

MICHIGAN'S FUTURE - - THE TIMELESS POWER OF IDEAS AND OPTIMISM

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Business Leaders for Michigan CEO Summit

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Thank you for that kind introduction.

It's an honor for me to be your keynote speaker today and to have the opportunity to represent my company and my family - - each of which proudly calls Michigan our home.

I must admit that when Doug Rothwell first asked me to offer my thoughts on the important theme of today's CEO Summit - - "The Future of Michigan" - - I was concerned . . . and in full agreement with the great American philosopher, Yogi Berra, who observed:

"It's tough to make predictions, especially about the future."

What makes accurate prognostication even more difficult today is the fact that we're in one of the most dynamic times in our country's history. Technology continues to accelerate the pace of change in every way, in every society, every industry and every corner of the globe. It is also unabated and exponential.

So in this environment it seems appropriate before we predict what's ahead of us we should first *look back*.

Believing that what's past is prologue . . . I asked myself what a CEO Summit - - where our state's business, civic and community leaders - - focused on the future of our state would have been like here in Michigan in 1912 - - 100 years ago.

Those were certainly interesting times.

It was the year Tiger Stadium - - originally called Navin Field - - opened with Ty Cobb in center field . . . the Titanic experienced its tragic maiden voyage . . . and contrary to popular belief, Doug Rothwell was not yet involved in any economic development activities.

It was also the year a 19-year-old young man named Philip Taubman arrived by steamship in the United States from Bialystock, Poland, to find supplies of hard wood for his father's business. To Philip, my grandfather, and millions of other immigrants, America was in every way a land of opportunity . . . a place of abundance and promise, unmatched anywhere in the world . . . a place where a better idea and an unyielding work ethic could trump social status, ethnic background, even religion.

Against that historic backdrop, who would have been in attendance at our 1912 Michigan CEO Summit?

Who would they be representing?

What dreams would they have had?

The more I reconstructed the setting, the more confident I became that this exercise in reverse time travel would be meaningful to today's discussion. After all, the business, community and civic leaders participating a century ago were ushering in the greatest period of growth, innovation and prosperity in our state's history - - decades of GLOBAL leadership. So who were they? And more importantly, what can we learn from them about where Michigan needs to go?

Let's look back 100 years together.

Of course, any Michigan CEO Summit worth its salt in 1912 would have attracted a young entrepreneur named Henry Ford. His company's Model T, with its appeal and affordability for the middle class, was revolutionizing both the auto market and society. Mr. Ford's mind would also be on the new manufacturing plant designs he'd been reviewing with gifted architect, Detroitier Albert Kahn, who would also be in the room. Ford admired Kahn's Packard plant design, and together, Ford and Kahn would introduce in 1913 what the world would come to know as the moving assembly line at Ford's innovative Highland Park plant.

A few tables away would have been Louis Chevrolet. An avid race car driver and auto engineer, Chevrolet had teamed up with William "Billy" Durant a year earlier to form a company to build a sportier car to compete with Ford.

In from Midland to participate in our summit would be Herbert Dow. His company, which had made a name for itself over the last 15 years by manufacturing bleach, was expanding its product offerings into agricultural chemicals, chlorine, lime sulfur and metals; materials needed by the burgeoning industrial companies of the 20th century.

Exchanging pleasantries with Mr. Dow would be George Davis, representing his fast-growing Detroit-based pharmaceutical company Parke Davis. Mr. Davis always seemed to be in a good mood. Why wouldn't he when many of his company's most successful products contained the ingredient cocaine - - which was legal in 1912. A Parke Davis advertisement promised that its powder supplement would, "make the coward brave, the silent eloquent, and render the sufferer insensitive to pain."

Not even Michigan's 5-hour Energy Drink can make those claims today!

Sure to be among us would also be W.E. Upjohn, in from Kalamazoo, where his Upjohn Pill and Granule Company, founded in 1886, was thriving. He held the patent rights to the world's first mass-produced "friable" pill, allowing medicines to easily dissolve in the stomach.

