

REMARKS BY

WILLIAM C. NORRIS
CHAIRMAN EMERITUS
CONTROL DATA CORPORATION

AT

THE SEVENTH NATIONAL CONFERENCE
ON BUSINESS ETHICS

SPONSORED BY
BENTLEY COLLEGE

OCTOBER 15, 1987
WALTHAM, MASSACHUSETTS

FOR RELEASE UPON DELIVERY

 CONTROL DATA

ETHICS OF ORGANIZATIONAL TRANSFORMATION
IN TAKEOVERS, PLANT CLOSINGS AND COOPERATIVE VENTURES

IT IS A PLEASURE TO PARTICIPATE IN THIS CONFERENCE ON THE ETHICS OF ORGANIZATIONAL TRANSFORMATION. FROM THE SPECTRUM OF BUSINESS PRACTICES FALLING UNDER THE UMBRELLA OF ORGANIZATIONAL TRANSFORMATION, I HAVE CHOSEN TO FOCUS MY REMARKS ON THE CATEGORIES OF HOSTILE TAKEOVERS, FRIENDLY MERGERS, PLANT CLOSINGS, AND LARGE SCALE TECHNOLOGICAL COOPERATION.

BEFORE PROCEEDING WITH THE REVIEW OF THE SELECTED CATEGORIES, I SHOULD MAKE FOUR STATEMENTS AS BACKGROUND:

FIRST, FOR THE MOST PART, ETHICS IS CURRENTLY BEING RELEGATED TO A BACK SEAT IN THESE TRANSFORMATIONS AS MANY CORPORATE EXECUTIVES ARE BEING PRESSURED TO RADICALLY CHANGE THEIR PRACTICES TO BECOME MORE COMPETITIVE. THOSE CHANGES REFLECT DIMINISHING CONCERN FOR EMPLOYEES, COMMUNITIES AND NATIONAL INTERESTS. WHILE THIS DRIVE FOR COMPETITIVENESS APPEARS TO BE PAYING OFF AT THE MOMENT, IT WILL BE SELF-DEFEATING IN THE LONG RUN, UNLESS ETHICS HAS A PROMINENT ROLE.

SECOND, IT IS DIFFICULT TO EXAGGERATE THE SERIOUSNESS OF THE DECLINING COMPETITIVE POSITION OF THE U.S. IN WORLD MARKETS WITH ITS ADVERSE ECONOMIC AND SOCIAL CONSEQUENCES. THE 1985 REPORT OF THE PRESIDENT'S COMMISSION ON INDUSTRIAL COMPETITIVENESS PROVIDED A GOOD PERSPECTIVE OF THE FOREIGN COMPETITIVE CHALLENGE WHICH CUTS ACROSS THE BREADTH OF AMERICAN INDUSTRY. IT WARNED THAT OUR ABILITY TO COMPETE WAS ERODING, AND THAT WE WERE LOSING WORLD MARKET SHARE IN INDUSTRY AFTER INDUSTRY, INCLUDING SEVEN OUT OF TEN HIGH TECHNOLOGY INDUSTRIES. FURTHER, IT SHOULD BE NOTED THAT NINE OF THE TEN FASTEST GROWING U.S. INDUSTRIES HAVE BEEN IN HIGH TECHNOLOGY AREAS; AND CURRENTLY CONSTITUTE 43 PERCENT OF THE TOTAL VALUE OF U.S. MANUFACTURED EXPORTS.

UNFORTUNATELY, THE TRENDS FLAGGED BY THE PRESIDENT'S COMMISSION HAVE CONTINUED. ACCORDING TO THE DEPARTMENT OF COMMERCE, THE U.S. RECORDED ITS FIRST WORLDWIDE TRADE DEFICIT IN ELECTRONICS IN 1986, GOING FROM A \$1.3 BILLION SURPLUS IN 1985 TO ALMOST A \$1.9 BILLION DEFICIT LAST YEAR. AT THE SAME TIME, A REPORT PREPARED FOR THE JOINT ECONOMIC COMMITTEE OF CONGRESS PREDICTED THAT WHEN ALL THE FIGURES ARE IN, 1986 WILL PRODUCE THE FIRST FULL-YEAR HIGH TECHNOLOGY TRADE DEFICIT SINCE THIS CATEGORY WAS FIRST IDENTIFIED.

LOSS OF MARKET LEADERSHIP IN HIGH TECH INDUSTRIES IS NOT RESTRICTED SOLELY TO REDUCED TRADE AND LOSS OF JOBS IN HIGH TECH

COMPANIES. ADVERSE EFFECTS ARE ALSO FELT WIDELY IN OTHER SECTORS, BECAUSE HIGH TECH PRODUCTS, SUCH AS MICRO-COMPUTERS, ARE USED TO IMPROVE THE PERFORMANCE, QUALITY AND LOWER COST OF PRODUCTS, PROCESSES AND SERVICES IN OTHER INDUSTRIES. HENCE, OTHER INDUSTRIES CAN BE PLACED AT A SEVERE COMPETITIVE DISADVANTAGE IF THEY DO NOT HAVE THE SAME ACCESS TO THE MOST ADVANCED HIGH TECH PRODUCTS AS THEIR FOREIGN COMPETITORS.

IMPROVING THIS DISMAL SITUATION IS A GARGANTUAN TASK, REQUIRING MANY ACTIONS; HOWEVER, THE MOST IMPORTANT IS A VAST INCREASE IN INNOVATION. LET US BE REMINDED THAT INNOVATION IS THE PROCESS OF GETTING NEW PRODUCTS AND SERVICES ON THE MARKET OR IMPROVING EXISTING ONES. IT OFTEN STARTS WITH RESEARCH, WHICH IS FOLLOWED BY DEVELOPMENT, MANUFACTURING AND MARKETING. INNOVATION IS ALSO THE SOURCE OF MOST JOBS.

MY THIRD STATEMENT IS TO NOTE THAT THERE IS A CONSIDERABLE COMMONALITY OF MEANING AND, AT THE SAME TIME, AMBIGUITY IN THE USE OF SUCH TERMS AS ETHICS IN BUSINESS, MORALITY IN BUSINESS, CORPORATE RESPONSIBILITY AND SOCIAL RESPONSIBILITY; HOWEVER, I BELIEVE THAT EACH OF THESE CONCEPTS FORM THE UNDERPINNING OF A BROADER NOTION OF SOCIAL JUSTICE -- ALSO, I BELIEVE THAT MOST AGREE THAT THIS BROADER CONCEPT OF SOCIAL JUSTICE COMMUNICATES BEST WHAT WE WANT MOST FOR OUR COUNTRY.

