

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

Issue: 47

May 1, 2012



Welcome to the Change Challenge Newsletter

Welcome to May's issue of The Change Challenge. The U.S. economy urgently needs millions of new jobs that pay well and produce value that exceeds their cost. Unfortunately, few jobs have all three characteristics. In fact, the very nature of jobs is changing. That's the subject of this month's feature article titled "The Job Quilt."

The Leading Change article titled "Who Pays Whom?" points out that technology is creating new opportunities by flipping the business model in mature industries. The Personal Change article titled "Twenty Dollars" asserts that changing is a painful process when we focus on changing what we do rather than what we believe.

Your feedback and recommendations to improve this e-letter will be appreciated via email or The Change Blog at www.dickstieglitz.com.

Dick Stieglitz

Feature Article

THE JOB QUILT

In a perfect world, jobs would be abundant, pay well, and produce value that exceeds their cost. Unfortunately, few jobs have all three characteristics. Medical, finance and engineering jobs pay well and produce value, but they aren't abundant. On the other hand, jobs in restaurants, construction and retail are abundant and produce value but pay relatively low wages. Manufacturing jobs once were abundant and paid well, but automation and high wages have eroded the position of U.S. workers in global markets.

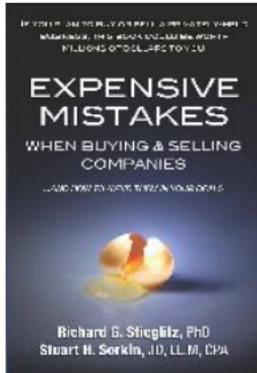
Automation Eliminates Jobs. Automation is eliminating white-collar jobs as well as manufacturing jobs. The jobs are gone forever because they can be done faster and virtually error-free by machines and computers. Industries affected by automation don't disappear, they just provide dramatically fewer jobs. For example, in 1900 farming employed 41% of the U.S. workforce (31 million



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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**



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people) to produce 10% percent of the U.S. GDP (\$21 billion). In 2000, 1.9% of the U.S. workforce (two million people) aided by millions of tractors produced 0.7% of the U.S. GDP (\$700 billion) on farms. The same trend is happening in manufacturing. The U.S. is still one of the world's largest exporters of farm and manufactured goods - it just produces them more efficiently as measured by output per worker.

Is Human Labor Obsolete? Interestingly, when machines replaced workers in the industrial age, more workers were hired, not less. But they were not hired for physical strength and endurance as they had been in farming. Instead, they were needed for their dexterity, creativity and problem-solving skills. Throughout the Industrial Revolution economists forecasted that abundant new jobs would be created to replace those that were lost - and they were right. Despite massive industrialization and automation, the U.S. consistently created more jobs than it lost. However, the statistics obscure two ugly realities: (1) there is no guarantee that people who lose a job will have the skills needed to fill a new one, or (2) that the new job will pay wages as high as the old job.

Technological Unemployment. Economists call this technological unemployment. Technological advances enable goods and services to be mass-produced and drive down wages. It's happening more often in more industries than ever before, and is eroding middle-class jobs. The popular political response is to protect jobs and redistribute income through tax policies, unemployment insurance, and a higher minimum wage. Redistribution eases the social impacts of technological unemployment - which is necessary and good - but it does nothing to help unemployed workers get the skills they need to earn a fair wage and sometimes even accelerates job losses.

Pay for Creativity. The basic notion of a job is changing, and creativity has become a survival skill. People always have and always will be employed to produce what other people want and are willing to pay for. Today's jobs are less about showing up in a factory or office at a specified time, and more about doing creative work. Communication technologies make it easy for knowledge workers to perform complex tasks remotely from coffee shops, malls and home offices. Therefore, workers must redefine job security. The new norm is for people to prosper by working concurrent jobs as free-lancers, temps or consultants. The U.S. Department of Labor estimates that independent workers make up a third of today's workforce.

Stitching Together a Job Quilt. In the Industrial Age, a career was a staircase of positions inside one organization. For example, my dad worked at MetLife for 35 years. Every five to ten years he was promoted and eventually retired as a MetLife executive. My career was more like a trellis than a staircase - promotions came by changing companies. Many baby-boomers followed a similar career path. They work in a company five to ten years, then switch to find a better opportunity. By contrast, today's workers are likely to have a career path like a quilt. They stitch jobs together - usually several at one time - in different fields to support the lifestyle they want.

Policies to Support the Job Quilt. Technological unemployment is affecting workers in more and more industries. Instead of trying to protect jobs that are economically unsustainable, the key to job growth in fields like manufacturing and retailing is not to compete with computers - that's a losing battle - but rather partner with them. Let's face it, computers and machines are more reliable and faster than humans at repetitive tasks, but they lack ingenuity and don't have a clue what to do when a task is outside their design. On the other hand, when encouraged to be creative and taught new skills, humans are effective exactly where computers are weak. Therefore, governments should mitigate technological unemployment by implementing policies and programs that: Provide basic and continuing education that gives workers the skills necessary to participate in an automated economy, and Stimulate private-sector growth by nurturing innovation and rewarding risk-takers who create new jobs.

