

3 Ways To Prepare Your Business For The Next Recession

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Economists and analysts agree – it's not a question of *if* another recession will happen; it's a question of *when*. And most predict the next recession will begin at the end of 2019/early 2020. So, what should you do to prepare your business for the next recession?

Act now. While it's almost certain the next recession won't be as severe as the Great Recession a decade ago, it's clear from the experiences of Ford Motor Co. and others that took strategic action early on before that downturn hit that preparing now for the next recession can reduce its negative impact on your business – and possibly set up your business to thrive and grow in spite of it. So take action now while you have the bandwidth and resources to do so. Here are three ways to prepare your business for the next recession:



It's not a question of if another recession will happen; it's a question of when. What should you do to prepare your business for the next recession? (Photo by David Cliff/NurPhoto via Getty Images)

1. Integrate and align your external brand identity and internal workplace culture.

During recessions, customers tend to become more price sensitive. To offset eventual price comparisons between your and competitive offerings, you should increase the perceived value of your brand now so that you can draw upon that brand equity in the downturn. Integrating and aligning your external brand identity and internal workplace culture is one of the most effective ways for doing so.

By creating an interdependent, mutually reinforcing relationship between how your organization thinks and acts on the inside and how it is perceived and experienced on the outside, you create unique value for your customers. As a more authentic, purposeful company, you increase the relevance and differentiation of your brand – which in turn shifts customers' purchase decisions in your favor, oftentimes more so than offering a lower price. And this competitive advantage is more sustainable because your competitors may be able to offer products similar to yours at lower prices, but they cannot imitate the integration of your culture and your brand, nor how, when they are fused together, you resonate strongly and emotionally with your core customers.

Also achieving alignment of your brand and culture now means greater clarity and unity in your organization's decision-making later. The recession will most likely cause you to have to make difficult decisions, like whether or not to continue offering certain products and selling through certain channels. When brand and culture fused together, your priorities and values are clear. Everyone in your organization shares a common understanding of what you will, and will not, do for customers and with employees – so you can make difficult decisions more easily and quickly when you're called to.

2. Cultivate a healthy, effective, sustainable culture.

Although employee engagement is important at all times, it becomes mission critical during periods of economic contraction. Employees may experience personal financial instability which can prompt attrition and increased turnover. You may have to ask employees to do more with less and/or to accept fewer financial rewards or lessened compensation. If you have to conduct layoffs, workplace morale can suffer.

All of this means it is critical for you to have a healthy (whole and not dysfunctional), effective (productive and proficient), and sustainable (viable over time) culture before the recession hits. So you should cultivate your culture now.

To do so, ensure that you have a clear understanding of the unique culture you need to provide the foundation and fuel for your business to flourish. Specifically your culture should be grounded in core values that embody what makes your company uniquely “you”– what makes you stand out from other organizations and brands – and the distinctive attitudes and behaviors that your people should live out in order to deliver on your uniqueness.

Then deliberately cultivate your culture by communicating about it, role-modeling your desired attitudes and behaviors, and using your core values in your people decisions (who to hire, fire, promote, and develop.) Ensure all leaders and managers throughout your organization understand their role in culture-building and are trained and equipped to do their part.

You should also use your organizational design to facilitate the ways you want people to work together and design your day-to-day operations and businesses processes to create an environment for your desired culture to develop. And design the employee experience at your organization – that is, all their day-to-day experiences at work including elements like rituals and artifacts – so that your employees experience your values first-hand and consistently.

3. Focus on your core customers.

Recessionary times cause many business leaders to want to hedge their bets and try to offer as many things to as many customers as possible, so as to not risk losing any potential source of income. But you must actually do the exact opposite. Now is the time to allocate and spend your resources discreetly. Not only does this enable you to shore up reserves and ensure future cash flow, but also it ensures you make proper investments in the customer relationships that will matter the most during the recession.

You should focus your efforts on deepening relationships with those existing customers who are likely to stay committed and remain the most profitable to you through the downturn – and seek to develop relationships with new customers who fit that profile too. The bonds you create with customers now can become your most valuable assets during a recession because people who feel a connection to your brand are less likely to defect to another alternative. Strong relationships with valuable customers can also give you an advantage in partner negotiations, financial valuations, and marketing spend efficiencies.

Foster customer loyalty proactively and purposefully. Instead of trying to lock in customers by raising switching costs or relying on rewards programs to bribe them into buying from you, identify what your core customers want and need and then go above and beyond that. For example, deliver personalized experiences, offer extended service hours and terms, or provide “added value” services at no charge. If you demonstrate how committed to them you are now, they’re more likely to demonstrate their commitment to you later. Of course, you can’t afford to do this for all customers so that’s why it’s critical for you to focus on your best segments.

You should also explore ways to encourage your core customers to act as ambassadors for your brand. While incentivizing them to post reviews or positive messages about you seems disingenuous and can actually backfire, encouraging positive word of mouth in more organic ways can be effective. Include them in friends and family events and extend the invitation to a few of their friends, for example, or share with them “insider” news and experiences that they can in turn share with others. The key is to do this now, while you and your customers aren’t distracted by the economy.

The time to prepare your business for the next recession is now. If you wait until you start seeing its effects, it will be too late.