How to Recession-Proof Your Business, One Small Step at a Time

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Key Takeaways

- Get clear on your cash flow and understand exactly where your money is going.
- Protect your margins (even if it means tough calls), stabilize your revenue with predictability, and shore up relationships with clients and vendors.
- Diversify your revenue streams without losing focus on your main engine, and strengthen your operations and marketing before you need to.

The word “recession” tends to make small- and medium-sized business owners tighten their shoulders, and that word is coming up more and more often in the news, while only 37% of small business owners feel prepared for a recession. The reality is, downturns are part of the business cycle, and while you can’t control the economy, you can control how prepared your business is to weather it.

Recession-proofing is about small, concrete steps you can take today that shore up cash flow, cut risk and build resilience over time. Think of it less like building a bunker and more like strengthening your foundation. That way, when things shake, no matter when that is, you stay standing.

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Recession-Proof Business

Get clear on your cash flow

The first step in preparing for a downturn is understanding exactly where your money is going.

Start by tracking your monthly revenue, expenses and your bottom line each month. When there is a risk of a recession, it’s critical that you are running at a profit or have plenty of cash in the bank to last you at least 6-12 months of your current burn rate.

If not, then it’s time to look at your cost structure. Here’s one small action you can take right away – pull your last three months of bank statements and categorize expenses into fixed (rent, salaries, software) and variable (contractors, ad spend, supplies). This simple exercise helps you see where you have flexibility, should you need it.

Protect your margins, even if it means tough calls

Revenue growth feels exciting, but margins are what keep you alive in a downturn. If costs are rising faster than sales, you’re vulnerable to a downturn.

Look *now* at your pricing and costs. Start by auditing your top five expenses. Ask yourself: “If my revenue dropped 20% next month, which of these could I reduce, renegotiate or eliminate without breaking my business?” Even one adjustment could buy you extra months of security before you actually need it.

One big place to look at this is within your team structure. Could some roles be part-time or contractor-based instead of salaried? If you have had doubts about performance with team members or had some natural attrition, it may be the time to

lean out the team or avoid re-hiring, even if it means readjusting your team's responsibilities to make the leaner bandwidth work.

Stabilize your revenue with predictability

When the economy softens, one-off sales become unpredictable. What steadies a business is recurring, contracted or retainer-based revenue. This creates consistency in your cash flow and reduces the anxiety of waiting for the next project to close.

If you currently operate project-to-project, think about ways to package your work into ongoing support. For example, start to try to upsell single engagements to retainers or additional projects, offer maintenance contracts or incentivize clients to pay upfront with a small discount.

Related: Yes, It Is Possible to Prepare Your Business for a Recession. Here's How.

Shore up relationships with clients and vendors

Recessions test not just balance sheets but relationships. Clients with strong trust in you are more likely to stick around, and vendors with whom you've built goodwill are more likely to extend flexible terms. Relationships are a form of resilience that doesn't show up in spreadsheets.

Build personal check-ins with clients and vendors into your weekly schedule, setting yourself a goal for the number of check-ins each week. Ask how they're doing, what challenges they're facing and how you can support them. Those touchpoints often pay off when times get harder.

Diversify your revenue streams (without distracting yourself)

When one channel slows down, having another to lean on is powerful. This is the time to think about strategically adding a second or third stream that complements your core.

This might be offering a lower-cost version of your service for clients who are cutting budgets or targeting a different customer segment less impacted by downturns. The key is to diversify without losing focus on your main engine.

Start by brainstorming one “adjacent” offer that uses your current expertise but targets a slightly different market or format, and pilot it on a small scale to see if it works. Try this until you find one or two offers that resonate.

Strengthen your operations and marketing before you need to

In uncertain times, inefficiency has to go. Disorganized operations mean missed invoices, wasted hours or opportunities slipping through the cracks. Solid systems let you do more with less and reduce risk when resources tighten.

At the same time, the instinct in a downturn is often to slash marketing spend. This may be the right move if you need the extra breathing room in your profit, but make sure you’re again focusing on efficiency, doubling down on your highest ROI channels.

Take some time to review your operations and marketing and cut fat until you’re operating highly efficiently, even if that is less growth-oriented or with less new experimentation than you’ve run in the past.

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Recession-proofing your business is all about preparing your business methodically in advance, so you are ready if and when there is a downturn one day. By taking small, consistent steps to protect cash flow, build resilience and create flexibility, you put yourself in the minority of businesses that not only survive downturns but come out stronger.

Now is the time to start — even one small adjustment today could be the reason your business is thriving tomorrow.

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