

## **Recession-proof Your Business and Your Life: Seven Ways to Thrive in Any Economy**

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**Coming through an economic recession like a champ requires a Warren Buffet approach: Look at what the majority of people are doing and *don't do that*. As the advice implies, the path to remaining prosperous in any economy is a *counterintuitive one*.**

Those who thrived during the Great Depression understood this. And so must you if you want to thrive in our current economic climate. There are important lessons we all can and should learn from the Great Depression. The first one is not to let what you hear in the media dictate your moods or your actions.

The media painted, and continues to paint, a picture of an entire nation starving during the Great Depression, but historians and government statistics paint a completely different picture. What actual records show is that about one third of the population fell into the group that suffered long-term unemployment and poverty. That means that two-thirds didn't. About a third of the population maintained their standard of living through the Great Depression, and another third actually got wealthier.

The big question and the greater lesson we can all take from this is, what did the third that got wealthier do differently than the rest?

The main thing they did is focus on opportunities, not on problems. Throughout history those who have had the vision to see and the courage to act have found that economic downturns present limitless opportunities. Those that thrive stay focused on those opportunities and find ways to capitalize on them.

Aristotle Onassis amassed a fortune in the shipping industry at the peak of the Great Depression by buying freighters at bargain prices, and he borrowed the money to do it. J. Paul Getty invested in oil, Joseph Kennedy in liquor, Florenz Ziegfeld of the Ziegfeld Follies made a fortune selling entertainment. Each man saw different opportunities, but each of them made their fortunes during the Great Depression.

Although it is easy to look at such examples and chalk them up to luck or to assume that those who thrived in tough times used exploitative practices, that is almost never the case. When this group is studied, it is clear that what they did was look for opportunity, stay focused and follow through.

The ability to remain focused on the right things is a real art, especially when everything in the news is pointing the other way. But that is exactly what those who thrive have always done, and are doing today. They then follow through on the opportunities they discover in a responsible, disciplined and principled way.

Based on the lessons learned from studying those who thrived through the Great Depression, here are seven ways for Entrepreneurs to thrive in any economy.

## **1. Listen to the Advice of the Doomsayers and *Do Just the Opposite***

It is next to impossible to escape the media and the opinions of people, so you are bound to hear all the reasons why things are so bleak and scary, and why you should be scared. Rather than trying to avoid them, listen. But listen, knowing that their “solutions” are driven by fear and that fear responses will get you nothing, except more fear. The remaining six ways to succeed will help you stay focused on what works so you can keep doing the opposite of what the doomsayers advise. The most important thing to remember, and one of the most important things you can do, is to know where you want to be headed and to stay focused on that goal.

## **2. Spend More**

This is clearly a counterintuitive tactic. The common advice is to conserve. But the advice is almost always given as overly general, blanket advice that can keep you stuck and even moving backwards if it is applied in an overall way.

There are two ways to spend money: invest or consume. Consumptive expenditures take money out of your bank account without putting anything back in. Cars, clothes, food and entertainment are examples of consumptive expenditures, and here you most definitely want to be conservative, in good times and bad.

Investments are productive. They put money back into your bank account, either directly or indirectly, and have the potential to provide an increase in cash flow. Real estate is a classic example of an investment, since real estate typically appreciates rather than depreciates. Businesses are considered investments too and are, in fact, among the best investments on the planet if they are managed well.

One part of good management is identifying where your money will provide the greatest return and increasing your spending in that area even if it means borrowing money to do so. You could put more money into marketing, for example, to give you an opportunity to gain more market share during a time when your competitors are cutting back. Or you might want to invest in equipment that will help you be more efficient and effective. And you will certainly want to invest in your people. They are your source of production and, other than real estate, are a business's only true assets.

While it may be necessary to eliminate waste from your budget, wealth creation comes from increasing production, not from decreasing expenses. In a recession it is far wiser to buy assets than to cut costs, or even to save, because many assets are undervalued and can be bought at bargain prices. Investing during a recession can be an excellent way to grow your business and your portfolio if it is done wisely.

