

Feature Article

HAPPY NEW YEAR - OR IS IT?

New Year's Day 2010 brings good news and bad news. Most executives were happy to see 2009 end - it was the first year since 1945 that the global economy shrank. The good news is the recovery is gaining steam and prospects for 2010 are brightening. The bad news is that a jobless recovery isn't what most people want. The U.S. economy, carrying high unemployment and runaway federal deficits on its back, faces an arduous uphill climb. But the President and Congress will do well to be careful in 2010 - a jobless V-recovery is better than a W-recovery profile. For business executives, it is a relief to begin 2010 implementing strategies for growth instead of desperate tactics for survival.

So far, actions by Congress and the Obama administration have addressed symptoms of the problem. They spent hundreds of billions to extend unemployment benefits, preserve existing jobs, and fund pork projects - but little to build industries that will produce millions of new jobs. The actions have created some green jobs, but in the wind-power industry (for example) the largest beneficiaries have been high-wage German and low wage Chinese companies that profitably export their products to the U.S. In 2010, Congress and the President must walk a tightrope to:

- Stimulate the general economy - but control inflation
- Govern bankers - but provide cash for businesses and mortgages
- Encourage investments in R&D - but preserve the tax base
- Meet promises for social change - but keep a lid on the national debt.

If they do all four well, the recovery will continue. But if they get one or more wrong, the economy could easily deteriorate into a W-profile.

2010 presents ominous risks for President Obama. When the health-care reform bill finally passes Congress, he will own health care. Every insurance premium increase, expensive prescription, and denied treatment will be his fault. Now that he has committed 30,000 more troops, Afghanistan is his war. Despite winning the Nobel Peace Prize for good intentions, he will be held responsible for all of the war's miseries and costs. Voters are likely to vent their frustration with decimated 401Ks and high unemployment in the 2010 mid-term election, and that frustration might persist until the 2012 election.

We need smart government in 2010 more than ever. The bank bailout, stimulus act, and Obama's social agenda have expanded the size and reach of the federal government enormously - and swelled the national debt as well. That begs the question: *Is it possible for the government to do more with less? Can it work smarter?* The most limiting constraint on smart government is luring smart people into the public sector. With industry jettisoning employees in the last 18 months, the government had a golden opportunity to hire top-notch talent. Alas, that window may be closing now as the private sector begins to selectively re-hire the best-and-brightest.

The "awful aughts" were no cake-walk for Wall Street either. The decade began when the financial industry's epicenter, the World Trade Center, collapsed under terrorist attack, and ended with an economic collapse widely blamed on Wall Street's greed. In between, there was Bernie Ebbers' fiasco at Enron and Bernie Madoff's ponzi scheme. The primal fear today is more fundamental than just losing jobs. It is a haunting fear that the country has no realistic path back to mass prosperity. Industry cannot depend on Congress to enact policies that move the country toward real production and away from smoke-and-mirrors financial transactions. Even with no government support, industry must make the R&D and training investments required to prepare Americans for the high-tech jobs that will be created in

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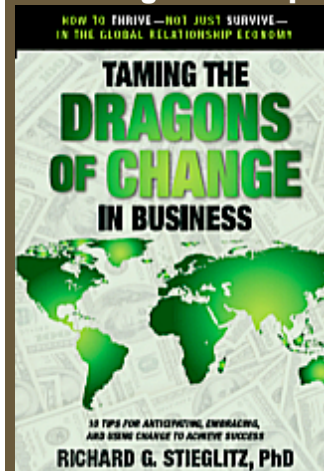
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the decade of the "terrific tens."

2010 brings a new challenge for business executives. Surviving the economic slump required one set of leadership skills, while setting a course for growth in the recovery requires entirely different skills. Slashing costs was essential for survival when consumers went into hiding, credit evaporated, and global competition intensified. At the same time, technology has sharply increased productivity and enabled companies to get the required output from fewer workers and managers. Companies that were careful to cut fat rather than muscle emerge from the recession with a competitive advantage. Still, to prosper in the global economy that emerged from the "great recession," they must:

- Produce cheaper goods/services to attract frugal consumers
- Find ways to meet consumer needs in China and emerging economies
- Partner with firms in developing countries to appreciate their markets
- Show how you are not just making money, but making a better world.

It will be difficult for any U.S. business, large or small, to prosper in 2010 and beyond without considering competition from and partnerships with companies in emerging economies.

If any of this sounds like a return to business as usual, you've missed the message. There is a danger that executives will fall back on comfortable strategies that worked in the past - that they will ignore the need for fundamental long term change. One lesson is clear from the "awful aughts:" unless businesses, governments, and families pursue an economically sustainable strategy, it will only be a short time until the next crisis is upon us. Reset your expectations and your strategies in 2010 because the economic crisis has rewritten the rules.

