INTRODUCTION - PLEASURE - WINNERS - SERVICES - FIRST HALF RESULTS

JIM HAS ASKED ME TO TALK ABOUT "EXECUTION." AND I WANT TO COVER ONE PARTICULAR ASPECT - TEAMWORK. AND THE TEAMWORK - REAL TEAMWORK - IS ALMOST AN INDEFINABLE SOMETHING, WE KNOW A LOT ABOUT IT. FIRST OF ALL WE KNOW IT CHARACTERIZES WINNING ORGANIZATIONS ... WE KNOW WHEN IT HAPPENS, IT'S EXHILARATING. IT BRINGS MUTUAL TRUST ... AND RESPECT ... AND LIFELONG FRIENDSHIPS.

DO YOU RECALL WHEN EDMUND HILLARY AND HIS NATIVE GUIDE, TENZING, MADE THEIR HISTORIC CLIMB UP MT. EVEREST?

COMING DOWN FROM THE PEAK, HILLARY SUDDENLY LOST HIS FOOTING. TENZING HELD THE LINE TAUT AND KEPT THEM BOTH FROM FALLING BY DIGGING HIS AX INTO THE ICE.

LATER TENZING REFUSED ANY SPECIAL CREDIT FOR SAVING HILLARY'S LIFE. HE CONSIDERED IT A ROUTINE PART OF THE JOB. AS HE PUT IT: "MOUNTAIN CLIMBERS ALWAYS HELP EACH OTHER." I ASK YOU, SHOULD THE REST OF US BE ANY DIFFERENT?
... CONTROL DATA TODAY IS HEALTHIER THAN IN A LONG WHILE AND WE ARE IMPROVING
... AND THE REASON FOR THAT IS PROGRESS - STEADY PROGRESS IN THE FUNDAMENTALS OF OUR BUSINESS.

THERE ARE MANY WAYS TO ADDRESS BUSINESS FUNDAMENTALS. BUT, SEVERAL YEARS AGO I BEGAN TO THINK OF OUR BUSINESS IN TERMS OF 3 FUNDAMENTALS AND THEY HAVE SERVED WELL AS A BASIC FRAMEWORK AS WE HAVE ATTACKED THE PROBLEMS IN BRINGING CONTROL DATA TO A HEALTHY STATE.

THESE THREE FUNDAMENTALS ARE FIRST: STRATEGY - THAT IS THE BROAD CONCEPT OF WHAT BUSINESS YOU ARE PURSUING.

.... SECOND: SYSTEM OF MANAGEMENT AND BASIC TO THAT IS UNDERSTANDING THE ESSENTIALS OF REVENUE, COSTS AND EXPENSES, ASSETS, AND PEOPLE AND THEIR RELATIONSHIPS ONE TO ANOTHER - WHICH BOILS DOWN TO PRODUCTIVITY MEASUREMENT AND VISIBILITY AND

.... THIRD: EXECUTION AND THAT IS A MATTER OF PEOPLE.

SO BEFORE WE GET TO TEAMWORK LET ME TAKE A FEW MINUTES AND TALK ABOUT EACH OF THESE FUNDAMENTALS.

STRATEGY:  - GREATEST STRENGTH

- CDC SURVIVAL TO A LARGE DEGREE HAS BEEN BECAUSE OF SOUND STRATEGY.
I'm not going to spend much time on strategy but will just point out a few basic strategies:

1. Large scale computers - a market place niche
2. Economies of scale required - peripheral products, R&D, MFG.
3. Unbundling
4. Data services, the core, include education

SVCS Statistics
1970 - $25 million
1976 - $250 million
1981 - $500

Education
1976 - $25 million
1981 - $250 million

 Faster than data services

PSD
1969 - 0
Today - 50

Fasted growing, largest asset investment.

Breadth in geographies and markets.

Out of strategic elements such as this come broad business and organization decisions:

- Acquisitions - economies of scale - purchased R&D - SBC
- PSD - unbundling
- Acquire applications - build data SVCS as rapidly as possible
THOSE ARE JUST A FEW EXAMPLES SELECTED FROM THE PAST. THERE ARE MANY OTHERS WHICH DERIVE VERY SIMPLY FROM THE UNDERLYING STRATEGIES THAT I MENTIONED.

