EXCELLENCE IN THE EIGHTIES
CONTROL DATA 100% CLUB
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R. M. Price

INTRODUCTION AND BACKGROUND

GOOD MORNING! GOSH, VERN, THOSE SOUND AND LIGHT THINGS GET
MORE OVERWHELMING ALL THE TIME. WHAT WAS THAT QUESTION AGAIN?
WHERE AM I IN MY EVOLUTION OF EXCELLENCE? WELL, I DON'T KNOW
FOR SURE BUT ON A SCALE OF ONE TO TEN I AM NOT AS FAR ALONG AS
BO DEREK! BUT, SPEAKING OF TEN'S, I WONDER IF BO WILL BE ABLE
TO DEVELOP THE DELIGHTFUL PERSPECTIVE OF AGE ATTRIBUTED TO THE
GREAT ETHEL BARRYMORE. THEY TELL A STORY ABOUT THE
INCOMPARABLE ETHEL WHO WAS SITTING IN HER DRESSING ROOM WHEN A
STUDIO USHER TAPPED ON HER DOOR: "THERE ARE A COUPLE OF
LADIES IN THE RECEPTION ROOM, MISS BARRYMORE, WHO SAY THEY WENT
TO SCHOOL WITH YOU. WHAT SHOULD I DO?" "WHEEL THEM IN" SHE
SAID.

WELL, YOU MAY NOT BE BO DEREK -- OR ETHEL BARRYMORE -- EITHER
BUT YOUR TREMENDOUS PERFORMANCE PROVES ONCE AGAIN THAT PEOPLE
DON'T HAVE TO BE IN WHO'S WHO TO KNOW WHAT'S WHAT!

AND SERIOUSLY, THAT WAS A GREAT INTRODUCTORY MODULE....JUST AS
YOUR 1979 PERFORMANCE WAS A GREAT INTRODUCTION FOR THE 1980'S.
YEARS SURE TO BE FILLED WITH EXCITEMENT AND GROWTH, YEARS TO
ACHIEVE A STANDARD OF EXCELLENCE TO WHICH ALL THOSE WHO FOLLOW
US CAN ASPIRE, BUT ABOVE ALL THEY WILL BE YEARS OF FULLFILLMENT
THAT ALL OF US HAVE THE OPPORTUNITY TO SHARE.
THIS MORNING, I WANT TO SHARE SOME THOUGHTS WITH YOU. THOUGHTS ABOUT THE FUTURE. THOUGHTS ABOUT US. BUT MOSTLY, THOUGHTS ABOUT CONTROL DATA.

THERE ARE SOME PESSIMISTS WHO LOOK TO THE NINETEEN EIGHTIES WITH GLOOM.

AND CERTAINLY IT WOULD BE POSSIBLE FOR ME TO EMBARK ON A DREARY RECITATION OF INFLATION, ENERGY SHORTAGE, WAR AND SOCIAL UNREST. THAT THINGS ARE "BAD OFF" IS CLEAR ENOUGH - OR AS AL CAPP'S CARTOON CHARACTER LI'L ABNER USED TO SAY: "AS ANY FOOL CAN PLAINLY SEE." UNCERTAINTY HAUNTS OUR WORLD. IT IS PROBABLY THE GREATEST BARRIER TO PROGRESS THAT WE FACE. NOT THAT THERE IS A SHORTAGE OF OPINIONS. EVERYBODY WITH AN M.B.A. HAS AN OPINION. THAT COMES WITH THE DEGREE. AND WHEN YOU TALK TO ANY TWO ECONOMISTS TODAY, YOU'RE BOUND TO GET AT LEAST THREE OPINIONS.

AND YET IN THE MIDST OF ALL THE UNCERTAINTY AND CONFLICTING OPINIONS THERE STANDS OUT CLEARLY ONE GREAT CERTAINTY -- AND THAT IS THE OVERWHELMING NEED FOR KNOWLEDGE IF THE WORLD IS TO SURVIVE. KNOWLEDGE GOES BEYOND MERE INFORMATION OR DATA -- IT IS THE ABILITY TO RELATE INFORMATION/DATA TO THE PROBLEM AT HAND.
THAT ABILITY, BY THE WAY, REMINDS ME OF A STORY ABOUT MARLENE DIETRICH. ONCE, WHEN SHE SAW THE FIRST WEEK'S TAKES OF A NEW PICTURE, SHE COMPLAINED THAT THEY REALLY DIDN'T SUIT HER. AS IT HAPPENED, THE CAMERAMAN HAD ALSO DONE THE PHOTOGRAPHY FOR "GARDEN OF ALLAH" -- ONE OF HER GREAT FAVORITES. SO, SHE TOOK HIM TO THE PROJECTION ROOM AND HAD "GARDEN OF ALLAH" SHOWN. WHEN IT WAS OVER SHE SAID: "NOW SEE, I LOOKED GREAT IN THAT PICTURE. WHY CAN'T WE GET THE SAME RESULTS IN THIS ONE?"

