

21st Century Communities with 20th Century Operating Systems: *Leadership Challenges in an Era of Rapid Change & High Expectations*

Leadership Park City
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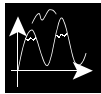
Part I: Expectations



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Schechter's Equation for Life: $S = R - E$

Satisfaction = Reality minus Expectations



3

Schechter's Equation for Life: $S = R - E$

Calibrating your expectations for today's presentation

- Part I: Expectations
- Part II: Schechter's Maxim & the Five Factors Driving Change
- Part III: Generational Misalignment
- Part IV: Each Sector's Role
 - *The Iceberg Theory of Local Government*
- Part V: Myles Rips Me Apart



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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #1 of 3

■ Special challenges

- ▶ *Every special place to live in the world is facing the same basic suite of challenges:*
 - Affordable/workforce housing
 - Transportation & related infrastructure
 - Issues related to growing income inequality
- ▶ *No place on Earth has successfully addressed these special challenges. **None***
- ▶ *Because of their size, economies, and interconnections with the environment, these challenges are striking mountain, resort, and other once-remote communities with exceptional force*



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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #2 of 3

■ Unique challenges

- ▶ *In the 250 years since the Industrial Revolution began, with perhaps one exception, no place on Earth has developed a successful post-agrarian economy without significantly compromising the health of its ecosystem. **None***
 - The one exception might be the southern portion of the Greater Yellowstone Ecosystem

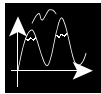


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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #2 of 3

- Unique challenges (cont.)
 - *Because the economies and cultures of our towns are so tightly linked to the health of the environment around them, we need to figure out how to maintain/restore their environmental health while simultaneously maintaining economic vitality*
 - There is no road map/blueprint/recipe for doing this
 - We also need to do this while addressing our “special challenges”
 - *This is the essential leadership challenge all of you face*
 - 250 years of history suggest the current approaches we use for thinking about our future won't produce the results we want
 - You are Park City's 21st century Lewis & Clarks



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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #3 of 3

- COVID-19 has accelerated all the trends altering our communities
 - *Including the growing gap between communities and their governments*
- **My shorthand summation: We are 21st century communities with 20th century operating systems**



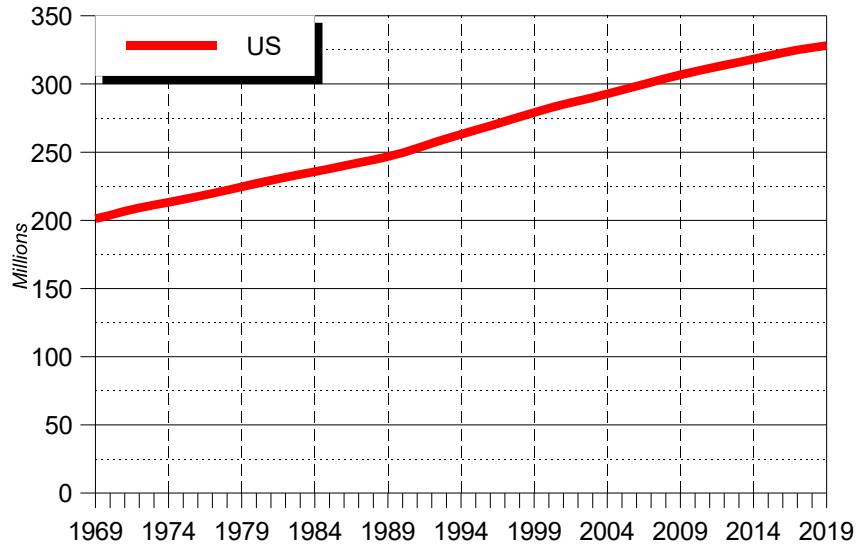
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Let's Talk About Change

The most obvious indicator of change: population

US Population Growth 1969-2019

201 to 328 million; 63% total growth; 1.0% annual growth

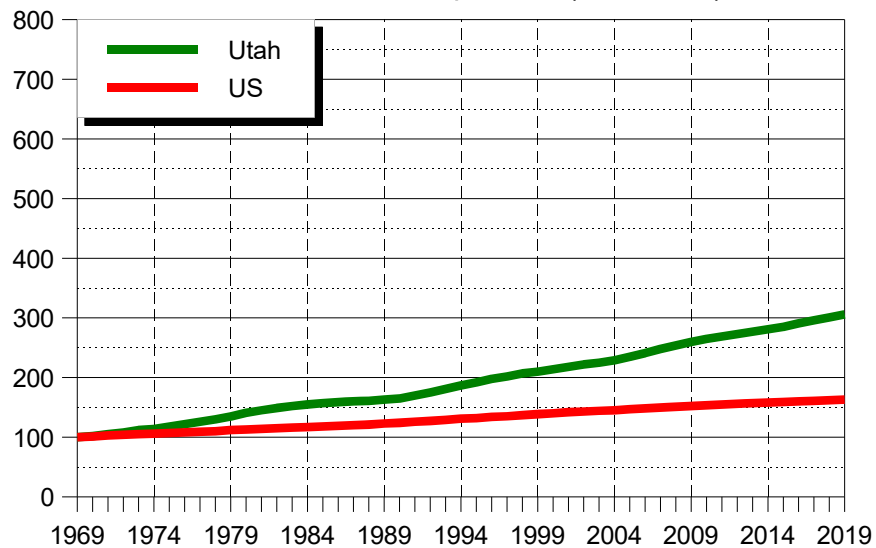


Let's Talk About Change (cont.)

