

Is the U.S. Entrepreneur going to be the Next Dinosaur?

“If I’ve learned one thing, it’s that in business we have to tell the truth, and the truth is that today’s business environment is causing a decline in competitiveness for America’s entrepreneurs.”

So says David Giuliani, co-founder and CEO of Pacific Bioscience Laboratories, makers of the CLARSONIC® Skin Care Brush, and former co-founder and CEO of Optiva Corporation, creator of the Sonicare® toothbrush.

In the 10 years between introducing the Sonicare® toothbrush and starting his new venture, Giuliani says the ability of U.S. entrepreneurs to compete has changed dramatically. In his view, such trends as moving engineering and manufacturing jobs to other countries and reducing education spending have had significant and negative implications for American entrepreneurship. He believes infusing government with an entrepreneurial spirit may hold the key.

Giuliani said the first step toward reversing these trends is to realign our country’s goals, objectives and values with a focus on the two things entrepreneurs do best: increasing productivity and creating new jobs.

In Giuliani’s analysis, America’s strengths include our natural resources, resourcefulness, technology, world leadership and economy. These are offset by weaknesses in our business climate, economic trends, trade policies, world opinion, political scandals and the deficit. As he views the opportunities and threats the global economy presents American entrepreneurs, he cites areas such as developing new energy economies and the potential to rebuild infrastructure as opportunities. He identifies climate change, energy disruption, geopolitical

instability and America’s declining world influence as threats.

This analysis led Giuliani to three conclusions:

1. Redefine America’s goals and values. He suggested goals such as:
 - Freedom from oil in 10 years
 - Clean energy
 - Create a vibrant economy driven by job creation
2. Use a business management approach to the overhaul government systems.
3. Start reform at state or regional levels where it’s more manageable for business leaders to work with government and trade groups.

To remain competitive, Giuliani says the country needs to focus on four areas:

1. Fix bad government policies that impede our ability to compete.

Executive Insights



Cheryl Isen

For example, patents help small companies to compete, but the process takes too long, due to a severely under-funded patent office. Creating a goal of less than a year for a first patent action is realistic. Likewise, an entrepreneur’s ability to compete has been stifled by Sarbanes Oxley governance, which has gone too far. This, and areas such as stock option expensing need reform.

2. Stem the trade deficit.
Without tariff protections, foreign trade is inequitable for U.S. businesses. Giuliani asks, “Why aren’t we tough on China with trade?” He says children there are forced into labor; there are outright abuses on the environment; and U.S. businesses lose billions to IP piracy. He adds, “Free trade with the U.S. needs to change to fair trade.” To compete we need to play by the same rules.
3. Modify taxes.
The tax structure needs to drive compliance and expand revenues. Giuliani recommends reforming tax cuts and providing more energy incentives. He sees opportunity in reducing the tax burden on good behaviors coupled with gradual increases in taxes on bad behavior. The numbers add up quickly when obsolete and technology-related taxes for SUV’s, gas and oil, are balanced with credits for ethanol and hybrids.
4. Protect our country’s ability to innovate by investing in the future and emphasize education, health and R & D.
Many major new companies like Google have one thing in common: they’re being founded by immigrants. The reason? Our workforce isn’t prepared. Although we spend \$500 billion on education per year, degrees in innovation-focused areas such as science are declining (China turns out four times more engineers per year). Giuliani’s business approach: start marketing the value of education and science and push for continuing education.

Healthcare costs are a huge drain on a business owner's ability to compete. "Our care may be the best in the world but how competitive is it?" asks Giuliani. U.S. healthcare costs represent 15 percent of the GDP. Giuliani implores business leaders to work with local government to drive change.

Investment in R & D is another strike against U.S. businesses. The difference between the percentage of national R&D driven by government tax credits in China and in the U.S. is staggering. America is falling behind. Investing in our future requires funding in programs such as Small

Business Innovation Research, which will help to redirect long-term R & D goals.

Giuliani says the U.S. is in an economic race for its future. "Innovation is the last line of defense," he said. Who will innovate when our engineers are gone? To Giuliani, keeping manufacturing in the U.S. protects innovation. It enables U.S. control of the process and the market, which in turn spurs direct innovation in process and technology.

From one entrepreneur to another Giuliani says: "The threat to emerging entrepreneurial businesses is real." His call to action: Think globally, but act

locally to reinvigorate government with an entrepreneurial spirit that supports growth in emerging businesses.

These "Executive Insights" are based on monthly presentations provided by leading entrepreneurs at the Northwest Entrepreneur Network (NWEN.org), a non-profit organization dedicated to helping entrepreneurs succeed. The column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that helps emerging companies increase corporate visibility and brand awareness. Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com or on the web at www.IsenandCo.com.