

The Business Case for Investing in New Mexico's Children

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It's embarrassing to have to make a "business case" for doing something that's obviously the right thing to do. After all, what's the business case for loving thy neighbor as thyself? What's the business case for doing unto others as you would have them do unto you?

All we really need to do when it comes to New Mexico's children is to consider the words of Nelson Mandela, who said, "There can be no keener revelation of a society's soul than the way in which it treats its children."

And yet here we are faced with numbers about our state and our children that are unconscionably bad—numbers that are an indictment of our *inability* or, even worse, our *unwillingness* to take the measures needed to secure for our state's children the future they deserve.

Or perhaps what we have succumbed to in New Mexico is even worse, even more cynical—a gradual and growing acceptance of the status quo, simply because it *is* the status quo.

The Scandinavians have a name for this disease; they call it "home blindness." When you see the same thing every day, year after year, with no change and no improvement, after a while you come to confuse the way things *are* with the way things *have to be*—the way things will *always* be. You no longer even see the problem as a problem. You've come down with a case of "home blindness."

Social scientists have another name for this sickness. They call it "inner kill"—death from the inside-out. It's the death of hope and dreams and aspirations, the death of optimism and possibilities and opportunities—and ultimately the death of self-respect. It's what kills people—of all ages, old and young—when they simply give up and stop trying to make a difference with their lives.

Knowing all that is why it is a little disheartening to be the one to come before you today to make the business case for securing a bright future for New Mexico's children. The future we all know they deserve—and the future we all know from looking at the numbers and statistics and data in one distressing category after another that they are not going to have.

Not if we surrender to the status quo.

Not when our state ranks 48th in high school graduation rates.

Not when our state ranks 44th in teens who abuse drugs and alcohol.

Not when our state ranks 49th in children living in poverty.

Or 49th in teens giving birth—children having children.

Or 49th in children living in high poverty areas.

Or 50th—dead last—dead last in the overall well-being of our children.

"There can be no keener revelation of a society's soul than the way in which it treats its children." What would Nelson Mandela say about the way we are treating our children? About our sense of urgency for their future? Would he ask for the business case for investing in them? In their education, their health, their overall well-being?

Or would he simply cite a recent study that found that young people who drop out of high school have dramatically shorter lives? *That's right—dropping out of high school is hazardous to your health.* Dropouts die younger.

So if someone here in New Mexico announced a terrible, terrifying piece of news—that a horrible epidemic was ravaging our state and targeting our children, condemning them to lives of poverty and then sentencing them to premature deaths—you'd think that our elected leaders, our business and civic and spiritual leaders would all want to know the name of this disease and announce their readiness—their unified commitment—to do everything and anything to find the cure.

And anyone who had the poor taste or bad judgment to ask for the business case for saving our children's lives would be scorned. And rightfully so. We know the name of the disease—it's poverty and educational failure. And we know the name of the cure—it's early childhood education.

So with all that said—let me turn to the business case for New Mexico's children. Because we all know that it's not enough to *know* the right thing to *do* the right thing. We want to know the costs and the benefits, the ROI [return on investment], the bottom line on doing the right thing. We want the morally right move also to be a financially smart business move.

We want to align our money and our souls. So here goes.

Over the last 40 years or so I've had the good fortune of working on and writing about the way the world is changing—and what each of us individually and all of us together can do to bend that change in the direction we want it to go.

To be change *agents* rather than change *victims*.

I've written about it as editorial director of the *Harvard Business Review* and I've done it as an entrepreneur as co-founder of *Fast Company* magazine—the fastest growing, most successful business magazine in U.S. history.

And I've worked on it as policy advisor to the mayor of Portland, Oregon, as special assistant to the U.S. Secretary of Transportation, and as an advisor to the governors of Michigan and Massachusetts.

I've looked at the world of change as a journalist, an entrepreneur, and a team member in local, state and federal governments working to create a better future from Oregon to Massachusetts—and now, for roughly the last decade, here in New Mexico.

But my actual introduction to the power of change—to the challenge of change—came not in this country but in Japan.

The year was 1989 and I was working as the managing editor of the *Harvard Business Review* when I learned that I'd been named a leadership fellow by the Japan Society of New York. I'd been given a 3-month long opportunity to meet with the next generation of Japan's leaders in business, elected office, their ministries, and journalism.

Now 1989 was a long time ago (in some ways) and so some of you may not remember what was happening back then. In 1989, developers in Minneapolis broke ground on the largest shopping mall in the United States—the Mall of America. In 1989 President Bush (the first one) signed a law banning smoking on most domestic flights. And Dan Quayle, his vice-president, gave a speech in which he said, "What a waste it is to lose one's mind!" It was the year that the Dow Jones average passed the 2,500 mark for the first time in history. (Today, for those who haven't checked, the Dow started the day at almost 14,800.) In 1989, David Dinkins was elected New York City's first African-American mayor. And in 1989 students in China took over Tiananmen Square in a massive protest for freedom. 1989 was also the high-water mark of Japan's global economic domination.

