I.   INTRODUCTION

THANK YOU AND GOOD EVENING -- IT'S A PLEASURE FOR ME TO BE HERE WITH YOU THIS EVENING -- I'VE HAD A VERY PLEASANT FEW HOURS -- GETTING TO KNOW FIRST HAND MORE ABOUT THE OPERATION IN REDWOOD FALLS AND THE GREAT CONTRIBUTION YOU ARE MAKING TO CONTROL DATA'S SUCCESS.

SO FIRST OFF MANY THANKS FOR THE JOB YOU'RE DOING. DESPITE SOME UNSETTLING TIMES, YOU ARE PERFORMING VERY WELL. YOU KNOW ALL TOO WELL THE DIFFICULTIES CAUSED BY THE RECESSION AND THE RESULTING SLOWDOWN IN OEM ORDERS. IN THE FACE OF THAT, YOU'RE VERY FORTUNATE HERE IN REDWOOD FALLS TO HAVE AN EXCELLENT TEAM SPIRIT, FOR THAT WILL HELP HURDLE THE CURRENT BUSINESS CLIMATE. BUT THAT THOUGHT REMINDS ME OF A DIFFERENT KIND OF STORY WITH REGARD TO COOPERATION. MY DAUGHTER, MARY, KNOWS A DAIRY FARMER DOWN IN SOUTHERN MINNESOTA WHO RETIRED A FEW YEARS AGO AFTER FORTY YEARS OF HARD, CONTINUOUS LABOR. HE AND HIS WIFE HAD RAISED THREE SONS AND IN ALL THOSE YEARS THEY HAD...
NEVER TAKEN A VACATION. HE THOUGHT THE LEAST HIS SONS COULD DO
WOULD BE TO PAY FOR A WINTER IN FLORIDA FOR HIM AND HIS WIFE.
SO HE CALLED THEM TOGETHER AND ASKED THEM TO CHIP IN. THE
ELDEST, A SUCCESSFUL LAWYER, SAID, "GEE, DAD, YOU KNOW WE JUST
MOVED INTO NEW OFFICES. I JUST DON'T HAVE ANY EXTRA MONEY
RIGHT NOW'." THE MIDDLE SON, A DOCTOR, SAID, "DAD, I'D REALLY
LIKE TO HELP — BUT YOU KNOW MAE AND I JUST BOUGHT THAT LAKE
PLACE UP NORTH'." THE YOUNGEST SON, AN ENGINEER, SAID, "DAD,
I'D DO ANYTHING FOR YOU, YOU KNOW THAT -- BUT WE'VE JUST BOUGHT
A NEW CAR AND WE'RE GOING TO BUILD A POOL IN THE BACKYARD. WE
JUST CAN'T AFFORD ANYTHING MORE'."

THE OLD MAN LOOKED AT THE THREE BOYS AND SHOOK HIS HEAD. "DO
YOU REALIZE," HE SAID, "THAT YOUR MOTHER AND I WERE WORKING SO
HARD ALL THESE YEARS THAT WE NEVER EVEN TOOK A VACATION?" THEY
SAID "YEAH, WE KNOW." "AND DO YOU KNOW THAT THINGS WERE SO
TOUGH BACK THERE IN THE BEGINNING THAT WE NEVER EVEN HAD TIME
to buy a marriage license and get properly married?" "GOOD
GOD," ONE SAID, "DO YOU REALIZE WHAT THAT MAKES US?" HIS
FATHER LOOKED AT HIM AND SAID, "YES -- AND DAMN CHEAP ONES AT
THAT'."
II. ECONOMIC OUTLOOK/COMPANY SITUATION

WELL, UNLIKE THOSE ERRANT SONS, CONTROL DATA HAS A GOOD MEMORY WHEN IT COMES TO RECALLING WHO HELPED ACHIEVE THE LEVEL OF SUCCESS WE HAVE TODAY. IT'S PEOPLE LIKE YOU AND THE OTHER REDWOOD FALLS EMPLOYEES WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE CORPORATION.

