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From NBLC's President & CEO



New Year – New Opportunities – New Leadership

The end of the year is a great time to reflect on what happened in the last twelve months and what will happen in the coming year. As advocates for sound public policy, NLBC has had a busy year that should continue into 2013.

Tackling top issues like education; economic competitiveness, regulatory, tax and pension reforms; workforce housing; implementation of the Affordable Care Act; and infrastructure improvements require leadership, reason and pragmatism. As we wait for news of a resolution on the fiscal cliff, we hope all of those factors are in play.

In 2012, we saw a lack of leadership on the big issues coupled with a partisanship that was crippling to progress. The American greatness of getting things done has been stymied by the failure of our political systems. Let's hope delays, indecision and inaction will be left behind in the New Year.

In today's world, the rule of thumb is no longer that the big eat the little. The new rule is the fast eat the slow. Buckle your seat belt as we are pushed to speed up, for those who fall behind may never catch up. Now is the time to be bold and decisive -- get ready for an exhilarating, fast paced 2013!

Best,

A handwritten signature in cursive script that reads "Cynthia Murray". The ink is dark and the signature is fluid and legible.

American Companies Are Poised to Boost Capital Spending

According to Steve Matthews and Shobhana Chandra, in "American Companies Are Poised to Boost Capital Spending" (Bloomberg, Dec. 12, 2012), American companies are finally ready to start spending some of the record \$1.74 trillion in liquid assets they have been sitting on throughout the recession and recovery. Seeing higher demand in 2013, the authors say, "Manufacturers project they will invest more next year than this year, according to the Institute for Supply Management's semiannual survey released yesterday. Orders for capital equipment excluding defense and aircraft rose 2.9 percent in October, the biggest increase since February, Commerce Department data showed Nov. 27. Apple Inc. (AAPL), Starbucks Corp. (SBUX) and Chevron Corp. (CVX) are among those announcing additional expenditure plans as economies stabilize, banks ease lending rules and some industries approach full capacity "

Adding to the good news, it is predicted that “Spending on capital projects, those meant to increase productivity and capacity, will increase 7.6 percent next year, the biggest gain for any December survey going back at least seven years, according to the Tempe, Arizona-based ISM’s poll of purchasing managers.” Mark Zandi, chief economist at Moody’s Analytics Inc., says “Businesses are flush and highly competitive and this will shine through in a revival of investment spending by this time next year if Washington can get it roughly together.”



And another positive survey conducted by American Express Co. in November “showed similar positive outlooks. Seventy-five percent of senior finance executives polled forecast sales will grow in 2013, and 69 percent project profits will improve. A majority, 59 percent, plan to invest to drive growth, in contrast to 37 percent who said they were focused on saving money to protect earnings, the survey showed.” Looks like the increase in consumer confidence is being matched in the business sector which will likely boost GDP. And when you read the next article, you will know that the increased spending is needed NOW. Sitting on the sidelines is not a winning strategy!

Being Big Is No Longer Enough; Today The Fast Eat The Slow



In Daniel Burrus’ recent blog titled “Being Big Is No Longer Enough; Today The Fast Eat The Slow,” he makes a strong argument for how the world has changed. According to Burrus, if a company wants to succeed, it must change quickly or it will fall behind. And there is a good chance when you fall behind, you may never catch up. This is another example of how power has shifted in the economy. Whereas, it was the rule that the large companies could and would beat the smaller companies, size is no longer the advantage it once was.

