

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

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Welcome to the Change Challenge Newsletter

Welcome to the August issue of *The Change Challenge*. This month's feature article titled "**That Used To Be Us**" reminisces about some of our country's greatest initiatives and suggests several areas that could produce similar prosperity in the future.

The *Results Through Relationships* article titled "**Too Little, Too Late**" asserts that in turbulent times like today, the most effective strategy is building strategic relationships. The *Leading Change* article titled "**Economic Darwinism**" warns that unless you respond rapidly to change in a dynamic but unstable global economy, you may not survive.

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

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This Month's Articles

[That Used to Be Us](#)

[Too Little, Too Late](#)

[Economic Darwinism](#)

[Buying & Selling a Company](#)

[Organizational Change](#)

Feature Article **THAT USED TO BE US**

That Used To Be Us by Thomas Freidman and Michael Mandelbaum mourns the decline of the U.S. as the world's premier economy and suggests ways to maintain that position. When I think back on our country's greatest achievements, I recall projects like:

- The Hoover Dam in the 1930s to tap the agricultural potential of California and change the geography of the southwest U.S.
- Constructing national highways in the 1950s to enable commerce to flow as easily from state to state as blood flows in our veins.
- Putting men on the moon in the 1960s which captured our imagination and sparked a rebirth of scientific innovation and education.
- Inventing the Internet in a 1980s as a defense project which now connects the globe in one huge economic enterprise.

With the U.S. stuck in a 1930s-like depression - 12.7 million unemployed people - a project like one of these would go a long way toward restoring our economy and our greatness.

Our Own Worst Enemy. Alas, the government has erected roadblocks that essentially prevent a repeat of such national projects. Environmentalists would never allow a dam to be built - for example, they stopped construction of the XL Pipeline which could have provided huge economic benefits. Our highways, bridges, railroads and airports continue to crumble; but Congress hasn't raised the gas tax used to fund infrastructure projects since 1993. NASA's manned space flight program and the innovative spirit it created are in mothballs. And defense R&D in fields like the Internet is a victim of deep budget cuts. We must find something to be this decade's symbol of American greatness.

Several Possibilities. This recession has left citizens pessimistic about their financial futures. Fortunately, just like the mid-1990s recession under President Clinton, there are reasons to believe that better times lie ahead. If the government provided incentives instead of roadblocks, U.S. innovation could create jobs in new industries, grow the economy, and balance the budget. Consider the potential for: (1) an energy boom, (2) a rebirth in manufacturing, (3) innovations in biotech, and (4) another technology gold rush.

An Energy Boom. Today, the U.S. is the world's fastest growing gas and oil producer. Innovative techniques like horizontal drilling and fracking enable U.S. energy companies to tap into massive domestic deposits of natural gas and crude oil. Furthermore, innovative advances in green energy sources and distributed use of solar and wind energy could produce a wide range of new U.S. products for world markets. The combination of increased fossil-fuel production, alternative energy devices, and higher efficiency standards could make the U.S. energy-independent in this decade - and generate millions of jobs.

Rebirth in Manufacturing. The decline of U.S. manufacturing is a falsehood. In 2010, the U.S. produced \$1.7 trillion in manufactured goods - up 42% from \$1.2 trillion in 1996. Unfortunately for workers, manufacturing companies are more efficient: they employed 11.7 million workers in 2010 - down 33% from 17.5 million workers in 1996. The good news is the decline is reversing: U.S. high-tech manufacturers added over 200,000 jobs in 2011. Rising labor costs in China and high transportation costs have made it more attractive to manufacture in the U.S. An expanded market for electric cars, the infrastructure to support them, and home-use solar and wind power devices could fuel a rebirth in manufacturing - and generate millions of jobs in the next decade.

Innovations in Biotech. The biotechnology industry is moving swiftly from the lab into commercial applications. World markets are booming for bioengineered fish raised on farms and agricultural products that produce higher yields, consume less water, and are more resistant to disease. Stem cell breakthroughs offer exciting possibilities for treating cardiovascular conditions and neurologic disorders, and regenerating human tissue and body parts. Furthermore, personalized medicine based on DNA profiles is moving closer to reality. Taken together, these biotech innovations could generate millions of new jobs.

Another Technology Gold Rush. Twice in the last 30 years a new information technology has jump-started the U.S. economy and fueled a world-wide technology gold rush. In the 1980s, the boom was the PC revolution. In the late-

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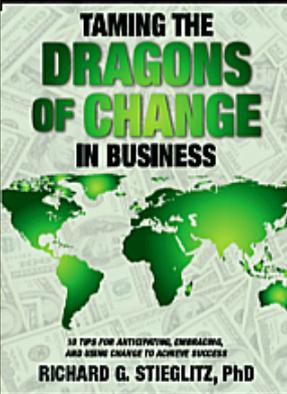
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1990s and beyond. The use of technology gold rush could grow from cyber-security, imbedded computing in household devices, or mobile communications and its innovative uses - and generate millions of jobs. With effective government policies, any of these four possibilities could propel an economic recovery in the U.S. It will require: (1) favorable tax policies for startups and R&D; (2) a workforce educated in the use of technology; and (3) immigration programs that attract the best and brightest, and retain foreign students educated in American colleges.

