

## Strategies to Recession-Proof Your Business

Claudine Land:

Hello, everyone, and welcome to the Virtual Ingenuity Business Podcast. We have an exciting guest today on our podcast and we are going to talk about strategies to recession-proof your business. With everything that's going on in the world today, we need to talk about this and we're going to talk about it as two friends and as friends that we all are in our listening audience. Before we dive in, let me introduce you to my guest. Cheryl Lynch is currently a business advisor for Cultivate Advisors, and she partners with business owners to help them achieve their growth goals and defined success.

Claudine Land:

Cheryl is a certified global business professional with an active CAM license, real estate license, and she also holds a degree in finance, and she's also certified as a QuickBooks Pro advisor. Cheryl has advised and consulted with businesses for well over 25 years and has held positions in various industries in the capacity of CFO and COO. That's impressive. She has also been in charge of mergers and acquisitions for deals valued at over \$100 million. She has performed operational turnarounds for major development projects, dealing with international players and locations. And guys, in addition, she is a serial entrepreneur and current business owner of, get this, three businesses, and she's had six others over the past 25 years, spanning the real estate development industry, the service industry, both B&B and B2C and the entertainment industry. And that's just to name a few. Cheryl also provides feasibility studies for lending institutions under the USDA guidelines.

Claudine Land:

So, do you want to know what Cheryl does in her spare time aside from when she's not helping entrepreneurs avoid pitfalls and growing their businesses? She enjoys traveling the world with her other half. She enjoys cooking, exploring new cuisines, and cheering for the Dallas Cowboys. How awesome is that? Cheryl, welcome to the Virtual Ingenuity BusinessPodcast.

Cheryl Lynch:

Thank you, Claudine. That was a mouthful.

Claudine Land:

That was awesome. It's a pleasure to have you on the podcast today.

Cheryl Lynch:

Happy to be here. I always like to have good, friendly chats, right?

Claudine Land:

Yes. Among girlfriends, of course, too.

Cheryl Lynch:

Absolutely.

Claudine Land:

That makes it even more special. So, today is a really important topic because, since 2020, we've been going through this COVID pandemic, and business owners are nervous, and we're going through now what's called a recession. For many of us, it's the first time in a major recession. So we want to talk about what a recession is. And I believe that a recession is just a decrease in economic activity over a sustained period of time. Usually, a recession is characterized by rising unemployment and decreased spending and economic output. But I want to hear in your words, what truly is a recession?

Cheryl Lynch:

Well, like you said, the textbook (definition). It's temporary. It's not long-term, but it's a temporary economic decline, where trade and industrial activity slow down. And we usually identify that with a fall in the GDP for two consecutive quarters. There are a bunch of other factors. So some are saying, "Yeah, it's a recession, but not a real recession because the job market is still strong. There's still activity going on." But textbook-wise, textbook-wise, we are technically in a recession.

Claudine Land:

You're absolutely right. Yes.

Cheryl Lynch:

Yeah.

Claudine Land:

And it's a time when companies may make fewer sales, and the country overall's economic output declines, just like you said.

Cheryl Lynch:

Exactly.

Claudine Land:

And you are absolutely right. It does depend on a variety of factors. This COVID-19 recession has been, of course, the most recent recession, beginning in February of 2020, I think. Right? And it's lasted only a few months, but it's, so far, the shortest recession in history. But you're right. A recession is usually defined by the GDP as two consecutive quarters of negative economic growth. And so what does a recession look like in reality? I mean, it could look like job losses. Could be a manufacturing slowdown. It could be a decline in consumer spending or a decline in real income. So let's talk a little bit about that and how it can impact a business. And let's back up a little bit and talk about what are the characteristics of a recession.

Cheryl Lynch:

Yeah. So, usually borrowing becomes harder. Right? The Fed's supposed to talk today. I don't know if they have or not. I've been so entrenched. I haven't watched the news as of yet. But interest rates go up. So borrowing becomes more expensive, a little harder. The discretionary spending tightens up. So if we're like, "Oh, what's going on?" we won't spend as quickly as we have. The stock market usually goes down, and I don't even know if we can even consider that a factor anymore, just because it's almost like consistent day trading. And employers let go of employees, but because there's such a shortage, and almost every client I have is hiring, that's not truly... Right? That's why we're technically GDP negative. But the job market's still hot. Things are still rolling. It's kind of a hybrid. And I think once we come out of this, we'll have a new definition.

