



Compete.

Council on  
Competitiveness

# Compete.

“Regardless of your business, we all operate in a world today that demands differentiation, and there’s little question that innovation is a critical driver in a competitive global marketplace.”

Robert W. Lane, Chairman & CEO, Deere & Company

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## Future of American Prosperity Uncertain in Modern Global Economy

*Council challenges public and private sectors with Five for the Future*

WITH EACH APPROACHING NEW YEAR, IT IS CUSTOMARY TO TAKE STOCK OF WHAT HAS BEEN ACCOMPLISHED AND WHAT LIES AHEAD. The United States is the preeminent economic force in the world, but this country faces an increasingly uncertain future. The triple deficit, energy issues, global labor arbitrage, a de-linking of corporate success from individual success and ongoing education challenges pose potential obstacles to U.S. competitiveness. At this year’s annual event, the Council on Competitiveness issued a challenge to public and private sector leadership to energize U.S. competitiveness with *Five for the Future*, a roadmap for competitiveness in the 21st century.

Whether American citizens and businesses will thrive in the rapidly changing global economy depends largely on the ability to understand and act upon the prevailing forces of change. The policies and business models that ensured U.S. economic leadership in

the past will not sustain a competitive edge in the years to come. The Council believes innovation is one of the keys to maintaining U.S. economic leadership and prosperity. Since convening the National Innovation Initiative (NII), the Council has been at the forefront of the charge to build a strong innovation agenda for America in the 21st century.

Led by NII Principal Committee co-chairs Samuel J. Palmisano, chairman of the board, president and CEO of IBM Corporation; and G. Wayne Clough, president of the Georgia Institute of Technology; the NII has benefited from the participation of a truly exceptional membership. During the course of the NII’s work, private sector leaders such as William R. Brody, president of Johns Hopkins University, and Craig R. Barrett, chairman of the board of Intel Corporation, served as co-chairs on the NII Leadership Council. Both Palmisano, Clough and the NII

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# Welcome

**AS THE COUNCIL ON COMPETITIVENESS PREPARES TO CLOSE OUT ANOTHER GREAT YEAR, WE ARE DELIGHTED TO SHARE WITH YOU THE SUCCESS AND PROGRESS WE EXPERIENCED IN 2007.** We saw tremendous validation of our past work and launched new initiatives aimed at securing America's competitiveness in an increasingly globalized economy.

The Council continued its outreach to the Administration and Capitol Hill to make innovation a top-tier, national priority. We witnessed the impact of the public/private sector partnerships not only in the President's American Competitiveness Initiative, but also the National Governors Association "Innovation America" initiative and the America COMPETES Act that President Bush signed into law. This historic, bipartisan piece of legislation is rooted in the spirit of the National Innovation Initiative report, *Innovate America*<sup>®</sup>, and is a significant step forward to implementing a national innovation agenda.

The Council's flagship publication, *Competitiveness Index: Where America Stands*, made it clear that the U.S. economy is strong, but our long-term economic leadership is not guaranteed. Following up on the *Index's* conclusions, the Council recently issued a competitiveness call-to-action at the 2007 Annual Meeting. *Five for the Future* urges policy makers and private-sector leaders to secure the future prosperity of all Americans by enhancing innovation in the areas of science and technology, energy, education, economic resilience and global engagement. The United States must strategically create the platform for America's future competitiveness. The Council will continue to advance this agenda as we present *Five for the Future* to the presidential candidates, members of Congress and the media leading up to the 2008 elections.

Consistent with the findings of *Five for the Future*, the Council worked hard to leverage its unique private sector networks, its thought leadership and its initiatives to achieve a new level of success.

- The Council launched its newest initiative—Energy Security, Innovation and Sustainability (ESIS)—which reflects the importance of energy security and sustainability as competitiveness drivers in the 21st century. ESIS seeks to drive a private sector demand for sustainable policies to assist the creation of new industries, technologies and jobs.
- Treasury Under Secretary Robert K. Steel addressed the Council in May to launch Secretary Paulson's U.S. Capital Markets Competitiveness Initiative. The initiative seeks to tackle critical barriers to global competitiveness by strengthening financial reporting and creating a more sustainable and transparent auditing profession.

