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Fighting Back: Lewis W. Lehr; AT 3M, A TOUGH STANCE AGAINST A TOUGH ENVIRONMENTAL BILL

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WHEN Lewis W. Lehr graduated from the University of Nebraska in 1947 with a degree in chemical engineering, one of his professors casually suggested that he apply for a job at the Minnesota Mining & Manufacturing Company - "that nice little company up in St. Paul," the professor called it. The 26-year-old Mr. Lehr took the advice and soon landed a position working in 3M's Tape Division testing adhesives for \$65 a week.

Now, 36 years later, Mr. Lehr is 3M's chairman and chief executive officer, and the company, with 45,000 products - including Scotchbrand tape - and a tough new stance on a state environmental bill, can hardly be termed either "little" or quite so "nice" anymore.

In recent weeks, Mr. Lehr (pronounced "lair") has been highly critical - both publicly and privately - of Minnesota's political leaders. His uncharacteristic militancy was prompted by the state's recently passed hazardous-waste bill, which provides for the cleanup of problem disposal sites and compensation for victims, and which Mr. Lehr feels would place an unfair liability burden on 3M. He had petitioned Gov. Rudy Perpich to veto the bill, and he cautioned that Minnesota companies in general - and 3M in particular - would find in its passage a powerful incentive to conduct business elsewhere.

But his warning went unheeded, and Governor Perpich signed the bill on May 10. Two days later, Mr. Lehr informed the Governor that 3M's plans to expand research and administrative operations at two sites close to its St. Paul headquarters were now "questionable."

To some, such tough tactics may seem inconsistent for a man who regularly sends employees encouraging personal notes - known around 3M as "Lehrgrams" - and who has helped shape a \$6 billion company with what is generally regarded as an unusually easy-going management style, and who, in the past, has shown real concern for environmental issues.

Despite his genial nature, Mr. Lehr is also an aggressive and hardnosed businessman. In 1981, less than a year after becoming 3M's chairman and chief executive officer, he decided a healthy shake-up was in order. He restructured and streamlined the company's various U. S. activities, pushed new-product development to record levels and initiated an ambitious, nationwide public relations effort.

Some analysts have said that under Mr. Lehr's leadership 3M has developed the virtues of a conglomerate without actually being one. One reason may be that its diversity has stemmed not from acquisitions but from the continuous development of new products, which now include everything from tapes, adhesives, chemicals and X-ray film to skin staplers and videodisks.

Mr. Lehr firmly maintains that such diversity is not arbitrary, but has resulted from an entrepreneurial spirit among 3M's more than 87,000 employees worldwide - 11,600 just at the St. Paul headquarters. It is a spirit that Mr. Lehr encourages by such policies as allowing employees flexibility in defining their own jobs. It was Mr. Lehr's own push for innovation, as a young manager, for example, that helped create the company's health-care products division.

Some analysts, however, fear that Mr. Lehr's current initiative for diversification and growth might eventually overextend the company's resources. 3M is now pursuing new product areas, such as computer information systems, in which its traditional strengths may be less than ideal, according to Eugene Glazer, an analyst with Dean Witter Reynolds Inc.

But, Mr. Glazer maintained that the company's excellence in continuous-process chemistry and its success in "niche markets" - what one executive described as "a little bit of action in a lot of places" - are not necessarily appropriate for "total systems capability, which is the bread and butter of the Wang's and the IBM's."

Mr. Lehr insisted that 3M's new products in these areas, although perceived in some quarters as abrupt changes, are merely part of the evolutionary process that has served it so well in the past. "The competition may be different," Mr. Lehr said, "but 3M's direction is not." AND so far, at least, it is difficult to argue with Mr. Lehr's thinking: The balance sheet appears bright. Sales jumped more than 250 percent over the last decade, to \$6.6 billion in 1982, up 1.4 percent from 1981; and though net income declined 6.3 percent, to \$631 million, in 1982, it was seen as only a temporary dip from the company's historic levels of profitability.

In this year's first quarter, 3M's sales rose 2.2 percent, to a record \$1.7 billion, and earnings rose 3.2 percent, to \$157 million, or \$1.33 a share, compared with 1982's first-quarter results.

Mr. Lehr's response to the hazardous-waste bill was seen by some as an overreaction and by others simply as empty rhetoric. "The strawthat-broke-the-camel's-back argument is not unlike business' usual response to regulation," said Sandra Gardebring, executive director of the Minnesota Pollution Control Agency, which is charged with administering the law. The Minneapolis Star and Tribune dismissed Mr. Lehr's warning, terming it "hollow."

The fact is, however, that Mr. Lehr's admonition might have considerable clout were he to put a moratorium on 3M expansion in Minnesota. 3M is the state's largest private employer, with 21,800 people and an annual payroll of \$641 million. It purchases \$626 million in goods and services from about 9,000 Minnesota vendors each year, and pays \$21.8 million in state and local taxes, according to company spokesman Henry G. Owen.

