Financial Times/McKinsey Business Book of the Year Award 2015
Wendell P. Weeks Keynote – As prepared for delivery
November 17, 2015

Thank you, Dominic.

Good evening. I'm honored to be here.

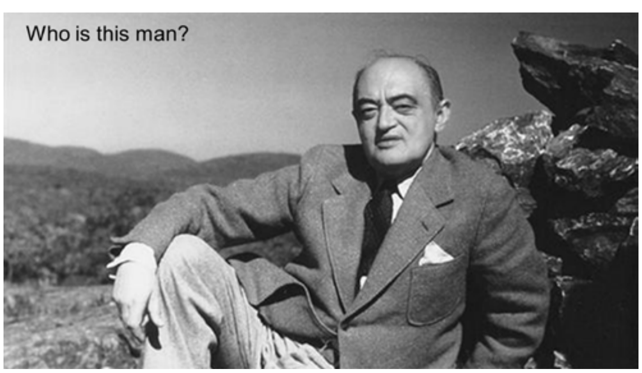
It's a pleasure to participate in an event that celebrates the greatest business books of the year, because I know how much I've personally benefited from expert insights, well timed, and well-illustrated – including past winners of this award such as Thomas Friedman's *The World is Flat.* I'm gradually making my way through this year's shortlist, and I think I have a much easier job tonight as a speaker than as a judge.

The British writer William Somerset Maugham said, "There are three rules for writing a novel. Unfortunately, no one knows what they are." Fortunately, the ingredients of a good *business* book are easier to define: Compelling ideas… relevant topics… real world examples… and clear writing. The execution, however, is much tougher.

The books on tonight's shortlist excel in all those areas. They address the impact of technology disruption from a variety of angles; analyze successes and failures that we can all learn from; and raise key considerations for the future of business and employment. And the authors are clearly knowledgeable and uniquely qualified to deliver their messages.

Tonight, I'd like to take a page from their books, so to speak, and discuss a topic that I believe is both highly relevant, and where I have some knowledge and experience, as the leader of a 164-year-old innovation company. And that's what it takes to sustain institutions in a world that's increasingly focused on short-term performance, and why longevity matters.

But first, I have a quiz. Does everyone recognize this man? If you do, keep it to yourselves for just a moment. For those who don't know, I'll help you out with some clues.



He had three life goals: First, he wanted to be Vienna's greatest lover.

Does that help anyone out? Obviously this man did not suffer from a lack of confidence.

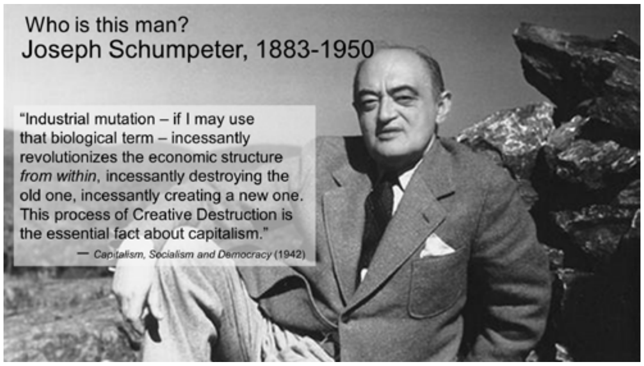
Second, he wanted to be Austria's greatest horseman.

Third, he wanted to be the world's greatest economist.

He claims he succeeded at two of those goals. Of course, only one has an absolute measure… because they run contests for it. It's Austria's greatest horseman. And historical records show that he did *not* accomplish that.

Now, I'm not qualified to assess whether he became Vienna's greatest lover, but I believe he did become one of the world's greatest economists.

This, of course, is Joseph Schumpeter.



He coined the term, *Creative Destruction*, which argues that industrial mutation incessantly revolutionizes the economic structure from within, destroying the old one and creating a new one. He called it the essential fact of capitalism.

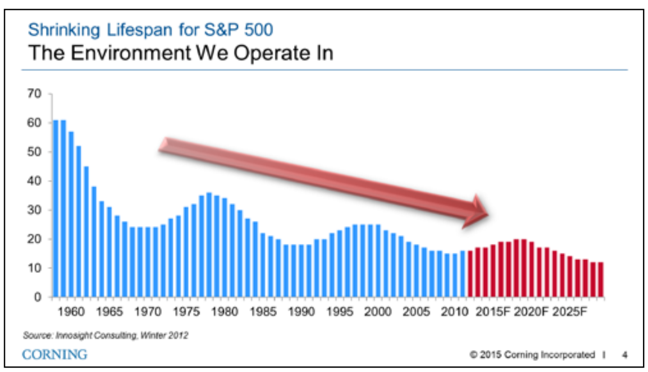
So let's talk about how Creative Destruction plays out today.

