

CIO – corporate innovation online

Innovation management best practices

Op-ed.

Trump's missed opportunity.

A chance to build a competitive geographic region for now and the future. This is not in the current plan, but it should be!

CIO comments on strategy and innovation as Trump's plans unfold for North America and the world.

Introductory remarks

I am an engineer – a mechanical engineer, B.Sc. M.E. – who has spent a career working in the manufacturing/industrial industries. Manufacturing, for me, has been fascinating since the beginning. I am appalled at the current efforts to reintroduce all manufacturing to the U.S.

A bit of background might help the reader to understand the author's viewpoint. On graduating, my first job was in Manchester, England, where I worked for Metropolitan Vickers, which made 'large' things; steam and gas turbines, transformers, etc. in a place called Trafford Park. Twenty thousand employees worked there, and it is now a supermarket. My first consulting job on return to Canada was to have Scotian Gold as a client. They made every product from apples you can think of; juice, slices, sauce in Wolfville, Nova Scotia. Now the business is in smart storing of apples for release in the busy season when prices have peaked. Manufacturing of juice per se has moved to – guess where – China. I worked for Massey Ferguson in Toronto but on projects in Brantford, Detroit, Coventry and Kilmarnock. Massey Ferguson collapsed under bad management and a penchant for copying and not developing its own agricultural products. There is more to the story, but this is not the place to explain.

During my consulting career, which spans close to 40 years, my clients were mainly in manufacturing. I was always trying to make things faster and cheaper while increasing quality. Manufacturing has changed and the skills required

Introductory remarks

'Deepseek' provides its assessment of the U.S. economy.

CIO provides insight into the current climate for innovation in the U.S.

An alternative approach

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are vastly different from the ‘old’ days. Employment in manufacturing in North America has gone down. Much work has been replaced by sophisticated systems; robotics, CAD, CNN, etc.

All this is well known except for those who advise the current regime in Washington. There is no one visible in the cabinet who has worked in manufacturing and yet that is what the focus is of the regime. Manufacturing is not like real estate or bond trading and that should now be evident.

Rather than using the wrong-headed approach to modifying the world’s trade system, Trump, and more particularly his cohorts, could have opted for a more strategic – curated if you like the word - approach which would have encouraged innovation and brought economic prosperity to the U.S. and to its major trading partners, closest neighbors and, dare I say, friends. This does require a good understanding of how the economy works best and a knowledge of modern manufacturing.

If the Trump team wanted to accomplish its goal of restructuring its economy, including its military preparedness, it could have looked at the issue by respecting its neighbors, trading partners, and reinforcing the strength of all three countries.

Trump made the correct decision when he made an exception for Apple to continue to import products from China. There was no other practical decision to be made.

The U.S. economy according to ‘Deepseek’

To address strategic issues and to provide an unbiased answer, CIO visited ‘Deepseek’ for its assessment of U.S. economic strength. The question posed was whether the economic strength of the United States is underrated or overrated.

Here is ‘Deepseek’s’ answer. *CIO’s comments are in italics.*

Putting this (*‘Deepseek’ answers*) together, the answer needs to balance the strong traditional indicators (GDP, unemployment) against factors that aren't captured in those metrics (public sentiment, underemployment, inflation effects, future risks). The perception of economic strength might be overrated if relying solely on standard metrics but underrated if considering broader measures like GPI or resilience in the face of challenges. The answer should highlight both sides, using the sources to support each point. For example, EPI's data supports underrated strength, while consumer sentiment and alternative indicators from webpage (*seven web sites provided information*) 1 and 2 suggest overrated aspects. The EY and WEF reports add nuance about future risks and global context.

The economic strength of the United States is a topic of significant debate, with arguments for both its underrated and overrated aspects depending on the metrics and perspectives considered. Here's a synthesis of key insights from the search results:

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Arguments That U.S. Economic Strength Is Underrated

Strong Fundamentals:

- **Labor Market Resilience:** The unemployment rate has averaged 3.8% since 2022, lower than pre-pandemic levels (4.0% in 2017–2019). Job growth remains robust, averaging 217,000 monthly since 2022, far exceeding pre-pandemic averages.
CIO's take in other words, the labour market is tight.
- **Wage Growth:** Real wages for nonsupervisory workers grew 1.3% annually since 2022, outpacing previous cycles. Adjusted for inflation, wages for all workers reached \$35.36/hour in 2024, a record high.
CIO's take real wages are rising, not a lot but better than most.
- **GDP Growth:** Real GDP growth has averaged 2.9% annually since 2022, surpassing both the 2007–2019 business cycle (1.8%) and the Trump-era expansion (2.5%).

Innovation and Entrepreneurship:

- New business applications surged to 144,000 monthly since 2022, reflecting optimism and dynamism in the private sector.
- The stock market (S&P 500) has grown at 19.6% annually since 2022, adjusted for inflation, signaling investor confidence.
- **Post-Pandemic Recovery:** Despite shocks from COVID-19 and geopolitical events, the U.S. economy rebounded faster than expected. Forecasters upgraded 2024 GDP growth expectations to 2.2%, up from 1.3% in late 2023 12.

