agile framework: Cutting costs by anticipating your business's needs. It all comes down to solid planning, including options for a business structure to ensure that you're utilizing every possible benefit.

For instance, if you have just started your business and are operating as a sole proprietor, you might want to change to an LLC (or possibly C or S corporation) because another form of entity might provide more advantages in the form of legal or tax benefits. This is another important aspect of the lean and agile methodology: Constantly assessing and re-evaluating your processes to ensure that they are as streamlined as possible. Periodically reviewing the form of business can be valuable in the planning process.

It is also important, of course, that your plan includes a budget so you can keep your finances on track. You do not want your expenses to outweigh your income if you want your business to last. Keeping track of your



finances along the way will allow you to pivot in ways that will make your business sustainable, instead of finding out after it is too late that your business is going under. A budget will let you know what is going right—and what is wrong—and can assist with controlling costs to run more efficiently.

“Exception reporting” is a helpful management tool that is budget based, where focus is placed only on what is significantly out of line for actuals vs. budget items. With exception reporting the business owner can make corrections when needed, either to the way that the business is operating or to the budgets.

Be Flexible with Your Plan

Although creating and using a business plan is essential, you must also be willing to adjust it when needed. It is impossible to plan for every scenario, especially where the economy is concerned, which is why starting with a strong

business plan and adjusting as you go is advisable.

For potential recession planning, be sure to identify whether there are government aid programs. Change is the only certainty in any business and this is clearly the case in a recessionary environment. The ability to plan, prepare and adapt to changing situations will be important for the success of the business, as well as its ultimate survival.

Focus on Your Existing Customer Base

You might think that to recession-proof your business, you need to attract as many customers as possible; but doing so could cause you to lose focus and spend more

money—all for little to no result.

“Outbound Engine” explains that the success rate of selling to an existing customer is about 60 percent to 70 percent, while bringing on a new customer yields only a 5 percent to 20 percent chance of a sale.

As you start thinking about a

plan for streamlining your business, you cannot just focus on the operational side of things. You also need to make your existing customers your top priority by knowing exactly how and when to reach them. Create a more personalized experience for them and get feedback since their input can help your business find and eliminate weaknesses because even during times of growth, you'll want to make sure your customer service practices are stellar.

Employee Retention is Crucial

As a small-business owner, your employees are just as integral to your success as your

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customers. To prepare for any economic environment, including a potential recession, “Quantum Workplace” explains, it’s essential to keep your workers happy since this can save you both time and money. In fact, it’s estimated that U.S. business owners spend about \$1 trillion in turnover expenses each year!

Staff retention prevents the stress and costs that come with training new employees—and allows your business to keep running smoothly without any disruption to your customers.

By streamlining your onboarding process, recognizing your employees’ achievements and successes, and creating a supportive company culture that allows for open communication, you can hold onto your workers and eliminate workflow issues. Train,

promote and manage staff appropriately to make their jobs enjoyable. A happy employee is beneficial to company morale—and profits!

Be Proactive about Your Finances

As a small-business owner, you will


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never be immune to the ups and downs of the economy; however, there are many things you can do to protect your company, your employees and your reputation from the effects of a recession (or any economic condition).

Look at your business structure to figure out whether you are operating with the most efficient form and streamline your practices as much as possible. Review and plan for cash-flow. Continue to focus on current customers/clients, while reviewing target potentials periodically.

Also consider risks inherent in your type of client base, as well as possibly those risks relating to not making changes in the customer target base.

Surviving a recession involves the same principles that your

business would use for its success in any economic environment. 

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