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Remarks by Steve Ballmer, Microsoft CEO, on fostering innovation and new ideas in the United States economy

STEVE BALLMER: When Alan Mulally suggested to me that the DEC (Detroit Economic Club) might want me here, I've got to say I jumped at the chance. I really love coming back to Detroit. I grew up here, got my uncles, cousins, old high school football coach, and probably a bunch of you who were planning on being here anyway in the audience.

And in a sense I would say this is the place where I learned almost everything I know that's really important about the world. Detroit has always been and is a place where people work really hard every day. It's where at least I learned about persistence, dedication, and really focusing in and doing a job and doing it really right.

Detroit is where I first understood how new ideas drive progress and prosperity. I'm just about the right age for the heyday, if you will, of the automotive industry.

And it's certainly where I learned the value of educational opportunity.

To be honest, it's bittersweet returning to Detroit at this time as Detroit suffers so terribly from the impact of the economic downturn, but I remain very optimistic nonetheless about the process for Detroit and for this area.

Detroit is a special place, and it will, in my opinion, bounce back. I am by nature an optimist, but I'm also a realist. The auto industry does face very difficult business issues that run deeper than just the effects of the current recession, and ultimately success will depend on all of our abilities to confront a single fundamental challenge. It's a challenge not just in Detroit but for everybody. For more than a century, America really has been the global center for progress and innovation, thanks to an economy that fosters entrepreneurship, and rewards hard work and innovation.

The challenge here in Detroit, the challenge for all of us to remember why America has been so good at innovation for so long, and to really take steps to ensure that new ideas continue to flourish in this country and in this area. That's key for creating growth and opportunity for our companies, for our communities, for our citizens.

At the heart of U.S. economic success is really quite a simple fact: American companies are the best in the world, bar none, at turning new ideas into successful products and successful services. But how do we continue in every industry, from the automotive industry to the technology industry, how do we continue to be the best? And I think there are two things that are essential.

First, we really do have to deepen our commitment to innovation by investing more in research and taking a longer term view of the role that innovation plays in creating business success. Too many American companies I think have overemphasized – sounds like a funny thing to say – but overemphasized short-term profits over the kinds of long term investments in R&D which are necessary. And too many American companies failed to focus in on the type of business model innovation that really turns technology into successful, sustainable and profitable products.

The second thing we have to do, absolutely must do is provide a first-class education to everyone in this country. At a time when knowledge is a source of innovation and progress, as Aneesh (Aneesh Chopra, Chief Technology Officer of the United States) had a chance to say, we're falling behind other nations, particularly in math and in science.

From my years at Microsoft, I've learned and seen how innovation drives business success. Our company had a chance to help really pioneer the PC revolution through technological innovation in software, and business innovation that made computers widely affordable and broadly usable.

Today, the world is on the verge of a whole other set of rapid progress and sweeping change in information technology. We love to talk about cloud computing and the innovations that this will bring, and believe me, even though I won't explain it, it's important. (Laughter.)

We love to talk about the importance of the high-speed, ubiquitous broadband networks, wireless, wired; important, I guarantee it.

We talk about natural user interface, speech, natural language, voice, computers that know what you meant not just what you said; super, super important as we move forward.

And we can think about all of these things and the increased affordability and usability of computing devices.

And I get up every morning in our industry and say, wow, what a fantastic opportunity to create new products that will change the world, and be great businesses in which we can employ people and make a great profit. That's fantastic, that is really fantastic.

But there's even almost a more profound opportunity for us. As these new trends converge, I think our industry will actually lead to a situation where many other companies have an outpouring of ideas and innovation that expand the universe of what is possible.

This process is already underway. Here in Detroit the Ford Sync is a great example. Sync, which was jointly developed by Ford and Microsoft, gives drivers safe, voice-activated access to music, communications, the Internet, traffic reports, business listings, news,

weather updates, emergency services, and if they're Aaron Ballmer, age 10, my son, sports scores. (Laughter.)

Sync enables people to stay connected, and it provides new opportunities for carmakers to transform their business model using software to create new revenue opportunities even after a car has left the lot.

So, these information technology trends aren't just going to change the information technology industry, they're going to have an impact on other industries. In health care, which Aneesh talked about, they'll enable us to connect personal health information to medical research, so we create a system of care that is preventative, that is personalized, and is more cost-effective.