Also really interested in the future of our state, would be Peter Wege and Walter Idema, who with 15 employees founded the Metal Office Furniture Company of Grand Rapids in 1912 – later to be called Steelcase. Their big breakthrough was to come in 1914 when they secured the patent for the world's first steel wastebasket - - lessening the risk of fires in the new office towers being built in cities across America.

Benton Harbor's Lou Upton would also be "in the house." Lou in 1911 founded the Upton Machine Company with a patent in hand for the first motor-driven electric home washing machine. Later to be named Whirlpool, Lou's company was on the forefront of introducing time and labor-saving conveniences into the newly electrified homes of America's developing middle class.

Those same consumers were beginning to enjoy mass-marketed breakfast cereals, none more popular than the offerings of the Battle Creek Toasted Corn Flake Company. Founded in 1906 by former health spa manager W.K. Kellogg - - the company's "better for you" breakfast foods, based on a unique method of toasting wheat flakes, was revolutionizing the consumer products industry.

Frank Gerber, of the Fremont Canning Company, would certainly make the trek to Detroit to see what he could learn to help the growth of his 11-year-old company. Gerber canned peas, beans and fruits produced by local Michigan farmers for shipment across the country to the increasingly popular national grocery chains.

Thanks to a great idea from his wife in 1927 to market prepared baby foods, Mr. Gerber would redefine the baby food industry for generations to come.

It is also likely that among these motivated *male* CEOs would be a *woman* named Emily Helen Butterfield, the first registered female architect in Michigan and the first president of the Detroit Business Women's Club, founded - - you guessed it - - in 1912.

While Ms. Butterfield and all other women in Michigan would not get the right to vote in state elections until 1919, our state's female entrepreneurs were contributing to our economic growth well before they would be warmly welcomed into the business community.

And what would the media coverage have looked like? Looking out at the audience we might find Edward Willis Scripps, founder of the Detroit News. It was Mr. Scripps who founded United Press International in 1907 to challenge the monopoly enjoyed by Associated Press.

I think you'll agree, our state had a lot to be proud about in 1912.

Ford . . . Dow . . . Chevrolet . . . Upjohn . . . Kahn . . . Durant . . . Kellogg . . . Scripps . . . Gerber . . . Davis . . . Butterfield . . . and the list goes on and on.

Michigan's innovators, inventors and entrepreneurs were changing the world and in the process creating levels of wealth, employment and prosperity never before imagined.

I'm sure it's tempting to dismiss our throw-back summit as interesting, but irrelevant history.

After all, that happened 100 years ago, and could never happen again in today's economic environment.

But I'd like to suggest to you this afternoon - - in the year 2012 - - that all this could happen again, right here in Michigan.

Because with all due respect to Michigan's extraordinary leaders of the early 20th century - we've got amazing talent in this room today . . . our state boasts outstanding resources and advantages . . . and what has *not* changed and will never be irrelevant is the power of ideas and optimism.

Friends, ideas and optimism were what set our ancestors and this great state of Michigan apart at the turn of the last century. It's what drove the migration and growth of our state and made it one of the largest in the US. And ideas and optimism are always what will set us apart again.

Now, some might argue that for leaders like Henry Ford there was nothing but opportunity ahead. He was tinkering in a new industry ripe for growth with nothing but blue sky ahead. Those were the good old days.

Of course nothing could be further from the truth.

When Ford introduced the Model T in 1908, there existed little infrastructure to support his thirsty internal combustion engines. Few gas stations. No highways. Few suppliers of reliable tires and other key component parts. No garages on the average American's home.

Those hurdles make the challenges to today's electric cars seem simple. Instead of complaining, these Michigan entrepreneurs turned adversity into opportunity and never looked back.

Nothing was handed to them . . . All faced major obstacles to success.

When my grandfather first stepped on shore in America in 1912, his path was anything but paved with gold. He was supposed to meet an agent in Davenport, Iowa, who would take him through Wisconsin and Minnesota to find the precious hard woods his father had sent him to purchase.

