TELENEWS VIDEOTAPE

"A MEETING WITH BOB PRICE"

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TRANSCRIPT
Hello, and welcome to TeleNews. I'm Amy Atkinson. Hope you enjoyed our summer TeleNews and as we move into fall we have a slightly different format for you. We've invited into our studio Control Data employees from various organizations and we are having them ask questions which they have submitted. We've also invited a very special guest to answer those questions, but before we introduce him, I'd like to tell you some background about him.

He was born in New Bern, North Carolina. Since his dad was both a minister and Army officer, he lived in many places. In fact, until he was almost 30, he never lived in one town more than three years. He graduated from Greensboro, North Carolina, high school and went on to Duke University. In 1952 he graduated in Mathematics, magna cum laude and Phi Beta Kappa. The next brilliant move he made was to marry his lovely wife, Mary Hope Walker. At 23, he started his computer career at Lawrence Livermore Labs in California and then went to work at General Dynamics as a research engineer in San Diego. He returned to school full time and completed his
M.S. in mathematics at Georgia Tech. By 1958 he landed a job at Standard Oil of California and two years later came to Control Data. During the past 23 years, Bob Price has moved steadily through the ranks. In early days as director of International Operations, later as senior vice president of the Services group and president of the Computer Company. Then, in 1980, as president and chief operating officer of the corporation. But Price has also been identified with a clearly defined management philosophy which has permeated the organization. A philosophy which emphasizes the importance of encouraging innovation among employees and adopting a management style which brings out the best in them. Mr. Price has also been the chief architect of the People Processing Capital Formal, known as PPC, which has been improving the company's efficiencies and effectiveness and thereby making it a leader in all of its industries. And Mr. Price has taken it as a personal challenge to continually support and foster innovation through the corporation from crafting human resource policies to stimulating new ways of creating and delivering our products and services. It is my
pleasure to introduce to you today, president and chief operating officer of Control Data Corporation, Robert M. Price.

Well, we're not going to be talking about your personal life. We have a lot of questions. We had a number of questions submitted by employees through Contact and News Day and we had over 200 questions. Many of the questions were duplicated and we have a representative of those questions here with employees from various organizations across the company asking those questions. Cindy Lamont, who is one of our reporters who is going to be helping us out, and Cindy, who do we have there with our first question.

Cindy: Amy, this is Don Nemerov. And, Don, what organization are you from?

Don: I'm with Business Development, which is now part of Computer Services, I think.

Price: Not until the first of the year, but that's all right.
Cindy: And what is your question, Don?

Don: My question to Mr. Price kind of relates to part of our reorganization. And that is, in the midst of the continued reorganization mode we seem to be in, how can we assure that our long term management strategies take place and contribute to our short term revenue profit growth?

Price: Sure, Don. I think that there's a very important thing here and it's easy to misunderstand, and that is when you think about it, in a real sense we haven't reorganized in a long time because we keep our fundamental profits centers, that is, Data Services or Education or Systems, pretty much the same over long periods of time. Now we do regroup them from time to time. But it's not so much a question of regrouping them as it is to change executive assignments, and the main point of the "reorganizations," as we call them, is for the last several years have been more in a way of developing the total perspective of top management. And, that's one reason, by the way, that we generally announce the organization changes or the organization assignments in the
late summer or early fall so that there is time for the transition to take place. Because, at that time, the strategic plan work has generally been done, which it is now, we're getting ready to go into budgets for next year, so we get the continuity, that way of the two people involved. But just keep in mind that as much as anything, what we're looking at is executive development, not really changing the basic structure of the company per se. And, of course, the other way that we assure long term continuity is with the executive incentive plans, all of which have a long term component and an innovation component, and other things that have to do with more than just making this year's revenue. So, we think about that.

Amy: We also have helping us out is Chuck Burns, from HRD. And, Chuck, who do you have there for a question now.

Chuck: Jean Reif Geurts. Jean, what division do you come from?
Jean: I come from Systems Scheduling, and my question has to do with the recent formation of ETA Systems Inc. I'm wondering if Control Data's getting out of the supercomputer business.