BUT FROM THIS POINT ON THE GAME CHANGES CONSIDERABLY. IN STRATEGY WE ARE ANSWERING QUESTIONS LIKE WHAT BUSINESS ARE WE IN, WHAT ARE OUR BEST OPPORTUNITIES, OF SEVERAL ALTERNATE WAYS OF APPROACHING AN OPPORTUNITY WHICH IS BEST AND SO ON.

.....BUT NOW IT BECOMES A MATTER OF DOING IT. THIS IS MUCH MORE DIFFICULT THAN IT FIRST APPEARS.

..... MANY - IN FACT THE MAJORITY OF ENTREPRENEURIAL IDEAS FAIL. YET IT IS MY EXPERIENCE THAT MORE OF THEM FAIL FOR LACK OF EXECUTION (AND CAPITAL) THAN BECAUSE THEY WERE INHERENTLY BAD IDEAS.

ANYWAY - "DOING IT" BRINGS UP THE SUBJECT OF SYSTEM OF MANAGEMENT. SINCE CONTROL DATA HAS HAD AND CONTINUES TO HAVE REALLY SOUND STRATEGIES, AN IMPROVED SYSTEM OF MANAGEMENT HAS BEEN VERY HIGH ON MY PRIORITY LIST. IN ONE SENSE IT HAS BEEN EVEN HIGHER THAN EXECUTION, THE THIRD FUNDAMENTAL. AND THE REASON FOR THAT IS THAT OUTSTANDING BUT UNCOORDINATED EXECUTION CAN ONLY LEAD TO FRUSTRATION AND FAILURE FOR THE TEAM.
MANAGEMENT SYSTEM

WHAT IS THIS FANCY PHRASE - MGMT. SYSTEM - REALLY? WORDS LIKE COST ANALYSIS, KEY INDICATORS, MANPOWER DEVELOPMENT, ACCOUNTABILITY, VISIBILITY, QUALITY SYSTEMS, PHASE REVIEWS ALL COME TO MIND WILLY-NILLY - A HODGE PODGE -

BUT WHAT IT COMES DOWN TO IS THIS:

- ANALYSIS - DETERMINE ELEMENTS THAT HAVE THE MOST LEVERAGE FOR FINANCIAL SUCCESS.
- BALANCE SHEET ARTICLE - VELOCITY OF CASH
- DEVELOPMENT - OF RATIOS AND OTHER MEASURES - OF REPORTING SYSTEMS TO PROVIDE GOOD VISIBILITY. LEASE BASE STORY.
- KNOWING WHAT TO AIM AT. HITTING THE BALL. "EYE ON THE BALL" DEPENDS ALSO ON EYESIGHT (VISIBILITY).
- ACCOUNTABILITY - GOALS, MEASUREMENT, REWARDS - QUOTA OBVIOUS, MGMT. DEVELOP NOT SO.

WELL, SO FAR SO GOOD, BUT WE HAVEN'T YET GOT TO WHERE THE RUBBER MEETS THE ROAD. THAT'S THE THIRD FUNDAMENTAL.

EXECUTION

I SAID A MOMENT AGO THAT MGMT. SYSTEM MAY BE MORE IMPORTANT - AT LEAST RECENTLY - THAN EXECUTION. BUT THAT WAS ONLY FROM ONE PERSPECTIVE - IN ANOTHER SENSE EXECUTION IS THE MOST IMPORTANT BECAUSE IT IS ACTUALLY THE MOST DIFFICULT TO ACHIEVE. FINALLY
IT RESTS ON MANAGEMENT LEADERSHIP – YOUR LEADERSHIP, YOUR ATTITUDE, YOUR PEOPLE. I'M REMINDED OF AN OLD SAW I ONCE HEARD THE "MORALE IS WHEN YOUR HANDS AND FEET KEEP WORKING WHEN YOUR HEAD SAYS IT CAN'T BE DONE" WELL IN OUR BUSINESS WE NEED THE HEAD TO KEEP WORKING TOO – BUT THE POINT IS THE SAME.