AND WE ARE DETERMINED TO RECIPROCATE TO THE EXTENT POSSIBLE TO PROVIDE THE GREATEST LEVEL OF JOB SECURITY TO THE MAXIMUM NUMBER OF PEOPLE. FOR A COUPLE OF YEARS NOW WE HAVE BEEN WORKING TO BUILD UP THE USE OF PART-TIME PEOPLE AND SUBCONTRACT WORK SO AS TO PROTECT THE JOBS OF FULL-TIME EMPLOYEES. THAT WORK WAS NOT COMPLETE WHEN THE CURRENT SLOWDOWN HIT BUT IT HAS CERTAINLY LESSENED THE PROBLEM. THE WORK PERFORMED BY SOME 2,000 PART-TIME PEOPLE AS WELL AS $50 MILLION IN SUBCONTRACT WORK HAS BEEN PULLED IN HOUSE OVER THE LAST NINE MONTHS. THAT'S A LOT OF HOURS OF WORK I'M GLAD WE DIDN'T HAVE TO MAKE UP WITH LAYOFFS OF FULL-TIME PEOPLE.

BUT LET ME TURN TO THE IMMEDIATE FUTURE AND THE SECOND HALF OF 1982. AS WE LOOK AT OTHER PARTS OF THE COMPANY THE PICTURE IS MIXED. OUR COMPUTER SYSTEMS BUSINESS IS DOING OK -- ORDERS FOR THE NEW CYBER 170-800 SERIES ARE STRONG. REVENUES ARE UP AND ALL-IN-ALL 1982 FOR COMPUTER SYSTEMS LOOKS TO BE ABOUT AS
PLANNED. (ETC.) CCC'S FINANCIAL SERVICES ARE HAMPERED BY HIGH INTEREST RATES AS THEY HAVE BEEN FOR OVER TWO YEARS. EVEN SO, THEY MAY DO A LITTLE BETTER THIS YEAR THAN LAST YEAR. DATA SERVICES IS MADE UP OF MANY RELATIVELY SMALL BUSINESS UNITS -- GENERALLY SPEAKING THE DATA SERVICES ASSOCIATED WITH COMMERCIAL DATA PROCESSING ARE MORE AFFECTED BY THE CURRENT ECONOMY THAN ARE THE ONES WHICH ARE MORE SCIENTIFIC IN NATURE. OVERALL, HOWEVER, DATA SERVICES WILL BE THE FASTEST GROWING PART OF OUR BUSINESS THIS YEAR.

FOR PERIPHERAL PRODUCTS, THE OUTLOOK FOR THE REMAINDER OF 1982 IS UNCERTAIN. RIGHT NOW, OEM ORDERS ARE DOWN, REVENUES ARE DOWN 1–2% FROM LAST YEAR. END USER, ON THE OTHER HAND, IS VERY STRONG -- A 50% INCREASE OVER LAST YEAR -- AND BPG IS UP ALSO. I STILL EXPECT AN INCREASE IN OEM ORDERS THIS YEAR -- BUT WE AREN'T GOING TO KNOW HOW MUCH AND WHEN FOR A LITTLE WHILE YET. IF ORDERS DON'T TURN UP WITHIN THREE MONTHS, HOWEVER, THEY WILL COME TOO LATE TO HELP THIS YEAR'S PERFORMANCE.

MEANWHILE, WE HAVE OUR EYES FIRMLY FIXED ON THE LONG-TERM NEEDS OF OUR PERIPHERALS BUSINESS. THERE ARE THREE CRITICAL LONG-TERM NEEDS: TECHNICAL EXPENDITURES NEEDED TO ASSURE PRODUCT LEADERSHIP. ALL-IN-ALL, WE'LL SPEND NEARLY A $100 MILLION IN THAT REGARD THIS YEAR. SECOND, CAPITAL
EXPENDITURES TO IMPROVE MANUFACTURING PROCESSES -- $60 MILLION. AND THIRD, PROTECTING OUR PRODUCTIVE WORK FORCE. THIS CHALLENGE IS PROTECTING THESE VALUED RESOURCES WHILE MAINTAINING REASONABLE PROFITS.

