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# **COUNT ON MASSIVE CHANGE**

**INITIAL UNCERTAINTY TO MARK  
ALL ASPECTS OF  
AMERICAN/GLOBAL LIFE**

**HANG ON TIGHT AND  
BE READY TO ADJUST**

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**54th TREND/FORECASTING REPORT**

**JANUARY, 2017**

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January, 2017

2017 is underway—this will be an incredible and challenging year, which also marks our 27<sup>th</sup> year in business—so please receive with our compliments our 54<sup>th</sup> Trend/Forecasting Report. We are grateful for the responses to previous reports and the recognition that we have gotten so many issues right.

Indeed, what follows is based on hundreds of discussions and interviews with some of the smartest and best-connected people in the world.

Your life is going to change dramatically in the period ahead as a result of the trends we foresee. It is best to start preparing now.

Consider:

- Americans believe things are going to get better this year. 55 percent—an increase by 12 percent over last year—believe life will be better because people will have more jobs and more money to spend. This rise in attitude should be directly attributed to the election of Donald Trump.
- The United States has just finished an historic presidential election and the first actions from Donald Trump suggest a huge change for every man, woman and child in America and for nations around the world that are involved with the USA in one way or another.

Look for Trump to:

- Bring the GOP together, and thereby have control of the Congress;
- Address “the wall”;
- Change Obamacare;
- Go after ISIS;
- Clarify the relationship with Russia;
- Declare victory on a dozen or more issues.
- With both Houses of Congress on his side—this has not happened in decades—expect a spirited debate on many issues which will define the future of America.
- At least one Supreme Court position, and maybe two, will be filled. And the president will also appoint more than 100 federal judges.
- 31 states are now governed by conservatives and Trump is moving to consolidate his support in many of these states.

- Early indications are that the market is reacting positively to what are anticipated to be improvements in the economy that will bring more money to consumers and companies.
- The call for rollback or elimination of regulation that many feel has hampered business is loud and will certainly result in changes.
- In Europe, change is underway in the U.K., with a new Prime Minister and Brexit; the same is coming in France, where a new administration will take hold in the Élysée Palace; and in Italy, where a major referendum calling for streamlining government has been defeated.
- Greece continues to be economically troubled; Turkey, long a U.S. ally, seems to be experiencing a crisis a week and is no longer used by the United States as a base for military positioning (Spain is now serving that purpose), which means reaching the Middle East is much more difficult.
- Russia is flexing its muscles and Mr. Putin seems intent on leading global change.
- North Korea remains a serious flashpoint, as does Iran.
- China, making progress in all areas, has to address huge issues—incredible poverty among the masses, for one. It is possible this nation, which no longer talks about its 6.5 percent growth, will experience a significant economic crash.
- The rest of Asia, especially Japan, is extremely anxious about China and its intentions in the South China Sea and toward Taiwan, especially after the new U.S. president takes office.
- ISIS seems to be doing something every week. But the sleeper is al-Qaeda, which is getting stronger.
- Elements in Saudi Arabia are supporting terrorism and the consequences for its rulers will be difficult at best. The Islamic State is painting the Royal Family as corrupt, which could lead to serious destabilization.
- The rule of law, critical to a civilized society, is under pressure in many parts of the world; when it is defied, rogue elements feel free to push their agendas.
- Civil unrest and the “War on Cops” will accelerate in many parts of the U.S. Expect the same around the world, and in some places there may be social collapse.

- A new, unforeseen threat to the world's environment has emerged in East Asia in the form of what have been dubbed "gadget mountains"—huge heaps of discarded smartphones, computers, TVs, air conditioners and other goods that will pose a growing threat to health and ecology unless safer methods of disposal can be developed.

What is ahead?

- Breakthroughs on many fronts in the medical world. Modern science is delivering extraordinary results every day. Much progress remains to be achieved, but we have made major steps in treating diabetes, cancer, heart disease and more.
- Technology has taken us to a new level never before imagined. Much is being done in gene therapy.
- It is estimated that 75 million Millennials in 2016 accounted for \$300 billion in annual spending. And by 2020—three years from now—50 percent of the U.S. workforce will be Millennials.
- Donald Trump is bypassing the media and other traditional channels of communication and reaching out to the public on his terms, causing the press and other arbiters to discuss what he said, not to report on it.
- Know that the Russians and the Chinese will "test" Trump early in 2017. In addition, Putin will be watching for signs of weakness in Western and Eastern Europe.
- The U.S. educational and healthcare systems are going to be debated, criticized and changed even more than they have been.
- Migration into Europe has slowed, with the exception of Italy, but those who have entered France, Germany and other nations will change the face of those countries. Around 180,000 migrants arrived in 2016 in Italy by sea via the central Mediterranean migration route from North Africa, up from approximately 154,000 in 2015, surpassing Greece as the EU Country with the highest number of arrivals from the Mediterranean. Look for more migration into the USA, but expect a much tougher climate to set in.
- In the USA, whites will soon no longer hold a majority, and are a minority already in four states: California, Hawaii, New Mexico and Texas. Expect this trend to continue. In 2015, 62 percent of Americans were white, 18 percent Hispanic, 13 percent black and 7 percent Asian. Hispanics are taking hold—six in 10 Hispanics in America were born since 1981. Expect this group to retain many elements of its base culture, thus changing how America depicts itself.
- Expect a return to the City.

And this is just the front edge of a wave that is moving toward us as you read this letter.

Indeed, much of what is covered in the following pages will define the next generation and perhaps the generations after that for the next 50 to 60 years.

While many still attack Donald Trump, people are slowly coming around to think he can/will do positive things for this Country. As this continues he will heal the sores and wounds of the past nine months, and this, plus problems from abroad, namely Russia, will help bring Americans together again.

Trump's cabinet selections are generally people who have done something and achieved and made progress—not just politicians. This could presage a new era of leadership in America in business, politics and the social sector with younger men and women coming forward.

With this broad perspective in mind, and based on our continuing discussions over the past 12 months with hundreds of experts in diverse fields, including business, finance, journalism, the arts, academia and the non-profit sector, we have identified another set of noteworthy trends for 2017 and beyond.

The esteemed retailer Tiffany & Co. made this prescient statement in its recent January 1 message and we include it as an example of how to think about the New Year:

*“...This year is just like any other. The only difference is what you decide to make of it.”*

This Report, then, as it has for 27 years, focuses on critical thinking and on how you might apply it in your life, your business, or whatever pursuits you follow. Though there are many demands on your time, we urge you to put aside a few moments, whenever convenient, to read it thoroughly.

We would, of course, be pleased to hear any response you might have to this effort.

Best regards,

A handwritten signature in black ink, appearing to read 'Robert L. Dilenschneider', with a stylized flourish at the end.

Robert L. Dilenschneider

# TABLE OF CONTENTS

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Opening Quote

Nationalism Taking Hold? ----- Page 1

Facing Uncertainty ----- Page 1

Can (And Will) Donald Trump Deliver?----- Page 4

Are There Really Allies, or Do We All Go It Alone?----- Page 8

A Reversal of U.S. Policy Toward Cuba? ----- Page 8

Propaganda, Aggression, and a Divided Country ----- Page 10

Specific Regulatory Change Coming in Nearly All Sectors ----- Page 11

The Cybercrime Wave ----- Page 11

A Once Dependable Turkey Is Now A Question Mark For The West----- Page 14

Another Face of Terrorism----- Page 15

Russia: A Force That Will Shape the World----- Page 16

Globalized China's 2017: Politics Forward----- Page 17

A Tense Time in U.S.-Saudi Relations----- Page 19

India: Recent History Suggests Uncertain Future ----- Page 20

Africa Steps Away From International Justice ----- Page 22

Positive Attitudes Mark the Future ----- Page 23

Different Lives, Different Values: Character Traits of The Generations - Page 24

A Dramatic Change in Religious Life ----- Page 25

## **TABLE OF CONTENTS**

**(CONTINUED)**

---

Year of The Worker Or Perception Vs. Reality? -----	Page 26
Trade, Technology and Automation Are Changing Jobs -----	Page 29
The Internet of Things: Here Comes the Future -----	Page 29
The Prospects for Minority Relations in the Trump Era -----	Page 31
Travel And The Trump Factor -----	Page 32
Nation’s Infrastructure Needs Help But Trump’s Plan May Hit Roadblocks-----	Page 33
Passively Managed Funds Attracting More Investors As Market Averages Rise-----	Page 35
Agile Management is Promising But Has Its Limits -----	Page 36
CEO Pay, Climate Change & Gender Issues Will Enliven Annual Meetings -----	Page 37
Global Issues Facing Women -----	Page 38
American Women & Gender Discrimination-----	Page 39
Leave the Driving to “It”-----	Page 40
Closing Quote	



*“It is amazing what you can accomplish  
if you do not care who gets the credit”*

*- Harry Truman*



## **NATIONALISM TAKING HOLD?**

*“There is no global anthem, no global currency, no certificate of global citizenship. From now on, it’s going to be America first.”*

*- Donald J. Trump  
The 45th President of the United States*

The struggle between globalism and nationalism will be one of the defining issues of the next decade.

Every policymaker in the world has heard Trump’s words and their countries are gearing up to take care of themselves first.

There is a view that globalization has hurt the ordinary worker, put too much emphasis on trade and compromised in many ways the national character so many millions hold dear.

While globalization has many positives, millions around the world do not see the benefits and are calling for a nationalism that protects their jobs and customs.

**IMPLICATIONS FOR BUSINESS:** Being local is very smart. Being a multinational will bring demands and calls for action that heretofore have not been anticipated.

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### ***DID YOU KNOW?***

*Nothing on the Internet is safe and everything can be hacked.*

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## **FACING UNCERTAINTY**

The U.S. economy is heading into one of the most uncertain moments on record, although it is heading into this period in surprisingly good shape.

This unusual combination was in part caused by the nature of the Country’s recovery from the worst recession since the Great Depression—tardy and slow growth that fed on productivity gains that left many traditional workers displaced from their jobs. This, in turn, was a major factor in the election of Donald Trump and Republican majorities in the House, Senate and governor’s mansions.

Will this governing majority be able to adopt the business-friendly policies they have promised, and will those policies lead to hefty job creation, including coal and steel jobs in the U.S. Midwest? And/or will they usher in a return to the '80s when the rich splurged on art, jewelry, and houses while the national debt and income inequality grew?

Both scenarios are possible, although it's most likely the U.S. and world economies will continue to hum along moderately for the first half of the year, while politics slows economic action and companies continue to enjoy hefty profits and a strong stock market.