Utah's growth rate has been nearly 2x US's

US v. 8 Rockies Ski Counties: 1969-2019

Relative Growth of Population (1969=100)

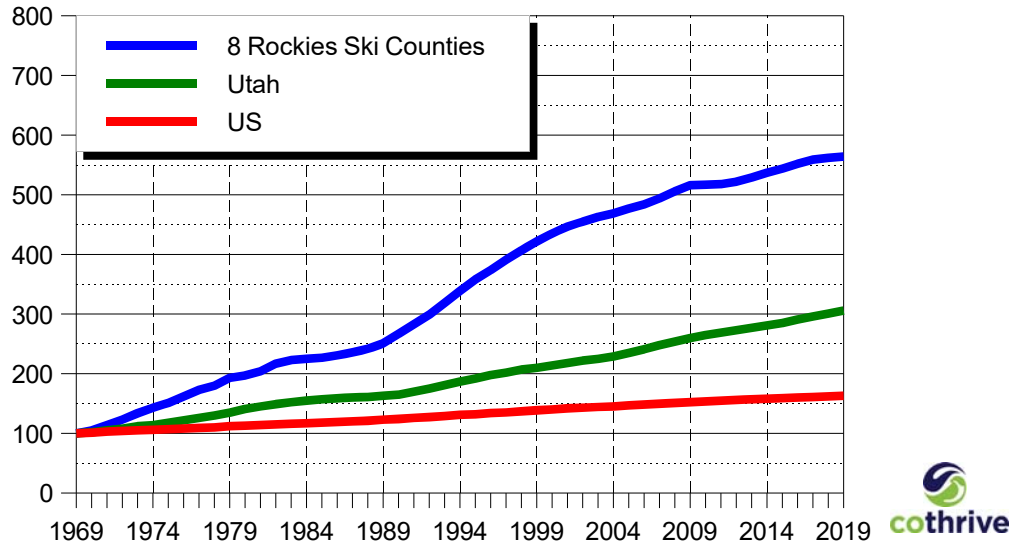


Let's Talk About Change (cont.)

Rockies ski counties' growth rate 2.5x US's

US v. 8 Rockies Ski Counties: 1969-2019

Relative Growth of Population (1969=100)

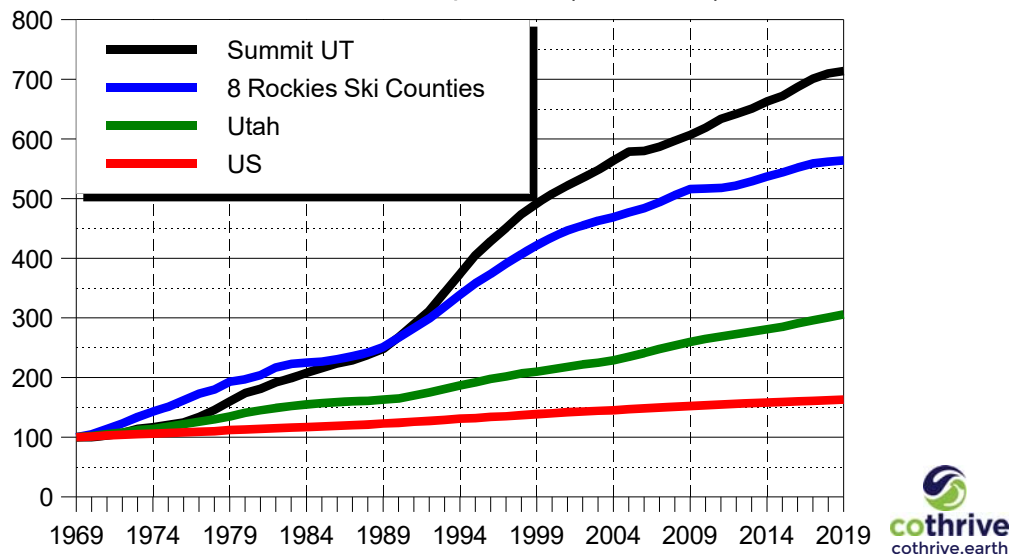


Let's Talk About Change (cont.)

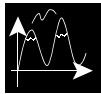
Summit County's growth rate 3.4x greater than US's

US v. 8 Rockies Ski Counties: 1969-2019

Relative Growth of Population (1969=100)



Part II: Schechter's Maxim & the Five Factors Driving Growth & Change



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Schechter's Maxim: Abbreviated

*Economies change faster than perceptions;
Perceptions change faster than politics*

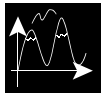
- For example...social networking
- Facebook first opened to all comers in Sept. 2006
 - ▶ **Economy**
 - 13 years later, annual revenue of \$70.7 billion; market cap of \$836 billion
 - ▶ **Perceptions**
 - Generally viewed as positive for first 10 years
 - Then came the 2016 election...
 - Today, it is under broad attack from left and right
 - ▶ **Politics**
 - Government has no idea how to regulate, or even if...



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Schechter's Maxim: In Full

- Science changes faster than technology
- Technology changes faster than economies
- Economies change faster than perceptions
- Perceptions change faster than politics
- Politics changes faster than legislation
- Legislation changes faster than jurisprudence

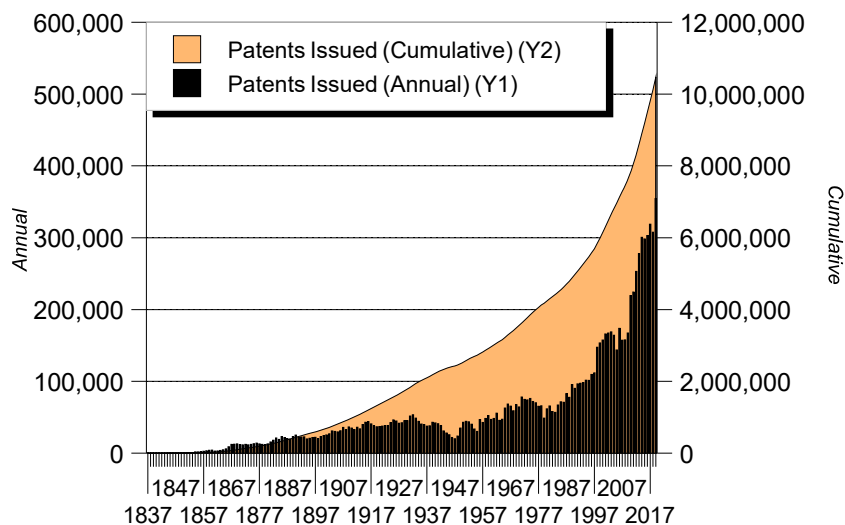


Schechter's Maxim

Science and technology are the drivers; exponential growth...

