

(03/24/81)

COMMERCIAL CREDIT COMPANY
LENDERS MEETING
March 25, 1981

Robert M. Price

I. INTRODUCTION

(INTRODUCTION STORY)

BUT IT IS NICE TO BE HERE WITH YOU -- AND I WOULD LIKE TO GIVE YOU A LITTLE "DOPE" ON CONTROL DATA THIS EVENING. ALTHOUGH AFTER-DINNER DOPE FREQUENTLY TURNS OUT TO BE JUST THAT. BEING HERE SO CLOSE TO WASHINGTON REMINDS ME OF TWO PEOPLE I OVERHEARD THE OTHER EVENING STANDING JUST OUTSIDE THE DOOR OF A POLITICAL FUND-RAISING DINNER.

(AFTER DINNER SPEECHES)

BUT PAUL IS A GRACIOUS HOST AND HELPS EVERYONE RELAX -- YOU CAN'T HELP BUT NOTICE HOW HE REMEMBERS EVERYONE'S NAME AND INTRODUCES PEOPLE -- AT LEAST I SUPPOSE THOSE WERE YOUR RIGHT NAMES -- ALTHOUGH I WONDER -- BECAUSE WHEN I ASKED HIM HOW HE DID IT -- HOW HE REMEMBERED ALL THOSE NAMES -- HE SAID -- "OH, BOB, IT'S REALLY BEEN VERY EASY FOR ME EVER SINCE I TOOK THAT SAM CARNEGIE COURSE!"

WELL, NAMES ARE ONE WAY IN WHICH WE DISTINGUISH PEOPLE -- OR CORPORATIONS. VITAL STATISTICS ARE ANOTHER. BUT BY AND LARGE

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"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."

SO MARKETING COOPERATION IS AT BEST A RISKY BUSINESS. THE PROBLEM MOST CORPORATIONS HAVE IS THAT THEY DO NOT MAKE A CONSCIOUS DISTINCTION BETWEEN MARKETING COOPERATION AND TECHNOLOGICAL COOPERATION. IT'S JUST "COOPERATION" -- AND THAT INEVITABLY LEADS TO TRYING TO DIVVY UP MARKETS. AND, AS IT DID FOR MY NORTH CAROLINA CLERGY FRIENDS, THAT LEADS TO TROUBLE.

BUT CORPORATIONS WHICH TAKE A "VALUE-ADDED" VIEW FIND THAT GIVES THEM A WORKABLE APPROACH TO COOPERATION. LET ME GIVE YOU AN ANALOGY. TAKE STEEL. TWENTY - THIRTY YEARS AGO, THE U.S. STEEL COMPANIES COULD HAVE SHARED IN DEVELOPING A BETTER BASIC STEEL MAKING PROCESS. THEY COULD EVEN HAVE SHARED IN THE COSTS OF TOOLING AND MANUFACTURING TO PRODUCE THE EQUIPMENT NEEDED TO IMPLEMENT THE NEW PROCESS. THEN, WITH ONE COMPANY SPECIALIZING IN STEEL APPLICATIONS FOR THE AUTO INDUSTRY, ANOTHER IN APPLICATIONS FOR THE CONSTRUCTION INDUSTRY, AND STILL ANOTHER IN APPLICATIONS FOR THE MILITARY, THE COMPANIES COULD HAVE BEEN ADDING VALUE TO THE BASIC PROCESS THEY'D JOINTLY DEVELOPED. AND THEY COULD NOT ONLY HAVE COMPETED FREELY IN THE MARKETPLACE AND FOUND THEIR OWN NICHES -- THEY COULD ALSO HAVE USED THE SAVINGS GENERATED BY THEIR COOPERATIVE RESEARCH TO CREATE NEW

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POLICY" TO MY LIST OF OXYMORONS. AN OXYMORON, AS PERHAPS YOU KNOW, IS A PHRASE THAT CONTAINS TWO INCOMPATIBLE IDEAS: LIKE "OLD NEWS"...OR "AIRLINE FOOD". FROM THE BUSINESS WORLD WE HAVE: "STAFF WORK"...AND EVERYONE'S FAVORITE...."HEADQUARTERS ORGANIZATION". AND TO THAT FAVORITE OF THE ECONOMIST...."IDLE WORKER" THESE DAYS WE COULD CERTAINLY ADD "ECONOMETRIC MODEL".