Goldman Sachs' respected Chief Economist Jan Hatzius has forecast that with the U.S. economy already at what he calls full employment, any potential stimulus from Congress and the Trump administration would boost growth in the near term but cause "a modest overheating in 2017 and 2018, putting upward pressure on inflation, interest rates and the dollar." The U.S. economy was growing at a rate of 3.5 percent at year-end, according to a December estimate.

Hatzius also expects "global growth will accelerate to the top end of the 3 percent-3.5 percent range that's prevailed for the past five years, largely driven by a positive impulse from financial conditions in the U.S. and parts of the emerging world."

Michael Cembalest of JPMorgan Asset Management writes, in the Firm's annual economic forecast, what many others are saying: He expects "a modest growth bounce in the U.S. from some personal and corporate tax cuts, deregulation and infrastructure spending, with tighter labor markets, rising interest rates and a stronger dollar eventually taking some wind out of the U.S. economy's sails." He thinks economic conditions will be "a little better in Europe and Japan in 2017, but no major breakout from recent growth trends," which leads him to remain cautious on the returns investors can expect.

Many economists say quietly they would prefer the next administration do little or nothing in terms of changing current economic policies. The economy finally seems to be growing, creating jobs and raising wages. Stimulating the economy to raise growth levels faster could lead to overheating, inflation, a market collapse and trade disruptions that are worse than the original problem.

Philippe Escande, writing in *Le Monde* Jan. 2, points out that while last year began with worries about a collapse of the Chinese economy and the collapse of oil prices (neither of which actually happened) this year begins with eyes firmly fixed on the White House, with uncertainty over tax, spending and trade policies. He worries, as do others, that a big tax cut, a big infrastructure spending program, and policies that prompt U.S. companies to return trillions of dollars of overseas profits to the U.S. will raise the deficit well past the \$1 trillion a year or so seen during the 2007-2009 recession, cause a stock and bond market crash and ignite both interest rates and recession. This sort of circumstance spelled the end of the Jimmy Carter administration.

Rather than try to forecast exactly what will happen in the second half of the year and beyond, here are some key events to watch for:

**Trade:** President Trump will back off threats to pull out of the North American Free Trade Agreement, and won't impose crushing tariffs on Chinese goods, nor will he name China a currency manipulator. (Exports make up 12 percent of the U.S. economy and support 12 million jobs.) He will seal the death of the Trans-Pacific Partnership, to the dismay of U.S. trading partners *other* than China in the region, and will continue with some success to push U.S. companies to keep jobs at home, rather than move them overseas.

**Infrastructure:** Trump and Congress (including many Democrats) will agree to a significant, perhaps trillion-dollar infrastructure program early this year, but any effects of the actual spending won't be felt for years as the government struggles to satisfy competing calls for building all over the Country.

**Business Policy:** Trump will make good on pledges to slash corporate income tax and the tax on profits earned overseas when they are repatriated. Many regulations that business finds stifling will be repealed. Business-friendly cabinet picks include Gary Cohn and Steven Mnuchin from Goldman Sachs, Larry Kudlow, Wilbur Ross and Andy Puzder.

**Markets:** Stock markets should react favorably to government stimulus and corporate tax cuts. Bond markets (which, depending on how you count, are either twice or four times as big as stock markets) won't like projected bigger deficits, and will continue to fall, ending their 30-year rally. The Federal Reserve looks likely to keep gradually raising rates, after a quarter-point increase in December. Watch for higher interest rates on everything from credit cards to auto loans to mortgages to business borrowing. Depending on how fast this happens, watch for a slowdown in retail, auto and home sales, likely in the second half of the year.

**Technology:** Early returns from Trump overtures to Silicon Valley are mixed after most technology executives opposed his election. The sector wants free trade and more access to visas for educated immigrants, both hot-button issues.

**Political Economy:** The success and continuation of "populist" policies may depend on the outcome of forthcoming elections in the Netherlands (March), France (May) and Germany (September). Gains or victories by populist parties in those countries, as well as Italy, could rattle markets. European markets will be governed by these events, as well as the progress of Britain's exit from the European Union, and the impact of African and Middle Eastern refugees on countries from Greece to Poland to Sweden.

**China:** Will the world's second biggest economy regain its strength, crash and burn, or hum along at 6 percent to 7 percent a year growth, while continuing to buy and sell more than anyone else? Watch economic indicators such as iron ore processing and shipping rates. Rises in either or both are bullish.

### **IMPLICATIONS FOR BUSINESS:**

- Companies in interest-sensitive businesses such as housing should prepare now for higher interest rates, including speeding up borrowing for capital spending programs and acquisitions.
- Watch the cohesion of Republican House members as the Trump administration refines its programs. There is likely to be more support for business stimulus and deregulation than for contentious cutbacks in social programs.
- The new administration will likely be receptive to ideas for repeal of restrictive business regulations. Make clear to your representatives in Congress and through policy firms in Washington exactly what your priorities are, bolstered by statistics on job retention or creation.
- Be patient. Continue to plan for long-term growth through short-term market ups and downs. Regardless of politics, conditions for business should remain favorable.

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### ***DID YOU KNOW?***

*The United States population grew by 0.7 percent in the last year, its smallest annual expansion in 80 years.*

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## **CAN (AND WILL) DONALD TRUMP DELIVER?**

The only word to properly describe politics in 2016 is tumultuous; expect more of the same in 2017.

President Donald Trump will be unpredictable, by design. Foreign leaders, members of Congress, the press, business leaders, his own staff and Cabinet members—nobody knows exactly what to expect.

Trump is the face of hope for millions. But no one has figured out what to expect from him. After he met President Obama face-to-face, Trump said they had a great relationship. After Obama abstained on the United Nations resolution condemning Israeli settlements, Trump complained via Twitter that Obama was not helping with a smooth transition. Then, after Obama called him, Trump said things were fine.

Millions can't wait for the Trump era to take hold. Yet Trump comes into office with a hostile press corps. He did not hold a press conference after he won the Republican nomination for the rest of the year. And he has suggested that he will simply ignore the White House press pack whenever it suits him. He intends to communicate by 140-character Tweets. For the press, which prides itself on getting the facts and interpreting Washington to the Country, this is anathema. It is ironic, of course, because undeniably Trump received more free media publicity than anyone else in 2015 and 2016. Trump's refusal to reveal his tax returns and health records, unlike previous presidential candidates, despite constant press badgering to do so, shows that he thinks he can get away with continuing to do what he wants, regardless of conventional wisdom and tradition.

That may prove to be true, but Trump must deliver quickly on some of his many promises to the American people.

The boldest and most repeated is his vow to build a wall on the U.S. border with Mexico and make Mexico pay for it, which that country has insisted it will not do.

### **Illegal Immigration**

Obama deported more undocumented immigrants than his predecessors and spent more on shoring up the border than they did. And fewer immigrants crossed illegally into this Country on his watch, in large part because of the 2008 recession and the limping economy. Trump could claim success merely by continuing and expanding on Obama's efforts, though that would not fulfill the expectations of his populist supporters.

His pledge of an expensive, physical wall (not a fence) defies credibility, but for many Americans it is essential. On the other hand, with both the House and Senate under Republican control (and his, at least for now), an overhaul of immigration laws could deflect attention if Trump does not build a concrete barrier, which Americans might forgive if he keeps his other promises.

But his vow to deport families here without papers for years, including those with children, homes, stable jobs and faultless tax-paying records, will not be well received by the American people. It is one thing to talk about deporting 11 million people (as unrealistic as that would prove to be) but quite another to rip apart the nice family down the block who have such a lovely yard and work so hard. Trump will move first to deport lawbreakers.

His most important promise is to create jobs and bring jobs that went overseas back to the United States. So far he has started to make a mark and this effort will mark his administration. Right now the U.S. needs between 200,000 and 250,000 new jobs a month, a tall order.

Trump will move quickly on his pledge to update America's crumbling infrastructure. Business is firmly behind this, and there are few Democrats who would disagree that the Country needs new bridges, ports, harbors, rails, roads, dams and an update of the electric grid. While it is true that because of technology, infrastructure spending does not create as many construction jobs as it once did, the perception that America is finally acting on this imperative need would help the Country psychologically and reassure business.

Trump has promised to push a tax cut through Congress that he says will spur the economy and help everyone. Economists disagree on the impact, with a number saying that giving the wealthiest Americans more money does not result in trickle-down benefits because they merely put the money in the bank. But others are enthusiastic, believing that this will spur businesses to make decisions that result in expansion and more jobs.

One promise that is high on Trump's list is repealing Obamacare. If he keeps such popular aspects as letting children up to the age of 26 stay on their parents' plans and covering pre-existing conditions, he will have to find a way to pay for it without the individual mandate, which he intends to eliminate. This is causing a lot of anxiety nationwide.

### **Military Spending**

Trump promises to expand the military and take better care of veterans. The United States already spends more on its military than most of its closest rivals put together. Downsizing the Departments of Education and Energy and refusing to build two new Air Force One planes will not save enough money to ramp up the armed services. Spending more on the military comes with problems such as powerful members of Congress insisting on building planes, ships and tanks in their home states. Trump will take his cue on what needs to be done from his nominee for the Pentagon, retired Marine Gen. James Mattis.

Trump will initiate a plan to defeat ISIS. However, bombings and drone strikes also come with collateral damage to civilians because ISIS fighters hide among women and children. Trump promises to deprive ISIS of oil revenue. That requires boots on the ground, which Trump has avoided talking about in any detail. With U.S. soldiers still on duty in Iraq and Afghanistan, despite the end of declared wars there, America is not ready to go to war again for oil. Nor does it need to, given the bounty of newly extractable fossil fuels in this Country and Trump's intention to encourage domestic exploration and production.

Trump said he wants to be a neutral arbiter in the Mideast and broker an Israeli-Palestine peace deal, but named a pro-Israeli ambassador with little credibility in the Arab world. It will be more difficult than he realizes to pull out of the World Trade Organization if he cannot renegotiate deals he likes better. Getting rid of the nuclear deal with Iran will be all but impossible. Also, getting rid of agreements on easing climate change will be far more difficult than he expects; no matter what Trump says, science is firm that climate change is real and dangerous.



His blue-collar populist supporters are being joined by others he holds out hope to. Wall Street is thrilled with Trump, and delighted to see so many of their own in positions of great power.

Wall Street sees Trump as a non-ideological, common-sense realist, but his appointments have been strongly conservative and somewhat inexperienced in government. He has excelled in putting successful people in their fields into the top positions of federal departments and agencies they think should not exist. Trump, who has never served in government, clearly believes along with millions of Americans that this is a virtue, and that inexperience is a virtue his top people should also have. This could prove dangerous in foreign policy, in a world that is constantly in flux and where American influence is declining, but is something to watch. If he is successful, it will set a precedent.

