

Rich Karlgaard / Publisher / Editor-at-Large / Forbes

2017 – 2020 Trump and Tech The Twin Tornadoes



Wisconsin's banks in the age of fintech and accelerating — and sometimes sudden — disruption.





INCLUDES
NEW BEERGARTEN TART.
AND CANOE PADDLER*
ONLY AVAILABLE HERE

12 BOTTLES
3 OF EACH

Leinenkugels

EXPLORER PACK



Predicting The Future
... Is Easy ...

Getting it right is the hard part

“There’s no chance the iPhone is going to get any significant market share.”

***Steve Ballmer, Microsoft CEO,
2007***

“As January’s market goes,
so does the year.”

CNBC, January 22, 2016

In the first 28 days of 2016,
the S&P 500 dropped 10.5%

“China collapse!”

“Earnings recession!”

“SELL EVERYTHING ! ! !”

**If you HAD sold everything
on January 31, 2016, you
would have missed:**

45% rise in small cap stocks

25% gain in U.S. large caps

57% gain in energy stocks

2016 was an epic year for
bad political predictions!

*We could list hundreds.
But here are three.*

**“Hillary Clinton Will Be
Elected President.”**

***Frank Luntz, on Twitter
6pm ET, November 8th, 2016***

322 electoral votes for Clinton
216 electoral votes for Trump

***Larry Sabato's Crystal Ball,
6pm, ET, November 8, 2017***

So What Can We Predict With Confidence?

About politics, the economy, technology and change?

Why Listen to Me?

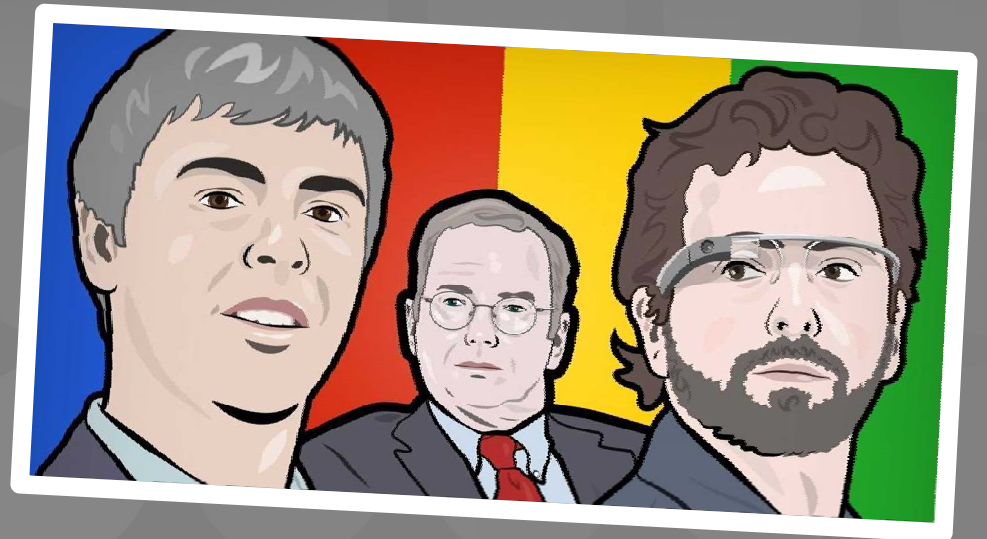
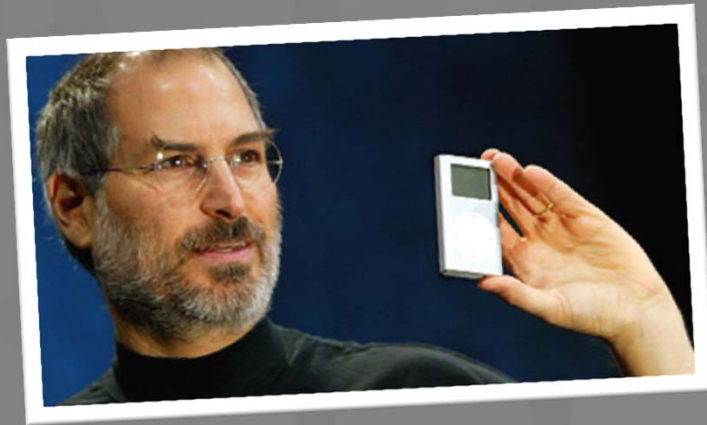
*Publisher of
Forbes since 1998*

