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product of the economy. There are standard ebbs and flows in business cycles, and it's unlikely for any nation to have a constant "boom" where the economy is expanding ...

Oct. 16, 2019

It's your worst nightmare—your burgeoning operation is moving forward with *"business as usual"* when suddenly a recession hits.

The panic starts to set in, *what does this mean for my business?*

Although the word has an apocalyptic connotation, a recession is a natural by-product of the economy. There are standard ebbs and flows in business cycles, and it's unlikely for any nation to have a constant "boom" where the economy is

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According to the U.S. National Bureau of Economic Research, these are just a few of the compelling statistics regarding recessions:

- ***4.7 years***, the average business cycle
- ***3.2 years***, the average length for a growing economy
- ***1.5 years***, the average time a recession lasts
- ***3.6 years***, the length of the 1929 Great Depression, the most prolonged recession on record in the U.S.
- ***1.5 years***, the length of the 2007 Great Recession, brought on by the U.S. subprime mortgage crisis

Based on this, the likelihood of a recession occurring during your career as a finance leader is high, but the general public's attitude continues to be overwhelmingly reactionary. Companies fear stagnant business growth and make rash decisions to halt expansion in anticipation of a decrease in sales and revenue.

The 5 Strategies to Future-Proof Your Operations for Recessions

1. ***Identify Risky Customer Verticals***

Recessions are likely to hurt certain industries faster—travel, manufacturing, construction, auto, and consumer retail can be hit the hardest during an economic downturn.

These industries depend on discretionary spending and, *based on human behavior*, often take a back-seat to more pertinent necessities. However, the exception to this pattern is food, drink, and entertainment—most notably, the reversal of prohibition

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With slim investment opportunities and inconsistent cash flow during a downturn, no one is looking to hire additional headcount.

With increased risk-factors in mind, it makes the most fiscal sense to work with the headcount you currently have and consider areas of your operations that you can automate. The right place to start are the back-office transactional processes that are a necessity but take up exponential time. In most cases, automation can deliver 10x the value while simultaneously reducing workload for a team that's now managing personal and professional strife. During a recession, software is a better bet and often a better bargain.

3. ***Shore up Suppliers***

As recessions impact the supply chain, expect suppliers to be less willing to negotiate on terms. If you want to extend payment terms to solve your cash flow issues, now is probably not the right time to make those requests. Be sure to maximize what you can to establish accessible paths to invoice factoring and supply chain finance. Since underwriters are still providing capital at reasonable rates, it might be the right time. Suppliers will benefit from accelerated payments while your business can extend payment terms.

4. ***Invest in Data***

Understanding data and measuring with greater immediacy is crucial to maneuvering a recession. It's essential to gain a tighter hold on what's in your ERP, reconciling more frequently and accurately.

To have more time for strategic analysis and planning, the finance organization must have processes in place that streamline their data compilation. Make sure to create and manage efficient dashboards, designate key metrics, and rely on technology to pull accurate numbers. With a clear view of your business financials, you'll see which

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The truth is no one is recession-proof. But by implementing these five strategies, your finance team will have immediate contingencies in place to stave off the negative impact of a future recession. With the right people, technology, and processes in place, your finance team will be able to weather any potential economic storm.

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Accounting • Technology

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