I. INTRODUCTION

THANK YOU AND GOOD EVENING -- IT'S A PLEASURE FOR ME TO BE HERE WITH YOU. TWO TALKS FROM ME IN ONE DAY IS AN UNFAIR BURDEN FOR ANYONE! BUT ANYWAY, I'VE HAD A VERY PLEASANT FEW HOURS -- GETTING TO KNOW FIRST HAND MORE ABOUT THE OPERATION HERE IN ABERDEEN 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 A SLOWDOWN IN OEM ORDERS. IN THE FACE OF THAT, YOU'RE VERY FORTUNATE HERE IN ABERDEEN 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 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 YEAR. THAT'S A LOT OF HOURS OF WORK I'M GLAD WE DIDN'T HAVE TO MAKE UP WITH LAYOFFS OF FULL-TIME PEOPLE.

SINCE MOST OF YOU HEARD MY "PHONE CALL" EARLIER TODAY, I WON'T SPEND ANY TIME ON THE OUTLOOK FOR THE REST OF 1982 -- AS I MENTIONED THEN, WE CAN STILL HAVE A RESPECTABLE 25TH ANNIVERSARY YEAR.
I DO WANT TO SAY THAT IN SPITE OF A SIGNIFICANT DECLINE IN
REVENUE FOR OEM THIS YEAR, 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.
The challenge is to do all these things while maintaining
reasonable profits. That's a job for everybody in Control
Data -- not just you in PPCO -- and that's why I made that
phone call today. I know we can do it -- doing hard things has
made Control Data the success it is. Let me talk for a few
minutes about that -- about how doing hard things has forged
five qualities that are the essential character of our company,
and underpin its success.

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-TWO YEARS AGO. (COMMENTS REGARDING CPI/MPI) EVEN THEN WE NURTURED ITS UPS AND DOWNS UNTIL SIX 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 THINGS AREN'T SO GOOD -- LIKE THIS YEAR -- 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.

THERE IS A STIRRING OF INTEREST IN TECHNOLOGICAL COOPERATION THESE 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 THESE DAYS THAN SMALL BUSINESS. 400,000 NEW BUSINESSES FAIL EACH YEAR. 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.
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, LIKE I SAID IN THE PHONE CALL EARLIER TODAY, 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.

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. 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.

This system has been put in place at our Arbitron Ratings Company in Baltimore, at MPI's Redwood Falls plant, and in the Western Marketing Region in the San Jose area. It will be implemented across the company over the next couple years as training can take place. Even without formal implementation, we are able to make use of the basic concepts -- such as a recent case in Omaha where a discharged employee was reinstated with positive acceptance from all concerned.

In any event, the point I want to make is this: During the past twenty-five 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. WE HAVE PROVED WE CAN MAKE IT WORK FOR US. AND 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 -- THE FEELING OF PRIDE I MENTIONED EARLIER TODAY. "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".

I'VE JUST DEALT AT SOME LENGTH WITH THE PEOPLE PART AND SOME OF THE PROGRESS THERE. 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.

BUT IT IS IN THE "PROCESS" PART OF THE PPC FORMULA THAT WE NEED THE MOST EFFORT.

LAST DECEMBER -- JUST TEN MONTHS AGO -- WE INITIATED A COMPREHENSIVE, COMPANY-WIDE EFFORT TO IMPROVE PROCESS. THE
MAJOR TOOL THAT WE ARE USING TO HELP US IDENTIFY AREAS FOR PROCESS IMPROVEMENT IS CALLED PROCESS FLOW ANALYSIS. IT IS A METHOD OF ANALYZING A WORK UNIT AND DETAILING WHAT HAPPENS IN THAT UNIT STEP BY STEP. IT ALLOWS US TO LOOK FOR SIGNS OF INEFFECTIVE OPERATIONS, REDUNDANT TASKS, AND OPPORTUNITIES FOR AUTOMATION WHILE INSURING BETTER DEFINED INTERFACES WITH OTHER WORK GROUPS.

OUR INTENT IS TO MAKE EACH ORGANIZATION SELF-SUFFICIENT IN TERMS OF THE USE OF PROCESS FLOW ANALYSIS. FOR EXAMPLE, THE PERIPHERALS COMPANY UNDER LOU SCHULTZ, HAVE SOME 36 PFA FACILITATORS WHO WILL TRAIN YOUR MORE THAN 250 INVOLVEMENT TEAMS IN THE USE OF PFA. SIMILAR APPROACHES ARE BEING TAKEN IN SYSTEMS AND SERVICES, MARKETING, COMMERCIAL CREDIT, CORPORATE STAFF, AND THE OTHER ORGANIZATIONS AS WELL.

NOW PFA DOES MORE THAN JUST IMPROVE A PROCESS. IT INCLUDES A QUESTIONING MODE OF THINKING WHICH HAS ALL KINDS OF SIDE BENEFITS. FOR EXAMPLE, WHEN PFA IS APPLIED, SOME THINGS JUST GO AWAY ALTOGETHER. GENERAL BUSINESS SERVICES DIVISION OF SBC ANALYZED ITS SEMI-ANNUAL CUSTOMER SATISFACTION SURVEY. THE SURVEY APPEARED TO BE A VERY SIMPLE PROCESS. HOWEVER, THE PROCESS FLOW REVEALED THAT 168 STEPS IN EACH LOCATION EQUALED 5,544 STEPS FOR THE ORGANIZATION. THE RESULTING INPUT COST WASN'T WORTH THE RESULTS SO THE SURVEY HAS BEEN SUSPENDED. AND AN ENTIRELY NEW METHOD OF TESTING CUSTOMER SATISFACTION IS BEING STUDIED.
THIS EMPHASIS ON PROCESS WILL HELP US ACHIEVE IMPROVED LEVELS OF EFFECTIVENESS -- AND PROFITABILITY -- THAT'S HARD TO CONCEIVE TODAY.

WHAT IT AMOUNTS TO IS CHANGING OUR THINKING FROM "THAT'S THE WAY WE'VE ALWAYS DONE IT" TO "WHY?"

FOR TWENTY-FIVE 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.

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.

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."

THANK YOU FOR YOUR MARVELOUS HOSPITALITY.