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## Welcome to the Change Challenge Newsletter

### Greetings!

Welcome to April's issue of *The Change Challenge*. There was no e-letter in March because I was in Southeast Asia. The trip was awesome. What impressed me the most was the entrepreneurial spirit of the people - entrepreneurial communism appeared to be more effective in stimulating economic growth than gridlocked democracy. That's the subject of this month's feature article titled "***Unleash the Entrepreneurs.***"

The Leading Change article titled "***Eating an Elephant***" contends that the most effective way to confront enormous challenges like the ballooning federal deficit and persistent high unemployment is to solve one problem at a time. The Personal Change article title "***The Best Axmen***" warns that the changing world will eventually engulf even those who are the best at what they do today.

Your feedback and recommendations to improve this e-letter will be appreciated via email or The Change Blog at [www.dickstieglitz.com](http://www.dickstieglitz.com).

**Dick Stieglitz**

### This Month's Articles

[Unleash the Entrepreneurs](#)

[Eating an Elephant](#)

[The Best Ax Men](#)

[Buying & Selling a Company](#)

[Organizational Change](#)

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

## Feature Article

### UNLEASH THE ENTREPRENEURS

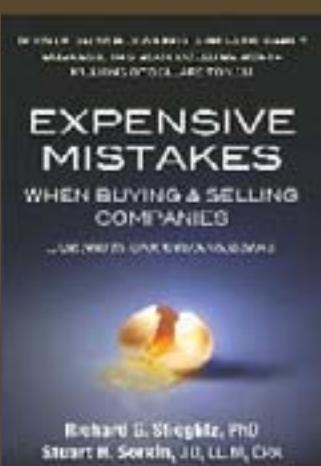
My wife and I just returned from a 16-day vacation in Hong Kong, Vietnam, Laos and Cambodia. Besides enjoying delightful people, varied cultures, and beautiful sights, I was impressed by the economic vitality of the people. During the taxi ride from the airport to our hotel, my wife asked the driver about the religions of Hong Kong. His response: "*Hong Kong's religion is making money.*" And they're good at it! According to the International Monetary Fund (IMF), Hong Kong's per-capita income in 2010 was \$49,342 compared to \$48,147 in the U.S. Effective economic policies were obvious everywhere: a new International Commerce Center, no sales tax (a Value-Added Tax (VAT) is included in retail items), and waiting lines outside luxury stores like *Channel* and *Louis Vuitton*.

**Grass Roots Education.** I expected a vibrant economy in Hong Kong, but the furious economic activity in Vietnam was surprising. Vietnam has no unemployment insurance - they help the unemployed find jobs rather than giving cash hand-outs. For example, we participated in a cooking class at a Hanoi vocational school for orphans, the handicapped, and indigenous and unemployed youth. In addition to cooking, the government-supported school taught hospitality management, tailoring and sewing, and personal service skills. 60% of the students attend tuition-free - there was a waiting list of students willing to pay to enroll since virtually everyone finds a job when they graduate.

**Economics of a Swamp.** The Mekong Delta was the biggest surprise of all. Basically, it is fertile swampland that has been inhabited by subsistence farmers for centuries. Recently, the government built a network of six-foot wide concrete pathways so farmers could transport rice and other products to a river quickly - via motorized carts rather than carrying it on their heads in baskets. The cart paths transformed subsistence homesteads into an economic beehive. In the 1970s, Vietnam was among the poorest countries with per-capita income under \$100. Today, the per capita income is \$3,354 according to the IMF. To be sure, the Vietnamese are a long way from competing with the U.S. or Hong Kong - but given their entrepreneurial spirit and government policies that stimulate growth at the rice-paddy level, it will only be a few decades until they catch up.

**Meanwhile, the U.S. Economy Stagnates.** It seems incredulous to say the largest economy in the world is at risk of falling behind. Where else could Facebook grow from a student's hobby to a \$100 billion company? In the 1960s and 1970s people said the U.S. was falling behind Japan - and it came roaring back. But today is different. Emerging economies are growing rapidly and the U.S. share of world exports has dropped to 8.5%. But the real concerns are that private-sector job growth in the U.S. has slowed to a trickle and average annual income is essentially flat. In my opinion it's because the gridlocked federal government's regulations and policies make the U.S. a less attractive place to invest for both Americans and foreigners.

**Entrepreneurial Energy.** From 1980 to 2008, new jobs in the U.S. were mostly created in companies that were five years old or less. The entrepreneurial energy that produced Microsoft, Google, Apple, and

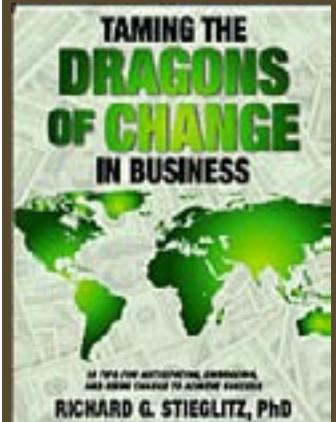


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Amazon (among others) still exists. That energy must be unleashed to create a gaggle of new businesses. Not just high-techs like Facebook and Groupon, but grass-roots firms like landscapers, restaurants, service companies, construction companies, engineering firms, and the like. Each year about a half million new companies begin operations. Venture capitalists and angel investors fund a few of them, mostly in high-tech. The rest are financed by the entrepreneur, family and friends. Because of the Great Recession, those people have less to invest today. Furthermore, tax policies and complex regulations discourage startups and inhibit job creation.