ANYWAY, WE ALL KNOW THAT, FUNDAMENTALLY, THE FUTURE OF JOB CREATION AND, THEREFORE, WIDESPREAD WEALTH DEPENDS ON A HEALTHY SMALL BUSINESS SECTOR. FROM 1969 TO 1976, NINE MILLION WORKERS WERE ADDED TO THE U.S. LABOR FORCE. HOW MANY OF THOSE NEW JOBS WERE CREATED BY THE 1,000 LARGEST INDUSTRIAL COMPANIES? NONE. ZERO. THERE WAS NO NET GAIN. SMALL BUSINESS WAS -- AND IS -- THE SOURCE OF JOB CREATION. YET, TODAY, NOTHING IS MORE THREATENED BY MONETARY POLICY THAN SMALL BUSINESS. 400,000 NEW BUSINESSES FAIL EACH YEAR -- AND THE ECONOMIC ENVIRONMENT FOR SMALL BUSINESS IS MORE UNCERTAIN THAN EVER.

NEVERTHELESS, CONTROL DATA HAS SEIZED ON THIS ENVIRONMENT AS AN OPPORTUNITY. WE LAUNCHED A NEW COMPANY ABOUT FIFTEEN MONTHS AGO SPECIFICALLY TO PROVIDE THE MANAGEMENT CONSULTING SERVICES SMALL BUSINESSES NEED TO SURVIVE -- AND WE'RE DOING IT IN GREAT PART BY TAPPING A POOL OF CONTROL DATA EMPLOYEES, MEMBERS OF

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INSIGHT INTO WHAT MAKES FLEDGING BUSINESSES SUCCEED -- AND FAIL. IN FEBRUARY OF 1980 WE OPENED OUR FIRST BUSINESS CENTER TO SERVE SMALL ENTERPRISES -- RIGHT HERE IN BALTIMORE. SINCE THEN WE'VE OPENED ___ OTHERS ACROSS THE COUNTRY AND BY THE END OF ___ WILL HAVE A TOTAL OF _____. SERVING THE NEEDS OF SMALL BUSINESSES WILL BE A MAJOR SOURCE OF REVENUE FOR BOTH COMMERCIAL CREDIT AND THE COMPUTER BUSINESS.

III. STRATEGIC BASICS

THESE FIVE CHARACTERISTICS I'VE DESCRIBED FORM THE ESSENTIAL CHARACTER OF OUR COMPANY -- AND ARE THE ORIGINS OF OUR BUSINESS PHILOSOPHY. BUT THE KEY TO UNDERSTANDING CONTROL DATA'S BUSINESS STRATEGY IS TO UNDERSTAND TWO THINGS: FIRST, THE USE OF THE MOST ADVANCED MICRO-ELECTRONICS IS ESSENTIAL TO AND UNDERPINS EVERYTHING WE DO. SECOND, ON THE OTHER HAND, IT IS NOT ADVANCED CIRCUITRY WHICH GIVES UNIQUENESS TO OUR STRATEGY. THAT UNIQUENESS COMES FROM THE VALUE-ADDED COMPONENT OF APPLICATIONS EXPERTISE -- EXPERTISE IN THE FORM OF BOTH PEOPLE AND SOFTWARE.

EVEN THOUGH BUILDING COMPUTER SYSTEMS FOR OTHERS TO USE IN SOLVING PROBLEMS HAS ALWAYS BEEN -- AND CONTINUES TO BE -- FUNDAMENTAL TO CONTROL DATA'S BUSINESS. EARLY ON, WE ADOPTED A STRATEGY OF OFFERING SOLUTIONS. THAT MEANT SUPPLYING BOTH THE COMPUTER AND THE APPLICATIONS

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SOFTWARE. FOR EXAMPLE, THERE WERE CONTROL SYSTEMS FOR ELECTRIC POWER DISTRIBUTION OR AUTOMATIC MESSAGE SWITCHING SYSTEMS USED IN PRIVATE COMMUNICATIONS NETWORKS.

THESE "APPLICATIONS SYSTEMS" WERE AT FIRST CUSTOM-TAILORED FOR INDIVIDUAL CUSTOMERS -- BUT AS OUR EXPERTISE GREW, STANDARD APPLICATION SYSTEMS WERE DEVELOPED TO SATISFY THE NEEDS OF MANY SIMILAR CUSTOMERS.

