

How Covid-19 Changed Business Principles



The COVID-19 pandemic didn't alter business principles but underscored their importance. In times of uncertainty, professionals seek assurance that their daily efforts contribute to personal and company stability. But when what worked yesterday isn't working today, it's difficult to secure anything.

Amidst this uncertainty, success hinges on adherence to fundamental business drivers: cash, profit, assets, growth, and people. These 5 Business Drivers® underpin every decision and strategy within a company and are crucial for maintaining credibility, advancing careers, and ensuring business resilience—especially during a crisis.

CASH

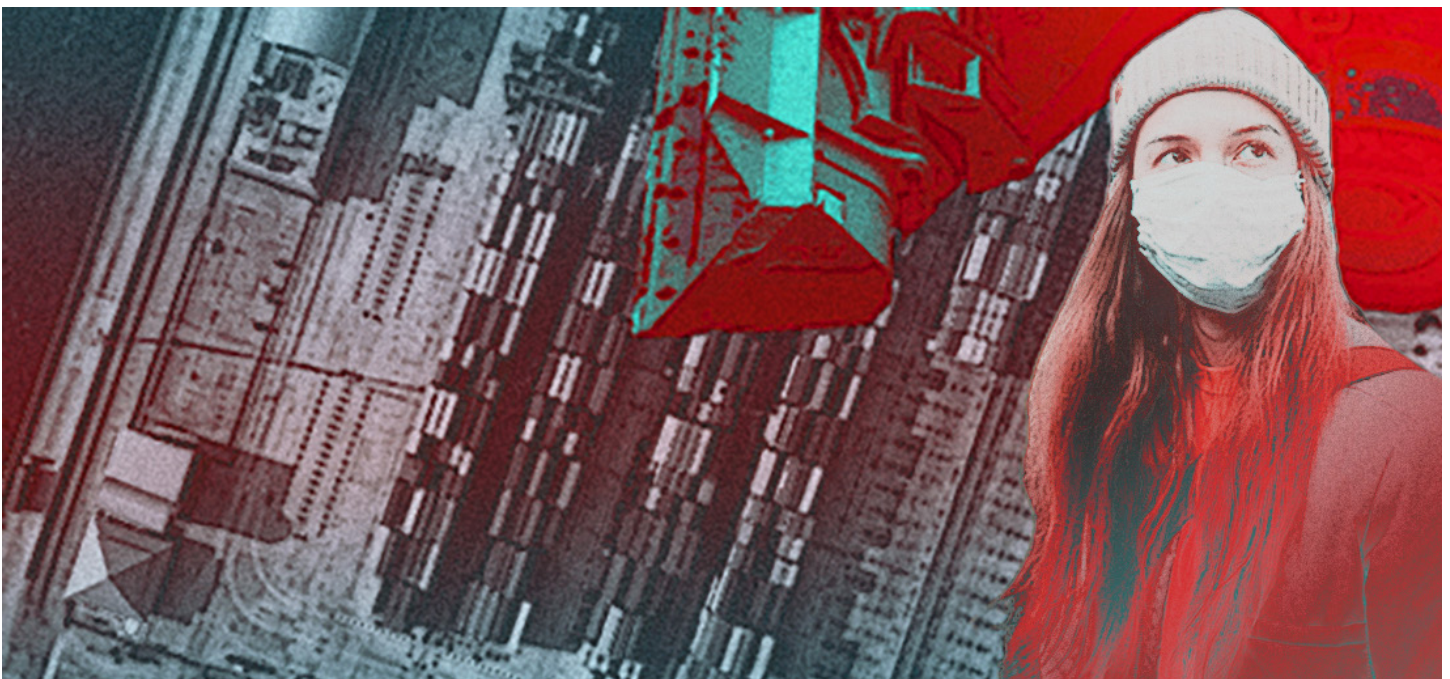
Cash is paramount for all businesses, from corporate giants like Walmart and Citibank to local flower shops and diners. It serves as the fuel that sustains operations, enabling payment of bills, employee salaries, and other obligations.

Run out of it, and a company can't pay its debts or employees, can't generate revenue or profit, and you can only run on empty for so long.

Conversely, businesses with ample cash reserves can navigate economic turbulence, invest in innovation, expand operations, and attract top talent. In essence, cash provides businesses with flexibility and opportunities for growth. And what business leader doesn't want options and opportunities? Regardless of your role, you contribute to cash management by finding ways to reduce costs and increase revenue streams—actions that ultimately bolster the company's financial health and resilience.

PROFIT

Profitability is the primary measure Wall Street uses to determine the value of a company. Yet, it's amazing how many companies lose track of the simple rule of selling products for more than they cost! To learn how to gauge the success of your company's profitability, there are two





measures to consider in the income statement: gross profit and net profit. If cash is the fuel of business then profit is the engine.

On March 10th, 2000, the NASDAQ reached its peak, fueled by the dot-com frenzy. However, by the year's end, the market had plummeted. Why? One could argue that the dot-com companies' operations were inefficient. Despite burning through substantial investor funds, they failed to achieve profitability. When investors recognized the absence of returns, they withdrew their support, leaving dot-coms stranded without the necessary funds to sustain operations. Without cash flow or a viable business model, failure was inevitable. The importance of profitability remains unchanged today, just as it did two decades ago.

