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OPINION

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Norris made these remarks recently at a luncheon in Milwaukee sponsored by the Stakeholders in America, a group that describes itself as a coalition to counter the abuses of hostile takeovers.

Hostile takeovers and competitive position

My comments will focus on the adverse effects of hostile takeovers and the threat of hostile takeovers on our competitive position. As we know all too well, the U.S. competitive position needs to be vastly improved. We are losing out in market after market to foreign competition, and the decline under way in manufacturing is undermining the entire U.S. economy.

Key factors in reversing our eroding competitive position are greatly expanded innovation to get new products into the market place and automation to decrease manufacturing costs and improve quality. Hostile takeovers and the threat of hostile takeovers are major detractors in accomplishing these goals.

In the simplest of terms, raiders are consolidators and liquidators who create an environment of fear and distrust that disrupts creativity and harmony in the workplace. Their major goal is short-term profit, whereas more long-term investment is required to create new products and to improve manufacturing. After a raider takes over, the target company is so heavily loaded with debt that interest saps the ability to adequately support innovation to get new products into the marketplace.

Even worse is the devastating effect on the morale of employees. Many of the best people leave—those who stay carry a deep resentment over the disruption that has been caused. Japan has proved that being competitive in world markets requires an environment in the workplace of stability and harmony. harmony.

The threat of a hostile takeover is equally destructive. It underlies corporate management's harmful tendency to manage on the basis of

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quarter-to-quarter earnings performance with inadequate concern for the longer term.

What's to be done about hostile takeovers? Clearly, federal legislation is needed. I've been advocating it for more than a decade. The biggest stumbling block in getting legislation has been lack of support in the business community. Corporate executives have been concerned that any legislation might reduce available options and management control. In fact, that should no longer be a deterrent, because they have been substantially reduced by raiders, institutional stockholders looking for ever better financial performance and the self-serving actions by investment and commercial bankers. Federal legislation could help regain what's been lost.

The only ally for business I see is Congress-all the rest are preying on us. In addition to raiders and most institutional investors, it's hard to find an investor or commercial banker who won't put your company in play in order to get a fee.

Therefore, it behooves corporations to join forces and work with the U.S. Congress to get appropriate legislation, which I believe can be obtained to restore the lost options and flexibility, yet still allow friendly mergers. ■