

RESTRUCTURING, REALLOCATING & NEW APPROACHES
FOR IMPROVING COMPETITIVENESS

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(msp chamber of commerce version)

I'M PLEASED TO BE HERE THIS MORNING TO SPEAK ABOUT THE SUBJECT OF CORPORATE RESTRUCTURING AND WHAT IT HAS MEANT FOR COMPANY COMMUNITY AND CORPORATE RESPONSIBILITY FUNCTIONS. I'LL GIVE YOU THE PUNCHLINE RIGHT UP FRONT. THE COMPANY COMMUNITY AND CORPORATE RESPONSIBILITY FUNCTIONS HAVE A NEW OPPORTUNITY -- EVEN AN OBLIGATION. THAT ADDITIONAL ROLE IS TO HELP OTHER SECTORS AND BUSINESS JOIN IN RESTRUCTURING, REALLOCATING RESOURCES AND FINDING NEW APPROACHES IN ORDER TO IMPROVE U.S. COMPETITIVENESS IN A FIERCELY COMPETITIVE WORLD ECONOMY.

EVERY COUNTRY IS STRIVING MIGHTILY TO BECOME MORE COMPETITIVE TO MAINTAIN OR INCREASE THE QUALITY OF LIVING FOR ITS PEOPLE. TWO WEEKS AGO, I WAS IN MOSCOW TO ATTEND GENERAL SECRETARY GORBACHEV'S PEACE FORUM AS A MEMBER OF THE BUSINESS ROUNDTABLE, ONE OF SEVEN GROUPS.

MUCH OF THE DISCUSSION IN OUR GROUP FOCUSED ON JOINT ENTERPRISES WHICH ARE NOW AUTHORIZED BETWEEN WESTERN

COMPANIES AND SOVIET ORGANIZATIONS BY A DECREE OF THE PRESIDIUM OF JANUARY 13, 1987. THE MAJOR OBJECTIVE OF THE JOINT ENTERPRISE PROGRAM IS TO IMPROVE THE QUALITY AND DECREASE THE COST OF SOVIET MANUFACTURED GOODS TO MAKE THEM COMPETITIVE IN WORLD MARKETS.

AUTHORIZING JOINT ENTERPRISES IS BUT ONE OF A NUMBER OF MEASURES FOR RADICAL IMPROVEMENT IN SOVIET ECONOMIC PERFORMANCE. ANOTHER IS TO REDUCE DRUNKENNESS IN SOVIET SOCIETY BY MAKING VODKA LESS AVAILABLE. E.G., AT GOVERNMENT FUNCTIONS, ONLY WINE IS SERVED. THERE IS THE STORY ABOUT THE RUSSIAN WHO WAS RECENTLY STANDING IN A LONG LINE TO BUY VODKA. HE BECAME SO FRUSTRATED THAT HE TOLD HIS FRIEND HE WAS GOING TO THE KREMLIN AND SHOOT GORBACHEV. IN ABOUT ONE HOUR, HE RETURNED AND SAID THAT HE WAS REJOINING THE VODKA LINE BECAUSE THE OTHER ONE WAS TWICE AS LONG.

AT THIS POINT, NO ONE CAN SAY FOR SURE HOW EFFECTIVE THE CHANGES WILL BE THAT GORBACHEV IS ENGINEERING. CONSIDERING THAT THE SOVIET UNION IS THE WORLD'S SECOND LARGEST ECONOMY, WITH MORE SCIENTISTS AND ENGINEERS THAN ANY OTHER COUNTRY,

AND WITH IMPROVED MANUFACTURING THROUGH JOINT ENTERPRISES, GORBACHEV'S PROGRAM IS NOT TO BE TAKEN LIGHTLY. ALSO, IT SHOULD SERVE AS ANOTHER REMINDER THAT DECLINING COMPETITIVENESS OF THE U.S. IN THE GLOBAL MARKETPLACE POSES A GRAVE THREAT TO THE WELLBEING OF OUR SOCIETY WITH ALL ITS SOCIAL INJURY AND SOCIAL INJUSTICE RAMIFICATIONS. AN ESSENTIAL PART OF THE EFFORT FOR REVERSING THE UNFAVORABLE TREND AND RAISING THE LEVEL OF COMPETITIVENESS REQUIRES A RESTRUCTURING OF ORGANIZATIONS IN VIRTUALLY ALL SECTORS OF SOCIETY TO REDUCE OPERATING COSTS, THE REALLOCATION OF RESOURCES TO THE MOST PRODUCTIVE USES AND NEW APPROACHES FOR IMPROVING PERFORMANCE.