- The groundbreaking report, *Transform*, released at the first ever Resilience Day on Capitol Hill, highlighted the importance of enterprise resilience to the security and long-term prosperity of our nation in a world of growing risk.
- The High Performance Computing Initiative partnered with the international supercomputing conference to produce a series of CTO discussions that showcased successful industry uses and competitive advantages of supercomputing.
- The Council collaborated with the U.S. Department of Labor's Workforce Innovation in Regional Economic Development (WIRED) initiative to provide technical assistance to more than 15 regions in the United States and to create regional innovation ecosystems that will drive growth and prosperity in the global economy.
- The Council co-hosted the inaugural U.S.-Brazil Innovation Summit highlighted in the March 2007 Camp David communiqué between President George W. Bush and Brazilian President Luiz Inácio Lula da Silva. The Council led a senior U.S. delegation of more than 40 public and private sector leaders and their Brazilian counterparts to shape a Call-to-Action to create the conditions for innovation-based growth in the Americas.

In 2008, the Council on Competitiveness will continue to drive U.S. competitiveness and productivity, and to raise the standard of living of all Americans. Our success will, in large measure, be built on our ability to understand how the game has changed and to respond with a new set of strategies and capabilities. This demands an environment that supports innovation and anticipates the new dynamics that create competitive advantages. We look forward to engaging with you on these critical competitiveness opportunities in the coming months.

Sincerely,

Charles O. Holliday, Jr.



Chairman, Council on Competitiveness  
Chairman and CEO, DuPont

Deborah L. Wince-Smith



President, Council on Competitiveness



## ADDITIONAL SUCCESSES

The Council on Competitiveness forged many strategic relationships in 2007 to advance U.S. competitiveness and promote long-term economic prosperity.

- The U.S. Department of Commerce partnered with the Council to develop and launch a National Center on Regional Leadership.
- The Council hosted U.S. Department of Energy to announce the public and private sector recipients of 95-million hours on some of the world's most powerful supercomputers.
- The Council and Fundación Chile signed an MOU at the Americas Competitiveness Forum to drive productivity in the United States and Chile, and to strengthen public-private sector partnerships.
- FORTUNE teamed with the Council to produce three feature pieces that focused on enterprise resilience, high performance computing and energy sustainability as the building blocks to achieving a competitive advantage.

# Future of American Prosperity Uncertain in Modern Global Economy

*Council challenges public and private sectors with Five for the Future*

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steering committees were honored for their immeasurable contributions to the NII at the Annual Dinner on October 25.

By bringing more than 400 private sector leaders to the NII cause, Palmisano, Clough and the Council created a strong and clear message that future U.S. prosperity hinges on our national ability to remain an innovative force in an increasingly global arena. The 2005 NII report *Innovate America®: Thriving in a World of Challenge and Change* provided an in-depth examination of the role innovation plays in U.S. competitiveness and laid out a concrete roadmap for the future. With more than 300,000 downloads and counting, *Innovate America* remains a truly relevant publication, demonstrating how the NII's work influenced the national dialogue on how innovation will make or break American competitiveness in the years to come. ★



## Five For the Future

America's future competitiveness demands that we:

- Challenge the frontiers in science and technology
- Renew access to secure and sustainable energy
- Achieve advantage with creative and cutting-edge talent
- Transform risk intelligence into resilience
- Engage in the global economy



**Top left:** G. Wayne Clough, Georgia Institute of Technology, and Samuel J. Palmisano, IBM, were honored for their work with the National Innovation Initiative at the Council's Annual Dinner.