FURTHER, BECAUSE OF THE COMPLEX INTERRELATIONSHIPS IN OUR SOCIETY, ANY ONE SECTOR -- EVEN BUSINESS, WITH ITS VAST RESOURCES -- IS SEVERELY HANDICAPPED AND CANNOT BE NEARLY AS EFFECTIVE AS IT MIGHT BE IN FURTHERING SOCIAL JUSTICE, UNLESS THERE IS COOPERATION WITH OTHER SECTORS.

THE SINGLE, MOST EFFECTIVE WAY TO PROMOTE SOCIAL JUSTICE IS TO CREATE MORE JOBS, ESPECIALLY BETTER-PAYING JOBS -- OR PUT ANOTHER WAY, THE SOURCE OF SOCIAL INJUSTICE, BE IT POVERTY, CHILD ABUSE, ALCOHOLISM OR CRIME, HIGHLY CORRELATES TO THE DENIAL OF THE RIGHT TO A DECENT JOB. UNFORTUNATELY, THERE ARE A LARGE NUMBER OF PEOPLE IN THAT CATEGORY, INCLUDING THE HANDICAPPED AND DISADVANTAGED IN BOTH URBAN AND RURAL AREAS. RURAL POVERTY IS INCREASING, AND AN URBAN UNDERCLASS IS GROWING -- BOTH ARE CONTRIBUTING TO THE DEVELOPMENT OF A TWO-TIERED SOCIETY.

AS WITH IMPROVING COMPETITIVENESS, THE SINGLE MOST IMPORTANT ACTION FOR IMPROVING THE AVAILABILITY OF JOBS IS A VAST INCREASE IN INNOVATION. FURTHER, SUCH EFFORT IS ONLY AFFORDABLE IF WE INCREASE THE EFFICIENCY OF THE CREATION AND APPLICATION OF TECHNOLOGY THROUGH BROADLY-BASED TECHNOLOGICAL COOPERATION.

MY FOURTH AND LAST STATEMENT IS THAT BUSINESS CAN BEST PROMOTE SOCIAL JUSTICE -- NOT WITH ACTS OF CHARITY -- BUT BY FOSTERING INNOVATION THROUGH CERTAIN TYPES OF COOPERATION AND OTHER ACTIONS WHICH INCREASE COMPETITIVENESS AND, AT THE SAME TIME, PROMOTE JOB CREATION. SUCH AN APPROACH SHOULD BE WELCOMED BY CORPORATE EXECUTIVES, MOST OF WHOM HAVE A SOCIAL CONSCIENCE AND WOULD LIKE TO SERVE THE COMMON INTEREST, IF THEY CAN ACHIEVE THAT GOAL IN CONSONANCE WITH BUSINESS OBJECTIVES.

TECHNOLOGICAL COOPERATION

WITH THAT BACKGROUND, I WILL NOW REVIEW LARGE SCALE TECHNOLOGICAL COOPERATION. UNFORTUNATELY, NEITHER THE NEED NOR DESIRABILITY OF A MASSIVE EXPANSION IN LARGE SCALE COOPERATION IS WIDELY UNDERSTOOD; HOWEVER, THERE IS A GRADUAL AWAKENING TO THE MERITS OF COOPERATION, IN GENERAL, AS EVIDENCED BY THE GROWING NUMBER OF JOINT VENTURES BETWEEN TWO COMPANIES TO DEVELOP, MANUFACTURE AND MARKET PRODUCTS AND BY SMALL SCALE COOPERATIVE RESEARCH PROGRAMS AMONG INDUSTRY, UNIVERSITIES AND STATE GOVERNMENT.

WHILE THERE HAVE ONLY BEEN A FEW LARGE SCALE COOPERATIVE EFFORTS INVOLVING A NUMBER OF COMPANIES, UNIVERSITIES AND GOVERNMENT, SUCH EFFORTS ARE CRITICALLY IMPORTANT AS THE BEST WAY TO DEVELOP BASE TECHNOLOGIES WHICH CAN BE WIDELY UTILIZED BY INDIVIDUAL COMPANIES FOR CREATING NEW PRODUCTS, SERVICES AND PROCESSES OR IMPROVING EXISTING ONES.

MCC: THE OUTSTANDING EXAMPLE OF LARGE SCALE TECHNOLOGICAL COOPERATION IS MCC, THE MICROELECTRONICS AND COMPUTER TECHNOLOGY CORPORATION. IT WAS ESTABLISHED FOUR YEARS AGO AND IS LOCATED IN AUSTIN, TEXAS. INITIALLY, THERE WERE ELEVEN MEMBER COMPANIES FROM THE U.S. COMPUTER AND SEMICONDUCTOR INDUSTRIES. THIS NUMBER HAS GROWN TO TWENTY.

MCC IS A COOPERATIVE EFFORT TO DEVELOP BASE TECHNOLOGIES FOR USE IN MICROELECTRONICS AND COMPUTING BY MEMBERS AND LICENSEES WHO WILL EACH ADD THEIR OWN VALUE AND CONTINUE TO COMPETE WITH PRODUCTS AND SERVICES WHICH EMPLOY THOSE BASE TECHNOLOGIES BUT WHICH ARE OF THEIR INDIVIDUAL CONCEPTION AND DESIGN, FOR USE IN THEIR FREELY SELECTED MARKETS.

IT IS ALREADY CLEAR THAT MCC WILL HAVE ENORMOUS BENEFITS IN TERMS OF MORE EFFICIENT DEVELOPMENT OF TECHNOLOGY. FOR EXAMPLE, EACH DOLLAR CONTROL DATA INVESTS IN MCC RESEARCH PROGRAMS PRODUCES RESEARCH RESULTS OF INTEREST TO THE COMPANY WITH AN AVERAGE COST OF FIVE DOLLARS. OTHER MCC MEMBERS ARE REALIZING SIMILAR RETURNS. THE IMPORTANCE, ALSO, OF SHARING EXTREMELY SCARCE SCIENTIFIC AND ENGINEERING TALENT CANNOT BE OVEREMPHASIZED IN AN ENVIRONMENT WHERE OUR EDUCATION SYSTEM IS FAILING TO PRODUCE SUFFICIENT QUANTITY AND QUALITY OF TECHNOLOGISTS. EQUALLY IMPORTANT, TECHNOLOGY CREATED BY MCC WILL BE LICENSED ON REASONABLE TERMS TO OTHERS, INCLUDING SMALL COMPANIES.

I SHOULD ALSO NOTE THAT MCC HAS RECEIVED SUBSTANTIAL SUPPORT FROM THE STATE OF TEXAS, AND 25 UNIVERSITIES ARE PARTICIPATING IN THE RESEARCH AND DEVELOPMENT EFFORT. PARTICIPATION BY THE FEDERAL GOVERNMENT IS EXPECTED IN THE FUTURE.

THE LAST AND OBVIOUS POINT TO MENTION IS THAT EVERY INDUSTRY NEEDS ONE OR MORE COOPERATIVE EFFORTS OF THIS TYPE. A FIVE-TO-ONE LEVERAGE IN CREATING BASE TECHNOLOGIES ACROSS-THE-BOARD IN THIS COUNTRY WOULD PROVIDE A MUCH-NEEDED BOOST TO INNOVATION TO MAKE US MORE COMPETITIVE.

