

# A View

From the Prairie

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## Stability and Disruption

So often we want a stable environment. However, humanity has experienced far more chaotic environments than stable ones. Often, we have a period of stability and then an “avalanche” of everything breaking down. The latest trend in venture capital is to invest in “disruptive” companies such as Amazon and Uber. We do better when we plan for both stability and disruption.

The president of one technology company finally took a sailing vacation and took some books to relax. The first book he opened stated that when the president is able to take a vacation, that is when the business will face their biggest disruption.

Avalanches, earthquakes, and stock market crashes, all happen after a period when things seem stable and rosy. We like those stable periods and many a business plan counts on them. However, most startup companies work to change that stability and venture capitalists are on the look out for companies that can disrupt a stable situation. The key message is: when things seem rosy, that is the most important time to watch out for disruption in either the market or the production process.

The current economic expansion has gone on long enough that we are very vulnerable. The longer we go between disruptions, the more likely that the disruption will be a major one. There are just too many people who will push the envelope in too many ways. Someone will go too far, or a natural disaster will occur.

When facing a possible disruption in the market, those are times to get closer to the customer. Any new company getting into our market has to spend a lot of time finding out who the customers are. We already know who they are. It is time to revisit them, find out what their ideas are about the new disruption and see if we can provide that to them. We see this in retail shops that have successfully competed against Walmart and Amazon. They focus very hard on their customers and work to provide exactly what their customers want.

Disruption in the production process is always a slower process but is just as critical. Disruption in production can be in regards to material availability

(ranging from new trade barriers to mines running out) or a new technique in manufacturing. Typically, manufacturing or distribution systems have a longer life cycle and a new process is not likely to have an overnight effect. However, it can take a lot longer to respond to these. It helps to keep looking for anything that could change what we are doing.

Politics are always part of the disruption. We enshrine our hopes for stability in local ordinances, state laws, and federal regulations. When situations change, it takes a lot of effort to change those. That means that any serious disruption becomes worse because of those ordinances. Just as an example, it is taking far too long to clean up after a Dallas tornado because of the slowness of the various government layers.

Disruption happens when we want the stability.

## Stability Is Only For A While

## Brexit Opportunities

England is in the middle of breaking free from the EU. It happened at least one time before (in 52 AD). Brexit is part of the global “let us go back to how things were before”. But that is not possible and offers opportunities and grave risks.

So many times, we want to go back to how things were in the past. We romanticize our childhood. Many times, we were sheltered from the troubles our parents and neighbors saw.

Brexit is based on the belief that if only we went back to how things were back then; we will have the same wealth we had. Unfortunately, there are several problems with that belief. One is that we are never able to go back to the same environment. In the case of Brexit, the prior economy was based on having colonies and without those colonies, England’s economy is limited to just what it produces. A lot of financial services are planning to move out of England.

A second problem is that the process of trying to go back is a major disruption of the economic system. In any major disruption, those who had profited earlier generally fail and new players arise. During that process, we will see a lot of bankruptcies and things will look bad for a while.

In an unstable environment, creativity and movement are the survival forces, not stability.

When governments set up barriers to movement, creative forces undermine those barriers. As Brexit progresses, smuggling will once more become a potent force in Ireland and south England. We will see new ways that the internet will transfer wealth and assets between England and Europe. When governments put up barriers to trade, traders will find a way around those barriers.

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## Risky World

Police forces around the world are installing and using facial recognition systems. A real-world test at a Spice Girls concert flagged 15 people out of 19,000 – but 9 of those were incorrect. A similar test in London found that only 8 out of 42 matches were correct. Unfortunately, police, like everyone else, tend to trust computers more than people and are claiming success.

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