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Nobody is too old to learn,
but a lot of people keep putting it off.
William O'Neill

After all is said and done,
a hell of a lot more is said than done.
Clark Olmstead

Most people dream of success.
To me, success can only be achieved
through repeated failure & introspection.
In fact, success represents the 1% of your work
which results only from the 99%
that is called failure.
Soichiro Honda
Founder, Honda Motor



Figuring out why you are in business

This is an issue that still astounds me after all this time. For years, I used a simple questionnaire when I go to speak to any kind of group, whether kids or adults. I explain to them that this is *my fee* for telling them what I know. They have to tell me what they think on a few issues in return for my time. This is, after all, the very *essence* of commerce, exchanging things of value.

The unfortunate thing that comes out in these discussions, and many others I have had with different groups, is how little people really know about business. I don't mean things like how to compute profit (although this *clearly* is not a very well understood concept) or how to develop a business plan, but essential basic things like:

- What is the purpose of a business?
- Why are you in this business?
- Who are your customers?
- Why should people do business with *you* as opposed to someone else?
- What is your greatest asset? Your greatest liability?

presumably to create even more value, and then fell almost as hard as Nortel, plus it left Bell stripped of its powerful R&D capability that had guided it for decades.

CNN reported that US\$350 billion dollars of value was lost in mutual funds in the year 2001 alone. This is a staggering drop in market value, and had as one of its most appalling stars, the featured collapse of Enron, the energy brokering giant. In this collapse, shareholders were left with virtually nothing, internal officials seemed to earn huge bonuses, and the other employees found their pension funds locked and un-tradable (filled with steadily decreasing-in-value Enron stock). The fall out from this single collapse was astounding, affecting many retirement investments, and ruining the lives of thousands of people.

The entire Canadian Football League has steadily fallen into deeper financial trouble since 1993, and each Grey Cup gives the feeling it may be the last performance for the entire league. Every franchise has money problems, and some had already closed or gone into receivership by the end of the 1996 season. From a once very popular national sport, the team operating costs and available fan support finally moved too far apart to ignore. This pattern was duplicated in the National Hockey League, and that most-Canadian sport is now largely dominated by American teams and markets. Like many modern sports, it is now mainly concerned with marketing and merchandising, and only in a minor way with competitive sport and the interest of fans. 2004 would find the NHL in another lock-out, and once again indifferent to its customers.

Even cities and municipalities have not been immune to re-evaluation by market forces or the impact of unexpected events. California's conservative Orange County was forced to seek Chapter 11 bankruptcy protection at the end of 1994, after being crippled by risky investment losses of almost US\$2 Billion. It is worth noting that many state, municipal, provincial and federal bond ratings are also deteriorating as they are seen to be increasingly poorer long term financial risks by potential investors.

Sudden unemployment of both highly trained and low level staff has become an institutionalized fact in modern civilization, as companies resize, downsize, re-engineer themselves, rightsize or collapse. As industry tries to adjust to changing conditions and competition, it is discarding many values and social responsibilities as inconvenient, and people have become secondary to business decisions, or government ones. Homelessness is no longer an aberration in North America, it is now measured in millions, and accepted as an inevitable issue and part of our culture.

1999 and 2000 saw a new phenomenon, rapidly shrinking unemployment, in some cases skating as low as 3.8% in certain US markets, as an overheated technology market sucked up every available skilled person. This illogical market explosion was fueled by Internet related firms burning with dreams of

staggering profits, wireless communication industries and wildly unrealistic stock market expectations. Interestingly, the air has now leaked out of those fantasy balloons, and the stock market contraction, especially on the NASDAQ, has rinsed billions of dollars from the economy, which means, incidentally, that it came out of some unhappy investor's pockets. The NASDAQ lost 38% of its value in 2000, and opened in 2001 with many of its stellar players like AT&T and Microsoft down 60% or more from only a year before. Once topping 5000 during the height of the Internet folly, the NASDAQ drifted around 1400 in mid-2002, an astonishing drop, and at the end of 2005, finally hovers around the 2200 threshold.

The idiotic Internet model of businesses that spent a fortune on promotion, but delivered little, has mainly gone up in flames, but only after consuming many fortunes and creating many casualties along the way. This was completely predictable, but hope springs eternal for that incredible deal that makes you wealthy without any deliverable work or value on your part. The slim business experience and unbridled greed of all involved pretty well insured failure, as no real effort was expended on the most basic of issues: what customers want and how to equitably satisfy that need.

2001 saw most internet or "dot-com" businesses explode in a shower of fiscal fallout that would eventually dampen the entire technology sector, and subsequently shatter the telecom industry that had been delivering the infrastructure to the internet world. In this volatile environment, JDS Uniphase and Nortel would post operating losses so large that their equal had not been seen before, in the 10's of billions of dollars PER QUARTER, and they shed over 50,000 high tech workers. Stocks that were in the \$120 and \$220 range would fall to the under \$2 dollar level, stunning many investors, and wiping out the retirement savings of tens of thousands of people. It has drifted in the 2-4 range for over a year, and only in the beginning of 2004 climbed to over \$6 a share.

April 24th of 2002 had an interesting economic tidbit, AOL-Time Warner, the "synergistic merger" of on-line internet and entertainment/publishing companies, posted the biggest loss in corporate history, an incredible **\$54.2 billion dollars**, as reported by CNN, also owned by AOL-Time Warner. This loss was caused by plummeting market values of the company and its acquisitions, and would be repeated later by Vivendi as their excesses finally caught up with them..

The science was fine, only the business expectations and the insane endless growth curve were misguided.

Nations all over the world enjoy record deficits, as do many companies, that ***far outweigh their ability to repay in a practical way*** without resort to heroic and somewhat desperate measures such as ***devaluation or default***. As just one example, the commercial airline industry in North America has lost more money