"WELL, YOU SEE, MISS DIETRICH" SAID THE CAMERAMAN. "I'M EIGHT YEARS OLDER NOW."

WELL, THINGS HAVE CHANGED IN OUR WORLD TOO OVER THE PAST FEW YEARS. WE ARE MOVING INEXORABLY TOWARD A SOCIETY BASED ON NEW CONCEPTS. FOR EXAMPLE, LISTEN TO THE EDITORS OF BUSINESS WEEK IN THEIR FIFTIETH ANNIVERSARY ISSUE: "BY THE YEAR 2029 PEOPLE WILL HAVE RECOGNIZED THAT TODAY MARKS THE END OF THE INDUSTRIAL SOCIETY....(IT) WILL BE REPLACED BY A 'THIRD WAVE' IN WHICH DIVERSITY, NOT UNIFORMITY WILL BE THE KEY TO CIVILIZATION....(IN THE U.S.) STEEL, AUTO, RAILROAD EQUIPMENT, MACHINERY, APPLIANCE, TEXTILE....WILL BE REPLACED BY SEMICONDUCTORS....,INFORMATION PROCESSING, OCEANOGRAPHY, (SPACE) APPLICATIONS...., AND MOLECULAR BIOLOGY....THE U.S. WILL SEE THE RISE IN AN ELECTRONIC VERSION OF COTTAGE INDUSTRIES....
WHAT IT ALL ADDS UP TO ACCORDING TO ONE FUTURIST IS THAT "80 TO 90 PERCENT OF THE ENTIRE WORK FORCE WILL BE IN JOBS THAT INVOLVE THE ACCUMULATION AND PROCESSING OF INFORMATION."

WHETHER PREDICTIONS LIKE THOSE ARE CORRECT IN EVERY DETAIL IS BESIDE THE POINT; THE BASIC MESSAGE IS CLEAR. NO COMPANY, NO GROUP OF PEOPLE COULD CONCEIVABLY BE BETTER POSITIONED WITH REGARD TO THIS NEW ENVIRONMENT THAN ARE WE IN CONTROL DATA. WE ARE ONE OF THE RELATIVELY FEW WHOSE BUSINESS IS THAT OF THE FUTURE -- KNOWLEDGE -- AND WE ARE UNIQUELY THE KNOWLEDGE SERVICES COMPANY WHOSE PRINCIPAL STRATEGY IS THAT OF ADDRESSING MAJOR SOCIETAL PROBLEMS AS BUSINESS OPPORTUNITIES. BUT THAT'S JUST STRATEGY. WHO IS THIS COMPANY CONTROL DATA? HOW DO WE KNOW IT? LIKE A PERSON, IT MUST HAVE PERSONALITY, CHARACTERISTICS, BELIEFS. WHAT ARE THEY?

II. CONTROL DATA -- ITS STYLE AND CULTURE

WELL, THIS UNIQUE COMPANY - OUR COMPANY - DOES HAVE SOME FUNDAMENTAL DISTINGUISHING CHARACTERISTICS -- OR BELIEFS IF YOU WILL. THERE ARE FIVE OF THEM. AND SINCE THEY ARE THE BASIC DETERMINANTS OF HOW WE GO ABOUT OUR BUSINESS, I WANT TO TAKE A FEW MINUTS -- HERE AT THE START OF THE EIGHTIES -- TO SHARE AND REVIEW THEM WITH YOU.
(1) First is the belief in a long term approach to our business. Business Week, in that same fiftieth anniversary issue I mentioned, opened the section on "the future" with these words: "The American system is largely geared to the here and now. Managers of large public (U.S.) corporations tend to be preoccupied with quarterly and annual financial results. And, government focuses on the two-to-six year period between elections." In those opening words, the authors almost intuitively struck on the principal barrier to realization of the glowing future they otherwise predicted. Perhaps recognizing just how devastating this was to their thesis, how devastating this short-term attitude will be to the successful evolution of society, the optimistic article went on to report that there is a "growing awareness" of the inadequacy of this short-term approach. For myself, perusing the news of the day, the reports of securities analysts and the machinations of public officials in an election year in the U.S., it's not truly clear to me how the Business Week people can see that "growing awareness". On the contrary, I'm more reminded of a quite different story:

The setting is a northern Minnesota Indian reservation. A few years ago a U.S. senator from the interior committee went to visit this reservation to improve the relationship between Congress and our Native Americans.
THE SENATOR MADE A GRAND SPEECH FULL OF PROMISES OF BETTER THINGS TO COME. "WE SHALL SEE A NEW ERA OF OPPORTUNITIES FOR NATIVE AMERICANS," HE CRIED. TO THIS THE AUDIENCE GAVE A RINGING RESPONSE OF, "HOYA, HOYA!!"

