

Starting your own company is daunting, but Colin Bloodworth has a bit of advice

A Few Rules For Success In Business



The average person will learn from his or her mistakes, though a clever person will also learn from the errors of others. Whether you are running a multi-million dollar conglomerate, a small business or simply managing your own personal finances, it is worth taking the time to study why others have failed and what lessons can be learned from their experiences.

Big corporate failures

An unprecedented string of failures among some of the most established brands in the world have colored the past few years: the collapse of Lehman Brothers in September 2008, for example, was the greatest failure in corporate history. Other great American institutions such as Bear Stearns, Merrill Lynch and AIG caved or need life support. Across the Atlantic, high street banks such as Halifax and Bank of Scotland, Northern Rock and the Royal Bank of Scotland all failed and have survived to this day thanks only to government intervention. Indonesia, too, saw a string of bank failures during the Asian financial crisis of 1997-98.

Why did they fail?

Basically, these institutions lost touch with reality and got carried away without taking into account the consequences of irrational lending. In the case of AIG, they took on risk that they did not fully understand and could not cover when push came to shove. In many cases, those at the helm of these corporate behemoths had little idea of what was happening in the engine room.

Fraud

For countless years people have cheated and defrauded customers and the companies they work for. In 1995, one rogue trader, Nick Leeson, was able to bring down centuries-old Barings Bank with his unauthorized and unsupervised trading. Incredibly, several other banks, including Societe Generale and UBS have since fallen victim to similar actions.

The lessons for small businesses and individuals? Keep watch over assets and look out for anything out of the ordinary.

Keep pace with the times

To survive in business, one must be ready to adapt quickly to changing conditions and markets. It is not the biggest who survive — it's those who can adjust.

For example, in the field of telecommunications, keeping pace with technology and consumer demands can mean a short life for those at the top. Barely five years ago, BlackBerry and Nokia were at the top of the mobile pecking order. Now, they are falling stars needing to quickly come up with innovative products to revive their fortunes or risk disappearing into oblivion.

If you are in business, do your research: find out the latest trends. Don't assume what you can sell today will sell tomorrow.

On an individual basis, the same applies. People need to constantly update their skills and be prepared if necessary to retrain and change careers several times. Where investments are concerned, we need to review our strategies regularly to ensure they are still relevant in an ever-changing world.

Always maintain liquidity

A business may be very successful, but if it does not watch its cash position, it may not survive. The financial meltdown of 2008 resulted from a drying up of liquidity which caused asset values to fall as institutions sold everything they could

To survive in business, one must be ready to adapt quickly to changing conditions and markets. It is not the biggest who survive -- it's those who can adjust.

to raise cash. An airline may own a fleet of sparkling new jets, but if it has no cash to pay its flight crew or pay for fuel, it is out of business.

On an individual level, thousands of homeowners in the United States and elsewhere were forced to abandon their homes because they fell behind on their mortgage payments. If they had kept adequate cash reserves, they would have better weathered the storm.

How do we stay in business?

Though it is always a challenge to stay in business since failure rates are high, success is very rewarding. Here are a few basic principles to follow:

- Maintain healthy cash reserves at all times
- Don't over-extend any borrowing
- Don't lose sight of what is going on in the "engine room"
- Monitor changes in consumer behavior
- Be ready to adapt quickly to changing circumstances
- Have adequate insurance against all possible calamities
- Don't venture into fields you don't fully understand
 - Don't put everything into the business; have a good exit strategy

What if you still fail? Don't mull over it; learn from the experience and try again or try something different. Sometimes you first need to fail in order to succeed.

Colin Bloodworth, director of PPI Indonesia, has spent over 20 years in Indonesia. If you have any questions on this or a related subject you can contact the writer at indonesia@ppi-advisory.com.