

# 7 Key Considerations for Recession Readiness

As the potential for a recession looms, there are proactive steps you can take for your business to prepare for the uncertain future. Below are a few questions to consider along with why these are important in recessionary times.

## 1. Business Operations

Do you know if your business is growing and, if so, how (volume, pricing, etc.)?

YES

NO

Are you monitoring your prices and adjusting as your costs increase?

YES

NO

- Many things are out of your control. You need to look at where you fit in a recession and how it impacts your customers and vendors. There may be opportunities to pivot what you do to strengthen revenue.
- Focus on what's controllable vs. noncontrollable for the sustainability of your business. Focus on what you do best first, then on what needs improved to stay afloat during uncertain times.

## 2. Financial Management

Do you have real-time financial data to understand how your company is doing and where changes are needed?

YES

NO

- Recessionary times often yield increased interest rates, less demand, lower prices and reductions in the labor force. You survived the pandemic, don't let key financial metrics take you down now.

## 3. Cash Flow

Is your cash flow consistent with profitability considering where it's going and where it was 6 months ago?

YES

NO

- Interest rates are rising. Access to debt is becoming increasingly more expensive. Potential investors may keep cash out of the market during risky times. Cash is king, so ensure you have access to it.

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## 4. Financing

Is your debt structured to maximize cash flow, minimize expenses and monitor lending compliance requirements?

YES

NO

- Regulators and lenders will make it more difficult to receive financing, and compliance becomes more stringent. Recession often results in reduced profits and cash flow, making it difficult to repay debt. Because more businesses default on debt during a recession, debt covenants increase. If you don't have access to investors or debt, the alternative is credit cards. Financially distressed businesses have a harder time repaying debt and likely file for bankruptcy.

## 5. Communication

Are you communicating regularly with key stakeholders including executives, advisors, bankers, lawyers, employees, customers, vendors, etc.?

YES

NO

- These people are imperative to the success of your business and have a vested interest in helping you. Transparency and open communication around your challenges are key so you can help one another.

## 6. Automation, Technology & Outsourcing

Are there opportunities to increase efficiency by using technology to streamline manual processes?

YES

NO

- The need to do more with less is critical. It can be a cost alternative to labor, especially when labor is hard to come by these days. You may also get advantageous pricing from vendors during a time of recession, too.

## 7. Opportunities

Are you considering new opportunities like mergers, acquisitions, real estate investments, etc. in a changing market?

YES

NO

- Recessionary times open doors to new opportunities. If you're looking to grow, transition your business or buy a competitor, strike while the iron is hot. Recessions are a great opportunity to grab market share and increase investments.

**These are only a few of questions you should be asking for your business. While the future looks somewhat uncertain, the decisions you make today can have a significant impact on your success, or lack thereof, during a recession. If you answered no to any of these questions, especially to multiple questions, contact your Adams Brown advisor or Sean Kennedy at 913.491.5080 or [skennedy@adamsbrowncpa.com](mailto:skennedy@adamsbrowncpa.com).**