



Volume 1, Issue 6

November 1, 2002

Did you know?

The difference between truth and fiction: fiction has to make sense.

- Mark Twain

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By **Gerald R. Chester, Ph. D.**

Investors' Message to Management

The past 30 months have been most challenging for those seeking to invest in public companies. The major market averages are well off their highs and market sentiment continues to run low. Over the past six months, one of the key contributing factors to the continuing languish in the market has been the revelation that Corporate America has been less than honest with investors. In the securities classes that I took, the definition of a security contained the idea that investors were entrusting others with the job of utilizing their money in a profitable manner. The implication is that when an investor purchases a security, the investor expects the issuer of the security to use the money wisely and prudently in accordance with the disclosed plan of the issuer. Trust is at the heart of the relationship between issuers and investors. And trust is built over time based on honest dealings. When companies violate that trust then investors stop investing. This is the current climate in

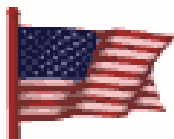
Corporate America and the financial markets today. Both CEOs and CFOs of many companies have proven to be untrustworthy. Investors now realize that they were making investment decisions based on erroneous reports from many companies. In essence, investors were not getting the proper feedback from the companies, and therefore could not make the informed decisions that they thought they were making. The law of sowing and reaping tells us that whatever you sow, you will reap. Partially because of bad information, investors have been reaping losses in the market. Now because of Corporate America's lack of veracity, Corporate America will reap a dearth of investor support for their securities offerings. The only way to turn this around is to rebuild trust. Trust is built on sowing the good seed of truth, honesty and integrity over time. For some of Corporate America, the wait for harvest may be long. In the meantime, they will reap the whirlwind.

Seminar on Learning to Plan

My seminar titled "How To Build Your Business" was offered in August and October, both times to a full house. The seminar is designed to help business owners and prospective business owners think through how to plan to start and/or run a business. The all day seminar is divided into two parts. The first session challenges the participants to look at their personal lives and define a personal plan based on their gifts, talents, skills, knowledge, interest, and history. The second half teaches the two business models for building organizations and

how to select the right model based on one's personal plan, industry, and personality. The key is to develop a personal plan first, and then to lineup your business plan to support your personal plan. In Bob Briner's book, *The Management Methods of Jesus*, the opening chapter stresses the critical need to plan. The seminar provides a great starting point for anyone managing or expecting to manage a business. The sequel seminar, "How to Build An Excellent Organization" is coming soon.

When Success Is Not Achieved - Fall Forward



All of us want to be successful in life. But what is success and how do we know that we have achieved it? The dictionary definition of success reads in part, "favorable or desired outcome". This suggests that one knows what a favorable or desired outcome looks like. Do we always know? When the Coca Cola company introduced New Coke in the mid-80s, it did not initially look good as the public reacted poorly to the product. Cleverly, Coca Cola capitalized on all the attention and reintroduced its old product as Coke Classic. That which looked like a failure turned into a success. This event in the history of Coca Cola has been spun as either a brilliant marketing ploy or a management disaster rescued by clever marketing. Whatever the truth, it was successful in helping Coca Cola grow profitably, a major definition of success for the company. But what happens when a strategy doesn't work and there is no clever way to redeem the mistake? Is this failure? Are failed strategies automatically assumed to be mistakes? Is there a place for mistakes? Are mistakes helpful? When I was a graduate student, I was very chagrined to find that failed experiments were not tolerated. The pressure to succeed has led some researchers to fabricate their results. When I was at TI, management passed out pencils with the slogan "Zero Errors". This sent a message of intolerance for mistakes. The result of such a culture is a reluctance to take risks. Without risks, it is difficult to make advances. It is well known that 3M's Post-It-Notes became possible because of a failed experiment with adhesives. The adhesive was initially viewed as a failure as it was not strong enough; however, someone realized that there was another application for the weak adhesive. As they say, the rest is history. We can all learn something important from Coca Cola and 3M. To grow, you must be willing to take risks. When apparent failures occur, look for ways to learn from the mistakes and redeem the situation. In other words, fall forward.

Your comments and questions are invited!!!

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services with wisdom and integrity.

Since 1987, Dr. Gerald R. Chester has been providing business and financial advisory services to clients. After receiving his Ph.D. in physics, Gerald moved quickly from the research lab into management. From 1978 to 1985, he managed his family's business, which prospered while growing at an average annual rate of 20%. As a business and financial advisor, Gerald utilizes his rigorous technical education and hands-on management experience to serve his many clients with seasoned balanced judgment. His clients appreciate and value his experience and wisdom in both business and financial matters. Gerald's focus includes strategic planning, business analysis, business valuations, business plans, mergers and acquisitions, financial planning, investment strategies, investments, and personnel assessments. The Newsletter, *Gleanings*, is intended to provide a venue to share the insight and wisdom gained over the years working with dozens of businesses and organizations.

Gerald is a registered investment advisor.