Cheryl Lynch:

So, everything's always tweaked as we learn. Typically, recessions can last. A median is about 15 months. So a little over a year, they usually last. But if you look at the other side of it, the economic booms and expansions usually last an average of about 93 months.

Claudine Land:

Right.

Cheryl Lynch:

So it's almost a little bit like self-correction. And my two cents in the bucket... I'm not an economist. I only play one on a podcast. But I think the recession that we're in is due to the fact that we have supply chain issues. And prices were escalating supply and demand. So the Fed came in to raise the interest rates, to slow the spending down. So it's almost like the Fed and raising interest rates slows the economy down, which then, technically, would put it into a recession. So it was kind of not a natural occurrence, in my opinion. I look at it from the common sense perspective. And it's like, well, they're raising rates to slow spending down because we've got supply chain issues, and we need to catch up, and we don't want inflation to keep going higher and higher and higher. So it's a little bit of a self-correction to kind of help even things out.

Claudine Land:

Right. And like you said, there are so many different factors. This could really be a long topic of conversation.

Cheryl Lynch:

It could.

Claudine Land:

But one thing that comes out of recession could be... Also want to talk about the decline in product quality as well. So companies right now are looking for ways to cut costs and, of course, improve their bottom line.

Claudine Land:

So in the meantime, this could lead to a temporary reduction in service or product quality because small businesses just can't afford to adhere to their usual standards. So that's something that, as consumers, we need to be aware of. And I want to talk about, specifically, the impact of a recession on businesses, whether it's a large business or a small business. And I want to compare the two because recessions do not affect every business in the same way. And while they can have an effect on different companies, some of the hardships are really predictable, based on the type and size of the business, I feel. So whereas a small business may experience cash flow issues because clients may delay payment of invoices. But then when you look at those bigger Fortune 500 companies, they may be able to save money by cutting jobs or extracting better terms from their suppliers. So it may not affect a larger company as it does a smaller business.

Cheryl Lynch:

Right.

Claudine Land:

So let's talk about the recession's impact on small businesses. I think it affects them more because small businesses have less of a financial cushion.

Cheryl Lynch:

True.

Claudine Land:

They don't have bonds. They don't have secondary offerings, those things that a larger business may have.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

So-

Cheryl Lynch:

One thing they do have though is the ability to pivot quicker.

Claudine Land:

Yes. I totally agree with that.

Cheryl Lynch:

Right.

Claudine Land:

Absolutely.

Cheryl Lynch:

Big business, there's too much red tape, and it has to go up the chain, versus in a smaller business, you can pivot quicker.

Claudine Land:

That's right.

Cheryl Lynch:

Think outside the box. And this is where a recession could potentially be a good thing for a business. Right? It can clean out the market so it can get rid of some competitors, potentially. Usually, in a recession, the talent pool, people get laid off. So the ability to find better, more improved talent could exist. Not sure if it would exist this way, but we'll keep an eye on what's happening because there are some bigger companies that are laying folks off.

Claudine Land:

Right.

Cheryl Lynch:

The potential to negotiate better rates. The big businesses do it. Smaller businesses can, too. It's about communication.

Claudine Land:

Absolutely.

Cheryl Lynch:

If you clearly communicate, keep in touch with your clients, keep in touch with your vendors, and all work together as a team, we can all ride it out together.

Claudine Land:

That's so true.

Cheryl Lynch:

And with a bigger business, it's, "Our way or no way." With small business, nine times out of 10, you're working with a lot of other small businesses too.

Claudine Land:

And one of the recommendations that I would recommend for smaller businesses is to keep track of their finances. Have a financial advisor, not just in times when things are rough, but throughout your business, even when things are great because you want to have that cash reserve there. So taking regular stock of your finances on an ongoing basis, leaves you with a safety net.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

Know what your cash flow forecast is because that can really help a business owner to predict future financing as well.

Cheryl Lynch:

Absolutely.

