"There's a new day coming
for those with the courage to play.
There's problems aplenty --
but joy in the fray.

There's excitement and challenge
in fashioning a fresh new age.
We have the privilege
To help write history's page."

Those words don't come down to us from the heroes of the Trojan War, or the Odyssey. But (with poetic apologies to Homer) they could have. In times of trial, in the midst of threat and challenge, people throughout history have found new perspective, new ideas -- hope for a new day. You here tonight have demonstrated your ability to take on tough challenges -- and to have the kind of creative ideas that overcome them. That's why nothing gives me as much pleasure as these Summit Conferences. So I'm delighted to be with you for a number of reasons, not the least of which is the opportunity to return to this beautiful corner of the Mediterranean where Mary and I have spent many enjoyable and memorable times. I know you'll enjoy yourselves here.
Contrary to almost any corporate speech you've heard, I'm not here tonight to give you any advice on how to do your jobs better. You've demonstrated that ability out there in the marketplace. Incidentally, it was the ancient Greeks who invented the word for marketplace -- "Agora" -- which meant a public square or place of daily commerce. They also invented the Olympics, and I want to pay special recognition to the 171 people who qualified for this Summit Conference who are the gold medal winners in the marketplace for Control Data. The dedication and perseverance of this year's Summit folks accounted for three quarters of a billion dollars, or some 15% of Control Data's total sales in 1984. So thank you -- not just for what you have done -- but for what I know you will do to meet the challenges of the future.

So anyway -- no advice tonight. Besides, giving advice is usually a thankless business. I've always kept in mind the story of the little girl who was asked by her history teacher to write an essay about Socrates. "Socrates," she wrote, "was a Greek philosopher who went about giving people good advice. They poisoned him."

More seriously, Socrates did say once: "The Delphic oracle says I am the wisest of Greeks. It is because I alone, of all the Greeks, know that I know nothing." Although I know that I
can't give you a lecture on history, I do think that it's appropriate in this particular setting to remind ourselves that in the long continuum of human history, there were rare watershed moments in which the course of that history was changed forever. It was in Ancient Greece and the city of Athens specifically where Western Civilization as we know it had its origins. The great ideas and values that we treasure -- art, architecture, language, literature, philosophy, and perhaps most importantly, the concept of democracy itself -- all first developed here and then flowered into a culture that has left its mark on every succeeding age, including our own. (Such cultural landmarks of contemporary Greece as ouzo and bellydancing were the contribution of more recent times, I'm told.)

A few years back I had the experience of being on a river raft when it inadvertently plunged into a large "hole" of some rapids in the Colorado River. All eight of us were snapped out of it like so much popcorn from a hot griddle -- some swam easily to shore, some were somersaulted along by the rapids and one by chance caught the raft and helped others. Later, as we talked, it was startling to realize how the gamut of human emotions were distilled into that brief experience: fear, amusement, disorientation, determination, presence of mind, confusion, cooperation, confidence, consternation and concern.
But overriding it all was the seeming eternity of time. Now to an observer on shore it no doubt would all have appeared a fairly brief episode. All was over within a short period of time -- an indiscernible fraction, really, in terms of a human life much less a civilization or of the history of mankind. But for those involved it was, in more ways than one -- a watershed. An experience out of which grew new perspectives and new maturity. Watersheds are both intimidating and stimulating, disabling and enabling. Every day little rapids, small accidents and small watersheds are occurring in the lives of individuals. And today Control Data's world -- the computer industry -- is in a time of great change -- a watershed, if you will. True watersheds for civilizations on the other hand seem to occur only every five hundred years or so. There are two such watersheds that have always interested me.

The first of these occurred some 3000 years ago here in this land as the Mycenaean civilization disappeared under the Dorian on-slaught from the North.

