

A Creative Vision of CORPORATE COOPERATION

by William Norris

*To create the jobs
our society requires,
we need a massive
nationwide surge
in innovation.
Visionary William
Norris argues that
corporations can best
develop innovative
technologies by working
together, cooperatively.
He outlines how we
can support this vital
new form of cooperation
on an unprecedented
national scale.*

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The single most effective way to promote social justice is to create more jobs. Put another way, the sources of social injustice—poverty, child abuse, alcoholism, or crime—correlate highly with the lack of decent jobs. An unfortunately large number of people don't have decent jobs, and as rural poverty increases and the urban underclass grows, we are seeing the development of a two-tiered society.

Business can help. In fact we must help—not with acts of charity, but by *fostering innovation*. And we can do that through cooperative efforts that increase our competitiveness, and also create jobs.

The need for a massive expansion in corporate cooperation is not widely understood. But there are hints of a gradual awakening in this area, as evidenced by the growing number of corporate joint ventures to develop new products, and by cooperative research programs among industry, universities and state government. There have been only a few large-scale cooperative efforts, but they are critically important, for they represent the best way to develop base technologies that can then be adapted for use by individual companies.

The outstanding example of large-scale technological cooperation is MCC, the Microelectronics and Computer Technology Corporation, established four years ago in Austin, Texas. Initially it included eleven member companies from American computer and semiconductor industries, but the number has now grown to twenty. MCC is a cooperative effort to develop base technologies for use by members and licensees, who will each add their own value and create unique products and services.

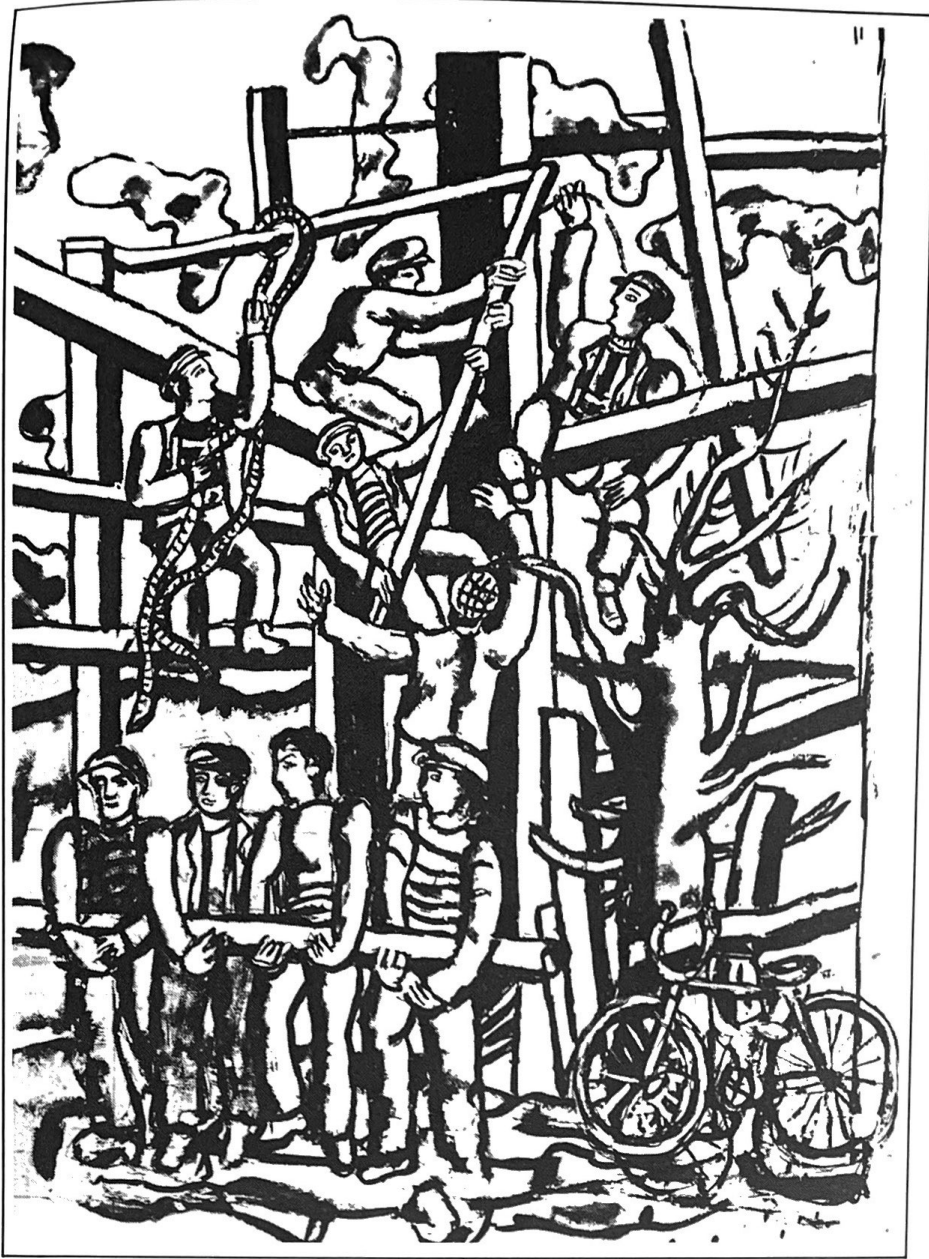
Clearly, MCC is an efficient way to develop new technology. Each dollar Control Data invests in MCC research produces results that otherwise would have cost five dollars. One simply cannot over-emphasize the importance of sharing scarce scientific and engineering talent. And the benefits flow not only to members of the consortium, because technology created by MCC will also be licensed on reasonable terms to others, including small companies.