ENCOURAGED BY THIS, THE SENATOR CONTINUED. "WE PROMISE MORE AND BETTER EDUCATION!"

"HOYA! HOYA!" CAME BACK THE RESPONSE.

"WE PLEDGE BETTER HEALTH CARE AND MORE DOCTORS!" YELLED THE SENATOR.

THE AREA REVERBERATED WITH MORE CRIES OF "HOYA! HOYA!"

THEN, WORKED UP TO AN EMOTIONAL PEAK, THE SENATOR ENDED HIS SPEECH -- "YOUR CONGRESS COMES TO YOU TO HELP. SO TRUST US. WE HAVE ONLY YOUR BEST INTERESTS AT HEART."

THE AIR SHOOK WITH ONE LONG, MIGHTY, "HOYA! HOYA!"

GREATLY PLEASED BY THE RECEPTION, THE SENATOR THEN BEGAN MAKING A TOUR OF THE RESERVATION. "I SEE YOU HAVE A FINE HERD OF BEEF CATTLE HERE," HE SAID. MAY I INSPECT THE BULLS?"
"CERTAINLY," REPLIED THE CHIEF, "BUT BE CAREFUL NOT TO STEP IN THE HOYA."

BUT BELIEVE ME, IT IS NO "HOYA" THAT CONTROL DATA HAS PERSISTENTLY AND CONSISTENTLY PURSUED LONG-TERM STRATEGIES. OUR UNIQUENESS IN THIS REGARD IS ONE OF OUR GREATEST STRENGTHS FOR THE 80'S, THE 90'S AND ON INTO THE 21ST CENTURY.

BUT, THERE IS A DANGER INHERENT IN THIS LONG-TERM VIEW. THE TENDENCY TO LET TODAY SLIP AWAY. TO BE SATISFIED WITH A SO-SO PERFORMANCE, BECAUSE ALL EYES ARE FOCUSED ON THE FUTURE.

AFTER ALL, IF THE REWARDS ARE KNOWN TO BE LONG-TERM THEN PEOPLE AREN'T INCLINED TO WORRY ABOUT "WHAT WENT WRONG TODAY," MUCH LESS THINK ABOUT "HOW COULD I HAVE MADE TODAY BETTER". THOSE OF YOU WHO LOVE TO FISH, AS I DO, KNOW WHAT THE FEELING'S LIKE. WE SPEND SO MUCH TIME FINDING THE PERFECT PLACE WHERE NOBODY ELSE INTRUDES AND THE FISH LITERALLY JUMP OUT OF THE WATER INTO THE BOAT, THAT WE FORGET THE ELEMENTS OF GOOD CASTING -- OR WORSE -- I KNOW A GUY WHO GETS SO EXCITED ON REACHING ONE OF THESE FISHING SHANG-RI-LA'S THAT HE HAS THROWN HIS WHOLE RIG AWAY WITH
THE FIRST CAST. WE GET HOOKED ON THE PROMISE AND OVERLOOK THE FUNDAMENTALS THAT CAN MAKE THE PROMISES COME TRUE.

THERE IS AN EXAMPLE OF WHAT I'M TALKING ABOUT IN THE EARLY DAYS OF CONTROL DATA INSTITUTES. GETTING INTO THE EDUCATION BUSINESS WAS A LONG-TERM STRATEGY IN 1965. THAT YEAR WE LOST $88,000, BUT WE BEGAN TO LEARN WHAT BEING IN THE EDUCATION BUSINESS WAS ALL ABOUT.

IN 1970 WE LOST $2.6 MILLION. IN 1973, $4.6 MILLION WAS LOST. AFTER 8 YEARS OF TRYING TO LEARN HOW TO BE IN THE BUSINESS, WE HAD LOST A CUMULATIVE $13.7 MILLION WITH EACH YEAR BEING A LARGER LOSS THAN THE ONE BEFORE. AT THAT POINT WE SAID "HEY WAIT A MINUTE! INVESTMENT IS FINE, BUT LET'S LOOK AT SOME FACTS: FACT ONE, IT SHOULDN'T COST US THIS MUCH TO LEARN HOW TO BE IN THE EDUCATION BUSINESS, AND FACT TWO, ONE SCHOOL, DETROIT, IS MAKING A PROFIT. SO WHY CAN'T ALL THE INSTITUTES BE LIKE THAT?" WELL, TO PUT IT SOMewhat GENTLY: NEGATIVE RESPONSES TO THAT QUESTION WERE NOT ACCEPTED. FOURTEEN INSTITUTES TOOK THE CHALLENGE OF BEING AS GOOD AS THE BEST AND WERE ALLOWED TO CONTINUE IN 1974. FIVE CDI TEAMS SAID THEY COULDN'T MAKE IT. THOSE FIVE WERE CLOSED DOWN. OTHER ACTIONS WERE TAKEN AS WELL. STEP BY STEP EXCESS OVERHEAD WAS TRIMMED AND ELIMINATED. ALL THIS TOOK PLACE, I SHOULD TELL YOU, IN JUST OVER TWO

THE POINT IS THIS: WE HAVE THE STRENGTH TO TAKE ON LONG-TERM PROGRAMS. BUT WE MUST ALSO HAVE THE STRENGTH TO FACE UP TO WHAT MUST BE DONE TODAY.

