

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

November 1, 2012



Welcome to the Change Challenge Newsletter

Welcome to the November issue of *The Change Challenge*. This month's feature article "**The Whole Truth**" looks at next Tuesday's presidential election in terms of how truthful the candidates have been and the role of businesses in shaping new policies. For another view of the presidential campaign, look at the Washington Executive article by Alan Berson titled "*Where Have All the Leadership Conversations Gone?*" [click here](#)

The *Results Through Relationships* article "**Enough Resources**" asserts that your organization (yes, even government agencies) has sufficient resources to accomplish all of its goals - but not operating in the manner that it does today. The *Leading Change* article "**Choosing a New Leader**" explains why a change in leadership provides new perspectives that often improve short term results.

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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Issue: 52



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THIS MONTH'S ARTICLES

[The Whole Truth](#)

[Enough Resources](#)

[Choosing a New Leader](#)

[Buying & Selling a Company](#)

[Organizational Change](#)

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

Feature Article

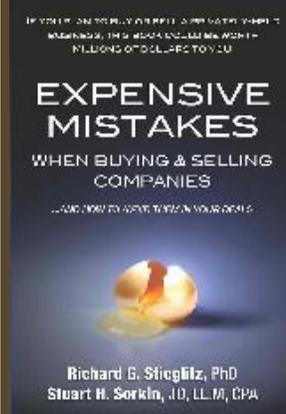
THE WHOLE TRUTH

After seeing three debates, reading hundreds of articles, and listening to endless ads, I don't feel either candidate has told the whole truth about the country's challenges or the solutions they propose. The half-truths are disappointing given that the national debt exceeds GDP and three fiscal crises are bearing down on us like 18-wheelers on I-95. The first crisis is the fiscal cliff when the Bush and other tax cuts expire, sequestration kicks in, and the new Medicare taxes begin. The second is an annual deficit that exceeded \$1 trillion in 2012 for the fourth consecutive year. The third is the tsunami of financially unsustainable entitlements that people have come to expect from the government. In his own way, each candidate promises unrealistic improvements with no pain. Most voters would rather hear the whole truth even if it is uncomfortable.

That Makes Sense. While each candidate's accomplishments and positions have been distorted by the other's attack ads, they both propose ideas that make sense. Obama says we should invest in education, training, infrastructure, and research to stimulate growth and create jobs. That makes sense. Similarly, Romney says the economy is choked by government regulations and a tax structure that make it difficult for businesses to grow and create jobs. He wants to cut regulations, simplify taxes, and streamline government. That makes sense too. Merging the two strategies would be an effective course of action. However, both candidates failed to reconcile their strategy with deficit reduction, and neither of them was honest about how they would contain entitlement programs, increase revenue, and curtail spending. Voters are being forced to choose between Republicans who refuse to raise taxes and Democrats who refuse to cut spending and entitlements. Separately, neither approach makes any sense at all.

What the Next President Will Face. Regardless of who wins the election, the next president must revive the economy despite an anemic growth rate, persistent unemployment, and huge debts. Even if Congress postpones the fiscal cliff - which is likely - 2013 will be a tough year. Unfortunately, the fiscal-cliff crisis masks fundamental imbalances in the federal budget that could trigger even bigger future calamities. Neither party can blame the other for the crisis because they both contributed to it. According to polls, most voters don't believe that either candidate has a viable economic plan. Perceptions about government leaders' ability to solve problems matter because businessmen make hiring decisions and consumers make buying decisions based on their faith in the economy. When that faith evaporates, hiring, investments, and growth stagnate; and the gloom-and-doom attitude becomes a self-fulfilling reality.

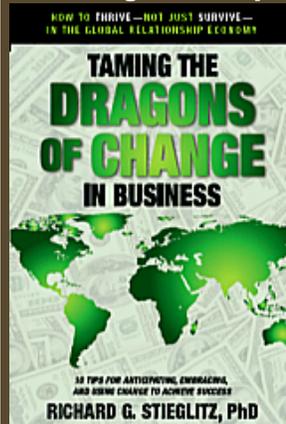
Business Blames Washington, But... Business leaders lack confidence in Washington's ability to perform basic governance tasks. They are frustrated with President Obama who sees big government as inherently trustworthy while strangling large companies with regulations and milking entrepreneurs for revenue. Republicans claim that tax increases would stifle job creation, but most executives say they would tolerate higher taxes if they were part of a plan that provided a stable growth platform. Dealing with disagreeable tax rates is easier than not knowing what is going to happen, which makes this an ominous time to hire new employees or buy



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new equipment. They see the government as the problem - slowing growth with environmental, safety and labor regulations, an onerous new health-care law, and trade policies that undermine U.S. competitiveness.

The Voice of Business. Given the high stakes in this election, the silence of business leaders is deafening. Instead of grumbling about Washington, private-sector leaders must speak out on the issues - not just lobby for favors. Smeared by the Enron and WorldCom scandals, crucified for excessive executive pay, and wounded by the popular belief that the government bailed out firms that caused the economic mess, business has been hiding too long. In the past, business leaders not only helped formulate economic policies, they helped direct their successful implementation. The voice of business must make it safe for politicians to tell the whole truth, and unsafe for them to deny the undeniable and sustain the unsustainable.