Trump will undoubtedly choose a conservative to fill the long-vacant seat of conservative Justice Antonin Scalia on the Supreme Court. And while Republicans refused to even give President Obama's nominee a hearing, Trump's pick will be confirmed. But if Trump gets to make two or even three other appointments to the high court, the Country will erupt in all-out turmoil. Abortion, gay marriage, campaign finance and a host of other social issues would be at stake, and the Country is too divided to withstand that without pushback. Whether Trump would be wise enough at that point to pick a moderate both sides could support, or at least not block, is an open question.

His many personal conflicts of interest are likely to follow his entire presidency. While the president is not constitutionally required to divest himself of his businesses, the Emoluments Clause means he cannot profit.

Lawyers, at least, should do very well in a Trump presidency.

Presidents change in office, often for the better, as they see how complicated the world is and how hard it is to get anything done. And Americans are often very forgiving when it comes to the president, whom they want to succeed. And it is in Trump's nature to claim sensational success even in the face of overwhelming failure.

**IMPLICATIONS FOR BUSINESS:** Do not count on anything until it happens and is locked in. We are in for interesting times.

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### ***DID YOU KNOW?***

*Nearly 80 percent of the American public expect the military to act in the public interest.*

*Less than 40 percent feel that way about the news media and business leaders.*

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## **ARE THERE REALLY ALLIES, OR DO WE ALL GO IT ALONE?**

It used to be that the United States and Western European countries would come together to address common problems and support one another.

This is all changing and could have a profound effect on how the U.S. deploys its resources and how the nations of Western Europe think about what they do on the big issues of the economy, terrorism, migration and a lot more.

Russia is working to destabilize what were natural alliances.

Nationalism in Western Europe is causing many countries to look inward and go their own way.

China and India—the two largest population centers in the world—do not ally with anyone and follow their own interests.

In the Middle East—at least in Iran and among its client insurgencies—there is a movement toward establishing a new Persian Empire.

The next several years will test relationships between the United States and many others—Israel, the United Kingdom, Japan, Saudi Arabia and more.

**IMPLICATIONS FOR BUSINESS:** Growing economic possibility, the rule of law and a dozen others planks of a civilized society may need to be re-thought.

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### ***DID YOU KNOW?***

*Premature deaths from air pollution are costing  
the global economy \$5.1 trillion annually.*

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## **A REVERSAL OF U.S. POLICY TOWARD CUBA?**

The election of Donald Trump as president has raised questions about the future of the Obama administration's continuing opening of relations with Cuba, including re-establishment of diplomatic relations and increased cooperation in areas ranging from medicine to commercial airline service.

Like most policy issues surrounding the incoming president, the question is whether the rhetoric of the campaign will match the reality once he takes the oath of office.

The campaign rhetoric and some early indicators are certainly not promising for future relations.

At a September rally in Miami, Trump called Obama's renewed diplomatic relations with Cuba "one-sided" and helpful only to the Castro regime.

"All of the concessions Barack Obama has granted the Castro regime were done through executive order—which means the next president can reverse them. And that I will do unless the Castro regime meets our demands. Not my demands—our demands," Trump said. "Those demands will include religious and political freedom for the Cuban people, and the freeing of political prisoners." (Editor's note: There is significant religious freedom in Cuba. Pope Francis helped broker the restoration of diplomatic relations.)

In addition, Trump recently appointed to his transition team Mauricio Claver-Carone, executive director of the most active pro-Cuba-embargo group in Washington. Claver-Carone has been one of the harshest critics of President Obama's efforts to improve relations with Cuba, and his appointment to the Trump team could signal a reversal of some of those changes.

However, there also is significant positive momentum in U.S.-Cuba relations:

- A recent poll of Miami-Dade County Cubans showed 56 percent approval of Obama's policy.
- Eight U.S. airlines now fly regularly scheduled commercial flights to Cuba, including American, JetBlue and Southwest. Several cruise lines including Carnival, Royal Caribbean and Norwegian have also received approval to sail to Havana, while Starwood Hotels & Resorts signed a deal to manage three hotels in the Cuban capital.
- AT&T, Verizon, Sprint and T-Mobile have reached agreements with the Cuban government to offer roaming service to U.S. travelers.
- Alphabet's Google signed a deal to install servers on the Island to improve Internet service.
- About 230,000 U.S. tourists visited Cuba in the first 11 months of 2016, more than 2.5 times the number in 2014, when the normalization process began.

Despite calls for political change by Trump and potential pullback in the opening to Cuba, Trump initially called Obama's opening to the country a "fine" idea and his company actually explored doing business there in the past.

**IMPLICATIONS FOR BUSINESS:** While the Trump administration has the ability to roll back much of what the Obama administration has done, expect resistance from many in the business community who see opportunity in Cuba, particularly given that Cuba is opening its economy, although very slowly.

## **PROPAGANDA, AGGRESSION, AND A DIVIDED COUNTRY**

The 2016 Presidential election and Brexit were two major events shaped by harsh rhetoric and aggressive politics. In both cases, social media exploded with individuals lashing out at others and name calling that was once thought to be repugnant. In the U.S., racism, anti-Semitism, misogyny and more came from supporters and sometimes even the candidates themselves. This has not only been damaging to the unity of the United States, but is being used by some other nations as propaganda against the U.S.

The venom was not limited to any specific group, religion, gender, or political affiliation. Those on the left and right made no effort to restrain themselves. People no longer attempted to persuade one another, or have a constructive dialog, resorting instead to yelling, name-calling, and even threats against those who disagreed with them.

What is so unusual about the abandonment of restraint is the lack of visible consequences for those who engaged in this behavior, emboldening them to continue their war against civility.

The aggression and vitriol will continue to be a story in 2017, especially if the major European and South American elections that are coming up this year feature similar rhetoric.

Politics, of course, is only one of the areas where incivility has coarsened our exchanges and hampered civil debate and discussion. Studies have shown that an increasing lack of civility pervades every segment of society, most notably social media and talk radio, but also academia and the media and, of course, the workplace.

Businesses have long known that rudeness is a detriment to sales; however, it can also have additional negative consequences by reducing the productivity and creativity of employees who feel they are not respected. The Harvard Business School has regularly surveyed workers about how they are treated and concluded that incivility can have deleterious effects. Whether it involves the so-called "Boss from Hell" or nastiness among fellow employees, there is an effect on performance, work effort, health, and employee retention, among other things.

**IMPLICATIONS FOR BUSINESS:** Vitriol online has become prominent, with Twitter and Facebook frequently being used as platforms for outrageous opinions or distasteful views. It is important for companies and influential individuals to manage their reputations online, which includes making sure their messages are clear and represent the personal or corporate brand positively.

## **SPECIFIC REGULATORY CHANGE COMING IN NEARLY ALL SECTORS**

It should be no surprise to any reader of this Report that there will be a major push in Washington this year to roll back many federal regulations.

The question is, which regulations are going to be changed or abolished, and how quickly will that happen?

Specifics are to be determined, but look for a relaxation of auto fuel efficiency standards and changes in Obamacare, including rollbacks of the tax on medical devices, the penalties for not signing up for insurance and the surcharge on especially generous employer plans. Rolling back telecom rules may be tried on the contentious theory it will give free, speedy access to the Internet. Look also for regulatory relief for hospitals.

Whatever is accomplished, whether for good or ill, look for President Trump to claim a big victory.

**IMPLICATIONS FOR BUSINESS:** Republicans are in charge of the House, the Senate and the executive branch. Lobbying is already fierce so expect a lot of action in this area.

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### ***DID YOU KNOW?***

*Utah is the nation's fastest-growing state. Its growth rate from mid-2015 to mid-2016 was two percent, lifting its population across the 3 million mark.*

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## **THE CYBERCRIME WAVE**

Federal prosecutors recently indicted three Chinese traders, alleging they stole confidential information from two New York law firms and used it to make illicit trading gains of \$4 million. But this was not your typical insider trading bust, one stemming from subpoenaed phone records or even wiretaps revealing the passing of market-sensitive information.

This one was right out of a cybercrime textbook: The complaint details how the traders were able to remotely install malware in the law firm computers that allowed them to read e-mails about forthcoming merger deals.

Manhattan U.S. Attorney Preet Bharara said the case should be a “wake-up call” for law firms around the world. “You are and will be targets of cyber hacking, because you have information valuable to would-be criminals.” In reporting the indictments, *The Wall Street Journal* noted that law firms, still largely run as partnerships, may lack the sophisticated infrastructure needed to implement the toughest cybersecurity systems.

The same could be said of countless small businesses that simply cannot afford expensive data security. Then there are the more serious, scary vulnerabilities of the networks that control critical transportation, air traffic, water, telecommunications, and electrical grids. A targeted terrorist cyber-attack could have devastating consequences, plunging large areas into blackness and chaos for weeks, if not months.

The fact is that by relying more on the Internet and the consequent dependence that creates, we are becoming more desensitized to security issues, at least to the extent that in corporate boardrooms, there seems to be a developing mindset that a certain amount of cyber disruption is simply part of the cost of doing business when interconnectivity is critical to doing that business. JPMorgan Chase has spent over \$600 million on cyber security, but still wound up being hacked: 84 million files were compromised. Similarly, we as consumers are not about to give up the convenience of being able to order a 60-inch HDTV from a retailer’s website in the middle of the night, even if we know there’s a chance our credit card information could be part of the next “data grab” that shows up on the front page of *The New York Times* in two months.

The collective anecdotal evidence of the business cybercrime explosion reads like a horror story. In addition to JPMorgan, recent victims include Sony, Target, Wendy’s, LinkedIn, Oracle, Dropbox, Yahoo, Cisco, and, famously, the Democratic National Committee, to name just a few. McAfee, Intel’s cyber security provider, estimates cybercrime costs businesses worldwide \$400 billion per year.

### **A New Reality**

Anti-spyware vendor Enigma Software said last year was one of the worst ever for U.S. ransomware infections, with the number of samples detected by its products jumping over 158 percent between February and March alone. Hackers held hostage the database of Hollywood Presbyterian Medical Center last year until the hospital paid Bitcoins worth \$17,000 to get its system unlocked.

There seems to be no end in sight. A recent whitepaper by security consultancy RSA warned that the rapid rise in mobile usage for all sorts of transactions makes mobile devices, services and users extraordinarily vulnerable. Revenue from mobile e-commerce is expected to reach \$516 billion this year, while fraud attempts originating from mobile phones increased 173 percent between 2013 and 2015, compared to only a 1 percent jump on the web, RSA says.

With whack-a-mole certainty, trying to protect data at the retail level—as more customers now use cards with an embedded chip rather than just swiping it through a reader—merely increases the fraud potential for so-called card-not-present (CNP) fraud. This is when the consumer makes purchases online or over the phone. Estimates are such fraud will reach \$7 billion by 2020, up from about \$4 billion now.