The Mycenaeans were Indo-European Greek-speaking invaders who replaced the even older Neolithic culture in about 2000 B.C. They brought with them advanced techniques in pottery, metallurgy and architecture, as well as a strong mercantile orientation so that by about 1600 B.C. Mycenae had become a major center of the ancient world.
The Mycenaean commercial empire and cultural influence lasted until the successful invasion of the Dorians in about 1200 B.C., which ushered in the "Dark Ages" of ancient Greece. That was of course a negative watershed in which a most progressive and enlightened civilization was replaced by a more primitive one that prevailed for another 500 years.

The second watershed I want to cite was the emergence of Western civilization from one of the true "pits" of history -- the 14th Century -- into an age of enlightenment and progress as great as any mankind has known -- the Renaissance. Just as the collapse of the Mycenaean civilization was a negative watershed, the arrival of the Renaissance was one of history's most positive watersheds. The 14th century was characterized by despair, despotism and ignorance, along with such horrors as the "Black Death" of the Great Plague. However, even in this dismal environment, a new vitality and creativity were fermenting which soon would produce liberating inventions, indeed one of the most important of man's history -- Gutenberg's printing press.

The fascinating thing about both of these watersheds was that while technology provided the potential, it was undaunted human will that unleashed the tide of history-changing events. And so it is for us as individuals and for us as a company.
The study of people -- their reactions to crisis or just to the daily humdrum of life -- is as old as people themselves. In our time we tend to use elaborate and complex -- if not always strictly scientific -- surveys and studies. But in older times human psychology was reflected in stories -- stories of gods and villains, heroes and fools. We call them myths.

2) **Myths and their Lessons**

It is a fascinating thing to study mythology whether those of Ancient Greece or any other culture. In myths man tries to explain things beyond his certain knowledge, to deal with the worries that beset him to bring the unknown into relation with the known. Lest we feel too superior to ancient people, it should be pointed out that myths -- or at least mini-myths -- are a part of our everyday lives as well. That's especially true in times of crisis, uncertainty, and change. We call our mini-myths rumors. Myths (or rumors), then, are an intriguing beautiful mixture of observation and imagination.

One of the great heroes of Greek mythology was Perseus. He was the son of Zeus and Danae who was sent by his mother's would-be husband to fetch the head of Medusa, one of the Gorgons who were so horrible that any mortal that looked at them was instantly turned to stone. Fortunately for Perseus he had a
little help from his friends — Hermes who gave him winged sandals so he could fly; Hades who gave him a helmet to make him invisible; and Athena who gave him a mirror-like shield so he could see Medusa without being turned into an instant statue.

Myths, like Athena's shield, provide a mirror for us to look at our own frailties in those wonderfully told stories. While we may find few Gorgons in that reflection, at least they can give us perspective with regard to the challenges we face -- in ourselves as well as in our endeavors.

Another myth I enjoy is the story of Theseus. Theseus was a resourceful and adventurous young man who went about freeing the countryside of various monsters and villains, starting with the cruel highwayman Procrustes, who forced passersby's to lie on a very long bed and stretched them to fit it -- kind of like IBM treated its PC Jr customers. Anyway Theseus' most famous adventure was against the Minotaur who lived in a cave on Crete called the Labyrinth. He volunteered to be one of seven young men and seven maidens of Athens to be sacrificed to the monster as an annual tribute, and he promised his father, King Aegeus, that if successful, he would on his return voyage replace his ship's black sails with white ones. Using a ball of thread to mark his path so he could find his way out of the Labyrinth, he killed the Minotaur, followed the thread out, and set sail for
home. Unfortunately, he forgot to raise his white sails and his grief-stricken father, thinking he had been killed, threw himself into the sea, which thereafter was called the Aegean.

3) **Control Data Threats & Responses**

The heroic exploits of Perseus, Theseus and their mythical colleagues make our own challenges pale by comparison.

Nevertheless we have strategic threats sufficient and varied enough to challenge all the creativity and courage we can muster. But we do have responses that are aggressive and which we believe are equal to the challenge, and I want to take a few minutes to talk about that. It is first of all important to remind ourselves that Control Data has faced such problems before and we have proved that aggressive response is effective.