**Top right:** (from left to right) Douglas J. McCarron, United Brotherhood of Carpenters and Joiners of America; Richard T. McCormack, Merrill Lynch & Co., Inc.; John B. Menzer, Wal-Mart Stores, Inc.; Kathleen Matthews, Marriott International; Clarence P. Cazalot, Jr., Marathon Oil Company; Robert J. Zimmer, The University of Chicago; James Hagedorn, The Scotts Miracle-Gro Company; participated in a panel at the Council's Annual Meeting.

**Bottom:** (from left to right) Ralph R. Peterson, CH2M HILL; John B. Menzer, Wal-Mart Stores, Inc.; Deborah L. Wince Smith, Council on Competitiveness; Secretary of Commerce Carlos M. Gutierrez; Ellen J. Kullman, DuPont; G. Wayne Clough, Georgia Institute of Technology; at the Council's Annual Meeting.

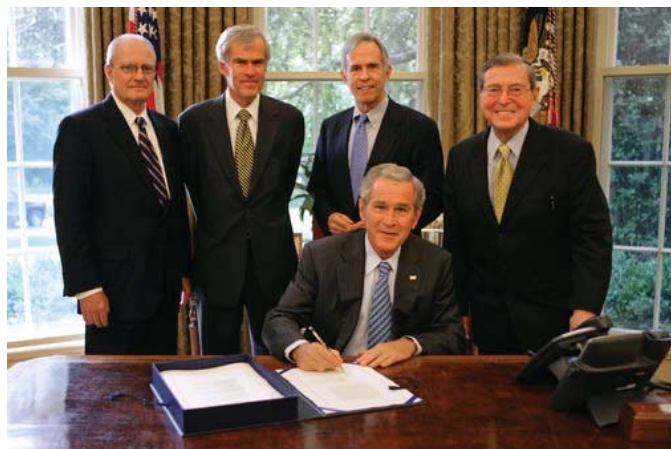
# Landmark COMPETES Act Sets Vital Innovation Agenda

*Council calls for continued action to secure funding*

ON AUGUST 9, PRESIDENT GEORGE W. BUSH SIGNED THE AMERICA COMPETES ACT INTO LAW, marking a historic stride in maintaining the United States' position as a global innovation leader. The bill had extraordinary bipartisan support, passing unanimously in the Senate and by a 367-57 margin in the House. Passage of this law marks the beginning of a new chapter in the drive for American innovation and prosperity; however, successfully meeting the goals outlined in the statute depends on funding and continued commitment from government leaders and the private sector.

In a statement following the bill signing, Council on Competitiveness President Deborah Wince-Smith said: "The America COMPETES Act is a significant step toward a national innovation agenda, but does not guarantee America's economic success. We must continue our national efforts to secure the funding for research and life-long learning opportunities, to make permanent R&D tax credits and to achieve a high-skilled immigration reform policy."

The next hurdle to overcome is to secure the investments necessary to make the America COMPETES Act a reality. The congressionally authorized funding levels for basic research in the physical sciences and several education programs are in line with President Bush's American Competitiveness Initiative (ACI). However, ongoing disputes between the Administration and Congress concerning overall spending levels for 2008 threaten to undermine the progress made to date. With veto threats overhanging a number of federal spending bills, the outcome for the innovation agenda may not be known for certain until Congress recesses in mid-December. ★