HOWEVER, PROGRESS IN EXPANDING SUCH COOPERATION IS PITIFULLY SLOW IN COMPARISON TO WHAT IS NEEDED AND FEASIBLE, PARTLY BECAUSE OF LACK OF UNDERSTANDING OF THE NEED AND BENEFITS. ADDITIONAL REASONS INCLUDE THE LONG TIME SPAN TO PRODUCE RESULTS, CURRENT TIGHT BUDGETS IN BOTH THE PUBLIC AND PRIVATE SECTORS AND THE PRESSURE ON CORPORATIONS FOR QUARTER-TO-QUARTER EARNINGS INCREASES. THESE REALITIES MADE IT DIFFICULT TO ESTABLISH MCC FOUR YEARS AGO AND EVEN MORE DIFFICULT TO GET OTHER LARGE SCALE COOPERATIVE EFFORTS STARTED TODAY.

MTDI: TO HELP RESPOND TO THAT NEED, THE MIDWEST TECHNOLOGY DEVELOPMENT INSTITUTE (MTDI) WAS ESTABLISHED IN 1985 BY NINE MIDWEST STATES. A PRINCIPAL OBJECTIVE OF MTDI IS PROMOTING COOPERATIVE TECHNOLOGY DEVELOPMENT THROUGH THE ESTABLISHMENT OF A SERIES OF INDUSTRY, UNIVERSITY, GOVERNMENT CONSORTIA, EACH FOCUSING ON A SINGLE AREA OF TECHNOLOGY.

THUS FAR, THREE FIELDS HAVE BEEN SELECTED FOR THE ESTABLISHMENT OF TECHNOLOGY DEVELOPMENT CONSORTIA:

- o RURAL DEVELOPMENT
- o ADVANCED CERAMICS & COMPOSITES
- o ADVANCED MANUFACTURING

THESE CONSORTIA ARE IN VARIOUS STAGES OF IMPLEMENTATION. THE CONSORTIA FOR RURAL DEVELOPMENT, CALLED THE RURAL ENTERPRISE

PARTNERSHIP, IS IN OPERATION, AND FOUR INDUSTRY-UNIVERSITY-GOVERNMENT COOPERATIVE PROJECTS ARE UNDERWAY. THE ADVANCED CERAMICS & COMPOSITES PARTNERSHIP IS READY TO LAUNCH, AND THE PLANNING FOR THE COOPERATIVE EFFORT IN ADVANCED MANUFACTURING WILL BE COMPLETED IN ABOUT SIX MONTHS.

WHILE THESE THREE CONSORTIA REPRESENT IMPORTANT PROGRESS, AS NOTED EARLIER, MANY MORE ARE NEEDED. THUS, IT BEHOOVES CORPORATIONS TO EXPAND THEIR PARTICIPATION IN SUCH LARGE SCALE TECHNOLOGICAL COOPERATION. THE BASIC CONCEPT IS SOUND, FEASIBLE AND FAIR FOR ALL PARTIES AND OFFERS THE BEST CHANCE FOR ENHANCING U.S. COMPETITIVENESS IN CRITICALLY IMPORTANT INDUSTRIES.

AS MENTIONED EARLIER, THERE ARE DIFFICULTIES IN GETTING LARGE SCALE COOPERATIVE EFFORTS STARTED, NOT THE LEAST OF WHICH IS THE UNRELENTING PRESSURE FOR QUARTERLY EARNINGS IMPROVEMENT. THEREFORE, FEDERAL TAX CREDITS SHOULD BE MADE AVAILABLE DURING THE EARLY YEARS TO HELP OFFSET THE COST, UNTIL TECHNOLOGY RESULTS BEGIN TO FLOW PROVIDING THE BASIS FOR NEW PRODUCTS AND SERVICES.

FURTHERMORE, FOR YEARS, BUSINESS HAS BEEN SAYING, "GET THE GOVERNMENT OFF OUR BACKS AND WE'LL PERFORM EVEN BETTER." CONSISTENT WITH THAT POSITION THEN, BUSINESS ASSUMES GREATER RESPONSIBILITY FOR PROVIDING AN ADEQUATE NUMBER OF JOBS. THIS RESPONSIBILITY CAN BE FULFILLED, TO AN IMPORTANT EXTENT BY HELPING CREATE THE NEW TECHNOLOGY TO UNDERGIRD INNOVATION. CONSEQUENTLY, PARTICIPATION IN LARGE SCALE COOPERATION IS NOT ONLY GOOD BUSINESS, IT PROMOTES SOCIAL JUSTICE.

COMMUNITY LEVEL COOPERATION: ANOTHER VERY IMPORTANT FORM OF COOPERATION IS AT THE COMMUNITY LEVEL AMONG ALL SECTORS IN ORDER TO:

- (1) HELP BUILD A MUCH GREATER UNDERSTANDING OF, AND SUPPORT FOR, THE NEED FOR A MASSIVE, NATIONWIDE SURGE IN INNOVATION;
- (2) PROVIDE MORE EFFECTIVE ASSISTANCE TO SMALL BUSINESS BECAUSE THAT SECTOR IS A MAJOR SOURCE OF INNOVATION AND CREATES MOST OF THE NEW JOBS; AND INTERRELATED,
- (3) FACILITATE COOPERATION BETWEEN LARGE AND SMALL BUSINESSES.

IN ORDER FOR COMMUNITY LEVEL COOPERATION TO BE MOST SUCCESSFUL IN ACHIEVING THESE AND OTHER OBJECTIVES, A NEW INSTITUTION IS NEEDED CALLED AN INNOVATION NETWORK.

IT CONSISTS OF THREE MAJOR ELEMENTS: A COOPERATION OFFICE, SEED CAPITAL FUND AND BUSINESS CENTER. LET ME DESCRIBE HOW AN INNOVATION NETWORK FUNCTIONS IN PROVIDING ASSISTANCE TO SMALL COMPANIES TO GET STARTED AND OPERATE PROFITABLY.

Cooperation Office: THE COOPERATION OFFICE IS THE PIVOTAL ELEMENT OF THE NETWORK. IT IS A NON-PROFIT, COMMUNITY-BASED ORGANIZATION FINANCED BY STATE AND LOCAL GOVERNMENT, PRIVATE CONTRIBUTIONS, CLIENT FEES AND FUNDS GENERATED BY INVESTMENTS IN CLIENT COMPANIES.