Harvard Professor Ezra Vogel had written *Japan as Number One* detailing the strategy Japan was using to create a world-beating industrial policy. In everything from cars to consumer electronics the Japanese were—and I'm going to use a technical business term here—eating our lunch.

So much so that Japanese companies were using their huge profits to buy up U.S. trophy properties, from the Pebble Beach golf course to Rockefeller Center. Americans were concerned—and rightly so.

The Japanese appeared to be playing a completely different economic game, and we were caught flat-footed. In America, we not only didn't know how to play that game—we couldn't decipher the rules. It was as if the world had changed—suddenly, dramatically, and without warning—and we were locked in the past, with policies and programs that no longer matched reality.

So my trip to Japan could not have come at a better time—not if I wanted a close-up look at how change was reshaping our future. With a business card that said Harvard Business School on one side and the Japan Society of New York on the other, I had access to the technology labs and business leaders of Japan's most competitive companies—a front row seat to the future.

What I saw was both stunning and simple. The world *had* changed, the *game* had changed and the way you *won*—or lost—*had changed—permanently*.

Starting in 1989, only three things mattered.

To have an economic future, you had to understand and master three powerful forces:

First, Globalization—our national borders and boundaries no longer insulated us from competitors from other parts of the globe—the whole world was one big marketplace.

Second, Technology—digital technology coming out of high-tech labs was transforming everything—how we worked, where we worked, how we created value, how we connected with each other and with customers. In the future, everything would be personal, portable and digital.

And third, Human Capital—very simply, the team with the best people would win. Because the other two factors—globalization and technology—put everyone on the same level, the last factor—*people*, and their talents, their knowledge, their creativity, their drive, their entrepreneurial energy—became the one key driver of change. In the old economy we kept score only with *financial* capital. In the new economy, what mattered was *human* capital. People weren't an expense; they were our most important assets.

What I saw in 1989 convinced me that the economy we'd all grown accustomed to after World War II had vanished permanently. In this new economy—this knowledge economy—winning meant out-thinking, out-innovating, and out-executing the competition.

In 1993, when we produced the first issue of *Fast Company* magazine—20 years ago—we took those operating principles as our manifesto. The world had changed—and business was the force driving that change. You could divide companies into two groups: the ones that got it—and the ones that didn't. The ones that didn't get it were still playing the old game. They were stuck in the old story. But there was a new story, one that told old companies they had to change—or lose.

Adapt—or fail. Get fast—or die.

The new story was being written by a new breed of leaders. They embraced change—rather than resist it. They championed competition—rather than withdraw from it. They advanced technology—rather than avoid it. They

competed on innovative business models—on new ways of tapping the creativity of their people, connecting with their customers and making money.

At the same time, they talked about standing for something more than just making as much money as possible. They embraced the idea that the best companies exist to help people create meaningful lives.

And they treated their people as the most important part of their business. You began to hear business leaders and entrepreneurs say, “Our people are our only *real* asset. And unlike our office space, our desks, and our computers, these assets go home every night.”

The two most influential business books of the last 25 years, one by Tom Peters, the other by Jim Collins, both reached the same conclusion, independently: when it comes to creating a winning company, they said, “the hard stuff *is* the soft stuff”—meaning it wasn’t finance or tangible assets that made the difference. It was the soft stuff—the stuff that involved people.

Because in an economy of ideas, a knowledge economy, an economy based on your ability to out-think, out-innovate, out-execute the competition, very simply you need to attract, hire, retain, promote, reward and advance the best people—in the world.

Globalization. Technology. Human Capital.

For the past quarter-century, that’s been the new story—the story of the present and of the future—the story of how companies compete, how countries compete—and how states and local communities compete.

Which brings me to our state and our cause today.

In his best-selling business book, *Good to Great*, Jim Collins writes about the long, hard journey that companies take to achieve true greatness. Nothing happens, he says, until the leaders are willing to confront what he calls “the brutal facts of life.”

You’re here today because you are New Mexico’s leaders. As our state’s leaders, it’s time for all of us to confront the brutal facts of life. We all know the numbers and we know the numbers don’t lie.

There’s a reason why our state is both #50 in jobs created since the end of the Great Recession and #48 in high school graduation rates. Why we are the state with the largest gap between rich and poor and #47 in children living in families where the head of the household lacks a high school diploma. Because in the new economy, economic opportunity and educational performance go hand-in-hand.

Here’s what some other numbers tell us: Between 1980 and 2010, the hourly wages of young men with advanced degrees went up by 32%. For college graduates, wages went up by 20%. High school graduates saw their wages decline by 8%. They actually went down! And high school dropouts? The wages of high school dropouts went down by 14%. That’s the business case for New Mexico’s children. *We are creating poverty by our approach to education.*

It is not being unfair or unduly critical to say that our state has failed to grasp—or to act on—the undeniable logic of the last 25 years, the iron logic of the new economy.

Globalization. Technology. Human Capital.

It’s as if we didn’t get the memo.

Instead of investing in our children, building human capital, stressing innovation and entrepreneurship, our state business model seems as locked in the policies of the past as U.S. companies were back in 1989. We continue to emphasize tax cuts and deregulation and traditional infrastructure investments—a logic that ignores today’s reality, never mind the rapidly changing reality of the future—and pretends that if we’re cheaper than Texas or dirtier than Arizona we can lure a few low-paying, old economy jobs across our borders—assuming our uneducated or under-educated students could qualify for those jobs.

