INTRODUCTION

Thank you ___________. Good Evening and welcome to Minneapolis.

45 years ago, Winston Churchill rose to speak to Canada's Senate and House of Commons. It was late in December, 1941...three weeks after the Japanese attack on Pearl Harbor.

The world was at war, and this great statesman -- whose growling voice and bulldog tenacity had served to inspire millions -- spoke to his Canadian brethren with firm conviction.

"We have not journeyed all this way," he said, "across the centuries, across the mountains, across the prairies, because we are made of sugar candy."

I understand the depth of feeling that lay behind those words.
In the nearly thirty years we have been part of the computer industry, we have crossed our mountains and we have crossed our prairies -- and the past year has been perhaps the most severe test of all. But we also know we are not made of sugar candy, and we are stronger today for having met those tests.

I won't take much of your time this evening. You've got a busy morning scheduled tomorrow. You'll learn much more about the importance of quality to Control Data in that session and from visiting some Data Storage Operations tomorrow afternoon, than from any words of mine. There are exciting things going on and we're delighted for the opportunity to show them off.

THE SCOPE AND MEANING OF TQMP

Quality. You heard this afternoon from Dr. Schonberger, one of America's leading experts in innovative manufacturing techniques. You also heard Bob Romfo tell you how the Total Quality Management Process has brought quality improvements to every part of Control Data. Tomorrow, you'll hear from some of the senior managers in the Data Storage Products division who will tell you about quality improvement steps being taken in that vitally important part of the company.
This evening, however, I would like to spend a few minutes
talking about quality from a broader corporate perspective --
not just the quality of the products we design, manufacture
and sell, but quality as a way of life for a company.

The scope of these changes is reflected in the term TOTAL
Quality Management Process. "Total Quality" -- Quality in
every procedure, in every action. "Quality Management" --
Quality must be managed. The actions taken to begin this
transformation range from ones involving corporate strategy
and structure to mundane clerical processes. And finally
"Management Process." Note that I said a moment ago "actions
taken to begin," the process of institutionalizing TQMP is
itself a continuing process of improvement. Management
improvement, process improvement, Total Quality. TQMP.

What is implied is significant change across the total
spectrum of corporate activity. Moreover, in Control Data's
case at least, we have been carrying out this task when most
of our basic products and services were undergoing a dramatic
 technological and competitive change as well.

The immediate task facing Control Data, of course, has been to
return the company to profitability. That has meant a
thorough strategic and operational restructuring, and it has
had to be accomplished within the constraints imposed by an
equally thorough financial restructuring.
While this is, to say the least, an arduous task, we have the wherewithal and the determination to accomplish it. Control Data's financial problems have been serious, but they were by no means insurmountable.

I want to make clear that the Control Data I am describing tonight is already much different from the Control Data of one or two years ago...or for that matter, of even six months ago.

The company has changed enormously and the changes have been for the better. They will continue to be made -- day after day -- as we move closer and closer to absolute total quality.

**BUSINESS STRATEGY AND QUALITY**

The most fundamental change has been to narrow the focus of the company's business. The intensity and quality of management -- not to mention the level of investment -- essential to success in our industry today are quite different from just a few years ago. In the past, competition was far less severe than it is today. Customer needs for information processing generally exceeded the crude solutions the industry could deliver. And because of that great need, almost any answer was marketable, or at least there was plenty of time to go back and patch up a hastily devised product or service.
That simply is no longer the case. There simply are more
people with better competitive ideas, not to mention more
discerning users. By focusing down on fewer business and
product lines we can invest in them more intensely -- both
financially and creatively. We can be more competitive. We
can concentrate on the improved design, manufacturing, and
administrative techniques that ultimately produce products of
increasingly better quality with higher margins.

In essence then, what we have done is to reduce the diversity
of the corporation -- by divesting some businesses and product
lines and shutting down others. This has involved sizeable
accounting charges, most of which were taken in the 3rd and
4th quarters last year. Although we intend to continue an
intensive strategic and resource requirement review, for the
most part that is now behind us.