Arguments That U.S. Economic Strength Is Overrated

Misleading Traditional Metrics:

GDP Limitations: GDP measures output but ignores sustainability, inequality, and well-being. For example, two countries with identical GDPs could have vastly different social and environmental outcomes.

U-3 Unemployment: The "official" unemployment rate (U-3) excludes underemployed and discouraged workers. U-6 unemployment, which includes part-time workers seeking full-time roles, provides a fuller picture of labor market slack.

Public Sentiment Disconnect:

Despite strong data, 51% of Americans rate economic conditions as "poor," driven by persistent inflation (e.g., food prices up 25% since 2020) and housing costs. Rent and mortgage rates

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remain high, with homeownership out of reach for many.

"Vibecession": A term coined to describe the gap between economic data and public perception, exacerbated by "greedflation" (corporate profit-driven price hikes) and "shrinkflation" (reduced product sizes).

Structural Risks:

Trade Policy Uncertainty: Tariffs and protectionist measures have fueled market volatility, with the average U.S. tariff rate rising to 24% in 2025. This has led to reduced business investment and a projected GDP slowdown to 1.1% in 2025.

‘Deepseek’ brings the latest information into their response.

Debt and Inflation: Nearly all chief economists (97%) expect rising public debt, while 94% anticipate higher inflation due to tariffs and supply chain pressures.

A Nuanced Perspective

The U.S. economy exhibits historic resilience in traditional metrics (GDP, employment, wages), which may be underrated by critics. However, overreliance on these indicators risks overlooking systemic challenges:

- **Inequality and Cost of Living:** While wages grow, housing, healthcare, and education costs disproportionately burden lower-income households.
- **Partisan Perceptions:** Economic sentiment is increasingly polarized, with Republicans and Democrats diverging sharply based on political affiliation rather than data.
- **Global Headwinds:** Fragmentation in global trade and geopolitical tensions (e.g., U.S.-China rivalry) threaten long-term growth.

‘Deepseek’s’ answer is that the U.S. economy’s strength is both underrated and overrated, depending on the lens. Traditional metrics highlight robust fundamentals, but broader measures like the Genuine Progress Indicator (GPI) or public sentiment reveal gaps in sustainability and lived experience. Policymakers and analysts must balance these perspectives to avoid complacency or undue pessimism.

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U.S. military preparedness

It wasn't so many years ago that the government of the United States asked¹ ADL to examine the industrial structure of the country so as to ensure that the U.S. was well positioned in case of the need for military action. It was not a time of war. Preparedness was the issue! A follow up question about preparedness was, again, referenced to 'Deepseek'.

The question posed was **'Write a short paragraph on the preparedness of the United States for military action.'** Here is the response.

The United States faces significant challenges in military preparedness despite ongoing efforts to prioritize readiness.

Recent reports highlight systemic issues, such as aging equipment and insufficient modernization, with the Air Force's mission-capable rate dropping to 62% in 2024, leaving nearly 1,900 aircraft non-operational at any given time.

Budget constraints under temporary funding measures have further strained services, limiting new contracts for modernization and maintenance, as noted by military leaders who warn of risks to lethality and deployment capabilities.

The GAO emphasizes that over 100 unimplemented recommendations hinder progress, particularly in addressing personnel shortages, maintenance backlogs, and balancing modernization with existing force sustainment. Meanwhile, policy shifts under the 2025 Executive Order aim to bolster unit cohesion and combat effectiveness by enforcing strict medical and fitness standards, though critics argue these measures may exacerbate recruitment challenges.

Compounding these issues, the Air Force's fleet is now the smallest and oldest in its history, with pilot training hours critically low compared to Cold War levels. While initiatives like improved military healthcare aim to enhance personnel resilience, the overall readiness landscape remains precarious, marked by a tension between strategic overhauls and persistent material shortfalls.

'Deepseek' takes its information from a variety of web sites, eight web sites are referenced for this response, which make the following points. A GAO report notes challenges like aging equipment and balancing modernization with maintenance, referencing systemic issues. Air Force readiness; F-35A at 51.5%, smallest and oldest fleet, pilot shortages, low flight hours – in sharp contrast to the situation in China.

So, there are challenges for the U.S. if it wishes, as it does, to maintain military dominance in the world. These responses were made just before the imposition of tariffs.

¹ Arthur D Little Inc. circa 1970s

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Innovation culture in the U.S. according to CIO

The U.S. has always had a fantastic record for innovation. With its emphasis on both public and private research and development, the country has ranked high with ratings from the OECD and other international organizations. But there are now changes afoot that need further thought.

CIO has a questionnaire which it uses to assess a corporation's approach to managing its innovation. While it was not developed for application to a country, CIO has modified each question to provide insight into this important issue for the U.S.

