I.  INTRODUCTION

THANK YOU AND GOOD EVENING.

IT'S GOOD TO BE BACK IN CALIFORNIA. THIS IS NOVEMBER AND YOU KNOW WHAT IS BACK IN MINNESOTA AGAIN. NOVEMBER -- YOU KNOW NOVEMBER. THAT'S WHEN WE close OUR EYES, BOW OUR HEADS AND GIVE THANKS FOR THE TURKEYS WE ARE ABOUT TO RECEIVE. THEN WE VOTE. BUT YOU DON'T UNDERSTAND THAT OUT HERE IN THE LAND OF SANE POLITICS -- AND JERRY BROWN. NO, I MEAN IT, JERRY LOST. BUT IT HAS BEEN TRULY BIZZARE IN MINNESOTA THIS YEAR. MARK DAYTON SPENT SO MUCH MONEY ON HIS CAMPAIGN, MINNESOTA IS NO LONGER IN A RECESSION -- OR WASN'T UNTIL TUESDAY. ANYWAY, I REALLY DON'T WANT TO WISH ANYONE IN POLITICS ILL -- AFTER ALL, WHY PICK ON THE DISABLED. BUT I WAS GLAD MARK DIDN'T MAKE IT. HE'S MADE A CAREER OUT OF SPENDING OTHER PEOPLE'S MONEY -- HIS DAD'S, HIS UNCLE'S, ALIDA'S -- I FIGURE HE COULD DO WITHOUT MINE. BUT YOU WONDER ABOUT HOW THE LOSERS FEEL -- ONE THING FOR SURE, THERE ARE A LOT OF POLITICIANS AROUND THE COUNTRY
TODAY WHO KNOW A HELL OF A LOT MORE ABOUT UNEMPLOYMENT THAN THEY DID YESTERDAY. ANYWAY, WE HAVE ONE JOB OPENING IN CONTROL DATA. RUDY PERPICH LEFT HIS WORLDTech JOB IN VIENNA AND HAS A NEW JOB AS GOVERNOR. CAN YOU BELIEVE A GOVERNOR WHO WOULD LEAVE VIENNA AND MOVE TO ST. PAUL. IN INTERNATIONAL, THEY'RE REALLY TOUGH ON GUYS WHO DON'T MAKE QUOTA. AND YOU THINK CALIFORNIA IS STRANGE. ANYWAY, I'M STILL WAITING TO HEAR FROM WHEELOCK WHITNEY.

BUT SERIOUSLY, IT'S ALWAYS A PLEASURE FOR ME TO BE BACK IN THE BAY AREA TO RENEW OLD ACQUAINTANCES AS WELL AS MAKE NEW ONES. AS MOST OF YOU KNOW, IT IS PARTICULARLY REWARDING TO ME TO SEE YOUR GROWTH AND DEVELOPMENT, HAVING BEEN HERE 22 YEARS AGO WHEN DICK ZEMLIN STARTED THE WEST COAST DEVELOPMENT GROUP. AND TONIGHT, I'M HERE AGAIN FOR ANOTHER INAUGURAL -- THE START OF THIS MANAGEMENT CLUB.

ESSENTIALLY EVERY ASPECT OF CONTROL DATA'S BUSINESS IS REPRESENTED HERE IN NORTHERN CALIFORNIA, SO WHAT WE HAVE HERE IS A MINI-CONTROL DATA. FROM TALKING TO MANY OF YOU ON MY VISITS HERE -- AND AGAIN TODAY -- THERE IS A TREMENDOUS REINFORCEMENT OF CONTROL DATA'S BUSINESS AND PRODUCT STRATEGIES. YOU'RE LIVING THAT STRATEGY DAILY. THERE'S LOTS OF PROBLEMS -- BUT YOU'RE MAKING IT WORK. AND SO FIRST OFF I WANT TO THANK ALL OF YOU FOR THE JOB YOU'RE DOING, AND TO WISH YOU WELL IN THIS NEW ENDEAVOR -- YOUR MANAGEMENT CLUB.
II. ECONOMIC OUTLOOK/COMPANY SITUATION