(2) BELIEF IN TECHNOLOGICAL COOPERATION.

TOO OFTEN PEOPLE FAIL TO DISTINGUISH BETWEEN TECHNOLOGICAL COOPERATION AND MARKETING COOPERATION. AND THE FAILURE TO DO SO CAN COMPLICATE MATTERS NO END. I'M REMINDED OF WHAT HAPPENED ONCE IN A PLACE CALLED HAW RIVER, NORTH CAROLINA NEAR MY HOME TOWN OF GREENSBORO:

NOW, HAW RIVER IS A PRETTY SMALL PLACE, AND ONE SUMMER THE BAPTISTS AND CONGREGATIONALISTS AGREED TO COOPERATE AND STAGE A JOINT REVIVAL WEEK. THE METHODISTS RELUCTANTLY AGREED TO GO ALONG WITH IT. AT THE END OF THE WEEK, THE THREE MINISTERS GOT TOGETHER TO DISCUSS THE RESULTS.

THE CONGREGATIONALIST SAID, "WE CAPTURED FOUR NEW MEMBERS."
THE BAPTIST REPLIED, "WE DID EVEN BETTER. SIX PEOPLE BECAME CONVERTS TO THE BAPTIST FAITH."

THEN THEY BOTH TURNED TO THE METHODIST AND ASKED HIM HOW HE DID.

"WELL," THE PARSON ANSWERED, "I GUESS WE DID THE BEST OF ALL. WE DIDN'T ADD ANY NEW MEMBERS, BUT WE GOT RID OF TEN WE SURE DIDN'T WANT."

BUT SERIOUSLY, IT IS UNBELIEVABLY STRANGE TO ME THAT PEOPLE IN OUR INDUSTRY DO NOT UNDERSTAND THE NEED FOR TECHNOLOGICAL COOPERATION. ALL YOU HAVE TO DO IS LOOK AROUND AND SEE WHOLE INDUSTRIES WHICH WERE ONCE THE STARS OF U.S. BUSINESS, BUT TODAY ARE IN TROUBLE BECAUSE THEY ARE TECHNOLOGICALLY LAGGING.


FOREIGN COMPETITION, ENVIRONMENTAL REGULATIONS AND
UNREASONABLE TAXES ARE OFFERED BY STEEL COMPANIES AS REASONS FOR THE DEBACLE. ALL WERE HANDICAPS, YET THE OUTCOME COULD HAVE BEEN DIFFERENT HAD THE STEEL COMPANIES POOLED RESOURCES TO ACHIEVE THE NEEDED INNOVATIONS. THEIR EXCUSE FOR NOT DOING SO IS THE U.S. ANTITRUST LAWS. CERTAINLY, ANTITRUST LAWS WERE AND ARE A BARRIER. HOWEVER, LAWS CAN BE CHANGED WITH CONCENTRATED EFFORT. AND NO REAL EFFORT WAS MADE BECAUSE EXTENSIVE COOPERATION WASN'T SERIOUSLY CONTEMPLATED IN THE FIRST PLACE.


IN THEIR SINGLE-MINDED PURSUIT OF PROMOTING BIG CARS, U.S. AUTO MANUFACTURERS HAVE BEEN ADDRESSING "WANTS" INSTEAD OF "NEEDS" FOR OVER FORTY YEARS. WHY? ONCE AGAIN IT HAS BEEN A CONCENTRATION ON OPTIMIZING TODAY'S BOTTOM LINE. AND LIKE THE STEEL INDUSTRY, THERE WAS A LACK OF COOPERATION TO ACHIEVE TECHNOLOGICAL INNOVATION AND COMPLIANCE WITH
GOVERNMENT ENVIRONMENTAL REGULATIONS. JUST THINK WHAT MIGHT HAVE BEEN IF ALL THAT POWER HAD WORKED TOGETHER TO DEVELOP NEW TECHNOLOGIES FOR MUTUAL INDUSTRY BENEFITS, AND ULTIMATE CONSUMER BENEFITS? THEN THE INROADS OF FOREIGN COMPETITION MIGHT WELL HAVE BEEN FAR LESS THAN THE NEARLY 25% OF THE CURRENT SALES OVERSEAS MANUFACTURERS HAVE NOW ACHIEVED IN THE U.S. MARKET.