US Patents Issued: 1837-2019

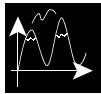
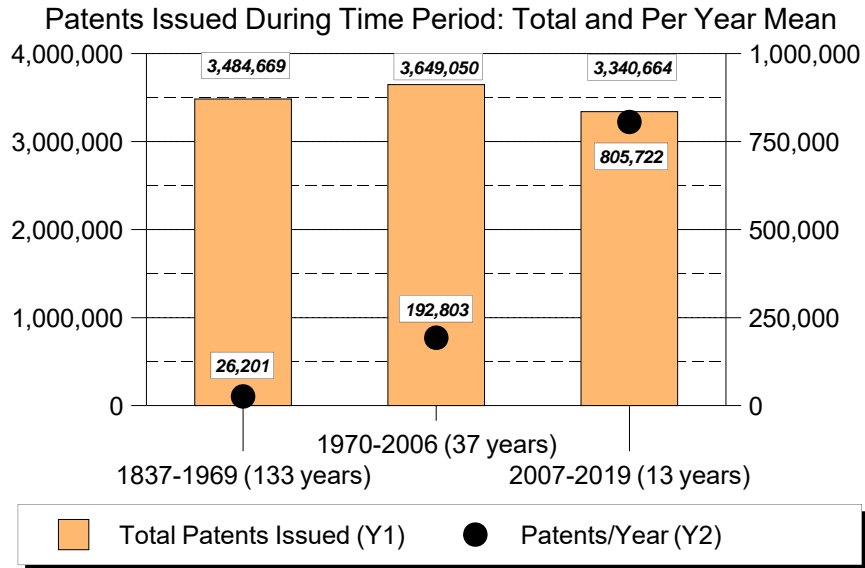
Annual & Cumulative



Schechter's Maxim (cont.)

About as many patents issued 1837-1969; 1970-2006; & 2007-19

US Patents Issued: 1837-2019

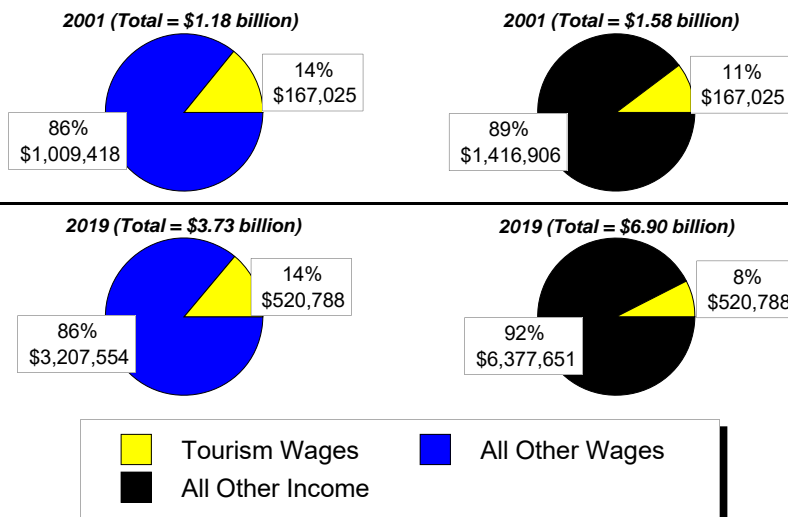


Schechter's Maxim (cont.)

The perception is that ski counties are driven by tourism...

8 Rockies Ski Counties: Per Capita Income

Income, by Source: 1969, 1994, 2019

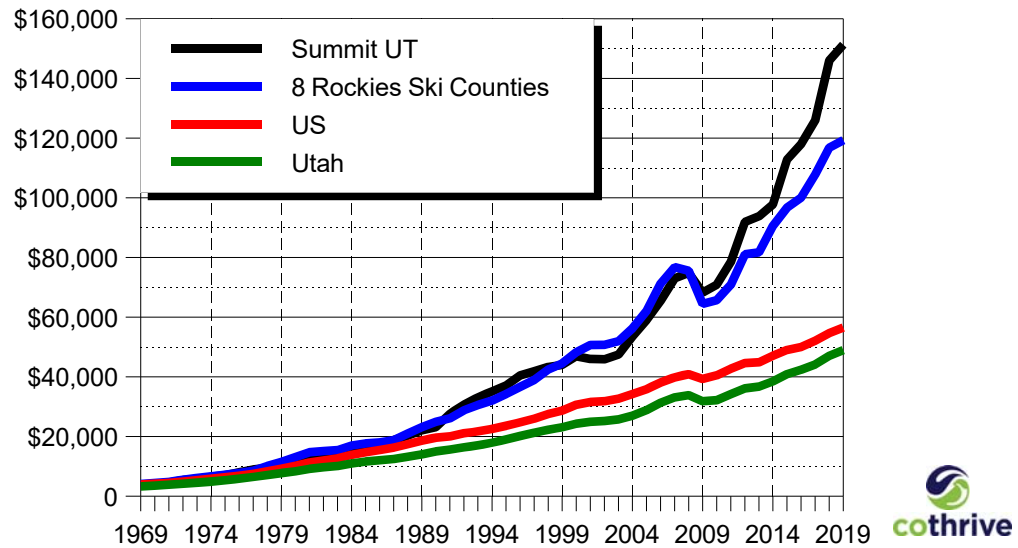


Schechter's Maxim (cont.)