THE PERMANENT STAFF IS SMALL, BUT THE COOPERATION OFFICE DRAWS ON A VOLUNTEER ADVISORY PANEL OF SCIENTISTS, ENGINEERS, MARKETING SPECIALISTS AND EXECUTIVES FOR THE SPECIFIC EXPERTISE REQUIRED TO HELP ENTREPRENEURS PREPARE AND EVALUATE BUSINESS PLANS. BECAUSE THESE PLANS ARE EXPERTLY CONCEIVED, THE CHANCES OF RECEIVING ADEQUATE FINANCING AND ACHIEVING ECONOMIC VIABILITY ARE SUBSTANTIALLY INCREASED.

Seed Capital: EQUITY FINANCING IS OFTEN NOT AVAILABLE FOR NEW COMPANIES DURING THEIR INITIAL FORMATION AND EARLY DEVELOPMENT STAGES FROM BANKS, VENTURE CAPITAL FUNDS AND OTHER CONVENTIONAL SOURCES BECAUSE OF THE HIGHER RISKS INVOLVED. THEREFORE, A SOURCE OF SEED CAPITAL IS NEEDED.

THE BEST TYPE OF SEED FUND IS A CONSORTIUM OF STATE AND LOCAL GOVERNMENT AND PRIVATE INVESTORS, WHERE THE GOVERNMENT INVESTMENTS ARE SUBORDINATED, AND STATE TAX CREDITS ARE MADE AVAILABLE TO THE PRIVATE INVESTORS. THIS APPROACH BALANCES THE INTERESTS OF THE PUBLIC AND PRIVATE SECTORS. THE PRIVATE INVESTOR RECEIVES AN ATTRACTIVE RETURN WITH REASONABLE RISK, AND THE GOVERNMENT RECEIVES A SOMEWHAT SMALLER ONE. HOWEVER, THE DIFFERENCE IS MORE THAN MADE UP BY TAX REVENUES THE GOVERNMENT COLLECTS FROM THE INCREASED NUMBER OF PEOPLE EMPLOYED AND FROM THE EXPANDED ECONOMIC ACTIVITY THAT RESULTS.

Business Center: A BUSINESS CENTER PROVIDES VARIOUS COMBINATIONS OF CONSULTING SERVICES, SHARED LABORATORY, MANUFACTURING AND OFFICE FACILITIES AND OTHER SERVICES TO FACILITATE THE STARTUP AND GROWTH OF SMALL BUSINESSES. ECONOMIES OF SCALE MAKE IT POSSIBLE TO PROVIDE OCCUPANTS OF THE CENTER WITH NEEDED FACILITIES OF MUCH HIGHER QUALITY AND CONSIDERABLY LOWER COST THAN ANY WOULD BE CAPABLE OF OBTAINING OR PROVIDING FOR ITSELF.

Large Company Participation: COOPERATION BETWEEN LARGE AND SMALL BUSINESS IS FACILITATED BY THE INNOVATION NETWORK. SUCH COOPERATION CAN BE VERY REWARDING TO BOTH PARTIES. SMALL COMPANIES ARE HANDICAPPED BY INSUFFICIENT MANAGEMENT AND

PROFESSIONAL EXPERTISE, INADEQUATE AVAILABILITY OF TECHNOLOGY AND SCARCITY OF CAPITAL. AT THE SAME TIME, MOST OF THE TECHNOLOGY, MANAGEMENT AND PROFESSIONAL EXPERTISE AND CAPITAL RESOURCES ARE FOUND IN BIG BUSINESS -- AND ARE OFTEN UNDERUTILIZED.

BY MAKING AVAILABLE ITS UNDERUSED TECHNOLOGY AND IDEAS AND BY OFFERING ITS PROFESSIONAL AND MANAGEMENT ASSISTANCE TO A SMALL COMPANY, A LARGE COMPANY CAN REALIZE ADDITIONAL INCOME FROM PAST INVESTMENT -- ALSO, LARGE COMPANIES CAN GAIN MORE ECONOMICAL ACCESS TO NEW PRODUCTS AND MARKETS THROUGH EQUITY INVESTMENTS IN AND R&D CONTRACTS WITH SMALL COMPANIES.

SUCH ACTIONS ACCENTUATE THE STRONGEST ATTRIBUTES OF BOTH LARGE AND SMALL ENTERPRISE. SMALL COMPANIES, WHICH ARE INHERENTLY MORE CREATIVE AND FLEXIBLE, WITH LOWER OVERHEAD, CAN FREQUENTLY DEVELOP NEW MARKETS, PRODUCTS AND SERVICES SOONER FOR LESS COST; WHEREAS LARGER COMPANIES, WITH GREATER RESOURCES, CAN PROVIDE EFFICIENCIES IN MARKETING AND PRODUCTION.

ALL TYPES OF COMPANIES CAN PARTICIPATE SUCCESSFULLY, NOT JUST MANUFACTURING COMPANIES, BUT ALSO BANKS, INSURANCE COMPANIES, RETAIL COMPANIES, UTILITIES, LAW FIRMS, PUBLIC ACCOUNTING BRANCH OFFICES AND SO ON.

A NUMBER OF YEARS AGO, CONTROL DATA STARTED A COOPERATIVE PROGRAM WITH SMALL BUSINESSES WHICH INCLUDED ONE OR MORE OF THE FOLLOWING ACTIONS:

- o TRANSFER OF SELECTED TECHNOLOGIES
- o EQUITY INVESTMENT
- o R&D CONTRACTS

DURING THAT TIME, CONTROL DATA HAS DEVELOPED ONE OR MORE OF SUCH RELATIONSHIPS WITH 70 COMPANIES. OVERALL, THE RESULTS HAVE BEEN GOOD. SIMILAR ACTIVITIES BY A FEW OTHER LARGE COMPANIES COULD BE CITED; HOWEVER, THE POINT IS THAT THE POTENTIAL FOR THE PRACTICE IS MUCH GREATER THAN IS BEING REALIZED.

Replication: AN INNOVATION NETWORK, CONSISTING OF THE THREE MAJOR ELEMENTS I'VE JUST DESCRIBED, IS BEING REPLICATED IN A NUMBER OF PLACES. THE MOST PROGRESS IS BEING MADE IN THE STATES OF ILLINOIS, SOUTH CAROLINA AND MINNESOTA. ILLINOIS IS IN THE PROCESS OF IMPLEMENTING EIGHT NETWORKS, WHILE SOUTH CAROLINA IS ESTABLISHING SEVEN AND MINNESOTA, FOUR.

WHILE CONSIDERABLE PROGRESS HAD BEEN MADE, IT IS FAR SHORT OF WHAT IS REQUIRED TO PROVIDE ENOUGH DECENT JOBS IN THE FUTURE. HOWEVER, STRONG INITIATIVES BY COMPANIES, AS PROPOSED, WOULD HELP GET THE NEEDED ACTIONS BY OTHER SECTORS.

