

February 1, 2011

Issue: 34



Welcome to the Change Challenge Newsletter

Welcome to the February issue of *The Change Challenge*. During the last 40 years, everything has changed - several times. China and other emerging countries regularly produce double-digit GDP growth. This month's feature article titled "**Keeping Up**" discusses things the U.S. can do as the most innovative and resilient economy on earth to compete with that growth.

This month's *Leading Change* article titled "**Uncertain Times**" invites us to break the habit of reacting to change by instead using new thinking. And the *Personal Change* article titled "**The Fundamental Question**" says that every leader eventually faces the core question: "*What is our purpose?*" It's a complex question that few executives can answer for themselves, let alone for their organizations.

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

Until Next Month,

Dick Stieglitz

DICK STIEGLITZ, PhD
Business Consultant, Author
and Keynote Speaker

This Month's Articles

[Keeping Up](#)

[Uncertain Times](#)

[The Fundamental Question](#)

[Buying & Selling a Company](#)

[Business Change](#)

Feature Article

KEEPING UP

During the last 40 years, everything has changed.....several times. Capitalism has been a roller-coaster of thrilling climbs and frightening falls. In the 1970s, for example, the U.S. economy was seen as lethargic and widely expected to fall behind Germany and Japan's superior quality and business culture. It never happened. By the 1990s, the U.S. economy aided by pro-business national policies left Germany and Japan in the dust, Communism died, and the U.S. was leading a technology boom that seemed like it would last forever. It was a dizzying comeback!

Falling Behind Again. But even as we high-fived ourselves for government budget surpluses, things began to slow. Over-expansion in the telcom industry pricked the dot-com bubble, terrorists destroyed the World Trade Centers, manufacturing jobs moved offshore by the millions, and oil prices skyrocketed. The U.S. economy was falling behind. People argue that Congress, free trade, bankers, Exxon-Mobil, General Motors, or trade unions were the cause. But it wasn't so much that our economy faltered as it was that the world moved ahead faster than the U.S. China, India and other emerging economies implemented national economic strategies that produced double-digit growth.

Change is Relentless. Everything has changed again! Unfortunately, the changes are painful for many. In the 2008 and 2010 elections, voters made it clear they wanted change - but there is little consensus on what should change. Citizens in rust-belt cities passionately believe that repealing the North American Free Trade Agreement (NAFTA) would bring back their old jobs. At the same time, high-tech companies lobby for new trade agreements and high immigration quotas. Others feel if we could just slow the pace of change, the U.S. would regain its familiar leadership position.

Change Won't Slow. Unfortunately, the pace of change won't slow down - the global economy isn't waiting for the U.S. to set aside political differences and develop a growth strategy. Consumer consumption was enough to grow GDP in the industrial age - we didn't need other countries. But our appetite for foreign oil and cheap products fueled growth in emerging countries and produced a \$500 billion annual trade deficit. They were well rewarded for producing more of what the U.S. wanted than the U.S. produced of what they needed. The consequences were dire: our high-priced labor moved offshore to India or China or was replaced by computers.

Changing Jobs. Between 1980 and 2000, 50 million private sector jobs in the U.S. were abolished while 80 million new jobs were created - a net gain of 30 million jobs. When you examine the churn, you find companies disappeared because they couldn't compete in a global market. But you also find a cornucopia of companies that were born based on new concepts and technologies - they produced more new jobs than were lost. Unfortunately, in the last decade the U.S. has lost and created another 20 million jobs - with most of the losses coming in the last three years. Workers suffered a succession of unexpected and unwanted job changes - and some didn't have the skills needed for the new jobs. This widely resisted change moved the U.S. from a manufacturing economy to an economy fueled by innovative ideas and relationships. That new economy has given success and wealth to organizations and people who made it happen. Those who couldn't or wouldn't change have become unemployed - or unemployable.

Volatility - the New Norm. How can companies cope with oil prices that jump from \$50-a-barrel to \$150 and fall back to \$50; consumer demands that change over night (e.g., the auto industry); economic disruptions from terrorism, violent weather and pandemics; and sweeping regulations imposed by Congress? The answer: executives who understand that volatility is the new normal change their organizations to anticipate change. They instill strategic clarity, resilience and agility into their culture. It may seem paradoxical, but organizations with a firm strategy are best equipped to handle extreme change - the strategy is a framework for scaling up/down and redeploying assets. Companies and countries that lack a strategy must react to what happened and try to catch up to those who have a clear strategy.

Emerging Countries Take the Lead. In the 1970s, U.S. auto executives were angry when Japan became the world's largest car exporter. They blamed it on cheap labor and government subsidies. But when they looked closer, they found a hotbed of innovative manufacturing. So Detroit copied the Japanese. The same thing is happening today. Most cell phones and computers that Americans buy are manufactured in China. Again we blame their success on low-cost labor. But China and other emerging countries are far more than just cheap hands: they've become fountains of innovative thinking. They are designing business processes that produce products not only cheaper, but in many cases better and faster than the U.S. can produce them.

