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THE SECOND DECISION

the QUALIFIED entrepreneur

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RANDY H. NELSON

Foreword by General Hugh Shelton, 14th Chairman, Joint Chiefs of Staff

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CHAPTER 13

CRISIS LEADERSHIP, CONTINGENCY PLANNING AND THE RESET BUTTON

"There's no harm in hoping for the best as long as you're prepared for the worst."

—STEPHEN KING, *DIFFERENT SEASONS*

In the US Navy, training happens all the time. This is intentional, so that sailors will find it second nature to work at the problem and truly perform should an actual emergency arise. In my last three months of pre-submarine schooling, I spent time in various types of mechanical trainers, including ones that would simulate fire, flood, and the dreaded "jam dive." That's when you head straight for the bottom of the ocean because the submarine's steering mechanism is stuck in the "down" position. It's sort of like speeding 70 miles per hour in a car with a stuck brake pedal and a cliff looming a mile or two ahead. It's, *uh*, exhilarating—especially the first time you experience it.

But the training didn't stop when the schooling did. On average, most days we spent multiple hours in drills when we were aboard the submarine. We would go through many of the same routines that we did in the trainers, plus simulating other emergencies and, of course, practicing various scenarios that would require us to deploy weapons or defend ourselves from attack. If there was a scenario that could be imagined, there was a drill for it. In this way, crisis became "normal" for us. We learned to expect trouble and feel confident that we had a protocol to handle it. We proved to ourselves over and over again that we could operate the submarine in just about any condition, and keep it operating, whatever the situation. Knowing what to do kept us calm and ready to act.

If there was a scenario that could be imagined, there was a drill for it. In this way, crisis became "normal" for us. We learned to expect trouble and feel confident that we had a protocol to handle it.

The genius of US Navy training, however, is that it teaches a sailor not just to respond to trouble, but to truly *expect* it. This is especially necessary for sailors on submarines, where maintaining the proper environment is critical. Survival itself depends on preventing even tiny changes in oxygen levels and water pressure and avoiding fire and steam leaks at all costs. Think about food in the microwave oven and the steam that's released when you remove the plastic wrap—then multiply that steam and its pressure hundreds of times and that's what a potential steam leak would create on a submarine! The drills teach you to accept that bad things can and likely will happen. The US Navy knows that you need to *take the fear out of the emergency*—and then train the brain to take the right steps in the right order. That's how you survive.

While working on this chapter, I happened to read about an intriguing study, one that not only validates the sort of training the military does, but explains how and why it works. Psychologists at the University of California, San Diego, monitored the brain activity of a varied group of study participants—battle-trained Marines, competitive athletes, and regular folks—as they completed cognitive tasks. The researchers added stress to the experience by occasionally restricting airflow to the masks the participants were wearing, making it hard for them to breathe. Some participants couldn't stand the "aversive stimulus," panicked, and left the study. But the others, mostly Marines and athletes, adapted quickly.[1]

Here's what interested me: the participants in this study didn't know when their breathing would become difficult, but after a few experiences with restricted oxygen, researchers could tell that the group knew it was coming. How? By seeing changes in the subjects' brains via MRI imaging. Just before the airflow was restricted, these individuals, well-trained by their careers, showed higher activation in the insular cortex of the brain. They were preparing themselves for the expected discomfort. Then, almost as soon as the restricted airflow began, the same region of the brain went back to business as usual. Said researcher Martin Paulus, "That kind of anticipation and preparation is critical" to human success in challenging circumstances—whether it's coming under enemy fire, needing to correct for a badly timed mistake in an athletic contest, or responding to any other situation that requires quick, calm action. He says it's crucial to train your brain to anticipate and react without overreacting. The title of the blog entry in which I read about the study was "Anticipating the Strain."[2]

What a perfect analogy for the contingency planning and crisis leadership I'm advocating in this chapter!