**Policies Create Jobs - or Kill Them.** Bailouts, unemployment insurance, and tax cuts don't create jobs. New jobs come from startups. Startups are built by creative entrepreneurs. And entrepreneurs - encouraged by favorable policies - are either home-grown in our educational system or imported under immigration policies that attract the best and brightest. Congress is guilty of political malpractice - it isn't providing effective policy in either area. Special interests compound the problem by lobbying to redistribute the economic pie instead of making it bigger for everyone. We need a combination of spending cuts; tax reform; and investments in education, infrastructure, energy and R&D. The question isn't whether this change or that change is the highest priority - the country needs all of them.

**The Government's Role.** Technology continues to widen the economic chasm between the swift and the slow. Average incomes will continue to be flat and unemployment will remain high until growth accelerates - it is Congress' job to fix that. There are specific policies and programs Congress can enact to get everyone participating in the economy - like rice-growers in Vietnam. Consider the following Congressional actions that would create jobs and keep the U.S. ahead of the rest of the world:

- Invest in educating the youth and unemployed. Increasing the quantity and quality of skilled labor is a double win: it boosts growth and reduces income inequality.
- Teach entrepreneurship as a skill not just in business schools but in high schools and community colleges. Train a new middle class of low-tech entrepreneurs in the fundamentals of business.
- Attract entrepreneurs and skilled workers to immigrate to the U.S. Allow more H-1B visas and give green cards to foreign students who earn an advanced degree in the U.S.
- Upgrade transportation, energy and communications infrastructure to put millions of people to work directly and facilitate the flow of ideas, technologies and people into new fields.
- Increase government funding for R&D agencies like the National Institutes of Health and the Defense Advanced Research Projects Agency, and encourage domestic R&D through tax policies.

As President Clinton once said: "*There's nothing wrong with America that can't be fixed by what is right with America.*" The U.S. has huge strengths as the world's #1 economy: entrepreneurial spirit, world-class universities, and a strong venture capital network, to name a few. What we need is a Congress who gets the job done. Washington's aversion to compromise makes the budget problem seem as big as an elephant - even as social programs skyrocket and our roads and bridges crumble. That's not a recipe for growth that will compete with Hong Kong, Vietnam, or the many other countries that are growing rapidly.

must do more than react. You must anticipate, embrace, and use change to your advantage

**THAT'S WHAT THIS BOOK IS ALL ABOUT!**

#### QUICKLINKS

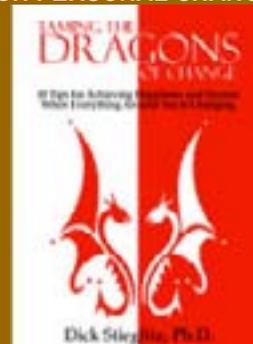
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## Leading Change

### **EATING AN ELEPHANT**

One of the best compliments my company received from a client was: "When I don't know where to begin, I give the problem to them because they'll figure out something." The project that concerned him was acquiring business computers for a new military base. The challenge seemed daunting. Where to start? He needed answers to basic questions like: What capabilities were needed? By whom? By when? How much would they cost? And how long would acquisition, installation and training take?

We didn't know the answers either, so we approached the project as if we were eating an elephant. The enormous project was divided into bite-sized pieces: user groups, facilities, hardware, software, data, communications, security and interfaces. We interviewed users at other bases to define requirements; and then developed specifications, estimated costs, and prepared a schedule. When the base opened four years later, the systems were fully operational, the staff was in place and trained, and all communication links were functioning. Success depended on breaking the huge problem into manageable pieces.

Today, the U.S. faces a set of elephant-sized issues:

- Cutting spending to contain a run-away federal deficit,
- Fixing a broken and biased tax system,
- Containing ballooning Social Security and Medicare benefits,
- Rebuilding a marginally effective and expensive health care system,
- Investing in educational programs and revitalized infrastructure,
- Implementing a comprehensive national energy policy, and
- Passing immigration policies that work in a globally-connected world.

There is no silver bullet for these issues. The only realistic approach is to fix them one at a time, and ensure each solution integrates with the previous ones.

Unfortunately, the government's decision-making and budgeting processes are stuck in the industrial age. Congress must let go of the old and embrace the new. To enter 21st century, it must form creative partnerships with industry, not-for-profits, and state and local governments. Maybe Congress should scrap its existing committee structure, and oversee issues and outcomes rather than agencies. How's that for an elephant-sized challenge?

## Personal Change

### **THE BEST AX MEN**

Cavemen invented the ax in prehistoric times to cut trees for firewood and shelter. The best ax men got the best wood with the least effort. Over the centuries, the durability and cutting power of the ax improved steadily. Then the chainsaw was invented. The axes in use at the time were the best in history - and the first chainsaws were crude and unreliable. Some of the best ax men laughed at the chainsaw and refused to use it - the *!m-the-best* dragon left them unwilling to change. But it wasn't long before living standards for even the best ax men declined because they couldn't compete with the productivity of chainsaws.

Relentless technological advances and evolving global relationships are changing industries as radically as the chainsaw changed logging - manufacturing, retail and printing to name a few. Old techniques in these industries still work, usually more efficiently than ever. But it's just a matter of time until the 'best ax men' who refuse to change in those industries will go out of business.

Change is inevitable in every field - even yours. The first sign of a radical change usually is a new tool or technique that at first seems cumbersome, inefficient and expensive. When you see such a development in your field, consider these tips:

- Learn all you can about the new tool or technique,
- Look for creative ways to use it,
- Be resourceful in exploring new approaches, and
- Proactively lead change in your organization and industry.

You may consider yourself to be among the 'best ax men' in your industry today - but will that still be true five years from now?