CHRIS GREINBERG

## The America COMPETES Act Highlights:

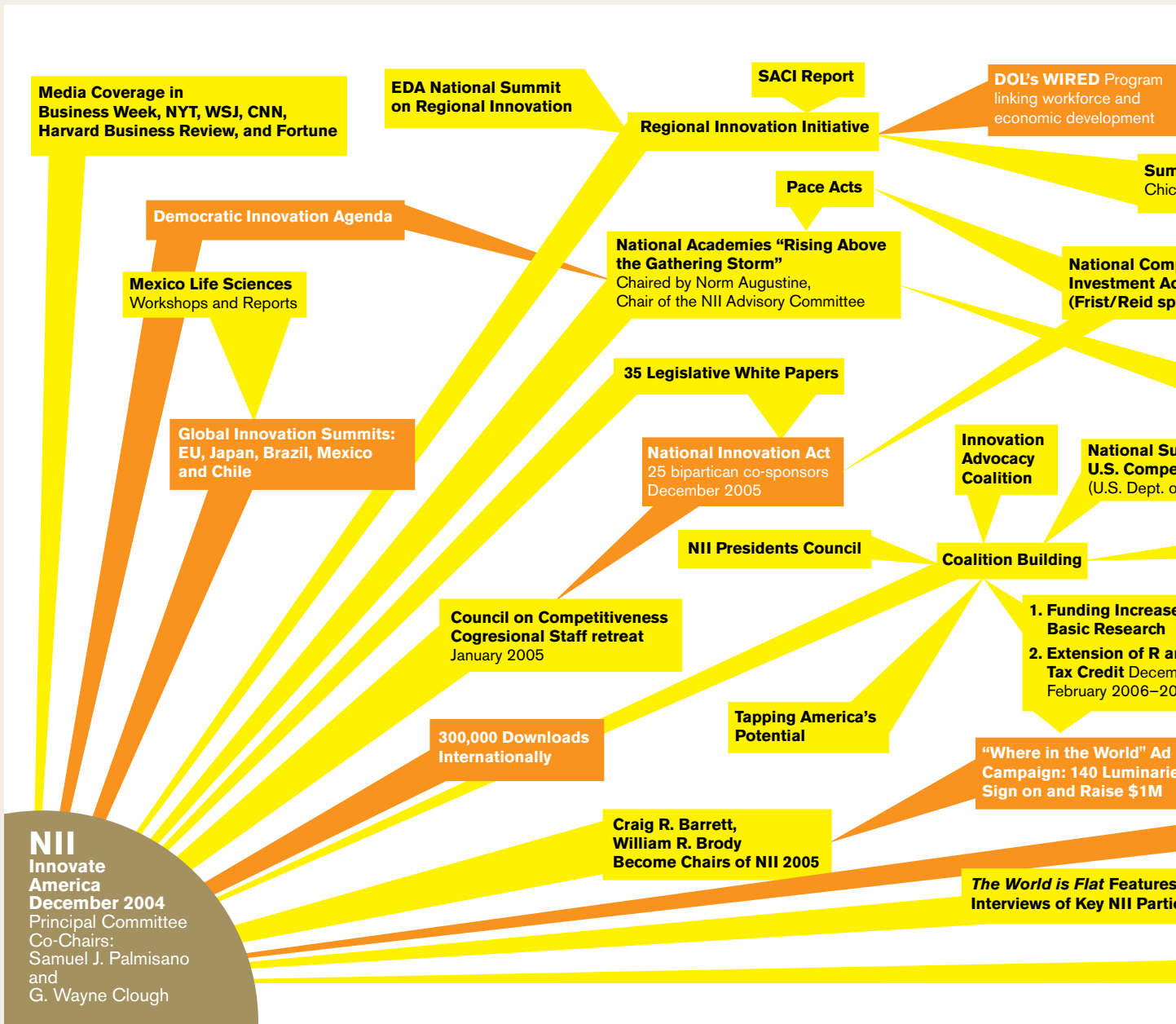
- \$43.3 billion in federal spending for fiscal years 2008, 2009 and 2010 in the areas of science, technology, engineering and mathematics.
- Authorizes doubling of the budgets for the National Science Foundation (NSF), the Department of Energy Office of Science, and the National Institutes for Standards and Technology (NIST) over a seven-year period.
- Calls for additional funding for scholarships for training future math and science teachers, and expands NSF's Noyce Teacher Scholarship Program, and its Math and Science Partnerships.
- Will help fund a Technology Innovation Program at the Department of Commerce to replace the Advanced Technology Program.
- Authorizes doubling of the funding for the Department of Commerce's Manufacturing Extension Partnership
- Will create an Advanced Research Project Agency at the Department of Energy (ARPA-E), which is modeled after the Department of Defense's highly successful Defense Advanced Research Project Agency.

