

The Horsch *Business Report*



Helping you grow your career and your company



LARRY HORSCH

INTRODUCTION

With profound sorrow, we announce the death of Whitey Thomas in Dallas, Texas, our lifelong friend, and a proofreader for this Report assisted by his wife Anne. He was a major influence in our creating the Report.

We are entering the homestretch of the Presidential election in the U.S. with high hopes for a vaccine for the COVID-19 virus in late 2020. This could pace an economic recovery allowing us to focus on other big issues of the day.

We continue to encourage you to introduce your friends to our website, listed below, if the Report would be of value to them.

THE ECONOMY

Overview

While Congress and the White House are deadlocked on further assistance to the unemployed and struggling small businesses, progress is being made on discovering a vaccine to prevent COVID-19. Dr. Anthony Fauci now believes a vaccine could be ready for distribution by the end of this year. Without a vaccine, the country is really stuck in a serious recession, since the theory of herd immunity is being discredited by scientists and medical officials that now believe the immunity may last only four months for those that have had the virus.

The Federal Reserve continues with its support looking to fiscal policy for assistance in solving the recession issues.

Unemployment continues at a high level with the supplemental Federal benefits being eliminated as of the end of July, so the real pain of unemployment is now being felt by those unemployed.

The airline, restaurant, and hospitality industries continue to operate at low levels and the retail industry has become a growing graveyard of unsuccessful companies (Sears, JCPenney, and a dozen other companies). At the same time, Walmart, Target, The Home Depot, and other DIY firms continue to grow. Internet sales continue to advance rapidly as more consumers shop from home.

Supplemental Unemployment Benefits

There is a danger in paying some people more in unemployment benefits than they make in their normal work. It is even a bigger issue if they can avoid child daycare payments by being at home. In that case, some have a very large incentive to stay unemployed as long as the enriched unemployment benefits continue.

While most workers want their jobs back, any extension of the Federal unemployment payments should be reduced to encourage workers to seek employment. President Trump's current attempts by executive order reduces those payments, but with limited funds to underwrite the program.

WASHINGTON SCENE

Overview

As we move closer to the November national election for the presidency, Joe Biden is leading President Trump by about nine points in recent polls. Some have said that President Trump is seeing himself as an underdog and is claiming the election is rigged with a large number of mail-in voters. Others have gone so far as to say that if President Trump loses, he will tie up the results in courts for months.

It seems likely that a matter of this importance would be resolved by the Supreme Court in a matter of weeks.

In choosing Kamala Harris as the Democratic vice presidential candidate, Joe Biden is betting on a larger turnout by the Black community to support him and her experience to replace him if he were to die or become disabled while in office. If Biden wins, he will, no doubt, immediately patch over our differences with NATO, reinvigorate the global warming concepts founded in the Paris Climate Accord, get Iran to the table on a nuclear agreement, and figure out what to do with North Korea. China will remain a major issue not easily resolved, and the American economy will still be in a recession.

Vital Decisions

In looking back over the years, we have found that in various organizations and in our personal lives it is especially important to make solid decisions on a few important issues in order to be successful:

- In our personal lives if we don't address these issues with solid reasoning, we will lead a less successful and confused life.
- In business and other organizations, if we don't do this, we find the organization isn't very successful.
- In government, the same is true, particularly in the area of polarization of politics in Washington as reviewed below.

In an earlier Report, we mentioned that the City Council of Duluth, Minnesota about 10 years ago found that the meetings were so unruly that they imposed a civility rule. No more personal attacks, foul language, etc.

Today in Washington, we have each political party throwing verbal hand grenades at the other with moderate members of both parties leaving the arena for greener pastures or retirement. While some would say this idea

of civility and four dollars would get you a cup of coffee, our country is paralyzed by this infighting. Each party is acting only in its interest and not the interest of the country.

It would be interesting if some funding were developed for a Civility Fund to be used to first warn misbehaving members of government, and later to use funds and influence for their political defeat regardless of their party affiliation. Someone must stop the logjam if we as a nation want to get on with pollution control, global warming, effective virus control, nuclear arms control, digging our economy out of a serious recession, and various other issues.