EXECUTION IS A MATTER OF INDIVIDUAL PERFORMANCE – INDIVIDUAL ACHIEVEMENT. IT IS A SUBJECT THAT I LIKE TO TALK ABOUT BUT NOT TODAY. EXECUTION FOR US IS ALSO OVERWHELMINGLY A MATTER OF TEAMWORK. AS A TEAM LET ME REMIND YOU THE FIRST THING TO KNOW IS WHO AND WHAT YOU ARE ATTACKING – OR IN MILITARY PARLANCE WHO IS THE ENEMY. OTHERWISE WE WILL FIND IN THE WORDS OF POGO "WE HAVE MET THE ENEMY AND HE IS US."

OUR ENEMIES ARE EXCESS ASSETS, TOO MANY POOR PERFORMERS, LACK OF TRAINING AND DISCIPLINE, LACK OF QUALITY IN PRODUCTS AND SERVICES, UNDERACHIEVEMENT OF REVENUE GOALS, INADEQUATE GROSS TO NET PERFORMANCE IN DATA SERVICES. IN OTHER WORDS, EXECUTION.

I AM NOT POOR-MOUTHING OUR TEAM. INDEED, I'M TERRIBLY PROUD OF ALL OF YOU. IN ONE FORM OR ANOTHER, IN ONE ROLE OR ANOTHER OVER THE PAST SIXTEEN YEARS I'VE BEEN INVOLVED IN THE FORMATION AND GROWTH OF YOUR ORGANIZATIONS AND THE PEOPLE IN THEM. ON THE OTHER HAND, THAT IS NOT THE SAME THING AS BELIEVING YOU – ME – WE – HAVE REACHED OUR POTENTIAL. ALL OF US NEED TO GROW. TO
THE EXTENT THAT YOU WANT TO SOLVE PROBLEMS RATHER THAN BUILD YOURSELF UP BY DEPRECATING OTHERS. TO THE EXTENT THAT YOU ARE WILLING TO LEARN AND GROW RATHER THAN BITCH AND SULK. TO THE EXTENT THAT YOU ARE POSITIVE AND CREATIVE IN FINDING A "BETTER WAY". TO THAT EXTENT YOU WILL BE SUCCESSFUL.

NOR DO I MEAN THAT LEADERSHIP AND TEAMWORK IMPLY SOME KIND OF LOVE-IN. AFTER ALL, IF TWO PEOPLE AGREE ON EVERYTHING, ONE OF THEM MAY VERY WELL BE UNNECESSARY. BUT I DO MEAN BE POSITIVE, OPEN, CREATIVE, AND WILLING TO LEARN, WILLING TO HELP.

AND SURELY DEFENSIVENESS AND PAROCHIALISM DON'T WORK. ONE THING I HAVE LEARNED ABSOLUTELY FOR SURE AND THAT IS THAT THE QUICKEST WAY TO GET PEOPLE INTERESTED IN (AND SECOND GUESSING) A PROJECT IS TO TELL THEM ITS NONE OF THEIR BUSINESS!

III. TYING IT ALL TOGETHER

LET'S TAKE SOME EXAMPLES - HOW DO STRATEGY, MGMT SYSTEM, EXECUTION COME TOGETHER - AND SOMETIMES NOT - FOR US.

1) TAKE CYBERNET FIRST - FUNDAMENTAL TO OUR BUSINESS. O.K.
   - BUT LARGE SYSTEMS ARE TOO.
   - TWO GOOD STRATEGIES BUT CONFLICT ARISES TOO.
   - ENTER THE "MGMT SYSTEM" IN FORM OF LARGE ACCT.
     STRATEGY PLAN. A GUIDELINE SYSTEM. BASIC OPERATING PRINCIPALS.
   - ENTER FORD. GOOD EXECUTION, BEAUTIFUL RESULTS.
- ENTER FORD. GOOD EXECUTION, BEAUTIFUL RESULTS.
- ENTER ACCT. X. POOR EXECUTION - REALLY MALIGNANT.
  BASTARDIZING THE SYSTEM. POOR RESULTS, A MESS,
  LOST ENERGY, LOST MONEY.
IN THIS EXAMPLE: STRATEGY - ABSOLUTELY SOUND.
SYSTEM - GOOD, WELL THOUGHT OUT. EXECUTION - ONE
GOOD, ONE BAD. EXECUTION MADE ALL THE DIFFERENCE.