Mr. Lehr said that the new law -the Environmental Liability and Response Act of 1983, commonly called the "Superfund" - was one more indication of the "adverse business climate" that had already prompted 3M, for the past 12 years, to build new manufacturing facilities in other states such as South Dakota, Iowa, and Missouri. Of the 13 new 3M facilities opened in this period, says Mr. Owen, 10 of them could have been built in Minnesota.

Despite his strenuous objections to the new environmental bill, Mr. Lehr has proven in the past to be sympathetic to such concerns. For example, he enthusiastically helped to develop 3M's Pollution Prevention Pays program, now eight years old. This program stresses the elimination of pollution at the source - the redesign of polluting processes in order to avoid the need for cleanup later on - and, according to Dominique Larre, director of the Industry and Environment Office of the United Nations Environment Programme, it has set a standard for enlightened industrial practice since its inception.

Mr. Lehr is usually fond of saying that regulation should be seen as an opportunity instead of a burden. And he, in fact, supports the Superfund's cleanup provisions. But, he said, because 3M would likely have "the deepest pockets" among users of a hazardous-waste site, it would have to bear a disproportionate share of the financial burden should anything go amiss -regardless of whether or not the company was actually involved.

Miss Gardebring, of the state's Pollution Control agency, considers this an extremely conservative, worst-case interpretation. The law, she said, is actually "a significant improvement" over the previously applicable common law, because it establishes limits: A company's liability could be no more than twice its percentage contribution of waste to a site.

The 62-year-old Mr. Lehr developed a sense of what makes businesses succeed as a young man growing up in Elgin, Neb., (population 917). The son of a clothing store owner and the grandson of a farmer and a hardware-store owner, Mr. Lehr worked in these enterprises, and many others, as a boy. "I can still make the best malted milk you'll ever have," he said. (His secret is cashews.)

He entered the University of Nebraska in 1939 to study chemical engineering, but his course was interrupted by World War II, and he served in the Army until 1946. He later completed his engineering degree at Nebraska in 1947. THAT year he also joined 3M. "Lew's first job at 3M was to measure and record the strengths of adhesives," recalled a long-time friend and colleague, Charles Higgins, now the company's vice president of marketing.

Mr. Lehr rose steadily in the Tape Division, and by 1955 was manager of technical services. His ascent was aided by the improbable history of an unpromising product - the "surgical drape," a combination of plastic and adhesive used to prevent contamination of a surgical site by walling it off from the rest of the patient's body. Until then, the only alternative left to a surgeon was to scrub the area, paint it with iodine, and erect a linen structure around the operation.

The original drape was "a real loser," Mr. Lehr said. When management let it be known that the program's days were numbered, Mr. Lehr offered to buy that branch of the business outright from 3M. "Management was impressed," he said.

In fact, sparked by Mr. Lehr's enthusiasm for the product, 3M initiated a special development program for the surgical drape. It eventually led to the introduction, in 1961, of the company's present line of Steri-Drapes, one of its best-selling surgical products, and later to the creation of an entire division at the company.

"Health-care products wouldn't exist at 3M if it hadn't been for Lew Lehr," asserted L.D. DeSimone, executive vice president of the company's life sciences sector, which handles health-care, personalcare and safety products.

But Mr. Lehr believes that quality products alone are not enough to insure continued corporate gains; it takes creative workers, too. To help achieve this, Mr. Lehr allows employees a considerable degree of autonomy. "The hardest thing to get out of Lew Lehr," conceded Frank Copeland, director of quality control in the health products division, "is a confining job description."

"Our people have demonstrated the ability to use technology with remarkable creativity to create new products," said Lester C. Krogh, vice president for research and development. The company's Controltac film, for example, which is used for graphics on signs and vehicles, combines 3M's glass-bubble, adhesive and imaging technologies - representing products from two of its four major market sectors.

Mr. Lehr climbed within the Health-Care Products group he helped start until he became vice president of the Tape and Allied Products group in 1974. He was appointed president of 3M's U. S. operations in 1975, vice chairman of the board and chief executive officer in 1979, and chairman in 1980. A year later, he reshuffled the company's 63 divisions, projects, and subsidiaries into four sectors: electronic and information technologies; industrial and consumer; life sciences, and graphic technologies.

Among his other corporate innovations, Mr. Lehr established the Cooperation for Growth program, a network for improving communication between the company's sales and service people, and the Designated Executive program, basically a public relations effort, which sends 3M's top executives across the country to meet with other 3M employees, as well as with local political, news media, and academic leaders.

Company stories of "diversity from adversity," are legion. A favorite involves 3M's short-lived efforts, in 1957, to enter the brassiere-cup business using products of thermally molded nonwoven fibers. Test marketing soon showed that women preferred other materials. But the concept survived, and the eventual application was a protective face mask for factory workers.

The company has had its share of stumbles, too. Mr. Lehr, for example, turned down the marketing of Velcro, the self-closing fiber now ubiquitous in garments. "I just couldn't visualize a market for it," he said. When questioned about such missteps, Mr. Lehr and other 3M executives are fond of quoting William L. McKnight, the driving force behind 3M from 1929 to 1966: "You can't stumble unless you're in motion."

Illustrations: photo of Lewis W. Lehr

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