WELCOME BY GEORGIA TECH PRESIDENT G. WAYNE CLOUGH
Tennenbaum Institute for Enterprise Transformation
October 21, 2004

It is a great pleasure to welcome all of you to Georgia Tech for the inaugural event of the
Tennenbaum Institute for Enterprise Transformation. This one-of-a-kind institute will create
opportunities for a large number of our faculty and students, because it is based on a multi-
disciplinary approach that draws on resources from across our campus. There is an old saying
that “timing is everything,” and in moment I will explain why I believe the timing could not be
better for the implementation of the Tennenbaum Institute and why I am so pleased this is
happening at Georgia Tech.

We know that one of the constants in the world, other than death and taxes, is change. It is
common to hear folks speak of this as a time of “great change” and in many ways such a
characterization is true. However, there have been other times of rapid change in the world’s
history, some driven by negative causes like war, disease, or natural disaster, others by positive
stimuli such as a flowering of philosophy and personal freedom, scientific discovery or
technological breakthroughs, or a profound growth in economic prosperity. If we were able to
reach back 65 million years and chat with the little fellows who were our human ancestors when
a giant asteroid hit the North American continent they would probably say, now that was a time
of “great change,” and I think we would agree with them. After all, the asteroid knocked the
smithereens out of what we know as North America today, changed the world’s climate for
decades, and caused about 95 percent of the species of the time to become extinct. That was bad
luck for the big guys like the dinosaurs, but good luck for us and the little adaptable guys of the
time who ultimately evolved into homo sapiens. You could say that our ancestors got their first
taste of the need for “enterprise transformation” back then when circumstances put them to the
ultimate test – survival.

Fortunately, today’s environment differs from that one considerably, not only in that our
problems pale in comparison to those of our distant ancestors, but also in that we have an
opportunity to control our own destiny in a way they did not. Of course, having an opportunity to
control your destiny, and doing it, are two different things.

We do live in a time of rapid change, but it is driven not by one singular event but rather a
combination of effects that makes our situation more complex than in the past. One of the
elements is a flowering of technologies. Looking back twenty years, we find a world in which
much of the technology we now use daily and take for granted did not even exist. Computers
were still pretty rudimentary. There were no cell phones as we know them today, no digital
cameras. There was no dot-com economy to boom or to bust, because there was no commercial
Internet. Only a few scientists or engineers were using terms like human genome,
nanotechnology, or supply chain management, because they were mainly just concepts, not
reality. There was little hope for cancer victims because the cures were rudimentary, and for
better or worse, there was no Viagra, Levitra or Cialis.
Fast forward to today, and people are using these technologies not only because of technological breakthroughs, but also because they were brought rapidly to the marketplace through new processes and concepts like venture capital. Much more is to come as revolutionary ideas derive from on-going work in nanotechnology, biotechnology and information technology. New materials that adapt to change in the environment, computers with power beyond today’s supercomputers that will fit in your hand, power sources completely different from those of today that don’t pollute, treatments for genetically diseases that will be delivered before birth, and many more. The question is, will we in the U.S. be the ones to take advantage of these breakthroughs, or will others be the beneficiaries because they are more willing to prepare and provide the systems that will get there first?

Combined with the revolutionary new technologies, we have seen and are seeing that dramatic changes in our socio-economic-political systems are also occurring. Twenty years ago, the Berlin Wall was still standing, and the world was divided into two political blocks – the communist world of the East, anchored by the Soviet Union, and the democratic world of the West, anchored by the United States. But during the 1990s, two things changed the world. First, the Cold War ended and the Soviet Union broke into its component republics. This dissolution of the world’s political power blocks set the stage for increased international business and trade, and the formation of trading blocks like the European Union. Second, the proliferation of telecommunications technology and the Internet opened up new avenues of inexpensive, real-time communication, which enabled the global economy to emerge rapidly.

Nations like China and India are taking advantage of these new opportunities to develop technology-based economies that compete much more directly with the United States and the European Union. In fact, we are now experiencing the impact on our own economy of China’s growing demand for fossil fuels and building materials, and this is just the beginning. Both China and India have increased their investments in technology-based research and education. In fact, the National Science Foundation estimates that China, India and the European Union each now graduate more engineers than the United States. All of this comes at a time when most American states are disinvesting in higher education, and a steady shift is occurring in R&D funding from “R” to military “D.”