2) LETS TRY CYBERNET AGAIN
- SAME DEAL - CORE OF STRATEGY - PRIMARY BUSINESS.
- BUT PROFITABILITY - MARGINAL.
- ENTER MGMT. SYSTEM - ANALYSIS OF PROFIT PROBLEM.
  ONE IS DISCOUNTS. MEASURE GROSS TO NET REVENUE.
  HOLD PEOPLE ACCOUNTABLE.
- RESULTS - GOOD RECENT. LY AT 4.5% COMPARED TO 6-7-8-10
  EARLIER.
BETTER EXECUTION. ACCEPTABLE EXECUTION? NO. GOOD IS 3.
GETTING THERE IS SIMPLY A MATTER OF EXECUTION.

3) HOW ABOUT PSD?
- STRATEGY - UNBUNDLING - AGAIN, GOOD STRATEGY.
- ORGANIZATION DECISION - PSD A PROFIT CENTER,
  PRODUCES READY MEASUREMENTS OF UNBUNDLING SUCCESS.
- SUBSEQUENT DECISION - FORMS FIRMS - A "MGMT.
  SYSTEM" FOR UTILIZING RESOURCES MORE EFFECTIVELY.
- RESULTS - SOME EXCELLENT, SOME NOT SO GOOD.
- DIAGNOSIS - EXECUTION - PEOPLE - MAYBE TRAINING -
  MAYBE COMMUNICATION.
4) BACK TO CYBERNET

- STRATEGY - SAME DEAL.
- GOALS - SAME - IMPROVED PROFITABILITY. OTHER PROBLEMS? YES. INTEREST.
- MGMT. SYSTEM - ASSETS - ACCTS RECEIVABLE
  - 65 DAYS - UGH!
  - KUDOS TO JOE PHELAN.
- DIAGNOSIS - BY SOME: "ITS THE NATURE OF THE BUSINESS" "PRICE, DON'T TELL ME I'M NOT EXECUTING - I'M BUSTING MY BUTT" BUT WHAT IS PSD? 43 DAYS. OTHER DATA SVCS? 35, 40, 45 DAYS.
- DIAGNOSIS - MAYBE ITS THE SYSTEM IN THIS INSTANCE.
  WHAT IS THE TOTAL ACCOUNTING, INVOICING, COLLECTING PROCESS.

5) NOW PSD AND DATA SVCS TOGETHER

WHEN COMPLEMENTARY STRATEGIES ARE PERFORMED WELL BY PEOPLE WITH THEIR EYE ON THE BALL (MGMT. SYSTEM) THEN SYNERGISM OCCURS.

EXAMPLE: DATA SVCS - APPLICATIONS THRUST
  PSD - FIRMS - APPLICATIONS THRUST
  TWO COMPLEMENTARY STRATEGIES
  TWO EXCELLENT GROUPS OF PEOPLE
  YET, THERE IS TUGGING AND PULLING AND MUTTERINGS
  MAYBE IN THIS CASE WE DON'T HAVE THE SYSTEM FOR WORKING TOGETHER QUITE STRAIGHT

BUT YOU ARE HERE TOGETHER WORKING THE PROBLEMS AND THAT ENCOURAGES ME.
CONTROL DATA ... CYBERNET ... PSD. WE ARE GOING TO HAVE A GOOD 1977. AND IF WE DEVELOP AN ATTITUDE WHICH WILL FOSTER BETTER LEADERSHIP ... BETTER EXECUTION ... AND BETTER TEAMWORK, WE'RE ALL GOING TO HAVE AN EVEN BETTER YEAR IN 1978.

ATTITUDE IS THE KEY WHICH WILL FOSTER THESE QUALITIES.

I'D LIKE TO CLOSE MY REMARKS WITH A STORY WHICH ILLUSTRATED WHAT ATTITUDE CAN DO. IT WAS TOLD BY THE FAMOUS BIG LEAGUE BASEBALL MANAGER, BRANCH RICKEY, ABOUT WHEN HIS TEAM, THE ST. LOUIS BROWNS, LOST A GAME TO DETROIT IN THE LAST HALF OF THE 11TH INNING IN A VERY UNUSUAL MANNER. NOTHING ELSE LIKE IT APPEARS IN THE RECORD BOOKS ANYWHERE. PERHAPS YOU HAVE HEARD OF THE INCIDENT.