Claudine Land:

And then, another thing, Cheryl, I think is important for smaller businesses is for business owners to take stock of their talent.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

Look at how you're best utilizing your existing talent rather than going out and hiring new talent. The employees that you already have, those that are working for you, identify your potential leaders and encourage them in team-building activities. And then, of course, track your KPI. That's so important. Track your performance.

Cheryl Lynch:

Absolutely.

Claudine Land:

So I think those are some of the ways that small business owners can come out strong or not suffer as much.

Cheryl Lynch:

True. And I would say educate yourself on learning what happened in prior recessions. Because we can always learn from history so that we don't repeat it. So actually take the key components from the previous recessions, the why, the how, the pivot ability, and who was successful. And you don't have to reinvent the wheel. I'm all about R&D, rob and deliver. Right?

Claudine Land:

Yes. I love that.

Cheryl Lynch:

But also putting a tactical playbook together, with multiple scenarios that are calendarized. So you're setting timelines to say, okay, if this happens in this time frame, you can have an offensive to fight it off or a defensive tactic to prepare and defend against it. So having a playbook. You become a coach. Become a stronger leader, too. Keep the lines of communication open with your employees. See how they're feeling. See the temperature, because you're going to lead by example. You can be a wartime leader or a peacetime leader. So what's the scenario? What's the situation? What's the playbook? And keeping your staff updated at least on a weekly basis. At least on a weekly basis, keep that communication open. It'll get everybody on the same page. It's having a barrier. If all the business, then people in the business are all on the same page, it's kind of like a team that can play offense and defense together and get to the end goal, and get through the struggles.

Claudine Land:

That's great that you talked about pivoting, too, because pivoting doesn't mean that you have to change and start over. It could really mean just finding the right balance between old and new.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

It doesn't mean permanently adopting a new business model.

Cheryl Lynch:

Right.

Claudine Land:

It just means that the right approach could be staying the course, reverting to your old ways of working, or it could be really a combination of both.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

Another important thing I want to bring up is building customer relationships. That is so important.

Cheryl Lynch:

That is so important.

Claudine Land:

Finding out what your customers' needs are and not just fulfilling those needs temporarily, but expanding on your services to your customers or your clients.

Cheryl Lynch:

Yes. Listening to them, but not trying to be everything. There has to be a filter in place, because a lot of customers, especially in retail, because people are usually very vocal. They show up, they go in. "Oh, you should do this, and you should do that, and you should do this." Okay. Evaluate it. Take each suggestion and evaluate it. Does it make sense? Does it fit within the business culture, and the business model, and can it enhance something? Or is it going to cause confusion with branding, things of that nature? You should always take a step back. Take it from the outside looking in and see how it affects every aspect within the business before you actually decide to pivot something or implement something.

Cheryl Lynch:

Sometimes it is creating something new, out of the ordinary, depending upon what you're doing. The restaurants that pivoted during COVID. I know I had a couple of clients, and the phone call was, "Oh, my God, what are we going to do? They're shutting everything down." I said, "Start posting on social media that people can come pick up, or you'll deliver. Do not shut down."

Claudine Land:

That's right.

Cheryl Lynch:

And they were like, "Really? We can do that?" I said, "Why not? Why not? It's you and your husband. You're going to be the ones in the restaurant, cooking everything, dealing with everything, because employees don't want to come in wherever. You'll make it work." And they survived through it. They actually survived through it. And the community rallied around them, supported them, and made sure they kept their business, one of their favorite restaurants in business. So definitely, clear communication and communicating with the clients, as well.

Claudine Land:

Yes. Two things I want to comment on. It's so important to go back, and when you pivot, and people give you information about what you should do, always go back to your values. Always go back to your mission and your values. It's not a cookie-cutter plan.



Claudine Land:

Not every advice that people give you is great advice for your business. So look at what the values are of your business, and then see if that advice is going to really work for you. The second thing that brought up was the example, which was another example I was going to bring up as well, is that you have a restaurant, and a lot of these restaurants now, since the recession. We're calling it a recession. They're not having as many customers in-house anymore at the restaurant. So a lot of these restaurants are now delivering or doing delivery services. I mean, look at Target. Target, for example, I don't even go into the store anymore, which is great because it helps me to save money because I don't have to pass by the \$3 and the \$5 counter anymore.

Cheryl Lynch:

Right.