But tourism wages don't drive this kind of income growth

US, Western US, Rockies Ski Counties: 1969-2019

Growth of Per Capita Total Income



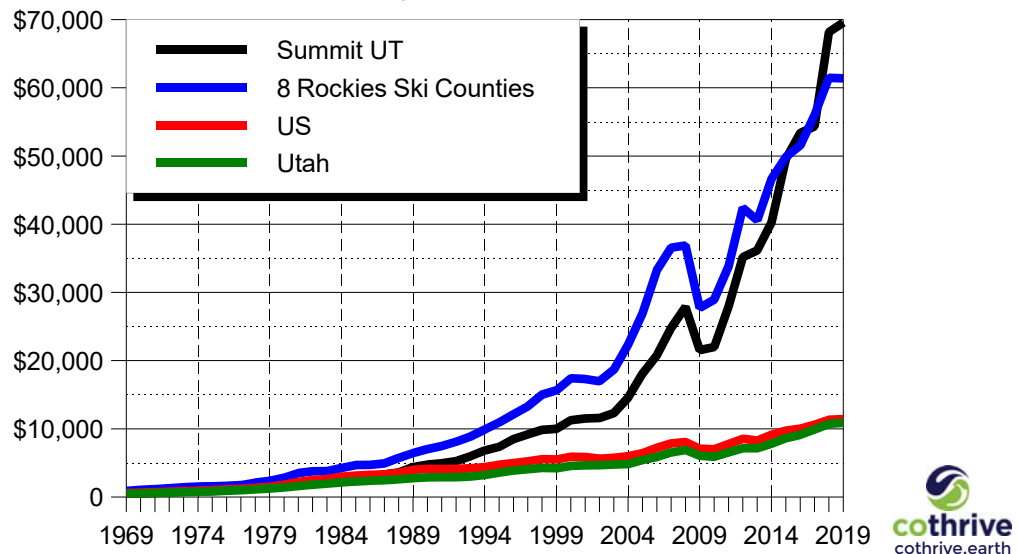
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Schechter's Maxim (cont.)

Investment income is 50% of total inc., and can go anywhere

US, Western US, Rockies Ski Counties: 1969-2019

Growth of Per Capita Investment Income

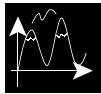


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5 Factors Driving Growth & Change

Think of how each has changed in one generation...

- Technology
 - *Patents, telecommunications, computers...*
- Economy
 - *The tech invasion of Utah*
- Transportation
 - *Cheap flights, great roads and cars, FedEx*
- Mores
 - *Casual dress*
- Values
 - *Flight from big cities & suburbs*



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The Net Result? Communities Change

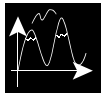
Not just their economies, but their mindsets

- Mountain/resort towns and counties have evolved:
 - *From the original ag./forestry/mining outposts...to resorts...to communities*
 - *The resort period lasted about one generation*
- Most people live in our towns because they want to, not because they have to
 - *Hence the importance of investment income – it goes where it wants to go, not where it has to be*
- The passion they have for where they live makes our residents care about things other than the economy.
 - *Yet the tools we have for assessing community well-being are almost exclusively economic*



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Part III: Generational Mis-Alignment



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Generational Misalignment

Q: How long is a generation?

- The three pillars of sustainability:
 - ▶ *Financial capital*
 - ▶ *Social capital*
 - ▶ *Environmental capital*

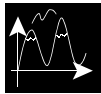


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Generational Misalignment (cont.)

Financial capital

- A generation = <30 years
 - *As short as a few milliseconds*
- Let's say 5 years
 - *Time horizon of a real estate deal*

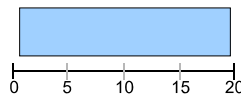


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Generational Misalignment (cont.)

Human capital

- A generation = ~26 years
 - *The age of a US mother when she firsts give birth*
- A more practical definition: when a kid leaves home
 - *Let's say 20 years*

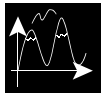
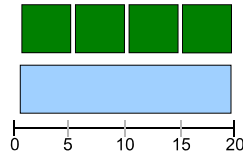


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Generational Misalignment (cont.)

Financial v. human capital

- But that's four financial generations

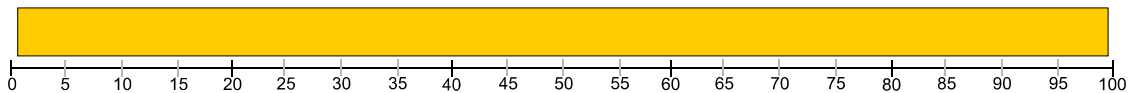


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Generational Misalignment (cont.)

Environmental capital

- Generation times vary wildly
 - *Lifespan of mayfly = 24 hours*
 - *Lifespan of bristlecone pine >5,000 years*
- A more practical definition: a Wasatch pine forest
 - *Let's say 100 years*

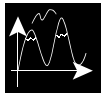
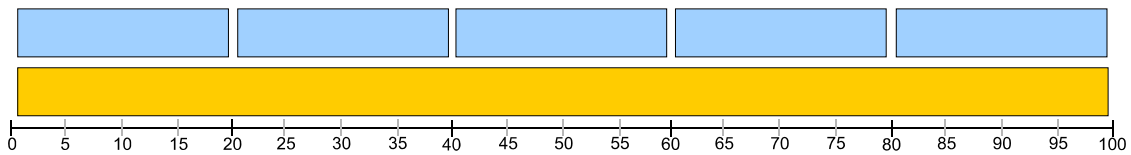


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Generational Misalignment (cont.)