The agent didn't arrive, and my grandfather, speaking no English and having no job, spent a couple of days in jail.

To stay out of trouble and make ends meet, my grandfather got a job as a gear grinder in a factory. He didn't return to Poland, and after about a year, his parents, worried that he might marry a non-Jewish woman, sent my grandmother Fannie over to be his bride.

They started their family and settled down in Davenport.

About 1920 my grandfather was transferred to the Wilson Foundry plant on Saginaw Street in Pontiac, Michigan.

Philip and Fannie Taubman's family was completed in 1924 with the birth of their fourth child, my father, Alfred.

Soon, Philip decided to leave the security of the Wilson Foundry to start his own homebuilding company. He built the home in which my father was born on Ottawa Drive, and then the first synagogue in Pontiac.

When the economy collapsed with the Great Depression, he refused to walk away from his financial obligations, moving the family to a small cottage on Sylvan Lake and tending the orchards.

Despite all these hurdles - - or perhaps because of them - - my father never stopped learning and dreaming. At age 11 he went to work evenings and weekends in a small retail shop. There he began to form his understanding of customers, merchandise, business and fashion. These were the ideas - - along with his experiences in college and World War II - - that ultimately would form a new vision for how Americans would shop.

In 1950 my father founded The Taubman Company with a \$5,000 loan from Manufacturers Bank – now Comerica. Trained as an architect -- first for two years at University of Michigan and then another year at Lawrence Tech -- he started as a design/build General Contractor, a relatively new idea at that time.

Soon his unique ability to visualize physical space and how people use it, allowed him to morph into retail development. He recognized quickly that America's post-war highway systems would dramatically redefine markets and trade areas from coast to coast. That led him to start building the pioneering, new, large shopping centers our company became well-known for.

Like the leaders attending our 1912 Summit, my father and The Taubman Company, prospered here in our state, despite all obstacles, because of the awesome power of ideas and optimism.

So the question before us today, 100 years later, is:

Can history repeat itself?

Are we - the leaders of today's Michigan companies - prepared to bring new ideas to market, turn challenges into opportunities, and once again spread Michigan creativity and productivity to every corner of the globe?

My answer - - looking around the room today - - is emphatically YES.

Here's why I'm optimistic:

Let's start with the auto industry. While their names may not be on the front grills of the cars they manufacture, Dan Akerson, at GM, Sergio Marchionne at Chrysler and Alan Mulally at Ford are overseeing the resurgence of the American automobile industry.

If you attended January's Detroit Auto Show, you could feel the renewed levels of pride and optimism in Cobo Hall. Michigan is reclaiming its position as the industry's center of gravity.

It's hard to believe, that these are the same companies that were by most accounts at death's door a few years ago.

But as best-selling business author Jim Collins states in his mega hit *Built to Last*, "the signature of a truly great entity is not the absence of difficulty, but the ability to come back, from difficult times, stronger than before."

I think it's safe to say, we're seeing that resiliency not just in our auto industry -- but increasingly in our state.

You can see evidence within blocks of this historic hotel that driven entrepreneurs are creating diversified products and services for consumers across the nation and around the globe.

My good friend Peter Karmanos grew up here in the city working weekends and nights in his father's diner. Not the most obvious environment in which to nurture an understanding of computer technology. But as we know, Peter's Compuware, headquartered proudly downtown, has become a significant international software business . . . creating Michigan jobs in an industry that didn't exist in 1912.

In financial services, there are few more compelling success stories than that of Dan Gilbert's Quicken Loans. Just a few years ago he brought his enthusiasm, spirit and service culture downtown along with thousands of co-workers. Throughout the Great Recession Quicken defied the unprecedented head winds of the home mortgage market – the company is bigger and stronger than ever.

Over in Midland, Herbert Dow would be impressed with the innovations emerging from the company he founded in 1897. Today's CEO Andrew Liveris would be proud to show Mr. Dow the company's new solar roof shingles, made right here in Michigan.

