

Turning a National Disaster into YOUR Finest Hour

“...put a square peg in a round hole. Rapidly.”

Lessons from Apollo 13



3 Steps Every CEO Must Take to Make Money in this “New Economy” – During/After COVID-19



1. Understand Financial Building Blocks
2. Answer Key Questions to Make Money Despite Crises
3. Create a Money-Making Model in New Economy - 5 Drivers

Excerpt from

CEO Accelerator

How to Change the Game to Win

Facilitated By Russell C. Teter III



Accredited to provide technology
commercialization assistance.



www.marylandsbdc.org/accelerator

Definition of a

CEO Accelerator

CEO Accelerators Win by Having the Energy within to Change the Game,
Undertake a Cause that Inspires Dreaming, Have the Courage to Ask
“What If” and “If When” and Possess the Faith to Act Daily.

“One sound idea is all that one needs to achieve success.”
Napoleon Hill – **Think & Grow Rich**

6 Keys that Open D.O.O.R.S to Success

*“WHEN RICHES BEGIN TO COME THEY COME SO QUICKLY, IN SUCH GREAT ABUNDANCE, THAT
ONE WONDERS WHERE THEY HAVE BEEN HIDING DURING ALL THOSE LEAN YEARS.”*
Napoleon Hill – **Think & Grow Rich**

- Key #1: **OPEN** Your Mind – Think to Win
- Key #2: **D**ream – More Time & Money
- Key #3: **O**pportunities – Build on Those You Can Convert
- Key #4: **O**bstacles – Address Those You Can Control
- Key #5: **R**esources – Utilize Those You Have Now
- Key #6: **S**teps – Take Daily in Faith

**Take Steps Today that Build on
Your Opportunities, Address Your Obstacles,
Utilize Your Resources to Reach Your Dream of
More Time & Money**

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“...put a square peg in a round hole. Rapidly.” Lessons from Apollo 13

“One of the most common causes of failure is the habit of quitting when one is overtaken by temporary defeat”

Napoleon Hill – ***Think & Grow Rich*** (1937)

How does Apollo 13-something that happened 50 years ago-- relate to your business today?

Do you now make this similar statement?

“Houston, we have a problem.”

Jim Lovell, Astronaut

Apollo 13 – April 1970

The true story of Apollo 13 was told in Jim Lovell’s book, ***Lost Moon: The Perilous Voyage of Apollo 13*** (1994) then retold in Ron Howard’s movie ***Apollo 13*** (1995) starring Tom Hanks as Jim Lovell, and business principle originally outlined by leadership author and corporate trainer John Clemens.

What was Apollo 13’s final destination?

What happened on Apollo 13?

How does Apollo 13 relate to my business?

If you answered “the moon” to the first question (“What was their final destination?”), you are half correct. The final destination was actually earth. Remember President Kennedy's goal: “to land a man on the moon and return him safely to the earth.”

What happened on the way to the halfway point? There was an explosion.

In addition to monitoring mechanical issues by those in Houston, they were also watching the health of the astronauts.

Why? was the health of the astronauts important? If they arrived back on earth dead, they would not have fulfilled President Kennedy's goal. They noticed that the astronauts’ oxygen level was low. They asked a very important question:

Why? They determined there was too much carbon dioxide in their blood system. They asked a very important question:

Why? They determined there was too much carbon dioxide in the air. They asked a very

important question:

Why? They determined that the filtration system was not working correctly. They asked a very important question:

Why? They determined that they had the wrong filters.

From those “Why” questions, they determined the true root cause of the problem. Watch:

YouTube: [Apollo 13 Movie CLIP - Square Peg in a Round Hole](#)

From the movie:

Engineer: “Gene, we have a situation brewing with the carbon dioxide. We have a CO2 filter problem on the lunar module. Five filters on the LEM, which was meant for two guys for a day and a half. So I told the doc...”

Flight Surgeon: “They’re already up to eight on the gauges. Anything over 15, you get impaired judgment, blackouts, the beginning of brain asphyxia.”

Flight Operations Commander Gene Krantz: “What about the scrubbers on the command module?”

Engineer: “They have square cartridges. The ones on the LEM are round.”

Krantz: “Tell me this isn't a government operation.”

Engineer: “It just isn't a contingency we’ve remotely looked at. Those CO2 levels are going to be getting toxic.

Krantz: “Well, I suggest you gentlemen invent a way to put a square peg in a round hole. Rapidly.”