Lawlessness

The George Floyd event and similar events have caused a growing lawlessness in several cities in the United States. Some of these events have caused President Trump to send federal agents from Homeland Security, ATF, U.S. Marshalls Service, and other federal agencies to establish law and order, often with resistance from the mayors of the cities involved. As this unfolds, President Trump has clearly made himself the law-and-order candidate for reelection in November, and this theme is getting more traction as lawlessness has continued in the U.S.

In some cities, including Minneapolis, city councils have proposed the defunding of police departments, which is not widely supported by the citizens, including Black citizens who need the protection in dangerous neighborhoods. This, of course, plays into President Trump's theme of law and order. The process is made more difficult in Minneapolis and other places where courts take an unusually long time to bring police officers to justice. In Minneapolis, with the George Floyd event, it will be a nine-month delay before there will be a trial, leaving the situation without closure for a long time.

Reparations

During the development of the Black Lives Matter Movement, other ideas have been attached to this theme including reparations for Black Americans because of slavery. In reflecting on this, it would appear that the original people having a priority claim in reparations, if any is justified, would be the Native Americans whose land was stolen by the white man and were banished to reservations. If you do the math on what Native Americans are owed, there is simply nothing left for anybody else. End of case.

MANAGEMENT

Builders versus Maintainers

The key difference between builders and maintainers at the CEO level is that builders are leaders who have a vision and can convince others to follow that vision. Maintainers, on the other hand, are administrators who rarely have vision, and instead concentrate on daily operations being effective and efficient. In the U.S., one can hire many maintainers for every real builder.

Vision is a gift paced by imagination and courage. The imagination aspect involves the ability to see the future as different from today, as needed. Courage is the willingness to depart from the comfortable routine of today, as needed, to address the future.

In its most basic form, vision is basically pointing the direction that the organization must go in the future to be successful. If it is missing or incorrect, it is exceedingly difficult to conduct daily operations so well that the effects of this can offset a bad direction.

The vision and direction are normally documented in a strategic plan for the organization. Some organizations take this very seriously and others just go through the motions and suffer the consequences. A couple of examples:

- An example of great vision was the founding of Target Corporation, which was founded in 1962 as a subsidiary of the Dayton Company, then headed by Bill Andres, the first nonfamily member to head the company. He was so interested in getting the direction of Target refined before it launched that he took two other Dayton executives and two outside consultants on a leased jet to various locations around the world that had retail stores somewhat similar to Target in order to finetune his concept. The rest is history.
- An example of poor vision is Sears. Sears, which recently declared bankruptcy, has been a zombie organization for decades. It has never found a niche in retail that it could exploit successfully after all these years. Sadly, it was the granddaddy of the process of selling products directly to consumer (via catalog) which is somewhat similar to Internet sales today.

A final thought. To have an effective vision, energy must be generated to develop a good strategic plan. This process is often slighted because the CEO is unable or unwilling to make the time available to develop such a plan because the daily operations are so all consuming that there is no energy left. In these cases, the business is running the CEO and not the CEO running the business.

INVESTING

Overview

The stock market hovers at or near new highs and has become “the only game in town” with interest rates at such low levels.

In the latter stages of most strong stock markets momentum investing takes hold, the public gets more involved, and stocks are purchased principally because they are moving upward without regard to any valuation standard. We are now in that era with a

growing downside and a diminished upside for equities in general. In going in this direction, the stock market has become disengaged with a very troubled U.S. economy.

A PARTING SHOT

Close your eyes and imagine a world at the end of the second quarter of 2021 where the following events have occurred:

- A vaccine was discovered for the COVID-19 virus by December 2020, and widely distributed in the U.S. by June 30, 2021.
- Death rates from the virus have plummeted by the use of plasma from patients who had the virus and have created antibodies to fight it.
- Employees are no longer afraid of going back to their traditional workplaces because of health issues.
- Doctors, nurses, and other frontline workers are no longer at severe risk of getting the COVID-19 virus.

Hang in there!

Respectfully submitted,



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 Minneapolis, MN
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