*10 million global
magazine readers
per issue*

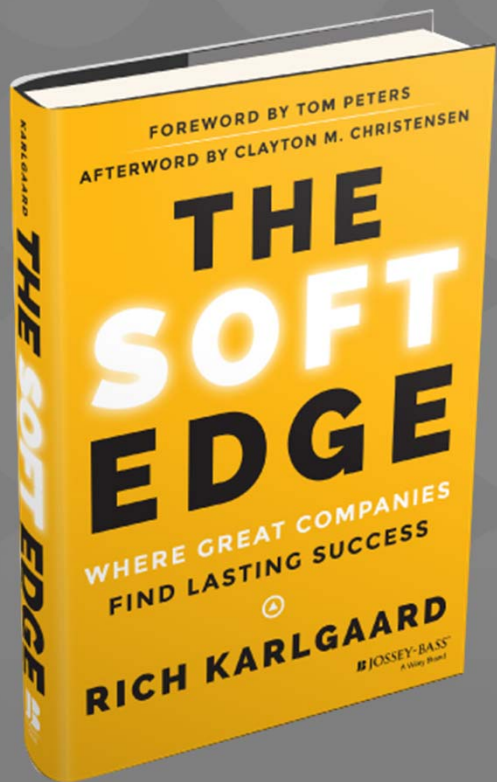
*70 million monthly
unique visitors*



Interviewed Founders/CEOs

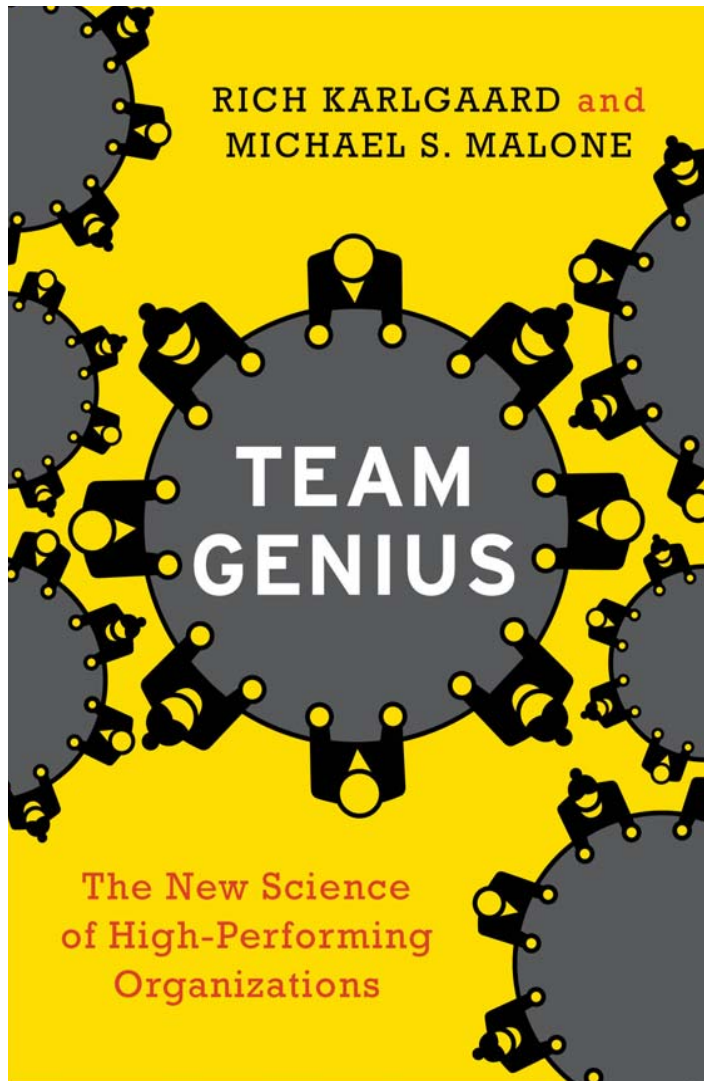


And Written Books



*“Rich Karlgaard
Is a navigator for the rest
of us.”*

*Clayton Christensen
Harvard Business School*



“Advances our thinking on what makes highly effective teams.”