Solutions? Congress needs to spend the money and pass the regulatory provisions necessary to safeguard the electric power system. To prevent CNP fraud, vendors and financial institutions need to devise better ways of authenticating customers. This may include replacing the traditional consumer account number with a digital payment “token” solely for e-commerce and mobile use.

For effective data security for both individuals and companies, the Department of Homeland Security recommends changing passwords frequently and making them as complex as possible, with a combination of upper case and lower case letters, numbers and symbols. Companies need to bite the bullet and pay for an effective security consultant and any resulting infrastructure upgrades.

Finally, here’s something else to worry about: The connectivity opportunities of the Internet of Things will supposedly make life easier and more convenient. But as more devices are connected, the potential for cyber crime increases. What if the constant data stream between airline cockpits and jet engines were compromised? A terrorist bent on creating a catastrophic event could theoretically cause the engines to shut down mid-flight.

**IMPLICATIONS FOR BUSINESS:** Security needs to be a top priority for CEOs and boards. It must be seen as a critical investment against potentially damaging disruption rather than just a cost item. Employees need to be sensitized to password protection and the dangers of opening suspicious-looking links. Chief IT officials need to be aware that employees may pose more of a security threat than outsiders. If that sounds counterintuitive, then consider that both Edward Snowden and Chelsea Manning were “insiders.”

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#### ***DID YOU KNOW?***

*Medieval peasants in 13<sup>th</sup>-century Europe typically took 150 days off from work per year to celebrate holidays and other festivals. In 2015, the average American took 16.2 vacation days.*

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## **A ONCE DEPENDABLE TURKEY IS NOW A QUESTION MARK FOR THE WEST**

The long-held U.S. view of Turkey—a Western-leaning NATO ally and an island of prosperity and democracy in the Middle East—is under challenge. There are three factors in play.

First is the budding friendship between Turkish President Recep Tayyip Erdoğan and Russia's Vladimir Putin. Beyond some recent exchanges of praise for one another, the two leaders have joined military forces in northern Syria. Why this sudden about-face between two strongmen who just a year ago were trading insults? Erdoğan's motivation seems clear. The Turks are locked in a fierce struggle with ISIS in territory along the Turkish-Syrian border and having the Russians apply its air power is a welcome addition. As for the Russians, this is yet another way to weaken U.S. influence in the Mideast generally and Syria specifically, a maneuver that Erdoğan, who has become increasingly hostile to Washington, is happy to support.

The second factor is the growing strain between Turkey and the West in the aftermath of a failed coup attempt in July. Erdoğan has been condemned by American and European leaders for his harsh crackdown, including the virtual elimination of a free press and the arrest or dismissal from their jobs of an estimated 30,000 people. Erdoğan's reaction to the criticism has been angry and dismissive, and he appears to have placed Turkey's application to join the European Union on long-term hold.

His anger at the U.S. runs even deeper, since he is convinced the coup attempt was masterminded by his harshest critic, a Turkish cleric named Fethullah Gulen who is living in exile in Pennsylvania. The Turks have asked for Gulen's extradition, a request the State Department is reviewing. The fact that the U.S. is following proper legal procedures both infuriates an impatient Erdoğan and helps foster a conspiracy theory among his fellow countrymen that everything ugly that happens on Turkish soil—including a series of horrific terrorist attacks—is the handiwork of Washington. All this further poisons relations between the two countries.

The third troubling factor is Erdoğan's push to turn himself into Turkey's unchallenged leader with sweeping executive power and a potential license to serve as president for life. For a nation that endured decades of turmoil and military coups before finally establishing itself as a functioning democracy, this would be a serious regression. Erdoğan's mass arrests and crackdown on freedom of the press offer a bleak preview of what Turkey might look like if he achieves his goal of virtually unchecked power.



Against these negative developments, Erdoğan has expressed optimism that U.S.-Turkish relations will improve under President Trump. That may be nothing more than a ploy to stroke Trump's ego and encourage him to extradite Fethullah Gulen. Then again, it may reflect Erdoğan's realization that it's in Turkey's best interest to keep America as a friend and that while he and Putin may share many personal traits in common, their current comradeship is not something he can rely on for the long term.

**IMPLICATIONS FOR BUSINESS:** The Turkish economy has struggled as relations with the West have soured, and it is an open question whether Erdoğan has either the know-how or the resources to rebuild it. That doesn't necessarily mean Turkish businesses have become poor candidates for investments and trade deals. But it does raise a caution flag. Keeping a sharp eye on unfolding events is a must.

## **ANOTHER FACE OF TERRORISM**

With all the talk and focus on ISIS, what has happened to al-Qaeda, and should readers be concerned?

In fact, al-Qaeda is out there and this once-most-dangerous terrorist organization is again growing.

Al-Qaeda is deliberately keeping a low profile and attracting new terrorist recruits at the local and regional levels.

Their goal is to push the United States out of the Middle East and to establish a caliphate.

Leadership is considering abandoning the name al-Qaeda, and in Yemen, Tunisia and Libya using the name Ansar al-Sharia. In Syria, al-Qaeda calls itself Jabhat Fateh al-Sham.

Those interested should look at the *General Guidelines for Jihad*, released in September 2013, which calls for al-Qaeda to deepen relationships in local communities and to focus on the involvement of the U.S. and Israel.

Indeed, they are focused on equipping local groups and not carrying out expeditionary attacks such as 9/11. The organization's low profile leader is Ayman al-Zawahiri, a man we hear very little about these days.

Indeed, Osama bin Laden's son, Hamza bin Laden, is active as well—and was recently put on the terror watch list by U.S. authorities.

**IMPLICATIONS FOR BUSINESS:** Be very careful doing business in the Middle East, as al-Qaeda units there are determined to create havoc against the United States and the West, focusing on attacking individuals and American interests rather than engaging in symmetric warfare.

## **RUSSIA: A FORCE THAT WILL SHAPE THE WORLD**

It has been 25 years since the break-up of the Soviet Union, but it is clear that Vladimir Putin has designs on acquiring more territory, creating more mischief with the U.S. and the West generally, and trying to restore the greatness of Russia.

As the emerging nations of the former Soviet bloc struggle—with their economies, with anti-global sentiment in European powers such as France and Germany, with migration and a whole lot more—Russia is carefully tapping into those states on its western border.

Russia has reached out to Azerbaijan and Uzbekistan, urging them back into the fold of Russian dominance in Central Asia and Eastern Europe.

The level of cyberterrorism from Russia, outrageous propaganda and more is at an all-time high.

Russia is now overcoming three years of sanctions and is showing a national unity behind Putin despite the worst economy in almost two decades. Putin today enjoys approval ratings of higher than 80 percent.

That said, 75 percent of Russia's wealth is controlled by the richest 1 percent, and just 77 Russian individuals have a combined net worth of \$283 billion.

In Russia's predominantly Muslim province of Chechnya, there is no law and no constitution, and only the order of Chechnyan leader Ramzan Kadyrov to hold the country together. Public shaming, torture and abductions are used to keep a grip on power.

Russia today is a country on the move and its leader will stop at nothing. He has jailed critics, imposed restriction on the news and social media, reclaimed Crimea from Ukraine and cracked down on foreign non-profit groups.

**IMPLICATIONS FOR BUSINESS:** Working with Russia can reap great rewards. But be very careful and know that Donald Trump will be tested and his administration will scrutinize every deal.

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### ***DID YOU KNOW?***

*Less than 40 percent of Americans and French believe globalization is a force for good in the world.*

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## **GLOBALIZED CHINA'S 2017: POLITICS FORWARD**

Both national and international politics will play a larger than normal role in China for the coming year. Nationally, this will be a transition year within the Chinese Communist Party, and Xi Jinping will be extremely sensitive to any internal or external issue that makes him or China appear weak. China's leaders operate on ten-year terms, and five years into their term they prepare for a transition of power by nominating the next leader. Internal divisions exist within the Party. Xi will be attempting to consolidate his power before this year's transition, supporting people who have supported him and his initiatives as well as trying to suppress those who are against him. The buzzword for China this year is "stability," and anything that threatens their economic, or especially political stability, will become a hot-button issue for Xi and China.

A reduced role for America on the international stage could mean a sizeable opportunity for a China seeking to expand its influence abroad. Trump's seeming commitment to an "America first" international stance will have real consequences for many countries and regions that lean on America's international presence, pushing them to seek alternatives. For instance, many African nations that have relied on U.S. donations can be anticipated to consider trade deals with China as a more dependable source of value creation and growth. These countries also look toward China as perhaps an alternative economic and political model worth emulating to produce China's trademark style of rapid growth.

In Asia, Trump's opposition to the Trans-Pacific Partnership and other deals that have entwined America in Asian politics is expected to clear the way for China to have a stronger hand in the region. South Korea, Japan, and Taiwan, for which Trump has raised the possibility of new levels of U.S. support during his presidency, will outwardly look to strengthen ties with the U.S. while also considering contingency plans on how to deal with, or align themselves with, a less-hindered China.

Further complicating future U.S.-China relations is a potential conflict over the One China policy—Beijing's insistence that Taiwan is a part of the Chinese nation, a stance the U.S. has accepted for some 45 years. Donald Trump's early post-election phone call with the president of Taiwan was a clear hint he might back off that support. He pushed the envelope even further in mid-January when he told the Wall Street Journal, "Everything is under negotiation including, One China." Beijing's immediate, harsh rebuke sets up what could be a dangerous collision.

This year will offer a clearer idea of what "global leadership" means to China, and it will likely continue to take the form of economic partnership. As America shrinks from the international stage, China will actively continue to fill the power void. Xi will be the first-ever Chinese president to attend this year's World Economic Forum's annual meeting. Xi has also expressed unprecedented support for the incoming UN secretary general and the Chinese president's recent speeches calling on China to be a global trade leader.

While China is certainly interested in stability, do not expect a meek China on the international stage. China's growing economic clout is translating into political daring. When the Philippines submitted a claim against China based on the United Nations Convention on the Law of the Sea and the Hague Tribunal ruled against China, Chinese official media discounted it as "ill-founded" as well as "null and void," while others characterized the ruling as a "piece of trash." Within China, many pundits characterized it as more efforts by a Western-dominated system to control Asian politics.

This political assertiveness on international political issues was greeted with major support from an increasingly nationalist populace, young and old alike. Yet, the South China Sea conflict registered only marginally, if at all, on most people's radar here in the West. In China, the average citizen was getting ready to go to war over the perceived infringement on its historical land rights by a partial international governing body seeking to curb China's rise.