Human v. environmental capital

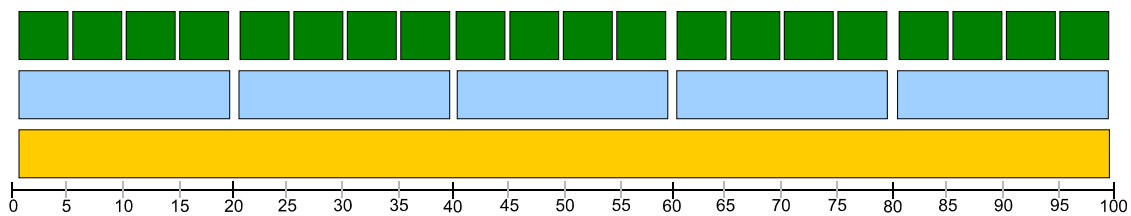
- But that's five human generations



Generational Misalignment (cont.)

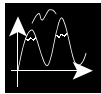
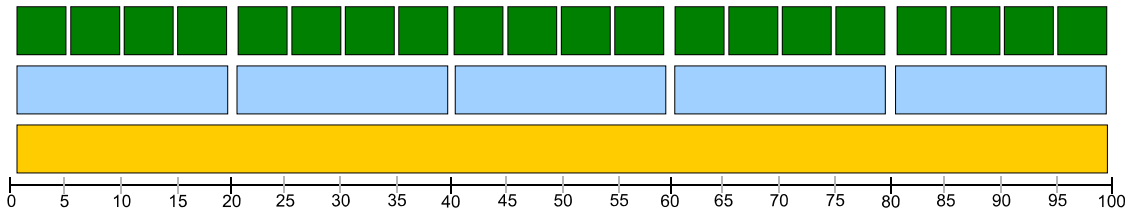
Finacial v. human v. environmental capital

- And twenty financial generations



Generational Misalignment (cont.)

Human nature is to value things in the moment, and discount the value of things in the future



Generational Misalignment (cont.)

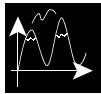
Now let's add one final element: politics



Generational Misalignment (cont.)

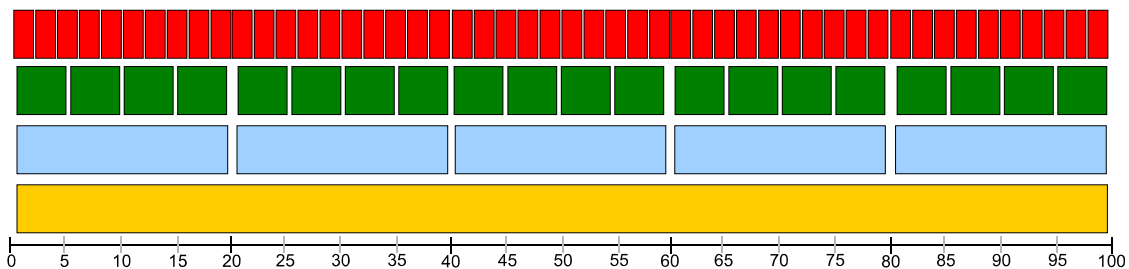
What is a political generation?

- In the U.S., most terms of office are four years.
- Since elections occur every two, let's call a political generation two years



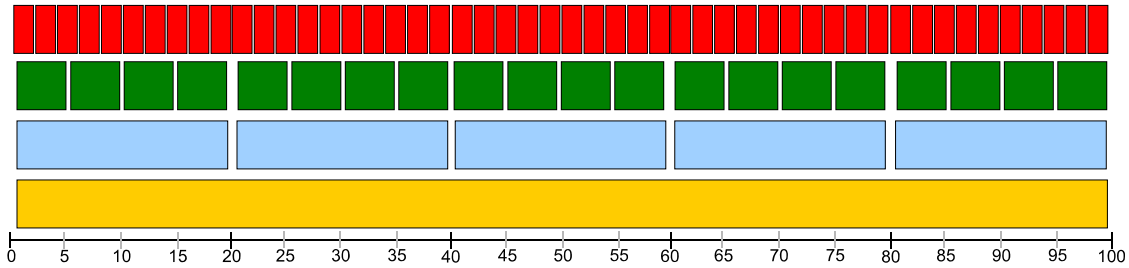
Generational Misalignment (cont.)

Do the math: One environmental generation spans five human generations, twenty economic generations, and fifty – count ‘em fifty – political generations



Generational Misalignment (cont.)

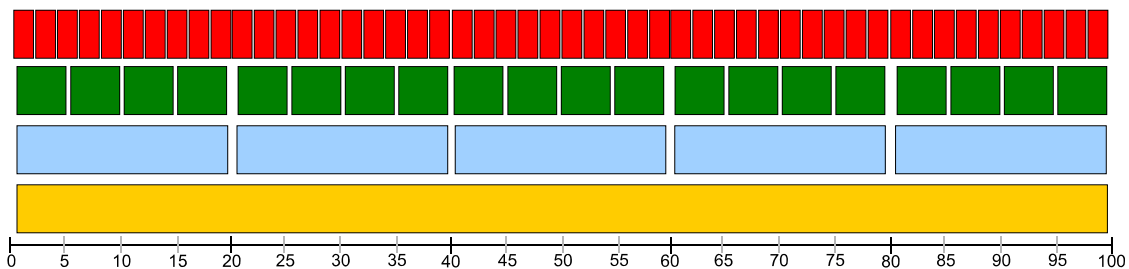
Right now, so much of our approach to environmental protection and ecosystem conservation relies on the political system. Ditto other “program” issues such as housing, transportation, and income inequality



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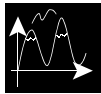
Generational Misalignment (cont.)