*President George W. Bush signs H.R. 2272, The America COMPETES Act, Thursday, Aug. 9, 2007, in the Oval Office. Pictured with the President are, from left: John Marburger, Office of Science and Technology Policy; Senator Jeff Bingaman, D-N.M.; Congressman Bart Gordon, D-Tenn.; and Senator Pete Domenici, R-N.M.*

**The National Innovation Initiative defines innovation as the intersection of invention and insight, leading to the creation of social and economic value.**

# Impact of the National Innovation Initiative

The National Innovation Initiative convened hundreds of thought leaders from diverse backgrounds to provide their input and perspectives on the future of American innovation and competitiveness. The Initiative's work had a profound impact in the United States and abroad, helping to define the role of innovation in 21st century competitiveness. ★



The current Co-Chairs are: Craig R. Barrett and William R. Brody.



**2005–2007 National Innovation Initiative Leadership Council**

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## INITIATIVE ROUNDUP

# Council Focuses on Private Sector to Drive Demand for Sustainable Energy Solutions

*New initiative examines private sector role as missing ingredient in energy debate*



**THE ENERGY SECURITY, INNOVATION AND SUSTAINABILITY (ESIS) INITIATIVE** is a new undertaking that reflects the importance of energy security and sustainability as drivers of competitiveness in the 21st century at the enterprise and national levels. It has become clear that in order to sustain economic growth and prosperity while meeting energy and climate challenges, the United States must create the conditions that propel private sector innovation, foster investment in energy infrastructure and elevate energy management to a more strategic level.

The ESIS Initiative places particular importance on the critical role of the private sector in leading the nation's transition to a secure and sustainable energy future. Under the auspices of the ESIS Initiative and with the support of the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy, the Council is conducting a series of high-level expert Progressive Dialogues to shape an energy action agenda aimed at promoting private sector demand for sustainable energy solutions within the context of what drives corporate investment, human resource development, and local and state strategies.

Dialogue I, *Define: The Energy-Competitiveness Relationship*, took place in September and was dedicated to helping define the relationship of energy security to competitiveness in the 21st century. In 2008, Dialogues II and III will examine the factors that influence the energy-related decision making and investments in the private sector, and assess what kind of regulatory and policy framework will propel our industries and enterprises to adopt more sustainable energy solutions and strategies now and in the years ahead.

The ESIS Initiative is co-chaired by Shirley Ann Jackson, President of Rensselaer Polytechnic Institute; D. Michael Langford, National President of Utility Workers Union of America, AFL-CIO; and James W. Owens, Chairman and Chief Executive Officer of Caterpillar Inc.



**Top:** Michael Langford, Utility Workers Union of America; Deborah Wince-Smith, Council on Competitiveness; Shirley Ann Jackson, Rensselaer Polytechnic Institute; Susan Rochford, Council on Competitiveness; John Mizroch, Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy; Lou Anna Simon, Michigan State University; and Robert Rosner, Argonne National Laboratory; participate in the ESIS Initiative's Dialogue I, launching the Progressive Dialogue series.

**Bottom:** U.S. Secretary of Energy Samuel W. Bodman with ESIS Initiative co-chairs, Shirley Ann Jackson, Rensselaer Polytechnic Institute; Michael Langford, Utility Workers Union of America, AFL-CIO; and James Owens, Caterpillar Inc.; at the Inaugural steering committee meeting.

**For more information, contact Susan Rochford, Vice President, Energy & Sustainability Initiatives (srochford@compete.org or 202.969.3384). ★**

## INITIATIVE ROUNDUP

# Department of Commerce Partners with Council to Bolster Regional Development

## *Investment awarded to new 21st Century Leadership Initiative*

**THE U.S. COMMERCE DEPARTMENT'S ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) AWARDED A \$265,075 INVESTMENT TO THE COUNCIL ON COMPETITIVENESS** in October to promote regional leadership through the 21st Century Leadership Initiative. As part of the Council's ongoing Regional Innovation Initiative, the Council will use the EDA investment to develop a practitioner-accessible research report and a feasibility plan for the development of a new National Center on Regional Leadership.