Think of the Urgent/Reactive leader that I've described throughout this book, the one that most of us have embodied at one time or another. This person is all about impulse and speed, putting out those proverbial fires as they break out and quickly moving on to the next, always thriving on the chaos. As I've pointed out, it's not the best model for competent leadership. Compare him or her to Steady/Proactive, the kind of leader we all should hope to become. The difference is Steady/Proactive's ability to expect trouble and plan ahead for a calm and effective response. In other words, the difference between the types is *discipline*—the kind I advocate in entrepreneurial business, which is much like the kind the US Navy instilled in me as an officer. As an entrepreneur, however, I have had to teach the discipline to myself . . . and almost always at times when it would have helped to have known it already!

DISRUPTION WILL HAPPEN

Let me briefly discuss with you two significant "crises" I've experienced with business disruption. In both cases, I credit my military training and experience for keeping me as calm and focused as possible. Just as in the US Navy, I knew that there was no option but to survive—and the quicker I could get to work on solving the problem(s), the better.

You'll recall that my first company, Orion International, was founded in 1991 to place military veterans in civilian-sector jobs. Business was great—phenomenal, really—until the 9/11 attacks occurred in 2001, throwing the country into an economic downturn. Both our supply of labor *and* the demand for it evaporated within a matter of weeks. The military's post-9/11 "stop-loss" policies kept select military personnel from separating from the services or retiring, so we suddenly had a significantly lower percentage of the armed forces to place into jobs. At the same time, demand collapsed as companies elected to sit tight on hiring and wait for the economy to shake off its shell-shock. So there we were, having just expanded the company to meet increased demand for the hard and soft skills our veterans bring to the marketplace, only to watch our contracts almost totally dry up. The result was painful downsizing, transforming what had been a multimillion dollar company into a shadow of its former self—a shadow close to 25 percent the size of its former self. It was soul-crushing. But what choice did I have if I wanted the company to survive?

My second business, NSTAR Global, has a similar crisis story, but it ended better—thanks to the discipline I acquired after the earlier crisis at Orion. Beginning in 2007, NSTAR's industry (semiconductors) underwent structural changes that took its equipment sector from an annual volume of over $40 billion per year to less than $15 billion. Ouch. The contraction took about two years—and lucky for me, I'd made the right bet and found myself sitting pretty when the market finally rebounded. But I wouldn't have made it to the "sitting pretty" point if I hadn't known how to respond quickly and competently to preserve the business's cash, and with it, its profitability.

Are you reading along, thinking that these sorts of changes won't affect your company? That your business is unlikely to be affected by the sorts of disruptions that my companies suffered through? Well, let's play the "good old days" game and see what's different now than it was just 24 years ago (that's not that many years!) when I started my entrepreneurial career:

Politics: We've been through Presidents George H. W. Bush, Bill Clinton, George W. Bush, and Barack Obama, with many differences in policy, style, and substance.

History: End of the Soviet Union. First Gulf War. War in Bosnia. Genocide in Rwanda. The end of apartheid in South Africa. Massive business restructuring and reinvestment in preparation for what became known as "Y2K." Mad Cow disease in Europe. Climate change. Uprisings in the Middle East and Africa. And, of course, the attacks of 9/11 that sent us to war in Iraq and Afghanistan—not to mention various earthquakes and a cataclysmic tsunami affecting 11 countries.

Economy: We had a short recession in 1990–1991, rebounding with a major economic expansion in the Clinton and dot-com years. We struggled through another brief recession in 2001 (which economists say may not have occurred if we hadn't had the 9/11 attacks). Finally, the Great Recession occurred, caused by the financial crisis. It is recognized as the worst downturn since the Great Depression, and technically occurred from December 2007 to June 2009. However, as most of us know, it had a depressive effect on employment and business growth well beyond its supposed end.