### **Image: News and Media**

In expanding its international presence, China will also continue to seek to influence and expand its national image globally. These past several years have shown the Party is keenly aware of the importance of how the international community perceives China. Film and TV industries should expect greater Chinese presence, not just made-for-Chinese audiences, but also made by China for Western audiences. China's richest individual, Jack Ma of Alibaba fame, partnered with Steven Spielberg in 2016 to give China a direct stake in Hollywood. Ma's investments are historically strong indicators of his government's development ambitions. The Chinese government will continue to create Chinese movies like Matt Damon's *The Great Wall* for international audiences. The Chinese will also invest in venues for them to be shown. Chinese entertainment conglomerate Wanda acquired the AMC movie theater chain and recently bought Europe's largest theater chain to become the largest movie-theater company in the world.

From a news media point of view, China will look to continue what was a successful practice in 2016 of pushing its government's agenda in English language news pieces published through a global corps of writers and "reporters." Sensitivity to perceived "anti-China" slights in the media will continue to heighten among private citizens.

### **Innovation**

Entrepreneurship will continue in 2017 to enjoy the support of the government within China. The future of the Chinese economy relies in part on business creativity and innovation from China's young generation, and the government will continue to incentivize China's own "Start-Up Boom." China's study-abroad students, by far the largest proportion of international students abroad in the world, returning home will help fuel the innovative fires.

China will continue to be globally innovative in the app and tech space. Indeed, it has in recent years not only ceased to emulate but also surpassed Silicon Valley in innovation leadership in several notable instances. Do not be caught asleep on China's potential for innovation—its innovators' reputation as mere “copycats” could leave many unprepared for Chinese competition in traditionally innovative spaces, especially if there is a research-intensive component, such as medical and technical discovery.

**IMPLICATIONS FOR BUSINESS:** 2017 will be a complex year politically for China as it mitigates its own internal power exchange as well as faces the unpredictability of America's new president and his cabinet. Politics, especially new taxes or hindrances imposed on trade and changing involvement in trade agreements like the TPP, will have very real impacts on economic relationships with China.

## **A TENSE TIME IN U.S.-SAUDI RELATIONS**

Few alliances in the post-World War II era have been as enduring as that between the United States and Saudi Arabia. It has been a friendship, however, based more on national needs than shared values. The U.S. economy has needed access to the Saudis' vast oil reserves, and the Saudis have counted on American military power for much of their national security. But, as Bob Dylan sang, the times they are a-changin', and the alliance is under strain.

One big reason why is that America is no longer as dependent on Saudi oil as it once was, so U.S. foreign policy is no longer quite as tilted toward keeping Riyadh cooperative. Washington still sees Saudi Arabia as an island of stability in the turbulent Middle East, but it feels freer now to show its displeasure and to act against Saudi wishes. There are many reasons for the U.S. to be displeased:

- As a recent *New York Times* exposé revealed, the Saudis have been privately funding the Taliban while publicly professing to support the Afghan government, a stunning act of duplicity in light of the U.S.'s 15-year-old commitment to Afghanistan.
- Riyadh's hostility toward Iran, which is rooted in the centuries-old conflict between the Sunni and Shiite branches of Islam, has led it into a bloody proxy war in Yemen that adds to Middle East turmoil and suffering.
- The Saudis have apparently broken with the U.S. over the future of Syria. Ever since the outbreak of fighting there, the Saudis have supported the U.S.'s opposition to Syrian dictator Bashar al-Assad. But King Abdullah recently paid a visit to Assad in Damascus, a step that is regarded as a rapprochement between two countries—and a slap in the face for Washington.

- And finally, Saudi Arabia’s longstanding practice of funding religious schools throughout the Islamic world that teach a radical form of Islam is believed to be a major cause of the spread of jihadism.

The Saudis on their part are going through a stressful period of change. A new generation of leaders in Riyadh has come to the conclusion that the nation’s dependence on oil is too narrow and risky—a conclusion confirmed by the recent plunge in world oil prices—and so they have created an industrial development fund to diversify the economy.

It’s far too soon to judge whether this is going to work out. One of the major tensions is that Saudi Arabia’s religious conservatives strongly oppose the initiative on the grounds that it could open their closed world to unwelcome foreign influences. Anyone who has ever witnessed a head-on collision between self-confident reformers and a determined old guard knows how disruptive it can be for a society. On top of that, there is the unfortunate fact that rebuilding an economy with top-down investment policies, which is what the reformers are trying to do, is much harder than it looks, especially in a culture where corruption is almost a way of life.

**IMPLICATIONS FOR BUSINESS:** The fact that the Saudi Fund for Development has billions of dollars to invest in economic development opens up many opportunities. However, the deterioration of U.S.-Saudi relations, while not yet critical, does raise a caution flag on involvement. So too does the fact that Saudi Arabia is a difficult country for Westerners to do business in even in the best of times. Much will depend on how the Trump administration develops its policy toward the Saudis. That is now a work in progress.

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***DID YOU KNOW?***

*2017 marks the first recorded street lighting in London—600 years ago.*

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**INDIA:**

**RECENT HISTORY SUGGESTS UNCERTAIN FUTURE**

Barely three years in office, Prime Minister Narendra D. Modi of India has created a muscular economic policy for his giant Asian country, giving it a strong chance of making the transition from a Third World nation to one of the world’s fastest growing.

This policy, broadly put, is predominantly right wing. Unlike that of most predecessor Congress Party and other socialist governments, it embraces free enterprise as both a philosophy and tool that would spur greater domestic and foreign investment. Such investment, in Modi's view, will generate badly needed jobs, especially in the manufacturing sector and in the country's largest economic sector, agri-business. The policy has been welcomed by most economists in India and the United States as one long overdue ever since India became independent of the colonial British Raj in August 1947. India's first prime minister, Jawaharlal Nehru, prided himself on being a Fabian socialist. He set about establishing what can only charitably be called a vast and unfeeling bureaucracy whose diktats affected every arena of economic activity. Instead of giving free rein to Indians' natural entrepreneurial abilities, Nehru's socialism—and later that of his daughter, Prime Minister Indira Gandhi—stifled much-needed economic growth. But the Nehru-Gandhi brand of socialism created a form of crony capitalism benefitting friends and financial supporters of the Congress Party. National poverty increased dramatically.

Modi was determined to change this narrative. And so far, at least, he has succeeded in spurring economic growth. He has by no means overcome India's many continuing challenges. They include the fact that his Bharatiya Janata Party doesn't control all of the country's 29 states, leading to a situation where opposition parties controlling key states often take contrary positions to those of Modi. India still lacks the mechanisms to implement vigorously a national economic policy despite Modi's courageous efforts.

Nevertheless, the prime minister is optimistic that common sense will prevail. He's convinced that public opinion is supportive of his economic approach. And if the BJP makes gains in forthcoming elections in five key states—which include Uttar Pradesh, India's largest demographically—then prospects for even faster national economic growth will be enhanced.

The name of the game is consistency, which Modi has amply demonstrated. But under India's Westminster-style democracy he and the BJP will face re-election in 2019. Will Indians give Modi a mandate for continuity of governance and his game changing economic policies?

One certainly hopes so. But nothing is preordained or predictable in politics, least of all in a clangorous nation of 1.3 billion still mostly poor people.

**IMPLICATIONS FOR BUSINESS:** Well before Mr. Modi makes plans for the 2019 national election, he's going to have to accelerate his courtship of foreign businesses. American businesses continue to be most heavily invested in India but now they have to deal with President Trump's vow to penalize those that move jobs abroad.

Since foreign investment is synonymous with job creation abroad, how will such a vow affect the willingness of American businesses to invest further in the Indian economy? And how will the Trump vow affect America's bilateral relations with India, a country that the United States needs on its team as it seeks to continue expanding global economic hegemony?

Answers to these questions may not be immediately forthcoming. President Trump needs to settle in first and Prime Minister Modi needs to deal with the disparate challenges of elections in important domestic states.

In sum, American businesses are likely to be kept guessing for a lot longer than they would find desirable.

## **AFRICA STEPS AWAY FROM INTERNATIONAL JUSTICE**

African withdrawals from the International Criminal Court augur poorly for justice on the continent, even as the ICC is expanding its mandate to make itself more relevant to businesses and civil society on the continent.

Three African countries—Burundi, South Africa and The Gambia—have signaled they will withdraw from the International Criminal Court, which fifteen years ago began to try cases that national justice systems were unwilling or ill-equipped to address. Kenya, Uganda and Namibia are also considering pulling out. The exits will leave 121 member countries in the ICC. The United States, Russia and China are major powers that have refused membership.

South Africa's withdrawal is perhaps most worrying. Burundi has recently been engulfed in conflict, with its government accused of a spate of human rights violations. The president of The Gambia, meanwhile, is refusing to step down after losing the election (despite promising that he would peacefully hand over power). South Africa, however, seems to be acting from an anti-imperialist sentiment that is growing on the continent. The ICC-indicted Sudanese president Omar al-Bashir was able to visit South Africa in 2015 despite an order for his arrest.

The ICC recently indicated it would investigate land disputes and environmental violations, a positive move on a continent that regulates such issues poorly. Land conflicts are also frequently a concern to international and local businesses. But the ICC's efforts to render itself more relevant, plugging gaps in national legal systems, have been hampered by boycotts. The ICC relies on national governments to refer cases to its courts. In the past Africa has been a frequent user of the Court: most ICC prosecutions and investigations have come from this continent. However, it is likely now that such referrals will diminish.



A weakened International Criminal Court harms businesses and individuals with African interests. The ICC represented an African commitment to universal ideals of justice. The withdrawals are a sign that African countries will more heavily rely on their imperfect national justice systems. Fewer referrals to the ICC also increase the likelihood that disputes between countries will result in violence.

**IMPLICATIONS FOR BUSINESS:** The International Criminal Court offered a backstop for justice on a continent with a reputation for corrupt judiciaries. The negative sentiment in Africa toward the ICC bodes poorly for much-needed judicial reform. Foreign corporations facing business disputes—including land and environmental issues—will find their African counterparts newly emboldened and less obliged to hold themselves to international standards. This trend, in the short and medium term, points to an increased risk in conducting business in Africa.

## **POSITIVE ATTITUDES MARK THE FUTURE**

Poll results show being a better person tops the list of New Year's resolutions for 2017, beating weight loss, exercising more, spending less money, saving more, improving one's health and eating healthier.

Women are more likely to mention being a better person than men.

Less than half of Americans are feeling peaceful and relaxed about 2017.

More than 80 percent of Americans are concerned about the nation's political atmosphere and 64 percent are worried about world affairs. Both of these are all-time highs.

About 60 percent of Americans anticipate doing better financially in 2017.

The most popular qualities Americans refer to when describing their feelings about 2017? Hopeful, optimistic, excited and anxious.