### **3. Invest in People**

While most businesses cut back on invest investing in their employees during an economic downturn, wise business owners do just the opposite. Those that thrive actively look for innovative ways to reward the efforts of their people and to keep them inspired and passionate about coming through the downturn shining. And these investments don't need to cost a lot of money either. In fact, the most effective investments cost nothing more than a little time and thought.

One client of mine, a general contracting company, not only survived the housing crisis of the 1980's, but came out the other side stronger and wealthier than before by investing in their employees. Where other contractors were falling by the wayside in groves, this company was flourishing because of their decision to invest in their people. They didn't invest money, because they didn't have the money to invest. What they invested was trust. They came up with a plan to make their employees partners in the company; not just figuratively, but literally. They met with their employees, told them exactly where the company was financially and what that meant to them and the future of the company. They then laid out their plan. Employees were then given the option to invest in the company by working at a reduced salary and having the unpaid salary go toward stock in the company or not. Not only did every employee buy into the plan, many actually invested money from their savings to keep the company afloat. Today it is one of the top rated construction companies in the nation.

Realize that your best assets are your people, and that is true whether you have internal employees or contract employees. Without people, the only thing that gets accomplished is what you can do yourself, and as most of us have discovered, that isn't nearly enough to build a thriving business around.

Many businesses make the mistake of viewing employees as liabilities because payroll represents such a large percentage of expenditures and always shows up as an expense on the income statement. Don't fall into that trap. Good people are *assets*, not expenses.

Just as there are two kinds of money expenditures; investment and consumption, there are also two kinds of employees; those who consume more that they produce and those who produce more than they consume. And just as with money, your goal should be to minimize or eliminate the consumptive employees and buy or create more producers.

#### **4. Manage Less; Empower More**

This may seem like dated advice, but empowered people are engaged people and to thrive through a recession having engaged employees is not an option. People who are managed rather than empowered tend to abdicate their power to the manager, and the manager is left with a burden greater than he/she can shoulder. Closely managing productive employees is a terrible waste of time and resources because, not only are the employees tethered, so too are the leaders. Good employees are motivated to do a good job and will typically get far more done when presented with clear goals and expectations, and then given the trust and freedom to get the result.

Frequent and lengthy meetings, assigning tasks and requiring detailed reports of daily activities are unproductive and, for good employees, completely unnecessary. Such measures are generally a sign of poor management and ineffective systems.

One great benefit of economic downturns is that ineffective practices become glaringly apparent. When businesses are thriving and cash is flowing, a lot of mismanagement can be concealed. But when money is tight, companies must either get smart or die. The reason so many businesses, even those that appeared to be doing well, fail during long recessions is that they fail to look at their people and their practices, make the right adjustments and take the right actions. The right actions are to empower the producers and get the consumers off the bus.

You can empower your people by sharing your vision, mission and goals, engaging them in laying out a good plan for realizing the vision, creating clear guidelines, clearly conveying expectations, sustaining fair and consistent boundaries, and then giving your people the freedom to make decisions and take the lead in their sphere of influence. Don't be afraid to assign more responsibility. Most employees report that they would like to have more, not less. But realize that responsibility means empowerment, not management of outcomes. Hold your people accountable, but let them get the result in whatever way works best for them.

The only way to do that effectively is to ensure that every individual is in a position that best utilizes his or her strengths and natural abilities. It is in areas that enhance natural strengths and abilities that everyone shines.

Ask your people to give you feedback about things that create friction; processes and systems that feel too unstructured or overly structured; rules that seem bureaucratic or autocratically controlling. Ask them what a really great company would look like and why. Then really listen. Be open to the feedback you get and, wherever possible, take action. Get your people involved and engaged. Work with them to streamline systems and to create an environment where everyone can thrive. Empowered people are engaged people, and they are the energy and lifeblood of any organization. Be sure your people are richly empowered.