Price: Good grief no. That's our heart and soul and everything else. That's where we started so, no, the purpose in ETA Systems is that that's simply the best way that we can think of to assure that the next generation of supercomputers gets to market as fast as possible. We're going to get not only faster, but better. We'll have more motivated people. There are many factors involved, all the way from it's easier for the government to deal with the smaller organization to just the spirit that's necessary to bring a supercomputer into existence. So by Control Data giving up something, a little bit of it, we actually, in the long run, will gain a lot more. We'll be a lot more powerful in the supercomputer business through 40 percent ownership in ETA than we would be any other way that we can think of.
We had a number of questions that were duplicated, like I said, and we also cannot get everybody's question in who submitted a question, so if it's not here, look for the publications in the following year in *Contact*, *NewsDay*, or your own publications. We will answer those questions. Let's go to our third question now, which is in Baltimore.

My name is Maurice Moore. I'm with C. C. McCullough, the financial sales division, and I'm a financial sales representative in Commercial Credit Company. My question for Bob Price is How will the new thrift and banking strategy impact the short term or long term profit of the company?

Well, the thrift and banking strategy is, of course, an integral part of the change that's going on in Commercial Credit, and I have to say first of all that in the short term, there will be some negative impact. It's a kind of good news/bad news sort of thing. As a matter of fact, we have been so successful in our thrift strategy in getting thrift deposits in Commercial Credit this year that we haven't been able to use all the...
funds that we've been getting in, so some of those funds have had to been put back out at below market rates, and that is really adversely affecting Commercial Credit's profitability this year. Of course, long term, changing Commercial Credit's source of funds from commercial financing into basically thrift and banking things means that they will be able to have lower cost funds, have higher quality loans, and in fact have a greater return on equity than they could any other way. So long term it'll be just the ticket.

Amy: Ok. Let's go to our phone line. We have a phone call, I believe from Milwaukee.

Mike: My name is Mike Koutnick. I'm with Business Information Services in Milwaukee. My question relates to the areas of information retrieval and artificial intelligence. I've been very interested in these areas and lately have seen a lot more in the technical literature about those. I'd just like to find out what, if anything, Control Data is doing in these areas.
Price: Well, you're quite right. This whole area of information services, artificial intelligence is a natural area for Control Data. Like a lot of things in the computer industry you find that tags come along later, and if you'll look at them carefully, you've been probably doing things like that for a long period of time. But in this area of what loosely falls in artificial intelligence such things as expert systems and so on I believe there's some 20 projects in the company today. I certainly can't name them all, but they range from things like out at Midlab and Salt Lake City there's a project to help doctors and physicians in the hospital to make accurate drug prescriptions. There's a computer-based system to assist in that process to predict side effects and what's most effective and to make sure they're prescribing right. That's one—it's called a health system. Then, of course, there's a program which has been underway in PS for some period of time to help in the area of robotics to bring vision capability in the robotics area. One of the major projects of the Microelectronics and Computer Technology Corporation that we just formed, a cooperative research group, is this area
of artificial intelligence. One of the major projects is in that group. So we've had a number of efforts over the years and image processing, which is all part of this in these areas, so there will be a lot of Control Data businesses which are based over the next 10-15 years which are based on that technology.

Cindy: What is your name please.

Darrell: I'm Darrell Tufto from the Bemidji manufacturing operation. My question to Mr. Price is Control Data has invested significantly in the development of PLATO. How is this product doing in the marketplace, both from hardware and software standpoint?

Price: Darrell, it's just doing super. It really is. It's been a long, hard struggle. The wave is beginning to break. You can see all the signs of that in 1983 in the marketplace. Our plans for the last 2 or 3 years have called for us to be profitable in 1984 and to have some months at least, individual months, of profitability in 1983. We're on plan and it really looks good.
Chuck: Your name please.

Judith: Judith Olson, from Applications. I'm a section manager with Professional Services. My question to Mr. Price is that Control Data is a large mainframe and a large peripheral supplier. What are we doing to attack micro explosions?

