



February 1, 2012

Issue: 45



KDTH



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### This Month's Articles

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[Enough Budget](#)

[Being Right Doesn't Matter](#)

[Buying & Selling a Company](#)

[Organizational Change](#)

## Welcome to the Change Challenge Newsletter

Welcome to February's issue of *The Change Challenge*. Virtually nothing changed in Washington in 2011 - and no one expects President Obama or Congress to do anything significant in 2012 because they're too busy campaigning for re-election. That's the subject of this month's feature article titled "***When Nothing Changes***."

The *Results Through Relationships* article titled "***Enough Budget***" provocatively asserts that government agencies have enough resources to accomplish everything they need to do - but not if they continue operating as independent fiefdoms like they do today. Similarly, the *Leading Change* article titled "***Being Right Doesn't Matter***" cites Washington's gridlock as an example of how ineffective *being-right* is as a behavior.

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**

P.S. The next *Change Challenge* will be sent April 1st - no e-lettter in March.

### ***Feature Article***

## **WHEN NOTHING CHANGES**

***Why Put Off to Tomorrow What You Can Put Off to 2013.*** Don't expect

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



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Congress, President Obama, to do anything to help the economy until after the November election. After wasting 2011, they are again avoiding tough decisions in 2012 while they dance around issues trying to make each other look bad. Gridlock is a tragedy for 14 million unemployed Americans when Congress could easily create jobs by supporting small business, setting up an infrastructure bank, or creating tax credits. In his State of the Union campaign speech, Obama eloquently blamed Congress for the lack of jobs, but he was the one who disapproved the 50,000-job pipeline construction. Unfortunately, while nothing changes in the U.S., the world moves ahead and leaves us further behind.

**The Unpopular 212th Congress.** Ignoring the job they were elected to do - but still accepting full salary and life-long benefits - both parties have punted the country's challenges to the people to decide. Congress has its peaks and valleys, but today they're in the pit of the Grand Canyon with the lowest approval rating (16%) in history. Similarly, President Obama's approval rating in a recent Gallup Poll was 43% - tied for the worst of his presidency. I don't recall a time when both ends of Pennsylvania Avenue were so out-of-touch with the pain of the people. Even their best ideas are so mediocre that passing them would really be a defeat in terms of how much needs to be done to help the country.

**Compound Gridlock.** Taxes and spending aren't the only areas where the country's challenges go unaddressed. Job growth, energy, infrastructure, immigration, health care, housing finance, and financial regulation policies are also likely to remain in gridlock in 2012. For example, Obama disapproved the Keystone XL pipeline which pleased environmentalists, but angered union supporters who desperately need the construction jobs. Similarly, uncertainty in U.S. oil and gas drilling decisions and the budget impasse over infrastructure delay construction projects while millions of workers draw extended unemployment.

**Stuck in a Job.** Among employed Americans, a Gallop poll found that only 46% are happy - down from 60% in 1990 - as people cling desperately to unfulfilling paychecks. From office buildings to malls, few are willing to tell their boss to shove it. According to *Business Week*, since 2009 an average of one million fewer Americans per month have quit their jobs than in previous years - that means over 20 million Americans are stuck in jobs they ordinarily would have left. Combine that with 14 million unemployed and you have a lot of disgruntled Americans. If President Obama wants to keep his job, he's got to find a way to provide better jobs for voters.

**Speculation About 2013.** Guessing what will happen in 2013 will be 2012's favorite topic. After the election, the lame-duck 212th Congress will once again face the \$3.8 trillion increase in income, capital gain and estate taxes that will take effect January 1st if the Bush tax cuts expire. The tax decision will also affect how Congress deals with the \$1.2 trillion in spending cuts that kick in automatically in 2013 because of the Super Committee's failure. Unemployment may increase as government shrinks and uncertainty pushes small businesses into bankruptcy. Unfortunately, a

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.

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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

close election - the most likely outcome - won't decide anything and will leave the 213th Congress with the same problems to resolve and the same political chasm to cross. At best it will be at least 18 to 24 months before we'll see any stability in the federal government - and then it will be time for the 2014 mid-term election.

**The Washington Area Economy.** President Obama promised to change Washington - and he has certainly done that. Unfortunately, the changes weren't what anyone wanted: the three largest budget deficits in history and coast-to-coast screams for cuts. The once-booming Washington economy will feel the impact of the cuts more than other regions. After leading the nation in job growth in 2010, the Washington area dropped out of the top-10 fastest growing metropolitan areas in 2011. Pay freezes and workforce reductions have caused anxiety among government employees. Some federal agencies are cutting-back in anticipation of the budget cuts, so government contractors are reducing staff through early retirements and layoffs. Economists predict the 2012 Washington economy will about grow at about the national 2% rate - but that growth will reverse in 2013 when the federal cuts take effect. Since the area gets about 15 cents of every dollar in federal spending (it has less than 5% of the population), it can expect to be hit with 15 cents of every dollar reduction.