## 5. Free up Your Cash

Liquidity is not as critical when the economy is strong and banks are lending money, but when the economy begins moving toward a recession and banks tighten lending, liquidity is necessary to ensure sufficient cash flow. Your business can be asset rich and still fail if you don't have sufficient cash flow to meet expenses. If you have assets tied up in stocks or a 401(k), for example, you might want to consider ways to free up some of that cash. Your business is a far better investment than a 401(k) and far more predictable than the stock market these days. Greater liquidity allows you to invest in yourself and in your business, and to have greater control of your money so you keep it growing your way. If you have enough invested in retirement plans, you can pull out the interest without depleting principal and stay way ahead of the game.

## 6. Stay Focused

Two things happen when times get tough; people become fearful and start focusing on loss, and the idea of loss lulls them into thinking that more is better. It is not uncommon, for example, for entrepreneurs and small business owners to take a shotgun approach when business slows down. They mistakenly believe that this broader approach will allow them to reach a bigger market, but that is rarely, if ever, the case. The most effective businesses are those that stay focused on their mission and their market. A well defined niche provides you with a clear target to aim at and a laser-like focus greatly increases your chances of hitting the bull's-eye every time.

The more difficult the economic environment, the more important it is for you to focus on opportunity, rather than problems externally, and on core competencies, passions and values internally. This is a winning combination. When you are focused on possibilities, possibilities are what you find. When you are passionate about what you are doing and that passion aligns with your values and complements your core competencies, you are almost unstoppable. Not only are successful businesses built around these factors, so too is the world impacted in meaningful, magical ways.

So, while others are pointing out problems, find the possibilities. And, while others are trying anything and everything, hoping something will pan out, stay focused on what matters. Search out and eliminate any aspects of your business that do not support and complement your passion and values. Identify who you are authentically, what you stand for, why you are in business and who you choose to serve. If you don't already know, take the time to define what you are, or can be, best at in your industry, or perhaps in the whole world, and determine to bring that unique gift to the world in the best way possible.

For most small companies, and even many large ones, attempts at diversification simply create distraction and dilute effectiveness. Focus is what is needed to move through the

chaos, fear and frenzy that a floundering economy engenders. Focus is like a flashlight in the dark that keeps you moving along your chosen path and moving steadily toward your goal.

## **7. Use Tough Times as a Springboard for Learning and Growing**

The greatest innovations of all time have occurred during difficult times, and many great businesses have been born. That's because it is human nature to move away from pain and toward pleasure, and painful times induce action. While those who look for problems are withdrawing from the pain and clinging to the status quo, those who look for opportunities are searching for ways to alleviate the pain and increase pleasure, not just for themselves, but for all of humanity. The ones who find effective ways to do that can, and often do, build empires around their discoveries.

Recessions always bring unwelcome change, upheaval and problems—and also opportunities. Even if your business and cash flow have slowed down, you shouldn't. Now is the time to leap into action. Staying on the cutting edge is important in any economy and critical in a poor one. You can keep your crucial edge by continuing to learn and grow.

Take advantage of any increase in available time by honing your skills. The most successful entrepreneurs are those who are constantly learning. Read industry publications and books on leadership, selling, marketing, communicating and other topics that can enhance your business and outcomes. Also read books, attend seminars and/or engage coaches and mentors to enhance your own skills.

Albert Einstein observed "We cannot solve problems by using the same kind of thinking we used when we created them." A faltering economy is fraught with problems, which provides a perfect opportunity to create a new kind of thinking and to emerge wiser and better prepared to succeed.

No matter what the circumstance, you will never go wrong by following the road less traveled, investing your time and resources in the right things, empowering people, managing your money, staying focused on what you do best and continuing to learn and grow.

A tough economy always hands us both problems and opportunities. We get to decide which to focus upon and whether the changes we experience will defeat or define us. Choose to be defined and thrive.