The American Way. Europe and Asia are experiencing economic upheavals. If the U.S. is in decline - and it's hard to deny the evidence - it is not because of China or the inevitable fall of a super power. It is because Washington is dysfunctional - the threat of a government-induced recession is a wet-blanket that stifles recovery. Even still, the U.S. has huge advantages over other countries: active capital markets, the rule of law, flexible labor laws, favorable demographics, and nearly endless natural resources. The *American Way* is to prosper and lead global change even when Washington's policies are anti-business - but how much quicker could it happen with favorable policies?

More Entrepreneurs. The U.S. needs more entrepreneurs and investments by large companies to make growth happen - yet the President vilifies big business and proposes to raise taxes on small business owners. Most countries see businesses as problem-solvers - and they distinguish between entrepreneurs who create products and services, and financial speculators who distort the system. Entrepreneurs create new companies and jobs through imagination and perseverance, not by making babbles for the wealthy. They prosper by delivering products and services to people inexpensively which raises the standard of living for everyone. Entrepreneurs reallocate resources, sometimes sloppily, to markets where they can be used productively. Many times, big businesses are as innovative as small ones; and just as many entrepreneurs sprout from middle management in Fortune-500 companies as from graduate schools.

Less Regulation. A salary survey published in *Washingtonian Magazine* shows that top people in trade associations - industry lobbyists - earn million-dollar salaries to influence what Congress and federal agencies do or might do. It's a sad state of affairs when lobbyists earn more than entrepreneurs. There are so many regulations, taxes and policies that brilliant people can get rich faster by manipulating the rules to benefit existing companies than by building new ones. As a former business owner myself, my voting priorities have and continue to be policies that encourage investment in new jobs, national defense and R&D; and a fair tax code. President Obama says we need to double exports, repair our infrastructure, improve education, and expand R&D. Great ideas - but why haven't we been doing them for the last three years? Let's at least start doing them today.

Restuls Through Relationships **TOO LITTLE, TOO LATE**

A billion-dollar government contractor with a golden history recently ceased to exist. For over thirty years, the company had won large contracts with Federal and state agencies to implement computer systems. In the 1990s, they focused on software for the telecom industry. But when the telecom bubble burst, they weren't ready for the next bubble in government contracting: the spectacular run-up in defense and intelligence spending after 9-11. The company had not built strategic partnerships in those areas and its revenue plummeted.

The Board of Directors hired a new President and tasked him to change direction. He laid-off hundreds of employees, off-shored software development to cut costs, and purchased companies that provided technology to intelligence agencies. But it was too little, too late. Competitors had been making those changes for years. New contracts never came and time ran out. After reporting an eight-digit loss to Wall Street, the company was broken in pieces and sold to competitors.

Today's roller-coaster economy is a series of bubbles and crashes - more lie ahead. When an economic bubble bursts, the best strategy in the world won't replace strong strategic relationships. To sustain success, anticipate change when possible or, at a minimum, respond quickly. Don't deny that the world is changing and then play catch-up. Relationships are the only insurance that protects you from bubbles: relationships with customers, with employees, with suppliers, and even with competitors.

Leading Change **ECONOMIC DARWINISM**

If you don't lead or respond rapidly to change in today's global economy,

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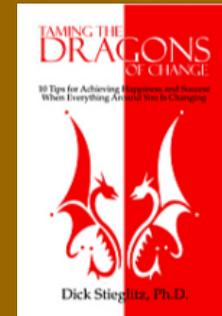
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you may not survive. A government executive was particularly direct with me about his worldwide change initiative. He pointed to a schedule on the wall and said: "*Implementation will take two years, so I need metrics to measure progress and a sustainment plan in case there are radical funding cuts.*" He requested that my company assign a capable consultant to address these issues. When I returned to my office, I told his concerns to our project team. But our response was too slow, inadequate, or both. Three months later we lost the contract to a competitor who responded more rapidly.

Today's fast-paced economy is economic Darwinism - only the fit will survive. Like Darwin defined it in [Origin of the Species](#), fit doesn't mean biggest and strongest. Rather, fit means responsive and adaptable to change. Small organizations actually have an advantage over big ones in responsiveness. If your organization isn't responding to the changes around you, at the very least you are throwing away a competitive advantage. At worst, you may be compromising your existence.

To expand your market share, be the first to recognize when and how your market is changing. Keep your finger on the pulse of change by using a four-step process:

- *Nurture Relationships.* Maintain a two-way information flow with your key customers, suppliers, and strategic partners.
- *Analyze Trends.* Share intelligence with your people. Get everyone's perspective on what it means and what to do about it.
- *Take Action.* Alter your strategy, plans and actions to suit the changes you see.
- *Collect Feedback.* Tell your employees, customers and partners what you are doing and ask them how well it's working.

In short, gather, share, and act on strategic information in order to respond to your market's short and long-term trends. Thrive - don't merely survive - in times of change.

Friends & Colleagues,

If you or your organization are struggling to make the changes necessary to maintain success in shifting markets, contact me to discuss the possibilities. If you found this e-letter to be interesting and useful, send it to a friend. If not, let me know at dick@dragonsofchange.com.

Until next month,

DICK