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Dear Editor:

I am enclosing for your consideration an editorial page article written by William C. Norris, founder and chairman emeritus of Control Data, in support of federal legislation to provide more regulation of hostile takeovers. The relevant committees of both the U.S. House and Senate will soon vote on this legislation.

Mr. Norris, who retired as chairman and CEO of Control Data last year, has testified frequently before Congress and the Minnesota Legislature on this subject. His central point is that in addition to the adverse impact of hostile takeovers on employees and communities, they undermine the competitiveness of American industry by stifling innovation and discouraging long-term investment in research and development.

By way of background, I'm enclosing a copy of a recent article by Mr. Norris advocating the use of advanced manufacturing techniques as a means of improving U.S. competitiveness and a review of a newly-published biography of him.

I should also point out that Mr. Norris is singled out in the current issue of Datamation Magazine as one of 30 individuals around the world who have had a major impact on the world of computing. The magazine called him "the social conscience of the computer industry."

I hope that the timely nature of this article will be of interest to you. Please let me know if you have any questions or need any additional information. If you decide to use the article, I would appreciate receiving a tear sheet.

Thank you for your consideration.

Sincerely,

Albert Eisele

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BY WILLIAM C. NORRIS
CHAIRMAN EMERITUS
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During the present session of Congress, it is likely that legislation will be passed which provides more regulation of hostile takeovers. Consequently, it is important for American voters to become informed about what is at stake and to communicate their views to members of Congress.

Essentially, what is at stake is American competitiveness, and along with it, a large number of American jobs, especially better paying jobs. Yet most of the press coverage of hostile takeovers dwells mainly on how they increase profits for shareholders and shake loose entrenched management.

This is a short range view of the effects of hostile takeovers. It is also partially erroneous due to a misconception about entrenched management, i.e., that incompetent management will be replaced by a hostile takeover. This is a myth created by raiders and others to justify the huge profits they reap from hostile takeovers. Otherwise, raiders would attack poorly run companies, which they rarely do, because it would be much more difficult to raise the money to buy them.

Share prices of companies put into play in hostile takeover manuevers do increase, often dramatically. However, shareholders are frequently subjected to discriminatory treatment and many fare less well than they should. In any event, the run-up in price is due to the process, not because of any value added; ultimately, share prices are determined by how well companies compete in world markets.

In other words, competitiveness is the bottom line. A company that isn't competitive can't do much for shareholders, employees or any one else. However, hostile takeover mania undermines competitiveness and this aspect is seldom articulated by the press. Hostile takeovers, as well as the threat of takeovers, are a major detractor from competitiveness because of the adverse effects on innovation -- the process of getting new and improved products into the market place. They cause dissipation of the most important part of the innovation resources -- skilled personnel -- and undermine teamwork.

Experience demonstrates that a high percentage of senior executives leaves after a takeover. However, increased turnover is not confined to members of senior management, but occurs at all levels of management and in other areas as well. This is caused by a series of unsettling events, starting with fear of job loss and/or career path being in jeopardy.

For many employees, these concerns are 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 by a raider who displays little concern for them. Consequently, 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% of employees 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 a sour climate for teamwork which is essential for timely and efficient results in innovation. Teamwork is not only required among managers and technologists to create the best designs for products, but teamwork on the factory floor is necessary for achieving the lowest cost and highest quality in manufacturing them.

In sharp contrast to employee disruptions in our country is Japan, where hostile takeover attempts rarely occur. Companies are looked upon more as permanent institutions, and a strong consensus prevails that one company does not have the unilateral right to buy another. As a result, hostile takeover attempts are viewed with public contempt.

Hostile takeovers also detract from competitiveness by reducing the availability of funds for research and development.

Because of substantial debt incurred to finance takeovers, the ensuing increased interest costs undercut investment in R&D as well as other parts of the innovation cycle.

Finally, the threat of hostile takeovers also detracts from the longer term R&D component of innovation, as corporations tend to favor short-term investments in innovation at the expense of the longer term in order to maintain quarter-to-quarter earnings growth. Ironically, this is needed to maximize company stock prices to make the company less attractive as a target for a raider.

On the other hand, our foreign competitors, not having such constraints, are making more longer term investments and, as a result, displacing American companies in many important markets. Notable examples are in the areas of semiconductors and advanced materials.

Because Congress hasn't yet acted, a number of states have passed legislation to mitigate the adverse effects of hostile takeovers. One of the most important provisions in several state laws is the requirement for increased disclosure of the economic effects of the raider's proposal, similar to those in registration statements, including impact on employees, communities, creditors, pension funds and governmental units.

Raiders, investment bankers, Wall Street lawyers and others, who make enormous profits from hostile takeovers, lobby intensely against both state and federal legislation. They even strongly oppose the provision for more disclosure. Thisis revealing because if hostile takeovers are as good for the country as claimed, proponents should want more known about what is planned. Furthermore, just being fair requires that, at a minimum, shareholders, employees, communities and other constituents have a right to know what is contemplated.

Fortunately, there is evidence that the tide of public opinion is turning against the raiders and their ilk. Recently, a Harris Poll reported that 65% of the public favors legislation to regulate hostile takeovers. This was good news indeed. It reaffirms Abraham Lincoln's observation that "you can fool all the people some of the time, and some of the people all the time, but you can not fool all the people all of the time."

While such opinion polls will weigh favorably with members of Congress as they consider anti-takeover legislation, opponents are fighting even harder because of progress with state legislation. Part of their strategy is to preempt effective state laws with watered-down federal legislation. Therefore, it behooves everyone to urge Representatives and Senators to pass effective federal anti-takeover legislation, which does not preempt state laws and includes the requirement for more disclosure of what is planned. A large number of jobs -- maybe even your job or mine -- is at stake.