Atlanta, as I'm sure you are well aware, is a place of special importance to me....many roots and many fond memories both professional and personal. But I promise you I'm not here today to conduct you on a meandering tour down some moss covered memory lane. Rather, my interest is the excitement of having the opportunity for a few moments to share in your work of making this area a hilltop of achievement on Control Data's path to the future.

At the risk of belaboring the metaphor, as we explore that path it is technology that guides us, marketing that blazes the trail and quality the means by which we will mark our passing. So I'd like to talk about those things with you today.

First off though let me give you a brief status report on some things I suspect are on your minds. We have been busy cleaning away the debris of 1985; certainly we've taken our lumps over the past 18 months, but the core strengths of Control Data, both technical and financial, are not in doubt. The task of fashioning a new financial structure for the company over the past six months has been difficult, frustrating and time consuming. I know it has been tough on you in the field offices. Starting each sales call on the defensive regarding your company's financial state is not exactly what one would prescribe as an ideal marketing situation.
We are, however, nearing the end of that phase. We have plans (and back up plans) to provide Control Data with new financing arrangements that will give us a much sounder financial structure. The first pieces of that are in place [bank agreement, asset sales, asset financing]. The rest will be put in place over the next two months.

In the first quarter as you know we reported a loss, but significant improvements over 3rd & 4th quarters. The second quarter will be improved over the first and the outlook for the year is continued steady improvement.

However, I don't want anybody to think that all the problems are behind us. I surely don't. Or even that the practices that caused the problems in the first place have magically disappeared. We all know that's not the case anyway.

I do mean, however, that we need to bring these things out in the open ... to talk honestly and candidly about the issues that affect every one of us. If we do that, we can deal with the problems and from that base of understanding we will make the changes we need to make ... and then move forward with justifiable confidence.
We have some major challenges ahead of us, but the toughest challenge we face right now is to make a solid connection between what we say ... and what we actually do. Every one in this company ... shares that challenge.

We haven't made that connection very well over the past few years, and as a result our credibility has suffered badly. And as we all know recovering credibility is a slow, tough process. **Step 1** is to dedicate ourselves to Quality as a way of life for each and every person in Control Data. Quality in every aspect of corporate existence, in every nook and cranny of this organization. Quality in every action, every process, every decision. Quality from every individual who draws a Control Data paycheck ... and that includes you and me.

Quality is not just a product characteristic ... and it isn't a task force or a program. It comes down to each person feeling deeply that what they think and what they do really matters; then each person will feel both responsible and accountable for what they do. That's what TQMP really means -- and it applies whether you work in a manufacturing plant, an office, or at a customer site.

TQMP is becoming a way of life in Control Data. It's one of those changes we are making as part of our New Day and the beneficial results are already beginning to show in various parts of the company.
Another example, in Data Storage Products we've been steadily improving the plug-and-play performance of the disk drives we manufacture ... from 96.5% in 1984 to 98% in 1985. And we won't be satisfied until it's 100 percent. Even so, the improvements we've already made mean that we offer the highest level of dependability for our 8" and 9" disk products in the industry ... 30,000 hours mean time between failure ... GUARANTEED.

One of the basic concepts of TQMP is "everybody has a customer." To most of you here today that seems a natural enough thought, but most people, when you say that, think -- "But I don't deal with customers -- marketing people do that?!" Well, the concept of "customer" means more than just those outside the company to whom we supply products and services. Think of it this way: each and every person in the company has a work product -- or more likely more than one work product. It might be a report, a telephone call, having certain information available for those who ask. Someone, and more likely than not someone inside the company, receives that work product from you. They depend on you for it. They depend on you for it to be right. They are your customer. In a business today most work products result from an administrative process.
For those of you in field sales, forecasts are one work product of particularly great importance.

Accurate forecasts are tremendously important because they form the basis for a whole series of vital decisions. Inventory excess or deficiency is one direct result of poor forecasts. In computer systems right now we have high inventories.

Excess inventory means manufacturing and carrying costs without offsetting revenues ... and that means the money comes from somewhere else ... research, marketing, whatever. So excess inventory is a thief.

As any of you can well attest, lack of product availability is just as surely a thief. When you can't meet demand, all too often that gives a competitor the chance he needs. That's the situation in Data Storage Products with regard to the FSD, EMD disk drives that I mentioned. So quality is much more than MTBF specs. It involves every aspect of having the right product at the right time in the right amount. And that involves a lot of administrative processes as well as manufacturing processes, and at the start of the whole thing is the field sales input to forecasts.
In short we need a commitment to quality from every person in every part of the company and there's a lot of work to be done. At its root quality is a matter of intellectual honesty. That means being willing to face the facts ... to not kid ourselves about the things we do well, and the things we don't. It means being able to look at whatever we're doing and ask ... "Is there a better way?"

Quality ... Control Data means quality. That's my first goal in a New Day for our company.

