

The 12-step Approach to Recession-Proofing your Business

A looming US recession has many business owners asking what if anything they can do to minimize its negative impacts.

But while Canadian businesses have long been closely integrated with their American counterparts, those impacts do not have to be negative, especially if business owners are prepared and planning now. Here are 12 strategies that entrepreneurs can consider using to recession-proof their business:

Make your business more systematic

1. Becoming more systematic starts with improving your efficiencies. When times get tough, most people think about cutting back on their expenses, which is excellent advice if you have internal waste. But the answer is not simply to decrease your margins. You can only cut costs so much. You also need to focus on the efficiencies of systems employed to operate your business. For example, a business might be able to improve its production process by revamping employee job descriptions and workflow.

2. Embrace automation. To automate your production processes may absorb some cash up front, but if you can afford it, it's usually worth the investment in the long run. And the timing is right, because the cost of buying equipment typically comes down in a sliding economy.

Improve your human resources

3. Now is the time to get the right people in the right positions. We all know, great companies are run by great people. So take a careful second look at your team and determine who the "A" players are. Everyone else either needs to be coached, moved into a more suitable position, or replaced.

4. Improving human resources goes hand in hand with developing a Culture of Excellence, which is achieved when everyone in the organization plays an active role in bettering the company. Most people go to work to do a job. But in a recession-proof company, everyone understands the bigger picture and their connection to it.

Leverage cost-effective opportunities

5. Now is a great time to re-negotiate with US manufacturers who have seen a reduction in their sales volumes but- in an effort to maintain economies of scale- haven't yet reduced their production volumes.

6. It is also a good time to consider ways to outsource manufacturing. Outsourcing isn't the exclusive domain of the "big guys" any more. It is now possible for businesses of all sizes to outsource some or all of their manufacturing to other parts of the world, such as China, India or Mexico.

**However, if sustainable business practices are important to you, make sure you do thorough checks on the manufacturing processes used by your outsourced suppliers, whoever they are.

7. Consider buying struggling competitors. Though not the simplest strategy, this can be a relatively quick way to increase market share, reduce proportional overhead and improve economies of scale. Taking over an existing company has its own particular set of challenges of course, but when it works, it can be highly effective.

Change-up your market offerings (and let people know about it)

There are several ways you can reshape your market offering to take advantage of an economic downturn.

8. First, consider expanding into foreign markets. North America isn't the only market in the world. Even a small business, in many cases, can expand their sales reach to include foreign markets. To determine if this is a wise option for you, begin by developing relationships with export centers and other associations specializing in reaching foreign markets.

9. Consider reaching out to new market sectors. Very often a company can sell an existing product to a new target market with little more than a shift in market positioning. Some companies can significantly increase their customer base by doing this.

10. Look into expanding your product/service offerings. Sometimes this can be a very simple strategy with excellent results. Ask yourself, what products or services do your customers already consume in relation to your existing product/service offerings? Can you add any of these to your product line? For example, a client of Wardell who manufactures kitchen cabinet doors has employed this strategy to become a wholesaler for an exclusive line of hardware. They have had excellent results.

11. Reduce your product/service offerings. Conversely, consider ways that streamlining your product/service offering will help you become more profitable. Too many choices can reduce manufacturing efficiencies, which leads to reducing margins.

12. And finally, something you should always be paying close attention to: clarify your market position. Ask yourself, do your customers clearly understand why your business is unique and why they need you? The answer to this question determines if they will continue to do business with you. Conversely, if you are seen as part of a homogeneous category of business, your selling prices will be dictated by your competitors- not a good thing in our current economic times.