THE SUDDENNESS WITH WHICH PROFITABILITY EVAPORATED IN THE U.S. AUTO INDUSTRY IS A POINT TO ETCH IN OUR MEMORIES, BECAUSE THE MAIN DIFFERENCE AT THE MOMENT BETWEEN COMPUTERS AND AUTOMOBILES IS JUST ONE OF MATURITY.

COMPUTER INDUSTRY

UNFORTUNATELY, WITH THE EXCEPTION OF CONTROL DATA, THE BIG COMPANIES IN THE COMPUTER INDUSTRY APPEAR -- AND I DON'T HESITATE TO USE THE WORDS -- AS ARROGANT, SMUG AND BLIND AS U.S. STEEL, GENERAL MOTORS, FORD OR CHRYSLER EVER WERE. SOMEHOW THE TOP EXECUTIVES OF OUR COMPETITORS DON'T SEEM TO BE ABLE TO FORESEE THAT THEIR COMPANIES COULD EVER BE STRUGGLING FOR EXISTENCE IN THE FACE OF SOME OTHER COMPETITION -- SAY FROM THE JAPANESE. YES, AND FROM OTHERS. HOWEVER, AS COMPUTER COMPONENTS AND SYSTEMS TECHNOLOGIES APPROACH MATURITY, IT CAN HAPPEN. THE JAPANESE GOVERNMENT WILL CONTINUE ITS SUBSIDIES. A CLOSE
INDUSTRY-GOVERNMENT RELATIONSHIP IN JAPAN HAS ENORMOUS LEVERAGE. SO "BUSINESS AS USUAL" IN THE UNITED STATES IS A SURE PATHWAY TO PROBLEMS.

DESPITE A SMALLER INVESTMENT, -- PERHAPS ONE THIRD THAT OF IBM -- THE JAPANESE ARE CONSIDERED TO BE AT PARITY WITH THE U.S ON VLSI DEVELOPMENT.

WHAT ALL THIS NETS DOWN TO IS THAT THE SIGNALS ARE VERY CLEAR THAT WE NEED NEW APPROACHES. IN FACT, THE SIGNALS ARE SO OBVIOUS THAT ONE CAN ONLY ASK -- WHY ISN'T MORE BEING DONE? AND THE ANSWER IS: BECAUSE THERE ARE BARRIERS TO COOPERATION.

ONE BARRIER IS JUST THE FINANCIAL ANALYSIS PROCESS ITSELF. TECHNOLOGICAL COOPERATION HAS TO ADDRESS FUNDAMENTAL LONG-RANGE PROBLEMS, AND IT IS VERY DIFFICULT TO DO MEANINGFUL FINANCIAL ANALYSIS ON PROBLEMS WITH SO MANY UNKNOWNS.

AVAILABILITY OF R&D FUNDS. THAT'S ANOTHER BARRIER. COMPETITION FOR R&D IN MOST BIG COMPANIES IS FIERCE ANYWAY -- NOBODY WANTS TO GIVE UP ANYTHING AND SO ALL KINDS OF RATIONALIZATION TAKES PLACE AS TO WHY ANY GIVEN COOPERATIVE PROGRAM WON'T WORK. YET ANOTHER POWERFUL BARRIER IS NIH
WHICH IS THE EVER PRESENT OGRE OF BIG, RICH COMPANIES. FORTUNATELY THE LESSONS OF SURVIVAL CONTROL DATA LEARNED AS A SMALL COMPANY ARE STILL STRONG IN OUR CULTURE. WE SEE AND FEEL THE TANGIBLE BENEFITS COOPERATION HAS BROUGHT. INDEED MOST OF YOU IN THIS ROOM GOT HERE BY SELLING PRODUCTS AND SERVICES WHICH BEGAN AS TECHNOLOGICAL COOPERATIVE PROJECTS MANY YEARS AGO.