**Systems.** Take for example the computer systems business. As I pointed out to the stockholders two weeks ago this is a very healthy part of Control Data today. Yet a dozen years ago conventional wisdom had it that Control Data would shortly be forced out of the computer mainframe business. By 1972 the reality of escalating development costs, and market penetration costs made it clear that, whatever else, an across the board approach to computer systems would quickly see us out of the
business. A thorough evaluation -- strengths, weaknesses and best opportunities for growth yielded a new and aggressive strategy based on the 6000 series computers and the markets where they were strongest. That may not seem so remarkable today, but let me remind you that that chosen foundation -- basically scientific supercomputers -- was definitely not perceived to be of much importance in the industry at that time. Today when many individual workers have their own specialized computers and computers for special purposes are found in many departments of a company, it's hard to imagine that the industry's thrust in those days was toward a general purpose computer to satisfy all needs. Also, the 6600 itself was already eight years old, and with the failure of the 8600 supercomputer, Seymour Cray's mystique was severely tarnished. And we had devoted several years to the development of an entirely new, more commercially oriented data processing computer. It was then that some of us learned the true definition of a strategic decision: one that involves pain. Anything else is just making choices.

Unlike Odysseus who had himself lashed to the mast of his ship to escape the siren's song which promised wisdom, renewal of the spirit and knowledge of the future, we had only discipline on which to rely. But that and great creativity by people like you here tonight made reality of the goal.
With the experience and knowledge of such things we are confident of anticipating, understanding and devising answers to any of the problems. However, having the resources -- money, people and time to deal with them all simultaneously, is a far greater challenge.

**Financial Services.** It was in this context that last year we came to the decision that the financial services business, in the long run, would prosper better, offer more opportunity to its people and better services to its customers if the business were part of a more closely related organization. This would not only benefit that portion of the business but it would provide more resources to be focused on other problems.

Knowing and doing the right thing is one thing. The feelings that accompany breaking years of relationships with many fine colleagues however is another. None of us can forget that without Commercial Credit Control Data might well have not survived its crises of the early 70's. So the Greeks of mythology would have understood full well the anguish that this decision has involved. Nevertheless as I say, we can be reassured by the knowledge that doing the right thing will always in the end turn out best for everyone.
Computer Services. In computer services we are dealing with the impact of distributed computing and the existence of powerful individual workstations. Such workstations have changed where and how computing is performed. However, much more fundamental is the fact that the cost/performance capability of individual workstations has greatly accelerated the trend toward packaging and tailoring them for specific kinds of work. This in turn has had marketing implications making it preferable to organize data services to a far greater degree into application or industry specific units. Not surprisingly those Control Data services originally organized along such lines are doing well.

We have been working at the others for the past four years. In retrospect the greatest barrier we faced was the enormous success the organizations were enjoying -- for successful organizations see little reason to change.

It took the jolt of significantly lowered profitability and in some instances outright losses to really shake them up. Now there is a new feeling and growing momentum.

As this market focus in services has become stronger, we have evolved toward seven basic service businesses. They are: services to engineers and scientists with a leading edge being
computer-aided design services; commercial services and in particular financial and marketing services; services to small business featuring consulting and training and use of micro-computer based applications; economic development services, the centerpiece of which is job creation; education services for the secondary, elementary schools including consulting, administration, testing and evaluation as well as classroom management and computer based instruction; healthcare services which have as their distinguishing characteristic knowledge assistance for both individuals and healthcare professionals; and the basic Tech. Support Services which are ES, PS and BIGTE.

We've come a long way from selling simple applications and machine cycles, but of course the job is by no means done.

