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Corporate Resiliency Revisited: Ensure Financial Health Ahead of an Economic Downturn, Bankruptcy Strategist

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For the March 2022 issue of ALM's *The Bankruptcy Strategist*, Derek Meek and Hanna Lahr authored an article discussing the importance of financial preparation in advance of an economic downturn for businesses to sustain their financial well-being throughout challenging times.

Many anticipated such a downturn during the onset of the COVID-19 pandemic, but bankruptcy filings actually dropped significantly due to funding and other relief from the U.S. government, among other factors. "Nevertheless, many businesses and industries continued to be impacted through the end of the year by issues such as worker shortages and supply chain problems, as U.S. ports had historic backlogs of cargo ships waiting to offload their goods ahead of the 2021 holiday season," Meek and Lahr wrote. "Additionally, inflation is on the rise, leading increased pricing, and the country is going into mid-term elections in 2022, all of which can negatively impact economic outlooks for 2022."

While it is difficult to predict exactly how the U.S. and local economies will respond, the time for businesses to reassess their business and finances is now – before it is too late to adjust. To do this, Meek and Lahr offer a few actionable strategies to better ensure resiliency, including:

- For starters, review the budget and plan for the year, and consider how revenues and customer behaviors have changed since the pandemic began and whether any adjustments are

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needed for the “new normal.”

- Consider preparing projections for how you expect your business and particular industry to perform over the next six to 12 months, including multiple variations that account for performance during both good and bad times.
- Shore up access to capital, such as cash reserves and credit lines, by reassessing capital expenditures that may be reduced now or at the onset of economic challenges.
- Reevaluate and potentially renegotiate existing credit facilities as it relates to interest rates, monthly payments, credit limits and whether new accounts would be beneficial.
- Assess other relationships that might be renegotiated, such as real estate property and leases and vendor agreements.
- While marketing expenditures are often seen as an easy line item to cut, understand the importance of continuing to promote the business in a downturn and identify cost effective adjustments that can be made.
- Make the difficult assessments of staffing adjustments that can be made for the business to continue operating successfully but more efficiently.
- Prepare for the light at the end of the tunnel with a plan for transitioning back to a sense of normalcy after a downturn.

For the full article, please click here.