**Government Contracting Outlook.** In 2012, uncertainty will have a bigger impact than declining budgets - the big cuts hit in 2013. Several factors will cause the government contracting industry to shrink and consolidate. First, of course, across-the-board budget cuts, including defense, make organic growth difficult. This has reduced valuation multiples for government contracting firms significantly. Second, government spending actually will grow in niche sectors like cloud computing, cyber-security, identify management, and health care - which makes small businesses in those areas prime acquisition targets. Third, the owners of some companies may conclude that they would rather exit than continue operating in what will be an austere and competitive market.

**What Can You Do?** First of all, vote in November according to the policies you want to see. In the meantime, set aside your fears and take action to thrive in 2012 even as Congress does nothing - you don't have the luxury of doing nothing since you can't borrow \$15 trillion to live. In light of tax changes likely in 2013, it would be prudent to consider that 2012 will have the highest deductions and lowest overall tax burden in your remaining life. For those who manage a business, it would be wise to:

- Ramp up customer service...help them succeed despite budget cuts
- Reduce operating costs wherever possible, and invest only in initiatives that produce positive cash flow quickly
- Focus on products and services with growing demand...phase-out the ones whose demand is waning.

These are good things for businesses to do at any time, but they are survival tactics during times of contraction like the Washington area is facing in 2012-13. Washington may not change in 2012, but your world will. Good luck!

## **Results Through Relationships** **ENOUGH BUDGET**

When I meet a government executive for the first time, I say: "*Your agency has enough resources to accomplish everything it needs to do.*" I pause while they look at me incredulously and think: "*That's absurd. Dick doesn't understand.*" Then I continue with: "*But not operating like it does today.*" I cite an example where three divisions in one agency spent millions to implement supply chain systems. When they discovered their

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

### QUICKLINKS

[Dick Stieglitz's Website](#)

[Dragons Of Change  
Website](#)

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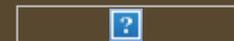
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systems were incompatible, they spent millions more to integrate them. Your biggest breakthroughs won't come from a new technology, reorganization, or streamlined process. It will be produced by a fundamental change in your relationships - a shift in your willingness to collaborate with and trust others.

When you collaborate, ideas and resources get combined in new ways to resolve old challenges. Collaboration requires that you synthesize instead of analyze, build relationships where none existed before, and create solutions by integrating what no one else ever thought to combine. In today's global economy, the ability to collaborate is a survival skill. The value of relationship-savvy leaders has always been high, but three new factors intensify the need for enlightened leaders:

- First, years of rampant change have widened the gap between industry leaders and trailers. Some organizations have fallen behind competitors and don't know how to catch up - collaboration is the answer.
- Second, economic reality adds urgency to the need for change. Labor costs have leveled out, but the cost of health care and retirement benefits are skyrocketing. Economic pressures force organizations to collaborate in ways that were unimaginable just a few years ago.
- Third, collaboration technologies have reshaped how and with whom we work. Government and industry have always collaborated. But the fantastic tools we have today to integrate ideas, connect globally, and share resources have lifted the art of collaboration to a new level.

Leaders often confuse cooperation with collaboration. Trust and mutual benefit are essential for both. But collaboration is more powerful because it facilitates multi-organizational breakthroughs, not just the solution of a shared problem. Collaboration combines resources and knowledge to harness the power of collective thinking. It requires you and your collaboration partners to overcome mistrust and go-it-alone thinking. In these challenging times, are you looking for ways to fundamentally change how and with whom you collaborate?

### ***Personal Change***

## **BEING RIGHT DOESN'T MATTER**

A judge granted a divorce for irreconcilable differences when the wife cited example after example when her husband refused to clean up after himself. Similarly, the husband testified that the wife was an obsessive neat-nik who cleaned the outside windows after a rain storm. Who was right? Does it matter? To the formerly married couple, *being right* about a clean or messy house was more important than the relationship, children, shared experiences, and financial stability.

Like marriage, politics is an arena where otherwise brilliant people are driven toward *being-right* and saying NO. It's frustrating and sad to see the President and the Republicans and Democrats in Congress argue about taxes, the budget, health care, energy, financial regulation, immigration, etc. The specifics vary from topic to topic, but the results are the same. Consider the federal deficit, for example. Republicans want to cut Social Security, Medicare, Medicaid, and other social programs. On the other hand, Democrats want to raise taxes and cut Defense. Every sensible American knows both are needed now that the deficit is more than a trillion dollars per year. Yet we watch helplessly while the president and the political parties paralyze the government and engage in seemingly endless arguments, half-truths, and name-calling.

The result of *being-right* is gridlock that embarrasses our country, leaves it vulnerable to economic calamity, limits its growth, and allows unemployment and suffering to persist. I have no doubts that the men and women of Congress are well-intentioned and believe intensely in what they are doing. But they don't realize that *being right* doesn't produce the solutions they were elected to implement. They have lost sight of the bigger *YES* for which they were elected.

Are you and I any different on the level at which we operate? Do we surrender to the *being-right* dragon and wonder why our relationships are strained and our results are consistently less than they should be? Maybe we could achieve more of what we want in our lives if we weren't so right all the time. Could it be that *being right* is wrong? At a minimum it doesn't work.