

### Disasters and Our Assumptions

Recently the famed Notre Dame De Paris Cathedral burned. It had stood for many centuries and people naturally assumed that it would remain for years to come. In business, we get surprised when our assumptions are broken. Often, the worst surprises come from the breaking of the biggest assumptions we have. We do well to go back to our core values when responding to when our assumptions are broken.

For much of the 2000's, people lent money on the assumption that mortgages would never foreclose at a major rate. That assumption was broken in 2008 with the result of the Great Recession. The Toys R Us leveraged buyout in 2005 had the assumption that the retail space would always retain or increase in value. Amazon destroyed that assumption.

There have been many businesses built on the assumption that a major chain would survive. Recently, the Toys R Us shutdown impacted a number of toy manufacturers. Quite a number have lost large percentages of their sales.

Recently, the assumption that US companies will be able to make money in China has been broken. We have had 74 years (1945 to 2019) of international trade built in the assumption that increasing trade benefitted everyone. The last time international trade was badly disrupted, we had the 1930's Depression.

Much of our country assumes that they will be able to recover from natural

disasters. For example, last year, the town of Paradise, CA was 90% burned down in one day. A disaster of that size will radically change the town. But one small community can recover with help from insurance companies and outside contributions.

What happens when the earthquake hits Los Angeles? The damage estimates for a major earthquake hitting Los Angeles go from 200 billion nearly three times that

much depending on how badly the fires happen. That will bankrupt several insurance companies and possibly bankrupt re-insurance companies leaving many people without compensation. Also, only 10 percent of the homes have earthquake insurance. In 1906, San Francisco had a major

earthquake and the Federal Government poured a huge amount to rebuild it. The Federal Government doesn't have that spare money today.

Nearly every day, a business leader is surprised by an assumption being broken. It can be the bank calling a loan, a hostile takeover offer, or a trusted employee dying suddenly. How we handle surprises can make the survival difference.

When the unexpected happens, the first thing has to be planning. We go back to our core values and express them in new ways in this new situation. We need to express our core values to our employees. With their help, we make a new plan and refine it over and over again. We then communicate both our core values and that new plan to our customers and the outside world. We do this over again till we find what works in this new world.

### Disasters Return Us To Core Values

### Ethics of Whistle Blowing

Whistle blowers have a dubious ethical standing in our world. Some have been praised. Others have been condemned. It all depends on who is exposed and what the consequences of both telling and not telling.

When faced with a situation where people are behaving contrary to our ethics, we have a difficult decision. In many cases, we are under contract not to disclose what we observe. In some cases, there are laws against disclosing.

The decision boils down to "Are there higher laws than those forbidding disclosure?" and "Am I responsible to just these people or to a larger group such as the country as a whole?" Contracts to keep illegal behaviors secret are not enforceable through the courts. When dealing with government misbehavior, do we feel that this is "our government and we should support it" or do we feel that we need to hold the government to the standard of the Constitution?

Typically, a whistleblower receives retribution for trying to call attention to misdeeds. That can be a significant reason to not blow the whistle. For example, the people who tried to expose the NSA surveillance program through normal channels were harshly treated and some faced arrest and trial. Within a company, often the person who investigates the claim is the same person who the complaint is against and is able to retaliate. A recent report about Anadarko includes retaliation against those who complained through normal channels.

We are often called to make difficult ethical decisions. It helps to spend time figuring out what our values really are, which values have priority, and what we are willing to risk for the sake of our moral integrity.

### Risky World

Fake news and Russian bots are not just for politics. A number of companies have been the target of fake news stories, fake Facebook pages, and swarms of false tweets and emails. The goal is to disrupt American commerce both in the US and internationally. We need to work on how to identify such fake news.

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