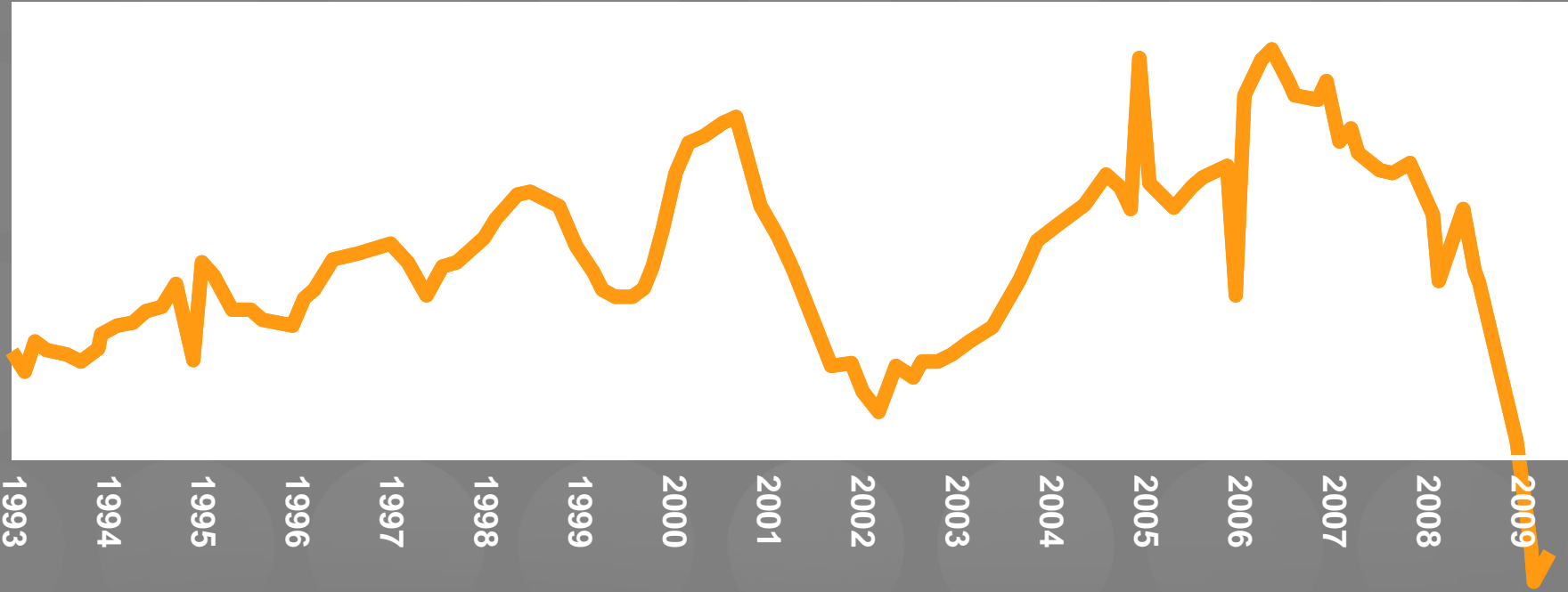
**Satya Nadella
CEO, Microsoft**

*Why Did
Trump*

Win?



Great Recession: 2007 to 2009

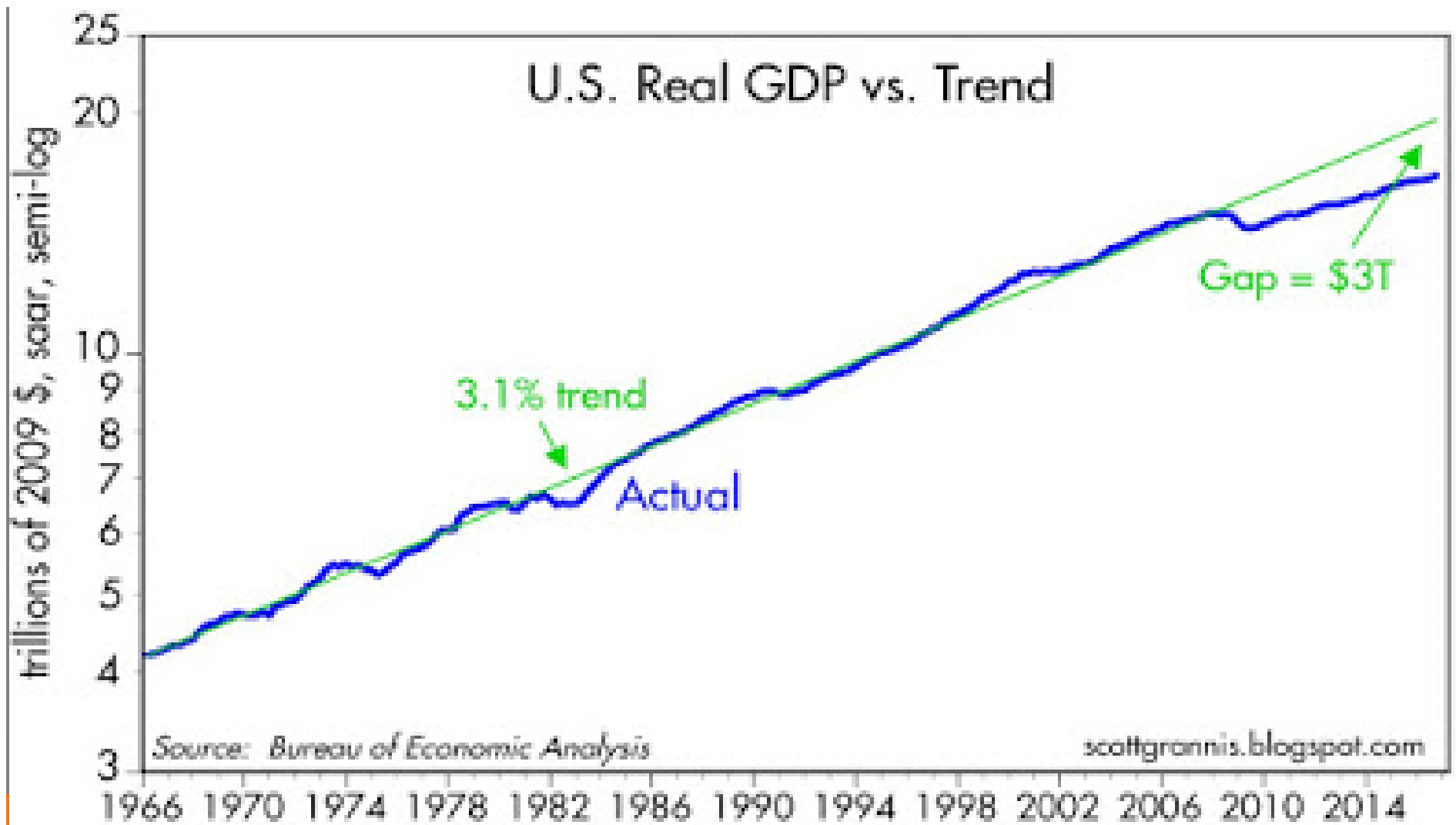


2010 – 2016

Economy Growing ... But Slowly

2% vs. 4%

Post-Recession GDP Growth



***No, It
Wasn't
This Bad***



***Yes, It
Was
This
Bad***

***and the media
missed it.***



***45% of
Americans
Have less
than \$400
in cash for
emergency.***



*One more thing the media missed or chose
to overlook.*

**2% post-recession
growth is not normal.
*It is abnormal!***

1933-40

Average Annual U.S. GDP Growth

7%

Peter Thiel

PayPal Co-Founder
Facebook Investor
Venture Capitalist
Trump Supporter



Peter Thiel

The American economy is underperforming because it is out of balance.