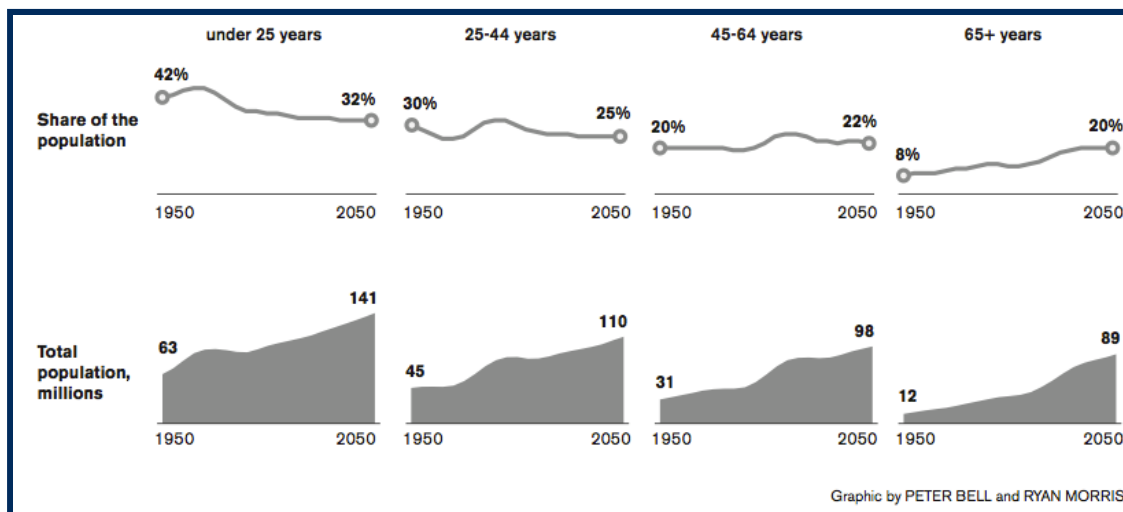
Burrus explains, “These days, speed is important. So when you see a game change take place, it doesn’t mean you’re dead in the water. Rather, it means you need to act fast, bold, and decisive...Failing to see the future, failing to understand the difference between hard trends (trends that will happen) and soft trends (trends that might happen), is what often causes companies to fall behind. With today’s rapid pace of technological change, falling behind can mean you may never catch up.”

Companies need to be vigilant in understanding where the market is going, what consumers want and how their competitors are responding. Says Burrus, “The message to all businesses is clear: All companies need to notice when the game has changed, and when that happens; they need to take action quickly. Moving slowly when there’s a new, game-changing hard trend will only put you farther and farther behind, until it gets to be too late. So don’t fall behind. Use the predictability of hard trends to anticipate, act quickly, and lead.”

One Way to Predict the Hard Trends

In "Demographics Explain Practically Everything," by Derek Thompson (The Atlantic, Nov. 26, 2012) we find one way to make the world a little more predictable. Thompson posits, "If you were a pundit who had to answer every Big Question about politics and economics with the same four-word explanation, what would it be?" And luckily, he provides the answer. Thompson says, "First, look at demographics. This answer would do sensationally well for diagnosing President Obama's big electoral victory, where he took women and minorities by historic margins but lost the white male vote by double-digits. Outside of politics, it's even more consistently useful. *What's behind health care prices?* First, look at demographics: An aging world is driving medical inflation around the globe, in health care systems of all varieties. *Why have the last three recoveries been so slow?* First, look at demographics: Since women maxed out their own labor-force participation rate, our overall worker-participation ratio has gone flat and started to fall, which hurt our ability to recover quickly from downturns.

We're now in the midst of a great graying of America, where companies that cater to the elderly could see faster-growing opportunities than those that cater to the young. Here's a look at the very, very, long trend: 1950-2050.



With demographics at top of mind, consider this collection of "spending graphs" via Business Insider that show average spending on more than 30 categories, from underwear to women's dresses. Here are four that struck me, especially:

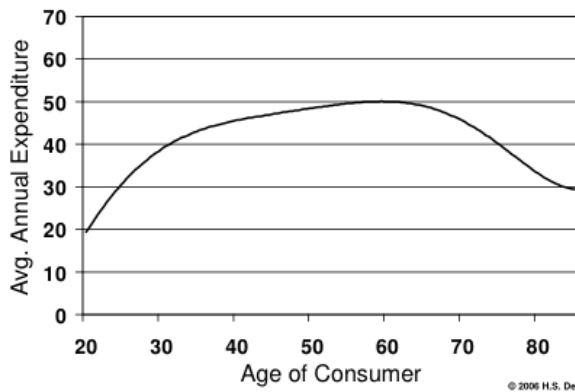
Charts continue on next page.

New cars



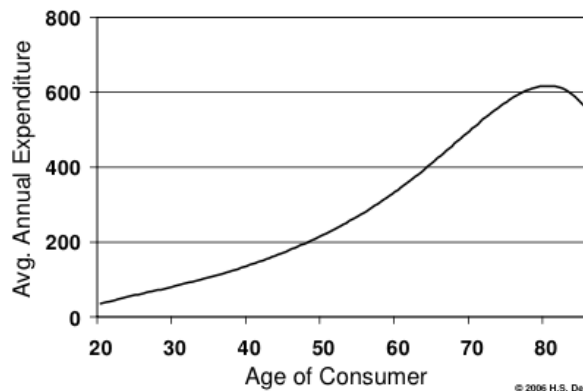
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Living room chairs