Technology: Change here has been revolutionary. Desktop computers, which are still ubiquitous but quickly being replaced by tablets and smartphones, were by no means common in the early 1990s. My first business started without desktops. The World Wide Web, invented in 1989, existed only for nerds and geeks. (We called them "systems majors" in college in the 1980s, and now they're technology entrepreneurs!) All of us carried credit cards that allowed us to make mobile calls from phone booths and airport concourses, where long lines of business people often awaited their turn. Now, of course, both communications and computing are completely mobile, and a growing volume of business is conducted exclusively online. Ask newspapers, magazines, and record companies if the internet improved their business or not. Ask folks at Microsoft if they think Google has gained any ground on them since 1991. Ask dictators and governments around the world if Facebook and Twitter have had any impact on civil unrest in their countries. And just try imagining what your own children or grandchildren will consider "normal" 25 years from now!

Having taken this trip down memory lane, stop now and consider the massive change that could be just around the corner for *you and your company*. Ask yourself: "Will I be ready?"

Your answer to the above question almost has to be "no." As entrepreneurs, we operate from a philosophy that the glass is . . . forget half, to us that glass is always three-quarters full. We think that revenues and profits always grow and that adversity only strikes *other* companies. This attitude comes from our lack of training (discipline) combined with our tendency toward an overabundance of self-confidence.

PREPARE YOUR BUSINESS FOR INEVITABLE SETBACKS

But remember the statistics: Entrepreneurial businesses *do* fail up to 50 percent of the time at the 5-year mark, and up to 70 percent of the time 10 years out—even businesses that surprise us, that make magazine covers and beauty-contest lists.[3, 4] No one is invulnerable. Our gung-ho attitude won't inoculate us against threats such as unmanaged growth or debilitating economic downturns. Nor will it stave off the kind of disruption that your competitors are just itching to cause you in any way they can! What will your business and your industry look like if and when those competitors are successful?

Just as training improves outcomes in the US Navy, anticipation—along with careful planning that is guided by a vision and followed up with well-led execution of plans—*can* save a company from its own versions of fire, flood, and attack. I know, because I've lived it; I've watched CEO-friends struggle through it (painfully but mostly successfully). So I'm confident in saying that if you haven't experienced a serious setback in your business yet, statistics indicate that you likely will, and maybe soon. Maybe the competition will catch you, or your product will become commoditized, or the economy will tank and drag you down with it, or your patent will expire with nothing else in the pipeline, or . . . something. No matter what business you are in, no matter how winning your product or strategic advantage may be, you will someday find yourself countering the equivalent of a submarine's jam dive to survive.

So what is your protocol? What do you do first, second, and third when a crisis hits?

In my opinion, the protocol starts, ends, and centers on COGS—cost of goods sold. We've talked about COGS in detail, and to my way of thinking, it's the manual not just for *running* a disciplined business, as we discussed back then, but also for *saving* one. **COGS helps you figure out how to make money at *any* revenue level.** And this has to be your task when trouble starts—staying profitable and preserving cash, and thereby staying in business.

That's tough for most of us. We entrepreneurs are all about growth. We'll do anything to avoid downsizing—including going out of business, it sometimes seems! But the truth is, if you manage to keep dropping even a small amount of money to the bottom line, you stay in business. Let me show you. Here's the chart from the COGS-nizance chapter, revised. It assumes that you've already elevated your expenses to the levels anticipated for $5 million in revenue. But everything's gone sour, and a more realistic revenue number is now $3 million, which is now entered where the $5 million used to be. Look at what happens:

