Deciding to fail

By Dr. iur. Frederick Metz Shepperd
CEO Shepperd Investors AG
Küsnacht

An Asian friend recently told me that Asians are the only ones working in the world. After a raised eyebrow from me, he continued: "You know, the Asians are working, while the Europeans go into retirement and the Americans play among themselves." Of course he was thinking of the large economies of the different regions of the world. However, it started me thinking and he is right also on a totally different level. It is not just how the regions are working, but also how they are thinking about risk and reward, post global financial crisis. And decisions now will affect the regions of the world for decades to come.

There was another time in Europe. After World War II, Germany and most of Europe lay in ruin and not just of the economic kind. There came a group of family-business owners and industrialists in Germany. They had nothing. They built with nothing. Some companies developed with a single lathe machine hidden in the basement of the financial director of the company. The British certainly would not look there and take it back home.

Their lives and the lives of their families rested on how they made decisions. They built one of the largest economic engines in the world and fueled economic prosperity for 50 years. Their work still supports their progeny and their financial advisors in Switzerland today.

They made tough decisions and often put their very lives on the line to make those decisions work. I was fortunate to come into business before that special group of people moved into their own version of retirement. Most often, it was in the form of a heart attack or stroke. That was the only thing that could stop them. They were not coming out of the top business schools. They were often not even trained in business, but events put them in their positions with no other option than to succeed. It was not just the "big boss" at the top that made those decisions. Everyone in the company took part and did the best they could, good or bad. Doing nothing, sitting and waiting was not an option.

So it is very ironic to hear managers today in Europe talking about being conservative, careful, cautious, moving slowly and, at all costs, avoiding risk in these economic times. Sounds great, but they are risking their future and that of their children. They are accepting inferior returns for the myth of security. They are turning down opportunities that Asians are quickly snapping up. They are, in effect, acting and making decisions like they are going into retirement, just like my friend said, not for the economy and anyone who is planning an economic future. Doing nothing and holding back to let time pass are decisions of themselves. In these times, it is a decision to fail.

It is good to be careful with one's money, go slow and look at all the angles of a deal. However, what is currently "Kult" is leading an economic region into low returns, low expectations and low growth for the next decade. The good deals are going elsewhere and not looking back. The way out of this current crisis is waiting on financial managers to make decisions, even if they are not the "right" ones, given the current popular thought.

Of course, the logic is to wait and see. Wait on the "big boss" to make a decision, or wait for government to do something that shows the proper way out. Waiting is a decision and a very risky one. Looking to governments to show the light is also the wrong direction. Look at the huge reliance of Germany in recent years on "Vater Staat" and America's "Uncle Sam".

Your father will come to your economic rescue, but your uncle may not. No amount of economic stimulus is a substitute for individual conduct. In fact, who do you think governments are trying to ultimately stimulate with multi-billion-dollar programs? Individuals have to again take responsibility for their own actions and they have do it now. That sounds like a risky decision in a big bank or insurance company, but the greatest risk is *not* to do so.

The real money is made now. The plan for success is created now. It is a counter-cyclical plan that always pays off in a major way. Just ask guys with the names of Rothschild, Rockefeller, Carnegie and so on. It is time to make decisions to get back into business and take individual responsibility to turn things around. Remember the comments of my friend. I do not think Europe is ready to go into retirement just yet. There is too much fun ahead!

*fmshepperd@
shepperdinvestors.com*