



BY KRISSI BARR

Learn From the Past

Some things we want to forget. And that's often when we have the most to learn.

Think back to just two years ago. The American economy was teetering on the brink. The home mortgage balloon had burst and its negative ripples were quickly growing into job and wealth-destroying tsunamis.

We watched in shock as the biggest names on Wall Street crumbled. Bear Stearns: gone. Lehman Brothers: gone. Morgan Stanley, Goldman Sachs, Merrill Lynch: all gone and forced to take Draconian measures just to survive in any form.

Then the drama hit home. Crippling unemployment, customers canceling orders, tight credit, and a downward spiral of 401K values.

I bring this up not to open up old wounds but to make sure we haven't forgotten what we should have known, learned or just painfully re-learned.

LESSON #1: Be prepared for the worst, because sometimes it happens.

Huddle with your leadership team and discuss all the worst-case scenarios that could reasonably happen. Then come up with written plans to avoid or mitigate them. If this turns out to be a colossal waste of time, congratulations. But if the worst case happens, you'll be ahead of your peers as you quickly implement steps to keep your business alive

and in one piece. Remember: a crisis is a lousy time to have to think clearly, analyze objectively, and move decisively in the right direction. With advanced planning you can have well-reasoned contingency plans in place so you don't have to rely on knee-jerk reactions.

LESSON #2: When it looks too good to be true, it probably is.

Stock prices of virtually every dot com soaring. A booming home mortgage industry fueled by low rates, no money down, and millions of people who could barely afford them. Slim Whitman outselling the Beatles. We live in a world where hype can blind us from the obvious. Don't let it. Use both sides of your brain to do a reality check and drill down to the essence on major issues. That way the media spin won't entice you to get something new started before you've assessed the situation and are sure it's a fit for your organization's core competencies.

LESSON #3: The government isn't the answer.

Our founding fathers were clear with their intentions: they wanted the federal government to have limited powers and leave the rest up to the people, commerce, and local government. Clearly we need government, but by and large it can't help us avoid problems. As we saw with the crisis on Wall Street and the oil spill in the gulf, government has its hands full cleaning up the messes. As business leaders, do everything you can to be accountable and responsible for your own actions, so you don't have to ever face unwanted regulation.

LESSON #4: Don't abandon your values.

Strong people and companies survive difficult times because, well, they're strong. And that strength is often built on the foundation of a solid value system. The belief in doing what's right, working hard, taking care of others. You know, the things your grandparents told you. When times get tough, some people are seduced by the mirage of a quick buck or a quick fix and abandon their values. Make sure you—and your entire team—are clear about what you stand for and refuse to bow to the pressure. Your values should endure both long-term and short-term challenges. In the end, make sure you're proud to tell your kids what it is you do for a living.

LESSON #5: Remain fiscally conservative.

It's kind of fun to watch poker players on TV go "all in"—risk all the money they have on one hand. While it can make for entertaining television, that's a really bad way to run your business. Every company needs to invest in new technologies and evaluate emerging markets, but no business should bet the ranch on any one thing. Without realizing it, that's exactly what many of the firms on Wall Street had done with the sub-prime mortgage business. When that market was booming they made money hand over fist. But when it went bust it blew open a giant gaping hole at the bottom of their balance sheet. Make sure your business has enough financial resources to meet your obligations. Cash gives you options and paying your bills on time keeps your suppliers loyal with good terms.

Decades ago, Spanish-American philosopher George Santayana wrote, "Those who cannot remember the past are condemned to repeat it." Now's the time to not only remember the past, but truly learn from it. **CP**

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