THE CHANGE CHALLENGE........*A Newsletter About Change*

Issue: 37

May 1, 2011

Welcome to the Change Challenge Newsletter

Welcome to the May issue of *The Change Challenge*. At $4.19 a gallon, I just paid over $70 to fill my car. The car is less than a year old and I purchased it because it gets good mileage and uses regular gas. As I watched the pump ring up dollar-after-dollar, I wondered where gas prices will top out. Is this a price excursion that will end in the fall - or are we headed toward $10 a gallon? That's the subject of this month's feature article titled "***Been Here Before***"

This month's *Leading Change* article titled "***Wack-a-Mole"*** says that change leaders build a culture of execution. A culture of execution isn't like a culture of frenzied activity because it prevents problems, rather than fixes them in crisis mode. In addition, the *Personal Change* article titled "***Learning the Lessons"*** points out that the first time we encounter any challenge (e.g., our first job, our first marriage or, on a national level, our first oil crisis) we must learn the lessons or we'll probably repeat the same problems over and over.

Your feedback and recommendations to improve this e-letter are always appreciated via email or through *The Change Blog* at www.dickstieglitz.com.

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This Month's Articles

Buying or selling a business can be a

Feature Article

BEEN HERE BEFORE

DeJa Vu: Middle Eastern turmoil, $100-a-barrel oil, skyrocketing gas prices - we've been here before. Every president from Nixon to Obama has said the U.S. must be energy independent. But after lots of rhetoric little was done, and they hit the snooze button when gas prices dropped. Unfortunately, this doesn't look like a brief excursion in gas prices. Rising oil usage in emerging countries and revolutions in the Middle East make this situation more ominous.

Lessons From History. In 1973, President Nixon launched Project Independence to "*summon the spirit of the Apollo space mission*" and be oil self-sufficient by 1980. In 1977, President Carter said our dependence on foreign oil was "*the moral equivalent of war*." He proposed conservation standards and higher gas taxes, and set a goal to cut oil imports by one-third by 1985. The U.S. passed that goal in 1982 when the Alaskan oil fields started producing. But when prices fell, conservation was forgotten and imports climbed. In 2006, President Bush again asked Americans to "*end our oil addiction*." His plea also was ignored, and in 2008 oil hit $147 a barrel and gas passed $4 a gallon. Even those prices were forgotten when the recession depressed gas prices. Earlier this year oil again exceeded $100-a-barrel and President Obama started his "*Win the Future*" vision for a green, oil-independent economy. Will things be different this time?

Imports Grow. According to the U.S. Energy Information Agency, the U.S. used 17 million barrels of oil a day in 1973: 11 million domestic and 6 million imported. By 2010, U.S. consumption only increased to 18 million barrels a day, but domestic production fell to 8 million and daily imports grew to 10 million barrels. Two changes slowed the growth in usage: (1) airlines reduced jet-fuel consumption with efficient aircraft and better practices; and (2) energy-intensive manufacturing moved offshore. Today, 70% of the oil consumed in the U.S. is used in cars and trucks, so high mileage standards helped. Gas prices are likely to continue rising because the world is consuming more oil. In 1973 when Nixon was president, the world used 57 million barrels of oil a day. Today, it uses 86 million barrels a day and consumption is projected to be 97 million barrels a day in 2015.

Instability in Middle East. Importing oil isn't just an economic concern, it's a national security issue. First, it forces the U.S. to befriend countries that don't share our values and, in some cases, support terrorism. Second, the U.S. military spends billions every year to protect vulnerable shipping lanes and foreign oil facilities. Would the U.S. be fighting in Iraq and Libya if they didn't have oil? Revolutions in the Middle East have pushed oil prices to the highest level since 2008. New governments in Egypt and possibly Libya are likely to extract stiff terms from oil companies. Even relatively stable countries like Saudi Arabia need high oil prices to balance their budgets and finance demands of youthful populations. Bottom line: with turmoil spreading in the Middle East, oil prices may hit new records before 2011 is over.

Drill, Baby, Drill is a partial answer. Admittedly, new drilling permits won't produce oil for years. Even after site exploration is completed, deepwater wells in the Gulf of Mexico take months to drill and cost up to $200 million each. But, if we'd started drilling in 1973 under President Nixon, 1977 under President Carter, or even 2006 under President Bush, the U.S. wouldn't be importing oil today! Deepwater wells in the Gulf now produce 1.2 million barrels-a-day, the #2 source after Alaska's Prudhoe Bay. With oil prices over $100 a barrel, oil companies can afford to extract more oil from old fields with new techniques.

drill more wells in the Gulf, and develop new fields like the Arctic National Wildlife Refuge. Hopefully, this time around triple-digit oil prices will mitigate the *halt-everything* environmental protection policies that put the U.S. in this unfortunate situation.