One example is the accelerated rate at which new technologies proliferate. Let's consider the time it took for different technologies to reach 50 million users as our metric.

Radio took 38 years. Television took 13 years. Facebook took three and a half years. And Angry Birds took…. *35 days*.

Creative Destruction applies not only to technology adoption; it's also re-shaping businesses and industries. We see how Netflix disrupted television. How Uber and Airbnb are transforming the transportation and hospitality industries. And, of course, Stephen Witt shows us what MP3s did to the music industry.

Those are some examples of Creative Destruction in action. Let's now look at its impact.



This chart displays the expected time for a company to remain in the S&P 500 since the creation of that index. The data comes from a study conducted a few years ago by management consultant Richard Foster. In 1958, a company on the S&P 500 could expect to remain on the list for 61 years. By 1980, the average expected lifespan dropped to 25 years. And by 2012, it dropped again to 18. Foster estimated that, at the current churn rate, 75% of the S&P 500 will be replaced by 2027.

Jacquie McNish and Sean Silcoff's case study of Blackberry is another great example of Creative Destruction at work.

Now, this is our world and we must embrace it.

But the questions that interest me are how do you sustain institutions in a world of Creative Destruction? And why does longevity matter?

The main argument for longevity is quite simple -- It's because achieving something strategic, significant, and sustainable almost always takes time.

Bill George, the Harvard Business School professor, has determined that it takes at least seven to ten years for a business to put a strategy in place. And, longevity is particularly important for innovation – because it takes time and sustained investment to solve really tough problems.

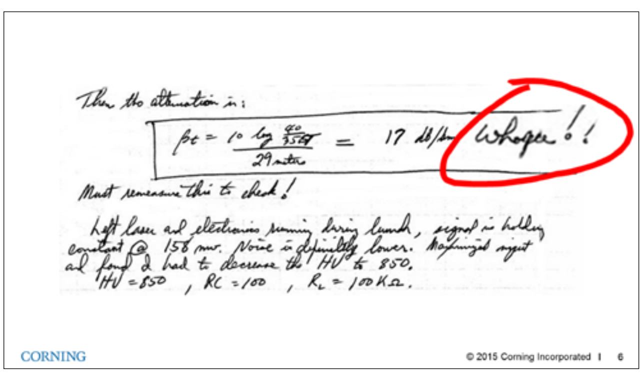
That's something I know firsthand, so I'd like to quickly share an example from Corning's own experience.

The story begins in the mid-1960s. Carriers were in trouble because existing copper lines were being strained by the volume of information. Physicists thought optical technology could provide a solution. There were high-powered lasers, but there was no way to transport the light without signal loss.

So Corning stepped up to tackle that challenge. It was a highly speculative project, and Bill Armistead, Corning's CTO at the time, was concerned about taking on such a long-term initiative when he was facing pressure to deliver on existing projects. But he approved the capital because the challenge seemed uniquely suited to Corning's capabilities and he recognized that the technology had enormous potential. He assembled a team of three scientists and they decided to pursue an unconventional path --- using strands of pure silica to transport the light. The lead researcher argued to his colleagues, if you do the same thing that everyone else does, the best you can do is tie.

Corning's bet paid off. One afternoon in 1970, about four years into the project, one of the scientists was in the lab and decided to run one more experiment before leaving for the weekend. He treated a strand of silica, lined up the laser, examined it under the microscope, and the light hit him right in the pupil. It was literally and figuratively an eye-opening experience.

I actually brought a picture of the scientist's entry in his lab journal that day, and I thought I'd share it even though the language is *highly technical*.



That was the pivotal moment in the development of optical fiber. Of course, fiber didn't really proliferate until two decades later because we needed to develop effective manufacturing processes and the right infrastructure. Today, there are more than 2 billion kilometers of optical fiber worldwide. And a single fiber can transmit the entire collection of the U.S. Library of Congress from Florida to London in less than 25 seconds.

But that life-changing invention would not have been possible without a long-term focus and sustained investment. That pattern has repeated itself throughout Corning's history. For example, we lost money on LCD glass for 14 years before it became an overnight success. Today, that business accounts for about 65% of Corning's profits.