ANYTIME I TALK TO A MANAGEMENT GROUP THEY WANT TO KNOW WHAT THE ECONOMIC OUTLOOK IS. WHY THEY WANT TO KNOW WHEN THEY COULD PRETEND I DON'T UNDERSTAND. BUT ANYWAY, LET ME TURN TO THAT AND HOW IT RELATES TO CONTROL DATA. MOST OF INDUSTRY -- MOST OF THE U.S. -- IN FACT, MOST OF THE WORLD IS STRUGGLING PRETTY HARD RIGHT NOW. THE NUMBER OF FARM AUCTIONS IN MINNESOTA THIS YEAR IS THE HIGHEST IN 50 YEARS. SOME OF YOU KNOW I HAVE A FARM DOWN IN SOUTHERN MINNESOTA -- AND MY DAUGHTER, MARY, IS A DAIRY FARMER THERE AS WELL -- SO I'M OUT IN THAT PART OF THE FARM COUNTRY A FAIR AMOUNT. IT'S A REALLY SAD THING TO GO TO SOME OF THOSE AUCTIONS AND SEE PEOPLE LOSE THEIR LAND BECAUSE THEY CAN'T MAKE THE PAYMENTS. BUT FARMERS HAVE A SENSE OF HUMOR, TOO. ONE DAY I WENT BY SOME PRETTY POOR FARMLAND WHERE A GUY WAS PLOWING. I SAID TO HIM, "I DON'T SEE HOW YOU MAKE A LIVING ON LAND LIKE THIS." "WELL, MISTER," THE GUY SAID, "LET ME TELL YOU SOMETHING. I AIN'T AS POOR AS YOU THINK. I DON'T OWN THIS FARM."

FOR A COUPLE 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. THERE HAVE BEEN A LOT OF OTHER CREATIVE MEASURES TAKEN
TO SPREAD THE WORKLOAD AND SHARE THE BURDENS OF OUR
LESS-THAN-ROBUST GROWTH THIS YEAR.

BUT OUR COMMITMENT TO PEOPLE IS MORE THAN JUST PROTECTIVE AND
DEFENSIVE IN NATURE. IT LIKewise MEANS TAKING NEW AND CREATIVE
STEPS TO PROVIDE FOR CAREER OPPORTUNITIES AND GROWTH. I
CERTAINLY DON'T HAVE TO REMIND THIS AUDIENCE OF DIFFICULT
PROBLEMS THAT HAVE DEVELOPED IN THE LAST TEN YEARS WITH REGARD
TO RELOCATION. TO REDUCE THE NEED FOR RELOCATION AND AT THE
SAME TIME INCREASE THE OPPORTUNITY FOR PEOPLE TO BROADEN THEIR
EXPERIENCE, INCLUDING EXECUTIVE-LEVEL POSITIONS, WE HAVE
ADOPTED WHAT IS INFORMALLY KNOWN AS A "HUB" STRATEGY. VERY
SIMPLY, THAT IS AN APPROACH TO DECENTRALIZATION OF THE COMPANY
THAT TRIES TO CO-LOCATE MANY DIFFERENT PARTS OF THE BUSINESS IN
SEVERAL GEOGRAPHIC CENTERS. THAT'S AN EVOLUTIONARY PROCESS, AS
YOU CAN UNDERSTAND, AND WILL TAKE SEVERAL YEARS TO MAKE IT
MEANINGFUL. THE BAY AREA WAS AN OBVIOUS CHOICE FOR ONE OF
THOSE HUBS.
AS I HAVE SAID, NOT ONLY DO WE HAVE A LARGE NUMBER OF OUR BUSINESSES REPRESENTED IN THE AREA, BUT YOU HAVE THE OPPORTUNITY TO GROW THEM INTO SIGNIFICANT OPERATIONS. SO OVER TIME THE NUMBER AND LEVEL OF EXECUTIVE POSITIONS CAN CONTINUE TO GROW AS YOU GROW THE BUSINESS. YOU'VE ALREADY TAKEN SEVERAL STEPS THAT WILL HELP TO MOVE US IN THE DIRECTION OF THE REGIONAL HUB CONCEPT. THE BAY AREA EXECUTIVE COUNCIL AND THIS MANAGEMENT CLUB ITSELF WILL SERVE TO ENHANCE COMMUNICATION ACROSS ORGANIZATIONS. IT SHOULD ALSO HELP TO IDENTIFY NEW AREAS FOR GROWTH AND THUS, AS I SAY, ENLARGE THE BUSINESSES HERE. THERE ARE ALSO EFFORTS TO IMPROVE THE OPPORTUNITIES FOR LOCAL MANAGERS TO FILL POSITIONS WHICH COME OPEN. OTHER ACTIONS INCLUDE THE ESTABLISHMENT OF A REGIONAL PUBLIC RELATIONS PROGRAM AND THE REGIONAL PERSONNEL CONSOLIDATION. ALL OF THESE EFFORTS WILL BE HELPFUL IN CREATING BETTER COMMUNICATIONS AND MOVE US IN THE DIRECTION OF AN OVERALL HUB STRATEGY. I LOOK FORWARD TO HEARING MORE ABOUT YOUR EFFORTS IN THE FUTURE.