THE CURRENT DIFFICULTIES ARE NO WHERE NEAR AS BAD AS SOME OF THOSE WE'VE FACED IN THE PAST -- DIFFICULTIES THAT HAVE SHAPED CONTROL DATA AND MADE IT THE SUCCESS IT IS. LET ME TALK FOR A FEW MINUTES ABOUT THAT -- ABOUT THE FIVE QUALITIES THAT ARE THE ESSENTIAL CHARACTER OF OUR COMPANY, AND SHAPE OUR THINKING.

III. CDC - FIVE CHARACTERISTICS

FIRST, WE TAKE A LONG-TERM APPROACH TO OUR BUSINESS. OUR PRODUCTS, SERVICES, AND BUSINESS STRATEGIES HAVE EVOLVED FROM A HISTORY OF PRACTICAL SUCCESS IN APPLYING THE MAJOR TOOLS OF PROBLEM-SOLVING -- COMPUTER TECHNOLOGY, AND INNOVATIVE, KNOWLEDGEABLE PEOPLE -- TO IMPORTANT AND COMPLEX NEEDS.

BECAUSE THESE NEEDS ARE COMPLEX, SOLUTIONS FREQUENTLY INVOLVE A LOT OF EXPERIMENTATION, FALSE STARTS AND DEAD ENDS BEFORE THE RIGHT APPROACH IS FOUND. THIS WAS TRUE IN THE BEGINNING WITH THE DESIRE TO BUILD THE BIGGEST COMPUTERS. CDC HAS ALWAYS BEEN KNOWN AS THE MOST SUCCESSFUL SUPER COMPUTER MAKER -- WHAT PEOPLE DON'T KNOW IS THAT BEHIND THAT SUCCESS LIES A WILLINGNESS TO KEEP AT IT WHEN INITIAL DESIGNS DIDN'T WORK OUT AND TO CONTINUE THROUGH FINANCIAL ADVERSITY UNTIL SUCCESS WAS ATTAINED. (EXAMPLE CYBER 200).
OUR OEM BUSINESS. IT CERTAINLY WASN'T VERY POPULAR IN A SYSTEMS ORIENTED COMPANY WHEN WE FIRST BEGAN IT SOME TWENTY YEARS AGO. BUT WE NURTURED ITS UPS AND DOWNS UNTIL FIVE YEARS AGO -- YES, MOST PEOPLE FORGET NOW THAT PERIPHERALS' GROWTH HAS OCCURRED PRIMARILY IN THE LAST FEW YEARS -- WHEN THE MINI-COMPUTER BOOM PROVIDED THE IMPETUS TO BOOST IT INTO THE BIG TIME.

ANOTHER EXAMPLE WOULD BE EDUCATION. STARTING UP CONTROL DATA INSTITUTES WAS A LONG-TERM STRATEGY BACK IN 1965. IT TOOK SEVEN YEARS BEFORE THEY FIRST REACHED PROFITABILITY. TODAY, CONTROL DATA INSTITUTES ARE ONE OF OUR MOST SUCCESSFUL BUSINESSES. PLATO-CBE RESEARCH AND DEVELOPMENT BEGAN IN 1961. IT FIRST WENT TO MARKET IN 1975. IT WILL TAKE UNTIL 1984 TO REACH CRITICAL MASS AND PROFITABILITY, BUT WHEN THAT OCCURS IT COULD VERY WELL BE OUR MOST PROFITABLE BUSINESS.

THERE ARE MYRIAD EXAMPLES I COULD NAME, BUT THE POINT IS THAT THE LONG-TERM APPROACH IS PART OF OUR HISTORY AND CULTURE. TAKING A LONG-TERM VIEW IS EASY WHEN TIMES ARE GOOD. STICKING TO IT WHEN TIMES ARE BAD IS THE REAL TEST. WE KNOW THAT FROM FIRST-HAND EXPERIENCE.