What it all means to you as an OEM customer of Control Data,
is that there is more time and more resource -- and more
attention to detail -- applied to your specific needs.

Everything Control Data is doing in some way is structured to
make the company more responsive to the marketplace, to meet
your needs...as they are and will be, not as they were.
CORPORATE MISSION STATEMENT

Incidentally, one of the things we did initially in the strategic focusing aspect of TQMP was to rework and restate the Company's mission. One of the most intriguing aspects of that process occurred at the beginning when we asked what executive management people thought the mission statement was. Given the enormous publicity received by some of the company's projects over the past five or more years, you will perhaps not be surprised to know that there was considerable variation. In any event we decided to say it as simply as possible: "Control Data's mission is to provide our customers with products and services based on computer technologies."

That's it...pure and simple.

Along with that mission statement, and in support of it, we have made four fundamental commitments. And the very first of those commitments is: To Control Data's customers, for innovation and technological leadership yielding high-quality, cost-effective products and services.

The other commitments are to the stockholders of the corporation, to the employees who constitute a vital resource for the future, and to the societies in which we do business. But it is the commitment to customers and quality that we know must lead the way.
As I have said, we recognized that the increasing requirements for both the technical and marketing expenditures, the commitment to quality, the need for focused management necessary to compete in today's world require less diversity than Control Data had been attempting to handle.

TECHNICAL EXPENDITURES

Let me expand for a moment on the subject of R&D. The pace of product change continues to speed up. In 1986, fully 90 percent of Control Data's data storage shipments will come from products introduced in the past two years.

This year's R&D budget is nearly $400 million, or roughly 12 percent of budgeted revenues. Last year it was 11.8 percent; back in 1981, the figure was 9.5 percent.

Those statistics are important not only to further illustrate the necessity of product focus, but also to remind you that through all the tough times we have been determined to feed the lifeblood of our business -- technology and technical expenditure.
QUALITY AND THE INDIVIDUAL

Let me now move from the corporate perspective of the effect on Quality of Business Strategy to Quality from the perspective of the individual. The kind of transition TQMP involves must be led from the top, but it must actually occur at the bottom for it ultimately involves a commitment of each individual in the organization.

Administrators and clerical workers learn to relate their work to product success and therefore your satisfaction as a customer. Individual engineers learn to think in terms of process -- the design process itself, of course, but equally important the manufacturing process that will result.

Perhaps the most stimulating concept of TQMP is the idea that every individual in the company has a work product and therefore someone -- inside or outside -- is their customer. We find people like to think that way. People have embraced the "everyone-has-a-customer" concept. They make it a very real part of their own personal work commitment, and it has a wonderful perspective-broadening effect.
At its root, this culture of quality means that each person truly feels that what they think and what they do matters. And when you get down to that is as much as any of us can expect out of life.

You saw expressions of that sentiment in the videotape you saw earlier today.

And the company has tried to express to each employee that they do count, that we all have a mutual stake in quality and profitability, by giving each full-time employee 10 shares of stock. Those shares are an important statement to employees not only of our belief in the future, but our belief in them as well.

We have taken steps to create a new organization, one which will do fewer things, but do them more effectively. And as this new entity emerges, it will be more focused, more aggressive and more responsive to its markets.

And above all, we recognize that only by making quality a way of life -- for everyone who draws a Control Data paycheck--will the company be sustainably profitable.
We have done what is necessary. We have reacted not only to the company's immediate problems, but have also addressed changes sweeping through the computer industry...changes that affect your companies as well as ours.

So as we return to profitability --- and I assure you we will -- it will be on the basis of a comprehensive restructuring of the company and not the result of a short-term cure.

To paraphrase Winston Churchill: We have not journeyed all this way, from the first days of the computer industry, pushing the limits of technology and weathering the storms of competition, because we are made of sugar candy -- far from it. The people of Control Data share a great heritage and they have a determination to succeed and an enthusiasm for the future that it is a pleasure to share.

It is this attitude, reflected in absolute quality, that will assure a successful future for Control Data and steadfast allegiance to our customers.

Thank you.