DETROIT CAME TO BAT IN THE LAST HALF OF THE 11TH INNING IN A TIE-SCORE GAME. THERE WERE TWO MEN OUT, AND THERE WAS NOBODY ON THE BASES. THEN A PLAYER CAME TO BAT. THE IMMORTAL TY COBB.

COBB GOT A BASE ON BALLS. THEN HE SCORED THE WINNING RUN WITHOUT ANOTHER BALL BEING PITCHED. BY SHEER ADVENTURESOMENESS AND SKILL, HE FORCED TWO WILD THROWS BY ST. LOUIS INFIELDERS.

HIS DARING AT FIRST BASE ... HIS BOLDNESS AND SKILLFUL TURN AT SECOND ... HIS CHARACTERISTIC SLIDE, PERFECTLY EXECUTED, TEN FEET BEFORE HE LEFT THIRD ....... HIS QUICK COORDINATION FOLLOWING HIS SLIDE -- ALL BROUGHT ABOUT FOUR "BREAKS" IN HIS FAVOR.

IN SHORT, HE MADE WHAT AMOUNTED TO A HOMERUN OUT OF A BASE ON BALLS.
IN THE VERY SAME GAME, THERE WAS A PLAYER FOR ST. LOUIS BY THE NAME OF WALKER. HE WAS A MAN WITH ALL THE PHYSICAL QUALITIES TO BECOME A GREAT PLAYER.

DURING A GAME IN BEAUMONT, TEXAS, THE FOLLOWING SPRING, WALKER HIT WHAT SHOULD HAVE BEEN A HOMERUN ... BUT HE WAS THROWN OUT AT THIRD BASE.

HERE'S HOW.

WALKER'S SLOW START TO FIRST BASE, AS HE WATCHED THE HARD LINE DRIVE FALL BETWEEN THE LEFT AND CENTER FIELDERS COST HIM 20 FEET. NEXT, HE LOST ANOTHER 30 FEET MAKING TOO WIDE A TURN GOING AROUND FIRST TOWARDS SECOND BASE.

THEN, SEEING THE ILLUSIVE BALL ON ITS WAY TO THE TEXAS PRAIRIES -- THE LEFT FIELD FENCE WAS DOWN FOR REPAIR -- HE SLOWED DOWN TO A JOGGING TROT. THIS EASILY CAUSED HIM STILL ANOTHER 50 FEET, AND HE WAS NOW 100 FEET BEHIND SCHEDULE.

SUDDENLY, THE BALL STRUCK SOME OBJECT -- A BOARD ... OR STONE, AND IT BOUNCED BACK INTO THE HANDS OF THE SURPRISED CENTER FIELDER. HIS QUICK TURN AND STRONG ARM BROUGHT THE THROW TOWARD THIRD.

WALKER, SEEING THAT A PLAY COULD NOW BE MADE ON HIM PUT ON A GREAT BURST OF SPEED. HE MADE A FALL-AWAY SLIDE TO THE RIGHT AND INTO THE VERY HANDS OF THE THIRD BASEMAN. WALKER ACTUALLY TAGGED HIMSELF OUT.
IN DISCUSSING THE PLAY LATER, BRANCH RICKEY AND EVERYONE ELSE WHO WITNESSED IT AGREED THAT IF WALKER HAD NOT MADE ANY ONE OF THE FOUR MISTAKES, HE WOULD HAVE SCORED A HOMERUN STANDING UP.

NOW WHAT IS THE DIFFERENCE BETWEEN COBB AND WALKER? THEY WERE ABOUT THE SAME AGE ... THEY WERE ABOUT THE SAME WEIGHT ... THEY WERE ABOUT THE SAME HEIGHT ... AND THEIR RUNNING SPEED WAS THE SAME. ACCORDING TO RICKEY, WALKER HAD A STRONGER ARM THAN COBB ... AND HE HAD MORE POWER AT THE BAT.

YET ONE ROSE TO UNPARALLELED FAME ... THE OTHER -- OBSCURITY. COBB WANTED TO DO SOMETHING SO MUCH THAT NOTHING ELSE MATTERED ... WALKER PUNCHED THE CLOCK.

THANKS FOR HAVING ME. ITS BEEN A PLEASURE TO BE WITH YOU.