SECOND, WE UNDERSTAND, BELIEVE IN, AND CHAMPION THE CAUSE OF TECHNICAL COOPERATION. AND WE HAVE PROVED WE CAN MAKE IT WORK FOR US.
THE FORM AND SCOPE OF OUR ORGANIZATIONAL APPROACH TO A GIVEN TASK IS DICTATED BY THE SIZE AND NATURE OF THE PROBLEM TO BE SOLVED. OFTEN WE USE ONLY INTERNAL RESOURCES. HOWEVER, WHEN THE SCOPE OR SIZE OF THE TASK REQUIRES THE PARTICIPATION OF OTHER ORGANIZATIONS, THERE IS NO HESITANCY TO FORM COOPERATIVE VENTURES. WE UNDERSTAND THE GIVE AND TAKE NECESSARY TO ACHIEVE LASTING BENEFIT TO ALL PARTIES. AND SOMETIMES IT ISN'T EASY.

IN FACT, 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."
SO THERE ARE MANY PITFALLS IN COOPERATION, BUT THE SUCCESS OF
THE $1.3 BILLION PPCO. IS EVIDENCE ENOUGH THAT WE ARE SKILLED
IN THIS ESSENTIAL APPROACH TO LONG-TERM SUCCESS IN THE COMPUTER
BUSINESS.

(MPI - REINFORCE INITIAL SKITISHNESS AND ULTIMATE SUCCESS.)

THERE IS A STIRRING OF INTEREST IN TECHNOLOGICAL COOPERATION
THOSE DAYS IN OUR INDUSTRY. BUT MANY MANagements IN THE
COMPUTER INDUSTRY STILL DON'T UNDERSTAND EITHER THE NEED NOR
THE POTENTIAL BENEFITS OF TECHNOLOGICAL COOPERATION. MOSTLY
THEY WORRY ABOUT WHAT THEY MIGHT LOSE.

I'M REMINDED OF THE TWO BUSINESS PARTNERS WHO TOOK THE DAY OFF
AND WENT FISHING. ALL OF A SUDDEN ONE OF THEM LOOKED UP IN
HORROR AND SAID, "JAKE. WE FORGOT TO LOCK THE SAFE.'" "DON'T
WORRY," JAKE SAID, "WE'RE BOTH HERE."

THIRD IS THE PRECEPT THAT IN UNCERTAINTY AND CHANGE LIE THE
OPPORTUNITIES OF THE FUTURE. WE LIVE IN A TIME OF TRANSITION.
IN SUCH PERIODS, UNCERTAINTY IS PARTICULARLY PREVELANT. BUT
FOR THOSE WHO SEEK HIGH ADVENTURE NO CIRCUMSTANCE COULD BE MORE
FORTUNATE.
FOR EXAMPLE, IT IS COMMON KNOWLEDGE THAT NEW JOB CREATION, AND, THEREFORE, GROWING WEALTH FOR PEOPLE OVERALL DEPENDS ON A HEALTHY SMALL BUSINESS SECTOR. FROM 1969 TO 1976, NINE MILLION NEW WORKERS JOINED THE U.S. LABOR FORCE. HOW MANY OF THOSE JOBS WERE CREATED BY THE 1000 LARGEST INDUSTRIAL COMPANIES? NONE. ZERO. THERE WAS NO NET GAIN. SMALL BUSINESS WAS -- AND IS -- THE PRIMARY SOURCE OF JOB CREATION.

YET NOTHING IS MORE THREATENED BY "ECONOMIC POLICY" -- AND THERE'S YET ANOTHER CANDIDATE FOR THE OXYMORON LIST -- THAN SMALL BUSINESS. 400,000 NEW BUSINESSES FAIL EACH YEAR. AND TODAY THE ECONOMIC ENVIRONMENT FOR SMALL BUSINESS IS MORE UNCERTAIN THAN EVER. YET THIS UNCERTAINTY, TOO, HAS CREATED OPPORTUNITIES. FOR CONTROL DATA NEW INFORMATION SERVICES AND NEW FINANCIAL SERVICES CAN AND ARE BEING CREATED TO HELP SMALL BUSINESSES SURVIVE EVEN IN THE FACE OF GREATER DIFFICULTY. FOR EXAMPLE, AT OUR BTC'S, THE SURVIVAL RATE IS MORE THAN 80% OR FOUR TIMES THE NORMAL RATE. UNCERTAINTY -- OPPORTUNITY -- THEY GO HAND-IN-HAND FOR THOSE WITH COURAGE EMBRACE THEM.