Profit is simply the difference between the amount earned (revenues) and the amount spent in buying, operating, or producing something (expenses). Naturally, the goal is to sell products at a higher price than their production costs. Ultimately, a company's trajectory hinges on its ability to generate cash through profits, the sources of this cash flow, and the speed and consistency of its production. In essence, a company's vitality is primarily assessed by its core

business operations' effectiveness in generating profit.

Jim Collins put it best, "Profit is like oxygen, food, water, and blood for the body; they are not the point of life, but without them there is no life."

ASSETS

Anything a company owns or controls is an asset, and during the pandemic, companies' asset strength was scrutinized like never before. Asset strength reflects a company's resilience during market fluctuations. Let's delve into it from three perspectives:

- (1) Leaders will look at total assets and subtract the total liabilities, or financial obligations, to see what's left over. Hopefully, this is a positive number. This is called equity and represents a reserve for potential cash-raising endeavors.
- (2) Leaders and accountants also study the company's ability to cover short-term debts. They compare cash and other liquid assets against imminent expenses over the next 12 months. Stronger companies can pay their bills and retain surplus liquid assets.



(3) Leaders take into account the nature of your company assets, particularly those employed in revenue generation versus those that aren't. A surplus of non-revenue-generating assets may signal financial weakness. What's your asset portfolio like? Does your company have too much money in assets that aren't generating revenue? Or do you adopt a more selective approach to choosing assets in order to enhance cash flow?

GROWTH

The phrase "grow or die" reflects the brutal realities of the business world. If your company doesn't grow — expanding its product and service lines, cultivating new customers and markets, and increasing its financial strength — your competitors will. As Steven M.R. Covey wrote, "In businesses today, we're still trying to leverage our past successes to solve new problems. It didn't work for Rome, and it won't work for us."

Some companies have already figured that out. Of course, after COVID, companies have expanded their digital transformation, created flexible work arrangements, and e-commerce. Beyond that, there's been a growing emphasis on social responsibility and sustainability

like data privacy or supporting community development. In short, investors expect growth, employees are energized by it, customers are attracted to it, and executives are measured by it.

PEOPLE

The fifth driver is straightforward: without competent employees making sound decisions and delivering value to paying customers, the other four drivers lose their significance. Whether serving external customers purchasing your products or internal customers, your colleagues, you have the capacity to deliver exceptional service.

You can serve as the bedrock upon which others depend. Is there anything you can do to enhance your company's internal culture and anticipate the needs of your customers? Understanding how your company benefits from its relationship with its most crucial asset — people — can help you impact stakeholder satisfaction and the bottom line, regardless of whether you're the CEO or a new hire.

MAKING A DIFFERENCE

These 5 Business Drivers® will help you understand and visualize how even the most

complicated business can be analyzed and improved. They combine to form the foundation of organizations, products, market position, financing, human resources, and every other strategy or decision in a company. Leaders must set goals and obtain results in these five areas to achieve the most important objective for any company: sustainable, profitable, mission-driven growth. Now that you've learned them, where do you start to make a difference?

Become financially literate. Those who don't understand the language of their company's business can't contribute to discussions or measure the financial health of their next employer. When an executive speaks on her concerns about a certain underperforming metric, you should know the levers you impact. The 5 Business Drivers® are a simple jumping point you can use to navigate the language of business.

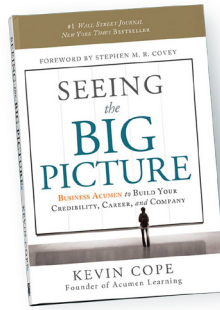
Listen to your executives. Quarterly earnings calls serve as more than just updates for investors; they offer insight into your CEO's priorities. To perform at the same level as an owner, it's essential to understand your company's objectives. Pay attention to the drivers emphasized by your CEO during these calls. Identify the expectations she underscores and emphasizes. Your ability to improve objectives will show your value to the company.

Make an action plan. Now that you understand your company's financial interests, determine the changes you can enact. What impact can you make on your day-to-day business activities to improve your company's footing? Make changes that can benefit your company now and aspire not only to be a leader but a business leader.

Regardless of whether your company is public or private, the 5 Business Drivers® should be the foundation of your decisions to keep your company on the path to profitable, sustainable growth — the goal of every CEO. We find ourselves in unprecedented times when business as usual is not that. As the pandemic worsens in some parts of the country and improves in others, smart employees use the 5 Business Drivers® to make faster and bolder business decisions. That's what your CEO needs now more than ever.

At its heart, *business acumen* means knowing how your company makes money and making better decisions around the money-making process. As a business leader, you are in a unique position to bridge the gap between functions. You can grow the business in a way nobody else can.

Acumen Learning specializes in business and financial acumen courses that help participants understand The 5 Business Drivers®, the metrics used to measure them, and their role in creating sustainable, profitable, mission-driven growth. The results are employees who are more engaged — aligned, efficient, and productive — which will have an immediate and enduring impact on your company's financial performance. And companies experiencing profitable growth can provide greater opportunities for people to have meaningful careers.





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