Claudine Land:

So you just order online, and you pick up.

Cheryl Lynch:

I just did that this morning. That's so funny.

Claudine Land:

Did you? I love Target.

Cheryl Lynch:

I just popped the trunk. "Yes, here's my code. Thank you."

Claudine Land:

That's right.

Cheryl Lynch:

Save money. Not good for Target.

Claudine Land:

It's great. Yeah, it's great for us. But it's working.

Cheryl Lynch:

It is.

Claudine Land:

It is working for them because more people are using that. So it may indeed be working really well for them.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

And then, maybe some people don't want to deal with, "Oh, I have to go in the store to return to the item" if it doesn't fit or if something's wrong with it. Maybe some folks are just keeping it and saying, "Hey, I just can't be bothered." They may give it to somebody.

Cheryl Lynch:

Recycle.

Claudine Land:

Recycle, and just order more. So, let's talk about ways to protect your business from recession, more specifically. There are so many other ways. We talked about cash reserves. Another way is to pay off debt. I know that it may be challenging, but there are ways that you can just go ahead and pay off debt before it builds up.

Cheryl Lynch:

Mm-hmm.

Claudine Land:

Control your growth. Look at your costs. Now more than ever it's important to do that. You want to keep your business afloat. So don't spend every dollar that comes in. You want to just look at your investments, look at what's coming in, and maybe just save it for a really big purchase later on. And then also, diversify. We talked a little bit about that. Maybe it was a restaurant where people were coming in. Well, now, "Hey, people aren't coming in anymore. Let's deliver. Let's go to them."

Cheryl Lynch:

You can also do a SWOT analysis.

Claudine Land:

That's right.

Cheryl Lynch:

So important.

Cheryl Lynch:

The weaknesses. That's internal. The strengths and weaknesses are internal. Your opportunities and your threats are your external. And just doing an evaluation and see what's out there to give us the current economic information that's going on so we know how to pivot, adjust if need be. Be able to analyze the good versus the bad, the talent versus the not-talent. Does it fit within the mission and value? Does it not? Checking all those boxes.

Claudine Land:

Right. And then, you also may want to just expand your geographical location. Now maybe you want to go virtual. Maybe you want to focus on that more.

Cheryl Lynch:

Yes.

Claudine Land:

And offer your services globally or in a larger area.

Cheryl Lynch:

If you have a good relationship with your lender, set up a line of credit as a "just in case." If you don't need it, that's the best time to do it.

Claudine Land:

Right.

Cheryl Lynch:

Because the approval process will be a lot easier, and it will go through. So it's with watching the cash, set up that line of credit as the "just in case," that security blanket, in case there is an opportunity where you identify something that you can capitalize on. You have potential cash that you can utilize to help make that happen.

Claudine Land:

Right. And another thing is to outsource your business. So look at your workforce, and instead of hiring another employee... You may not be able to afford to do that. Look at outsourcing. With Virtual Ingenuity, what we do is help you to streamline your processes. It's like a fractional executive that we are here. So outsource. It's a lot cheaper. It cuts your cost down by 60%. You don't have to pay an in-house employee.

Cheryl Lynch:

That's an impact. Yeah.

Claudine Land:

Huge impact.

Cheryl Lynch:

Yes. Everything doesn't have to be in-house. And sometimes it's beneficial to have those outside eyes looking in.

Claudine Land:

That's right.

Cheryl Lynch:

They give a fresh perspective, and additional ideas, and to poke holes, right, and question what it is that you're doing because sometimes we can get so involved and so entrenched, as entrepreneurs and business owners, that we can't see the forest through the trees.

Claudine Land:

Right.

Cheryl Lynch:

So having that adviser helps.

Claudine Land:

Yes, it really does. And build up the skills of your employees that you already have instead of looking to hire new people, or like you said, get guidance. Keep track of your KPI.

Claudine Land:

Oh, go ahead, Cheryl. I was going to say.

Cheryl Lynch:

We got all these ideas. We're just ready to throw them out.

Claudine Land:

I know.

Claudine Land:

I was just going to reiterate again. Keep track of your KPI. Monitor that. Look at the competition as well. Beat the competition. So just gain an understanding of your products, your strengths, and your weaknesses compared to your competitors.