But it's hard to be an elected official and decide in favor of something that won't be feeling the effects of your decision for another five (human) or twenty (economic) or fifty (political) generations...



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Part IV: Each Sector's Role



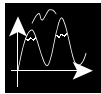
The Spectrum of Economic Activities

Our mechanisms for addressing humans' needs and wants



The Spectrum of Economic Activities

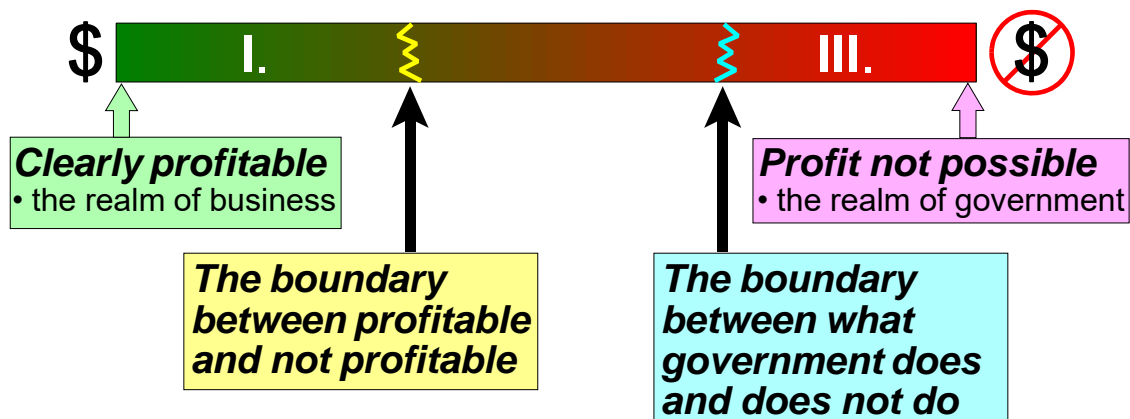
Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

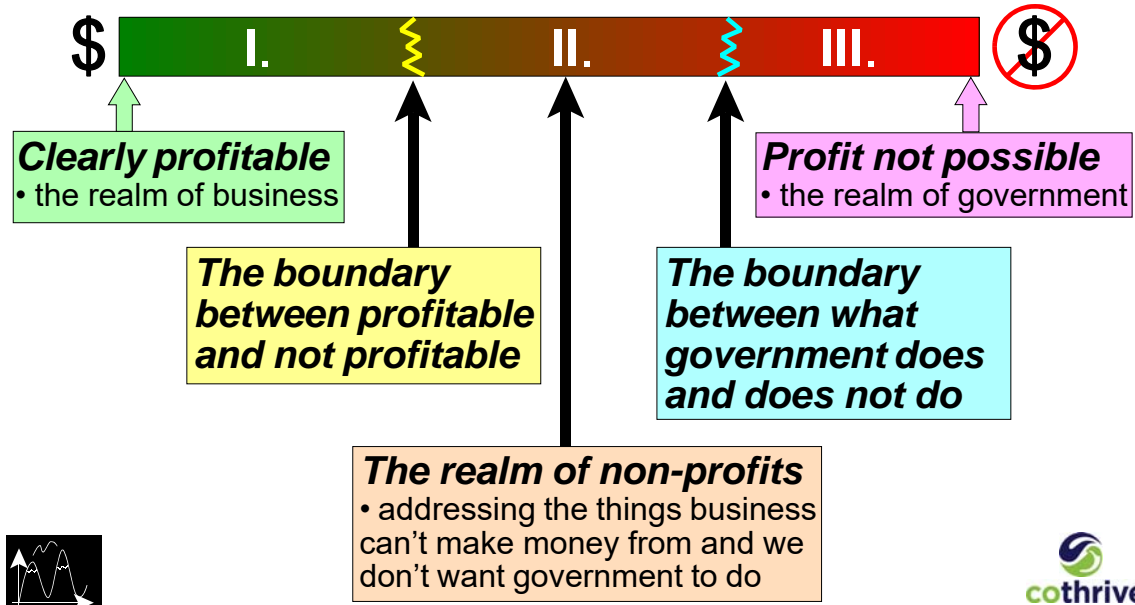
Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

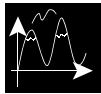
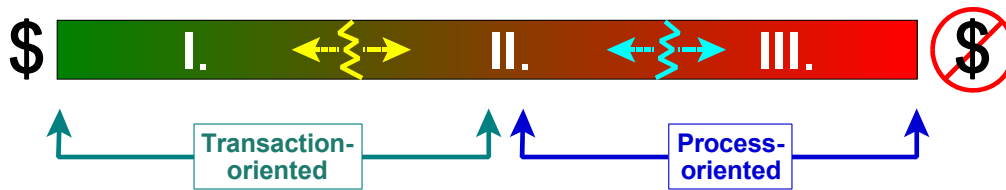
The boundaries move due to innovation, philosophy



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The Spectrum of Economic Activities

Business & some non-profit activities are transaction-oriented; government and many non-profit activities are process-oriented



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The Basic Point

*Under this construct, only one measurement matters: Profit.
More precisely, financial profit.*

- Only one question matters: Can a given good or service be provided profitably?
 - ▶ If “yes,” then the private sector will provide it.
 - ▶ If “no,” then government may provide it (depending upon how that society views government’s role).
- If business can’t and government doesn’t, then responsibility for providing that product either falls to non-profits, or it falls between the cracks.