Both Mr. Upjohn and Davis would not believe the medical wonders coming out of Stryker's headquarters in Kalamazoo. The company's life changing joint replacement and advanced surgical and hospital products are leading edge.

Interestingly, the new Executive Chairman of Stryker is Bill Upjohn Parfet, who has followed his family's long history of creating new businesses and many Michigan jobs. His company MPI, located in Kalamazoo is one of the leading testing laboratories for medical research in the world. It's also one of the fastest growing companies in the state, constantly hiring new researchers from Western Michigan University.

Nearby, in Battle Creek, CEO John Bryant is overseeing the distribution of Kellogg's healthy breakfast cereals to consumers, now in 180 countries around the world.

And how impressed would the founders of the Metal Office Furniture Company of Grand Rapids be to learn from Steelcase CEO James Hackett of the company's 10,000 employees and 650 dealers offering state-of-the-art "ergonomic workstations" to office workers around the world?

These are just a few of the talented people leading Michigan's 21st century companies. No, these may not all be household names, but these organizations have the ideas and optimism to make our state's future at least as successful as its past.

So the next question is one that I'm sure on many of your minds:

Does our state have the resources and supportive business climate necessary to allow history to repeat itself?

Once again, I'm optimistic - - more optimistic than I've been in many years.

Let's consider a few of our key assets:

We have several of the most respected research universities in the world right within our borders.

Our globally competitive, but still underemployed workforce offers extraordinary experience in manufacturing, engineering and technology.

We have the 4th largest high tech workforce in the nation - - and more engineers per capita than any other state.

Not surprisingly, we're second in total annual R&D expenditures, and first in automotive R&D, with annual expenditures of \$11 billion. That represents 75 percent of our nation's total.

Our communities across the state offer a range of attractive lifestyles and some of the most affordable housing opportunities in the nation.

And our state, is enjoying its first surplus in years, it's operating with a balanced budget - - passed on time - - and a much-simplified tax structure for businesses.

In addition there is a sincere effort under way in Lansing to review and reform the burdensome maze of regulations holding us back. It's always about leadership – thank you Governor Snyder!

And there is another asset - - important to our 20th century success - - that will increasingly set us apart in the 21st century.

Close to a quarter of the planet's fresh water is found in and around Michigan.

Let me say that again. Nearly 25 percent of the planet's precious fresh water is right here in Michigan.

That's an extraordinary global advantage for our state. The world will find alternatives to fossil fuels -- scientists and engineers will invent ever-more efficient fuel cells and faster computers -- but there is no replacement for water.

And many parts of the world are running out of it, as populations continue to grow.

How important is water to industry? I'm told it takes more than 1,000 gallons of water to produce just one gallon of ethanol from corn.

And in Phoenix, computer chip manufacturers are considering relocating their operations after being told by authorities that their fresh water required for production may need to be rationed in the near future.

Protecting our water stocks and keeping them secure will attract water-intensive industries and leave the state with an incalculable advantage for decades to come.

Given all these assets, our company is betting Michigan will attract its share of the more than 50 million new Americans who will be with us by the year 2025.

No question, we also have liabilities that need to be addressed:

Like most states, our healthcare costs have to be brought under control and our K-12 public school systems, in the most rural and urban areas are in need of significant repair.

And here in Detroit, the staggering problem of adult illiteracy – nearly half its people - threatens the City in many ways.

But the good news is that organizations like Business Leaders for Michigan are focusing energy and resources on these challenges with renewed creativity and commitment.

Roughly a month ago, Business Leaders reported significant progress on the Michigan Turnaround Plan and unveiled a vision for the next ten years to grow a New Michigan economy.

We must find ways to utilize our extensive engineering talent and to build a truly global engineering village.

We must utilize our very central location to not only to build an Aerotropolis – but to become a Gateway to the Midwest

We absolutely must leverage our higher education, to produce more talent, and to drive the economy through innovation and greater research.

We must grow our natural resource economy, and expand the life sciences to become a hub for innovation

And, we must also build from our automotive base into a global center of mobility.