"The Economic Development Administration is proud to partner with the Council on Competitiveness to promote regional, innovation-driven economic development through the 21st Century Regional Leadership Initiative," said U.S. Assistant Secretary of Commerce for Economic Development Sandy K. Baruah. "This initiative will empower regional leaders and implement collaborative leadership networks that will turbocharge regional platforms for innovation, creating a competitive advantage for American companies and workers."

This focus on regional leadership builds on previous efforts with the EDA and the Council's work during the past two years with the Employment and Training Administration (ETA) of the U.S. Department of Labor. As partners in ETA's Workforce Innovation in Regional Economic Development (WIRED) initiative, the Council has witnessed a nationwide need for skilled regional leaders and collaborative leadership networks. Regions that develop these leaders and networks will be able to more effectively leverage regional assets and respond quickly to changing conditions in the global market place.

"The Council on Competitiveness is committed to helping U.S. regions drive productivity and build prosperity across the country," said Deborah L. Wince-Smith, president of the Council on Competitiveness. "This exciting partnership is an initial step toward equipping regional leaders with the tools and resources needed to compete in today's global economy."

**For more information, contact Randall T. Kempner, Vice President, Regional Innovation ([rkempner@compete.org](mailto:rkempner@compete.org) or 202.969.3403) ★**

# Council's Global Initiative Establishes Strong Ties Throughout Americas

## *Future plans in place to explore impact of developing economies*

**THE INAUGURAL U.S.-BRAZIL INNOVATION SUMMIT WAS ANNOUNCED BY PRESIDENT GEORGE W. BUSH AND BRAZILIAN PRESIDENT LUIZ INÁCIO LULA DA SILVA FOLLOWING THEIR MEETING AT CAMP DAVID IN MARCH.** Led by Robert W. Lane, CEO of Deere & Co., a senior delegation from the United States participated in this first-ever summit. The delegation included nearly 40 CEOs, university presidents and government officials from the U.S. Departments of State, Defense, Energy, Agriculture and Commerce, including U.S. Under Secretary of State R. Nicholas Burns.

Co-hosted by the Council and Movimento Brasil Competitivo, the result of the summit was a set of economic proposals hammered out by the private sector leaders to improve cross-border trade and commerce between Brazil and the United States, and within the Western Hemisphere.

In June, the presidents of the Council on Competitiveness and Fundación Chile signed a Memorandum of Understanding at the Americas Competitiveness Forum in Atlanta that sets a cooperative agenda to drive productivity and prosperity for the United States and Chile. The agreement will focus on bringing together CEOs to tackle the transformational changes facing the world.

The Council has always viewed engagement in the global marketplace as critical to America's long term competitiveness.

Going forward, the Council anticipates its global advisory committee will tackle critical issues such as America's relationship with China, India and other developing economies that are quickly moving up the economic value chain and becoming competitors as well as collaborators.

**For more information, contact Chad Evans, Vice President, Global and National Innovation Initiatives ([cevens@compete.org](mailto:cevens@compete.org) or 202.969.3380) ★**



*Deborah Wince-Smith, Council on Competitiveness, signs the Joint U.S.-Brazil Call-To-Action with (at left) Jorge Johannpeter Gerdau, Movimento Brasil Competitivo, and Reginaldo Arcuri, ABDI.*

## INITIATIVE ROUNDUP

# Council: Modern Age of Turbulence Demands Enterprise Resilience

*First Resilience Day stresses need for evolution in risk management*

ON JUNE 25TH, THE COUNCIL CO-HOSTED THE INAUGURAL RESILIENCE DAY WITH THE U.S. DEPARTMENT OF COMMERCE to showcase the value of risk intelligence and resilience to the competitiveness of America and American companies. The day included a CEO Summit on Capitol Hill, a newsmaker luncheon at the National Press Club that aired on C-SPAN, and an afternoon symposium held at the Department of Commerce.