SMALL BUSINESS SERVICES ARE JUST ONE OBVIOUS EXAMPLE. OTHER UNMET NEEDS CREATE EVEN LARGER OPPORTUNITIES. THESE INCLUDE DECLINING RATES OF PRODUCTIVITY GROWTH; INFLATION; URBAN STAGNATION AND BLIGHT; THE NEED FOR LOWER FOOD COSTS AND HOUSING; FOR BETTER, LESS EXPENSIVE AND MORE AVAILABLE
EDUCATION AND HEALTH CARE; AND FOR CHEAPER SOURCES OF ENERGY.
IN ALL OF THESE UNCERTAINTIES OF OUR TIME, CONTROL DATA HAS
FOUND NEW OPPORTUNITIES FOR SUCCESSFUL BUSINESSES.

THE FOURTH CHARACTERISTIC WHICH DEFINES US IS THAT WE
UNDERSTAND THAT RISK-TAKING IS ESSENTIAL TO SUCCESS. AND IT
HAS FORGED THE FOUNDATION OF OUR COMPANY.

I MENTIONED A MOMENT AGO THE CHALLENGE IN DESIGNING LARGE
COMPUTERS. WHEN YOU CONSIDER THAT THE COST OF DEVELOPING A NEW
COMPUTER LINE WAS WELL IN EXCESS OF 100 MILLION DOLLARS, CDC
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.

AND THE EXPERIENCE HAS LEFT SOMETHING EVEN MORE IMPORTANT...A
HERITAGE OF DEVELOPMENT....COURAGE....THAT IS PART OF OUR
CULTURE...A WILLINGNESS TO TAKE ON LARGE CHALLENGES AND THE
FORTITUDE TO STICK WITH THINGS EVEN IN ADVERSITY.

ISN'T IT INTERESTING THAT THIS MATTER OF RISK-TAKING IS A
DISTINGUISHING CHARACTERISTIC OF CDC? YOU WOULD THINK ALMOST
THE OPPOSITE WOULD BE TRUE. THAT IT WOULD BE A COMMONPLACE
CHARACTERISTIC OF BUSINESS. BUT THE FACT IS, TODAY, AMERICAN
BUSINESS IS CHARACTERIZED BY HUGE ORGANIZATIONS SIMPLY
FINE-TUNING THE WORK OF THE ENTREPRENEURS OF YESTERYEAR.
FIFTH, AND ABOVE ALL, WE BELIEVE IN THE REALITY OF INDIVIDUALS. FINALLY AS I MENTIONED AT THE OUTSET, IT IS THE EFFECTIVENESS AND PRODUCTIVITY OF INDIVIDUALS WHO MAKE FINANCIAL REALITY OUT OF STRATEGY, MARKET POSITION AND BUSINESS APPROACH. UNDERSTANDING AND INNOVATION WITH REGARD TO THE INDIVIDUALS WHO MAKE UP OUR COMPANY IS A KEY CHARACTERISTIC OF CDC.

NOW, I REALIZE THAT MOST ORGANIZATIONS, PUBLIC OR PRIVATE, ROUTINELY PROCLAIM THAT PEOPLE ARE THEIR MOST VALUABLE ASSET. UNDERNEATH THOSE BRAVE WORDS, THOUGH, PROBLEMS ARE TOO OFTEN ALLOWED TO GROW AND FESTER, AND I'M REMINDED OF A STORY THAT DEMONSTRATES THE RESULTS WHEN THAT'S ALLOWED TO HAPPEN.