**IMPLICATIONS FOR BUSINESS:** Companies that recognize and adapt to how people feel may get a better result in terms of productivity.

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### ***DID YOU KNOW?***

*More than 700,000 Chinese will leave their country to study abroad this year. About 375,000 will come to the USA, nearly double who were in the United States in 2011.*

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## **DIFFERENT LIVES, DIFFERENT VALUES: CHARACTER TRAITS OF THE GENERATIONS**

So much has been written about the various generations in American society that it can be confusing as to which is which. Sorting them out is useful not only for pinpointing their characteristics, but also for recognizing how the differences among them have influenced business, politics and societal standards.

In defining each of the age groups, social scientists don't agree on every detail, but generally speaking the breakdown looks like this:

- Traditionalists—born before 1945
- Baby Boomers—born 1946-64
- Generation X—born 1965-80
- Millennials—born 1981-2006

Over the span of those four generations the changes in the world were unprecedented in their sweep and speed. It took only 11 years, for example, to go from the first, 12-second-long flight at Kitty Hawk to the first passenger airplane (a 16-seater), and just 55 years after that men were walking on the moon. The quick-changing flow of events meant each generation underwent experiences and developed values that were measurably different from the preceding generation's—differences that frequently led to misunderstandings and conflicts.

The Traditionalists came of age during the Great Depression, World War II and the first threat of nuclear warfare. Those influences, among others, led them to place a premium on loyalty, especially to the organizations for which they worked. They became security-conscious, were careful with their money, disliked dramatic changes and placed a high value on family and community.

Baby Boomers—also known as the Me Generation—were the first to grow up watching TV and living in suburbia. Among their shaping experiences were the Civil Rights Movement, the Vietnam War and Watergate, each of which had a deep impact. Drugs, rock 'n' roll and the sexual revolution were further influences. The result was a generation that managed to be simultaneously idealistic and cynical, self-righteous and competitive, and questioning of authority. Boomers have been willing to work long hours in their quest for money and success, and status symbols mean a lot.

Generation Xers grew up looking at screens, too, but what they saw was very different from the black-and-white cowboy shows and sitcoms their parents watched. They graduated from "Sesame Street" to MTV to Game Boys to PCs. The divorce rate tripled during their childhoods, and many were latch-key children since both parents had jobs. Gen Xers can be highly productive, but their loyalty to employers is usually low. They put a premium on free time, and they tend to see earning money as a way of getting by, not as an ever-escalating goal in itself. These individuals, who are decades away from retirement, will need to save more—in some cases twice as much as they are saving now—to prepare for their post-earning years.

Millennials (aka Generation Y) have grown up in an era of super-charged technology, globalization and 24/7 news coverage. As a result they have a keen awareness of global issues, especially climate change, and they are more sensitized to threats like natural disasters and gang violence. Like the Gen Xers, loyalty to their companies is on the low side, but they still want their voices heard and views respected. Individuality rates higher than family or community in their value system, and while they want careers, they don't see that as necessarily requiring a linear path.

**IMPLICATIONS FOR BUSINESS** Whether the members of the four generations are your employees, co-workers or customers, it's important to understand how their experiences in life have led to very different beliefs and behaviors. The contrasts are so stark that companies may need multi-level policies to handle them.

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***DID YOU KNOW?***

*The bottom 95 percent of U.S. households earn less they did in 2007.  
The top 5 percent earn more.*

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**A DRAMATIC CHANGE  
IN RELIGIOUS LIFE**

In the 1940s and '50s fewer than 3 percent of Americans said they practiced no religion. By 2008, the figure had risen to 15 percent.

Today it is 21 percent. What's more, 72 percent of Americans say religion is losing its influence on their lives.

74 percent of Americans call themselves Christians; 2.1 percent say they are Jewish; 1.8 percent are Mormons, and 0.8 percent say they are Muslims.

**IMPLICATIONS FOR BUSINESS:** Religious leaders must recognize this change and find ways to reassert themselves to get in step with a changing society. Business leaders must be aware of the shift in religious values too, since there will be ways in which it affects things like consumer habits.

## **YEAR OF THE WORKER OR PERCEPTION VS. REALITY?**

January 2017 will be notable for more than being the opening chapter of a new year. It will also be when the United States ushers in a new administration—one which has many business leaders and workers pondering what the effect will be. Will it be a step forward or backward—or will we simply sidestep initiatives that have been put in place?

The workplace and its workers will become the heartbeat of “Making America Great Again.” Is this the year when it becomes a “workers’ market?” Although the Obama administration claims to have added thousands of jobs during the past eight years there are many who feel a “poverty of spirit.”

We have a Department of Labor with a mission statement that reads:

*To foster, promote and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.*

Yet, in one of the richest nations in the world, the discontent among wage earners, job seekers and retirees is palpable.

The American workforce has changed dramatically in the past decade as the shift from Baby Boomer to Millennial has evolved. More women have entered the workforce; more immigrants are applying for jobs; and the rights of persons with disabilities, veterans and LGBT workers have become front and center. However, for the most part, many would argue that workplace policies have not kept pace. The basic American dream—if you work hard you can make it—has been tarnished by the many who work hard and still live in poverty—or those who have left the work force because they can’t find a job.

Much has been made of workers’ rights during 2016—from the minimum wage *Fight for 15* movement, to additional sick days for federal workers, to job-protected family and medical leave, protections on overtime, gender parity in the workplace, and protections from sexual harassment and bullying. All of which seem to be basic rights of the workplace. In the land of opportunity, shouldn’t these benefits be the point of entry to the workplace and not add-ons? One would think so, however, these benefits have become the fabric of political campaigns and promises. The new administration opened a tsunami of support in Middle America where workers felt that no one was listening to their demands—particularly among minority workers, the disabled, veterans, hourly wage and low-income families, and families struggling to manage child-care in an uncaring workplace.

The campaign trail has been littered with promises to American workers for more jobs, better pay and a fairer workplace. Despite the lack of civility, the campaign gave voice to millions of American workers who felt empowered to make their demands known. So, will 2017 become known as *The Year of the Worker*?

Consider these facts:

- In 2015, the median income for American workers increased 5.2 percent—the first increase since 2007 and the largest boost in 17 years.
- Unemployment is down and gender parity seems to be taking hold—or at least it is being brought to the forefront of hiring policies in an attempt to right the balance.
- The \$15 hourly wage is gaining traction state-by-state in the workplace and objection from the more conservative naysayers is lessening.
- The federal government just enacted a new rule to make federal contractors give their employees seven paid sick days a year—but it should be noted that the White House estimated that this rule will affect only about 1 million workers out of approximately 40 million without sick time.
- The Labor Department has introduced new worker protections for overtime and helped raise the threshold for overtime eligibility so that those earning less than \$47,476 cannot be required to work 50—60 hours per week without additional compensation.
- Work-life balance has become ingrained in companies seeking to attract the Millennial workforce—both in the U.S. and overseas. In France, in an attempt at greater work-life balance, a right-to-disconnect law was just passed that prohibits companies with 50 or more employees from expecting employees to review and respond to emails after hours. Is the U.S. next?
- In 2015 the Workforce Innovation and Opportunity Act (WIOA) was set in place to align core workforce development programs with training for in-demand careers and employers ready to hire the 20 million people looking for work.
- And indeed not least, all workers and Americans were given access to healthcare through Obamacare—a program about to be dismantled.

The real question is: Are American workers ahead of where they were in generations past, or are these individual gains masking a bigger picture?

A look at the underbelly shows that in truth, two benchmarks of worker success—the costs of housing and of education—are up and often out-of-reach for the average American worker. Additionally, the growth rate for men’s advancement has slowed, so the balance between men and women in the workplace deceptively appears more even. And unemployment may be down because many Baby Boomers have dropped out of the work force. In 2015 women were responsible for more than 50 percent of all start-ups—leaving the corporate world to achieve success on their own. Consider, too, that as 10,000 Baby Boomers turn 65 every day and are aged out of positions, they drop out of the workforce.

Millennial workers are having an important impact on corporate culture and policies. This is a values-driven generation willing to walk away from traditional employment in favor of an environment that allows them to establish their own rules of the road.

No family leave? No problem. They will explore other options for employment—including start-ups where they have more control and income potential.

Wages too low? Too bad. They will pass in favor of quality of life.

Getting paid for your work can still be a challenge in industries such as hospitality, agriculture, janitorial services, garment manufacturing and restaurants. According to U.S. Department of Labor reports, three-quarters of wage and hour investigations are now conducted in industries such as these.

Many initiatives are being driven by local and state rulings that have become the proving ground for federal changes. The trickle-up approach has been more effective in achieving change for workers.

There is no doubt that the workplace is changing along with the work force, and that the foundation has been laid for better working conditions. But will it last? As the new administration transitions in, the challenge will be balancing policies and priorities. While the promise is for higher wages and more jobs, the complexities of the workplace will need a solution that takes into consideration who is the worker, what does s/he want and what’s needed to “*Make America Great Again*” and keep its work force strong and productive. In one of his last letters to the American public, President Obama said that the country is “stronger and more prosperous” than it was when he took office—and that he is hopeful we will build on the progress he sees.

But the ball is in the new court.

**IMPLICATIONS FOR BUSINESS:** Expect a president who has changed his stance on the minimum wage repeatedly and who has committed to bringing more jobs back to America. At the same time, the empowered worker has found a voice and most likely will continue to demand that campaign promises be fulfilled. But a rising minimum wage, healthcare and increased sick time will bring higher costs of doing business, while a changing workforce will alter the dynamics of the workplace. Expect corporate cultures to become increasingly values-driven while adapting to the demands of a younger workforce. Business leaders will need to look beyond quarterly profits to practices that support workers and promise long-term value.

## **TRADE, TECHNOLOGY AND AUTOMATION ARE CHANGING JOBS**

Since 1962 the steel industry in the United States has lost 75 percent of its work force.

About 15 percent of manufacturing jobs have been lost to trade and enhanced productivity due to automation.

Equally dramatic changes have occurred in everything from electronics to apparel-making.

It is estimated that technology could automate 45 percent of activities people are paid to do.

To be sure, automation has created new jobs, and Donald Trump has pledged to bring jobs back to America and create new work opportunities.

What all this means is a rush to retain workers, putting enormous pressure on vocational and technical schools.

**IMPLICATIONS FOR BUSINESS:** Smart businesses will recognize what has to be done and get in step, supporting community colleges and other sources of training. Businesses that do not do this will fall behind.