Voter's Choice. On November 6th the battle to become the world's most powerful leader will be decided. The candidates' rhetoric makes it seem like we have two bad choices. Romney, who made \$250 million or so in private equity, says Obama has no idea how the economy works or how jobs are created. Romney believes the best thing the government can do is to get out of the way by reducing regulations, cutting taxes, and helping people to build new businesses. By contrast, Obama, whose experience is in the public sector, academia, and community work, believes that government has an indispensable role in growing the economy. He sees a conflict between pursuing profits and creating jobs even though, in the long run, only profitable businesses hire new workers - unlike the Federal government which can consistently spend trillions more than it earns. Voters disagree only about which would make things worse: re-electing a president who believes that big government is an economic panacea, or swapping him for a private-equity executive whose policies are likely to favor business. The voters will choose and experience the results of their choice.

What Can Be Done? What can the next president really do to grow the economy? Not pushing it over the fiscal cliff would be a good start. Instead, implement a reliable 10-year deficit plan that includes tax increases and entitlement cuts. Second, rebuild America's dilapidated infrastructure. No world-class economy can grow with crumbling roads, mediocre schools, the world's most expensive health care, and fear-based immigration policies that drive the world's best talent to other countries. Third, make the country energy independent by building the XL pipeline, authorizing more oil drilling, and approving gas exports. If he focuses on those things, we all will be delighted by how much the private sector can do for itself. Minor tweaks to our economic and political approaches won't be enough - full recovery will take new ways of thinking. The changes are likely to be painful in the short term for everyone, but we can meet the challenge if we tell ourselves the whole truth and embrace the need for real change.

Results Through Relationships ENOUGH RESOURCES

Your organization has enough resources to accomplish everything it would like to do. You're probably shaking your head and thinking: "*That's absurd. Dick just doesn't understand.*" I would qualify my statement by saying: "*but not working like it works today.*" I would cite an example where three divisions of a one government agency spent millions to transfer their operations to the Internet. When they found that their approaches were incompatible, they spent millions more to make them interoperable.

The most significant performance breakthroughs don't come from new technologies, process re-engineering, or reorganizations. They are produced by changes in relationships - fundamental shifts in how you collaborate with others. You can make it happen in your workplace by collaborating with other departments of your organization and with other organizations around the world in new ways.

Orchestra conductors demonstrate collaboration when they combine instruments and musicians to deliver a virtuoso concert. Inventors also

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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 advantage

THAT'S WHAT THIS
BOOK IS ALL ABOUT!

QUICKLINKS

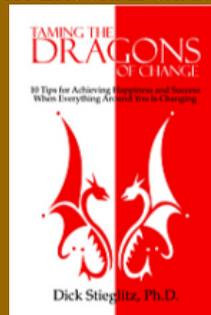
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display the ability to integrate concepts that previously were viewed as being separate. Collaboration combines ideas and resources in exciting new ways. It compels you to synthesize (put things together) instead of analyze (take things apart) and to build relationships where none existed before. Collaboration is a survival skill in today's global economy. Several factors intensify the need for relationship-savvy leaders.

First, the rapid pace of change has widened the gap between industry leaders and laggards. For example, global supply chains have left some companies on the outside looking in and other companies have not kept up with new technologies. They find themselves falling behind and don't know how to catch up. Collaboration is the answer.

Second, economic realities add urgency to the need for change. Labor costs have leveled out, but the cost of health care and benefits continues to spiral upward. Cost control has always been essential, but economic pressures are forcing organizations to work with external partners in ways that were unthinkable a few years ago.

Third, of course, is that collaboration technologies have reshaped how and with whom we work. It isn't that governments and businesses haven't collaborated in the past. But the tools available today that allow you to integrate ideas, connect globally, and tap into new resources have lifted the art of collaboration to a new plateau.

Some executives confuse collaboration with cooperation. Cooperation integrates what you plan to do with what others are doing - usually you can do both with fewer resources. On the other hand, collaboration combines your objectives with the objectives of others. The result is often an approach that neither of you had imagined before - Stephen Covey calls it *The Third Alternative*. Do you cooperate or collaborate in your current business relationships?

Leading Change **CHOOSING A NEW LEADER**

The process of retiring from my company took three years. The first year I reduced my work week to four days, the second year to three, and the third year to two days a week. Finally, a month after my company was sold, I really did retire. As my work week shrank, the Board of Directors promoted a Vice President to be the President. At first employees were concerned that his priorities and style weren't like mine. But revenue grew 20% in each of his first two years and profitability remained high. He tapped into possibilities that my style had bypassed. Diversity in leadership style improved results!

When employees lamented: "*Why can't he be like Dick,*" "*We aren't the same company anymore,*" and "*I don't like how we've changed,*" they were expressing the fear many people experience when a leader is replaced. While the fear of change is understandable, the hard truth is the good ole days were gone forever. Nostalgic remembrances of an exciting project, an interesting holiday party, or a special bonus grew beyond reality in people's minds. When leadership changes, people must embrace a new reality and exploit its advantages.

A change in leadership often improves short term results because new perspectives tap into new potential. Choosing a new leader for an organization is always a gamble - but the litmus test of performance is results. There is virtually no way you can prepare yourself to lead an organization when, for the first time, you become responsible for every decision and every result - good or bad. If my replacement had been just like me, the company would have been weaker because he would have the same weaknesses but less experience. Since the world changes constantly, the best succession choice is the individual most in tune with the challenges of tomorrow. That almost always is someone with new perspectives and new priorities.