We are busily preparing our children for a future that’s already past. The road ahead is filled with the curves of change, but we are steadfastly driving the New Mexico economy straight ahead with our eyes firmly fixed in the rear view mirror.

Because once you accept the undeniable logic of globalization, technology and human capital, you quickly realize that our children aren’t competing with Texas and Arizona. They’re competing with Taiwan and Argentina.

And they’re not even competing for jobs—not in the old sense of the word. Because the best experts tell us that by 2020 roughly 40% of the work being done in this country will be work created *by the worker*—we’re all being called upon to be entrepreneurs of our own lives.

What that means is that we not only need to have our children begin school ready to learn, stay in school, finish high school, be college-ready, go to college, and graduate from college. We need them to learn how to out-think, out-innovate, and out-implement the competition. We need them to create their own livelihoods.

Why does this matter? Again, because in the new economy, economic opportunity and educational performance are two sides of the same coin.

And once again, the brutal facts of life don’t lie. Dropouts today have an unemployment rate of between 15% and 18% in our state—double that of high school graduates. Dropouts cost themselves a minimum of \$200,000 in earnings over their lifetimes—and make \$1 million less than a college graduate. If you want to talk about jobs, traditional jobs, dropouts today are ineligible for 90% of the jobs in the United States.

And they cost us money, all of us, as taxpayers. Each class of dropouts costs the state of New Mexico \$111 million in health care costs. And if every member of every New Mexico high school class were college-ready, we’d save almost \$32 million per year in remedial community college costs and lost earnings.

Here’s the bottom line: Every \$1 invested in turning a drop-out into a stay-in—into a successful graduate—returns between \$1.45 and \$3.55. Net net, the business case for educating New Mexico’s children is this: it’s the best investment money can buy.

And in the new economy, it may be the only investment that matters.

There’s one other critical component to this business case—and it’s something the Japanese taught us going back to 1989. When it came to creating high quality products, we learned, the Japanese had discovered a simple business truth: it’s faster, cheaper and better to build with quality than to try to add quality later. If you do it right the first time, you don’t have to waste time and money trying to get it right later.

The same is true for our children. The greatest investment we can make in their futures is in their earliest years—the years between birth and 5 years old. Those are the critical years when their brains are developing, when they are learning how to socialize with other kids, when they are developing the life-long skills that will equip them for the future—or not.

Too many of our children start on their first day of kindergarten already behind. The idea is that we'll fix it later. *We'll fix them later.* But there are three things wrong with that kind of thinking: first, those kids almost never catch up. Second, the cost of playing catch-up is staggering. And third, no child should ever have to suffer the humiliation of failure so young in life—the indignity of being treated like a car under warranty that's coming in to be fixed.

Again, the numbers don't lie: every \$1 invested in early childhood education yields an \$8 return on the investment. And instead of defeated kids, early childhood education produces young people who are motivated, excited, optimistic, and forward-looking.

So where does this leave us in New Mexico? Very simply, we have no choice. *And nowhere to go but up.* And nowhere to go but up.

The business case for New Mexico's children is very, very simple: Education *is* economic development. Investing in our children's schooling is the best economic strategy New Mexico can choose. In an economy driven by talent, we must do everything we can to encourage our children to develop and express their own individual talents.

In the end, this is the bottom line: It doesn't matter whether you make the case for New Mexico's children as a business case or an ethical case. *Because today, they are increasingly the same case.* There is no conflict here between the two. What is vital for New Mexico's children is vital for New Mexico business and New Mexico taxpayers.

Think of it this way: What if New Mexico were a publically held corporation? And what if it were accountable to its shareholders for its performance?

Well, the truth is, New Mexico *is* publically held. We're the public. We're the shareholders.

That means we're all responsible, we're all accountable for how our public investments are performing. How our jointly owned public corporation is doing. We're all responsible for asking the tough questions about New Mexico's balance sheet—our tangible and intangible assets—today and for the future. What does our balance sheet say about our critical early investments in our most valuable asset—our children? We're all responsible for challenging our state's business model—what do our investments say about our strategy? Are we focusing on the future, where well-educated entrepreneurs create high-value opportunities? Or are we stuck in the past, pursuing a race to the bottom, where low-paying jobs go to low-educated young people?

This is up to us. This is grass-roots leadership. This is the moment when we face the brutal facts of life. When we hit bottom and then set our eyes and our hearts and, yes, our wallets on the slow, steady, hard rise up the ladder.

This is when we acknowledge that the old story is officially over. When we begin to write New Mexico's own new story—a story of optimism and opportunity, entrepreneurship and innovation, self-reliance and creativity—attributes we have in abundance in our state—if only we choose to invest in them.

This is when we look one last time at the words of Nelson Mandela: “There can be no keener revelation of a society's soul than the way in which it treats its children” ... and we pledge our time and our money and our honor—and our souls—to do right by the children of New Mexico.

Thank you.