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### ***DID YOU KNOW?***

*2017 marks 500 years since Martin Luther posted his Ninety-Five Theses.*

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## **THE INTERNET OF THINGS: HERE COMES THE FUTURE**

The Internet of Things (IoT) is the future of technology. What does it mean? The most basic definition is devices connected to each other. For example, your refrigerator tells your smartphone you are low on milk. Or a device starts to understand your shopping habits so that when you walk into a supermarket, your smartphone buzzes with coupons for items you like.

With IoT, the sensor is the key. It gathers, measures and evaluates information. The goal is for human beings to have more information and for machines to operate more efficiently. Consider the following possibilities:

- Devices that remotely monitor and adjust home air-conditioning and heating
- Devices that keep track of heart implants
- Field-operation devices that assist firefighters in search-and-rescue efforts
- Predictive maintenance devices that reduce downtime for important machinery
- Hospital smart beds that tell healthcare workers when a patient is trying to get up

Dressing room mirrors in clothing stores will be able to tell customers more about the product and its availability. In Boston, citizens already have a pothole app that feeds data to the city's road repair department. In Chicago, sensors are monitoring air quality. Farmers will be able use sensors to release water and fertilizer to individual crops, greatly increasing productivity and efficient land use.

Civil authorities will have better ways of communicating with citizens when a threat like, say, a tsunami is approaching. By using smart cement, engineers will receive a heads-up when a bridge or an overpass is getting over-stressed. A device inside the structure will signal construction teams that repairs need to be made. And traffic will be reduced when smart cars "talk" to smart grids.

The potential uses of IoT are almost endless, especially when you consider that by 2020 there will be as many as 30 *billion* devices that can share data.

How will the IoT affect employment? Clearly, as with any new technology, some jobs will be lost—but many more will be created. The burgeoning IoT economy will need robotics engineers, smart-farming experts, tech-savvy city planners, application developers, software designers and data scientists, to name just a few. Machine-to-machine communications will clearly necessitate a whole new educational and training approach for future workers.

**IMPLICATIONS FOR BUSINESS:** The Internet of Things holds great promise, but there are also risks. For example, it is not clear how vulnerable device-to-device communications will be. If we become overly dependent on devices talking to each other, will it offer opportunities for hackers to paralyze the economy, healthcare, communications or public safety? As IoT goes forward, businesses will need to prepare back-up plans that anticipate a wide variety of complications and threats.

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### ***DID YOU KNOW?***

*This year is the 100<sup>th</sup> anniversary of Lenin's seizing power in Russia.*

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## **THE PROSPECTS FOR MINORITY RELATIONS IN THE TRUMP ERA**

The quarrelsome rhetoric during the recent presidential campaign concerning minorities and women raises questions about the new administration's ability to foster good social relations in the coming years.

For example, the Obama administration has expanded federal workforce diversity so there will be considerable scrutiny of the Trump administration to see if those efforts are slowed or dismantled.

The Office of Management and Budget cites three examples of "affirmative steps" taken by the Obama administration "to build a diverse workforce":

- In November, the federal government "exceeded the president's goal of hiring 100,000 people with disabilities into the federal workforce over five years."
- The Agriculture Department's use of "blind applications" that exclude the names of candidates helped increase the percentage of women in its Senior Executive Service (SES) to 39 percent, an increase of almost 50 percent.
- The Federal Aviation Administration's "concerted effort to broaden the recruitment effort" led to a significant increase in job offers to Hispanic and female candidates.

Female senior executives, however, still remain well below the percentage of the general population at the Agriculture Department and across other federal departments. Government-wide, women represented 34.4 percent of the SES in fiscal 2015. The Hispanic-Latino category was a minuscule 2.9 percent, according to an OPM report. The percentage of African-American senior executives, however, increased considerably during the Obama years. In 2008, black employees were 8.2 percent of the SES; that increased to 11.3 percent by 2015.

The question now is whether the policy of encouraging workforce diversity in Federal jobs will continue under the new administration.

Minorities have also made gains in elective offices:

- Kamala Harris, the Attorney General of California, became the first black woman elected to represent the state in the United States Senate.
- After a close race marked by record outside spending, Catherine Cortez Masto, a Nevada Democrat, became the first Latina U.S. Senator.
- Representative Tammy Duckworth, Democrat of Illinois, defeated Senator Mark S. Kirk. Ms. Duckworth lost her legs in the Iraq war in 2004 after the Black Hawk helicopter she was co-piloting was shot down.

- Ilhan Omar made history, becoming the nation's first Somali-American legislator after winning a Minnesota House race.
- Oregon Governor John Kitzhaber's resignation in 2015 paved the way for Democrat Kate Brown to succeed him. Ms. Brown is the nation's first openly bisexual governor.
- Pramila Jayapal, a Democrat from Washington State, is the first Indian-American woman to serve in the House.
- Democrat Cyrus Habib, Washington State's new lieutenant governor, is the nation's highest-ranking Iranian-American elected official.
- Tim Scott of South Carolina is the first black Republican from the South to be elected to a full Senate term since the Reconstruction era.

This year could see substantial civic engagement and populist movements. In fact, 2017 may be a true test for those who say they care about lifting the voices of minorities.

**IMPLICATIONS FOR BUSINESS:** Expect to see many more social justice-oriented college graduates joining companies. Their voices may create a shift in corporate culture that will focus on greater justice, equity and community involvement. We may also see stronger ties formed between Corporate Philanthropy and Corporate Strategy & Planning departments with a subsequent redefinition of how the corporate brand defines its mission.

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#### ***DID YOU KNOW?***

*The world's population is just over 7.4 billion people.*

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## **TRAVEL AND THE TRUMP FACTOR**

2016 was a rough and tumble year for travel and tourism, battered by Brexit, global terrorism, an attempted coup in Turkey, presidential impeachments in South Korea and Brazil, and an outbreak of the deadly Zika virus. But of all the challenges facing the travel industry in 2017, it is Donald Trump's election that raises the biggest questions.

Will Mr. Trump act on his campaign promise to spend \$1 trillion to improve the infrastructure of America's aging rail and airport systems and create more jobs? If so, it will be a boon to travel and tourism. U.S. travel could also be helped if he carries out his promise to cut the red tape of Trusted Traveler programs like PreCheck and Global Entry and expand the Visa Waiver Program. Given Mr. Trump's views on protectionist trade policies, the future of other initiatives is still unknown, like the Open Skies treaties. If isolationist tendencies prevail, there could be, if not a reversal, at least a tightening of the Cuba policy that has normalized tourism between the two countries.

Inbound travel to the U.S. could also be affected should foreign visitors, especially from Muslim countries, be discouraged by a registry or enhanced screening on arrival. And many analysts think travel between the U.S. and Mexico will decrease if Mr. Trump follows through on his promise to build a wall along the length of the border.

*The Economist* estimates tourism spending will rise 4 percent to more than \$5 trillion in 2017. Cheaper airline fares resulting from lower fuel prices and more tourists from an increasingly wealthy China could "trump" international uncertainties and trigger increased travel spending during 2017. Regardless of all else, however, the key driver for U.S. travel will probably be the value of the dollar amid currency fluctuations.

**IMPLICATIONS FOR BUSINESS:** Uncertainty will almost certainly characterize travel in 2017. Business leaders should be aware that while the dollar has been performing well for corporate travelers, Mr. Trump's desire to decrease imports and increase exports could result in a weakened dollar.

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#### ***DID YOU KNOW?***

*U.S. manufacturers currently put 10 percent of their capital spending into technology equipment and software, down from 15 percent in 2000.*

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## **NATION'S INFRASTRUCTURE NEEDS HELP BUT TRUMP'S PLAN MAY HIT ROADBLOCKS**

There is widespread agreement that America's infrastructure needs serious investment.

The most significant gap is in the transportation sector, where an estimated \$1 trillion is needed for roads, bridges, airports and rail during the next decade.

Beyond that, between now and 2025 the investment across 10 infrastructure areas needs to reach an estimated \$3.3 trillion. However, planned spending is just \$1.8 trillion, leaving a \$1.5 trillion shortfall.

Specifically:

- More than 61,000 American bridges are structurally deficient. A quarter are in urgent need of repair or modernization.
- Nearly half of major urban highways are choked with congestion, costing drivers \$160 billion annually in wasted time and fuel.
- Only three East Coast ports can accommodate the enormous ships that will become the norm now that the newly widened Panama Canal has opened.
- The air traffic control system relies on World War II-era technology that delays travelers and wastes fuel.
- In 2015, the World Economic Forum ranked the economic competitiveness of America's infrastructure at No. 11. We were in first in 2005.

Both Republican and Democratic lawmakers believe that major infrastructure spending is needed, making it a potential area of bipartisan action. The question, of course, is how to pay for it.

Donald Trump has proposed investing \$1 trillion in infrastructure, which he claims will be revenue neutral because he plans to utilize public-private partnerships, reducing red tape and generating additional tax revenue. In addition, Trump has proposed providing \$140 billion in tax credits to spur private investment.

Critics of Trump's private financing plan, however, say that private investors will only fund projects that have tolls or user fees to recoup investment costs, and GOP budget hawks will be reluctant to significantly add to the government's deficit in any manner.

An infrastructure bank that could issue bonds was touted by Democrats during the campaign and derided by Trump. However, there are indications the idea hasn't been ruled out, based on recent comments by Steven Mnuchin, the Treasury Secretary nominee.

**IMPLICATIONS FOR BUSINESS:** Infrastructure is clearly a priority for the incoming administration and has bipartisan support. As for the specifics of how the administration will fund it in a way that attracts private investment, the devil will be in the details.

## **PASSIVELY MANAGED FUNDS ATTRACTING MORE INVESTORS AS MARKET AVERAGES RISE**

What's the best way to invest in a fund? Choose one that is actively managed, where professionals analyze securities and recommend where to put your money? Or select a so-called passive index fund, which essentially tracks the market or a part of it?

As the battle for investors' funds continues, passive investing has been producing healthy returns lately. That is helped by the fact that managed funds' average annual expenses are 0.8 percent of assets, compared with index funds' average expenses of just 0.2 percent.

A study by investment research firm Morningstar last year found that over a 10-year period active managers beat comparable index funds in only one of 12 categories. And among funds holding growth stocks in large U.S. companies, only 16.9 percent of actively managed funds beat their passive counterparts over the 10 years.

For perspective, the S&P 500 index over the past 10 years has risen 59 percent to its current level of about 2,270, including a tidy gain of 18 percent in 2016.

That may be a reason why investors have been enthusiastically latching onto index funds. During the past year, they have pulled \$110 billion from actively managed U.S. stock funds and put much of it into such funds. Today, more than \$2 trillion is invested in funds attuned to market indices.

But what of the future? Some advisors believe that the market dynamics that strongly favored the large cap stock indices last year are unlikely to continue. They even advise that managers of the active portfolios may be wise to start accumulating cash to buy back into the markets if indexing causes a bubble that bursts.