Ten of the twenty-five questions included in CIO's questionnaire for corporate organizations are listed below. The total questionnaire is available on the web under www.corporateinnovationonline.com.

CIO's responses are in italics.

- Regarding whether the emphasis on profit is on the short or long term.
The current government obviously has focussed its actions on the short term with its radical approach to tariff issues. The White wants quick solutions from the application of tariffs.
- Is the country seeking innovation?
Yes, the focus is on change in so many areas not all of which are proving desirable, but that is another issue.
- Are the country's actions focussed on identifying opportunities or on rationing resources?
A difficult question to answer. The government is focussed on rationing federal government resources but still identifying and encouraging opportunities to invest in U.S. industry.
- Does the country have a tolerance for failure?
Current federal policy indicates that the government has a high tolerance failure as it shows little concern for the current negative results on the economy and lives of many groups of people (e.g. 401K).
- Do the actions of government consider the management of people or not?
Given the actions of DOGE and the seemingly arbitrary dismissal of staff from any number of agencies of government, there seems little concern for federal government staff.
- Since delegation is one of the characteristics of successful corporations as it most often signifies trust throughout an organization, does the government discourage or encourage the use of independent works groups *Much of the current action is very centralized within the government, so the answer has to be that there is very little delegation and little trust throughout the civil service.*

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- Do government policies permit or encourage personal development or not.
There is no immediate answer to this although the cancellation of DIE initiatives cannot be ignored.
- Are innovators per se staying with the organization or country as policies are unveiled?
Americans are very proud of their country and deservedly so. There is some indication that university research staff may most recently (since the current chaos) be seeking employment in other jurisdictions.
- Is R&D spending exceeding that spent by other countries?
The U.S. has a strong research imperative, but this is being challenged by other countries, particularly China. China's record of patents, for example, now exceeds those from the U.S. The current attitude to federal support of research at universities and key research institutions further reduces R&D funding and results.

Of all the above developments, perhaps the most serious is the growing destruction of the research and development infrastructure and capabilities of the U.S. The curtailment of R&D spending, based on CIO's research, is one of the best early indicators of a potential decline in a corporation.

An alternative approach

Cooperation in the North American bloc was and is the best choice

It seems clear to many that the tariff policies are moving at too fast a pace for all governments, federal, state and municipal, to keep pace and the implications are, and perhaps were, never anticipated. The implicit rapidity of the change is incapable of being managed by any country least of all by the perpetrator of the events.

The broad sweep of the tariff policies seems ill conceived. Trying to bring back sewing of blouses from Vietnam, or from wherever, seems counter productive and this kind of initiative does not address the need for the U.S. to improve its economy and its military preparedness.

The idea of returning manufacturing to the U.S. so rapidly shows the lack of understanding of what skills are required to enhance manufacturing and to make essentially complicated products efficiently. Years of training and experience are not easily transferrable. Communities need time to adapt.

The rapid application of tariffs and the implication that the movement of manufacturing can be done in a moment of time suggests a lack of appreciation of what it takes to set up, develop and make efficient a process that is economically sound. On a relative scale, it is easy to set up an assembly line (although more difficult now due to the extensive use of robots), than it is to engage in piece parts manufacturing.

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Parts manufacturing has been built up over many years and relies on a huge range of skills including trades (e.g. CAD, CNC, tool and die workers) often the result of effective apprenticeship programs. Entrepreneurship, organization, marketing, and often the community within which the facility is located are required for success. Skills involved were, and to a lesser extent these days, brought to North America – both the U.S. and Canada - from elsewhere, often Europe (e.g. Magna International) following the Second World War. Not all people want to live in the U.S. as some seem to believe. Both countries are attractive to many.

Consider JIT (just in time). A feature of the automotive business where the timing of deliveries to an assembly plant are timed tightly. The closer the supplier is to the assembly plant the more likely this concept works and is a reason for the concentration of auto making facilities. JIT did not just happen; it was a developed skill.

Remodelling of the automotive sector in North America will, as one is now finding out, take several years. It is already a strong sector comprised of three countries; the U.S., Canada and Mexico which takes advantage of labour cost differences and talent among these three countries. Leaving aside the damage done to this relationship over just the several months, the focus of policy should be on building on the historical relationship of neighbors to create strong industrial and commercial operations which can work together to compete with those outside this threesome.

The automotive sector is part of the question about U.S. preparedness. Facilities which can effectively manipulate iron, steel, aluminium and other industrial materials are essential to military preparedness.

Competition for world supremacy; an aspiration of the U.S., is shared by several other countries which only a few years ago, would not have been thought about to enter this race. China is the obvious example, but other countries and blocs are emerging; India, Brazil and the Brics are vying for a larger part of the world economy. Russia in its own way is looking for growth to its west. The U.S. will soon learn that it is better to have friends on its side, literally, geographically, than disadvantaged former neighbors. That is the long-term view.

Getting U.S. and Canadian priorities straight is the most obvious thing to do and that is the challenge for each country.

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