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Observation I

Business is transaction-oriented

- In business, if an activity makes money, it is successful. If it doesn't; it's not.
- Finance is particularly transaction-oriented, and finance is the source of much of the new wealth moving into places like our communities. It also drives tech...
 - *Hence the importance of the HUGE rise in investment income, for money earned that way can live anywhere with increasing ease*
 - *Reminder: in the 8 ski counties, investment income accounted for 43% of total income in 2009; 51% in 2019.*
 - In Summit County, the figures were 32% and 46%.
 - In the US as a whole, the figures were 18% and 20%



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Observation II

In contrast, government & non-profits are not transaction-oriented, but process-oriented

- Non-profits and government exist because they are how we provide goods and services that cannot be provided for a profit; i.e., the products business cannot profitably provide.
- By extension, when we talk about “running government like a business,” we’re setting up governments and non-profits to fail. In two ways:
 - *Metrics*
 - *Perception*



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Observation III

Why does the system judge govt./non-profits as failures?

- Because, by definition, if we run something like a business, the fundamental reason we run it is to make money. From that flows all our tools and metrics.
- We run a government or non-profit, though, because it provides a good or service that we know **can't** make money. Hence we need a different set of tools and metrics.
- Before developing those tools and metrics, though, we first need to develop a different perspective



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Observation III (cont.)

Critical, critical caveat

- This is not to say that non-profits and governments should not be run efficiently – clearly they should.
- It is to say, however, that because non-profits and government provide goods and services which are, by definition, not capable of producing a profit, we must evaluate them using different tools and metrics.



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Observation IV

The genius of the tool that is financial profit

- Financial profit is:
 - ▶ ***Easy to understand*** (*can you sell your good or service for more than it costs to make?*); and
 - ▶ ***Easy to use*** (*did your revenue exceed your expenses?*)
- Because of this, it is **ubiquitiously used**
- We need a measurement of non-governmental success that shares these qualities



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Observation V

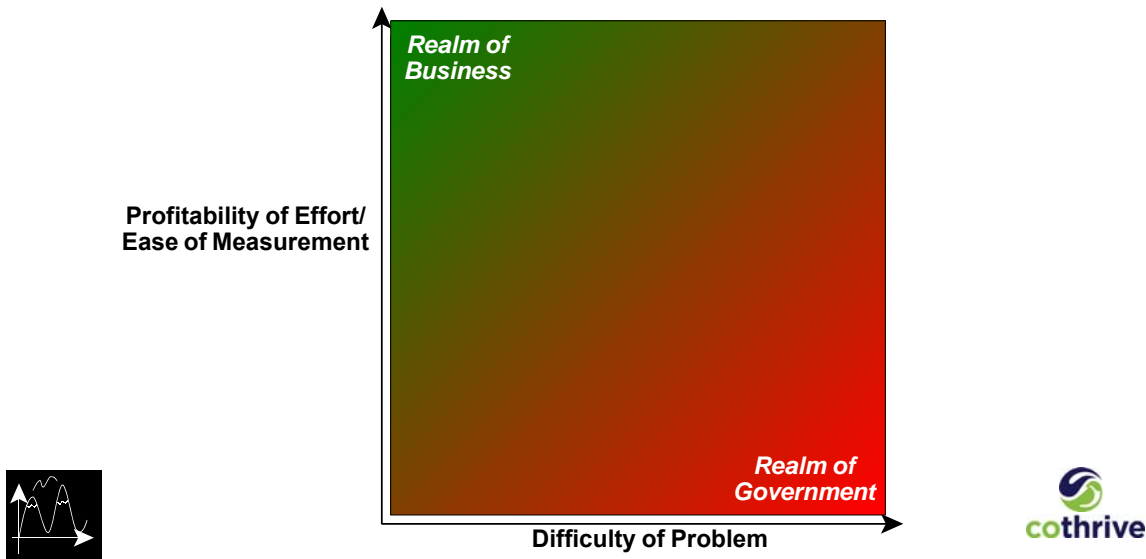
Underlying the different tools and metrics we use for judging non-business activities must be a different philosophy

- Which begs the question: If a non-profit or government can't successfully be judged by whether it makes money, then how do we judge it?
- Answer: *Currently, there is no answer.*
 - ▶ *We don't know. We default to thinking about non-profits and government like a business because it's our only commonly-shared mindset for judging the success of an enterprise*
- Put another way, financial profit is our lowest-common denominator. Because nature abhors a vacuum, we use it to evaluate all we do, even if it's the wrong tool for the job
 - ▶ *When the only tool you have is a hammer...*



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Absent a Clear Tool for Measuring Community Profit, We'll Continue to Face Two Struggles: Difficulty of Problem and Disagreement of Success