Price: Well, like everybody else we're being enveloped by it. But we have a number of areas--well, we were just talking about education and of course the microcomputer delivery of PLATO computer-based education is absolutely essential. That's as much as anything that's the thing that's propelling us along in our plan to deliver PLATO. But the whole area of software and services of using work stations, and maybe that's a better way to think about it than just "micros." But the number of kinds and varieties of work stations--almost every business in Control Data will be selling or employing work stations to deliver software, think of that as applications or services, that's just part of it. Though the bulk of our whole peripherals business is shifting towards the micro areas, so, you know, literally we have a whole
billion dollar business which has been more based around mainframe computers and minicomputers that is shifting very, very rapidly towards hardware in the microcomputer area, so we're very much involved and in fact a good part of our future revenue is dependent upon the microcomputer business, it's just that we've chosen, and we did that consciously about six years ago, to concentrate in the area of software and applications and services and peripherals, as opposed to just the computer processor part of it.

**Gene:** My name is Gene Dahn. I'm with Engineering Services. Control Data has invested significant resources in the productivity and quality control programs. How are we measuring and cost-justifying the continuance of these programs?

**Price:** To tell you the truth, Gene, I'm a little bit surprised at the question. As I look around the company there's so many places where we so desperately need to improve our productivity and our quality that almost anything we spent would be justified. But to give you just one or two statistics in the Process Flow Analysis. And I
know Engineering Services kind of led the way in that. In terms of the corporate level expenditure in that, it's right around $200,000 and last count I got from Joe Calisano I believe there was something over 1700 processes that had been flowed. That's a big number but we're still just scratching the surface. In any event, the measured benefits from what we've done so far, in other words, for an incremental investment of $200,000, the estimate is that it will be more than $13 million in return from that. So the pay off on very simple, common sense, ordinary sorts of things like PFA is just enormous. There may be a little bad news in that and it says that if we could save that much that fast we must have been in bad shape, so we have a long way to go.

Jane:

My name is Jane Recio from Production Inspection and when do you anticipate the freeze on hiring to end?
Price: In one sense, not for a very long time. But I think freeze on hiring is a little bit like the reorganization word that we talked about a minute ago. We don't have a freeze on hiring for the classical reasons and that is that business is bad. Nor will we have. What we have to do at this point is to rather than change a lot of employees, cause we want to make use of the employees that we have. So by controlling the hiring very, very tightly, when there are organizations who want to grow we force them to look internally. Now five years ago that wouldn't have been the case. The only way you can force the organization (this is a big company) the only way that you can really force that is to clamp a "freeze" on everybody and then they'll go to the effort of looking internally. Then they'll go to the effort of retraining people as opposed to laying people off and hiring somebody who already has the skills. And our emphasis is on retraining and on using the employees that we have and then minimizing the turnover in people. So it requires some discipline to do that and in order to do that we just have to keep the lid on hiring. Now we're doing some things to facilitate it. We're not
just making a, if you will, a barrier. We also have the Employee Placement Center, which we started last year to help facilitate transfers within the company. We're doing a lot more at looking at training people and trying the anticipate their needs. Now we have quite a ways to go to get there. I mean, that's a five, six, seven year program to try to do that. But there's one statistic that I keep very firmly in my mind and that is in order to be competitive, Control Data, fundamentally, basically needs to double its revenues with no more employees. So we really have our work cut out for us and it's going to take some innovative things, it's going to take some tough measures, too. And one of those is just not letting people hire whenever they want to. We spent 20 years every time the work load increased a little bit hiring another person instead of thinking a better way to do it. It goes back to the PFA thing. One way we've enforced the PFA discipline is say You gotta do twice as much work with the same amount of people, and that forces the managers to go back and think about how they've organized the work. As long as we just let them go out and hire more bodies
they'll do it and then when business turns down they run around throwing everybody out the window. So we've got to change that.

Amy: How about if we take a phone call now.

Sandy: Hi, my name is Sandy Carr, and I'm with the Rocky Mountain district of Engineering Services located in Boulder, Colorado. My question for you, Mr. Price, is Will Control Data ever offer health insurance and/or other benefits to employees who work between half and full time?