There are too many “bits” companies and not enough “atoms” companies.

Why Is That?

**Investment capital flows into
“bits” companies thanks to
lower cap investment, lighter
regulation, faster ROI**

“Bits” Companies



facebook

UBER



Market Cap to Revenue Ratio of “Bits” Companies

Facebook	20
Airbnb	18
Uber	15
Alphabet (Google)	7

Hillary Clinton

Was favored by voters who live in the affluent worlds of algorithms and abstractions



“Atoms” Companies



Market Cap to Revenue Ratio of “Atoms” Companies

Delphi	1.0
Cummins	.9
Dana	.3
GM	.3

Donald Trump

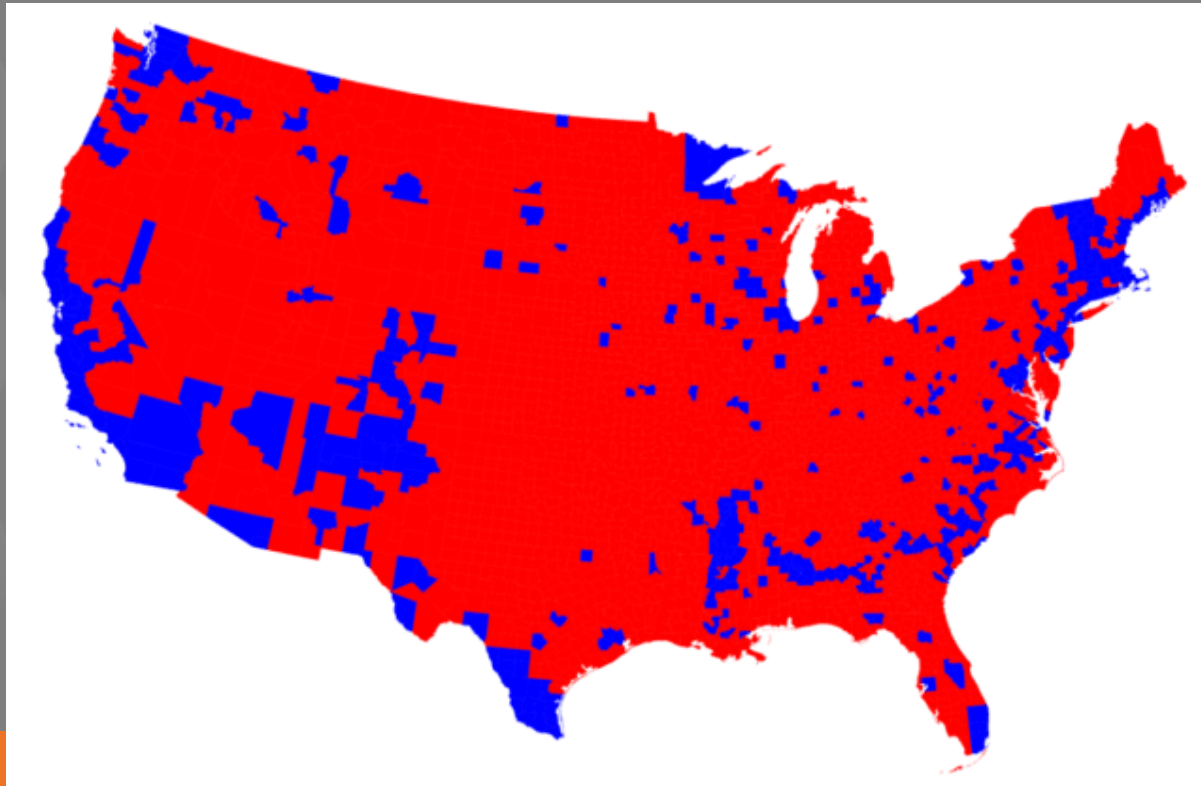
Favored by
voters who live
in the world of
atoms