The engineers dumped assorted odd items onto a table, anything on the spacecraft that the astronauts had available to them.

Engineer: “Ok people, listen up. The people upstairs handed us this one. We got to come through. We’ve gotta find a way to make *this* [holds up a square object] fit into the hole for *this* [holds up a round object] using nothing but *that* [points to the items on the table]. Let's get it organized. Let's build a filter. Better get some coffee going.”

The Apollo 13 mission -- in which the original goal changed into a new even more challenging goal achieved -- is evidence that thinking to win works.

Technology alone did not bring the astronauts home safely. The complete focus on the ultimate destination (bringing the astronauts home safely) made the key difference. Flight operations commander Gene Krantz stated shortly after the explosion,

“Failure is not an option!”

Was everyone upset when a routine “stirring” of oxygen tanks, a “housekeeping procedure,” created a mysterious explosion that crippled the ship, sending it into a countdown towards 100% failure resulting in no moon landing? Yes.

Gene continued to focus on the ultimate destination, “NASA has never lost an astronaut in space and we’re sure as hell not going to lose one on my watch.”

Gene’s boss whines, “This could be the worst disaster NASA ever experienced.” Gene confidently replies, “With all due respect, sir, I believe this is going to be our finest hour.”

Gene Krantz changed the game to win; he did not allow the situation to dictate the outcome.

He did not allow himself or others to think of anything that was not going to enable them to win.

Years before the flight, the voltage levels on all the Apollo spaceships had been changed; however, one of the subcontractors responsible for firing thermostats was never informed. Complaining about those subcontractors, focusing on missed opportunities, concentrating on obstacles not in their control, and hoping for resources that are not readily available are all temptations that could lead to failure, not winning.

Gene and his team constantly transformed their resources and procedures into new resources and new procedures to convert real opportunities and address controllable obstacles. Constantly, opening their minds to think of ways to drive beyond the recognized limits and discover new capabilities.

Gene said, **“I don't care what something was designed to do. I care what it can do.”**

For those of us that grew up in the 1980s, this is called “MacGyver Style.” Where duct tape, chewing gum, Swiss Army knife and mind power can save an entire city from a nuclear disaster. When situations change, you got to change with them, using all the thinking power and tools on hand.

Back to the question: “How does Apollo 13 relate to your business?”

Do you think and say as Gene did? “Work the problem, people!”

Do you know the root problem that is keeping you from growing quickly? Or, is your focus on symptoms?

Do you think on only opportunities that you can convert and obstacles that you can control now? Or, are you focused on what is unattainable or out of your control?

It is a new game. The economy has changed everything. CEOs have to think and find their game changer, the one thing that will make them grow.

In truth, business has not changed in 2,000 years. Business is all about human relations and the reality that eventually revenue must exceed expenses.

The only change in the thousands of years is that the world is moving faster. If you want to grow, you must accelerate your thinking to solve problems. Strategic thinking can and must be learned.

Years after the Apollo 13 incident, Gene Krantz was quoted as saying, "The training was such that by the time you finished the process, you had the confidence that, given a few minutes, you could solve any problem. That's all there was to it. And it didn't matter what the size, but the magnitude, what the origin of the problem was. The fact was that you could solve any problem that came up."

Find the "time and space" to focus on the most pressing priorities.

3 Steps Every CEO Must Take to Make Money in this “New Economy” – During/After COVID-19

“It is one thing to WANT money— everyone wants more— but it is something entirely different to be WORTH MORE! Many people mistake their WANTS for their JUST DUES. Your financial requirements or wants have nothing whatever to do with your WORTH. Your value is established entirely by your ability to render useful service or your capacity to induce others to render such service.”
Napoleon Hill – ***Think & Grow Rich*** (1937)

The purpose of this document is about the three steps CEOs must take once they adhere to the social distancing guidelines to protect their current customers, employees, as well as their family members and themselves. This document does NOT address the financial disaster recovery assistance provided by governments. For real-time updated information such as resources, live links, go to our “COVID 19 Survival Guide” at <https://www.marylandsbdc.org/covid-19-assistance>.

This document is for business owners to prepare to **thrive despite the crises**, thinking about looking at “Re-Opening” your business because it is an entirely different economy DURING COVID-19 and will be a different economy AFTER COVID-19.

Introduction

All across America, government officials have ordered residents to stay home, shelter in place, and otherwise put their routines "on pause" to help limit the spread of COVID-19. To adhere to these executive orders, you, fellow business owners, and most importantly, your customers are staying home, only mingling with members of their household, maintaining at least 6 feet of space in line at the grocery store.

