

How to 'recession-proof' your small business

South Africa is in its second recession in two years following the economy contracting 1.4% in the fourth quarter of 2019, according to Stats SA. In a time of constrained economic growth, SMEs can take proactive steps to recession-proof their business. While downturns are difficult to predict, small businesses can cope.



Daniel Goldberg, co-founder of Bridgement.

Some of the most successful businesses have been built during economic recessions, including Apple, Microsoft and Burger King. Small to medium-sized enterprises (SMEs) have the inherent agility and determination required to spot opportunities and use the state of the economy to their advantage. While downturns are difficult to predict, small business owners can prepare for them.

“SMEs are primed for spotting new opportunities in difficult times. With less access to capital, small businesses need to pay close attention to detail and focus on measurable results, enabling them to grow and maintain a competitive edge in the market,” says Daniel Goldberg, co-founder of Bridgement.

“ Small businesses have the capability to make nimble and quick decisions, which aren’t possible in the structures of big business. ”

In a time of constrained economic growth, it is important that small businesses take proactive steps to recession-proof their businesses.

“Often, SME owners will adopt a survival strategy, which involves severe cost-cutting. These provide short-lived benefits and can damage their businesses in the long run,” says Goldberg.

Goldberg offers some tips for SMEs to grow during tough times:

- **Protect your cash flow**

For small businesses, the most important aspect of day to day business is avoiding extended cash shortages. Try maintain steady cash flow and consider opening a line of credit to fund short-term problems.

- **Create firm payment structures**

Be strict on payment deadlines and consider implementing a penalty for late-payments and discount for clients who settle early. Engage with your suppliers and negotiate extended payment terms on your side.

- **Optimise business processes**

Spend time identifying any inefficiencies in the business and work out systems to streamline these through technology and other means.

- **Reduce waste**

Business owners should see what can be done to reduce inventory costs without sacrificing quality. Cut unnecessary costs but ensure that you maintain enough to keep your business going in the long run.

- **Keep existing clients happy**

By gaining a deep understanding of what your clients want and need, you can tailor your products and solutions to these, increasing their spend with you. This is more feasible than developing new products with a higher risk.

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