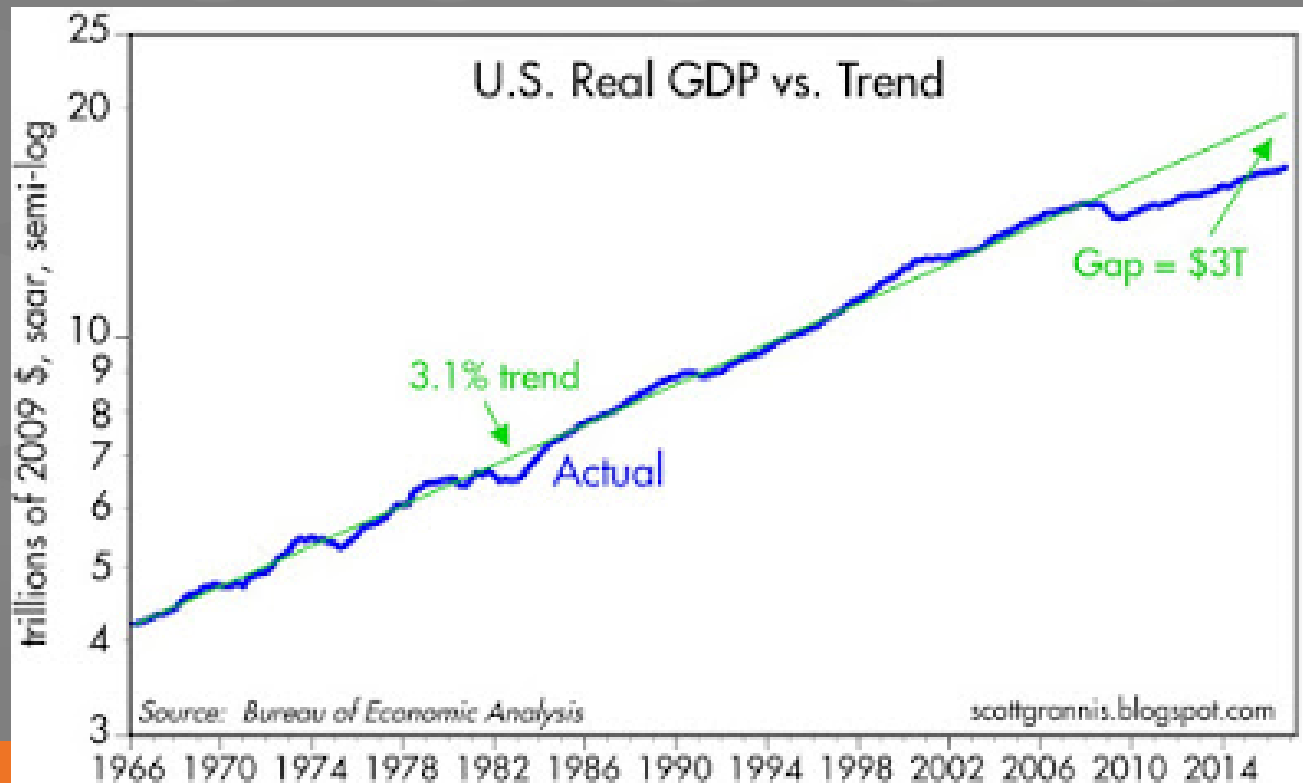
Does Trump Have A Mandate?

Critics Say No
He Lost Popular
Vote by 2.9 million!

Supporters Say Yes



Trump's Mandate: Fix This!



And this!

Annual tax, trade and regulatory
cost per employee

Atoms companies
Bits companies

\$45,000
\$20,000

Trump Disruption

He could be bad ... or good.

He will be unpredictable.

Trump's Economic Advisors

Team of Rivals

Steve Mnuchin

Treasury Secretary

- **Former Goldman Sachs Partner and Hedge Fund Manager**
- **Pro trade and capital flow**
- **Thus far, he's silent on strong vs. weak dollar**
- **But past record suggests he supports a strong dollar.**



Gary Cohn

Head, National Economic Council

- **Goldman Sachs president**
- **“Rising Power” in Trump Administration**
- **Close to Jared Kushner, Trump’s son-in-law**
- **Crafting strategy on Obamacare repeal and tax reform**
- **Differs from Trump on China**



Rex Tillerson

Secretary of State

- **CEO of Exxon Mobil**
- **Fossil-fuel friendly**
- **Close relationship with Russia and Putin**
- **Supports President Trump's hard-nosed "realpolitik" view of world affairs**
- **Tough confirmation fight**



Wilbur Ross

Commerce Secretary

- **Distressed asset investor:
Steel, coal, telecom, textiles**
- **China skeptic**
- **Not reflexively anti-trade**
- **But critical of NAFTA and other
multilateral agreements**
- **Will advocate for toughly
negotiated bilateral agreements**



Paul Ryan **House Speaker**

- **Big influences are Ayn Rand and Ronald Reagan**
- **Favors small government, low taxes, free trade**
- **Budget hawk**
- **Has chippy relationship with President Trump, both in personality and substance**