IT'S LIKE THE HUSBAND AND WIFE WHO'D BEEN MARRIED 20 YEARS AND WERE OUT WORKING IN THEIR GARDEN. ALL OF A SUDDEN THE HUSBAND WALKED OVER TO HIS WIFE AND GAVE HER A SWIFT KICK IN THE LEG. SHE CRIED OUT IN PAIN, THEN SAID, "WHAT THE HELL WAS THAT FOR?" "THAT," SAID HER HUSBAND, "IS FOR BEING SUCH A LOUSY LOVER!"

HIS WIFE THOUGHT ABOUT IT FOR A MOMENT OR TWO -- THEN MARCHED OVER AND DUMPED A PAIL OF POTTING SOIL OVER HIS HEAD.

AFTER HE CAME UP SPLUTTERING HE SAID, "AND WHAT WAS THAT FOR?" "THAT," SHE SAID, "IS FOR KNOWING THE DIFFERENCE."
WHAT MOST ORGANIZATIONS FAIL TO REALIZE IS THAT PEOPLE DO NOT ALWAYS FIT EXACTLY INTO THE ROLES THEY ARE SUPPOSED TO PLAY -- SO THEY DON'T CREATE NECESSARY PROGRAMS OR MAKE NECESSARY ACCOMMODATIONS. PEOPLE'S DEVELOPMENT IS A CONTINUOUS AND LIFE-LONG PROCESS. CDC, MORE THAN ANY COMPANY I KNOW, UNDERSTANDS THIS REALITY -- AND IT DOES SO WITHOUT EVER REDUCING ITS STANDARDS FOR PERFORMANCE AND ACCOUNTABILITY.

THE PRACTICES WHICH HAVE RESULTED FROM THIS CHARACTERISTIC ARE NUMEROUS AND CONTINUALLY EVOLVING. FOR EXAMPLE -- EAR -- NOW SOME 7 YEARS OLD, HAS SERVED SOME 40,000 EMPLOYEES AND FAMILY MEMBERS. INVOLVEMENT TEAMS WERE STARTED MORE THAN FOUR YEARS AGO -- I'LL COME BACK TO INVOLVEMENT TEAMS IN A FEW MINUTES. AND NOW THIS YEAR THERE IS THE EXTENSION OF EAR WITH REGARD TO WORK-RELATED PROBLEMS THAT WILL PROVIDE A SYSTEM OF PEER REVIEW ABOVE AND BEYOND WHAT ANYONE ELSE HAS DONE.

(INSERT REGARDING REDWOOD FALLS PLANS)

THERE'S MUCH MORE THAT COULD BE SAID WITH REGARD TO THIS FIFTH OR SOME OF OUR OTHER CHARACTERISTICS, BUT THE POINT I WANT TO MAKE IS THIS: DURING THE PAST TWENTY-FOUR YEARS AT CDC, POLICIES, PRACTICES AND CONCEPTS HAVE EVOLVED WHICH RECENTLY WE HAVE SUMMARIZED INTO WHAT I LIKE TO THINK OF AS A MAJOR PEOPLE STRATEGY. SO, JUST AS WE HAVE A MAJOR BUSINESS STRATEGY WHICH
FRAMES AND SHAPES OUR THINKING REGARDING BUSINESS DIRECTION, WE
NOW HAVE A STRATEGY TO FRAME AND SHAPE OUR THINKING REGARDING
THE PEOPLE WHO ARE CDC. THERE IS SO MUCH MORE THAT COULD BE
SAID ON THIS SUBJECT BUT I SEE TIME IS MOVING ALONG. SO LET ME
MOVE ALONG, TOO.

I'LL JUST REPEAT THE FIVE BASIC CHARACTERISTICS WHICH
DISTINGUISH OUR COMPANY:

1. WE TAKE A LONG-TERM APPROACH TO OUR BUSINESS.
2. WE UNDERSTAND, BELIEVE IN, AND CHAMPION THE CAUSE OF
   TECHNICAL COOPERATION. AND WE HAVE PROVED WE CAN MAKE IT
   WORK FOR US. WE WILL BE DOING EVEN MORE IN THE FUTURE.
3. WE VIEW THE URGENT NEEDS OF THE 1980S AS EXCEPTIONAL
   BUSINESS OPPORTUNITIES.
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.