3. THAT BRINGS ME TO THE THIRD BELIEF: IN UNCERTAINTY AND CHANGE LIE THE OPPORTUNITIES OF THE FUTURE.

WE ARE AN INDUSTRY WHOSE VERY EXISTENCE REPRESENTS TECHNOLOGICAL CHANGE. WE ARE AN INDUSTRY WHOSE GROWTH IS FUELED BY SOCIETAL CHANGE AND MAN'S INSATIABLE NEED FOR MORE AND BETTER KNOWLEDGE -- TO COPE WITH UNCERTAINTY. IN VIEW OF THAT YOU MIGHT THINK IT WOULD BE INCREDIBLE IF THIS BELIEF WERE NOT BASIC TO THE CULTURE OF A COMPUTER COMPANY. BUT AS I NOTED A MOMENT AGO, NOT ALL COMPUTER COMPANIES HAVE THAT PERSPECTIVE. SO, JUST AS A REMINDER, LET'S LOOK AT ONE MAJOR AREA OF UNCERTAINTY AND CHANGE AND WHAT IT HAS MEANT TO US. TAKE ENERGY -- JUST ONE ASPECT OF ENERGY. THE DEMAND FOR COMPUTERS TO ASSIST IN OIL EXPLORATION. IN 1974 WE SOLD FIVE SYSTEMS FOR THIS PURPOSE; LAST YEAR IT WAS 21. GROWTH BASED ON UNCERTAINTY? YOU'D BETTER BELIEVE IT.
OR TAKE UNBUNDLING -- A CHANGE IN THE COMPUTER INDUSTRY
ONLY TEN YEARS OLD -- BY 1979 IT HAD SPAWNED A $2400
MILLION MARKET BUSINESS IN SOFTWARE AND CONSULTING SERVICES
-- A MARKET IN WHICH WE ARE LEADERS AND THE COMING CHANGES
IN HEALTH, EDUCATION AND AGRICULTURE, WILL GENERATE
BUSINESS OPPORTUNITIES WHICH WILL DWARF ANYTHING WE HAVE
SEEN.

4. RISK IS AN ESSENTIAL INGREDIENT OF BUSINESS. LET ME CITE
SOME EXAMPLES OF WHAT I MEAN IN CONTROL DATA'S HISTORY.

(1) SUPER COMPUTERS
WHEN YOU CONSIDER THAT THE COST OF DEVELOPING A NEW
COMPUTER LINE WAS WELL IN EXCESS OF 100 MILLION DOLLARS,
CONTROL DATA WAS LITERALLY BETTING THE COMPANY EVERY FOUR
YEARS OR SO FROM INCEPTION ALL THROUGH THE SIXTIES. THE
ONLY WAY A SMALL COMPANY COULD HAVE R&D MONEY WAS TO TAKE
FIXED PRICE DEVELOPMENT CONTRACTS AND GO FOR BROKE.
FORTUNATELY, WE WERE ABLE TO MAKE THIS STRATEGY WORK ENOUGH
TIMES TO SURVIVE. BUT IT HAS BEEN LEFT BEHIND SOMETHING
MORE IMPORTANT....A HERITAGE OF DEVELOPMENT....
COURAGE....IS THE ONLY WORD I CAN THINK OF....THAT IS A
PART OF OUR CULTURE....A WILLINGNESS TO MAKE THE IMPOSSIBLE
COME TRUE AND THE FORTITUDE TO STICK WITH THINGS EVEN IN
GREAT ADVERSITY.
NOT TOO LONG AGO, I SAW A SKIT IN A THEATRICAL REVUE WHICH
MADE FUN OF SOME OF TODAY'S UNIVERSITY COURSES. THIS
PARTICULAR COURSE WAS CALLED FAILURE 101, AND THE COURSE
MOTTO WAS - IF AT FIRST, YOU DON'T SUCCEED....GIVE UP!
THAT'S A COURSE CONTROL DATA WOULD SURELY FLUNK!

(2) THE START OF INTERNATIONAL OPERATIONS IN 1962
BY 1961, CONTROL DATA'S FIRST 1604 COMPUTERS WERE DELIVERED
OUTSIDE THE UNITED STATES AND THE GROWING BUSINESS LED US
TO LOOK FOR INTERNATIONAL EXPANSION. GIVEN THE LIMITED
RESOURCES OF THE COMPANY, WE LOOKED FOR A COOPERATIVE
VENTURE. BY MID-1962 A JOINT VENTURE BETWEEN PHILIPS NV
AND CONTROL DATA WAS ALL BUT SIGNED AND SEALED WHEN NORTH
AMERICAN PHILIPS, INSISTED THAT THE JOINT VENTURE INCLUDE
THE UNITED STATES AS WELL. RATHER THAN ACQUIESCE TO THAT
RIDICULOUS CONDITION, WE DECIDED TO GO IT ALONE. WE TOOK
THE RISK AND SET UP SHOP WITH FIVE PEOPLE IN LUCERNE,
SWITZERLAND. OUR INEXPERIENCE ALONE MADE THE UNDERTAKING
RISKY. ON TOP OF THAT WE HAD TO TAKE A BOOTSTRAP APPROACH
BECAUSE OF INADEQUATE FINANCIAL RESOURCES. STILL, MONEY
WAS PUT INTO THE OPERATION EVEN THOUGH A STRICT ROI
ANALYSIS WOULD HAVE PROVED IT SHOULD BE SPENT ON THE U.S.
MARKET. WE FELT THE LONG-TERM BENEFIT WAS WORTH THE RISK.
AND, INDEED, IT HAS BEEN.
(3) IBM LAWSUIT

ANOTHER RISK WAS THE IBM LAWSUIT.