Council Chair Chad Holliday, CEO of DuPont, warned that risk is becoming the new four-letter word for American business, and resilience the new key to corporate success and economic security. Globalization, technological complexity and interdependence, terrorism, energy supply and price volatility, pandemic possibilities increase the risks of doing business.

Many companies tend to equate security to fences and firewalls—purely a loss avoidance strategy for fixed assets. In fact, the market value of companies is typically far greater than the book value of their fixed assets. The value of effective security is not just the ability to protect physical plants, equipment, IT and supply chains. It is the ability to reach through the fixed asset base to protect the company's intangible assets—brand reputation, customer confidence and market valuation.

Studies by industry groups and academics suggest that such all-inclusive security measures can bring positive benefits to businesses. When security is integrated across the business organization as part of the company's enterprise risk management and resilience, there are direct financial benefits, such as streamlined processes, elimination of unnecessary redundancy, improved productivity and often lower insurance premiums. Often, the problem is that the "return on security investment" is simply not captured.

The Council released a report earlier this year, *Transform. The Resilient Economy: Integrating Competitiveness and Security*, which takes a detailed look at why the failure to manage those risks effectively can have dire consequences. *Transform* supports the position that risk management must adapt in the modern world to provide proactive systems that will prevent business disruptions of any size from creating widespread or long-term failures. Vignettes from Wal-Mart, NASDAQ, Georgetown University, Dupont and other leading organizations make a business case for resilience investments and best practices.

For more information, contact Debbie van Opstal, Senior Vice President (dvanopstal@compete.org or 202.969.3382) ★



**Top:** Charles O. Holiday, Jr., DuPont, speaks at the Newsmakers Luncheon at the National Press Club.

**Middle:** (from left to right) Charles O. Holliday, Jr., DuPont; Governor Marc Racicot, American Insurance Association; Thomas O'Neill, Sandler O'Neill + Partners, L.P.; Paul Yarossi, HNTB Companies; Karen Holbrook, The Ohio State University; and James H. Quigley, Deloitte Touche Tohmatsu; participate in Resilience Day.

**Bottom:** Jared L. Cohon, Carnegie Mellon University, speaks during Resilience Day.

# High Performance Computing Expanding Programs

*Initiative continues to build momentum in fourth year*

**THE COUNCIL'S HIGH PERFORMANCE COMPUTING (HPC) INITIATIVE IS MOVING TO BROADEN USAGE OF THIS TRANSFORMATIONAL TECHNOLOGY THROUGHOUT THE PRIVATE SECTOR.** The Initiative is extending its public-private partnership model and launching pilots to link companies that have never used HPC to universities and national laboratories for access to systems and expertise. The goal of these pilots is to understand what training, tools and talent are needed in order to help more companies tap into the benefits of this technology to enhance their competitiveness and profitability.

In addition, this year the HPC Initiative was invited to partner with SC07, the premier international supercomputing conference, to showcase industrial use of HPC as a competitiveness driver. During this week-long event, 14 industry executives discussed how their firms use HPC to drive innovation and productivity, culminating in a CTO Roundtable discussion about how this strategic asset is best managed for maximum ROI. The Council also partnered with FORTUNE Magazine for their August issue on a special section dedicated to the role of HPC in innovation.

The Council's HPC Initiative was launched in 2003 in response to the realization that this technology would need to be a key ingredient in the country's innovation infrastructure. Modeling and simulation with HPC turbo-charges the innovation process by shrinking "time-to-insight" and "time-to-solution" for both discovery and invention. Along with theory and experimentation, this has become the third leg of science and the path to creating high-value economic activity and competitive advantage. **The country that out-computes will be the one that out-competes.**<sup>TM</sup>

**For more information, contact Suzy Tichenor, Vice President and Director, High Performance Computing Initiative (stichenor@compete.org or 202.969.3398) ★**

**In partnership with SC07, the Council assembled notable industry leaders to discuss HPC applications as part of this year's Masterworks Sessions.**

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 BAE Systems  
 BMW Group  
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 Chrysler LLC.  
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