IN ADDITION, EARLY ON WE BEGAN TO DEVELOP A DATA SERVICES NETWORK. BY COMBINING COMPUTERS, APPLICATIONS SOFTWARE AND THE NETWORK, WE WERE ABLE TO OFFER "APPLICATIONS SERVICES" TO A MUCH BROADER SPECTRUM OF USERS WHO WOULD OTHERWISE HAVE BEEN UNABLE TO AFFORD THE COST OF COMPUTERS.

TODAY, THROUGH THAT NETWORK, A GREAT VARIETY OF WORK IS DONE. SCIENTISTS AND ENGINEERS SOLVE PROBLEMS IN AREAS SUCH AS DESIGN, CONSTRUCTION AND SIMULATION -- WE OFFER A BROAD RANGE OF PLANNING, ACCOUNTING AND ADMINISTRATIVE DATA PROCESSING SERVICES FOR LARGE AND SMALL BUSINESS -- WE HAVE A NUMBER OF SPECIALIZED DATA SERVICES FOR A VARIETY OF INDUSTRIES SUCH AS BROKERAGE HOUSES -- CONSUMER FINANCE ORGANIZATIONS... AND CREDIT UNIONS. COMPUTERIZED BOX OFFICES ISSUE MILLIONS OF TICKETS FOR SPORTS AND ENTERTAINMENT EVENTS. AND THERE IS MORE. IN SHORT, CONTROL DATA IS A WORLD LEADER IN DATA SERVICES.

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SUPERIOR APPLICATIONS SERVICES DEPEND, HOWEVER, ON HUMAN EXPERTISE AS WELL AS SOFTWARE AND COMPUTER TECHNOLOGY. CONTROL DATA HAS THOUSANDS OF PROBLEM-SOLVING PROFESSIONALS WHO PROVIDE TECHNICAL CONSULTING SERVICES, SYSTEMS ANALYSIS AND A VARIETY OF APPLICATIONS SUPPORT SERVICES. LIKEWISE, WE HAVE PEOPLE WHO SPECIALIZE IN THE PROBLEMS OF SMALL BUSINESS, IN TECHNOLOGY TRANSFER, IN JOB CREATION, AND IN HUMAN RESOURCE DEVELOPMENT. STILL OTHERS OFFER FINANCIAL PLANNING ASSISTANCE, URBAN PLANNING EXPERTISE, AND PERSONAL COUNSELING. IN EACH CASE, THESE COLLECTIONS OF EXPERTISE ARE TREATED AS BUSINESSES -- CONSULTING AND SERVICE BUSINESSES -- AND ARE DEVELOPED AS SUCH -- JUST AS WE DO COMPUTERS, OR LENDING SERVICES, OR PERIPHERALS.

IV. LEVELS OF SERVICE

CONTROL DATA, THEN, CAN BEST BE VIEWED AS A VERTICALLY INTEGRATED SERVICE COMPANY. EACH OF OUR BASIC PRODUCTS AND SERVICES ENJOYS ITS OWN ATTRACTIVE MARKET. BUT STARTING FROM THAT BASE LEVEL OF COMPUTERS, FINANCIAL SERVICES, SOFTWARE, AND PROFESSIONAL PEOPLE, WE CAN COMBINE THEM INTO A NUMBER OF INCREASINGLY SOPHISTICATED LEVELS OF SERVICE -- KNOWLEDGE SERVICES. THE HIGHEST VALUE-ADDED COMBINATION IS A SPECIFIC DATA SERVICE; THE LOWEST IS A SIMPLE PIECE OF HARDWARE.

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LET ME JUST SUMMARIZE BY SAYING THAT THE COMBINATION OF HIGH TECHNOLOGY AND A VALUE-ADDED APPROACH TO STRATEGIC THINKING IS POWERFUL STUFF INDEED. THE OPPORTUNITIES FOR CONTROL DATA ARE INCREDIBLE -- INCREDIBLY BROAD AND INCREDIBLY LARGE. OUR CHALLENGE IS TO MANAGE THOSE OPPORTUNITIES INTO VALUABLE SERVICES FOR OUR CUSTOMERS AND INDIVIDUAL GROWTH FOR OUR PEOPLE.

V. THE FUTURE.

FINALLY, LET ME MOVE BEYOND CONTROL DATA AND SPEAK FOR A MOMENT ABOUT THE GENERAL ECONOMIC OUTLOOK AND SOME OF THE IMPLICATIONS IT HAS FOR ALL OF US.