MANY, IF NOT MOST PEOPLE, FELT THE IDEA OF SUING IBM OVER ITS UNFAIR MARKETING PRACTICES WAS NOT JUST RISKY -- IT WAS FOOLHARDY. NO ONE DENIED THE LEGITIMACY OF THE COMPLAINTS. THEY JUST WERE AWED BY THE RISK. IN FACT, ONE OF OUR OWN DIRECTORS REMARKED AT THE TIME: "IBM WILL BURY YOU!" BUT WE WENT AHEAD. THE FUNDAMENTAL ISSUES WERE ON OUR SIDE AND THE STRATEGY DEVELOPED WAS INNOVATIVE AND FEARLESS. YOU ALL KNOW THE RESULTS.

WELL, THE LIST GOES ON AND ON. NOT EVERY HIGH RISK PROGRAM OR PROJECT HAS SUCCEEDED OF COURSE. BUT ON BALANCE THEY HAVE AND, AS A RESULT, YOU AND I ARE HERE TODAY AS PART OF ONE OF THE WORLD'S LEADING CORPORATIONS. NOW LET ME MOVE ON NOW TO THE FIFTH AND LAST BELIEF.

5. BELIEF IN THE REALITY OF INDIVIDUALS.

MOST LARGE ORGANIZATIONS -- PUBLIC OR PRIVATE -- ROUTINELY PROCLAIM THAT PEOPLE ARE THEIR MOST VALUABLE ASSET. ON CLOSER EXAMINATION, HOWEVER, MOST SEEM TO BELIEVE THAT ASSET CONSISTS OF PEOPLE WHO HAVE BEEN TRANSFORMED BY SOME MAGICAL REFINING PROCESS TO A PURE AND UNFLAVORED STATE SO THAT THEY FIT EXACTLY INTO THE ROLES THEY ARE SUPPOSED TO
PLAY. REALITY IS VERY DIFFERENT FROM THAT. 'REFINING' IS A CONTINUOUS AND LIFELONG PROCESS. WE CAN GROW, CHANGE, AND IMPROVE -- BUT WE DO NOT COME TO OUR JOBS - 'PURE'.

EVER.

CONTROL DATA, MORE THAN ANY COMPANY I KNOW, UNDERSTANDS THIS REALITY -- WITHOUT EVER REDUCING ITS DEMANDS FOR PERFORMANCE AND ACCOUNTABILITY ON A GIVEN TASK. TRAINING, PERSONAL COUNSELING, CAREER COUNSELING, ARE ALL PART OF THE ANSWER. MATCHING SKILL TO JOB AVAILABILITY -- RECOGNIZING AND USING STRENGTHS -- RECOGNIZING AND SHORING UP WEAKNESSES.

THIS PHILOSOPHY HELPS US DEVELOP PEOPLE -- MANAGERS WHO ARE DEDICATED TO EXECUTION, BUT ALSO WILLING TO TAKE PERSONAL AND BUSINESS RISKS FOR THE FUTURE. A LITTLE STORY TO HIGHLIGHT THIS POINT IS THE RECENT ACCEPTANCE BY SHORTY STATON OF THE MANAGEMENT OF COMSOURCE. RUNNING OUR OWN COMPUTERS IS A CAREER SHIFT FOR SHORTY BUT HE HAS DEMONSTRATED THE DEDICATION AND RISK TAKING SKILLS THAT WILL MAKE HIM A SUCCESS.

AND IT GOES BEYOND EVEN THAT. THERE ARE PROGRAMS INVOLVING THE HANDICAPPED, THE HOMEBOUND, THE SCHOOL DROP-OUT AND OTHER DISADVANTAGED -- ANYONE WILLING AND ABLE TO MAKE A CONTRIBUTION TO OUR FUTURE.
THAT WE ARE SUPERIOR AT THIS IS PROVED IN THE SIMPLEST MOST
POWERFUL WAY POSSIBLE — BY MARKETING THE HUMAN SERVICES
WHICH WE HAVE DEVELOPED TO SERVE INTERNAL NEEDS. CDI,
WHICH I MENTIONED EARLIER, SPRANG FROM THE EARLY NEED FOR
EMPLOYEE TRAINING. EMPLOYEE ADVISORY RESOURCE, FAIR BREAK,
HOMEWORK, AND PLATO COURSES FOR MANAGEMENT, SALES AND
TECHNICAL PEOPLE ALL REPRESENT BUSINESSES BUILT ON THE
TECHNOLOGIES USED TO SERVE OUR OWN EMPLOYEES.

MOREOVER THE VERY ENTREPRENEURIAL ESSENCE OF CONTROL DATA
IS THE FOUNDATION OF YET ANOTHER EXTERNAL BUSINESS. AFTER
23 YEARS OF LAUNCHING NEW VENTURES OURSELVES, WE HAVE
TREMENDOUS INSIGHT INTO WHAT MAKES FLEDGING BUSINESSES
SUCCEED — AND FAIL. SO WE HAVE STARTED THE BUSINESS AND
TECHNOLOGY CENTERS TO SERVE SMALL ENTERPRISES. MOREOVER,
SERVING THE NEEDS OF SMALL BUSINESSES WILL BE A MAJOR
SOURCE OF REVENUE, NOT JUST FOR THE COMPUTER BUSINESS, BUT
ALSO FOR COMMERCIAL CREDIT THROUGH ITS BUSINESS RESOURCE
CENTERS AND SBA LOAN PROGRAM.