BUT LET ME RETURN TO THE IMMEDIATE FUTURE AND THE REST OF 1982. AS WE LOOK AT OTHER PARTS OF THE COMPANY THE PICTURE IS MIXED. OUR SYSTEMS BUSINESS IS DOING OK. REVENUES ARE UP 13.5% OVERALL, INCLUDING GOVERNMENT SYSTEMS AND COMPUTER SYSTEMS REVENUE GROWTH IS THE THIRD HIGHEST IN SEVEN YEARS. ORDERS ARE A BIT WEAKER THAN REVENUES, BUT ALL-IN-ALL 1982 FOR
COMPUTER SYSTEMS LOOKS GOOD. CCC'S FINANCIAL SERVICES ARE HAMPERED BY HIGH INTEREST RATES AS THEY HAVE BEEN FOR OVER TWO YEARS. EVEN SO, THEY WILL DO BETTER THIS YEAR THAN LAST YEAR. CCC'S INSURANCE BUSINESS IS HAVING A POOR YEAR -- CASUALTY INSURANCE CLAIMS ARE THE MAJOR PROBLEM. THE NEW SMALL BUSINESS SERVICES GROUP IS MAKING GOOD PROGRESS -- REVENUES ARE UP 25% FROM LAST YEAR. MOST OF YOU KNOW ABOUT CYBERNET AND BUSINESS INFORMATION SERVICES -- THE LATTER BEING THE TIME SHARING SERVICE WHICH USED TO BE PART OF SBC. BOTH OF THESE BUSINESSES ARE EXPERIENCING LOWER GROWTH RATES THIS YEAR, BUT THERE ARE NEARLY A DOZEN SMALLER DATA SERVICES UNITS DOING ALMOST EVERYTHING YOU CAN IMAGINE DATA BASE ACCESS, FINANCIAL AND BROKERAGE INDUSTRY SERVICES, AND SO FORTH. INTERESTINGLY, SOME OF THESE BUSINESSES SEEM TO BE UNAFFECTED BY THE RECESSION. ARBITRON IS AN EXAMPLE OF THIS. TICKETRON IS ANOTHER. LITIGATION SUPPORT SERVICES, WHICH PROVIDES A DOCUMENT STORAGE AND RETRIEVAL SERVICE FOR MAJOR LEGAL ACTIONS, IS BOOMING. DURING BAD TIMES, IT SEEMS EVERYBODY SUES EVERYBODY ELSE. SO, TO NET IT ALL, SERVICES AS A WHOLE IS GROWING, THOUGH SOMEWHAT UNEVENLY.