SUCH EFFORTS ARE WELL UNDERWAY IN THE BUSINESS SECTOR. CORPORATIONS HAVE BEEN ELIMINATING LAYERS OF MANAGEMENT, CONSOLIDATING DIVISIONS, CLOSING DOWN OR SELLING LEAST PROFITABLE OPERATIONS, REDUCING THE WORKFORCE AND, AT THE SAME TIME, IMPROVING QUALITY OF PRODUCTS AND SERVICES.

THESE ACTIONS ARE WIDESPREAD, OF MASSIVE PROPORTIONS AND BEING MADE ACROSS ALL INDUSTRIES, NOT IN JUST THOSE WITH THE WORST PROBLEMS. AT&T TOOK A \$3.2 BILLION PRE-TAX CHARGE FOR PLANT CONSOLIDATIONS, INVENTORY WRITE-DOWNS AND JOB REDUCTIONS TOTALING MORE THAN 27,000. GENERAL MOTORS

ANNOUNCED THE CLOSING OF 11 U.S. AUTO MANUFACTURING PLANTS, 1/3 OF ITS DOMESTIC FACTORIES. SPERRY (NOW UNISYS), HONEYWELL, AND CONTROL DATA HAVE MADE MASSIVE LAYOFFS AND TAKEN LARGE WRITE-OFFS. AND THE LIST GOES ON. IN FACT, I DON'T KNOW ANY U.S. COMPANY THAT ISN'T DOING EVERYTHING IMAGINABLE TO BECOME MORE COMPETITIVE, INCLUDING NEW APPROACHES SUCH AS GIVING PRODUCTION WORKERS MORE RESPONSIBILITY FOR PRODUCT COST AND QUALITY AND HIGHLY IMPORTANT, INCREASING THE EFFICIENCY OF R&D THROUGH COOPERATION WITH OTHER ORGANIZATIONS. UNFORTUNATELY, THE ENORMOUS BENEFITS TO BE GAINED FROM COOPERATION ARE NOT WIDELY PERCEIVED. THE OUTSTANDING EXAMPLE OF COOPERATION WITHIN INDUSTRY IS MCC, THE MICROELECTRONICS AND COMPUTER CONSORTIUM FORMED FIVE YEARS AGO IN AUSTIN, TEXAS.

MCC PRESENTLY HAS 20 MEMBER COMPANIES WHO PROVIDE ALL OF THE FUNDING FOR MCC R&D PROJECTS. A LEVERAGE OF ABOUT 10 TO 1 IS BEING ACHIEVED FOR PARTICIPANTS. I.E., FOR EVERY DOLLAR CONTROL DATA INVESTS IN MCC R&D, WE GET RESULTS COSTING 10 DOLLARS. IN ADDITION, THE QUALITY OF THE STAFF IS SIGNIFICANTLY HIGHER THAN IN INDIVIDUAL COMPANIES.

WHAT IS NEEDED IS THE FORMATION OF MCC TYPE OF COOPERATIVE ORGANIZATIONS IN MANY MORE INDUSTRIES AND FIELDS SO MCC-SIZED

GAINS IN EFFICIENCY AND QUALITY OF R&D OCCUR ACROSS THE BOARD TO PROVIDE A VERY SIGNIFICANT BOOST TO INNOVATION TO IMPROVE COMPETITIVENESS.

IN ADDITION TO INCREASED COOPERATION, MUCH MORE NEEDS TO BE DONE, AND IT IS LIKELY THAT BUSINESS DOES NOT YET UNDERSTAND THE DEGREE TO WHICH FURTHER CHANGES WILL BE NECESSARY. YOU PEOPLE CAN HELP BRING ABOUT AWARENESS AND CHANGE IN YOUR OWN COMPANIES. BUT, IT IS IN THE OTHER SECTORS WHERE YOU CAN BE ESPECIALLY HELPFUL.

FOR THE MOST PART, PRIMARILY EDUCATION, STATE AND LOCAL GOVERNMENT AND PRIVATE NON-PROFIT COMMUNITY BASED ORGANIZATIONS HAVE YET TO FACE UP TO THE TOUGH DECISIONS AND UNPLEASANT TASKS OF IMPLEMENTATION INHERENT IN THE CHANGES REQUIRED.