I know that at Taubman Centers, we're proud and pleased to be Michigan based. While we're working on projects as far away as Puerto Rico and Asia, we're backing up our state pride with substantial investment in our Michigan properties.

In just the last five years we've opened The Mall at Partridge Creek . . . completed a major expansion, including the addition of a new Nordstrom store, at Twelve Oaks. . . added new restaurant and shop space at Fairlane Town Center . . . and very successfully repositioned Great Lakes Crossing Outlets.

Collectively, that represents thousands of construction jobs and more than three thousand permanent jobs. It also represents a total capital investment of more than half a billion dollars.

Our company is but a small example to the state: continuously invest in your key assets, continuously invest in your people and have a laser focus on the unique products -- or industries – that will create the greatest growth. Following those basic principles, our company has enjoyed total shareholder returns over 16% compounded since it went public in 1992 nearly 20 years ago – and over 21% compounded over the last 10 years.

Beyond Taubman Centers' contributions to the state's economy, I'm very proud of our family's civic leadership and generosity. Companies that are successful, and grow in a community, want to invest in that community. It is yet another reason to help nurture local businesses.

From the earliest days of his career, my father has invested in his community with the same creativity and passion that define his business success. Here in the Detroit area, there is evidence of this all around us.

Visit the Detroit Institute of Art and you will enjoy a world-class institution strengthened by decades of his support and leadership. Travel up Woodward Avenue and you can tour the College of Creative Studies' A. Alfred Taubman Center for Design Education. This is an amazing facility that has created new education and living opportunities in the core of Detroit along with many new jobs.

Spend time on the Ann Arbor campus of the University of Michigan and you will be taken by the scope of my father's involvement. The university's College of Architecture and Urban Planning, Health Care Center, and Medical Library each bear his name. And of course, the A. Alfred Taubman Medical Research Institute -- to which he has provided more than \$100 million -- is zeroing in on cures to many of man's most devastating diseases.

And in Southfield, at Lawrence Tech, students benefit every day from the resources offered in the Taubman Student Services Center. Future students will advance their studies in the A. Alfred Taubman Engineering, Architecture and Life Sciences Complex, for which my father is providing the key challenge grant.

This commitment to philanthropy in Michigan extends throughout our family -- my brother Billy is a board member of the A. Alfred Taubman Medical Research Institute and is Chairman of New Detroit.

I serve on the Board of Directors of Beaumont Hospitals, am a long time Skillman Foundation Trustee, a Director of SEMCOG, and a Trustee of the Cranbrook Educational Community. My wife, Julie, is a founding member and chairman of the Museum of Contemporary Art Detroit, and serves on the Board of Governors of Cranbrook Academy of Art and Art museum. She also has just finished an extraordinary -- and highly acclaimed -- book on the City of Detroit.

People who are successful in a community want to keep investing in that community.

So as we enter our 62nd year in business as a Michigan company, we continue to be sold on this great state . . . and its future.

Friends, it all comes down to what we, the business, civic and community leaders of the 21st century, want to do with the opportunities in front of us today. What will be our legacy 100 years from now?

We stand on the shoulders of some extraordinary visionaries and leaders who changed the course of history and made Michigan the envy of the world.

If Ford, Upjohn, Gerber, Davis, Chevrolet, Kellogg and Dow were here today, I think they would see possibilities beyond even their wildest imaginations. They would stand in wonder at the planet's technological infrastructure that weaves us together as one global community. They would want to get to work, on their next great ideas.

And they would be in complete agreement with the wise sentiments of Yogi Berra who summed it all up so well when he said:

“The future ain't what it used to be.”

No, Michigan's future is not what it used to be. It can be even better, more promising and more rewarding for all of us who believe in the enduring power of ideas and optimism.

If we do our part, what's past will merely be prologue to a future of growth and prosperity.

Thank you again Doug for inviting me . . . and thank you to all in attendance who want to be a part of Michigan's turnaround. Together, we can drive lasting change for the people of our great state.

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