Steve Bannon

Trump Advisor

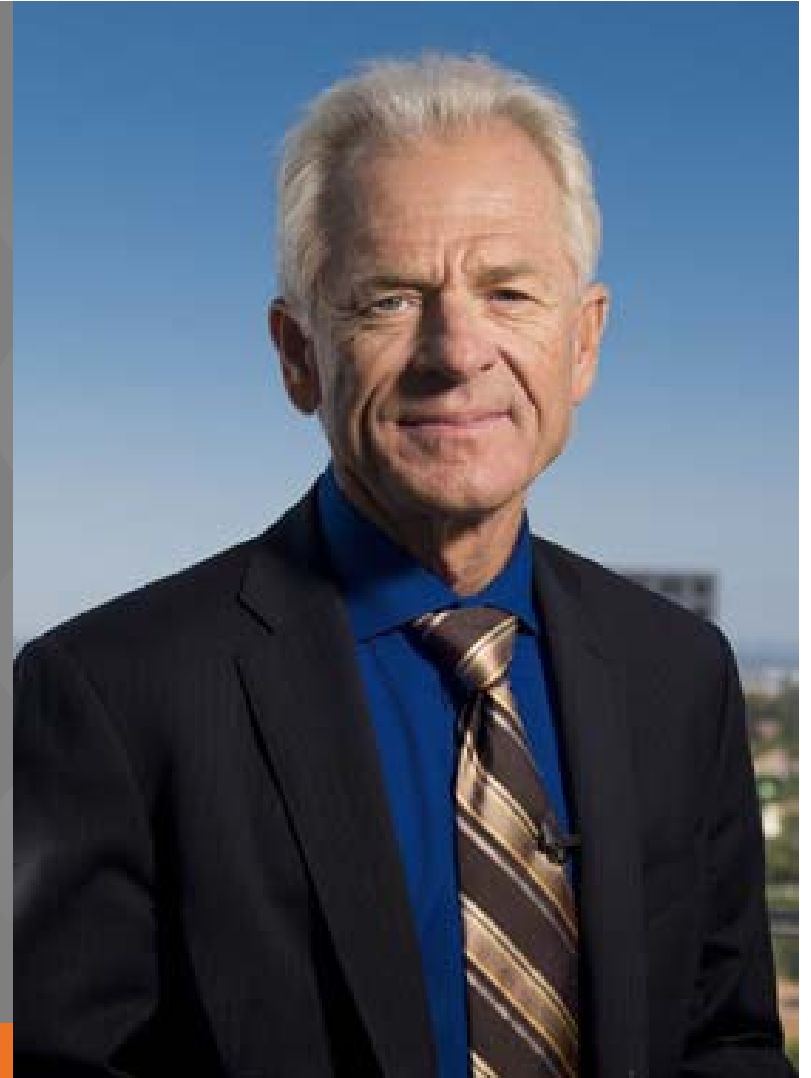
- CEO of Breitbart Media
- Investment banker with television deal background
- Voice of Trump's angry populist base – “hobbits and deplorables.”
- Nativist on trade/immigration
- Not a budget hawk



Peter Navarro

Head, National Trade Council

- **Fierce China critic**
- **Favors cheaper dollar**
- **Good: Believes U.S. should reduce tax and regulatory burdens on its own businesses to become more competitive**
- **Caution: Trade Council has no legislative authority**



Scott Pruitt

EPA Administrator

- **Oklahoma Attorney General**
- **Global warming skeptic**
- **Main focus will be slashing regulations that penalize oil, gas and coal industries**
- **Believes water is overregulated**
- **May have tough Senate confirmation**



Jared Kushner

Trump Whisperer

- Husband to Trump's daughter, Ivanka
- Manhattan property developer
- Organized candidate Trump's effective tech and data team.
- Mistake to get on Kushner's bad side (Christie, Giuliani)
- Trump listens to Kushner



**Trump Team Will Fight and Appear
Dysfunctional at Times.**

**But it will be YUGELY motivated to
improve economic growth, jobs and
wages.**

2018 Senate Races

33 Seats Up for Grabs

**Republicans Will Defend 8 Seats
Democrats Will Defend 25 Seats!**

2018 Senate Races

10 Most Vulnerable Incumbents

**1 is Republican (Heller, NV)
9 are Democrats**

Prediction!

**If Trump's first two-years lead to
faster growth, more jobs, and higher
wages ...**

Republican Senate

**In 2019 will have 56-62 seats,
which is veto-proof above 60.**

Repeal of Dodd Frank

Four players to watch

Jeb Hensarling **Congressman, Texas**

- **Chairs House Financial Services Committee**
- **Serves on House Committee on the Budget**
- **Budget hawk**
- **Eager to replace Dodd Frank**



Mike Crapo **Senator, Idaho**

- **Chairs Senate Banking Committee**
- **Will need to hold 52 Republicans in line for Dodd Frank overhaul**
- **Will need support of some Senate Democrats**



Chuck Schumer **Senator, New York**

- **Senate Minority Leader**
- **Says he has the votes to block repeal of Dodd Frank**
- **Won't be sympathetic the appeal of smaller banks excessively burdened by Dodd Frank compliance costs.**



Sherrod Brown **Senator, Ohio**

- **Ranking Democrat on Senate Banking Committee**
- **Against repeal of Dodd Frank**
- **But open to reducing regulatory compliance burdens of smaller community banks**



Switching Gears ...

Here's What Trump Can't Control



John Chambers

40% of Top 500
Companies Will
Fail Within
10 Years



Failure = Long-Term Decline In
Revenue
Profitability
Market Value
Brand Value
Cultural Relevancy

What is Driving This Churn?

Digital disruption is entering its second and lethal phase

Andreessen's Law

Software Eats Everything



“More and more major businesses and industries are being run on software and delivered as online services – from movies to agriculture to national defense.”