IN SUMMARY, BENEFITS FOR COMPANIES PARTICIPATING IN COMMUNITY LEVEL COOPERATION INCLUDES POTENTIAL FOR ACQUIRING NEW PRODUCTS AND MARKETS AND MAKING PROFITABLE, LONG-TERM INVESTMENTS. AT THE SAME TIME, JOBS ARE CREATED. ADDITIONALLY, THE COMMUNITY, WITH THE ESTABLISHMENT OF AN INNOVATION NETWORK, IS IN BETTER POSITION TO MANAGE ITS OWN DESTINY BY HAVING THE MEANS TO DIVERSIFY ITS BUSINESS BASE AND REDUCE DEPENDENCY ON ANY ONE PLANT WHERE EMPLOYMENT MIGHT BE DRASTICALLY REDUCED, OR THE PLANT CLOSED OR MOVED. THIS ADVANTAGE FOR BOTH COMMUNITIES AND COMPANIES WILL BE CONSIDERED FURTHER WHEN PLANT CLOSINGS ARE REVIEWED.

HOSTILE TAKEOVERS

NEXT LET ME REVIEW HOSTILE TAKEOVER MANIA, WHICH IS A MAJOR DETRACTOR FROM INNOVATION. ONE REASON IS THE EXTENSIVE SOCIAL INJUSTICE CAUSED MAINLY BY EMPLOYEE TRAUMA FROM JOB LOSSES AND CAREER DISRUPTIONS.

IN SPITE OF THE URGENT NEED FOR MORE INDUSTRIAL INNOVATION, HOSTILE TAKEOVERS AND THE THREAT OF HOSTILE TAKEOVERS ONLY IMPEDE SUCH EFFORTS. THEY CAUSE DISSIPATION OF THE MOST IMPORTANT PART OF THE INNOVATION RESOURCES IN TARGET COMPANIES -- SKILLED PERSONNEL -- AND THEY UNDERMINE TEAMWORK.

EXPERIENCE SHOWS THAT A HIGH PERCENTAGE OF SENIOR EXECUTIVES LEAVE AFTER A TAKEOVER. FOR EXAMPLE, A SURVEY MADE IN 1984 BY LAMALLIE ASSOCIATES, AN EXECUTIVE SEARCH COMPANY, CONCLUDED THAT APPROXIMATELY FIFTY PERCENT OF SENIOR MANAGERS LEAVE WITHIN A YEAR AFTER THEIR COMPANIES ARE TAKEN OVER, AND 75% WILL PROBABLY LEAVE WITHIN THREE YEARS.

INCREASED TURNOVER IS NOT CONFINED TO MEMBERS OF SENIOR MANAGEMENT, BUT OCCURS AT ALL LEVELS OF MANAGEMENT AND IN OTHER AREAS. THIS IS CAUSED BY THE EXCESSIVE TRAUMA THAT IS INFLICTED, STARTING WITH FEAR OF JOB LOSS AND/OR CAREER PATH BEING IN JEOPARDY.

THE INITIAL PHASE OF A HOSTILE TAKEOVER IS UNNECESSARILY NERVE-WRACKING BECAUSE OF LACK OF INFORMATION OR CREDIBILITY OF ASSURANCES ABOUT THE AGGRESSOR'S PLANS. THERE ARE ALWAYS COMPANY COMMITMENTS TO EMPLOYEES, BOTH IMPLIED AND STATED, RELATING TO JOB RESPONSIBILITIES AND CAREER PATHS. EMPLOYEES EXPECT THEM TO BE FULFILLED, YET THEY UNDERSTAND THAT DUE TO COMPETITION, ADVERSE ECONOMIC CONDITIONS AND OTHER FACTORS NOT UNDER THE COMPLETE CONTROL OF MANAGEMENT, SOME MAY NOT BE FULLY MET.

HOWEVER, WHEN A RAIDER ENGAGES IN AN UNNECESSARY AND UNILATERAL TAKEOVER, IT CAUSES ABROGATION OF MANY COMMITMENTS IN THE TARGET

COMPANY THAT INFLICT COLD-BLOODED AND UNJUST HUMAN INJURY -- COLD BLOODED, BECAUSE THE AGGRESSOR KNOWS THAT EMPLOYEE INJURIES WILL BE CAUSED; AND UNJUST, BECAUSE IT COULD HAVE BEEN AVOIDED EITHER BY ACHIEVING THE TAKEOVER OBJECTIVES IN ANOTHER WAY OR BY RECOGNIZING THAT THE OBJECTIVE OF, "I WANT IT AND THEREFORE I SHALL HAVE IT," IS NOT NECESSARILY A LEGITIMATE ONE.

FOR MANY EMPLOYEES, FEAR OF JOB LOSS IS REPLACED BY FORCED DEPARTURE DUE TO CHANGED PLANS, OVERLAP IN POSITIONS BETWEEN THE TARGET AND ACQUIRING COMPANY, OR BECAUSE OF THE ELIMINATION OF JOBS TO ACHIEVE SAVINGS TO HELP PAY FOR THE COST OF THE TAKEOVER.

FOR THOSE EMPLOYEES WHO HAVE THE OPTION OF CONTINUING EMPLOYMENT, THERE IS A WIDESPREAD FEELING OF DISGUST AND RESENTMENT OVER BEING VICTIMIZED. A DIVISIVE US VS. THEM ATTITUDE OFTEN DEVELOPS AS WELL. AS A CONSEQUENCE, THOSE EMPLOYEES WHO CAN FIND OTHER ACCEPTABLE EMPLOYMENT LEAVE. MANY OF THOSE WHO STAY ARE DISILLUSIONED AND HAVE LESS COMMITMENT AND LOYALTY TO THEIR COMPANIES. FOR EXAMPLE, A RECENT SURVEY BY INDUSTRY WEEK MAGAZINE SHOWED THAT NEARLY 60% ARE LESS LOYAL TO THEIR EMPLOYERS THAN FIVE YEARS AGO, AND THE MAJOR CAUSE IS TAKEOVER MANIA.

LACK OF COMMITMENT AND LOYALTY, ALONG WITH DISTRUST, CREATES AN ADVERSE CLIMATE FOR TEAMWORK, WHICH IS ESSENTIAL FOR TIMELY AND EFFICIENT RESULTS IN INNOVATION. SUCH TEAMWORK IS NOT ONLY REQUIRED AMONG EXECUTIVES AND R&D TECHNOLOGISTS TO DESIGN THE BEST PRODUCTS, BUT TEAMWORK ON THE FACTORY FLOOR IS NECESSARY FOR THE LOWEST COST, HIGHEST QUALITY OUTPUT.

