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Death in the Corporate Jungle

by David W. Ewing

SOME OF THE CRIES coming forth from the corporate jungle these days are short and sharp. Until one Tuesday morning this past January, Becton, Dickinson & Co. had been an independent, thriving 80-year-old medical supplies enterprise with steadily growing profits and sales approaching $600 million. Suddenly, the company's peaceful and independent life came to an end: Its president, Wesley J. Howe, received a call from the New York Stock Exchange announcing that trading of the company's stock had been halted, and within hours he knew that the company was the victim of a take-over.

The predator was Sun Company. For months, it had been stalking Becton, Dickinson, secretly buying large chunks of its stock from individual shareholders and institutions. When Sun leaped for the kill, it had paid out nearly $300 million for shares, all surreptitiously purchased at prices above the going market price. By the time the victim screamed, all but the legal technicalities had been settled.

In this case, admittedly, the legal qualification could be important, for Becton, Dickinson's lawyers are challenging the take-over under the Williams Act (designed to bring some order into corporate raiding). Thus far, however, the law has saved the hides of few take-over targets, and there is no compelling reason to believe it can save Becton, Dickinson.

Sun's head, H. Robert Sharbaugh, is a good-looking, tough-minded wheeler-dealer who has an unerring nose for money, like a preacher's for sin and fried chicken. He intends to get his company out of the oil business, or at least mostly out of it, by diversification. He has little patience with subordinates who fail, a trait that will not be forgotten by those in charge of justifying the take-over at the forthcoming hearings before the Securities and Exchange Commission.

For most companies on predators' hit lists, death comes more slowly than it did to Becton, Dickinson. In April 1976, the executives of Fansteel, a Chicago firm, were relaxing and recuperating from the annual report meeting, held only the day before, when H. K. Porter Co. called to give the legally required notice that it was moving in. Fansteel fought fiercely against the take-over but succumbed in 10 days. And in one of the bloodiest current fights for control, Cutler-Hammer, a Milwaukee-based manufacturer, has been trying for months to shake off Tyco Laboratories, a voracious conglomerate. Although Tyco does not yet have Cutler-Hammer by the throat, and possibly never will, its dorsal clutch is sinking deeper.

According to Walter B. Kissinger, chief executive of The Allen Group, a prosperous manufacturing concern, mor than 100 publicly listed companies lost their independence i 1977 as a result of take-overs. Although Kissinger assert bravely that his company has good defenses against preda tors, he looks uneasily over his shoulder for suspiciou movements in the bush—his company is a luscious siz (sales of about $300 million) and would be a prize kill. W. T Grimm & Co., a Chicago consulting firm that keeps merge statistics, reports that thus far in 1978 would-be buyers hav been on the prowl even more aggressively than in 1977 an far more than in previous years.

The target companies screech in vain, trying to scare of their hunters. In a full-page newspaper ad, Kennecott Cop per Corporation warns that if Curtiss-Wright, its pursuer succeeds in gaining control, it will disembowel Kennecott b selling off its profitable Carborundum division. F & M Schaefer Corporation, the brewer, hurls personal accusation at William H. Pflaumer—chairman of C. Schmidt & Sons, it would-be master—alleging that Pflaumer is a convicte felon. Late in March, Financial General Bankshares, a larg Washington-based bank holding company that was bein stalked by a group of Arab investors, howled that one of it predators' motives was to install President Carter's ex-cron Bert Lance "in a senior executive position" in Financia General.

THE FACT is of course that exploitative motive have often been apparent in past take-overs The acquired company has found itself in th position of the male praying mantis, who while it continue copulating with its female partner is devoured from head t rear. Even if the company is not gutted, it may lose its zi after succumbing to control. The entrepreneurs who made company venturesome while it was independent now balk a playing a subordinate role and resent having controller from the new boss's office breathing over their shoulders an demanding ever more reports.

"I question whether such dynamic and innovative com panies as Xerox, Polaroid, or even IBM would have bee capable of making their creative contributions to our so ciety," Kissinger told a group of security analysts this pas December, "had they been swallowed by force at an earl stage of their development." He reminded his audience tha target companies these days tend to be robust and growing They may be undervalued, but they are not underachievers

An intended victim is stalked with great cunning. Usin clandestine intelligence networks and data-fed computers, pursuer may screen a hundred or more prospects, graduall