So… We recognize that we're living in a world of Creative Destruction. But if we also accept that longevity matters, the questions then become: How do we determine what must evolve, and what must endure? And how do we measure value?

The market has one set of criteria. And it's increasingly focused on the near term.

Corning is often questioned on its R&D investment or urged to shed businesses that aren't delivering double-digit growth in the current year. For example, during the fiber boom in the early 2000s, we were encouraged by investors to shed most of our business segments and become a telecommunications-focused company, because that appeared to offer the most potential for growth.

Does anyone recall what happened to the telecom industry in 2002? As someone who watched his company's net income drop 70%, *I* sure do. Fortunately, we didn't follow their advice. We maintained our diverse businesses and our investment in R&D, which not only drove Corning's next growth surge, it also led to breakthrough innovations in LCD glass, fiber to the home, clean-air technologies, and more.

Dominic Barton has called for a shift from "quarterly capitalism" to "long-term capitalism." He argues that focusing on quarterly earnings is not the right way to assess a business's value to shareholders, much less its value to society. I agree, and believe that the focus on quarterly earnings is pressuring executives to focus on incremental product improvements and rapid pay-offs, while under-investing in the big, disruptive innovations that drive growth and increase productivity.

Now, Dominic and others have spoken far more eloquently than I can on what this means from a capital investment perspective. So I'll share my thoughts about what it means from a broader perspective. But let me anticipate some concerns and say what it does *not* mean.

First, it does not mean that we resist change. As leaders, we must constantly define reality. And we know that Creative Destruction requires us to evolve. But we are responsible for distinguishing between what must evolve and what should endure within our organizations. That begins with having absolute clarity on why our institution is here, what drives us, and what our mission is. For example, Corning exists to create life-changing innovations based on our expertise in glass, ceramics, and optical physics. Our products and markets change, but our commitment to R&D is unwavering.

Second, it does not mean that organizations can exempt themselves from the responsibility of increasing their speed and efficiency as the pace of the world accelerates. In fact, that's one of our priorities at Corning – to find ways to innovate faster by leveraging existing assets for new applications and capturing opportunities in adjacent markets. Gorilla Glass is a great example.

Some of you have read Walter Isaacson's biography of Steve Jobs, so you know the story about Apple coming to us to develop a damage-resistant cover for the first iPhone. We went from idea to product in a matter of months, which is lightning speed compared to our prior innovations. We did that by re-applying expertise from other businesses and leveraging existing manufacturing capabilities. And we plan to do more of that kind of agile innovation in the future. But we need to find the right balance between increasing our clock-speed and maintaining our commitment to take on the big challenges and place the big bets. Because that's what it takes to solve the really tough problems and make a real difference in the world.

Finally, I am not saying that we can neglect our responsibility to create value for shareholders. But we must recognize that the greatest value creation often comes from our longer-term bets. And we must also make sure we are serving the interests of all stakeholders—employees, suppliers, customers, and communities. Frankly, I'm troubled that the interests and voices of some of these constituents are drowned out by the volume of attention paid to near-term shareholder returns. Eliminating R&D spending may be the fastest and easiest way to make my Profit and Loss statement look good. But that's not a sacrifice I'm willing to make, because the long-term cost to stakeholders and society is not worth the short-term gain.

Let me be clear – I'm a capitalist. I believe capitalism is the best tool to efficiently allocate resources and drive progress. But we can continue to evolve and improve that tool to create more paths to success. The metrics that emphasize near-term results were developed for a world in which capital was scarce; today, we're awash in capital. I believe we can create a more balanced approach between near-term payoffs and long-term investment.

As *investors*, we need to expand our notion of value and broaden our horizon for value creation.

As *leaders*, we need to keep challenging ourselves with questions, such as: What is our unique contribution to the world? How can we be the best in the world at what we do? How do we prioritize our focus so that we spend at least as much time managing talent, which is scarce, as we do managing capital, which is plentiful? And how do we continually create better versions of ourselves?

As *directors and trustees*, we must understand and embrace the organization's mission, hold leaders accountable for executing strategies that advance it, and support them through volatility.

Finally, as *individuals*, we need to ask: What do we value? What kind of world do we want? What organizations are creating that world? And what sacrifices do we refuse to make?

Otherwise, we could lose our opportunity to tackle challenges that drive the greatest progress and improve our quality of life. We could sacrifice organizations that are national treasures. And we could find ourselves wondering whether the price of our gains was worth the cost of our losses.

Thank you.