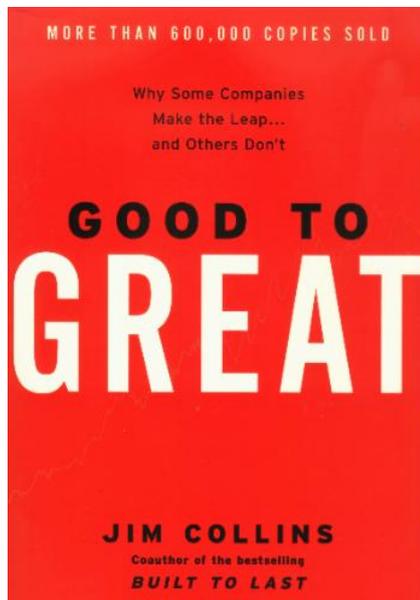


Are You Confronting the Brutal Facts?



We have had a nice run in the markets over the past few weeks, hitting record highs for seven consecutive days. It would seem like good times ahead and I would so much like to jump on that bandwagon. I have seen this before and it makes me very cautious, given what is probably ahead. With any market and economic difficulties, there is always opportunity. The key signature of the DNA in a real entrepreneur is always being in search of opportunities in any environment, and then acting on them.

When looking for opportunities, we must first practice the Stockdale Paradox, which is coined by Jim Collins in his book [Good to Great](#). In the book, Admiral Jim Stockdale makes observations of those that survived being prisoners of war in Vietnam and those that did not. Admiral Stockdale was there for eight years and endured the most brutal of situations.

When asked "Who did not make it out?" Stockdale replied, "The optimist." He shared that they would say, we will be out by Christmas, Easter, and Thanksgiving, and when those markers came and went, the POWs would die of broken hearts.

He went on to say to Jim "This is a very important lesson. You must never confuse faith that you will prevail in the end – which you can never afford to lose –with the discipline to confront the most brutal facts of your current reality, whatever it may be."

So what are the brutal facts of our reality? We have a huge

amount of debt (\$16 trillion) that is as much as the combined total of all the goods and services transacted in one year for the US economy. Each year the bureaucrats are spending \$1 trillion more than they take in from taxes, so we are adding a trillion to the total debt each year. The worst part is they don't show any desire to stop spending! We have major uncertainties of how all the tax increases, more government controls, and medical health care changes will affect our businesses.

The fear and uncertainty makes people sit and wait it out, for the most part. We are experiencing some positives now because of pent-up demand. Some areas don't have enough new homes to account for the demand. Some businesses are spending on things that they have been putting off for a long time and can't wait any longer.

This is not the environment of record-breaking stock markets that means things will change. I was in the investment world when the Fed flooded the markets during the late 90s and worried about lots of things, but mainly Y2K. This money mostly went into stocks and drove the markets to a massive bubble that soon burst. Sadly, I watched my money and that of so many others lose unfathomable sums.

Because of the brutal facts and my experience, I am being careful about the markets and business investments. I am also keeping an eye on any opportunities that may arise, given major changes that may occur. Remember that companies like General Electric, IBM, Disney, Burger King, Microsoft and Apple, all were founded in major recession or great depression. Opportunities are not limited to the good times.

Is Your Head Stuck In a Recession?

Watching the news these days doesn't leave one with much hope for the future, when all we're hearing is about inflation, unemployment and national debt. Reports are spreading of an ongoing recession and even a possible depression before things get better. So what is an entrepreneur to do? Constantly trying to keep your head above water can get discouraging when you have nothing solid to look towards. As much as I'd like to bury my head in the sand sometimes, I know that's not a viable option. Instead, I practice the [Stockdale Paradox](#), which is to retain faith, regardless of the difficulties, AND confront the brutal facts, whatever they may be.



The fact is, things are not good out there, but this does not mean that there is no money or opportunity.

Let's first consider how we view the world around us. The word recession is defined as two consecutive, negative quarters of economic activity. Does that mean that everyone stops spending money and the economy comes to a complete halt? Not at all! Now consider this: the [Gross Domestic Product \(GDP\)](#) of the US was at \$14.54 trillion in the 3rd quarter of 2008, on an annualized basis, just before the financial meltdown. That number never fell below \$14.24 trillion, even at its lowest point in the first quarter of

2009. So what does this mean to you? There was still over \$14 trillion being spent in the economy every year; money that you could be hustling for a share of.

Even though the overall drop was not significant, some industry sectors took a tragic hit, as much as 50%, while others grew by 20% or 30%. In times like this, the [Clipper Ship Strategy](#) can be useful by positioning yourself to where your money is being spent. This isn't necessarily an easy thing to do, especially with big industrial and manufacturing centers. It's a little more feasible to move towards the money if you're in the service sector, and much easier for information based businesses. The point here is just to keep moving.

Something else to try and practice, and not just when times are tough, but all the time, is to focus on what you do best and hire others to do what they do best. The simplest way to put it is to play to your strengths. For example, we have engaged [Kopp Consulting](#) to go out and do our cultivating of new business for us, since our strength lies in the relationships and solutions, not sales. Obtaining new business is a venture that requires focus and attention. In our experience, when the relationship team is trying to do the job of the cultivation team, we lose focus and don't see optimal results.



Kopp learns about your business and has their own secret sauce to finding the right clientele and getting you in front

of them. In the months ahead I will share more of our experience with what Kopp is doing for us.

My last thought on this topic is this question: how hard do we make it for our customers to find us? Go ask everyone in your office if they have used the phone book in the last week, and then ask them the same question about [Google](#). I have seen it done and the difference is eye opening. Content and key words are key to getting found in search engines. Have you Googled yourself lately?

So with a recession in the air, are you keeping the faith, confronting the brutal facts, focusing on what you do best, and can your customers find you?