



## Just in case it matters to you:

CLIENT / CONTACT BULLETIN 10-09

- “REMARKABLY, THE LEAST-CAPABLE PEOPLE OFTEN HAVE THE LARGEST GAPS between what they think they can do and what they can achieve.” Smart people often make very poor decisions because our mental software simply isn’t “designed to cope with the complexity of modern day problems... Our brain naturally clings to certain illusions – such as overconfidence, control, and misplaced assumptions about how difficult challenges will be. When our unreliable brains meet up with complex systems, the chances for poor decision-making increase exponentially... In the business world, this shows up as unwarranted optimism for how long it takes to develop a new product, the chance that a merger deal succeeds, and the likelihood a portfolio of stocks will do better than the market. In personal life, you’ll see it in the parents who believe their seven-year-old is destined for a college sports scholarship, or the time it will take to remodel the kitchen.” New studies show that this condition can be improved by simply considering an ‘outside view’; “rather than seeing a problem as unique, looking to find if others have faced comparable problems and, if so, what happened...creating a very valuable reality check for decision makers.” DCG’s Strategic Planning focus is exactly what this is about. We can help you. [THE FUTURIST – Mar/Apr 10]
  - FAILING TO RECOGNIZE AND MANAGE PRODUCT OR SERVICE PROBLEMS BEFORE THEY BECOME CRISES is a *risk faced by family and closely-held companies* as much as huge conglomerates (like Toyota is currently facing). The problem stems from having a “rigid system of seniority and hierarchy in which people are reluctant to pass bad news up the chain, thus keeping information from those who need it... In many firms, family ties make challenging the boss all but impossible and any attempt to short-circuit the hierarchy is deemed an act of disloyalty... Groupthink becomes entrenched because there is so little mobility... which hinders ability to take bold, decisive action, while the preference for harmony crowds out alternative viewpoints.” DCG helps our clients to mitigate such critical risks by serving as independent Directors or Board Advisors – another example of ‘outside view’ for the protection of inside management. [THE ECONOMIST – Feb 13, 10]
  - RECOVERY STATUS UPDATE: Based on a current Duke University survey which polled 567 finance executives at American companies, “any improvement will be slow. Amid the worst of the financial crisis and recession last year, management teams slashed their work forces and cut hours, benefits and wages – moves that 84% of execs responded *will not be reversed this year*. Indeed, more layoffs are in the works.” [CFO – Jan/Feb 10]
- “If 2009 was the year of loan modification, 2010 will be the year of the Short Sale,” in which homeowners settle their debts by selling properties for below-mortgage-value. As moratoriums on payments expire and some 4.3M more residences are expected to enter the ‘foreclosure’ process, banks which customarily fight this option are changing their position – mostly since cost is around 20% less and Short Sales are much easier and faster to implement. [FINANCIAL TIMES .COM – Feb 17 10]
- SECRET TO HAPPIER LONG-TERM RELATIONSHIPS? “Couples who consistently speak of their problems in the context of ‘we’ or ‘us’ – versus using ‘I’ or ‘his’ or ‘her’ words – are less stressed by disagreement... less likely to turn discussions into bitter fights, or express overall dissatisfaction with their marriages... and are happier in general.” A new U.C.-Berkeley study on how couples fight and resolve marital spats involved monitoring conflict discussion along with “physiological indicators of stress and anger, such as heart rate and sweating,” to conclude that while “individuality is a deeply ingrained value in society but, at least in the realm of marriage, being part of ‘we’ is worth giving up a bit of ‘me.’” [THE WEEK – Feb 19, 10]
  - THE NEWEST SECRET FOR SLOWER AGING is a compound in human semen which seems to have a dramatic impact on life span. Research by Austrian biochemists has shown up to three times survival rate when applied to human immune cells, involving “a kind of self-cleaning that removes cellular garbage...which might otherwise harm the body.” [TIME – Feb 22, 10]
  - THOUGHTS FOR THE WEEK:  
“Whenever you see a successful business, someone made a courageous decision.” - Peter Drucker  
“The definition of insanity is doing the same thing over and over again and expecting different results.” - Albert Einstein

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