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Welcome to the Dick Stieglitz Change Challenge Newsletter

Dear Eric,

Happy new year and good riddance to 2008! The excitement of the election has been replaced by the anxiety of an economy in free-fall. 583,000 people lost their job in November. Inter-bank interest rates are near zero. Oil is trading under forty dollars a barrel. Wall Street continues to embarrass itself with new scandals. And the wack-a-mole government bailouts have done little more than delay total collapse. Wow - that's a lot of change in just one month! January promises to deliver even more change as Congress debates another stimulus package, which is the subject of this month's feature article: *What Should We Stimulate?*

Today's challenges are extraordinary growth opportunities for those who anticipate, embrace, and use change to their advantage. To help you select effective 2009 business goals and strategies in the midst of economic chaos, this month's newsletter also contains an article on Leading Change titled AJust Do it@ and an article on Results Through Relationships titled AGoldilocks Goals@.

As always your feedback is valued highly via email or *The Change Blog* at www.dickstieglitz.com.

Sincerely,
Dick

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**THIS WILL HELP
YOU MAKE THE**

Feature Article

WHAT SHOULD WE STIMULATE?

In the last nine months, an aimless Congress passed a relatively small stimulus package and a bailout for the financial sector, and President Bush granted \$17 billion in loans to the auto industry when Congress couldn't get the job done. Those wack-a-mole rescues arguably slowed a runaway crisis, but President-elect Obama must do a lot more to restore faith in America's economy. He must provide a vision for the future and economic stimuli that implement that vision. It may seem counterintuitive, but the Country needs a long term fix more than it needs the expensive economic bandaids we've seen so far.

Obama said: *"If this crisis taught us anything, it is that Wall Street cannot thrive while Main Street suffers."* He is 100% right, of course, but the reverse is also true. Main Street cannot thrive while Wall Street suffers because only growing companies produce jobs. Obama inherits a government that is deeply involved in regulating and owning businesses, and he has the power to pick winners and losers among companies that accept Federal loans.

That a Republican administration partially nationalized the banking and auto industries may be a turning point in economic history. As the Country recovers from the deepest recession in 75 years, a new capitalism is emerging. One where the Federal government combats global competition by setting the direction for fledgling industries like renewable energies, nanotechnology, and bioengineering in addition to mature industries like financial and auto. At a minimum, it means the return of heavy government regulation. Ronald Reagan may be turning over in his grave, but the global economy is very different than it was in the 1980s.

The Obama cabinet is preparing an \$850 billion stimulus package to submit to Congress in January. It will probably include middle class tax cuts, funding for infrastructure projects, relief for state Medicaid programs, investments in renewable energy research, help for struggling homeowners, and other bailouts. The highly touted "shovel-ready" improvements to roads, mass-transit, water mains, and electrical distribution systems are sorely needed, but they will produce only short-term jobs. After billions have been spent to rebuild the infrastructure, the jobs will end and we will not have produced anything that the world will buy from us. It's not about trading-off infrastructure jobs against so-called "green" jobs. America needs both to reclaim its global leadership position.

Obama's election margin gives him a mandate for fundamental changes. Indeed, the American people expect him to fix a spectrum of long-standing problems such as:

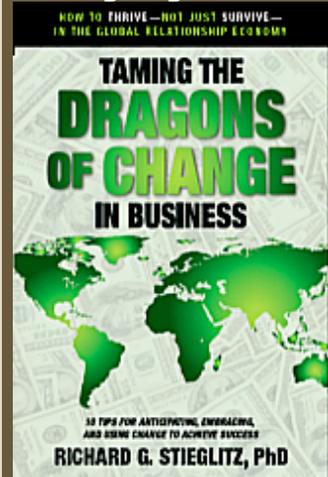
- \$ Increasing unemployment and stagnant real wages,
- \$ 40 million Americans with no health care coverage,
- \$ Total collapse of the housing/construction industry,
- \$ Imports exceeding exports by \$60 billion/month,
- \$ 12 million illegal immigrants,
- \$ Unhealthy dependence on foreign oil, and
- \$ Global warming.

These are huge opportunities masquerading as intractable problems! As Tom Friedman says in his book Hot, Flat and Crowded: *"This challenge is actually an opportunity for America. If we take it on, it will revive America at home, reconnect America abroad, and retool America for tomorrow. America is always at its most powerful and most influential when it is combining innovation and inspiration, wealth-building and dignity-building, the quest for big profits and the tackling of big problems."*

Obama must propose a vision that restores our national pride, stimulates sustainable growth, and enables us to produce something the world will buy. Congress must cure its political constipation and pass a stimulus package that among its other provisions includes an energy policy, tax policy, and new regulations such as: (1) incentives for businesses to develop economically viable alternative energy sources; (2) taxes that stabilize the price of oil so competing energy sources have a stable price target; (3) guarantees that reduce the risk of building nuclear power plants; (4) regulations that require improved efficiency in vehicles, appliances, and buildings; and (5) tax credits that push consumers to buy energy efficient devices even if they are more expensive. All of these actions will put Americans back to work and encourage production of things the world will buy. To register your views on these questions, log onto the change blog at www.dickstieglitz.com.

