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Executive Club University of Colorado Speech

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EXECUTIVE CLUB
UNIVERSITY OF COLORADO
October 12, 1988

THE ROLE OF BUSINESS AND ITS POTENTIAL
IN COLORADO'S ECONOMIC RECOVERY

Thank you President Gee, distinguished guests, ladies and gentlemen. To be introduced by the president of a prestigious university such as the University of Colorado is another first, and regardless of what happens from hereon for me, the evening is already memorable.

Mr. Marold, may I add my congratulations to you as the Club's "Executive of the Year."

In preparing for tonight, I have struggled with what is the most important message I could leave with you. After all, when will I find a better time to address the future business and government leaders of Colorado.

Many of you have heard me before, talking about CACI, the Blueprint for Colorado, small business, venture capital and Colorado as one of the nation's centers for high technology. That's history and this is not a classroom. Dr. Chuck Farris and I agreed on a title, "The Role of Business to Potentiate Colorado", in other words, "To Create the Synergistic Potential of Business and Government Working Together."

My message, however, must go deeper than that to trigger your motivational hot buttons or I will not have fulfilled this evening's mission.
During this past year as Chairman of CACI, I have had the opportunity to visit many Colorado cities outside of Denver and address a number of organizations, mostly business-oriented.

We’ve discussed economic development in Pueblo. Economic development is defined in a variety of ways, but however you define it, Pueblo has done a good job. We’ve talked of the need for infrastructure development, particularly highways, as an economic development issue. I’ve heard surprisingly supportive reactions to the Governor’s program for raising taxes to support highway construction over the next five years. The issue of beltway construction for the four-county metropolitan area receives surprisingly favorable support from rural Colorado businesses.

The latest initiative of the Governor was to establish transportation roundtables. Those roundtables have evoked a renewed interest in metropolitan service districts which will create significant changes in local government management. There’s a growing consensus that we need to leverage off the model of the Metropolitan Sanitation District which has worked well for many years.

Perhaps it takes an emergency such as our approaching transportation grid-lock in our metropolitan highway system to force us into the obvious economies of a metropolitan government.

Other issues addressed in the Blueprint for Colorado include water, which is critical to our future economy and the very lifestyles of the residents of the Front Range.

Denver’s brown cloud ranks extremely high in the minds of corporate decision-makers on whether or not to locate a major facility in Colorado. This may well be the most damaging issue affecting our economic recovery.

Higher education. The Blueprint has recommended increasing our investment in higher education to place Colorado in the upper quartile of
states relative to investment per capita. We are urging the legislature to appropriate an additional $30 million again in 1989 to complete this three-year program. As Dr. Gee knows, there is a great pressure from both the legislature and the business community for accountability in the use of these additional funds. The University of Colorado has responded very precisely to this request. Some institutions are dragging their feet, however.

In healthcare, there is a growing realization of the need to extend Medicare to the preschool children and to prenatal care for mothers as an extremely cost-effective investment.

Finally, taxation. The state’s revenues will increase in 1989 by approximately $125 million, somewhat above inflation. However, there is a shortfall to date of $30-40 million versus the budget. In addition, there is a need to support the 1988 school reform with another $50 million to restore the legal reserve of $40 million. Finally, the highway problem becomes even more paramount with a need to raise an additional $200 million per year, only 60% of which goes into the state highway construction. In general, we are talking about an additional $250 million plus and is perceived to require a major increase in taxes.

What are the sources? It is now thought timely in 1989 (which will not be an election year) that we ought to increase the present sales tax by 1% to raise approximately $140 million. In addition, other sources include automobile registration fees, drivers’ license fees, replacing the gross ton-mile tax, and broadening the base of taxes to include consumer services.

It seems to me that we get so enmeshed in a variety of very justifiable causes that we become oriented to "what are the potential sources of revenue" without stopping to consider the big picture. All of us realize in business that when profits start to slip, you take immediate actions
to cut costs. We look at each department and at each product area for ways to improve that bottom line. Quite frequently it ultimately means reducing the payroll or whatever is necessary.

There is a mindset in government, both federal and state, that "don't touch this program" usually for a political reason, or "don't touch that program" for an equally strong reason. And, heaven forbid that you should ever create a layoff. The net result of all this means government continues to grow and continues to erode the profits of business and the net income of individuals.

Where does it stop? In 1980 the White House Conference on Small Business selected as one of its key recommendations that government spending, then at the rate of 21% of gross national product, be reduced to 18% as a maximim tolerable level. The cost of government today is in excess of 28% of GNP. Because of the growth of government, both state and federal, net median family income is being reduced at the rate of 1/2% per year. Such a small amount is not noticeable from year to year, but look at the cumulative effect and try to imagine what it is doing to our society.

It is estimated that the total cost of government, local, state and federal, represents in excess of 60% of the income of a typical American family. At what point does this result in a "tax revolution". Don't we, in the business community, have the responsibility to raise this issue more than any other sector of our society? Surely we cannot depend upon politicians running for office to suggest cuts in government services. That is unthinkable. Can we expect government employees or major government agencies to recommend reductions? Quite the contrary, government, by its very nature, must continue to consume its budget for reasons of survival.

