

Innovation requires immigration, top U.S. executives say

By [Andrew Nusca](#)

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LAS VEGAS — If the United States wants to pursue innovation and compete on the global stage, it must lower its borders and allow talent to flood in, the executives of top American corporations said on Friday.

In a panel discussion at the **2011 Consumer Electronics Show**, **Cisco CEO John Chambers**, **GE CEO Jeff Immelt** and **Xerox CEO Ursula Burns** agreed that topics like illegal immigration had become sub-points to a broader narrative, one in which U.S. companies are increasingly at a disadvantage against emerging powerhouses such as China.

"We've made it important to protect our borders," Burns said. "The last thing we need to do is that."

Immelt said that U.S. companies of all sizes must be more competitive by increasing their rate of innovation, because "the rest of the world is moving faster than we are."

"From the time you get up in the morning to when you go to bed at night, focus on exports," he said. "When Angela Merkel gets off a plane in Beijing, 20 German CEOs get off right behind her."

Exports was one of the three "functional pillars" that the U.S. must focus on, the executives agreed. The other two: an acute focus on partnerships between mid-size and large companies, and a focus on technology and innovation at the university and secondary school level.

ON EDUCATION AND PUBLIC-PRIVATE PARTNERSHIP

The first step is recognizing America's problem from kindergarten through 12th grade, which is often overshadowed by its university system, "one of the best in the world," Burns said.

"We must fix this and we are working on fixing this," she said. "I don't think we can pretend to be better than we are. In educating the mass population, we are failing."

Chambers agreed.

"Our K through 12 system is broken," he said. "We're not in the Top 10. We're not in the Top 20."

"Education is the most important long-term change that we have to do in this country."

But education is one glaring example of how the U.S. government and major corporations can work together. After all, Fortune 50 companies collectively invest billions in secondary education, Immelt said.

"This is a place where government and business should work together and can work together," he said. "There ought to be a call to arms on this."

He added: "We all have skin in the game. That for us is our lifeblood. I worry a little bit about losing our edge."

Burns said it was high time the U.S. government gauged the return on investment for its educational efforts.

"If you think about how much money all of our foundations — just dollars — it's hundreds and hundreds of millions of dollars," Burns said. "And I don't spend a lot of money without measuring outputs. If we look at the education system, we've failed. The outputs haven't changed dramatically."

It starts with clear goals, Chambers said.

"If you're two years behind in this industry, you're history," he said. "We have not changed the way we teach our children."

ON IMMIGRATION AND PROTECTIONISM

But it comes back to the green card. Unless the United States can keep the foreign students it educates, it's doomed to fail, the executives said.

"Today we are hanging up a sign that says, 'You're not welcome in this country.'" Chambers said. "We have got to change that."

Burns said the global financial crisis from 2007 to 2009 has politicized the issue further by prioritizing the protection of borders instead of building out infrastructure and improving education.

"The economic downturn made it easy to demonize people who are not here," she said. "It made it a competition when it shouldn't be a competition."

It's about helping engineers from China or India stay in the U.S. and start companies here, Chambers said.

"We've got to get back to one of our key advantages — our immigration policy used to get the best and brightest to come here and stay here," he said. "Make them American citizens, not just a green card."

But the responsibility to spur action starts with the corporations who hire talent, Immelt said.

"Business can no longer sit on the sidelines. We've got to fight for our future," he said. "This is a good thing, not a bad thing."

Part of the problem is leverage. Burns admitted that as CEO, it was a neutral decision for her to build a factory in the U.S. or overseas.

"I have to build close to a reasonable market," she said. "I don't wake up in the morning and say, my preference is to employ Americans. My preference is to employ great people."

Unfortunately, current tax policy discourages U.S. corporations from hiring Americans, she said.

"The cost burden of having an employee in the United States is actually [comparatively] very high," she said.

Chambers agreed.

“We’re one of five countries in the world that has an arcane tax policy that taxes income twice,” he said. “We pay taxes in India and China and Europe, and if we bring it back, we have to pay taxes again.”

“You’re in essence spending 70 cents on the dollar. Nobody in their right mind would do that.”

Business only goes where the market is, Chambers said.

“I have 40 billion dollars here [in the U.S.]. I have 40 billion dollars allocation overseas. I’m going to spend that money,” he said.