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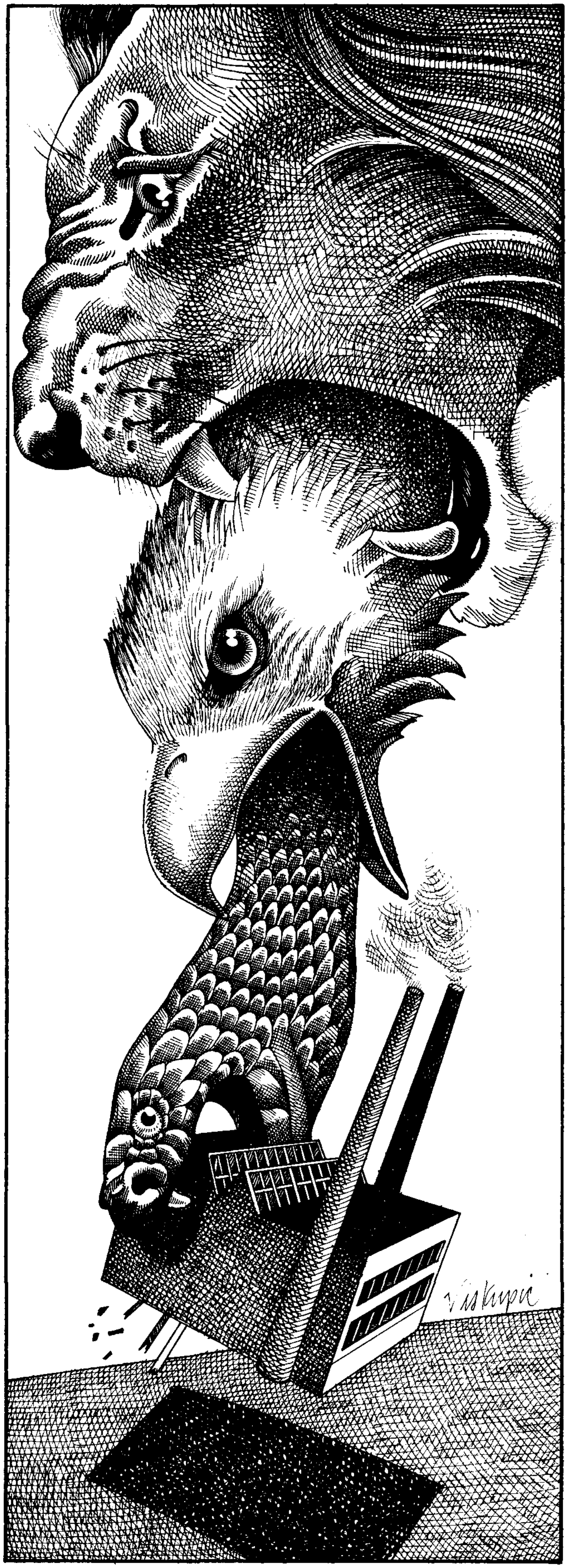

narrowing the list down to one or two choices. He works quietly, masking his true design, squelching any rumors about what he is up to. He may surreptitiously enlist the help of the intended victim's own bank if it has no qualms about duplicity. He engages prestigious investment bankers to help him set up the ambush (they used to object to such games, but many no longer do). He may plan a strategy of pursuit that is as fiendishly complicated as a road map of Boston.

This past January, Leeds & Northrup, a talented manufacturer of process-controlled equipment, breathed a sigh of relief when after a nerve-shattering yearlong hunt, its pursuer, Tyco Laboratories, seemingly gave up the chase. Tyco sold the chunk of Leeds & Northrup stock it had torn off to Cutler-Hammer, which already owned some of the same meat. But the moment of rejoicing was short-lived. Tyco began stalking Cutler-Hammer on the theory that if you can't have your prime choice personally, perhaps you can eat the predator that ate your prime choice. As noted above, this bloody battle is still in progress.

Such deadly struggles go on under the guise of great respectability. To the uninquiring spectator, the duel appears to be a harmless scenario, played out in spacious boardrooms and carpeted offices warmed by the smiles of gracious secretaries and assistants. The protagonists are pleasant, urbane, well-groomed people whose golf handicaps generally range between 15 and 25 and who wear Brooks Brothers clothes even in their home workshops. Their annual pay is in the six-figure range—for example, $175,000 in 1976 for Bertin C. Gamble, chief executive of Gamble-Skogmo, rumored to be after Marshall Field & Co.; $305,000 for Thomas J. Barlow of Anderson, Clayton & Co., which hungered for Gerber Products Co. last year; and $398,000 for Sun Company's Sharbaugh.

But only the naïve are fooled by the urbanity. Insiders know it disguises a savage struggle of clutch and claw. Even the language used—once the doors are closed—is carnivorous. A target company may be described as "lean," or the pursuer may speak hungrily of "trimming off the fat" (reducing costs and personnel deemed unnecessary) once the victim is caught. The company's sales know-how may be referred to as "marketing muscle" and its highly valued patents or contracts, called the "heart" of the firm. J. B. Fuqua, the widely known head of fast-growing Fuqua Industries, was quoted in April as saying it would "take us about a year to digest" National Industries, his latest acquisition. One defense used by some target companies—a bylaw requiring that a majority of shareholders must agree to a merger before it can be consummated—is called a shark repellent clause. And the so-called tender offer, the chief instrument of purchase, itself has a meaty sound, though of course the adjective "tender" is intended in the transactional sense, not in the gourmet sense.