				BUDGET	ACTUAL			%'s		BUDGET	ACTUAL	RESET	RESET	VARIANCE
										Target %'s		Target %	Expenses	(from budget)
	2012	2013	2014	2015	2015		2012	2013	2014	2015	2015			
Revenue	3500000	4250000	4500000	5000000	3000000	**Revenue**	3500000	4250000	4500000	5000000	3000000	3000000	3000000	
Expenses						**Expenses**								
Rent	350000	350000	375000	425000	425000	**Rent**	10.00%	8.24%	8.33%	8.50%	14.17%	12.00%	360000	-65000
Office Supplies	14750	15000	16750	17000	17000	**Office Supplies**	0.42%	0.35%	0.37%	0.34%	0.57%	0.40%	12000	-5000
Payroll	1530000	2050000	2250000	2650000	2650000	**Payroll**	43.71%	48.24%	50.00%	53.00%	88.33%	67.50%	2025000	-625000
Legal	25000	15000	40000	25000	25000	**Legal**	0.71%	0.35%	0.89%	0.50%	0.83%	0.60%	18000	-7000
Accounting	17500	17500	18000	18000	18000	**Accounting**	0.50%	0.41%	0.40%	0.36%	0.60%	0.47%	14100	-3900
Depreciation	10000	10000	10000	10000	10000	**Depreciation**	0.29%	0.24%	0.22%	0.20%	0.33%	0.30%	9000	-1000
Travel	30000	50000	50000	60000	60000	**Travel**	0.86%	1.18%	1.11%	1.20%	2.00%	1.50%	45000	-15000
Meals	3500	3400	3600	4000	4000	**Meals**	0.10%	0.08%	0.08%	0.08%	0.13%	0.10%	3000	-1000
Computer	2500	2500	2750	27520	27520	**Computer**	0.07%	0.06%	0.06%	0.55%	0.92%	0.07%	2100	-25420
Marketing	10000	75000	50000	100000	100000	**Marketing**	0.29%	1.76%	1.11%	2.00%	3.33%	2.06%	61800	-38200
Miscellaneous	500000	600000	650000	675000	675000	**Miscellaneous**	14.29%	14.12%	14.44%	13.50%	22.50%	15.00%	450000	-225000
Total Expenses	2493250	3188400	3466100	4011520	4011520	**Total Expenses**	71.24%	75.02%	77.02%	80.23%	133.72%	100.00%	3000000	-1011520
Profit	1006750	1061600	1033900	988480	-1011520	**Profit**								
Profit %	28.76%	24.98%	22.98%	19.77%	-33.72%	**Profit %**	28.76%	24.98%	22.98%	19.77%	-33.72%	0.00%		

Your profit takes a hit, as expected. But look what happens to your COGS numbers—wow!

Below is the to-do list I suggest for crisis management. These are the steps you need to take, in my opinion, to keep your ship safely underway even when the worst storm hits. If you are the CEO or operate at a CEO-level of responsibility, this list is your protocol, your discipline:

1. Get your COGS report up to date, as shown in the chart above. It should contain three years of history, your target percentages, and for comparison, your percentages for the current fiscal year. (See Chapters 8 and 9 for review.)

2. Determine your current projected revenue level. In the case of the example, it is now $3 million instead of the budgeted $5 million.

3. Get your critical decision makers in a room and work the rest of the list together.

4. Set the acceptable profit/loss percentage at which you are willing to operate the business for the current fiscal year. This is a critical discussion and decision, because you are (1) committing to lead the business past this crisis and (2) setting the standard for financial operations moving forward. (For the example, I have chosen to break even, 0% profit for the year, so I can retain as many of my valued employees as possible.)

5. Set your target COGS percentages for each expense category. The total when added up should equal the profit/loss percentage target.

6. Create a new column that will calculate the new expense number that is acceptable for revenue of $3 million, and in the next column create a variance between the current expense numbers (based on the $5 million budget) and the proposed expense targets for the newly expected revenue of $3 million.

7. Challenge the notion that fixed costs must be fixed. The one that comes to mind first is your lease exposure. In our case, when we had to hit the reset button, we had nine offices and annual lease agreements. In the end, we subleased a handful of them. Fixed costs skyrocket in terms of COGS percentages when revenue plummets, so put them on the discussion table and get to work coming up with ideas on how to reduce them, and quickly.