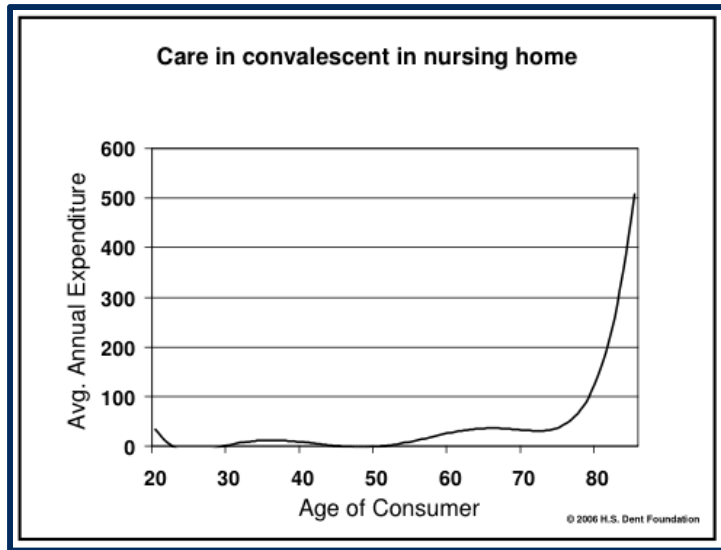


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Prescription drugs and medicines



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Thompson tells why he selected the four charts above, “Why these four graphs? (1) Cars and (2) Houses -- for which I'm using "living room chairs" as a stretch/reasonable proxy -- power recoveries. Together they accounted for half of economic growth during the 1970s recoveries; one-third of economic growth during the 1981 recovery; and only one-tenth of the latest recovery. Why is this recovery different from all others? Demographics, of course. New car sales rely on a burst of activity from 20somethings. 20somethings were the hardest hit demographic in the country, with the highest unemployment and worst income drop on top of student debt.”

And Thompson concludes with this prediction, “The most important economic story of the next generation is health care. You can get a good feel for why costs and employment in the medical industry are rising in graphs (3) and (4), respectively. As the Boomer generation moves right along the X-Axis of Life, national spending on drugs will boom along with demand for personal health aides. As health care adds more people (as other industries, like retail, make do with fewer), costs will rise faster than inflation, putting pressure on the government's ability to pay for our seniors' care from a smaller base of taxpayers. In short, there is no four-word explanation of the world. But you could do much worse than starting from demographics every time.”

What Just Happened? 2012 In Review

For a wonderful video by Google of what happened in 2012, inspired by Google searches, please click on this link to YouTube:

[2012 In Review](#)

Members in the News

Midstate Construction Corporation recently completed Fife Creek Commons

Developer Burbank Housing Development Corporation and general contractor Midstate Construction Corporation recently completed Fife Creek Commons, a new affordable housing construction project in Guerneville.

Lucasfilm, Marin foundation seek developers for Grady Ranch affordable housing

The Marin Community Foundation is seeking affordable developers to build up to 300 apartments on Grady Ranch in Marin County, a property filmmaker George Lucas had hoped to use for a new film studio.

Agilent Technologies Congratulates Team at CERN for Measuring What Many Thought Immeasurable

Agilent Technologies Inc. offers its congratulations to the team at the European Organization for Nuclear Research, more commonly known as CERN, for discovering--at 99.9999 percent confidence--what is almost certainly the long-sought Higgs boson, an elementary particle that had been predicted to exist for theoretical reasons. Agilent is proud to have provided technology that played a part in this landmark discovery.

Catholic Charities CYO Making Dreams a Reality

Catholic Charities CYO is helping children apply for a delay in immigration action and a two year work permit.

Buck Institute Researchers Identify Potentially New Avenues for Fighting Huntington's Disease

Scientists searching for ways to develop treatments for Huntington's disease (HD) just got a roadmap that could dramatically speed their discovery process.

Sonoma Raceway, Sonoma Chapter of Speedway Children's Charities, Distributes \$269,000 to Youth Groups

The Sonoma Chapter of Speedway Children's Charities will distribute \$269,680 to 38 youth organizations in Sonoma County for the 2012 season.

Sutter agrees to donate Warrack Hospital campus to youth services nonprofit SAY

Social Advocates for Youth announced that Sutter Medical Center of Santa Rosa has offered the Warrack Hospital campus as a donation, a development that would allow the nonprofit to increase its capacity nearly five-fold while adding a number of new services.

Redwood Credit Union is Now Hosting Holiday Food and Toy Drives

RCU Offers Holiday Gift and Food Drives at All Branch Locations to Help Local People in Need

Read more online at www.northbayleadership.org/news



Who We Are

Over twenty years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 44 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

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