Cheryl Lynch:

Absolutely.

Claudine Land:

And just stay ahead of that. And then, one most important thing is just to be patient.

Cheryl Lynch:

Yes. Be patient with yourself, mostly.

Claudine Land:

That's right. Yeah.

Cheryl Lynch:

Yeah. For sure. But you can also analyze your customers.

Claudine Land:

That's right.

Cheryl Lynch:

And do a deep dive and see who of your customers are recession-proof because there are businesses and industries out there, depending upon the type of recession that's in existence, that are recession-proof.

Claudine Land:

Yes.

Cheryl Lynch:

So you can really focus your energy. And can you create products or services for those customers? That's where the new could potentially come into play. The value proposition.

Cheryl Lynch:

What's the value proposition of your product?

Claudine Land:

Right.

Cheryl Lynch:

Do you have to adapt it just a little bit, the tweak? Understanding, have your client's needs changed?

Claudine Land:

And then, establish those flexible client agreements. Make sure that your agreements are flexible. Not everything is set in stone all the time. So just make sure that you have that flexibility to change those agreements that you have with your clients.

Cheryl Lynch:

Mm-hmm.

Cheryl Lynch:

Messaging is important, too.

Claudine Land:

Oh, absolutely.

Cheryl Lynch:

When it comes to messaging, using certain keywords will get you better traction than the others. So "recession." Right? "Recession-proof your business." "Protect." You're not trying to promote "gain" and "sale" in that regard. You're thinking more of a protective stance. So take a look at what your messaging is saying.

Claudine Land:

I agree. And then create multiple revenue streams as well. We talked a little bit about that, too. So just capture new money without making a major investment. There are just ways to do that. And so, again, that goes with analysis, analyzing what your values, missions, KPI reports... Look at that. And there are ways to do that. And then you can invest in partnerships too.

Cheryl Lynch:

Yes.

Claudine Land:

Partnerships with other businesses.

Cheryl Lynch:

Strategic partnerships are very, very important. I had a client that had asked me, "we're coming into recession, should I offer discounts?" And my first response is like, "Well, is there an F in the word 'discount'? And if you say it really fast, there's no F in discounts."

Cheryl Lynch:

But sometimes, if you've got good clients, good customers, you can take into consideration, how much do they buy? How fast can they pay you? How long can they commit? And how quickly can they sign on to the new terms that you agreed to come with? So if you are going to offer a discount, you really need to take into consideration how much they buy, how fast can they pay, and how long they'll commit to buying from you. That's crucial.

Claudine Land:

Very good key points. And then you may also want to invest in adaptable technology, technology that just really makes it easy to run your business. The right technology can really help your business run smoothly and effectively and save money. You would believe how many clients I have, Cheryl, that come to me that have all of these platforms, and they're not even using half of them. And they're wasting so much money with these platforms when they could just consolidate or use other techniques. And I know here at Virtual Ingenuity, that's one of the things that we do as well, is just guide you in that process of how to do that and provide you with options.

Cheryl Lynch:

That's critical. That's crucial. I say to clients, I'm like, "Well, I've got a toilet you can flush your money down instead."

Claudine Land:

Right.

Cheryl Lynch:

Because that's what you're doing. And it's the business owner that's overwhelmed, that doesn't take the time to step back and look at the KPIs, look at the cash flow, and monitor the spending that's going on. It's really critical. I don't know about you, Claudine, but it makes me cringe when it's like, "Oh, my bookkeeper takes care of it. Oh, my accountant takes care of that. I hate accounting. I hate bookkeeping, gives me heart palpitations. I understand though. Some people, somebody starts talking accounting, it's like Charlie Brown.

Claudine Land:

Right.

Cheryl Lynch:

It's just very, very difficult. But you should know enough to know the questions that you need to ask, to get the information you need to make those educated decisions, versus the guttural, instinctive decisions.

Claudine Land:

That is so true. And you've worked with the Fortune 500 companies, you work with millions of dollars here. So you know the importance of that.

Cheryl Lynch:

Yes. It's crucial.

Claudine Land:

It's what you do on a daily basis.

Cheryl Lynch:

Yes. Fighting with my clients, kicking and screaming to get them to do that.

Claudine Land:

And that's why they love you because, in the end, they see how much they've saved because of you.