Naturally, the realities of this carnivorous hunt are well known to the intended prey, who is not fooled by blandishments. The pursuer generally assures the victim that he will keep it going with all its key people and staffs intact. "John," says the wheeler-dealer to the head of the smaller enterprise, "I promise you that we sincerely intend this relationship to be friendly, creative, and mutually profitable. We are the lion and the calf lying down together."

That we may be, John thinks ruefully, but as Woody Allen once said, the calf won't get much sleep. ◉

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Silent Invasion: Why Mexico Is an American Problem

by Alan Riding

THERE WAS A TIME when the United States border with Mexico marked a clear line between the wealth, organization, and artificial flavorings of the north and the poverty, improvisation, and pungent spices of the south. Today that line is blurred. The United States has become an accepted presence in northern Mexico while Mexico has thrust cultural, economic, and even political fists deep into the soft underbelly of the United States. In fact, Mexico is increasingly determining the mood and mores of the American Southwest and beyond.

The signs are everywhere: in the crowded American border cities, where unemployed Mexican boys strike in lightning raids, assaulting individuals, homes, and businesses; on Texas farms, where poor Mexican peasants provide cheap labor; in Arizona department stores, where rich Mexicans are the main clients; as far north as Chicago, where Mexicans run the drug underworld; and as far east as New York, where the major Mexican television newscast is broadcast nightly.

Mexico already is an American problem. But the cause of the problem is that Mexico itself is in deep trouble. The single party that has ruled the country for almost 50 years is now struggling to maintain its own and the nation's stability. The economic development that brought such a concentration of wealth during the postwar era is no longer functioning. Unemployment is so widespread that each year millions of Mexicans must cross illegally into the United States to work on farms as underpaid stoop laborers. Rural poverty remains endemic as urban slums swell. Even Mexico's new oil wealth offers little hope for a transformation of society. Solutions are being found arithmetically; problems are growing geometrically.

But to the United States, called upon to feed and finance much of the Third World, Mexico's problems still seem as distant as those of Brazil, Indonesia, or any other large backward nation. Washington does its bit to help them all, but it really feels that if only these countries could control their birthrate, their corruption, and their infantile nationalism, they would be much better off. And so the argument has run that if they don't want to help themselves, well, eventually, it's *their* problem and *their* poverty.

This has been the case with Mexico. Having seized half of Mexico's territory in 1848 and having intervened sporadically in the country for the next 70 years, the United States has been blessed with having a strong government south of the Rio Grande for much of the past half century. The contradiction of the world's richest nation sharing a 2,000-mile border with a traditionally violent and deeply impoverished country was suspended. Worrying successively about the Soviet Union, Nazi Germany, Japan, China, Korea, Vietnam, the Middle East, and southern Africa, Washington took Mexico for granted. So when political and economic instability began to surface there in 1976, it was treated like any other distant problem: given passing attention and then as the immediate crisis abated, forgotten.

The Carter administration has proved to be no more perceptive about Mexico—and perhaps even less so—than its predecessors were. Taking office at almost the same time, Jimmy Carter and Mexico's president José López Portillo decided to patch up the relations that were strained between 1973 and 1976 by then-president Luis Echeverría's Third World militancy. But Carter has acted only in a personal way, sending Rosalynn Carter to Mexico City for López Portillo's inauguration, on December 1, 1976, and to the Texas border last November to meet with Mrs. López Portillo; receiving the Mexican president last year as his first foreign guest; and sending Vice-President Walter Mondale down to Mexico City this past January, presumably to celebrate the new amigo ties. But even as diplomats and politicians feted the new rapprochement, Washington adopted policies certain to upset Mexico, and nation-to-nation relations deteriorated.

To be fair, the United States has treated Mexico as it might treat any other nation. And therein lies the problem. Struggling with a huge trade deficit, the United States has responded to Mexican complaints about American protectionism by pointing out that Mexico's tariff barriers are even higher. Trying to control inflation and to implement a sound energy policy, Washington has argued that it cannot pay more for Mexican-supplied natural gas than for domestic or Canadian. And with six million Americans out of work, the Carter administration has been pressured by the AFL-CIO to clamp down on the illegal immigration of impoverished, unemployed Mexicans. But while these policies are logical, they are not farsighted. It is in American interest to treat Mexico as a special case because the short-term cost of such a policy will be minimal compared with the long-