IN SHARP CONTRAST TO EMPLOYEE DISRUPTIONS IN THIS COUNTRY, IS JAPAN, WHERE HOSTILE TAKEOVERS RARELY ARE ATTEMPTED. COMPANIES ARE LOOKED UPON MORE AS PERMANENT INSTITUTIONS THERE, AND A STRONG CONSENSUS PREVAILS THAT ONE COMPANY DOES NOT HAVE THE UNILATERAL RIGHT TO BUY ANOTHER ONE. AS A RESULT, HOSTILE TAKEOVER ATTEMPTS ARE VIEWED WITH PUBLIC CONTEMPT. SUCH REACTIONS, ALONG WITH THE FOCUS OF LIFETIME EMPLOYMENT BY LARGE JAPANESE COMPANIES AND OTHER FACTORS, CONTRIBUTE TO AN ENVIRONMENT OF HARMONY AND COOPERATION IN JAPANESE COMPANIES. THE ADVERSE IMPLICATIONS ON COMPETITIVENESS OF THE CONTRASTING TURMOIL OF FEAR, DISTRUST AND DISGUST IN U.S. COMPANIES STIRRED UP BY TAKEOVERS IS EASY TO GRASP BY ANYONE WITH A SENSE OF OBJECTIVITY.

ANOTHER DETRACTOR FROM OUR ABILITY TO COMPETE IS THE DECREASED AVAILABILITY OF FUNDS FOR R&D AFTER A HOSTILE TAKEOVER OCCURS. BECAUSE OF THE SUBSTANTIAL DEBT INCREASES TO FINANCE TAKEOVERS, INCREASED INTEREST COSTS UNDERCUT INVESTMENT IN R&D AS WELL AS OTHER PARTS OF THE INNOVATION CYCLE.

ADDITIONALLY, THE THREAT OF HOSTILE TAKEOVERS DETRACTS FROM INNOVATION, ESPECIALLY THE LONGER TERM R&D COMPONENT, AS CORPORATIONS TEND TO FAVOR SHORT-TERM INNOVATION INVESTMENTS AT THE EXPENSE OF THE LONGER TERM, IN ORDER TO MAINTAIN QUARTER-TO-QUARTER EARNINGS GROWTH THAT IS NEEDED TO MAXIMIZE COMPANY STOCK PRICES TO MAKE THE COMPANY LESS ATTRACTIVE AS A TARGET FOR A RAIDER.

THE ADVERSE IMPACTS OF HOSTILE TAKEOVERS ARE NOT LIMITED TO TARGET COMPANIES AND THEIR EMPLOYEES. COMMUNITIES AND STATES IN WHICH THESE COMPANIES ARE LOCATED INVARIABLY EXPERIENCE ECONOMIC DAMAGE. JOBS ARE LOST, TAX REVENUES ARE REDUCED, UNEMPLOYMENT COSTS RISE, AND EVENTUALLY WELFARE COST INCREASES BEGIN.

NOR DOES IT STOP THERE. LIKE A PEBBLE DROPPED IN A POND, THE RIPPLES EXTEND. WHEN JOBS ARE LOST OR TRANSFERRED, THE MERCHANTS, PROFESSIONALS AND BUSINESSES DEPENDENT UPON EMPLOYEE SPENDING EXPERIENCE THE LOSS AS WELL. REAL ESTATE VALUES FALL; CONSTRUCTIONS FALLS OFF. THERE OCCURS, IN ESSENCE, A "REVERSE ECONOMIC MULTIPLIER EFFECT."

EXPERIENCE SHOWS THAT CHARITIES AND CIVIC ORGANIZATIONS ALSO SUFFER. RAIDERS HAVE YET TO DEMONSTRATE A COMMITMENT TO CHARITABLE GIVING. BUT IT IS NOT JUST CORPORATE FINANCIAL SUPPORT -- THE LOSS OF AN INDEPENDENT FIRM TRANSLATES INTO A LOSS OF PERSONAL TIME CONTRIBUTIONS AND LEADERSHIP PROVIDED BY THE COMPANY'S EMPLOYEES.

FOR TOO LONG, THE DEBATE OVER HOSTILE TAKEOVERS HAS FOCUSED ON TRADITIONAL NOTIONS ABOUT THE "RIGHTS" OF SHAREHOLDERS, BIDDERS AND THE EFFICIENT OPERATION OF MARKETS -- AS THOUGH ALL THAT WAS INVOLVED WAS THE ROUTINE SALE OF A CHATTEL OR PIECE OF LAND. BUT MUCH MORE IS INVOLVED, AND SOCIAL JUSTICE IS BEING TRAMPLED, WHICH HAS HELPED CREATE THE ENVIRONMENT THAT SPAWNED IVAN BOESKY AND OTHERS OF THE SAME ILK. IN ADDITION TO THESE CROOKS, A MUCH LARGER NUMBER OF UNSCRUPULOUS CHARACTERS, WITHIN INVESTMENT BANKING AND ON ITS FRINGES, ARE OPERATING SHORT OF ILLEGALITY BUT IN SHADY WAYS.

THERE IS GROWING SUPPORT FOR FEDERAL LEGISLATION TO CONSTRAIN HOSTILE TAKEOVERS. I'VE BEEN AN ADVOCATE OF IT FOR 20 YEARS, ALTHOUGH I'M NOT CONVINCED THAT IT WOULD BE THE BEST SOLUTION, BECAUSE IT IS UNLIKELY THAT LEGISLATION WILL BE ENACTED WHICH WILL SUFFICIENTLY CURTAIL HOSTILE TAKEOVERS. THE BEST ANSWER IS PUBLIC DISGUST, WHICH WOULD MAKE HOSTILE TAKEOVERS SO SOCIALLY UNACCEPTABLE THAT THEY WOULDN'T OCCUR. HOWEVER, U.S. SOCIETY WILL CONTINUE TO SUFFER FURTHER WIDESPREAD INJUSTICE FROM HOSTILE TAKEOVERS UNTIL BUSINESS, LABOR, ACADEMIA, GOVERNMENT AND CHURCH ORGANIZATIONS DO MUCH MORE TO ARTICULATE THEIR ADVERSE CONSEQUENCES, WHICH WOULD BUILD A STRONG PUBLIC ANTIPATHY.

I WON'T TAKE THE TIME TO EXPRESS MY VIEWS ON LEGISLATION TO CONSTRAIN HOSTILE TAKEOVERS, EXCEPT TO NOTE THAT THE MOST IMPORTANT PROVISION WOULD BE THE REQUIREMENT FOR A SOCIAL IMPACT ANALYSIS IN ANY CONTEMPLATED TAKEOVER. I'LL ELABORATE ON IT IN A MINUTE.

FRIENDLY MERGERS

MY STRONG BELIEF ABOUT THE DESTRUCTIVE ASPECTS OF HOSTILE TAKEOVERS DOES NOT INFER THAT I AM AGAINST ALL MERGERS. QUITE THE CONTRARY, FRIENDLY MERGERS ARE AN ESSENTIAL PART OF OUR AMERICAN SYSTEM. HOWEVER, THEY, TOO, CAN CAUSE UNACCEPTABLE SOCIAL HARM UNLESS A CONCERTED EFFORT IS MADE TO ADDRESS IT.