SEVERAL YEARS AGO IT BECAME APPARENT THAT AS FAR AHEAD AS WE COULD REASONABLY PREDICT -- SAY TEN OR FIFTEEN YEARS -- THE U.S. AND MOST WESTERN ECONOMIES WERE IN FOR A SIEGE OF HARD TIMES. FUNDAMENTALLY, THE FORECAST IS BLEAK BECAUSE OUR ECONOMIES ARE SIMPLY NOT CREATING WEALTH EITHER IN ADEQUATE QUANTITY OR WITH ADEQUATE EFFICIENCY. IT'S MORE THAN A MATTER OF POPULATION BULGE OR ENERGY CRISIS -- ALTHOUGH CLEARLY THOSE FACTORS HAVE HELPED TO PRECIPITATE THINGS. IT'S MORE THAN A MATTER OF UNDERUSED PRODUCTIVE CAPACITY...OR EXCESS DEMAND...OR MONEY SUPPLY...OR ANY FISCAL OR MACRO-ECONOMIC POLICY. IT IS A MATTER OF STRATEGY. ON THE ONE HAND, THERE ARE VAST HUMAN RESOURCES -- UNUSED AND UNDERUSED -- A DRAG ON TOTAL SOCIETAL

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WEALTH. ON THE OTHER ARE THE MYRIAD NEEDS OF PEOPLE -- GOING UNSERVED AND UNMET. BELIEVE ME, THE OUTPOURING OF ECONOMIC THEORIES WILL NOT CHANGE THINGS.

IT'S LIKE ONE OF MY FAVORITE STORES 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 TEN YEARS OLDER NOW."

AND IF ECONOMIC THEORY IS TEN YEARS OUT OF DATE, ECONOMIC MODELING IS EVEN WORSE -- WE CAN PREDICT WITH ABSOLUTE ACCURACY WHAT HAS HAPPENED FOR THE PAST TWO HUNDRED YEARS...THE CORRELATIONS ARE BEAUTIFUL. BUT NOBODY KNOWS ABOUT THE DAY AFTER TOMORROW.

WHEN THEORY AND ANALYSIS FAIL AND WE RESORT TO ECONOMIC TINKERING, IT'S LIKE COAXING YOUR STALLED CAR TO START BY PLEADING WITH IT. HOPE HAS REPLACED COMPETENCE. BUT, AGAIN,

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OUR PLIGHT IS NOT A CAUSE FOR PERSONAL, CORPORATE, OR NATIONAL DESPAIR. IT IS EMPHATICALLY A TIME OF GREAT ADVENTURE, A TIME OF OPPORTUNITY. IT'S TIME FOR BUSINESS TO GET ON WITH IT! HENRY FORD, ROBERT WOOD AND THE OTHER GREAT ENTREPRENEURS OF YESTERYEAR WOULD BE SALIVATING.

THE GUT ISSUES FOR BUSINESSES IN THE FACE OF UNCERTAINTY ARE STRATEGIC CREATIVITY, TECHNOLOGICAL COOPERATION AND ADAPTATION TO CURRENT SOCIETAL NEEDS. BUT THOSE ARE THE GUT ISSUES ANYWAY -- AND LIKE IT OR NOT UNCERTAINTY WILL MAKE THEM THE WATCHWORDS OF THE 80'S. DEALING WITH UNCERTAINTY WILL DEMAND NEW AND FUNDAMENTAL RE-DIRECTIONS RATHER THAN RATIONALIZATIONS FOR BUSINESS AS USUAL. UNCERTAINTY CAN, HAS AND PROBABLY WILL "FREEZE" SOME ORGANIZATIONS INTO INACTION OR "HUNKERING DOWN" -- AS THEY SAY OUT WEST. BUT IT NEED NOT. IT CAN BE RATHER THE STIMULUS -- THE DRIVING FORCE TO GREATER ACCOMPLISHMENT FOR BUSINESS. WE NEED BUT REMEMBER THAT PEOPLE -- SOCIETY -- ARE WAITING FOR US TO ACT -- TO TAKE THE INITIATIVE TO MEET THEIR NEEDS. AND IF WE DO, WE WILL FIND THE REWARDS ARE VERY GREAT INDEED.

THANK YOU -- IT'S BEEN A PLEASURE TO BE WITH YOU.