I. INTRODUCTION

THANK YOU AND GOOD EVENING. IT'S A PLEASURE TO BE HERE. IF I DIDN'T ALREADY KNOW, I COULD TELL JUST BY LOOKING AT THE SMILES AROUND HERE THAT GOVERNMENT SYSTEMS IS HAVING AN OUTSTANDING YEAR. BUT I WAS THINKING ABOUT THAT INTRODUCTION JUST GAVE ME AND IT REMINDED OF (INTRO AT BAMC) -- BUT THAT'S JUST ONE OF MANY (INTRO STORY).

ANYWAY, THE FORMAT TONIGHT IS A BIT DIFFERENT -- AFTER MY BRIEF REMARKS I'VE ASKED FRANK DAWE AND JOHN LACEY TO MAKE A FEW COMMENTS. THEN, AFTER THAT, THE THREE OF US WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.

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 COVER 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'VE 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 LESSENEDE THE PROBLEM. DURING THE PAST YEAR WE'VE PULLED IN-HOUSE THE WORK PREVIOUSLY PERFORMED BY SOME 2,000 PART-TIME PEOPLE -- PLUS $50 MILLION IN SUBCONTRACT WORK. THAT'S A LOT OF HOURS OF WORK I'M GLAD WE DIDN'T HAVE TO MAKE UP WITH LAYOFFS OF FULL-TIME PEOPLE. MANY OTHER CREATIVE MEASURES HAVE ALSO BEEN TAKEN TO SPREAD THE WORKLOAD AND SHARE THE BURDENS OF OUR LESS-THAN-ROBUST GROWTH THIS YEAR. FRANK DAVE WILL COMMENT ON SOME OF THEM IN JUST A FEW MINUTES.
BUT LET ME SPEND A FEW MOMENTS DESCRIBING 1982 PERFORMANCE ACROSS 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 MORE THAN TWO YEARS. EVEN SO, THEY'LL DO BETTER THIS YEAR THAN LAST YEAR. CCC'S INSURANCE BUSINESS IS HAVING A POOR YEAR -- CASUALTY INSURANCE CLAIMS ARE THE MAJOR PROBLEM. BUT THE NEW SMALL BUSINESS SERVICES GROUP IS MAKING GOOD PROGRESS -- REVENUES ARE UP 25% FROM LAST YEAR.

CYBERNET AND BUSINESS INFORMATION SERVICES -- THE LATTER BEING THE TIME SHARING SERVICE WHICH USED TO BE PART OF SBC -- ARE BOTH EXPERIENCING LOWER GROWTH RATES THIS YEAR, BUT THERE ARE NEARLY A DOZEN SMALLER DATA SERVICES UNITS DOING ALMOST EVERYTHING YOU CAN IMAGINE -- INCLUDING DATA BASE ACCESS, FINANCIAL AND BROKERAGE INDUSTRY SERVICES, AND SO FORTH. INTERESTINGLY, SOME OF THESE SMALLER DATA SERVICES DON'T SEEM TO BE AFFECTED BY THE RECESSION. ARBITRON IS A GOOD EXAMPLE. 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 OUT, 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 OFF 4% FROM LAST YEAR. BPG, AFTER A PRETTY GOOD FIRST HALF, IS ALSO EXPERIENCING REDUCED ORDER AND REVENUE LEVELS. END USER, ON THE OTHER HAND, IS VERY STRONG — 30% INCREASE OVER LAST YEAR.

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: FIRST, TECHNICAL EXPENDITURES NEEDED TO ASSURE PRODUCT LEADERSHIP — ALL-IN-ALL, WE'LL SPEND NEARLY $325 MILLION THIS YEAR; SECOND, CAPITAL EXPENDITURES TO IMPROVE MANUFACTURING AND OTHER PROCESSES — THESE WILL EXCEED $100 MILLION; AND, THIRD, AS I'VE 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.
"BRIGHT IDEAS" IS GOING VERY WELL, BY THE WAY. WE'VE BEEN RECEIVING RIGHT AROUND 100 IDEAS A DAY AND NOW HAVE A TOTAL OF 3,000. REMEMBER THAT THESE ARE IDEAS INDIVIDUALS MUST BE ABLE TO IMPLEMENT ON THEIR OWN OR WITHIN THEIR WORKGROUP -- SO THAT MEANS THESE 3,000 IDEAS HAVE EITHER BEEN IMPLEMENTED ALREADY OR ARE NOW IN THE PROCESS.

IT'S HARD TO SELECT A REPRESENTATIVE SAMPLING FROM THE 3,000, BUT HERE ARE A FEW TO GIVE YOU AN IDEA OF THEIR DIVERSITY.

"DEVELOP A COMPUTER PROGRAM TO ANALYZE TEST DATA FROM RESISTOR MEASUREMENTS AND RETURN RESISTOR DESIGN PARAMETERS FOR ANY PROCESS."