However, as always, no one knows what the markets will do in 2017.

**IMPLICATIONS FOR BUSINESS:** The valuations of large-capitalization companies whose stocks are part of the S&P 500 and other indices have no doubt benefitted from growing investment in passive funds, especially from large institutions like Vanguard. While that may well continue, companies should be aware that the situation could change if there is a negative shift in market sentiment concerning the large-cap indices and the stocks that make them up.

## **AGILE MANAGEMENT IS PROMISING BUT HAS ITS LIMITS**

Can lessons from software development and programming unlock the secret of how to manage large companies in an era of vast uncertainty and hyper-fast change?

Many high-tech firms are familiar with the concept of agile programming, which *The New York Times* recently described this way: “Instead of grand, complex projects, they are targeting little changes at a fast rate and adjusting as clever analysis yields more information.” As the *Times* story notes, startups are now applying this process in areas beyond pure programming, such as bio-tech.

Could this have broader applications for management decisions in general? Yes ... but with qualifiers.

Agile programming incorporates one of the key tenets in design thinking: “Fail fast, fail often.” The phrasing may be memorable, but the concept comes with downsides. A *Forbes* article (“Why Silicon Valley’s Fail Fast Mantra is Just Hype”) quoted a venture capital executive as saying: “Tell that to the person who wrote you \$50,000 of their hard-earned money and entrusted you to try your best.” What’s more, people tend to remember failures—less so today, perhaps, given the speed of change, but they do remember. Still, at the end of the day, there is this: The agile programming/fail fast process has been embraced to great effect by several cutting-edge U.S. businesses such as General Electric, whose Internet of Things is revolutionizing manufacturing.

For managers, one way to think of it is this: Dawdling on small decisions can be tantamount to death. Better to get it out there, be wrong and get it corrected in the next iteration than to be frozen in indecision. The worst outcome is getting to the party so late that your perfect design is no longer applicable.

But agile management for smaller and more immediate decisions can only be truly effective when management has a long-term vision for the enterprise as a whole—a vision which has buy-in from all key stakeholders, both internal and external. A recent *Wall Street Journal* article (“CEOs Urged to Take the Long-Term View”) concluded: “Simply put, an increased long-term orientation fosters innovation and enhances market value.”

The exemplar of long-term thinking cited in the *Journal* article was PepsiCo CEO Indra Nooyi, who “identified health and wellness as one of the company’s biggest growth opportunities when she became CEO in 2006.” Everyone understood what Ms. Nooyi was working to achieve, and so she earned the support to move forward with bold initiatives on fronts such as design thinking and product innovation.

**IMPLICATIONS FOR BUSINESS:** Going forward, the challenge for companies will be to create new products and strategies at a rate that keeps pace with lightning-fast changes in consumer demand, technological capabilities and the business environment. With a clear strategic vision to guide the way, agile management might be the right tool to make good things happen.

## **CEO PAY, CLIMATE CHANGE & GENDER ISSUES WILL ENLIVEN ANNUAL MEETINGS**

Chief executives' pay and controversial proposals on climate change and disclosure of men's and women's compensation promise to add up to a lively annual corporate meeting season this spring.

The fact that corporate chief executives are poised to collect an additional retirement windfall if Donald Trump's tax proposals go through makes CEO pay an even more volatile issue.

That is because if the top federal tax rate is reduced to 33 percent, CEOs of Fortune 500 companies will owe the Internal Revenue Service about \$180 million less than they would otherwise pay, the Institute for Policy Studies estimated.

This year's annual meetings will mark the seventh year of SEC-decreed "say-on-pay" shareholder voting. The SEC in 2011 issued rules specifying that say-on-pay votes as required under the Dodd-Frank Act must occur at least once every three years.

Climate change again is a contentious question on activists' agendas for the meetings of major oil companies like ExxonMobil and Chevron. A record 200 climate change resolutions are expected at this year's shareholder meetings.

ExxonMobil has been a target of the pro-climate Rockefeller Family Fund, created by descendants of the family that founded a company predecessor. The Rockefeller Fund and other institutional investors want the oil giants to adopt policies they say reflect the realities of climate change.

As last year's ExxonMobil and Chevron meetings proved, measures to let minority shareholders nominate outsiders for board seats mean that a climate change activist could eventually become a director at one of these companies. Annual meeting activists this year will also be pushing demands that companies disclose compensation data for men and women and publish statistics about the race and gender of their employees.

Leading that charge are Arjuna Capital, Trillium Asset Management, and Pax World Management. They are targeting such financial services giants as Goldman Sachs, Citigroup, Bank of America, and Wells Fargo. While these investors are relatively small, each managing a few billion dollars, they have succeeded in pushing technology goliaths such as Apple and Intel to divulge information about pay gaps.

**IMPLICATIONS FOR BUSINESS:** The new SEC requirements under Dodd-Frank have given shareholders increased influence over the pay of CEOs and other top executives. Companies must be sure they make convincing cases for their compensation policies in their proxy statements and be ready to respond to media inquiries. Companies that anticipate a challenging say-on-pay vote on 2017 compensation should reach out to large investors in advance to communicate the rationale for their compensation programs.

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### **DID YOU KNOW?**

*The first Frisbee was thrown 60 years ago.*

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## **GLOBAL ISSUES FACING WOMEN**

Many of the issues faced by women in America are shared with women from around the world. Despite the gains women have made in the last 20 years, the fact remains that many are still encountering the same roadblocks. These include:

- **Access to education.** A 2013 report by UNESCO revealed that 31 million girls of primary school age were not in school. In developing countries one out of four young women never completed primary school education. The same report points out that educated women get married later, survive childbirth, raise healthy children and are economically better off than those with little or no schooling.
- **Equal pay.** Across the globe, even in wealthy and developed countries, women earn less than their male counterparts in the same jobs.
- **Quality healthcare.** Women Deliver, an advocacy group, reports that 225 million women in developing countries have little or no access to family planning and preventative care. With the possibility that President Trump will repeal the Affordable Care Act, more American women will find themselves without any form of healthcare.
- **Maternal health.** The World Health Organization estimates that 800 women die every day from pregnancy-related causes that could have been prevented with the proper care.
- **Mental health.** Studies show that women are more prone to depression and suicide, which are the leading cause of death for females under the age of 60.
- **Domestic violence.** WHO reports that 1 in 3 women experience physical or sexual violence in their lifetime. This includes domestic abuse, rape or sex trafficking.



- **On-campus assault.** Sexual violence, bullying and harassment against women on American college campuses are so pervasive, the problem is considered to have reached epidemic proportions. In response, Texas philanthropist Janet Jensen has initiated a series of on-campus roundtables that are generating greater awareness and engagement among students, staff and faculty.
- **Gender Equality.** Whether it is access to education or equal pay, women are not viewed as being equal to men.
- **Getting older.** Many women never work outside their home, which means few of them will earn pensions or have 401(k)s. In the United States a history of little or no work means much lower Social Security benefits.

**IMPLICATIONS FOR BUSINESS:** Women not only care for their families, but often are the sole provider. In order to attract and keep women employees, businesses need to address their needs, whether it is affordable healthcare or quality childcare. Women are also customers and will respond positively to companies that recognize the barriers they face and offer solutions.

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#### ***DID YOU KNOW?***

*Roughly 8 in 10 Americans are now online shoppers.*

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## **AMERICAN WOMEN & GENDER DISCRIMINATION**

Hillary Clinton's nomination as the first female major party presidential candidate was considered a historic milestone by men and women in America and around the world.

But her defeat was disheartening for many —especially those who believe gender discrimination is still a reality, according to a *New York Times*/CBS poll. Forty-three percent of women said they believe that because she is a woman, Hillary Clinton was judged more harshly, while only 29 percent of men thought so.

Women have made great gains in the U.S. in the past 40 years or so, yet 48 percent of women believe that in today's society there are more advantages to being a man. In the workplace, 74 percent of women believe that women doing similar work are paid less than a man. Fifty-five percent of men agree with this.

Despite her position as a role model, Clinton's historic campaign had little impact on the number of women who see themselves as a future leader in business or government. Only 31 percent believe this is achievable, while 46 percent of men see it as a possibility. Significantly, 71 percent of women believe that society judges them by their physical appearance and that this has an impact on how they are treated in the workplace.

**IMPLICATIONS FOR BUSINESS:** According to the Bureau of Labor Statistics, 57 percent of women participate in the American labor force. Companies looking to hire outstanding women candidates will benefit if they show their workplace is gender friendly, starting with equal pay for equal work. Enlightened companies will also provide all employees with access to quality healthcare, childcare and eldercare.

## **LEAVE THE DRIVING TO "IT"**

"The cars of tomorrow are here today" sounds like stale advertising copy, but in some ways it's true.

From the state-of-the-art Tesla to the lowliest econobox, today's automobiles are being loaded with technology which asks—and sometimes demands—that we let the machine do more.

The pressing question is how will we interact with these newly intelligent vehicles—and how will they interact with us. It is an issue that will have great ramifications for mobility, lifestyles, economics, and even ethics.

Automotive technology has produced safety innovations that are being implemented right now, including forward collision alerts and emergency braking, lane-change warnings and prevention, back-up cameras, rear cross-traffic alerts, adaptive cruise control and parking assist. Ford has cars that parallel park themselves—much to the relief of many drivers—and Teslas can be summoned driverless from the garage right to where you're standing with a couple of pushes on the key fob.

Putting all these together has produced features such as Tesla's controversial "Autopilot" feature, which together with satellite navigation and the ability to read road signs, means the driver can relax—a little—and take his or her hands off the wheel.

Someday, techies and auto makers say, the driver will be able to relax completely and let the car do all the work. But not today. So-called "autonomous" cars have shown their weaknesses, making mistakes that a human driver would not. In Florida last spring, a Model S on Autopilot with an inattentive driver slammed into the side of a tractor-trailer, which its cameras and computers may have mistaken for an overhead road sign, Tesla said. The driver was killed.

Google has reported several accidents with its self-driving test cars, which are not yet available to the public, and blamed most on other drivers. But even if other drivers were to blame, the Google car was not smart enough to prevent the collision.

Ethicists ask if a car can be smart enough to choose lesser evils, such as hitting a dog rather than a mother and baby carriage if those are the only options in an emergency. No one yet knows the answer.

**IMPLICATIONS FOR BUSINESS:**

- Cars will soon be able to drive themselves in certain, though not all, situations.
- Regulations may slow the adoption of full autonomy while mandating the most promising features for all vehicles.
- Sticker prices will go up as the technology is added to cars, though insurance and societal costs may go down.



*“Always forgive your enemies;  
nothing annoys them so much.”*

*- Oscar Wilde*





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