Immelt said he doesn’t understand what good it’s doing the U.S. to have a trillion dollars outside its borders.

“Jobs go where the markets are,” he said. “I never apologize putting a factory in China if my growth is in China.”

ON CULTURE AND INNOVATION

But having a market drives investment that drives innovation, and opening up to the world to your products drives investment directly.

The good news? All three executives agreed that innovation is an American strength — but so is time-wasting deliberation.

“The speed of innovation does not match our decision process in government or business,” he said. “We’re falling behind on speed. The U.S. has the carbs to be here, but we’ve got to start measuring it.”

Immelt said a flatter management structure facilitates innovation at American companies.

“The way we interact with each other is a huge competitive advantage,” he said. “As you get bigger, the battle with bureaucracy is profound.”

Chambers said a dash of paranoia is just the kick U.S. companies need to compete globally.

“I think we have all the cards to win, the question is whether we have the courage, the fortitude,” he said. “In confidence we can take on anyone in the world, but there’s also a healthy paranoia of [being beat].”

“The speed of innovation isn’t going to create winners and losers, and that’s what companies and countries think.”

Immelt said his paranoia comes from global travel, some 60 to 70 percent of his time as GE’s top executive.

“I’ve been going to China and India since 1984. I have the burden of knowing what’s happening,” he said. “I get back and sleep like a baby: sleep soundly, wake up every hour crying. That’s what it’s like to be a CEO.”

The problem is that paranoia manifests itself about the wrong things, Burns said.

“This is not a fight about whether India should stay behind,” she said. “It’s about what are we going to do to make sure we participate as the world grows.”

But it comes back to business. Allowing protectionism to grow is ultimately a failure of responsibility to investors, Immelt said.

“Technology innovation is what predicts wealth,” he said. “How many engineers you graduate, how many patents you have...no one’s asking us, ‘Can you send some lawyers over here?’ They want to know what’s in your brain.”

“The one mistake you can make is not learning from your mistakes.”

Chambers said there’s a “comeback opportunity” facing the U.S. as technology, innovation and business process combine to increase productivity some three to five percent in the next decade.

“It isn’t just talking about it. We’ve got to follow it up with actions,” Chambers said. “I still think innovation is what changes the world. But it’s innovation with execution. I think we’ve fallen behind, but it’s not hard to catch up.”

He added: “In Silicon Valley, failure is a badge of courage. You’ve got to have a country that accepts that.”

ON BUSINESS PROCESS

Burns said innovation grows from efficiency.

“It’s about smaller, simpler, faster, more integrated,” she said. “In the past, we were able to throw stuff at consumers and have them figure out a way to make it work. Consumers now want us to figure out a way to make it work. A lot of my R&D investment is making it simple.”

Burns said Xerox spends \$1.6 billion for research and development.

“It’s interesting how much R&D dollars I spend,” she said. “But that’s not enough — I need to figure out a way to make my technology work better with [other companies’ products].”

Chambers listed three “axes” on which Cisco operates: internal innovation, external acquisitions and strategic partnerships.”

“Have a quick time to market mentality and the ability to dream and set goals,” he said. “Our [command-and-control model] allows us to take on 30 different fronts at the same time and have them working together.”

ON ATTRACTING IDEAS

To end the discussion, the three executives discussed how they’re working to spot the best small businesses and help them scale.

Immelt said GE’s Ecomagination Challenge simply aims to “let the ideas flow.” In return for access to GE’s brand and distribution, small businesses help the company fill gaps in certain markets.

“GE distribution in the home could be [far bigger] than it is today,” he said. “That’s going to come from small business.”

Chambers said it starts with open communication from the top of the organization.

“At Cisco, we have groups with touch points,” he said. “We probably look at 100 companies before we pick one to acquire. Do you understand what is different about your organization? Are you checking the market? Do you have good people around you? Do you understand how to communicate your message?”

Burns said small businesses should seek a more relevant person within a large organization to pitch, rather than the CEO.

“Make it local. If you try to come to me with 100 ideas, I will lose 99 percent of them,” she said. “I have 130,000 people in the world who should be able to listen better than me.”

But companies must help both internal employees and external partners find that path to innovation, Chambers said.

“Do it for the next generation. It is the right thing to do in business,” he said. “Do you build that into the DNA of your team? Companies like to do business with companies that they trust and like.”