CEOs are asking: When will business get back to normal?

The real answer is that no one knows. Mandatory and volunteer social distancing, quarantining, and travel restrictions could remain in place for weeks, even months to come. The exact number is unknown. But regardless of how this crisis meets its eventual end, Americans must now contend with the ongoing spread of the virus — and that means staying

home. This is our new normal, which has created a “New Economy,” a completely different economy both during and after COVID-19.

CEOs need to create a modified or even a new profitable and sustainable money-making model for this NEW Economy.

Lessons from 2008 “Great Recession” to Apply During/After COVID-19

There are many differences between the 2008 recession and today's crises, but there are similarities from which to learn.

Before 2008, the average consumer spent \$1.20 for every \$1.00 they made (BCA Research Study in 2011). Spending \$0.20 more than they were making, living in “creditalism,” not capitalism. That economy allowed five pizza shops on every corner to exist where truly only three could survive in pure capitalism. Businesses were spending beyond their means, as were governments.

After 2008, the average consumer was spending \$0.80 for every \$1.00 they made, **a \$0.40 drop.**

In coaching thousands of business owners during that time, there were two types of business owners:

1. Focused on the \$0.40 drop: They were complaining about it, assigning blame, looking for it to be fixed, and waiting for someone to save them.
2. Focused on the \$0.80 left: They only embarked in actions based on opportunities to convert, obstacles to control, resources to utilize now, and created a new money-making model to reach their ultimate personal goals.

The first group acted like an ostrich, with heads in the sand; or, acted like a frozen deer with headlights in their eyes.

The second group acted like a lion finding a new forest with food.

There is no surprise which business owners survived the recession and began to thrive.

Those CEOs did three simple things:

- Followed those spending money (money doesn't evaporate, it just moves)
- Solved known problems in the New Economy, better, faster or cheaper than others
- Communicated their way (those that are spending money)

Even though what they did was simple, it was hard work.

It was hard work to find those spending money now and the near future because it wasn't necessarily who spent money in the past.

It was hard work to identify and solve known problems of those spending money because issues change. One needs to make sure the problem is known. You could have the cure for cancer, but if the person doesn't know they have the disease, you cannot cure it. One can only solve a problem if the other person recognizes they have that problem and chooses to act on solving that problem.

Many business owners did not realize whom they needed to beat- being better, faster, or cheaper. Continually answering the question, "who has my ideal customer, the one spending money, whose known problem I can solve?"

It was hard work for CEOs to communicate their perspective. It's easy to communicate our way, but tougher to communicate from other's perspectives. It doesn't matter what we want; it matters what the other person wants, the one that is spending money.

Even those making money at this time did not always have peace. The freedom to enjoy the fruits of labor is something business owners lack. Not knowing how and why one makes money creates anxiety from fear. If business owners did not know how they were making money, if it stops, they couldn't make the corrections. What is equally dangerous is if employees did not know how the company makes money.

Why did some business owners do the hard work while others did not? They were two reasons. The first was that they had a compelling reason to make money; in other words, an obsession. They knew how much money they wanted on a specific date and, most importantly, why they wanted to make that money. The second reason was they looked at creating a new money-making model as fun. Based on my experience, the day you stop having fun in business is the day you begin to fail.

Think back to when you first opened your business. You figured out then how to "put a square peg into a round hole." You thought about who is spending money, identifying their known problem that you could solve better, faster or cheaper, and how to communicate best. You will have to do it again!

Which CEO do you want to *be* During/After COVID-19?

If you are ready to create a money-making model for this new economy, let's begin!

Step 1: Understand Financial Building Blocks

The first step during/after COVID-19 crises is to look again at your financial building blocks. Look at these with new eyes.

Business author and speaker Ram Charan in his book, *What The CEO Wants You To Know: How Your Company Really Works* (2001), speaks on this issue:

“Every Business Is The Same Inside”

Every business needs:

“Cash, Margin, Velocity, Growth, and Customers”

“In today’s world, no growth means lagging behind in a world that grows every day. If you don’t grow, competitors will eventually overtake you.”

“But growth for its own sake doesn’t do any good. Growth has to be profitable and sustainable. You want growth to be accompanied by improved margins and velocity, and the cash generation must be able to keep pace.”