IN ORDER TO MINIMIZE EMPLOYEE TRAUMA AND OTHER ADVERSE EFFECTS, EVERY COMPANY SHOULD ADOPT A POLICY THAT REQUIRES A SOCIAL IMPACT ANALYSIS TO BE MADE AT THE EARLIEST STAGE IN ANY CONTEMPLATED ACQUISITION. SOCIAL INJURY THAT CANNOT BE ELIMINATED IS CAUSE FOR REJECTION.

BRIEFLY, THE SOCIAL IMPACT ANALYSIS REQUIRES A STATEMENT OF THE REASONS FOR THE ACQUISITION, DEVELOPMENT OF FIVE-YEAR BUSINESS PLANS, UNDER WHICH THE RESULTING BUSINESS COMBINATION WOULD BE OPERATED, AND AN ANALYSIS OF THE EFFECT ON ALL CONSTITUENTS, INCLUDING EMPLOYEES, THE COMMUNITIES IN WHICH PLANTS ARE LOCATED, SUPPLIERS AND CUSTOMERS. IN ADDITION, AN ASSESSMENT IS MADE OF THE EFFECTS ON THE INNOVATION CAPABILITIES OF THE ACQUIRED COMPANY.

CONTROL DATA HAS SUCH A POLICY. IT WAS ADOPTED TEN YEARS AGO AND HAS SERVED THE COMPANY WELL. SINCE GOOD BUSINESS PRACTICE MANDATES THAT THOROUGH PLANNING TAKE PLACE BEFORE AN ACQUISITION IS MADE, VIRTUALLY NO COST IS ADDED BY CONSIDERING SOCIAL EFFECTS. FURTHERMORE, EXPERIENCE SHOWS THAT SEVERE ADVERSE SOCIAL IMPACTS, AS A RESULT OF AN ACQUISITION, CAN BE VERY COSTLY IN DOLLARS OR TARNISHED PUBLIC IMAGE OR BOTH.

HENCE, A POLICY REQUIRING SOCIAL IMPACT ANALYSES IS GOOD BUSINESS IN THE BROADEST SENSE, BEING BOTH PROFIT AND SOCIALLY ORIENTED. EXECUTIVES WELCOME SUCH A POLICY AS A MEANS OF RESPONDING TO THEIR SOCIAL CONSCIENCE WITHOUT BEING EXPOSED TO THE CRITICISM OF BEING SOFTHEADED BY THOSE WHO EITHER FAIL TO SEE, OR DON'T WANT TO SEE, THE MERITS OF TAKING SOCIAL FACTORS INTO REASONABLE ACCOUNT IN BUSINESS DECISIONS.

PLANT CLOSINGS

THE LAST CATEGORY OF ORGANIZATIONAL TRANSFORMATION TO REVIEW IS PLANT CLOSINGS AND PLANT RELOCATIONS. OF COURSE, THEY WILL OFTEN RESULT FROM A HOSTILE TAKEOVER OR EVEN A FRIENDLY MERGER,

WITHOUT ADEQUATE ADVANCE PLANNING. ON THE OTHER HAND, A CLOSING, RELOCATION OR DRASTIC REDUCTION IN EMPLOYMENT MAY BE UNAVOIDABLE, EVEN IN CAREFULLY CONSIDERED PLANS FOR AN ACQUISITION, CONSOLIDATION OR DIVESTITURE THAT IS NECESSARY TO IMPROVE PRODUCTIVITY, MARKET ACCESS OR FOR SOME OTHER COMPELLING ECONOMIC REASON. IN THAT EVENT, I BELIEVE THAT IN THE INTEREST OF GOOD BUSINESS AND SOCIAL JUSTICE, THE CORPORATE OWNER HAS THREE MAJOR RESPONSIBILITIES:

- (1) PROVIDE AS MUCH ADVANCE NOTICE AS POSSIBLE TO THE EMPLOYEES AND COMMUNITY;
- (2) PROVIDE EMPLOYEES WHO WILL LOSE THEIR JOBS WITH REASONABLE SEVERANCE COMPENSATION AND ASSISTANCE TO FIND ALTERNATIVE EMPLOYMENT;
- (3) ASSIST THE COMMUNITY IN DEVELOPING ALTERNATIVE SOURCES OF JOBS.

I BELIEVE THAT AS A GENERAL RULE, IN THE EVENT OF A PLANT CLOSING OR RELOCATION, COMPANIES SHOULD PROVIDE ADVANCE NOTICE. THOUGHTFUL PEOPLE ARE CURRENTLY DEBATING JUST HOW MUCH NOTICE SHOULD BE REQUIRED.

THE AMOUNT OF SEVERANCE PAY IS THE SAME AS PAID UNDER OTHER CIRCUMSTANCES OF WORKFORCE REDUCTION.

A PREFERRED APPROACH TO ASSISTANCE FOR DEVELOPING ALTERNATE SOURCES OF EMPLOYMENT IS THE INNOVATION NETWORK AND THE CAPABILITY IT PROVIDES A COMMUNITY TO DIVERSIFY ITS BUSINESS BASE. THE POINT IS SIMPLY THAT IF A COMMUNITY DOESN'T HAVE A NETWORK, THEN A COMPANY MAKING A DRASTIC REDUCTION IN EMPLOYMENT OR CLOSING OR MOVING A PLANT SHOULD ENCOURAGE THE COMMUNITY TO ESTABLISH ONE AND PROVIDE ASSISTANCE. THIS CAN BE DONE IN A NUMBER OF WAYS, SUCH AS INVESTING IN THE SEED CAPITAL FUND AND MAKING THE PLANT, OR PART OF THE PLANT, AVAILABLE AS A BUSINESS CENTER AT THE LOWEST REASONABLE COST.

A BETTER APPROACH IS FOR COMPANIES WITH BRANCH PLANTS TO ENCOURAGE AND ASSIST COMMUNITIES TO ESTABLISH INNOVATION NETWORKS BEFORE A SERIOUS EMPLOYMENT REDUCTION PROBLEM ARISES. AS NOTED EARLIER, PARTICIPATION IN INNOVATION NETWORK ACTIVITIES CAN BE PROFITABLE, LONG-TERM INVESTMENTS. AT THE SAME TIME, THERE IS THE OPPORTUNITY TO MAKE CLEAR TO THE COMMUNITY THAT:

- (1) THE PRESENCE OF THE PLANT PROVIDES GREAT ECONOMIC BENEFITS. E.G., ONE MEASURE IS THAT EVERY YEAR, EACH JOB IS WORTH AROUND \$20,000 BECAUSE OF TAXES PAID, SUSTAINED ECONOMIC ACTIVITY RESULTING FROM THE PAYROLL DOLLARS FLOWING INTO THE COMMUNITY, ETC.

