



Change Strategists
INCORPORATED

Lead-Zine®

e-Magazine

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The new firm, **Change Strategists, Incorporated** has been specifically developed to provide highly-trained organizational change specialists for our corporate clients. **CSI** is a subsidiary of the **management consulting firm** Leading and Learning, Inc.®. The firm has offices in Los Angeles, CA and Austin, TX. and works in support of clients across the U.S., Canada, Europe, Asia in conduct of change processes. Our professionals typically focus on organizational change management, leadership development, and personal, professional effectiveness. The firm's confidential client roster includes CEOs and other leaders in corporations and organizations spanning **banking, utilities, manufacturing, hospitality/entertainment, hospitals/health care systems, technology/ aerospace, service industries, government services, and nationally-based nonprofits.**

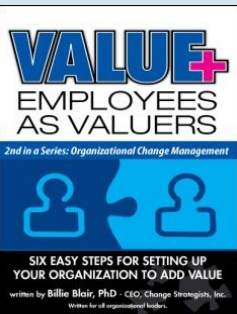
EACH ISSUE, LEAD-ZINE®, the on-line electronic leadership newsletter of Change Strategists, Inc., focuses on a specific leadership/ management topic. Articles are contributed by Dr. Billie Blair, President of Change Strategists, Inc., and the CS-I team of organizational professionals. Other professionals with specific expertise join the **Lead-Zine®** staff each month to offer additional perspectives. These combined views provide informative and balanced perspectives on the **Lead-Zine®** topic-of-the-month to our readers – approximately 250,000 CEOs, executives, and other managers.

Leaders and managers are continually planning, executing, and controlling change efforts.
Each Lead-Zine® issue looks at aspects of change that are of current interest.

THE LEAD-ZINE® FOCUS FOR 2010 IS ON ECONOMIC SUCCESS STRATEGIES.

This month's topic: "A Recovering Economy in 2010 – How Is that Happening?"

◆ For those wishing to contribute to a **Lead-Zine®** issue contact the **Lead-Zine®** editor, **Eli Isaacs:**
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written by

Billie G. Blair, PhD

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MARCH 2010 ISSUE A RECOVERING ECONOMY, 2010: *Straight Talk for America's Businesses*

Billie Blair, PhD

Steve Forbes recently captured well the future of the economy in a **FORBES** editorial. He talked about the debt-plagued countries – Greece, Portugal, Italy, Spain. Easily added to that list is the U.S. (which is currently at risk of losing its AAA-rating) and certainly the status of states like California, New York, New Jersey makes them good candidates for the list, as well.

If you were to name the *cause* of these serious financial difficulties, what would you say in answer to this question? ***The cause of the financial crisis that so many countries, states, municipalities find themselves faced with is the result of:***

- a) banks and their speculation;
- b) a slowing economy; or
- c) profligate spending.

➤The answer is clear: In every instance where countries, such as Greece, or states, such as California, are experiencing serious financial difficulties it is because the leaders were unwilling to control spending – that is, to insist that their country, state, city lived within its means. Without exception, in each of these instances, the financial disasters have been caused by the ruling party's inability to: 1) define a budget that adhered to the practical needs as well as to financial realities; and 2) to muster the courage to say "no" to the special interests and to those constituents who demanded *more* even in the face of sound evidence that there was no more.

➤Now that the disasters threaten to bring long-term harm, what is the solution?

➤Carried out in real terms, this will mean that reexamination such as that being led by Governor Christie in New Jersey is used as a yardstick, not viewed as the exception – in the actions of state as well as federal governments. Governor Christie has told the legislature that he is impounding upwards of \$2 billion of the current state budget and cutting 375 state programs. And now for the hardest part, where real courage comes into play: helping citizens who complain about fewer government services understand that they, too, can be responsible for their own actions . . . And for their own needs.

➤You'll enjoy the articles in this issue – we're digging into every aspect of the economy to find out what's working, where it's working – as well as to remind ourselves of what is not working . . . And why.

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THE CONTINUING FOCUS FOR 2010.

THE TOPIC FOR THIS ISSUE:

***“A Recovering Economy in 2010 –
How Is That Happening?”***

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of the 21st Century

•Earned Value Management, Techniques and
Application

Survey Finds 72% of Tech CEOs Plan to Hire in 2010 Pete Polachi, Polachi, Inc.

Polachi, Inc. recently issued the results of an online survey that polled 155 technology company CEOs for hiring plans in 2010. The survey found that CEOs are confident about growth this year, with nearly three quarters (72.9%) of the respondents stating that they plan to increase headcount in 2010.