Buying or selling a business can be a lucrative but risky transaction

BY THE AUTHOR OF BUYING OR SELLING A BUSINESS: THE 100 MOST COMMON MISTAKES THAT COST MILLIONS OF DOLLARS TO YOU

EXPENSIVE MISTAKES

WHEN BUYING & SELLING COMPANIES

...AND HOW TO AVOID THEM IN YOUR DEAL



Richard G. Stieglitz, PhD
Stuart H. Sorokin, JD, LL.M., CPA

CLICK BOOK COVER TO ORDER FROM AMAZON.COM

A popular maxim says average people learn from their mistakes, stupid people repeat their mistakes, and brilliant people learn from the mistakes of other. This book is designed to move you toward the brilliant category among business owners who buy and sell privately-held companies.

Looking to have your organization embrace change? Taming the Dragons of Change can help!

HOW TO THRIVE — NOT JUST SURVIVE — IN THE GLOBAL RELATIONSHIP ECONOMY

TAMING THE DRAGONS OF CHANGE IN BUSINESS



10 TIPS FOR ANTICIPATING, EMBRACING, AND USING CHANGE TO ACHIEVE SUCCESS
RICHARD G. STIEGLITZ, PhD

Our Lost Monopoly. We'd like to believe that losing jobs to emerging countries isn't a problem because the U.S. has a near monopoly on innovation - the creative jobs will stay here. But the truth is the U.S. is not the sole source of breakthroughs that transform industries. Emerging countries hold their own in that regard - they send as many ideas to us as they copy from us. Fortunately, innovation feeds on itself: the U.S. learned lean manufacturing from the Japanese, who earlier had copied our mass production methods. Similarly, innovation in the emerging world will stimulate, rather than replace innovation in the U.S. and global growth will continue, albeit on a more equal basis.

What We Need From Government. One reason we're losing our innovative edge is national policies haven't kept up. The world is passing us by while Congress is stuck in policy gridlock. Optimism prevailed when Obama was elected: his Blackberry addiction and outspoken support for math-science education implied he would be the most tech-friendly president ever. Today, however, business leaders are frustrated by the lack of a national growth strategy. For example, clean-tech start-ups expected Obama to push an energy bill that encouraged Americans to use alternative energy. Instead, he demonized companies for offshoring (common practice in tech industries) and greed. Congress refuses to reduce taxes on foreign earnings, which puts U.S. firms at a competitive disadvantage when a growing share of profits come from emerging countries. Furthermore, Congress hasn't passed trade agreements that would boost U.S. exports or loosened visa quotas so companies can hire highly qualified immigrants. Clearly, Congress must stop rehashing health care and develop a national growth strategy that nurtures new businesses and helps workers move from dying industries to growth industries.

A Dying Industry. One needs only to look at the U.S. Postal Service (USPS) to see Congress' paralysis - their debates are like rearranging the deck chairs on the *Titanic*. Saturday deliveries and postage rates are deck chairs. The USPS already hit the iceberg - it's sinking! First-class mail, USPS' bread-and-butter product, dropped over 20% from 2005 to 2009 and fell another 13% last year. Despite cutting costs by \$40 billion and reducing employment by 100,000 people since 2007, the USPS says it will lose another \$200 billion through 2020. Meanwhile, its largest competitors, FedEx and UPS, thrive.

Answering the Hard Questions. In USPS' case, the hard question is: *Should government stay in the delivery business?* The Internet is easier, cheaper and faster for senders and receivers than first-class mail. FedEx and UPS prosper by delivering clothing, electronics and other products, many of which are purchased via the Internet. General Motors (GM) claimed it was cutting costs too - but the market didn't care. GM didn't change fast enough and the result was bankruptcy and bailout. USPS will need a similar bailout unless Congress answers the hard question. Germany's postal service is privatized and Great Britain plans to privatize theirs - we probably should follow the same path. In making such a change Congress would face fierce opposition from unions, customers who enjoy low bulk-mail rates, and constituents who like their nearby post office. And safeguards would be required to protect jobs and preserve service levels. Congress must answer comparable hard questions about energy, foreign oil, education, unemployment, and immigration to promote economic growth.

A National Strategy and a Personal Strategy. The U.S. is still has the most innovative and resilient economy on earth. It has the world's deepest pockets, world-class research facilities and universities, and a talented workforce. Hopefully, the President and new Congress will set aside partisan politics to implement a national growth strategy that capitalizes on these valuable assets. But as a business leader, you must do your part by anticipating change in your industry. Give your organization the strategy and flexibility it needs to prosper despite extreme change. Your alternative is to wait until change happens, adjust to whatever it might be, and chase the organizations that are leading change. Unfortunately, that strategy may leave you needing a bailout like General Motors, Chrysler, AIG, banks and possibly the USPS.