Disruption 2000-2015

Newspapers (Web)

Retail (Amazon)

Software (Cloud)

Blackberry (iPhone)

Disruption 2016-2030

Agriculture

Energy

Manufacturing

Transportation

Banking and Insurance

Health Care

Education

Moore's Law

2yr. 2x

30% annual
drop in
cost/capability



Annual Declining Cost Projections for Digital Technology (2015-2020)

Computing - 33%

Sensors - 35%

Storage - 38%

Bandwidth - 27%

2020

**3.6 Billion
Smart Phone Users**

1.6 billion more than today

2020

**50 Billion Sensors
Connected to Internet**

35 billion more than today

Metcalfe's Law

$$n(n-1)/2$$



**3.6 Billion Smart Phones Creates This Many
Potential Human Connections**

648,000,000,000,000,000

vs.

4,000,000,000 (Google daily searches)

2,000,000,000 (Facebook daily users)

**50 Billion Sensors Creates This Many
Sensor-to-Sensor Connections**

125,000,000,000,000,000,000,000,000,000

**Internet of Things becomes a platform for
machine learning**

5G Wireless in 2018

- 1. Phones become true video platforms**
- 2. IoT trend also accelerates, changing the nature of the electrical supply industry**

Outside Entrepreneurs with Software Chops and Lots of Money



**These Entrepreneurs are Armed
(with Talent and Capital).
They are focused and remorseless.**

**“Don’t just make something work
better—instead, blow up the old way
and replace it with something
completely different and digital.”**



Your business is exceptional.
Your business loan experience should be too.

Pictured: Dr. Celina Hatt of Pawsh Place Veterinary Center.

[Get a business loan](#)

[Invest your money](#)

Get a **business loan** of up to
\$500,000
25,000 businesses globally already have.

Invest in successful small
businesses
More than 60,000 people globally already have.







Seize your American Dream with fast & affordable business financing

No small business is exactly the same, which is why we create a financing strategy for your individual business needs.

Apply Now



Three outstanding funding solutions for your small business

Contact us!





Silicon Valley's Ambivalence Toward Trump Turns to Anger



'Becoming Warren Buffett' Goes Beyond a \$74 Billion Fortune

PAID POST: ADP Leveraging Anthropology to Create a Stronger Workforce.



To Understand a Tax on Mexican Imports, Consider the Avocado



FAIR GAME A Costly Drug, Missing a Dose of Disclosure

BREAKINGVIEWS Fate of UBS Is in t Markets

TIPRANKS NEW TO E*TRADE Research stocks and make more informed decisions with TipRanks OPEN AN ACCOUNT E*TRADE

DealB%k WITH FOUNDER ANDREW ROSS SORKIN

Online Lenders Seek to Shape Industry Before Regulators Do

By VICTORIA FINKLE OCT. 20, 2016



McGrath's Law

SusAdv \rightarrow 0



**The Holy Grail of strategy for many years
has been defined as
sustainable competitive advantage.**

**You find an opportunity, you throw up
entry barriers like crazy and then you get
to enjoy it for a long period of time.**