Cheryl Lynch:

Yeah. And I try to explain. Yes, I'm financially adept. I was balancing checkbooks at 11. Numbers is my gig. I geek out on it. I get it. Accounting, it's so boring. It stinks. It's not fun. It's the intricacies of what gets posted where, who, why? But when you have those finished reports, and you're looking at them, you should know what your revenue means. You should know what your cost of goods means. You should know what your overhead expenses mean. You should know what your net income or loss, hopefully, it's an income, means so that you are aware. I always say it's like the file cabinet in your brain. This is information that sits in the top drawer of the file cabinet, that stays top of mind, that you're always thinking about.

Cheryl Lynch:

I had a client yesterday. We were going over some stuff. And I was like, "All right, let's get into it." And before she realized it, we're going. She's like, "You've got me doing this stuff that I don't want to do." And I just said, "You're welcome. Yeah." And as we're going through it, and I was explaining things in layman's term, not the...

Claudine Land:

Right.



Cheryl Lynch:

She's like, "Oh, my God. That makes perfect sense. I wish somebody would've told me this five years ago. I'd be so much further ahead." Right? So don't be afraid to ask the questions.

Claudine Land:

Yes.

Cheryl Lynch:

Don't be afraid to ask, "What does it mean? Why?" There's no judgment. Especially if you're dealing with me or Claudine, there's no judgment.

Claudine Land:

That's right.

Cheryl Lynch:

We're here to make you better, make you stronger, and give you the tools to succeed. So there's no judgment on our part. I tell my clients, "If I have to explain it to you a hundred different ways until you receive it in a way that you need to, I am there. I will do it over and over." Don't "yes" me to death, because it doesn't help you.

Claudine Land:

Yeah. And you are so patient, Cheryl, and you do a phenomenal job of explaining it to your clients. You really do. You have a gift for doing that. So that is amazing.

Cheryl Lynch:

Thank you. I only walk on water when it rains, just like everybody else.

Claudine Land:

Well, you do truly have a gift. So, where can my listening audience find you?

Cheryl Lynch:

I'm not a big social media person, and people can't understand why. I say, "I just don't have time, and I'm not a stalker. I can't do it."

Claudine Land:

But you know what's so-

Cheryl Lynch:

But I am on LinkedIn.

Claudine Land:

I was going to say, you know what's so wonderful about that, though, is you don't necessarily have to be on social media to be successful. And you are extremely successful. And word-of-mouth speaks for itself with you, Cheryl.

Cheryl Lynch:

Yes, it does. Well, my consulting business, I only accept clients from referrals. So I have no websites. I have no social media. If you've got my phone number, you got it from somebody who's worked for me, and you really needed the help.

Claudine Land:

Tell us.

Cheryl Lynch:

Yeah. So no, you can find me on LinkedIn. You can shoot me an email. [Cheryl@cultivateadvisor.com](mailto:Cheryl@cultivateadvisor.com) I truly enjoy working with Cultivate Advisors. I'm going into a gear shift, looking to sell the businesses, and move out of the country, but still want to help business owners succeed. So I teamed up with Cultivate Advisors so I can do so. Great organization, [cultivateadvisors.com](http://cultivateadvisors.com). We've got lots of no-cost tools and tutorials on the website. I'm so happy they did that. They opened that up beginning of Q3. They said, "We're going to open up a lot of our tools and stuff because we believe small businesses are the backbone of our economy. Our mission is a world made better by entrepreneurs."

Claudine Land:

Absolutely.

Cheryl Lynch:

So going to that vision. So yeah, LinkedIn or [Cheryl@cultivateadvisors.com](mailto:Cheryl@cultivateadvisors.com) via email. You'll be able to find me, link up with me. If you have a business question, shoot it to me. Be happy to help.

Claudine Land:

Awesome. Cheryl, it's been wonderful having you on The Virtual Ingenuity Business Podcast today. It's always great to talk with you. We can talk for hours.

Cheryl Lynch:

Thanks, Claudine.

We can. Two girlfriends talking business.

Claudine Land:

That's right. That's right. So, guys, be sure to follow Virtual Ingenuity, LLC on Facebook and Instagram. And until next time, guys, let's impact together.

Have a great day.