OUTSIDE OF SOME CONSOLIDATION AND PAIRING AND SHARING AMONG PRIMARY AND SECONDARY SCHOOLS IN RURAL AREAS, RELATIVELY LITTLE PROGRESS HAS BEEN MADE IN THE EDUCATION SECTOR TO BETTER CONTROL COSTS AND ACHIEVE SUBSTANTIALLY IMPROVED LEARNING OUTCOMES. ACHIEVING THESE GOALS WILL REQUIRE MANY CHANGES INCLUDING MORE MOTIVATED STUDENTS, MORE RELEVANT CURRICULUM AND ^{Natural} UNIVERSAL TESTING OF TEACHERS' PROFICIENCIES AND STUDENT LEARNING OUTCOMES.

In addition to requiring more math and science through out the K-12 curriculum, the role of technology in society must be taught. Today most people are technologically illiterate. Hence the need for more science/math as part of education. However if the intellectually competent work of technology in developing new products, services, and jobs were understood

must add science included to study

PIVOTAL TO SIGNIFICANT IMPROVEMENT IS COMPUTER-BASED EDUCATION DELIVERY. WITHOUT THE WIDESPREAD USE OF COMPUTER-BASED EDUCATION, ~~I AM CONVINCED THAT~~ THE PERFORMANCE OF EDUCATION WON'T BE MARKEDLY BETTER FIVE YEARS FROM NOW THAN IT IS TODAY AND IN FACT FAR BELOW THE PERFORMANCE REQUIRED FOR OUR COUNTRY TO BE COMPETITIVE.

IN STATE AND LOCAL GOVERNMENT, THERE ARE MANY OPPORTUNITIES SIMILAR TO THOSE IN CORPORATIONS FOR ELIMINATING TIERS OF MANAGEMENT, CONSOLIDATING DEPARTMENTS, REDUCING THE TOTAL NUMBER OF EMPLOYEES AND ADOPTING NEW METHODS, ALL AIMED AT IMPROVING EFFICIENCY. FOR EXAMPLE, IN STATE GOVERNMENTS, THERE ARE SEPARATE DEPARTMENTS FOR AGRICULTURE AND ECONOMIC DEVELOPMENT.

SEPARATION HAS THE IMPLICATION THAT AGRICULTURE ISN'T A BUSINESS, BUT SOMETHING SPECIAL. THIS HAS HELPED TO CAUSE MISDIRECTION OF GOVERNMENT POLICIES THAT UNDERMINED THE FAMILY FARM. WHAT IS NEEDED IS A CONSOLIDATION OF THE DEPARTMENTS OF AGRICULTURE AND ECONOMIC DEVELOPMENT INTO A DEPARTMENT OF URBAN & RURAL ENTERPRISE. NOT ONLY WOULD MORE EFFICIENT ADMINISTRATION BE ACHIEVED, BUT FRESH THINKING WOULD BE STIMULATED.

ANOTHER IMPORTANT AREA FOR CHANGE IS THE TORTUROUS DECISION MAKING PROCESS IN STATE GOVERNMENT WHICH IS FRAGMENTED, CHAOTIC AND DOMINATED BY VESTED INTERESTS. WITH DEDICATED AND OBJECTIVE CONSIDERATION, THERE MUST BE WAYS OF IMPROVING IT.

THERE'S ALSO THE POTENTIAL IN A NUMBER OF AREAS OF BOTH STATE AND LOCAL GOVERNMENTS FOR CONTRACTING WITH THE PRIVATE SECTOR TO BOTH SAVE MONEY AND IMPROVE QUALITY OF SERVICE.

IN OUR COMMUNITIES, THERE HAS BEEN AN ENORMOUS PROLIFERATION OF PRIVATE NON-PROFIT ORGANIZATIONS WITH OVERLAPPING FUNCTIONS. FOR EXAMPLE, IN THE AREA OF ECONOMIC DEVELOPMENT, THERE ARE COUNTY ECONOMIC DEVELOPMENT CORPORATIONS, CITY ECONOMIC DEVELOPMENT CORPORATIONS, CHAMBERS OF COMMERCE, COUNTY EXTENSION OFFICES, SMALL BUSINESS DEVELOPMENT CENTERS AND SO ON. EACH ORGANIZATION IS DOING SOME GOOD BUT FALLING FAR SHORT OF WHAT NEEDS TO BE DONE BECAUSE OF LACK OF RESOURCES. THROUGH CONSOLIDATIONS, EFFICIENCY WOULD BE INCREASED AND GREATER RESOURCES WOULD BE AVAILABLE.