THESE BASIC BELIEFS ARE THE FUNDAMENTALS THAT SHAPE OUR
THOUGHTS AND ACTIONS. THEY ARE THE BASIC BUILDING BLOCKS OF
OUR BUSINESS.
IV. PPC

BUT WE ALSO NEED WAYS TO MEASURE THE RESULTS WE ACHIEVE. THIS CAN BE DONE IN MANY WAYS: PRODUCTIVITY, EFFICIENCY AND, OF COURSE, PROFITABILITY AND FINANCIAL STRENGTH. WHATEVER MEASURES WE USE, WHAT WE ARE TALKING ABOUT IS REALIZING THE POTENTIAL MADE POSSIBLE BY STRATEGY -- AND TO DO THAT WE MUST EXECUTE WELL.

WE ALL KNOW IN A GENERAL SENSE WHEN WE ARE EXECUTING WELL -- EITHER AS INDIVIDUALS OR AS AN ORGANIZATION. WE HAVE A FEELING OF BEING EFFECTIVE. WE KNOW WE CAN MAKE THINGS HAPPEN -- "CALL OUR SHOTS," AS THE SAYING GOES. "ORGANIZATIONAL EFFECTIVENESS", THEN, IS A GOOD, SUCCINCT WAY TO DESCRIBE OUR GOAL WITH REGARD TO SUPERIOR EXECUTION TO GO WITH OUR SUPERIOR STRATEGY.

TO TRANSLATE THIS GOAL OF ORGANIZATIONAL EFFECTIVENESS INTO PROGRAMS AND ACTIONS, WE JUST NEED TO LOOK AT BASICS, AND THE BASICS ARE THESE: PEOPLE, PROCESSES, AND CAPITAL. EFFECTIVENESS IS THE NET RESULT OF HOW WE MANAGE THESE THREE BASIC FACTORS. PEOPLE, PROCESSES AND CAPITAL -- "PPC".

ACTUALLY, WE HAVE A START IN TWO OF THE THREE AREAS. THE ASSET MANAGEMENT PROGRAM WHICH BEGAN SEVERAL YEARS AGO HAS IMPROVED CAPITAL MANAGEMENT SIGNIFICANTLY -- WHICH IS NOT TO SAY THERE ISN'T MUCH, MUCH MORE TO DO. AND I'VE JUST DEALT AT SOME LENGTH WITH THE PEOPLE PART AND SOME OF THE PROGRESS THERE.
THAT LEAVES "PROCESS."

AND AT THIS POINT, I SHOULD STOP AND DEFINE WHAT I MEAN BY THE WORD "PROCESS." I MEAN THE SERIES OF INTERRELATED TASKS WHICH RESULT IN A FINAL OUTPUT OF A WORK GROUP. IN MANUFACTURING OPERATIONS, WE NATURALLY THINK IN TERMS OF PROCESS. THE WORK FLOW, THE TASKS OF ASSEMBLING AND CHECKING OUT A PRODUCT ARE DOCUMENTED, REFINED AND IMPROVED. THE SKILLS OF THE VARIOUS OPERATORS REQUIRED ARE ALSO DEFINED, AND TRAINING IS GIVEN AS NECESSARY.

CONTRAST THIS, HOWEVER, WITH THE POORLY DEFINED, EVEN UNDEFINED, FREQUENTLY AD HOC PROCESSES USED IN ADMINISTRATIVE GROUPS, SERVICE GROUPS, AND OTHER WORK UNITS WHOSE OUTPUT ARE "SOFT" PRODUCTS. THE RESULT OF ALL THIS IS NOT ONLY INEFFECTIVE OPERATIONS PER SE, BUT IT ALSO COMPOUNDS THE TRAINING PROBLEM AS WELL.