8. With the big picture now in mind, get to work on each expense category. Decide how you will get from current levels to where you need to be. Remember that the cuts need to be made to preserve cash and future profit potential. You can't accept losses that will endanger your company's ongoing operation. You will see in the example the brutal, unfortunate facts, which are that you need to cut $1,011,520 in expenses, and $625,000 of it will be in personnel costs.

9. Lastly, don't let any of your team leave the room until there's a survival plan in place and general agreement reached that this is the plan that will keep the company in business. Confidence is the key here.

Now you know what you'll do if the bottom falls out. The principles of COGS and COGS percentages allow you to compare expenditures at various revenue levels to help you to rapidly confront reality when it's most important to do so. Read the list a few times—both to get a feel for what you'd need to do in an emergency and to take some of the panic out of it. In this way you will be "Anticipating the Strain," just like the test subjects did when their brains prepared for oxygen deprivation.[5] Try answering some of the questions you'll need to address if and when this day arrives. Consider it your drill. Get comfortable enough that, again, like the research subjects, your brain will actually quiet down when "go time" arrives, allowing you to work the problem like the *Qualified* Entrepreneur that you are.

Get comfortable enough that, again, like the research subjects, your brain will actually quiet down when "go time" arrives, allowing you to work the problem like the *Qualified* Entrepreneur that you are.

Of course, preparing and practicing the protocols is only half the battle, as we've said. You need to expect trouble and anticipate its origin. Before we move on, try this: write down the top 10 reasons why your company could suffer a reduction in revenues of 25 percent or more.

1.
2.
3.
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9.
10.

If you had difficulty coming up with 10 possibilities for disruptive change, well, it may be that you suffer from a lack of imagination! Or, as Jim Collins and Morten T. Hansen, authors of *Great by Choice: Uncertainty, Chaos, and Luck—Why Some Thrive Despite Them All,* might put it, where's your "productive paranoia?"[6] (To Collins and Hansen, productive paranoia involves obsessing—in good times and bad—about what can go wrong, planning for catastrophe, and thriving in uncertainty.) So check your card: Aren't entrepreneurs like us supposed to be able to see opportunity almost everywhere—and maybe *especially* in disruptions that alter a marketplace? Shouldn't we be comfortable imagining scenarios by which our old way of doing business would give way to something newer and maybe even quite different . . . but profitable nonetheless? Aren't innovation and creativity critical in both good times and bad?

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I think so, and that's why I'm so fond of the concept of the RESET button. I want to spend some of the rest of this chapter talking about why each of us should quit avoiding the darn thing and, when necessary, push it decisively.

WHEN SHOULD YOU PUSH THE RESET BUTTON?

This requires some retraining of instincts, of course. The RESET button that most of us know best is right there on the computer's CPU, and it's the thing you don't even want your fingers to brush against—because if you inadvertently push the button, everything you've ever known will be gone. You will be forced to create something new, and no matter how much you may want it to be the same, it will be different. For many of us, this is a scary feeling. But I've come to think of the RESET button as a *necessary tool* for the *Qualified* Entrepreneur. Used properly, it's a fresh start and a way to ensure that your company avoids becoming part of those much-publicized entrepreneurial failure rates.

My definition of the term: A RESET button is a tool for the entrepreneur to utilize during significant downturns or disruptions that require reorganization, downsizing, layoffs, or all of the above.

The RESET button works best when pushed firmly. Used late or half-heartedly, it doesn't work as it should. If the RESET isn't used at all, the entrepreneur or CEO is voting to maintain the status quo—which can be comforting to the leader, but fatal to a company that is under significant stress. By being unwilling to accept and deal with the change that has been thrust upon the company, the entrepreneur or CEO has guaranteed the company nothing but more quarters of poor performance. It's like knowing a Category 2 hurricane is coming (which sounds minor, but, knowing the scale as I do from living in North Carolina, isn't)—yet staying put, hoping for the best. That's a guaranteed disaster!