Leading Change

UNCERTAIN TIMES

Anticipating instability in the Middle East in the mid-1970s, Royal Dutch Shell pioneered a technique called *Scenario Planning* to plot its future. A set of carefully constructed scenarios was developed to address potential future events. Each scenario defined actions Shell would take to respond to "unexpected" events. In one fictitious scenario, for example, a pipeline rupture in

CLICK BOOK COVER TO
ORDER FROM
AMAZON.COM

The recession, layoffs, budget shortfalls, new technologies, acquisitions, and out-sourcings have produced a world of constant change. Today, 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. You must anticipate, embrace, and use change to your advantage.

THAT'S WHAT THIS
BOOK IS ALL ABOUT!

QUICKLINKS

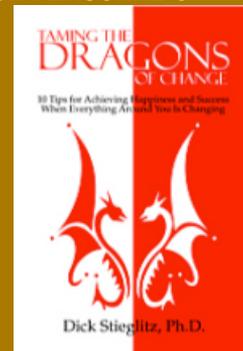
[Dick Stieglitz's Website](#)

[Dragons Of Change
Website](#)

[Presentations &
Workshops](#)

[The Change Blog!](#)

ORDER DICK'S BOOK
ON PERSONAL CHANGE



TAMING THE DRAGONS
OF CHANGE

10 Tips For Achieving Happiness
and Success When Everything
Around You Is Changing

CLICK BOOK COVER TO
ORDER THROUGH
AMAZON.COM

Join Our Mailing List!

Saudi Arabia disrupted oil supplies and greatly increased oil prices. The failure never happened, of course, but when OPEC announced an oil embargo (an unexpected event) and the price doubled, Shell already had a plan in place to exploit the crisis. It responded faster and more effectively than competitors and, as the result, grew from the eighth largest oil company to the second largest - and oil was \$12 a barrel in 1975!

In today's turbulent economy, your organization's future is every bit as unstable as oil prices. In many cases, your future is already happening. That is, events are happening that don't fit the assumptions of your current business model. Those events create new possibilities - if you recognize them. Most of us watch for the early signs of change and respond accordingly. However, the opposite is a more effective approach: identify events that would be disruptive to your organization and define how you would exploit them - before they happen! In that way, your new thinking will always guide your new reality.

Sticking to your strengths often is an effective strategy. However, sticking with what you do well becomes a dragon when you continue doing it even after events indicate you should change. At first, the sneaky dragon will say: "*Why change? What we're doing has worked for a long time.*" Next, the dragon will tell you: "*We don't have time to invent something new. Let's work harder at what we do best.*" And finally, the dragon will plead: "*In uncertain times, why introduce more risk with new approaches?*" If you let them, these persuasive arguments will cause you to miss opportunities and fall behind your competitors. What potential scenarios are you preparing for? Which ones are already happening in your industry?

Personal Change

THE FUNDAMENTAL QUESTION

Today's knowledge workers, more so than any workforce in history, require a clear purpose to motivate their best efforts.

Eventually, every leader faces the fundamental question: "*What is our purpose?*" It's a complex question that few business leaders can answer even on a personal basis. So the question often goes unanswered and the purpose defaults to more growth and higher profit. Fortunately, in the twisting kaleidoscope of life's events, I was able to find my company's purpose by asking:

- What frustrates me and what fascinates me?
- How can my unique experiences be valuable to others?

These were easier to answer than: "*Why does my company exist?*"

I was frustrated that Federal government operations, despite a \$3 trillion annual budget, are often ineffective and inefficient. On the other hand, I'm fascinated by the technologies that drive today's global economy and the innovative ways they are used to produce teamwork. In my personal life, I found that purposeful change produced the success and happiness I wanted.

Therefore, my company's purpose became: "*To help government change through innovation & teamwork.*" Our purpose wasn't a secret. It was printed on our business cards and included in our incentive program, annual reviews, and strategic plan. Although some employees didn't fully embrace it, that purpose guided our management decisions and investments.

Workers in the industrial age always knew what to do - they had a clear role in the assembly line. But for knowledge workers, what to do is the core question. Their work is creative, not repetitive. They perform their work with highly valuable production tools: their knowledge and relationships. They use other tools, like computers of course, but their knowledge determines how those tools will be used. Knowledge workers answer for themselves the questions: *Which tasks are essential? What results are acceptable?* and *What obstacles must be overcome?* But knowledge workers are able to answer those questions effectively only if you as their leader clearly define and communicate the team's purpose and strategy.