For a summation of these building blocks, go to:

YouTube: [Ram Charan – Building a Successful Business](#)

Step 2: Answer Key Questions to Make Money Despite Crises

The second step is to answer these questions:

1. **Who is spending money during/after COVID-19?** You must follow those consumers, businesses, and government agencies that are spending money. Who spent yesterday is not necessarily who will be spending today and tomorrow.
2. **What are those spending money known problems that you can solve better, faster, cheaper than who is providing it now?** Avoid trying to solve unknown problems. Focus on understanding who is getting that job done now, whom do you need to beat—it may be direct, indirect, or substitute competitors.
3. **How to best communicate their way?** It doesn’t matter what you like or looks right to you; what matters is discovering keyword adjectives and visuals that match those adjectives that speak directly to those spending money now in the COVID-19 economy. Your message during/after COVID-19 is how you can get the job done (the benefits), not the features of your product or service.

To help think about these three questions, watch this video. The video was created long before COVID-19, but relevant today as you think about your business during/after COVID-19.

YouTube: [Clay Christensen: The "Job" of a McDonald's Milkshake](#)

Answering these questions again is hard work. At the height of the Depression, Napoleon Hill – stated in his book *“Think & Grow Rich”* (1937):

“Wishing will not bring riches. But desiring riches with a state of mind that becomes an obsession, then planning definite ways and means to acquire riches, and backing those plans with persistence which does not recognize failure, will bring riches...You may as well know, right here, that you can never have riches in great quantities, UNLESS you can work yourself into a white heat of DESIRE for money, and actually BELIEVE you will possess it. You may as well know, also that every great leader, from the dawn of civilization down to the present, was a dreamer.”

Step 3: Create a Money-Making Model in New Economy - 5 Drivers

The third step is to break down your business in this new economy into the five areas that generate profits; then develop projections and manageable strategies to increase each during/after COVID-19.

“Drive 5 for More Money”

- 1. Number of Prospects**
- 2. Conversion Rate**
- 3. Purchase Amount per Customer per Transaction**
- 4. Number of Transactions per Customer per Year**
- 5. Profit Margin**

These five become a basic equation for a business that breaks down goals for profit and dictates the basis of a new economy business model. Remember, every business operates on this equation. The difference between a good company and a great company are those that understand and utilize this equation.

Many business owners do not know their equation in the Old Economy, let alone during and after COVID-19.

- Determine the number for the last 12 months in the old economy
- Develop the numbers for next during COVID-19 and the immediate recovery (New Base Year)
- Create numbers to Drive EACH after COVID-19 for the next 5 Years.

Review of the 5 Drivers:

Driver #1: Number of Prospects: These are the consumers, businesses and/or agencies that define potential customers during/after COVID-19. These are the numbers of organizations communicated with over 12 months.

Driver #2: Conversion Rate: This is the percentage of prospects that become customers.

Driver #3: Purchase Amount: Retail stores and restaurants typically use the average dollar amount spent by customers during a visit. Service businesses use either a contract amount or a billing rate.

Driver #4: Transactions: This is the average number of transactions per customer per year, such as billable hours per customer

Driver #5: Profit Margin: The current profit margin is determined by dividing net profit (sales minus expenses) by net revenue. If the profit margin is 12% for every one dollar in revenue received, 88 cents goes to costs, and 12 cents is profit. This percentage is an indication of how cost-effectively a business operates.

One business author that has a similar approach is Brad Sugars. Review this principle by watching,

[YouTube: 5 Ways to Massive Profits with Brad Sugars](#)

How to forecast for the next 12 Months?

We are dealing with much uncertainty during/after COVID-19. My only suggestion at this point is to create a money-making model based on the social distancing lasting until the end of July. Some business's revenue from COVID-19 social distancing is down 100%, while other companies are far less. Some business expenses decrease proportionally while other's costs don't change or increase. Determine those numbers and forecast out till July. Then, you are "restarting" your business. Guesstimate a recovery for the remaining months of the year to get back to your lowest month of revenue.

The sample "Drive 5 - Before/After COVID-19" money-making model below is of retail business, only because most people understand that analogy and then can apply to their business. This example, and it is only an example, shows the annual numbers decrease of 38.71% from the old economy—social distancing lasting for five months, "Restarting" the business, then seven months of recovery for a new base year. (This is ONLY an example to show the math, not to reflect any industry averages.)