The highest and best use of the RESET button is, to me, *keeping the company alive for the people who are still in it instead of letting it die for the employees you couldn't stand to lose or the markets your pride wouldn't let you abandon.*

Pushing the RESET button isn't a cop-out or a failure—far from it. The highest and best use of the RESET button is, to me, *keeping the company alive for the people who are still in it instead of letting it die for the employees you couldn't stand to lose or the markets your pride wouldn't let you abandon.* The entrepreneurial ego is a beautiful and powerful thing—until it prevents us from doing what should be done. So don't resist. When circumstances warrant it, push the button. You will want to second-guess yourself; you shouldn't. Everything within you will argue against downsizing and finding a fresh start, but don't listen. Having observed my own reactions and those of others confronting the RESET button over the years, I can safely predict that these are the battles you'll face:

- You will think, "I can't cut my costs any more." I say that's absolutely untrue, and completing the COGS exercise in the preceding section should make you a believer. I have helped more peers than I would have liked do the same. As I told them, I wasn't any smarter than them; it just happened to me first. And experience put me in a position to help them weather the storm.

- You will try to slow or minimize your downsizing, hoping that the crisis is temporary and that you'll soon be posting growth again. But in the end, you may learn what I did—it's better to go deeper and quicker with your cuts instead of procrastinating.

- You will try to hold onto good people for as long as possible, and if you fail you will immediately begin trying to bring them back. Don't do either. You *will* lose good people, you *must*, and it will tear you apart.

I remember feeling that I had let our employees down, even though everything that had occurred was well out of my control. Looking them in the eyes and telling them that I didn't have a place for them anymore, simply because the business wasn't performing well enough—well, I don't think I can express how difficult it was. But, with hindsight, I can see that the best plan is to face the ugly reality and make the cuts. Don't gear your new plans toward trying to rehire your lost employees, either. Focus instead on the new people who will join your company after the crisis is over, bringing fresh perspectives. Let the people who lost their trust in you and your company find a new sense of security somewhere else. It's good for them, and it's also going to be what's best for your company's future.

- You will want to believe that your culture can survive unaffected by the crisis—but it can't, at least for the time being. For as long as the crisis persists and maybe longer, yours is no longer a growth company. Lead well, and you may bring back the go-go years. But you can't let yourself be fooled into thinking that nothing has changed.

- In the heat of battle, you may begin to lose sight of your core values. Remind yourself of them. Does it alter who you are when you change your look (with new clothes, new hairstyle, or weight loss)? No, and it should be no different for your company. Remember the 4 Cs from the Values-Based Leadership chapter of this book: Change, Controversy, Crisis, and—this last one is the relevant one for this chapter—Courage.[7, 8, 9] You need to have the courage to right your ship when your company and its people are relying on you to do it, and the best way to do it without sacrificing your core values is to utilize the RESET button.

- You might feel ashamed in front of your employees and peers. Fight the feeling. Instead, you must adjust to your new revenue level and . . . take pride in knowing that you are living a survival story and laying the groundwork for your future successful business. You are still afloat! You did not go to zero! Think of how many of your CEO peers aren't doing as well. Think, too, of how many new entrepreneurs would be thrilled to have a $4 million company—or even $2 million or $1 million, if that's how low it goes.
- You will be tempted to label yourself a failure. You are not. You failed only in this moment, and for reasons that were likely beyond your control. Your company has taken a hit, but it is not dead. Entrepreneurs who want to build companies and be the CEO need to understand that difficult times do happen, and, boy oh boy, these are actually the perfect times to learn lessons and acquire more discipline.