Unfortunately, the U.S. economy titters on the edge of bankruptcy with persistent high unemployment because Congress and the White House have done neither.

Turnaround Strategy. When businesses face hard times, inexperienced executives mindlessly slash costs - does that sound like Congress and the Federal budget? Seasoned leaders, on the other hand, know that prudent cuts are necessary but investments are the key to growth. They listen to and implement recommendations from turnaround experts. USA Inc.'s turnaround experts (e.g., the Simpson-Bowles panel) put fixing Social Security, Medicare and the tax system at the top of the priority list. They also recommend education, infrastructure and R&D investments to enable USA Inc. to compete favorably against China Inc., South Korea Inc., and India Inc. Any CEO will tell you it's impossible to compete with an outclassed workforce, an infrastructure that's falling apart, and yesterday's products. Unfortunately, the recovery will continue to be jobless until the White House ceases its attacks on companies that generate jobs, and Congress takes bold action to improve education and modernize the Country's infrastructure.

Leading Change

WHO PAYS WHOM?

Last night I watched a two-hour TV show in 45 minutes by skipping boring scenes and commercials on my DVR. As I watched, I wondered what will happen to TV's economic model. Will industry continue to pay to produce shows if nobody watched the commercials? Will we have to pay for shows individually or buy access to channels that offer the programming we like? Will shows be aired at scheduled times or be accessed from an on-demand library? How will TV's business model evolve and how will revenue be shared?

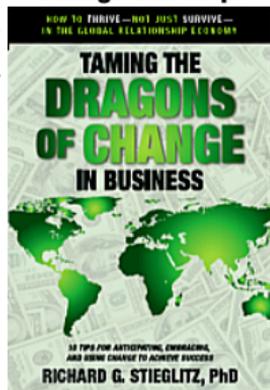
Technology is creating opportunities by flipping the business model in mature industries. Who will get paid for what? is a question at the core of many industries. Why buy a car when you can use one for a few hours when you need it? Why buy a DVD when you can rent a movie over the Internet. And laundromats are making a come-back too. Renting isn't a new business concept,

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of course, but business models are changing radically in response to new technologies, financial pressures, and environmental concerns. Mobile apps and the Internet make it easy to compare prices any time and any place. They also enable new ways of sharing - electronic parking meters for example. People are reluctant to pay for idle capacity. For example, the average American family spends a sixth of its income on a car that's used roughly four hours a day. For people who are financially stretched or concerned about the environment - as many people are these days - this seems wasteful.

The cornerstone of any business model is who pays whom. For TV, the new business model is fraught with power struggles among companies who produce content, networks who broadcast and market it, and Internet and telecom companies who compete with cable and satellite companies. It isn't unusual for some strands in this spaghetti bowl to be separate divisions in the same Fortune-500 company.

The same situation is occurring in music, printed media, retail and other industries. Are you seeing a shift in who-pays-whom-for-what in your industry? Are you leading or trailing that shift? Whom do you pay for the services and products you use to service your customers? How well does that economic model work? Will it continue to work in a changing world? The who-pays-whom and for-what shifts are also happening at the job level. Who will pay you - and how much - for the skills you provide today and those you are acquiring for the future?

Personal Change

TWENTY DOLLARS

To understand how beliefs influence actions, an executive coach suggested that I try to give a twenty-dollar bill to strangers. Accepting the challenge, I approached four people at random on the street, held out a twenty-dollar bill, and said: "Here, I'd like you to have this." The first man glared at me as if I was a con-man and walked away. Another looked at me with disgust and said: "I don't need that." A woman was insulted and threatened to call the police. And the fourth was a beggar who grabbed the money and ran. It probably was the best thing that happened to him that day.

The strangers' reactions had little to do with the twenty-dollar bill or me. Instead, their reactions reflected how they viewed themselves relative to twenty dollars. That type of belief can change in an instant - it is a choice. For example, I smoked a pipe for 30 years starting when I was 18 years old. I thought of a pipe as relaxing and sophisticated. I tried unsuccessfully to quit many times. One day during a business meeting, I looked down and saw holes in my shirt and necktie caused by pipe ashes. In that instant, my view of pipe-smoking changed. I saw it as a messy habit, and have not smoked or been tempted to smoke since.

Changing is a painful process when we focus on changing what-we-do rather than what-we-believe. Fundamental changes in our beliefs usually occur only when we face a life-threatening crisis; or begin a new role like spouse, parent or manager. The crisis or new role compels us to seriously consider new possibilities and new priorities. For example, losing a job may cause instant changes in unhealthy spending habits that persisted through decades of relative prosperity, or push you to get more education. Similarly, a painful divorce may force changes in relationship behaviors that had been ineffective for years.

What stops us from changing what we believe before old beliefs adversely affect our lives? It is within your ability to change your beliefs before a crisis occurs. You can change your beliefs because you want different results or when you are forced to change. Either way, eventually you will change - which way would you prefer?

Friends & Colleagues,

If you are seeing fundamental shifts in your industry and are wondering how to adapt to them, 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

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