Leading Change SET BIG ONES

My company was a platinum United Way participant for several years and I was a United Way volunteer. One year, the regional director asked me: *"Our campaign grows about three percent per year. I think it's because we aim to grow that much. How can we grow 50 percent?"* I answered: *"We need a strategy and a plan that will produce 50 percent growth, even though some campaign sectors grow more and others grow less."* He asked me to help develop such a plan and I agreed.

The campaign was split into four sectors: businesses, high net worth individuals, county workers, and the county's education department. We coached the leaders in each sector to set a goal, select a strategy, and prepare a plan for their sector. I was leading one of the sector planning meetings the morning of September 11th when American Flight #97 crashed into the Pentagon just a half-mile away. Contributions in many United Way regions declined in 2001 because donations were diverted to 9/11 funds. However, that United Way region grew eight percent, its best year-on-year growth ever. Setting big goals produces better results - even in difficult years!

To deliver extraordinary results, leaders often create goals from thin air (like a 50 percent increase in contributions). Albert Einstein doubted Newton's laws, so he explored new physical realms. President Kennedy declared: *"We will put a man on the moon in this decade!"* Martin Luther King told everyone: *"I have a dream!"* Where do goals like those come from? Leaders create them with no concern for how, when, or resources. Those details can be ironed out during the planning phase. As a leader, you create the future of your organization when you set its goals.

Setting measurable goals is a prerequisite for developing an effective

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strategy and plan. There usually is more than one strategy to achieve a goal. For example, for some United Way sectors the 50-percent growth strategy was to increase the number of donors while for others it was to increase the average donation size. At first, the fear-of-failure dragon told the four sector leaders that 50 percent growth was unrealistic. But we helped them tame that dragon by selecting a strategy and using new campaign tactics to support the strategy.

In the real world, some tactics work and some don't, and unpredictable events (usually not as shattering as 9/11) are common. In my experience (probably yours too), unexpected events are more often negative than positive. But in any case, your results will always be proportional to the goal you set since such events affect big goals and small goals equally. The goals you set today will determine the magnitude of success you achieve. Are you setting your goals big enough to reach the performance levels you want for yourself and your organization in 2010?

Future Change

CHANGE IS ACCELERATING

It used to be that if you researched the market, prepared a business plan, assembled the resources, and built a solid management team, your new business venture was virtually guaranteed to succeed. Changes occurred slowly and you could adjust to them. Companies could be managed according to the practices recommended in vintage business books. But change isn't like that any more. You still must plan thoroughly to succeed, but you also must be agile and creative because monster changes will occur while you are executing the plan. Your natural tendency will be to work harder to make the plan succeed because changing in mid-stream seems risky and uncomfortable.

Today's global economy is like crossing a rope bridge in a Tarzan movie. The flimsy bridge spans the dangerous jungle from yesterday to tomorrow. All leaders and organizations are crossing the bridge. Some say the transition to a global economy is a mistake and want to return to yesterday. But there is no turning back. Those who cross the bridge first have the best chance to be successful, and those who try to return to yesterday may fall off the bridge.

You may enter the global economy expecting to find a land of milk and honey like the early dot-com era. While that occasionally may be true, the landscape also has false peaks and dead ends. A business chasing what seemed to be a lucrative market may find itself stymied in a box canyon. For example, Detroit once boasted the top automakers in the world, but now foreign competitors deliver more desirable cars and emerging economies are the growth markets. Similarly, IBM once thought it was king of the mainframe mountain until Dell and others created a PC market that was the Himalayans compared to IBM's market. If you find yourself in one of these dead ends, turn around and try another path! The sooner you change, the higher your chance of survival.

I'm changing, you're changing, our customers are changing, and our competitors are changing. No business, government, or not-for-profit is immune to change. However, some won't have the leadership and agility to survive. Not because they resist change, but because the changes happen so fast they are overwhelmed. The rewards will go to those who recognize change, embrace change, and use change to their advantage. Today's economy glitters with opportunities, but it is ruthless with those who are oblivious to change, rigid of mind, or slow to react.

The global economy hasn't changed business basics: serve your customers, deliver quality, be the first to market, and cut costs. But success is different today. It doesn't last as long. Being on the top of your market is an unstable position because competitors will aim at you with new business models and technologies. For those who understand the global economy, success breeds a healthy paranoia and a proactive pursuit of change. While it may be risky to lead change, it's more risky to chase changes that are initiated by your competitors.

Friends & Colleagues,

If change is required to achieve the success you want in 2010, I can help - contact me to discuss the possibilities. If you found this e-letter to be useful, send it to a friend. If you didn't, let me know why at dick@dragonsofchange.com.

Until Next Month,

Dick (www.DickStieglitz.com)

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