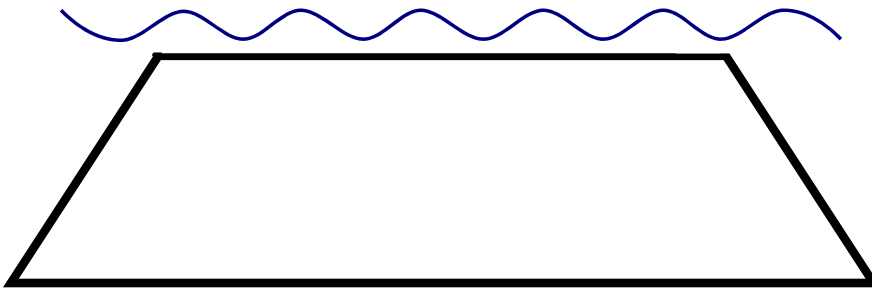


What Government Does: The Iceberg Model of Local Government



The Iceberg Model: Potholes

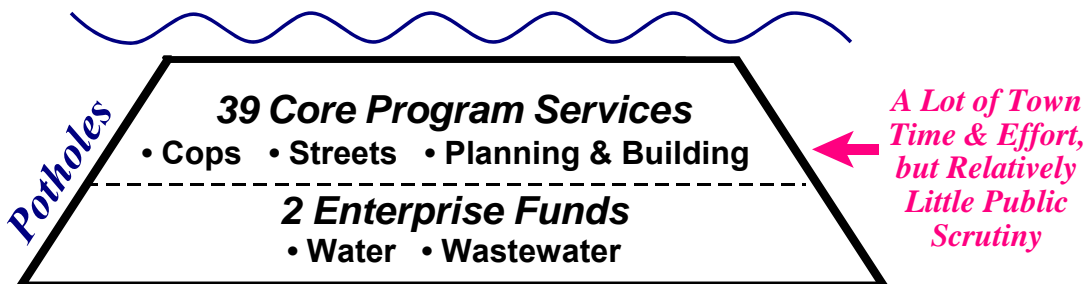
The basic services provided by local government



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The Iceberg Model: Potholes

The basic services provided by local government



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The Iceberg Model: Programs

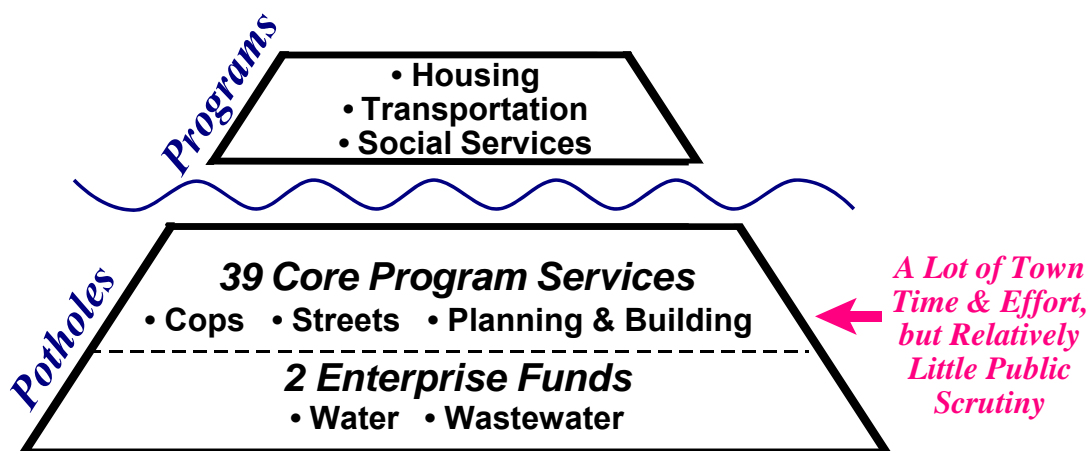
How we address our “special challenges”

- Every special place to live on the planet is facing the same suite of “special” challenges:
 - *Affordable housing*
 - *Transportation & related infrastructure*
 - *Issues related to growing income inequality*
- None of us have figured them out. **None**

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The Iceberg Model: Programs

How we address our “special challenges”



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The Iceberg Model: Potential

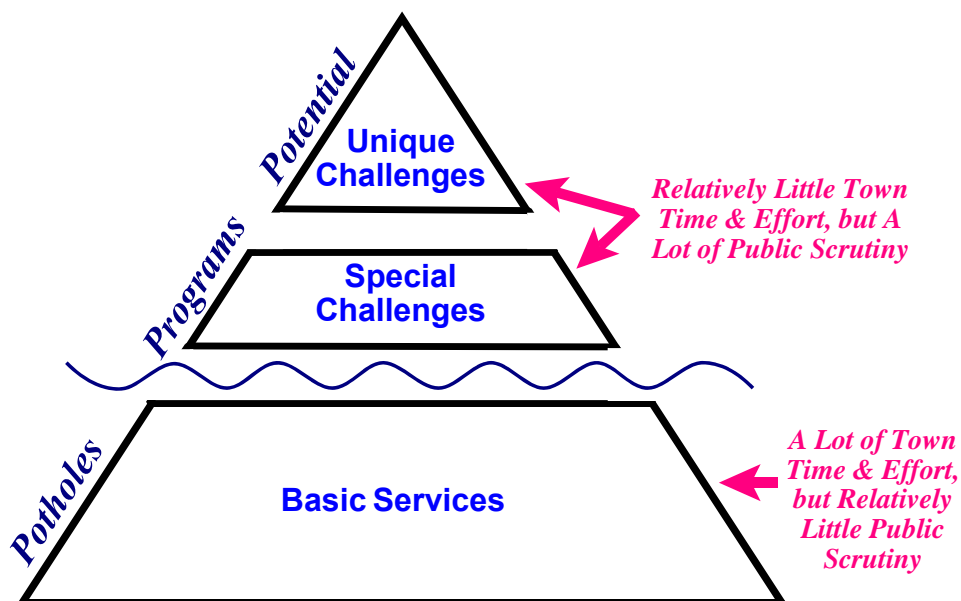
The “unique challenges” facing mountain towns

- Mountain Towns also face “unique challenges” related to having our economies and cultures so closely aligned with our surrounding environments
 - *Ultimately, our communities can be no healthier than the ecosystems in which they lie*
- The unique challenge for mountain towns is preserving, protecting, and restoring the health of our ecosystems while simultaneously maintaining our economic health
 - *There is no roadmap/blueprint/recipe for this. **None***

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The Iceberg Model: Potential

S=R-E: the expectations lie in the portion above the surface. What does Park City expect from its government?



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Part V: Myles Rips Me Apart