We've got efforts underway with technologies that we're working on that we call HealthVault and Amalga that really helps individuals take charge of their personal health, and enables health care professionals to do the kinds of things that Aneesh was talking about in terms of research, best practices, and health information all being integrated in very, very important ways.

These trends though, these information technology trends will also remake other industries. They're putting high-powered computing in the hands of all scientists, car designers, energy scientists, you name it. There are new tools that let us model the physical world and the virtual world. And so when we talk about climate science, energy science, new battery technology, new transportation technology, we are talking about giving scientists the tools to push forward and solve those problems here in Detroit and really around the world.

So, to me the opportunities to make a difference have never been better.

The question really is, what does it mean at this stage to really invest in innovation? What does that really mean? Fundamentally, investing in innovation is about investing in people. It's about hiring people, developing people, letting them do their best work. It's about aligning people's creativity and imagination, and encouraging people to dream up new ideas and to discover new ways of doing things.

Our workforce is the reason this country has been so good at innovation for so long, and the strength of our workforce depends on one thing: the quality of the education system. For decades we did have one of the world's best education systems, a system that provided young people with foundations that they needed to be successful in the workplace.

I know people know that that system is failing our children today here in Detroit and around the world – around the U.S. I should say, and it's really undermining the strength of our economy.

We live in a world where companies need people who have a strong foundation in math and in science, but American schoolchildren are, as Aneesh said, near the bottom of industrial nations in those subjects.

If innovation is to remain the lifeblood of our economy, we have to improve education quality for all of our children, and with no absolute bias coming because of our industry, we have to improve the quality of education in math and science.

That means a wide ranging set of investments in infrastructure, broadband networks, updated teaching materials.

I was hearing some phenomenal stories of some things Aneesh had a chance to do with the schools in Virginia.

But we also need to strengthen our focus on teacher effectiveness. Teachers are the most important factor in student success, and technology really can help teachers to personalize the education for each student, measure their progress, and involve parents. We know that from a Microsoft perspective. The more time Bill Gates now spends with his foundation, the more he comes back and reeducates us on just how much we can use information technology to really help the educational system, and I think that is fundamental.

The best guarantee of success for our young people and strengthen our economy is to make sure that they not only get a great high school education, but that they actually can finish a four-year technical or community college. That is really incredibly, incredibly important for people.

We also need to provide ongoing education and training to people who are already in the workforce. In Detroit I think we can see all too clearly how hard it is for people with 20th-century work skills to find jobs that require 21st-century knowledge. We need to ensure that no American worker is left behind as technology advances, and new skills become essential for success in this industry, the auto industry, the technology industry and others.

Government and private sector both have a role to play. At Microsoft we've long recognized that public-private partnerships are critical to creating a workforce that can guarantee American competitiveness.

Here in Michigan we've worked with, for example, the Kent Intermediate School District and other nearby districts to develop software that is helping teachers and administrators measure student performance, and has enabled the district to attract an additional \$2 million in federal funding.

We've contributed more than \$40 million in software, cash and training materials to organizations in Detroit just since 2003, like the Boys and Girls Clubs, Michigan Works, the Michigan Council for Women in Technology, Focus: HOPE and a variety of other

institutions that I think really make a difference in promoting digital literacy and support workforce development here in Michigan.

Our nation is at the crossroads, there's no question. Our continued success depends upon how we come together to address these challenges. With the right investments and focus American businesses can and will continue to be the world leader in innovation, whether it's in cars or software.

The Detroit auto industry can compete with carmakers from anywhere in the world. While growing up in Detroit, I really did see what innovation can mean for an industry and a community. Detroit was building cars that were faster, more powerful, more luxurious, the things people wanted at the time, than anything the world had ever seen. And it wasn't just the cars. U.S automakers pioneered manufacturing methods, marketing approaches, business models that transformed the way cars were built and sold. That's the kind of leadership we as a nation need to return to from an industrial perspective.

Two weeks ago, President Obama said, we must recognize that education and innovation will be the currency of the 21st century. I applaud those words. But to build an economy that creates opportunity and prosperity, we must recognize that investing in education and innovation is a responsibility we all share as business leaders, employees, government officials, and educators.

I really appreciate the opportunity to be here today. I thank you very much for your time. I look forward to the panel. If you have something on your mind that we don't get to, my e-mail address is SteveB@Microsoft.com. I'd be happy to hear from you. Thank you. (Applause.)

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