The Oil Spill. Last year's oil spill in the Gulf reminds me of the reactor meltdown at Three Mile Island: no one was hurt and there was no lasting environmental damage, but the accident derailed the U.S. nuclear power industry for 30 years. I don't minimize events in the Gulf: the spill was an ecological and economic disaster. But let's not react like we did to Three Mile Island. Instead, as drilling expands we must: (1) acknowledge the risks, (2) compel oil companies to implement safeguards like double-walled pipelines and computer-controlled surveillance, and (3) monitor their performance. BP and other oil companies spent considerable time and money ($50 billion is a lot even for BP!) cleaning up the mess, and will be diligent in preventing a repeat performance.

Go Green. Expanding oil production is a stop-gap measure. Eventually, the U.S. must eliminate the use of oil for transportation <u>and</u> fossil fuels for electricity. There are advantages to high gas prices: they force us to reduce consumption and seriously consider technologies like wind and solar power, nuclear power, electric cars, advanced batteries, and high-speed trains. Americans probably will buy mostly small cars when they face sustained $6-a-gallon gas prices like Europeans do. It's true that high oil prices don't stimulate wind and solar energy because oil is rarely used to produce electricity in the U.S. However, if we substitute electricity for gas, all of a sudden alternative energy becomes important to our pocketbooks!

An Electric-Car Economy. There is a silver bullet that could end our need for imported oil, bolster our stagnant economy, and reduce carbon emissions: electric cars and trucks. Today, almost all cars and trucks are fueled by oil, whereas electricity is produced with domestic fuels. With all electric cars, no oil producer could hold the U.S. hostage the way OPEC and third world countries can by threatening to disrupt the flow of oil. Further, an electric-car economy would release billions of dollars for consumers and businesses to spend on things besides gasoline. The technology for electric cars already exists. The question is: *Who will lead international production? European and* Asian carmakers are moving ahead swiftly while U.S. carmakers dabble with electric cars and wait for consumer demand to increase. The advantages of an electric-car economy are enormous: no oil imports, improved air quality, savings for consumers, and more government revenue. It's even possible for the U.S. to become a net oil exporter and use the revenues to balance the federal budget and erase the national debt.

How to Get There. Building infrastructure to support electric cars is easier than most people think. One reason why gas-powered cars are ubiquitous is there are over 100,000 gas stations in the U.S. To be a viable replacement, electric cars need a similar infrastructure. But we don't need to start from scratch because distributing electricity is simpler and less dangerous than distributing gasoline. Electricity is available everywhere - gas stations already use electricity to run pumps, light lights, and advertise. A simple regulation requiring gas stations to install standardized electric car battery chargers would quickly make electric cars as convenient as gas-powered cars. That would allow drivers to go where they've always gone to refuel their cars.

National Energy Strategy. To achieve the electric-car economy, Congress must pass a bold national energy strategy with specific goals, policies, incentives, and taxes. You're probably thinking: "*Not much chance of that!*" But it's a natural part of the compromises required to reduce the national debt. For over 40 years Congress has spoken eloquently about the evils of foreign oil, but done nothing. It's time to change that with a multi-faceted strategy that stimulates the economy, reduces deficit spending, and eliminates oil imports! Such an energy strategy would include:

(1) Regulations that expand safe domestic oil production,
(2) Annual increases in mileage standards for gas-powered cars,
(3) Annual increases in federal gasoline taxes,

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THAT'S WHAT THIS BOOK IS ALL ABOUT!

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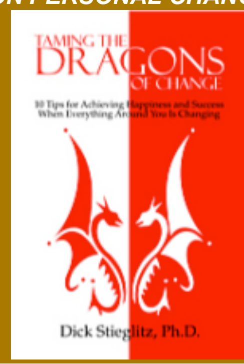

(4) Incentives for consumers and businesses to buy electric cars,
(5) Regulations that build the infrastructure for electric cars,
(6) Clean energy standards that put a cost on carbon emissions,
(7) Increases in federally funded energy research,
(8) National goals for generating electricity from carbonless sources.