CHANGES YOU WANT IN 2009!

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Global competition, new technologies, acquisitions, out-sourcings, and downsizings have produced a business environment of perpetual change. Today, business ideas travel at the speed of light. You can communicate with anyone, anywhere, at any time, on any subject. To stay on top, you must do more than react to change. You must anticipate, embrace, and use change to your advantage.

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Leading Change **JUST DO IT**

When the Berlin Wall fell, the U.S. essentially stopped building submarines. At the time, my company's largest project was as a subcontractor on a submarine contract that was cut from \$90 million a year to \$18 million. At first, the government-industry team resisted the cut and protested with safety-of-ship and other bogeyman fears. After a while, we tamed the dragon of catastrophic change, embraced the finality of the budget reduction, and searched for innovation ways to cut costs and improve performance. But how could we respond to the earthquake tremors of an 80 percent cut? Obviously, incremental change wasn't an option.

The breakthrough occurred when a team member asked, "What can we just stop doing?" We examined every task we performed and found cost-cutting measures in three categories:

- *Just Do It* ideas that should have been implemented years ago, like eliminating tasks whose purpose was no longer valid;
- *Process Improvements* that accomplished essential tasks faster and better, which is always cheaper too; and
- *Investments* in new technologies with high returns-on-investment.

One idea led to another like snowballs rolling down a hill. All it took was embracing the change and starting. Each innovation, no matter how small, stimulated a chain of innovations. We met the budget reduction target early!

No matter what industry you are in, long periods of incremental change are periodically disrupted by earthquake changes that wipe out entire business lines. During times of incremental change, the most efficient organizations prosper. But when dramatic change happens (like the current economic upheaval), incremental improvements in services and products are a one-way ticket to oblivion. On the other hand, organizations that embrace the changes and recreate themselves to take advantage of the new environment will thrive. Are you pursuing innovations and creating new relationships that will thrive after the current earthquake in your industry subsides?

Results Through Relationships **GOLDDILOCKS GOALS**

As we begin a new year and I help clients set goals for 2009, I recall a painful lesson I received in goal-setting as a CEO. During my presentation at our annual shareholders' meeting, I summarized last year's accomplishments and presented goals for the coming year. After I finished, a shareholder-employee raised his hand and asked: "*We didn't reach our goals last year or the year before. What will be different this year?*" I believe in stretch goals, but in that instant I knew that I had stretched too far. I had awakened the scepticism dragon and undermined my people's confidence in their ability to achieve our goals.

The purpose of goal-setting is to enhance performance, to find the stretch goal that will motivate people to achieve their very best. A goal that's too easy doesn't push people or boost performance, so it is essentially useless. Studies show that performance increases as goals are more challenging - up to a point. After that point, the team's performance declines because it views the goals as beyond its capabilities.

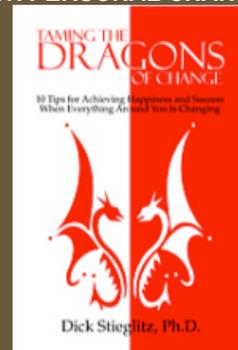
But how do you set a *Goldilocks* goal that's just right? After a goal is proposed and a strategy is selected, the next steps are to define and schedule tasks, identify milestones and performance metrics, and assign responsibilities. You have a *Goldilocks* goal if: (1) people are energized by the goal, (2) there is a clear written plan to achieve it, and (3) the people responsible for each task feel they can complete them on time. The team's confidence grows when everyone knows exactly what is expected of them.

Setting an appropriate stretch goal, preparing a realistic plan, and getting buy-in are a good start, but accountability is also essential to achieve your goals. Hold regular reviews to discuss and resolve issues. Adjust the goal and the plan for changes in the real world. Challenge your team and expect them to challenge you. Agree on the rewards for achieving the goal and the consequences of missing it. Then, like Goldilocks, you too will live happily ever after relative to achieving your goals.

Colleagues & Friends:

I hope the articles in this newsletter help you to deal effectively with the sweeping changes that are happening today. If you found the articles in this newsletter to be useful, send it to a friend. If you didn't like it, please tell me why at dick@dragonsofchange.com.

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