We have seen considerable improvements in the economy – particularly in the tech sector – and we are not surprised that a strong majority of our survey respondents plan to hire in 2010. Most of the executives we speak to feel that the worst is over. The survey comes on the heels of the January jobless claims, which showed the U.S. labor market lost more jobs than expected, bringing the unemployment rate below 10%. Although the majority of CEOs are planning to increase headcount in 2010, a large portion of them are also concerned about the rising costs of healthcare. When asked about the pending healthcare bill, 72% of respondents indicated they believe their costs will be increased if the legislation passes. Additionally, most companies plan to pass any increased healthcare costs along to their staff – 71.2% of the CEOs indicated that they would increase employee contributions to healthcare if corporate coverage costs rise.

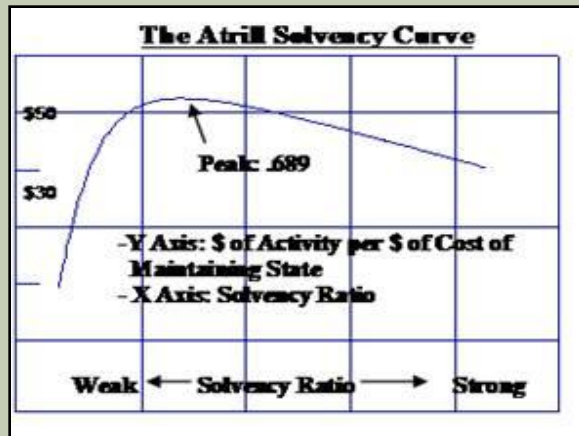
Phoenix Rising
Ross Healy, Brent Lang
Strategic Analysis Corporation

We at Strategic Analysis Corporation are concerned that the failure of the United States to take comprehensive action to clean up its horrific national balance sheet – along with its current pursuit of policies already proven to result in, at best, economic stasis – will result in a very poor domestic growth outlook which will spill over into the global arena, as the U.S. government continues to tap into global savings to feed its debt habit. This in turn will lead to a volatile but overall long term poor stock market outlook, probably low interest rates which will penalize saving, and a weak domestic and global investment climate. Hence, we have made an effort to deploy our solvency theory work to suggest an exit strategy for the U.S. and its government.

In the third quarter of 2007, the solvency condition of the United States, as measured by its GDP/Debt Ratio, fell into what we at Strategic Analysis Corporation (SAC) designate ‘second-order insolvency.’ And it was precisely at that juncture that the debt markets, first of the U.S., and then the globe, began to seize up and did so in subsequent months with stunning speed. → →

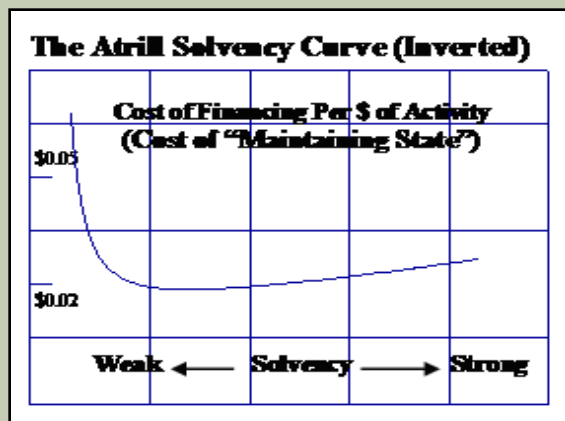
Phoenix Rising, Cont'd. Ross Healy, Brent Lang, Strategic Analysis Corporation

When debt accumulation reaches a critical juncture, additional debt merely creates an impediment to further activity. This occurs when the marginal efficiency of debt in terms of generating additional GDP per dollar of incremental debt plunges towards zero, and renders much of the new debt issuance effectively sterile in terms of producing a significant net additional economic work (GDP). The U.S. has reached that point in the mathematics that underlies the analysis that SAC performs.



The Atrill Solvency Curve measures the maximum amount of activity (debt plus GDP for purposes of this discussion) that can be generated at various solvency ratios (per dollar of the cost of maintaining state, which is our unique variant of the 'cost of capital').

Inverted, the Y Axis determines the "cost of maintaining state" (including the balance sheet together), in our own unique variant of the 'cost of capital' measure. Under increasingly insolvent conditions the cost of holding a balance sheet together escalates very rapidly. This means that the total activity of the economy is less than it could be, and it is much more costly to keep going (regardless of nominal interest rates).