"MAINTAIN CLEAN TRAILERS BY SWEEPING THEM DAILY. THIS WILL HELP APPEARANCE AND LESSEN THE CHANCES OF ACCIDENTS FROM HITTING LOOSE PARTS IN THE TRAILER."

"APPLY LOCTITE TO THE NUTS OF THE SCREWS ON THE CARD EXTENDER BOARD. THIS WILL PREVENT THE NUTS FROM WORKING LOOSE AND GETTING LOST."

"DEVELOP AND ADMINISTRATE A PROGRAM TO RESOLVE ACTION ITEMS GENERATED BY FIELD PERSONNEL, THUS REDUCING DUPLICATION."
I COULD GO ON AND ON, BUT THE POINT IS THAT THESE IDEAS RANGE ALL ACROSS THE BOARD FROM LARGE IDEAS TO SMALL ONES. BUT THEY'RE IDEAS THAT ARE COMING FROM INDIVIDUALS -- IDEAS THAT ARE MAKING A DIFFERENCE. AND BECAUSE OF THE SUCCESS OF THE PROGRAM, WE'RE GOING TO MAKE IT A PERMANENT PART OF THE SUGGESTION/FEEDBACK PROCESS AT CONTROL DATA.

(LISTENERS WILL IMMEDIATELY WANT TO KNOW IF YOU MEAN THERE WILL ALSO BE FREE VACATIONS EVERY YEAR.)

III. PPC

I'D LIKE TO DEVOTE THE REST OF MY TIME WITH YOU TO TALKING ABOUT A SUBJECT I'VE BEEN EMPHASIZING IN EVERY SPEECH I'VE MADE TO COMPANY EMPLOYEES FOR THE PAST YEAR OR SO -- PEOPLE, PROCESS, AND CAPITAL -- OR "PPC". ACHIEVEMENTS CAN BE MEASURED IN MANY WAYS: BY LEVELS OF PRODUCTIVITY, BY EFFICIENCY AND, OF COURSE, BY PROFITABILITY AND FINANCIAL STRENGTH. BUT WHATEVER MEASURES WE USE, WHAT WE'RE REALLY TALKING ABOUT IS REALIZING THE POTENTIAL MADE POSSIBLE BY STRATEGY -- AND TO DO THAT WE MUST EXECUTE WELL.

NOW, 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.
AND HOW DO WE TRANSLATE THAT GOAL INTO PROGRAMS AND ACTIONS?
BY LOOKING AT THE BASICS: PEOPLE, PROCESSES, AND CAPITAL.
EFFECTIVENESS IS THE NET RESULT OF HOW WE MANAGE THESE THREE
BASIC FACTORS. PEOPLE, PROCESSES AND CAPITAL -- "PPC".

DURING THE PAST FEW YEARS WE'VE MADE GOOD PROGRESS WITH OUR
PEOPLE PROGRAMS. FOR EXAMPLE, EAR, NOW SOME SEVEN 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 REQUIRE A SYSTEM OF PEER REVIEW
ABOVE AND BEYOND WHAT ANYONE ELSE HAS DONE. IN THE AREA OF
CAPITAL, 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'S IN THE "PROCESS" PART OF THE PPC FORMULA THAT WE NEED
THE MOST EFFORT.

LAST DECEMBER -- JUST A YEAR AGO -- WE INITIATED A
COMPREHENSIVE, COMPANY-WIDE EFFORT TO IMPROVE PROCESS. THE
MAJOR TOOL WE'RE USING IS CALLED PROCESS FLOW ANALYSIS -- 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
INEFFICIENT OPERATIONS, REDUNDANT TASKS, AND OPPORTUNITIES FOR
AUTOMATION -- AND IT GUARANTEES 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 — it already has some 49 well-trained PFA facilitators, who in turn have trained more than 1000 people and begun studying 371 processes — some 128 of those analyses have already been completed.

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 for Focus Distributed Data Processing has resulted in a 21-day reduction in the installation cycle.

U.S. Marketing Administration is pursuing a strategy of standardization and automation in its processes. Each region has made significant contributions to the effort by charting current processes. For example, the Western region did the work for Professional Services administrative functions, the Midwest did the order fulfillment functions, and the Southeast order processing. As a result, each of the sixteen key processes in Marketing Administration is now being revised and standardized. The results will be truly significant. For example, the standard order processing time will be reduced 80%.
ONE OBJECTIVE OF THE GOVERNMENT SYSTEMS DIVISION PFA PROJECT WAS TO REDUCE THE THROUGH-PUT TIME FOR COST PROPOSALS. THE ANALYSIS HAS ALREADY RESULTED IN A PROCEDURE WHICH HAS THE POTENTIAL OF A 30% REDUCTION IN ELAPSED TIME AND A 10% REDUCTION IN MAN-HOUR REQUIREMENTS.

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 ARE 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. 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. NOW I'LL ASK JOHN LACEY AND THEN FRANK DAWE TO GIVE YOU THEIR THOUGHTS.