YOUR JOBS WILL BE EVEN MORE DIFFICULT BECAUSE SUPPORT OF NON-PROFIT ORGANIZATIONS THROUGH CASH CONTRIBUTIONS AND OTHER

TYPES OF ASSISTANCE BY CORPORATIONS WILL BE DECREASING BECAUSE OF CORPORATE RESTRUCTURING, REALLOCATION AND CONTINUING PRESSURE ON PROFITS. CORPORATE STAFF PERSONNEL ENGAGED IN COMMUNITY AFFAIRS ARE BEING REDUCED AS WELL AS REDUCTIONS MADE IN THE LEVEL OF GIVING. MORE SERIOUS IS THE CHANGE IN ATTITUDE OF MANY OF THE CURRENT GENERATION OF CORPORATE EXECUTIVES WHO SHOW A GROWING TENDENCY TO SHUN COMMUNITY CONCERNS.

CERTAINLY, THE VIABILITY OF THE BUSINESS HAS TO HAVE PRIORITY, AND IF REDUCED CORPORATE OUTLAYS FOR COMMUNITY ASSISTANCE ARE NECESSARY TO HELP INSURE SUFFICIENT RESOURCES TO BE COMPETITIVE, THEN SUCH ACTION IS PRUDENT. HOWEVER, AT THE SAME TIME, YOU MUST HELP FIND WAYS WHEREBY BUSINESS CAN AFFORD TO HELP ADDRESS THE NEEDS OF COMMUNITIES. SOME OF THE MOST IMPORTANT NEEDS SHOULD BE VIEWED AS LONG-TERM, PROFITABLE BUSINESS OPPORTUNITIES WHICH ARE ADDRESSED COOPERATIVELY BY BUSINESS, GOVERNMENT AND OTHER SECTORS WHERE THE GOVERNMENT SHARES THE FINANCING RISK AND PROVIDES TAX INCENTIVES.

ONE SUCH NEED IS MORE JOBS IN RURAL AMERICA, ESPECIALLY HERE IN THE MIDWEST. WHAT IS REQUIRED IS A LARGE SCALE COMPREHENSIVE PUBLIC/PRIVATE COOPERATIVE EFFORT WITH A TWO-PRONGED THRUST.

ONE IS AIMED AT DEVELOPING AND APPLYING TECHNOLOGY WHICH WILL SUBSTANTIALLY CUT FARM PRODUCTION COSTS. THE OTHER IS FOCUSED ON DIVERSIFYING THE BUSINESS BASE IN RURAL COMMUNITIES BY STARTING MANY NEW BUSINESSES. ONLY THROUGH BROAD-BASED COOPERATION IS SUCH AN EFFORT DOABLE AND AFFORDABLE.

ALTHOUGH I'VE LONG BEEN AN ADVOCATE OF SUCH AN APPROACH, THERE HAS BEEN LITTLE SUPPORT FOR IT, EITHER IN BUSINESS, GOVERNMENT OR ELSEWHERE. SERIOUS THOUGHT WILL SHOW THAT A COMPARABLE ALTERNATIVE REALLY ISN'T AVAILABLE, SO WE BETTER GET OUR HEADS TOGETHER AND START PLANNING AND IMPLEMENTING PROGRAMS OF THAT TYPE, ALONG WITH OTHER PRODUCTIVE PUBLIC/PRIVATE COOPERATIVE EFFORTS TO MEET SOCIAL NEEDS. AGAIN, THE CHALLENGE TO YOU IS TO BRING ABOUT AWARENESS AND INVOLVEMENT.

AT THE SAME TIME, YOUR PARTICIPATION - OR AT LEAST ADVOCACY - IS CALLED FOR IN MOVING AHEAD WITH STATEWIDE ACTIONS TO STREAMLINE, REALLOCATE AND ADOPT NEW APPROACHES IN ALL SECTORS TO IMPROVE PERFORMANCE BECAUSE THE SERIOUSNESS OF EROSION OF U.S. COMPETITIVENESS CAN HARDLY BE OVERSTATED. DELAY IN RESPONDING WILL ALLOW FURTHER DECLINE IN OUR ECONOMIC STRENGTH WHICH WILL MAKE IT EVEN HARDER IN THE

FUTURE TO TAKE THE ACTIONS NECESSARY TO BETTER COMPETE. FAILURE TO COMPETE WILL RESULT IN A LONG LIST OF SERIOUS CONSEQUENCES OF SPECIAL INTEREST TO YOU PEOPLE -- AT THE TOP OF THE LIST ARE POVERTY AND UNEMPLOYMENT WITH THEIR ATTENDANT CANCERS OF CRIME, ALCOHOLISM, CHILD AND WIFE ABUSE, SUICIDE, ETC.

OBVIOUSLY, WE MUST NOT LOSE THE COMPETITION BATTLE. I INVITE YOU TO JOIN. YOU ARE UNIQUELY POSITIONED TO MAKE A DIFFERENCE.