Every industry needs cooperative efforts of this type. A five-to-one leverage in creating base technologies would provide a much-needed boost to national innovation and competitiveness.

A major effort is now underway to promote more such cooperative efforts: the Midwest Technology Development Institute, established in 1985 by nine Midwestern states. Its principal objective is to establish a series of industry/university/government consortia, each focusing on a single area of technology development. Thus far, consortia are being set up in three fields—rural development, advanced ceramics and composites, and advanced manufacturing. This is important progress, but many more cooperative efforts are needed.

For years, business has been saying, Get the government off our backs and we'll perform better. In saying this, we make it *our*

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Fernand Léger,
The Builders and a Bicycle,
 Gouche, Tusche, 1950.

responsibility—not the responsibility of government—to provide an adequate number of jobs. And we can best fulfill this responsibility by helping create the new technology to undergird innovation. With large-scale corporate cooperation, we're not only building good business, we're building a just society.

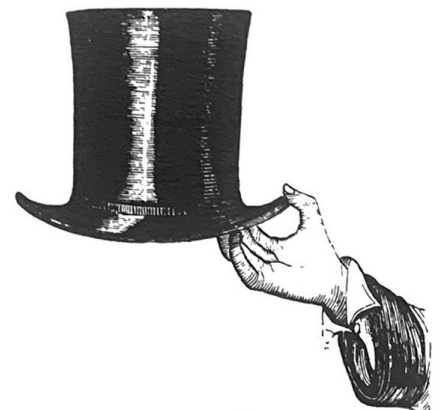
I have a challenge for the nation, and for local communities, to create a new institution called an *Innovation Network*. We need to build a greater understanding of the need for a massive, nationwide surge in innovation, and we need to create systems that support innovation. Innovation Networks could do this by providing better assistance to small business—a major source of innovation and new jobs—and by facilitating cooperation between large and small business.

An Innovation Network has three major elements: a cooperation office, a seed capital fund, and a business center.

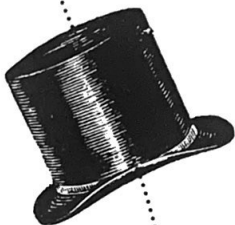
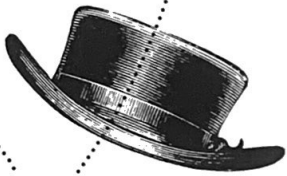
The *cooperation office* is the pivotal element. It is a nonprofit, community-based organization financed by a variety of sources: state and local government, private contributions, client fees, and return on investments made in client companies. The permanent staff is small, but the office draws on a volunteer advisory panel of scientists, engineers, marketing specialists and executives for the expertise to help entrepreneurs prepare business plans. Because these plans are expertly conceived, small businesses have a greater chance of receiving adequate financing and becoming economically viable.

Seed capital is a second important component, because equity financing is often not available for new companies. The best seed

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*Unless business
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We risk the repeat
of urban riots,
or worse.*



fund includes both government and private investors, where government investments are subordinated, and state tax credits are made available to private investors. The private investor receives an attractive return with reasonable risk, and the government receives a somewhat smaller return.

The third component, the *business center*, provides various combinations of consulting services, plus shared facilities for laboratory, manufacturing and office space. Economies of scale make it possible to provide occupants of the center with facilities of higher quality and lower cost than they could obtain for themselves.

In addition to aiding startup companies, the Innovation Network facilitates cooperation between large and small businesses—an arrangement both parties can find rewarding. While small companies lack resources, big companies have an abundance of resources that are often underutilized. By teaming up, small companies can get management assistance, and large companies can realize additional income from past investment. Also, large companies can gain more economical access to new products and markets through equity investments and research contracts with small companies.

Such actions accentuate the strongest attributes of both large and small enterprise. Small companies—inherently more creative and flexible, with lower overhead—can often develop new markets or products more quickly, and at less cost. Larger companies, on the other hand, can provide efficiencies in marketing and production.

A cooperative effort between small and big business isn't just a pipe dream, for it's been in practice at Control Data for years. We have developed relationships with seventy companies, involving transfer of selected technologies, equity investment, and research contracts. Overall, the results have been good.

It's an exciting idea, this concept of Innovation Networks, and you can see them springing up across the country. Illinois is in the process of implementing eight networks, while South Carolina is establishing seven, and Minnesota is establishing four. Considerable progress has been made, but it is far short of what is required to provide enough decent jobs for the future.

In the current atmosphere of corporate takeovers and restructuring, the emphasis in business has been on becoming lean and mean and competitive—but this isn't enough. To meet the aspirations of our society, we need to make progress in *expanding innovation*. And achieving efficiency in innovation requires teamwork—among executives, researchers, product engineers, and those on the factory floor. We undermine that sense of teamwork when we destroy the loyalty bonds between companies and their employees through corporate restructuring.

As I look about and see the growing gap between the rich and the poor, I'm reminded of the arson and riots which swept through my home town of Minneapolis and dozens of other cities in 1967. Before then, it was widely believed such an event couldn't happen in our beautiful city. But it did. The cause was primarily *lack of decent jobs*, which barred people from participating 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's burning. And it's still true.

Unless business—that sector of society which provides most jobs and has the greatest resources to create them—assumes a greater initiative for providing jobs, our quality of living will deteriorate. And if that happens, we risk the repeat of the violence that swept through our cities only two decades ago—perhaps something even worse. Corporate cooperation to create a great leap forward in national innovativeness is the greatest hope for America's future. ✕