One of the myths about Control Data is that it is a great entrepreneurial company. In fact in many regards we've been stuck in a bureaucratic quagmire. The results of growth and size and time. People think bureaucracy is paperwork -- "too much paperwork," "too many forms." Those things are not themselves bureaucracy -- they are symptoms of bureaucracy -- symptoms of bad processes. All too frequently it amounts to a literal substitution of form over substance. Following the procedure, filling out the forms become ends in themselves rather than seeking the results they were intended to produce or report.
So what we need to foster as a company is something far more pragmatic than ... entrepreneurism. We need to foster something much more readily available ... and far more satisfying on a personal level. It's called ... individual initiative, and individual determination to produce a result.

That begins with people who know for certain that what they think, and what they do, really does matter. When they have that base of confidence, they'll be able to ask themselves the question: "Is there a better way?" rather than simply saying "How can I get by?"

Sales people are generally thought to be the epitome of individual initiative, to be results oriented, but even sales activity is prone to bureaucracy. I'm reminded of the old story of a sales organization in which the number of weekly sales calls became a leading measure of activity. [story]

Control Data means people with initiative -- people who want to blaze that trail. That's my second goal and I can't think of anywhere where that is more important than in field sales organization like yours. Just remember positive cash flow starts with an order.
Let's shift the topic of marketing and sales for a moment, from individuals to the overall organization ... and its relationship to the world around us.

A frequent recent criticism of Control Data is that we have not been quick or perceptive enough to fully understand the market needs, and then to fashion the products or services needed to meet those needs.

Basically that's a bum rap -- one more fallout of the terrible financial results. But what is true is that in the past competition was far less severe in the computer industry than it is today, and companies -- us included -- could get away with a sluggish response. Customer needs usually exceeded the solutions the industry could deliver. And because of the great needs, almost any answer was marketable ... or at least there was plenty of time to go back and patch things up.

And that's what we did ... patch and fix, patch and fix.

It's a far different situation today. The essence of the computer industry today is the ability to deliver true added-value solutions and there is greater competition in every part of the computer industry. So the necessity to do it well, to do it sooner and more effectively than the competitors is absolute.
Delivery of cost-effective value-added solutions starts with product performance -- good basic technology, good hardware and systems software. But it goes beyond that: It means for one thing being involved -- hands on experience -- years of experience with the problems customers are trying to solve. "Value added" is all too frequently oversimplified into meaning good application software. Yet the riskiest, most expensive software development is that of applications software. And many of you are aware first-hand how much money and time application development can consume. We've all had experience with a supposed great application system that somehow missed the mark. Well, good application software evolves. And evolves as a result of being out there and mixing it up in the market -- for a long time -- just ask the folks at EMSD. Today on average, more than 3/4 of the application in an EMS is standard. But those standard packages have slowly evolved over 15 years. Or consider the evolution of the FOCUS turnkey system in the credit union market, the courseware used in the services of CDI and employment prep, Marksman and related products in BIS. Same story. The market will tell us how to develop and improve our products and services if we are out there each day helping the customer solve their problems, if we have people with appropriate industry and application expertise, and if we care -- care about their problems. Control Data is not in the retail business or the mail order
business -- much of our interface with customers is one-on-one; we are in effect selling professional expertise in solving problems. We have hardware products to help and software products to help, but beneath it all being market-driven means we must have a professional expertise that comes from experience with and understanding of customer problems.

That's how customers will see the added-value our products and services can offer. That's how we'll develop those markets where we can distinguish ourselves. And that's what I mean when I say my goal is to see "Control Data" become "the marketing company."

I said earlier that we need to make better connection between what we say and what we do. Well, let me just mention some of the things we are doing that will help make us a marketing company.

You may have heard about something called "business screens" which the Corporate Marketing staff has mentioned. These have helped business unit executives better assess their industry attractiveness and evaluate their market positions. In effect they help bring a marketing perspective to the strategic planning process.
By mid-year we will have examined each business not only as to
the future financial implications of its plan, but for the
market orientation of that plan. Likewise, the structure of
the business unit will be examined to make sure that marketing
has appropriate organizational emphasis. Also, a new corporate
advertising campaign is being developed. We're making these
investments for the future, even if things are a bit tight
right now. Nor should I fail to add that there is an even
greater dedication to sales and marketing training. And to
make sure the message is clear I already have designated 9 top
operations executives who will go back to school...back to
learn about marketing at Harvard, at Stanford, at
Northwestern's Kellogg School of Business.

And yet, as we go about the business this year of restructuring
this company to be an effective competitive force for the long
term ... as we reassemble Control Data into a company we call
all be proud of ... we must remember that we have to do it all
within severe short term constraints and limited resources.
This is a pivotal year for us, not because we must go from a
$500 million loss to a profit in twelve months, but because we
must make decisions upon which rests our ability to go forward
into 1987 and beyond ... to build a company with $500 million
in profits.
What I've been talking about today is the company we need to create... driving all of this is an unshakable commitment to our customers. We had a tough year in 1985 and in a few days I'm going to have to go over that with our stockholders at the annual meeting. But we can say that we've made changes, we can say there have been improvements, we can say there has been progress. We will also say to them, but especially to ourselves, that we have a long way to go.

What will get us in the black is making good the connection between what we believe, what we say and what we actually do. That's the definition of quality, and as any customer will tell you that's also the definition of true marketing.