III. THE EIGHTIES — EXCELLENCE AHEAD

AND SO, WE HAVE FIVE BELIEFS...FIVE STRENGTHS, A FIVE-FOLD
FOUNDATION, ON WHICH TO BUILD TOWARD INCREASING EXCELLENCE
IN THE EIGHTIES AND BEYOND.
(1) We have the sure knowledge that a long term approach is best. And we have the courage to stick to it.

(2) We understand, believe in, and champion the cause of technical cooperation. And we can make it work for us.

(3) We know uncertainty brings opportunity to those who will base their strategy on meeting fundamental needs. And we have products and services to meet those needs.

(4) We understand that risk taking is essential to success. And it has forged the foundation of our company.

(5) Above all, we believe in the reality of individuals. And we are determined to achieve growth into excellence of the individuals who work for Control Data.

Over 23 years -- working from these five fundamental beliefs we have put together a strategy and an organization second to none. It remains for us to see that the promise is fulfilled -- that excellence is achieved -- financially, organizationally, personally.
IN THE FIRST YEAR OF THE 1970'S, OUR COMPUTER BUSINESS LOST SOME 47 MILLION DOLLARS ON REVENUES OF $550 MILLION. IN THE FIRST YEAR OF THE 80'S, THE PROFIT WILL BE NEARLY DOUBLE THAT LOSS OF 1970 AND REVENUES WILL HAVE INCREASED FIVE FOLD. THAT IS A DRAMATIC ACHIEVEMENT. ONE IN WHICH YOU SHARE. ONE WHICH ALL OF YOU HERE HAVE HELPED MAKE POSSIBLE. YET EDUCATION AND DATA SERVICES, CONSULTING, PROFESSIONAL AND HUMAN SERVICES -- ALL HAVE NOT YET COME TO FULL FRUITION, BUT WILL IN THE NEXT FEW YEARS. PERIPHERAL PRODUCTS AND SYSTEMS, HAVING BORNE ESSENTIALLY THE TOTAL COST OF INNOVATION, RISK AND INVESTMENT IN THE FUTURE NOW HAVE A FULL PARTNER IN SERVICES. SO IT IS CLEAR THAT THE PROGRESS AND EXCITEMENT OF THE PAST TEN YEARS CAN PALE IN COMPARISON TO WHAT WE ARE ABOUT TO SEE.

AND YET IT IS NOT GIVEN THAT IT MUST BE SO -- THERE IS NO IMMUTABLE LAW -- IT DEPENDS ON THE INDIVIDUAL EXCELLENCE THAT EACH OF US -- YOU AND I -- MUST ACHIEVE IN THE FACE OF UNCERTAINTY, CHANGE AND RISK. BUT IT IS AN EXCELLENCE WE WILL ACHIEVE WITH STEADFAST FIX ON LONG-TERM GOALS AND DETERMINED EXECUTION OF TODAY'S TASKS.

THE STORY OF THE U.S HOCKEY TEAM AT THE WINTER OLYMPICS THIS YEAR HAS ALREADY BEEN TOLD AND RETOLD MANY TIMES. IT WAS ONE OF THOSE MOMENTS IN SPORTS THAT CAPTURES THE HEARTS OF PEOPLE EVERYWHERE, THAT PEOPLE REMEMBER ALWAYS AS A DREAM OF WHAT CAN BE.
THE CRUCIAL POINT CAME AT THE END OF THE SECOND PERIOD OF THE
GAME WITH THE RUSSIANS. THE U.S. TEAM WAS DOWN 2 - 1, BUT
THEIR COACH, HERB BROOKS, KNEW ONE OF THE GREAT HOCKEY UPSETS
OF ALL TIME WAS WITHIN THEIR GRASP. IN THE LOCKER ROOM HE TOLD
THEM "YOU ARE BORN TO BE A PLAYER....YOU ARE MEANT TO BE
HERE....THIS MOMENT IS YOURS."

AND SOMEHOW THAT SAYS IT ALL FOR US TOO. AS CONTROL DATA MOVES
INTO THE 1980'S...TOWARD ITS DESTINY AS THE NUMBER ONE
KNOWLEDGE COMPANY IN THE WORLD.

YOU....ALL OF YOU....WERE INDEED BORN TO BE PLAYERS....YOU WERE
MEANT TO BE HERE WITH CONTROL DATA IN ITS QUEST FOR
EXCELLENCE....TRULY THIS MOMENT IS YOURS.

THANK YOU.