Many things are in flux in this new global environment, and this is a critical time for our nation when we have to make the right decisions and choices. But even if we can remain among the very best at discovering new technology it will not be enough. To win in the competitive marketplace of the 21st century, our solutions must offer value that makes them worth the cost and can offset significant wage differentials between our nation and many of our rising competitors. Will we in the U.S. rise to the challenge, or will we cede the edge to others?

The competitive edge, both for the U.S. economy and for individual enterprises, will be based on innovation. That means not only developing leading-edge technology, but also applying it in creative ways to solve the problems and serve the needs of society – and shaping the public policies that enable this process. The competitive advantage will go to those economies and those enterprises that are able to look ahead and cultivate a culture that is flexible, creative, and nimble in meeting challenges and identifying opportunities.
There are groups who are working on these issues. Last February, the National Innovation Initiative, which I am privileged to co-chair with IBM CEO Sam Palmisano, was launched right here at Georgia Tech. This is an initiative of the U.S. Council on Competitiveness, a nonprofit organization that brings together leaders from labor, industry and academia. Our goal is to develop and promote a national action agenda that will ensure the United States remains at the forefront of the innovation space. Upwards of 200 very bright people, including folks from Georgia Tech like Jean-Lou Chameau, Chip White, and Diana Hicks, are participating in this effort. And we will present that agenda to the nation and the newly elected president – whoever he might be – at an Innovation Summit in Washington on December 15th.

So now I come back to timing. What is it that makes the idea of the Tennenbaum Institute for Enterprise Transformation right for these times? Like many new ideas, the concept behind the Institute does not come to us like a “Eureka moment,” but rather it is a gathering of new technologies, management concepts, and financial principles that have all rounded into maturity at the same time and can be creatively linked together to accomplish something not possible before. In its fullest form, enterprise transformation looks to improve by considering an entity, and how it works, from top to bottom and inside out, not by making incremental change. During the course of the deliberations of the National Innovation Initiative, Jean-Lou and I have taken the opportunity several times to mention the idea behind the Tennenbaum Institute for Enterprise Transformation. It immediately strikes a responsive chord, indicating how well timed this idea really is in providing one of the key answers as to how our nation will remain competitive in the coming challenging years.

I reckon that the idea of enterprise transformation is the “extreme makeover” version of continuous improvement. In fact, while continuous improvement is a good idea, it tends to be slow and incremental and in a world that is moving at a much faster speed; so, again, this is the right time for the concept of enterprise transformation.

The power behind the concepts of Tennenbaum Institute for Enterprise Transformation applies equally well to small and large companies, old and new companies, and public as well as private enterprises. The outstanding panelists we have slated for the afternoon presentations will illustrate this well.

It is very exciting for Georgia Tech to have the opportunity to lead the way in this endeavor, which we believe has tremendous potential to grow and make a significant contribution. And the benefactor who has enabled us to do that is a good friend of mine and of Georgia Tech’s, Michael Tennenbaum, the senior managing partner of Tennenbaum Capital Partners, LLC, which manages private funds with assets over $3.5 billion.

Michael founded the very successful Tennenbaum Capital Partners after an outstanding 34-year career at Bear Stearns in which he held various positions, including vice chairman of investment banking. Tennenbaum Capital Partners is a perfect example of the creative approaches Michael takes to his endeavors. He is also active on corporate boards for a wide range of companies, from aircraft maintenance to data imaging, from retailing to physical fitness. Among his board involvements of the nonprofit kind has been the Georgia Tech Foundation Board, where he served as – what else – chair of the Investments Committee. His advice has helped create a larger
endowment that is so important to us in these times. In addition to civic service to Georgia Tech, Michael has been very active with the Boys and Girls Club of America, who recently gave him their top volunteer award.

Michael is an industrial engineering graduate of Georgia Tech, and his active involvement and support has been extremely helpful in keeping us tuned in and connected to the broader trends that are shaping the world of business. More than 25 years ago, he endowed the annual Tennenbaum Lecture to bring a prominent political economist to campus every spring to help us understand the connection between political decisions and their economic consequences. He has also supported fellowships for Tech students. His most recent gift endows the Tennenbaum Institute for Enterprise Transformation, and we are deeply grateful for his generosity and for the unique opportunity he has offered us to lead the way in an increasingly important arena.

It is also my pleasure to acknowledge Michael’s wife, Suzanne, a talented and creative person in her own right and one who shares an alma mater with me – UC Berkeley. Suzanne has been kind enough to host me and my wife, Anne, several times at their beautiful home on Malibu Beach. Suzanne, thank you for joining us at this important event.

At this time I am pleased to present Michael Tennenbaum.