- (2) THE COMPANY MAY NOT BE ABLE TO OPERATE THE PLANT INDEFINITELY DUE TO CHANGING MARKETS, ADVANCING TECHNOLOGIES, ETC.
- (3) THE COMMUNITY SHOULD ANTICIPATE THE POSSIBILITY OF THAT EVENT AND PREPARE FOR IT BY ESTABLISHING AN INNOVATION NETWORK.

WITH THAT APPROACH, A COMPANY CAN BE IN THE POSITION OF BEING THANKED FOR THE GREAT CONTRIBUTION IT MADE DURING THE YEARS IT OPERATED THE PLANT, AS OPPOSED TO BEING CASTIGATED FOR A DRASTIC REDUCTION IN EMPLOYMENT. OR WORSE, IT CAN BE SUBJECT TO PLANT CLOSING LEGISLATION, WITH THE INFERENCE THAT IT MUST BE FORCED TO DO WHAT IS RIGHT AND POSSIBLY IMPOSING ONEROUS COSTS. HOW IRONIC IN VIEW OF THE TREMENDOUS BENEFITS ENJOYED BY COMMUNITIES FROM THE JOBS. NO ONE IS MORE TO BLAME FOR THIS MISCONCEPTION THAN BUSINESS ITSELF.

CONCLUSION

MUCH MORE CAN BE SAID ABOUT PLANT CLOSINGS; HOWEVER, IT IS TIME TO END THIS TALK. IN CONCLUDING, I WANT TO EMPHASIZE THAT BECOMING "LEAN AND MEAN COMPETITORS" THROUGH RESTRUCTURING IS NOT ENOUGH. PROGRESS IN EXPANDING INNOVATION IS THE KEY TO MEETING THE ASPIRATIONS OF OUR SOCIETY. ACHIEVING EFFICIENCY IN INNOVATION REQUIRES TEAMWORK -- AMONG EXECUTIVES, RESEARCHERS, PRODUCT ENGINEERS AND THOSE ON THE FACTORY FLOOR. ON THE OTHER HAND, TEAMWORK IS UNDERMINED WHEN LOYALTY BONDS BETWEEN COMPANIES AND THEIR EMPLOYEES ARE DESTROYED AND REPLACED BY DISTRUST, AS A RESULT OF INJUSTICES INFLICTED BY RESTRUCTURING.

CONSEQUENTLY, COMPANIES SHOULD THINK AND ACT IN TERMS OF SOCIAL JUSTICE THAT FOSTERS INNOVATION. THIS WOULD REMOVE IMPEDIMENTS TO TEAMWORK AND CREATE A CORPORATE CULTURE WHICH WOULD STRONGLY INSPIRE ETHICAL BEHAVIOR IN OTHER WAYS. I BELIEVE THAT MOST EXECUTIVES HAVE A CONSCIENCE; HOWEVER, WITHOUT SOME ENCOURAGEMENT AND A FRAMEWORK TO MAKE COMPLIANCE AS FREE AS POSSIBLE FROM INTERNAL AND EXTERNAL COUNTERPRESSURES, MOST WILL NOT RESPOND IN ACCORDANCE WITH CONSCIENCE DICTATES.

AS I LOOK ABOUT AND SEE THE GROWING GAP BETWEEN THE RICH AND THE POOR, THAT BLACK PEOPLE ARE GENERALLY WORSE OFF THAN TEN YEARS AGO, AND THE EMERGENCE OF AN UNDERCLASS, I'M REMINDED OF THE ARSON AND RIOTS WHICH SWEEPED THROUGH MY HOME TOWN OF MINNEAPOLIS AND 68 OTHER CITIES IN AMERICA IN 1967. BEFORE THAT TRAGIC OCCURRENCE, IT WAS WIDELY BELIEVED THAT SUCH AN EVENT WOULDN'T HAPPEN IN OUR BEAUTIFUL CITY, BUT IT DID, IN A DEPRESSED AREA ON THE NORTH SIDE. THE CAUSE WAS MAINLY LACK OF DECENT JOBS AND THE OPPORTUNITY TO PARTICIPATE IN THE GOOD LIFE THAT THE VAST MAJORITY IN THE CITY ENJOYED.

AT THAT TIME, I SAID "YOU CAN'T DO BUSINESS IN A SOCIETY THAT IS BURNING, AND THAT CONTROL DATA SHOULD DO ITS PART TO HELP ELIMINATE THE ROOT CAUSE BY PUTTING JOBS THERE." THE COMPANY DID THAT IN NORTH MINNEAPOLIS AND IN SIX OTHER POVERTY-STRICKEN AREAS. THIS WAS DONE COOPERATIVELY WITH THE FEDERAL GOVERNMENT, CITIES AND COMMUNITIES. IT WAS A REWARDING PROGRAM FOR BOTH THE COMMUNITIES AND CONTROL DATA. THE COMMUNITIES BENEFITED FROM THE JOBS, AND THE PLANTS WERE PROFITABLE AND COMPETITIVE. ALSO, CONTROL DATA EMPLOYEES, WORDWIDE, WERE ENORMOUSLY PROUD OF THE PROGRAM, AND OUR CUSTOMERS APPLAUDED OUR EFFORTS, ESPECIALLY THOSE OVERSEAS.

TODAY, BECAUSE OF ADVANCING TECHNOLOGY AND CHANGING MARKETS, ONLY TWO OF THOSE PLANTS ARE STILL OPERATED BY CONTROL DATA. HOWEVER, THE COMPANY WAS ABLE TO FIND BUYERS FOR THE OTHER FIVE, AND EMPLOYMENT LEVELS HAVE BEEN MAINTAINED. IN ADDITION, INNOVATION NETWORKS ARE BEING ESTABLISHED IN THREE OF THE COMMUNITIES WITH ASSISTANCE BY CONTROL DATA.

THE POVERTY PLANT PROGRAM IS FURTHER EVIDENCE THAT BUSINESS CAN ASSUME RESPONSIBILITY FOR JOBS WITHOUT CONFLICTING WITH ITS FIRST PRIORITY OF MAKING A PROFIT. IN FACT, IT'S CLEAR THAT UNLESS BUSINESS -- THAT SECTOR OF SOCIETY WHICH PROVIDES MOST OF THE JOBS AND HAS MOST OF THE RESOURCES TO CREATE THEM -- ASSUMES A GREATER INITIATIVE FOR PROVIDING JOBS, OUR QUALITY OF LIVING WILL CONTINUE TO DETERIORATE. AT THE SAME TIME, THERE IS THE RISK OF A REPEAT OF THE VIOLENCE THAT SWEEPED THROUGH OUR CITIES ONLY TWO DECADES AGO, OR SOMETHING WORSE.

EXTENSIVE COOPERATION TO VASTLY EXPAND INNOVATION, ALONG WITH OTHER ACTIONS TO PROMOTE SOCIAL JUSTICE, PROVIDES THE GREATEST HOPE FOR AMERICA'S FUTURE.