Price: I was at a meeting in Denver a couple years ago and somebody asked me that question. I wonder if that was Sandy. Well, the answer to Sandy's question is Yes, we are. We've been looking at the supplemental employee benefit question for some time. Of course, we already do have prorated vacation and days off as part of that, but I think it's a little later this year that we will announce that health insurance, for example, is available to supplemental employees on a prorata basis. So, we are very much looking at that.
Mike: Mike Eleftheriou, Control Data Indonesia. One of the most crucial issues facing International Operations is a rapidly changing marketplace. The question is Does Control Data consider the specific international requirements in the R&D efforts?

Price: Mike has been around for awhile and remembers how hard it has been to get 50 cycle equipment so that's not just an idle question. And in spite of the 50 cycle problem, Mike, we do indeed, and I honestly think we're getting better at it in terms of thinking about the International requirements in basic design. But the first part of your question there on the changing marketplace is of course the key part of it. And what that really has meant is that as opposed to 20 years ago we can no longer just invest an A product and then sell it all over the world. As we move more into services and software, there just has to be much more geared to the local market. And frankly it took us quite a while to get that through our heads. We started working at that and I'm not picking on you S management any more than International management--we made money available
for R&D in International and a lot of the country managers didn't even believe us when we said it. But in the last year, boy the momentum has really changed and there's now, I don't know, somewhere in the neighborhood of 100 technical effort projects which are particular to the needs of International. So I think we're finally on the track and I think we're doing a lot better job.

Amy:

These questions are great. Let's have another phone question now.

Higa:

I'm B. J. Higa with Business Information Services in Washington, D.C. My question to you Mr. Price is this: Bill Norris seems to have been the guiding force behind Control Data of the last 25 years. If and when he retires, do you foresee any changes—changes in strategy, changes in management or policy?

Price:

The answer to that is absolutely not. Control Data's future rests on its basic strategy which all of us have participated in putting in place. It rests on things like our attitudes towards employees, the employee benefit thing that we
talked about, nobody has done more in shaping that than Norb Berg and people who work for him, so the whole top management of Control Data has participated in the strategic process. We believe in it, it certainly is true that Bill has been our guiding light and still is. He raised us all. But we're very much a part of it and the basic things that we believe in and what we think is a good company and what we think are good business strategies are as much ours as they are anybody's, so Control Data won't be anything but except more of the same.

Rhonda: Mr. Price, my name is Rhonda Oien. I'm a secretary for Maintenance Services, Private Engineering Services Division. And I feel that the secretarial position has really changed over the last few years. We work on different systems, we have CEO, we do word processing. I'm wondering if there is anything in the works for improving clerical pay.
Price: Well, the clerical pay scales are like all job family. Pay scales are evaluated every year and again there's a question I'm a little surprised at because our clerical pay scale which is, a matter of fact, was just reviewed at this time of year--July/August when they're reviewed--it is above average and in particular in the Twin Cities, so I don't know, maybe you ought to talk to your boss.

Andy: Ok. Your name.

Gary: Gary Pearce, Regional of Finance Australia, New Zealand. Bob, how do the overall results for 1983 look at this time, and what's the outlook for 1984?

Price: We're making progress for this year and we're gonna have some growth and revenues. Gary, as you know, we don't forecast earnings, but the outlook is positive, relative to last year. Next year looks good so far. I think there's been a lot of exciting things happen, as I'm sure you're well aware we've had our difficulties here for the last year or so in the peripheral equipment business. That's coming back very, very strong. Orders so
far this year in peripherals, for example, are running at least 25 percent ahead of last year so it looks good. We've got some new products. In the last, I think, 15-16 months since NCC a year ago we've introduced some 15 or 16 new peripheral products and it looks good in that area. There are a lot of new and exciting things going on in Data Services. We don't get order backlogs there quite like you do in the hardware business, but you can see that the activities going on are gonna generate a lot of good business for us not too far down the road in '84. Actually, our Computer Systems business is having one of its best years ever this year. It really is—and especially in International by the way. It's really going great guns. So we feel good about what's going on. At the same time, there are still problem areas. I think I mentioned Commercial Credit—Commercial Credit's having its toughest year in a long time and I think they'll climb back fairly slowly from that. So isn't all gonna be you know just some big boom, but the outlook's pretty good, really.
Amy: Name.