**International Computer Services.** The services business outside the U.S. is affected by the same technological changes as in the U.S., but the situation is somewhat different. The build-up in International Computer Services has been most aggressive in the past 3 or 4 years. Moreover, by the nature of things, Services must be pursued largely on a country-by-country basis. As a result they have tended to develop in a more fragmented way. The job now is to sort through the beginnings we have made and select those things that offer us the most potential. That's the job for 1985.
Peripherals. By far the greatest problem has been in Peripherals, and -- the sale of those products to original equipment manufacturers. This impact is the result of two reinforcing factors. First there is the impact of direct competition -- from numerous small start-ups and, much more important, competition from Japan. The second factor is that our largest OEM customers, the micro and mini-computer manufacturers and systems houses have themselves had to react to greatly increased competition. So they have had to move much more rapidly from older to newer products just starting into production. This kind of rapid change means reduced purchases of older, more profitable products and a switch to products where competition is stronger and for which we are lower on the learning curve in terms of cost and reliability.

That nets down to more competition, lower volume and a product mix of lower margin products. On top of that, the organization facing this challenge was a billion dollar division almost the entire history of which was one of responding to an environment of exploding demand. This coming challenge was not unforeseen. It was also one worthy of another well-known mythical hero, Hercules. Actions were taken with regard to new products, cost reduction, and orders of magnitude improvement in reliability. We began making management and organization changes, but changing the mental set has simply been more difficult than we ever anticipated.
I believe that's behind us now. Unfortunately what also occurred in the first quarter of this year is a fall-off in peripherals demand that was faster and greater than industry predictions.

Specifically that has meant lower than planned revenues and operating losses in peripherals. The response to that situation is straightforward, and that is to reduce planned costs and expense and by now all of you have felt that, either directly or indirectly.

But I want to repeat to you what I said to Control Data's stockholders: "The difficult actions we are taking in the short term are designed to give longer term actions already underway time to work. We know that our strategy is sound, we know where we are headed, we know what we have to do to get there, and we know there are better times ahead." Those words are not just annual meeting rhetoric. I meant them then and I mean them now.

4) CLOSE

Control Data adopted a strategy some fifteen years ago that was designed to provide long term growth for the company. In times past and today we have suffered set-backs in implementing that strategy. Its basic viability however, is well demonstrated.
Any viable strategy is not only long-lived, but also capable of evolving to conform to new requirements. I have already spent some moments describing the evolution of systems, services and peripherals strategies. So let me just close by emphasizing a few beliefs that underpin those strategies and relate them to a concept of an old friend of Control Data -- the Greek philosopher and educator, Plato.

We have a commitment to cost-competitive **quality** products and services for our customers which yield an appropriate return to the company. Plato called this wisdom or the principle of doing things right. Moreover, we firmly believe that as part of this we can do innovative and difficult things to help meet the basic needs of society -- which after all has granted us our franchise. Plato called this justice or the principle of demonstrating private belief in public behavior. Behind it all is a commitment to fairness for the people who are Control Data. Plato called this temperance or the principle being able to achieve individual goals within the common good. And finally, there is the sure knowledge that we will persevere until success is achieved. Plato called this fortitude or the principle of always facing danger head-on.

Ordinary wisdom together with justice, temperance, and fortitude yield what Plato called perfect wisdom. No one has it but we are on a great voyage in its quest.
A Homer to describe this voyage of adventure and discovery we do not have -- but we do have special people like you here tonight -- people who care, and sometimes write to me to say so. One employee put that in the form of a poem -- not exactly an epic poem, but one I thought you might like to share. I recited its opening lines at the beginning.
NEW DAY

There's a new day coming
(1) For those with courage to play
There's problems aplenty --
But joy in the fray.

There's excitement and challenge
(2) In fash'ning a fresh new age,
And we have the priv'lege
Of helping write that page.

There's a new day coming
(3) When each person really counts
There's challenge for each of us --
As opportunity mounts.

There's a new day coming
(4) When I know we all will win
Then a glow of satisfaction
That will warm us from within

There's a new day coming
(5) For each and one and all
If we'll step above ourselves
And hear the others call

As the sun begins to rise
(6) The dark shadows of despair
Fall away -- the new day's here
Wonderful, bright and fair

Thank you. It's a privilege for me to share these days of reward and celebration with you. Good luck, good sailing, and good selling -- always.