FOR PERIPHERAL PRODUCTS, THE OUTLOOK FOR THE REMAINDER OF 1982 AND FOR THAT MATTER WELL INTO 1983 IS CONTINUED SLUGGISHNESS. OEM ORDERS ARE DOWN, REVENUES WILL BE DOWN 4% FROM LAST YEAR. END USER, ON THE OTHER HAND, IS VERY STRONG -- 30% INCREASE OVER LAST YEAR -- AND BPG, AFTER A PRETTY GOOD FIRST HALF, IS ALSO EXPERIENCING REDUCED ORDER AND REVENUE LEVELS.
I DO WANT TO SAY THAT IN SPITE OF A SIGNIFICANT SHORTFALL IN REVENUE FROM PLAN, WE HAVE OUR EYES FIRMLY FIXED ON THE LONG-TERM NEEDS OF OUR BUSINESS. THERE ARE THREE CRITICAL LONG-TERM NEEDS: TECHNICAL EXPENDITURES NEEDED TO ASSURE PRODUCT LEADERSHIP. ALL-IN-ALL, WE'LL SPEND NEARLY $325 MILLION IN THAT REGARD THIS YEAR. SECOND, CAPITAL EXPENDITURES TO IMPROVE MANUFACTURING AND OTHER PROCESSES -- THESE WILL EXCEED $100 MILLION. AND THIRD, AS I HAVE ALREADY MENTIONED, 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 -- AND THAT'S WHY I MADE THAT PHONE CALL LAST MONTH. 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. 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. ON THE OTHER HAND, THERE ARE TIMES WHEN I WONDER IF SOME OF OUR PEOPLE DON'T USE "TAKING A LONG-TERM VIEW" AS AN EXCUSE FOR NOT MEETING PLAN. SOMETIMES IT SEEMS THEY FEEL, "WELL, SINCE I'M LOSING MONEY, I MUST BE TAKING A LONG-TERM VIEW." BELIEVE ME, IF YOU'RE LOSING MONEY, YOU BETTER TAKE ANOTHER LOOK. IT MAY BE YOU NEED TO SPEND LESS MONEY WHICH IS THE CONVENTIONAL WISDOM. BUT IT MAY WELL MEAN YOU NEED TO SPEND MORE. BUT WHICHEVER, IT FOR SURE MEANS YOU BETTER THINK ABOUT WHAT YOU CAN DO DIFFERENT.

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 THERE IS NO REASONABLE ALTERNATIVE IN OUR WORLD ENVIRONMENT.

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."

(DISCUSS MCC)

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, AS HAS BEEN SAID A NUMBER OF TIMES, 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 BY THE WAY, THAT DOES NOT MEAN LOWERING 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 HERE IN THE BAY 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 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.

IV. PPC

MEASURING OUR ACHIEVEMENTS 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 -- NOT QUITE A YEAR 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, TAKE THE SYSTEMS AND SERVICES COMPANY -- THEY ALREADY HAVE SOME 49 WELL-TRAINED PFA FACILITATORS, WHO IN TURN HAVE TRAINED OVER 1000 PEOPLE AND FLOWED 371 PROCESSES -- SOME 128 OF WHICH ARE COMPLETED AND NOW BEING ANALYZED FOR IMPROVEMENT.

AT SUNNYVALE, THE DEVELOPMENT DIVISION IS USING PFA TO IMPROVE THE COORDINATION AND PROCESSING OF PSR'S (PROGRAMMING SYSTEMS REPORT). FLOWING THE PROCESS YIELDED IMPROVEMENTS RANGING FROM SIMPLE SUGGESTIONS LIKE COLOR CODING THE DOCUMENTS, TO MORE COMPLEX CHANGES TO AUTOMATE THE PREPARATION OF THE PSR SUMMARIES. FEEDBACK FROM OUR CUSTOMERS ON THESE IMPROVEMENTS HAS BEEN EXCELLENT.

FOCUS ONE AND FOCUS DISTRIBUTED DATA PROCESSING -- TWO FINANCIAL INFORMATION SERVICES PRODUCTS -- ARE MAJOR PFA PROJECTS AT CAMPBELL. THE INSTALLATION PROCESS FOR BOTH PRODUCTS HAS BEEN FLOWED AND ANALYZED. SO FAR, FLOWING THE PROCESS HAS RESULTED IN A 21-DAY REDUCTION IN THE INSTALLATION CYCLE FOR FOCUS DISTRIBUTED DATA PROCESSING.

U.S. MARKETING ADMINISTRATION IS PURSUING A STRATEGY OF STANDARDIZATION AND AUTOMATION IN ITS PROCESSES. EACH REGION HAS MADE SIGNIFICANT CONTRIBUTIONS TO THIS EFFORT BY DOING THE

I SHOULD ADD THAT SIMILAR APPROACHES ARE BEING TAKEN IN PERIPHERALS, COMMERCIAL CREDIT, CORPORATE STAFF, AND OTHER ORGANIZATIONS.

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. 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.