**Sustainable Competitive Edge
is dying for most companies**

**Transient Advantage
is the new world order.**

Adaptability Is The Killer App

**Adaptable companies
with loyal employees and
customers ... are the same!**

**They are organized as
STRONG TRIANGLES**

*Fred Smith, founder
and CEO of \$50 billion
global powerhouse
FedEx, explains.*



Fred Smith's Triangle of Health for Companies



Triangle of Success

1 STRATEGIC BASE 1

MARKET ---

CUSTOMERS ---

COMPETITORS ---

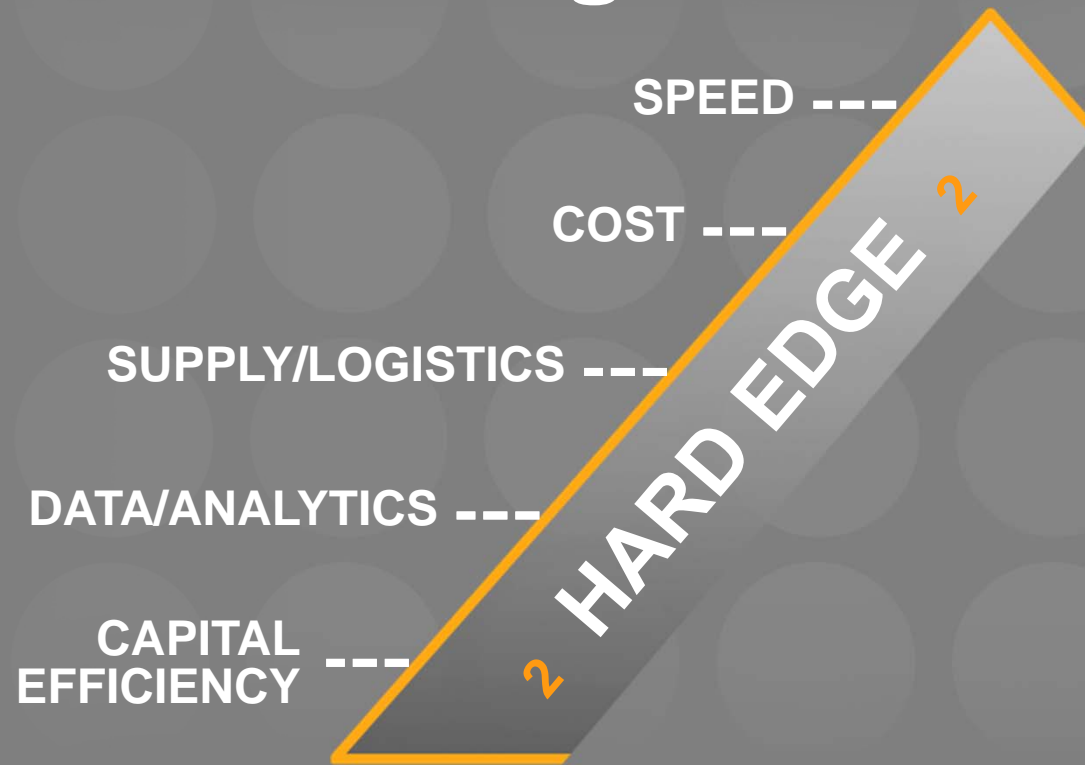
SUBSTITUTES ---

DISRUPTERS ---

Strategic Base

Your Purpose and Your Plan

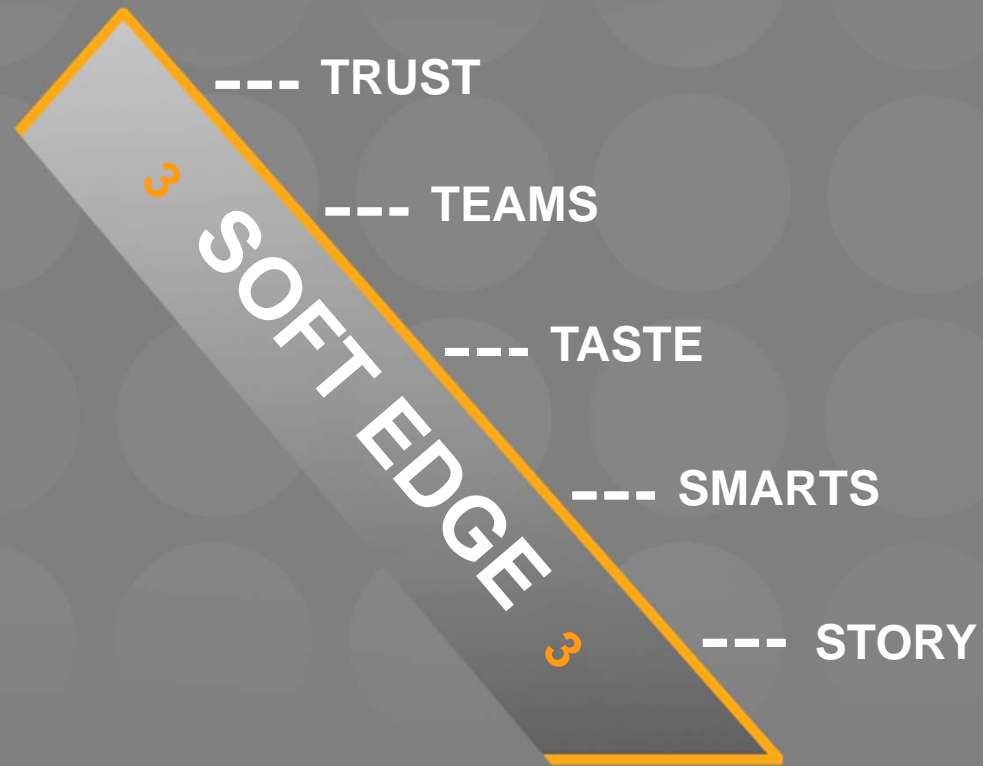
Triangle of Success



Hard Edge

Creating Day-to-Day Results

Triangle of Success



Soft Edge

Transformational Gains

Purpose

Loyalty

Passion

Commitment

Hard vs. Soft

***Battle for Resources
Inside All Companies***

Beware Winner Take All!

General Motors in 1953 — Strategy, Hard and Soft in Harmony



General Motors in
1970s/1980s —
Out of Balance.
Financially
Driven. Analytical
Values
Overwhelmed
Cultural Values.
The Result?



1986 Cadillac Cimarron—Top 50 Worst Ever

Got So Bad ...

GM's Belief
Under 1980s
Management:
Customers
Won't Notice!



Same bad car — except for grille and hubcaps.

Resilient Company Values

Trust (external and internal)

Teams (trust is needed to break silos and move fast)

Taste (the word Steve Jobs used)

Trust

***The Force Multiplier
of All Things Good***

***The Key to “All-In”
Commitment***

*Northwestern Mutual's
Roberto Espinosa
Became 5x
More Productive
in 5 seconds*



Teams

Three Keys to Great Teams

1. Everybody Gets Triangle

What is our strategy?

How do we execute?

What are our values?

Teams

Three Keys to Great Teams

2. Be as Lean as Possible

Remember $n(n-1)/2$

Size slows adaptability

Walmart's challenge

Teams

Three Keys to Great Teams

3. Be “Whole Brain”

Introverts + Extroverts

Left Brain + Right Brain

Experience + Fresh Eyes

Taste

“Taste” was how Steve Jobs described a deeply satisfying product

Intellectual Appeal

+

Emotional Appeal

Taste = Beauty + Brains + Wonder



**Accelerating change means more
uncertainty and fear.**

**More uncertainty and fear
means you are more valuable to
customers than ever.**