SPEAKING OF TRAINING PROBLEMS, I'M REMINDED OF THE DISTRICT ENGINEER AT AMTRAK WHO WAS ASKED WHAT HE WOULD DO IF HE SAW TWO TRAINS COMING AT EACH OTHER ON A SINGLE TRACK AT SIXTY MILES AN HOUR. THE GUY THOUGHT ABOUT IT FOR AWHILE AND FINALLY SAID, "I'D GO HOME AND GET MY BROTHER." "WHY WOULD YOU DO THAT? " THEY ASKED. "WELL," HE SAID, "MY BROTHER'S NEVER SEEN A TRAIN WRECK."
ANYWAY, I'VE SEEN MORE EXAMPLES RECENTLY OF ATTENTION BEING GIVEN TO PROCESS, BUT THE LEVEL AND INTENSITY IS NOT UNIFORMLY GOOD. I HAVE BEEN ESPECIALLY PLEASED AT THE PROGRESS I'VE HEARD ABOUT HERE TODAY. (EXAMPLE FROM DISCUSSIONS) AND YOUR PROGRESS IN IMPLEMENTING INVOLVEMENT TEAMS IS YIELDING EXCELLENT RESULTS IN QUALITY CONTROL AND SAFETY -- THE RECORD THIS YEAR -- NO ACCIDENTS OVER ALMOST 6 MONTHS -- IS OUTSTANDING AND YOU ARE TO BE CONGRATULATED. ONE OF THE MAJOR GOALS FOR 1982 IS ATTACKING THIS PROBLEM OF PROCESS -- AND IT WILL BE IN '83 AND '84 AND BEYOND -- COUPLED WITH MORE AND BETTER PEOPLE PROGRAMS AND RENEWED EFFORTS IN THE IMPROVED USE OF CAPITAL, THIS EMPHASIS ON PROCESS WILL HELP US ACHIEVE LEVELS OF EFFECTIVENESS -- AND PROFITABILITY -- IT'S HARD TO CONCEIVE TODAY.

FOR TWENTY-FOUR YEARS NOW, WE HAVE BUILT CDC INTO A UNIQUELY DIFFERENT, FASCINATING COMPANY. ITS FIVE DISTINGUISHING CHARACTERISTICS HAVE PRODUCED A BUSINESS STRATEGY AND A PEOPLE STRATEGY SECOND TO NONE. IT'S UP TO US TO MAKE IT ALL WORK -- IT REALLY DOES, FINALLY, COME DOWN TO US.

THEY TELL A STORY ABOUT A LADY TOURIST IN AN ELEVATOR OF THE WORLD TRADE CENTER IN NEW YORK. AS THEY WERE ZOOMING UP A HUNDRED FLOORS OR SO, SHE TURNED TO A FELLOW PASSENGER AND SAID, "SIR, IF THE CABLE IN THIS ELEVATOR SHOULD BREAK, WOULD I GO UP OR DOWN?" TO WHICH HE REPLIED: "LADY, THAT ALL DEPENDS ON THE KIND OF LIFE YOU LIVED."
THE FUTURE I'VE ILLUSTRATED FOR YOU MAY MAKE ME LOOK LIKE AN OPTIMIST. TO A CERTAIN DEGREE, I AM. BUT TO A GREATER DEGREE I'M A PRAGMATIST -- A REALIST. I'M NOT DREAMING ABOUT THE GROWTH AND SUCCESS OF OUR COMPANY -- I'M PREDICTING IT BASED ON MY EXPERIENCE AND ON THE ABILITIES AND DEDICATION I SEE EMANATING FROM PEOPLE LIKE YOU.

SOMETIMES, IT'S HARD TO LOOK BEYOND THE DIFFICULTIES OF TODAY. THINGS AREN'T EASY RIGHT NOW, AND I'LL BE THE FIRST TO SAY SO.

BUT THIS COMPANY HAS BUILT ITSELF FROM THE GROUND UP BY FACING ADVERSITY HEAD-ON AND RE-SHAPING IT INTO OPPORTUNITY. OUR COURSE ISN'T CHANGING BECAUSE WE'RE SURE IT'S THE RIGHT COURSE. WE HAVE THE RIGHT STRATEGY AND THE RIGHT PEOPLE. TOGETHER, WE'LL SUCCEED.

THANK YOU FOR YOUR MARVELOUS HOSPITALITY.