And now, we in Colorado talk about a 1% sales tax as a relatively insignificant amount that will surely guarantee improvements in our
infrastructure and improve the whole economy of Colorado. One reason to increase sales taxes now is that the total tax in some communities is approaching double digits and if the state doesn't do it now, they will lose out! **What a loudy reason to raise taxes!**

Can we apply business principles to state government? **Of course we can, Walt Price, IBM** - the problems are identical!

That brings me to the main thrust of my message this evening and that is personal and corporate involvement in the process of government at all levels. The business perspective is critical to the efficient management of government and providing the public with a better balanced perspective. Taken another way, without the business perspective, we have only the voices of the political community, the bureaucratic community and special interest groups, all of which are interested in adding programs. Where is the special interest group or politician urging the removal of a government service or program?

You should know of a major effort now going on within state government to improve efficiency. This is the result of an executive order of the Governor in August to establish a 17-member commission called **Colorado Commission on Government Productivity**. Now in its third month, the effort involves 150 people working on 20 different committees, each studying a particular department of state government. The program should be complete by December 15 with publication in late January. At that point, the Committee will shift gears to an implementation phase which is planned to extend for another year.

What do we expect out of this? It is a little early to identify specific recommendations. However, from the intensity of the project director and the members of the committees, we should anticipate significant savings in the cost of state government. I have been told by a businessman involved in a similar study in Montana and Louisiana that "if we did not effect savings of at least $50 million per year, we will not have done our job."
There are three major objectives of the study. First, to establish a management feedback system to give the Governor a better handle on managing the 20 major departments of state government.

Second, to establish an incentive system among state employees where they will benefit through cost reductions and not be concerned with spending all of the budget for fear that they will not get it the next year.

The third major objective is to give the legislature a five-year budget forecast to allow them to make decisions on capital expenditures that are now made from what might be called a very poor cash flow statement.

The state does not operate from a balance sheet nor even an income statement. Decisions are made purely from desires to support old programs or implement new programs on the one hand, offset with what are the current estimates of revenues for the next year. A very inefficient process.

This program to cut costs of government through better productivity, however, as a best case scenario, will effect less than one-half of the desired increases in state government proposed for 1989.

In summary, we have a state with a budget in excess of $4 billion overall, employs in excess of 63,000 people and operates, for the most part, from nothing more than a cash flow statement!

Now to what I think is the bottom line of this message, and that is corporate and personal citizenship. National statistics indicate that top management of major corporations spend an average of 30% of their time in public or community service.

That time commitment increases as a person grows through the ranks of their company. It may start with small projects such as PTA, Little League or service clubs and grows to leadership positions on government commissions, boards of chambers of commerce, etc.
Most contributors feel that they are taking away valuable time from their company and operate quite frequently with a guilty conscience.

Fortunately, in Colorado we have several companies that are models of corporate citizenship, beginning with the Adolph Coors Co.

To test the 30% time contribution, at lunch today I was able to ask Berne Hart, Chairman of United Banks and one of our outstanding business leaders, how much time he spent on community affairs. He had arrived 30 minutes late for this meeting because he had already had two non-profit board meetings, one with Denver Rotary and the other with Boy Scouts Council. I also saw him yesterday hosting a luncheon for the Thorne Ecological Institute.

After meditating on his estimate, he finally concluded, "I would guess my time comes pretty close to that 30% number, maybe more."

My point is a direct challenge to you. You are that executive who may already be contributing a significant amount of time. Do it with a free conscience! Do it because you want to and do it because we need you.

Describing a successful person involves many definitions. I would submit, however, that the most successful person leads a balanced life. Balanced meaning a contribution of time to family, to vocation, to church and to the community. The really successful people that I have met, not just financially successful, live a life with a balance of activities all of which are rewarding in different ways.

The Colorado community needs you to maintain its perspective. If corporations would accept the objective of a fair contribution of their executive's time in public affairs and a fair contribution of their resources to support those efforts, we could develop public/private
partnerships that would add a balanced perspective to our state and national governments, and perhaps, just perhaps, provide a perspective that would ultimately say government is big enough and every new program submitted by a legislator that impacts the state or federal treasury negatively must be accompanied by a recommendation for government savings to offset that cost.

I hope each of you will undertake the responsibility to add that element of perspective which I call plain common sense.

On a lighter note, I want to read you a letter from a young woman who had gone off to college and hadn’t written to her parents for three months.
Dear Mom:

I know you have not heard from me for three months, but you see I have been quite busy.

First, I didn't want to tell you but we had a dormitory fire and I lost all of my belongings. Fortunately, I met a nice young man who works at the service station just off campus who has a one-room apartment and he offered to let me stay with him.

I am pregnant but I know you will love your grandchild just as much as you have loved me, regardless of its race.

Now, Mom, there really wasn't a dormitory fire and I didn't lose all of my things and I haven't moved in with a young man and, of course, I'm not pregnant.

However, I just received my first quarter grades and I have a "D" in History, a "D" in English and I'm failing in Economics and I thought you ought to keep this in perspective.

Love,

Sue