Yvonne: Yvonne Cheek, manager of Customer Relations. The company received several thousand suggestions in its Bright Idea program last fall, many of which I heard were quite outstanding. My question is Will this program be repeated this year or next year and if so, will there be any changes in the way the plans are implemented?

Price: It is going to be repeated. It'll start in January, January '84. We didn't really want to overdo the thing. It was a tremendous success. The response was overwhelming, but we decided to have a little hiatus here and, well for one thing we wanted to make sure that some of those ideas were implemented. But we will start again in January and the only change that I can recall off hand is that there will be 26 weeks of free vacation instead of 25, since we're 26 years old. It will be basically the same format.
Elaine: I'm Elaine Keller from PLATO Training and Education. First of all I'd like to congratulate Control Data for being selected by *Savvy* magazine as one of the top corporations in the country for offering promotional opportunities to women. My question is In the year 1990, what percentage of executive positions do you perceive being filled by women and how do I get to be one of them?

Price: The answer to the first part of the question—I think that we can easily look forward to about 10 percent of the executive population by then. By the way it's just over 3 percent now, so that sounds like quite a ways to go. But we do have something like 7 percent or maybe a little bit more than 7 percent of the director level executives are women so you know the pipeline's getting filled up. And as far as the last part of the question is concerned, I think you're well on the way just because you ask such good questions.

Amy: Ok. We have another phone question I believe.
Pam: My name is Pam Barnett. I'm with Network Information Services, a CALL 370 Customer Systems manager. My question is With all of the media attention given to computer crime, does Control Data have an aggressive plan to discourage hackers. A hacker is usually a person with a personal computer whose express goal is to breach security of someone else's computer.

Price: Well we have had a program long before even the term hacker came in to improve or protect the security of our networks. It has improved over the years. It's gotten more sophisticated. Of course every time we make an improvement the hackers get better, so it's a continual chase. But, for example, there's now a piece of software in CYBERNET that kind of patrols the system, looking for unusual or funny kinds of activity and then pinpoints it and you can investigate it. No security system is perfect. It's a continual challenge. But one of the things you can do is aggressively prosecute the people when you do get them, so that's about the best deterrent we've got.
David: Hi, I'm David Ritchie from Normandale South. I'm a unit test manager. And my question is To what extent is robotics being planned in the near future for the manufacturer of Control Data products?

Price: David, we're just at the edge here of a very rapid implementation of robotics. Today, I think, we've got roughly 50 plants worldwide, you probably wouldn't find more than a handful, maybe a dozen, instances where robotics are used. But within two years I'm sure there will be half those plants where you will find robotics actually implemented. Of course the whole area of automation goes beyond robots per se, but the use of more hardwired automation and other kinds of automation comes into that as well. But it's a very hot topic right now and will be a big consumer of capital equipment for the corporation over the next five years.
Elizabeth: I'm Elizabeth Meadors from the Public Relations Department. I'm asking my question for Jacqueline Scott who's with Personnel and is in class right now and couldn't be here. Jacqueline would like to know what message you have for new employees who join Control Data. From your unique viewpoint of the company.

Price: Ok Elizabeth, and Jacqueline. And I'm glad you're studying. That's good. Well, I think the message is that you're joining an exciting company, a company that's creative, a company that's very competitive, one that believes a lot in you as an individual. And maybe not what I want them to know but I would wish for each one of them is that Control Data could be as exciting for them as it has been for me.

Amy: I can't think of a better question to end up on, and I want to thank you so much for coming in Mr. Price. I've one question. How do you remember everything.

Price: I don't.
Amy:

I want to thank our studio audience for coming and giving such wonderful questions. Like I said, a lot of these questions were duplicates and we hope we asked yours. If your question wasn't asked, then look for it in one of our publications next year. This is our first of what we hope will be many of these type of shows. We hope that you'll again consent to do this in the near future. And we hope that you all enjoyed it. Thank you all for watching and we hope to see you soon on our next TeleNews. Have a nice day.