Drive 5 - During/After COVID-19

	5 Mon. During COVID-19; 7		New Economy After COVID-19					
	Old Economy	Mon. After		Year 1	Year 2	Year 3	Year 4	Year 5
Prospects	8,610	7,500	10% →	8,250	9,075	9,983	10,981	12,079
x	x	x		x	x	x	x	x
Conversion Rate	10.4%	10.0%	10% →	11.0%	12.1%	13.3%	14.6%	16.1%
=	=	=		=	=	=	=	=
Customers	895	750		908	1,098	1,329	1,608	1,945
x	x	x		x	x	x	x	x
Purchase Amount/Customer	\$281	\$267	10% →	\$294	\$323	\$355	\$391	\$430
x	x	x		x	x	x	x	x
Transaction/Customer	3.6	3.5	10% →	3.9	4.2	4.7	5.1	5.6
=	=	=		=	=	=	=	=
Revenue	\$911,112	\$700,875		\$1,026,151	\$1,502,388	\$2,199,646	\$3,220,502	\$4,715,137
x	x	x		x	x	x	x	x
Profit Margin	10.0%	9.4%	10% →	10.3%	11.4%	12.5%	13.8%	15.1%
=	=	=		=	=	=	=	=
Profit (Cash Home) EBITDA	\$91,383	\$65,882		\$106,104	\$170,882	\$275,207	\$443,223	\$713,815
Increase (-Decrease) Over Previous Yr.		-38.71%		61%	61%	61%	61%	61%
Increase over New Base Year				61%	159%	318%	573%	983%
Valuation (5X EBITDA Rule)	\$456,914	\$329,411		\$530,520	\$854,408	\$1,376,033	\$2,216,114	\$3,569,074

After the base year, develop your money-making model for the new economy--recovering from COVID-19 social distancing--increasing the dollars in your pocket and your business valuation by developing strategies to make small incremental increases (improvements) in all five drivers. Spend some time to understand your business equation in the old economy. Most importantly, set realistic goals for 12 months from now in this new economy, then looking at increasing each Driver 10% in each of the following years. Base these projections on thinking from Steps 1 & 2. (Remember, if you increase "One Driver" by 50%, the result is a 50% increase in profit. Drive each by 10% each. The result is a 61% increase in profits. Over five years, this results in a 968% increase over your new base year after COVID-19 social distancing.) It's all math. Your business is all math.

If your profit increase is more than 61% or you increased a driver more than 10%, ask yourself why. Ten percent is continuous improvement, making small incremental changes. A Driver above 10% is making dramatic changes, making significant innovations. You need to ask yourself if this is possible. Do not set yourself up for failure.

If your profit increase is less than 61% or you increased a Driver less than 10%, ask yourself why. You need to ask yourself why this is not possible after COVID-19 social distancing. Why don't you have the ability to make minor continuous improvements? It may be a sign that you need to make more changes to your money-making model by rethinking your answers from Steps 1 & 2.

These are simply projections. But, if you can't get your new model to work on paper, it will never work in reality. The first leg of the journey is to get it to work on paper and believe it will work.

If you cannot fix your money-making model for the new economy during/after COVID-19, get a new one. Cars have a check engine light for a reason. Fix it before it is broken down miles from home. It may be time to get a new car. Frustrating, but things have a life span.

Conclusion

The key to success after COVID-19 is to not focus on your current business model; focus on your desire to make more money and have the time to enjoy the money. Focus on (1) Understand Financial Building Blocks, (2) Answer Key Questions to Make Money Despite Crises, (3) Create a Money-Making Model in New Economy - 5 Drivers. Your business model will change over time. Keep your eye on the ball.

After you set the goals “Drive 5 - Before/After COVID-19” money-making model for your new base year, begin to think about strategies to increase each Driver. For example, Driver #3: Purchase Amount, what can you do to increase the amount spent by customers per visit/order by 10%? How can you increase the average hourly billable rate by 10%? (In an example, to help generate thinking is McDonald's. They asked that question back in the 1970s. They began to have personnel ask customers one question, “Would you like fries with that?” In the marketing world, this became known as the billion-dollar question. McDonald's has generated billions in new revenue over the years with six words.) What will happen to your profit if you “Drive 5” each year for five years? A whopping 983% increase! Again this is not making any dramatic changes. It is making tiny changes over time.

Your money-making equation (“5 Drivers”) is like your GPS coordinates. The more accurate you are with the starting point and ending point, the better the directions. Serial entrepreneur and business author John Herman says,

“Know the Math, or No Money”

Do not go to the other extreme and never move forward because you struggle with the numbers. Get as close as you can over a few days, and then start moving. You cannot steer a parked car.