Ideally, a crisis significant enough to make your business a smaller version of itself . . . will make its leader a *smarter* version of himself or herself. It was certainly true for me. I've used the fresh start represented by pushing the RESET button to take a look at my metrics, and you should do the same. Are they the right ones? Might you avoid future business disruption by adding new metrics or eliminating some old, ineffective ones that distract you from seeing where your business is really headed? I also recommend that you add a macroeconomic component to your three-year vision, if you didn't have one before. If your business disruption was the result of an industry-wide condition or change, this is crucial. You need to learn how the industry dragged your company down to a new reality, why it happened, how long it will last, and how you can spot trouble next time, preferably before it really arrives. Remember Collins and Hansen: a little productive paranoia can be a very good thing. Besides, you really don't have long to put off your future-casting: in the final chapter of the book, as part of making your Second Decision, I'll be asking you to forecast your business timeline out three to five years, taking into consideration the future of your industry.

> Ideally, a crisis significant enough to make your business a smaller version of itself . . . will make its leader a *smarter* version of himself or herself.

When the changes wrought by pushing the RESET button have worked their managerial magic, refocusing you on future prospects instead of current pain, it is then you will be able to consider capitalizing on what your new landscape has revealed. Downturns represent opportunity, as we all know. And "one man's trash is another's treasure" to boot. Truth be told, both of my businesses were started during (or at the tail end of) a recession. What was disaster for others became opportunity for me and my partners.

So, when you've made peace with where you are and made sure that your company is stable and profitable at whatever your revenue level has become, that's when it's time to reclaim your entrepreneurial optimism and embrace the possibilities that lie ahead.

Your Qual Card assignment for this chapter is simple and forward looking. Think of it as a hands-on training assignment, the purpose of which is to (1) learn the art of contingency planning by utilizing your COGS reports and expertise to give you a picture of your new reality and (2) show you how to move through the critical decisions as to how you will weather a crisis and with whom. The financial model you develop, combined with your overall business strategy, will be your guide moving forward. Your training will center on the budget process in the interests of getting you prepared for both the everyday storms and the major hurricanes that could buffet your business with little or no warning. It's navy-style training, the kind that leaves you better prepared to lead your organization in all sorts of weather and conditions.

Remember, just as survival is the whole game on a submarine, preserving profit and cash is what separates entrepreneurial winners from losers when hard times come. Without profit and cash, you have no business, no people, and no corporate culture to protect. So, anticipate potential trouble, use COGS to establish a plan of action that you can practice and put to use in an emergency, and if the time comes, push the RESET button to avoid your own version of the jam dive!

CHAPTER 13 QUAL CARD

Initial each requirement as met:

PREREQUISITES	INITIALS
The entrepreneur has created a "real budget"—one that represents where he/she really expects to be based on current industry and macroeconomic trends—and done all planning around this budget.	________
The entrepreneur has created a "success budget" for the possibility that the company will overproduce and hit even its stretch targets, and asked himself/herself to consider what sorts of resources will be required in this scenario. (This should truly be a best-case scenario budget, not the everyday budget of an over-optimistic entrepreneur.)	________
The entrepreneur has created a contingency-to-crisis budget to prepare, as the US Navy does, for the worst-case scenario. This budget considers potential expense cuts to handle revenue reductions of 10, 20, 30 percent or whatever alternate percentages the entrepreneur prefers. Being a theoretical exercise only, showing the entrepreneur's plan for keeping the ship afloat in any weather, conditions, or circumstances; this could also be termed a "peace-of-mind" budget.	________

The entrepreneur has created a "no-layoff" budget to war-game an attempt to keep the company profitable in a downturn without downsizing the workforce. This budget, aimed primarily at those who have taken a no-layoffs pledge, requires the entrepreneur to use a COGS analysis to identify expense-cutting options that do not affect personnel.

To complete his or her training in the area of contingency planning, crisis leadership, and the RESET button, the *Qualified* Entrepreneur has assured himself/herself that he/she is:

- ready to write the company's sequel, if need be, through the use of the RESET button;
- prepared to face consequences for making decisions that need to be made;
- well-prepared for adversity before it occurs, having scheduled contingency planning/training on an annual basis, including leadership training at various levels of the organization; and
- accepting of change—aware that it is inevitable, and confident of being able to handle it and find opportunity in it.

SIGNATURE: ______________________________

DATE: ______________________________