-There are two "sides" to the Atrill Curve. On the right hand side of the peak at .689, an increase in debt can lead to an increase in activity (GDP). On the left hand side, a decrease in debt leads to an increase in activity (GDP). At .689, there is an optimal balance between the generation of activity and the generation of debt.

-The Atrill Curve mathematics show that far from being hurt by debt reduction, the GDP of the U.S. could be some 22% higher than it is today if it were solvent within its historic parameters. Phoenix Trust units consist of a 30-year forward "sale" of U.S. tax revenues.

Thoughts About the Economy in States Un-Friendly to Business David Williams, National Business Printers

Yes, there are indications that the economy is slowly recovering. The stock market has made substantial gains year-to-date and unemployment, while remaining at record highs, seems to be slowing. However, there are also indications that the economy is not recovering to any real degree at the micro, or, individual, level. Some businesses are growing but not yet hiring. They await the proof of recovery.

In California, unemployment is over 12%, the state deficit runs to many billions (no one seems to be able to generate an accurate figure) and state legislators are unwilling to take the hard line necessary to alter the situation. California, you see, is not a business-friendly state – a situation that has caused 27,000 businesses to leave the state recently.

As state legislative representatives are in an obvious battle for ultimate power with little regard for the people they ostensibly represent, perhaps the parable from a recent on-line circulation may be informative for the situation. It reads like this: *A mighty struggle for ultimate power, calls of “death to the queen,” answered by armies of workers is routine in some ant colonies. Queen ants, are, therefore, sometimes forced to fend for themselves rather than assume responsibility for the good of their colonies.*

Taking care of ourselves rather than expecting government to hand out care is the message we can all derive from the dire financial situation in states like California. When this lesson is learned, actions that are the result will go far in aiding our economic recovery as well as in assisting our country in regaining its former strength as a nation.

Paradigm Shift

Scott Harris, Mustang Marketing

Amidst all the expectations for 2010, the hope for a recovering economy remains the most prominent. A closer look at this recent economic downturn points to an interesting change in the way many Americans are doing business, and specifically in the way they are reacting to this economy. In the past, marketing budgets were the first to be cut during tough economic times – that has not happened across the board this time around. Many companies have looked at this recession as a chance to gain ground on less forward-thinking competitors. There is something to be said for firms that see the opportunity and are capitalizing on it. Research bears out the fact that those who are more aggressive during economic downturns are quicker to recover and are stronger than competitors.

Companies that have been working hard and really putting themselves out there will be the companies that are top-of-mind, not the ones that disappeared only to reappear when all signs of harm seem to have passed.

There is still time to gather information about your industry, competitors and marketplace and to analyze that information as a guide to making prudent decisions. Something to bear in mind, however, is that economic recovery won't happen for everyone – we all hope for the economy to recover quickly – but don't keep looking to that to solve your problems.

Work – plan – to solve them now, and you'll be ready for a real recovery.

Big Mouth

Michael Bechara, Granite Consulting Group, Inc.

When I was in high school there was a kid with a big mouth – we'll call him Larry. He was one of those guys skilled at hurling insults at people. Average in size, but certainly no brute. The day that he began to hassle one of the football players stands out in my mind. Larry degraded the other guy's clothes, his car and his girlfriend. And as a larger audience of pretty girls arrived, he escalated to “And your mother is so ...” It happened so quickly that for a moment I didn't understand why Larry's sneakers were suspended just below the ceiling. There was Larry, still sitting in his chair, but facing the ceiling and looking like he was ready to blast off. . . the only deterrent was the linebacker's foot on his throat.

Larry would have made a great U.S. monetary official in our current international scenario – those who are telling the Chinese that they may have to live with low interest rates and a weak dollar. Of course, China is the largest holder of U.S. Treasuries and tends to be interested in the status of the dollar. A bit of background: The U.S. government spends more than it collects in taxes and has to make up the difference by borrowing. Enter the Chinese. This also means that the various stimulus programs and bailouts are effectively being paid for by China.

We are currently using the practice of trying to stimulate our economy through Keynesian type spending and stimulus. For the reasons mentioned above, we need to borrow money from the Chinese to keep doing this. We are unsure how the current bluster of words will contribute to the goal in the long run.

So what ended up happening to Larry?

The school police were called in and pulled the linebacker off of Larry's neck. Larry' face looked sickly when he arose. He hobbled off to the principal's office for his debriefing. And, Larry was much quieter after that little episode.

Let's hope our national “big mouths” can find their poise before one of those big football players has to do it for them.