These policies would raise the price of fossil fuels; stimulate investments in solar, wind and nuclear energy; encourage consumers to buy electric cars; and halt global warming. Unfortunately, one or more special interest groups are likely to vigorously oppose every one of those provisions.

Conclusion. I'm concerned that it costs $70 for a tank of gas, upset that we send hundreds of billions of dollars every year to countries that harbor terrorists, and anry that we spend trillions to overthrow their governments like we did in Iraq and are trying to do in Libya. If Congress fails *again* to enact an energy strategy, the U.S. probably will lose the clean energy race to Germany and China, thereby forfeiting a leadership position in a growing future industry in a futile attempt to preserve 20th century jobs. The same could have been said in 1973, 1977, 1986 or 2006. If we had started then, we wouldn't have this problem today. I hope we change this time so my youngest grandson doesn't have to pay $20 a gallon when he starts driving in 2020.

Leading Change

WACK-A-MOLE

When I visit the boardwalk in Ocean City, Maryland, one of my favorite pastimes is playing an arcade game called *Wack-A-Mole*. The game board has nine holes arranged in three rows of three. Rubber moles pop their heads up from the holes, and I score a point when I hit one of them on the head with a wooden mallet. The game is 60 seconds of frenzied activity. I'm exhausted when it's over, but my efforts produce no lasting result - the moles go on to exhaust and frustrate the next player.

Wack-a-Mole reminds me of Congress: senators and congressmen are a whirlwind of activity, but produce few results. When called to account, they cite a list of activities.They change only when the pain of *status quo* exceeds the pain of change. However, the pain of *status quo* often is years away while the pain-of-change occurs today. For example, consider the urgent need to enact a national energy strategy. The pain-of-change requires us to reduce the use of oil and coal, transition to electric cars, and raise gas and carbon taxes, which will cause some jobs to disappear (e.g., coal mining in West Virginia). So the country continues on a collision course (the pain of *status quo*) with expensive oil imports, global warming, and bankruptcy, while Congress deludes itself that everything will be okay.

Change leaders know activity isn't the same as results, so they build a culture of execution in their organizations. A culture of execution seeks to prevent problems, instead of fixing them in reaction to crises. In the industrial age of mass production, organizations could focus on activities because, statistically speaking, more activity produced more results. But in today's global economy, organizations must focus on results because situations change so rapidly, and activity by itself is like wacking a mole (i.e., produces no lasting result).

Since execution is the foundation of extraordinary results, pay more attention to your people's execution than to their activities. To build a culture for world-class execution, measure results and hold people accountable; but give them freedom to decide how to achieve the results. When you measure results like customer satisfaction, quality and time-to-resolution, you'll be confident that things are getting done in the prescribed way. Managing results will enable you to recognize problems sooner identify weak spots, implement effective actions, and reward high performers. To push your organization and career toward success, focus on execution and results.

Personal Change

LEARNING THE LESSONS

An employee in my company was assigned to an exciting six month overseas assignment under a subcontract with a big company. Apparently, the prime's project manager was a weak leader, and the project floundered. The employee explained "*There was no way we could succeed with him in charge.*" More precisely, he might have said: "*I didn't look for a way to make the project successful. Instead, I complained about the project manager's weaknesses to other team members*."

Alternatively, the team could have focused its time and energy on looking for a solution. Maybe they would have found a way to make the project work, or maybe not. Either way the employee would have learned a lesson in how to succeed in spite of a weak manager. When asked if he had worked for weak managers in the past, he responded: "*Of course, several times.*" When asked if he expected to see ineffective leaders on future projects, he answered: "*Almost for sure*." Unfortunately, he hadn't learned the lesson during his previous experiences with weak manager, and probably will have the same feelings of failure on future projects. If he had learned the lessons on the first failed project, he would have known what would work in future projects.

Most of life's experiences are similar: our first job, first marriage, first home, first investment, etcetera. Or, on a national level, our first oil crisis in 1973. When we learn the lessons the first time, we avoid having to repeat the problems. Personal responsibility enables us to find solutions that work because we take ownership for the part we can change instead of blaming the situation on someone or something beyond our control. If we don't learn the lessons, we are likely to repeat the same problems over and over again.

Friends & Colleagues,

If you're looking to finally fix the recurring problems your organization has been facing, contact me to discuss the possibilities. If you found this e-letter to be useful and interesting, please send it to a friend. If not, please let me know why at dick@dragonsofchange.com.

Until Next Month,

DICK