Thank you for that warm welcome, Brenda.

I apologize for delaying your dinner hour until I speak. But after seeing the magnificent array of hors d'oeuvres, I don't feel so badly. By way of explanation, I should note that I got up about 4:00 this morning Minneapolis time to catch a 5:00 plane, and have to be back for an early morning meeting tomorrow. Sometimes I wonder whether the invention of the jet plane was a good thing.

I understand that since I last spoke to this club in June '85 you've had a succession of speakers that included an astronaut, the tallest woman ever to enter the Miss America contest, and Hank White and Bill Rowe. I think I can do at least as well as Hank and Bill.

Let me begin by acknowledging that this is an evening of mixed feelings for many of us in this room. It's the last meeting of the combined Commercial Credit and Control Data Management Club.

For the past 20 years, Commercial Credit and Control Data have given a great deal to each other. That relationship was established on a firm foundation of mutual need and was fostered and nurtured by a
respect for people and their individuality. Those fundamentals helped us over the inevitable rough spots, two highly diverse and, at times, troubled entities would find in working closely together. As a result of their relationship, both companies have profited and have emerged the better for their long association.

So I want to thank those of you from Commercial Credit who are here tonight. You and your colleagues contributed a great deal to the success of our joint enterprise.

I also want you to know that the ability to engineer Commercial Credit's return to a free-standing public company will always be one of the great highlights of my management career.

In any event, now we move on and I wish for both CCC and Control Data a renewed spirit of growth and entrepreneurism -- revitalized and exciting new products and services, and with it all a reputation for leadership.

I feel good about your prospects in that regard -- so good, in fact, that we have retained a 20 percent investment in Commercial Credit. So I'll be watching your promising future as both a director and as an old friend.

Most of you here tonight are from Control Data. To you I can say that 1985 was an experience worth working very hard to avoid ever again.
There were times during that year that I felt a little bit like Daniel Boone, who was once asked whether he was ever lost in the woods. He replied, "No, I can't say I was ever lost, but I was once slightly bewildered."

1986 has been tough too, but it has been a far different story from the free-fall uncertainty of 1985.

It is true that every day seemed like thirty in those agonizing months of the bank agreement negotiations. It is true that some of the plans with which we started the year have not become reality. 1986 has given us emotional challenge enough for anyone, for as we talk today there are 4,651 fewer people in Control Data than when we started this year. Many of those are management colleagues with whom we in this room shared years of achievement. The others are people with whom we have shared the excitement of Control Data experience in a more impersonal way. But, either way, that reduction in people produces an implicit sense of no progress, no growth and therefore of personal loss. If you have felt that at some point in these past ten months, I can assure you so has each of your colleagues in this room, including me.

Those feelings -- common enough in circumstances such as those we have endured -- unfortunately obscure other facts that offer some comfort and considerable future sunshine. First of all we are by no
means alone [explain]. Secondly and more important, 1986, in spite of all its trials, has been a year of great achievement. No more spinning out of control; rather we are positioned with a clear vision of our future.

Certainly, to get to today's position -- from which we shall move on to future growth, excitement and achievement -- we have had to make, some sacrifices and endure "the slings and arrows" of the world, as well as the puzzled concern of our communities and neighbors.

Now the year is fast approaching its end, and we have work yet to do, but we can take great pride in what we have already done and satisfaction in knowing that the tasks we laid out for ourselves in 1986 are nearly done.

So what I want to talk to you about today, as we prepare to move on, is the nature of Control Data and it's businesses and what they can become.

Underpinning all we have done this year is a belief in who we are and what we can do. Last winter -- with no bank agreement in place; no financing in sight; not even a glimmer of a possibility that CCC might be positioned for a public offering; when Data Storage Products which had more than wiped out its total historic earnings in one year's loss had not yet shown that it could return to
profitability in the course of this year: when we did not yet know Business Services would yield a whopping 71% ROIC for the year. Last winter when all those things were unknown and yet to be achieved, the Management Committee took a hard look at Control Data and what it could and should be.

We determined to construct the strategic underpinnings in each of our three core businesses of computer systems, computer services and data storage products with the firm objective of being market leaders in each of them.

We also determined to focus on a basic set of concepts by which to manage Control Data's business. First of all let me reassert that we are a company whose driving force is computer technology, and whose objective is excellence in financial performance. That is the basis of existence and the driving force for all we do, whether it be data storage products, computer services or computer systems.

Within that context three principles provide a basic framework from which management policy and practice follows: that technology without marketing is like a pathfinder without eyes; that quality is the result of people feeling individually responsible and accountable; and that a sustainably successful company is only possible if people truly matter -- each individual knowing his/her initiative, thoughts and actions truly count.
In executive briefings as well as many meetings with non-management employees during the course of this year I have talked about those values — Quality, Marketing and People. They are identical across all of our business. They are the essential values of good management. They are the tie that binds us together. They are my vision of what I want Control Data to be.

Obviously I can't take the time tonight to go over each of the businesses, its strategies, problems and opportunities. But what I can do for a few minutes is talk to you about those qualities that we are striving to inject across all business units of Control Data. I'd like to start with quality -- TQMP.

When we talk about TQMP, we're talking about developing new and better ways to manage Control Data's business. Ultimately it comes down to each person feeling deeply that what they think and what they do really matters. And because they feel that way they also feel both responsible and accountable for what they do. Don't think that quality management is a manufacturing program. Wherever there is a process for getting things done, there is a need for a total quality management process. I give a lot of speeches these days, so I sat down and wrote out a process for writing speeches. It isn't fully refined and probably never will be. Process needs constant challenge, continual refinement.
Let me give you another example of TQMP at work. Those of you who work in software development know that although the process is highly creative, it is still a process nonetheless. The architecture may change and the customer specifications may be different, but the development process itself is relatively constant.

And software development is a process that can be managed. There are a number of points along the development cycle, well before the integration and evaluation phases, where problems can be anticipated or eliminated. You begin with a clear understanding of the specifications and then do everything possible to get it done right -- the first time. Too long there has been an acceptance of the inevitability of mistakes. Mistakes are not inevitable, they are programmed in as a result of process.

At Control Data, we define quality as conformance to requirements. Let me quote Phil Crosby, one of the nation's leading experts on quality: "Yes," he says, "quality is defined as conformance to requirements, but customers' requirements are defined by marketing. Therefore, quality begins in the marketing department."

... begins in the marketing department ...

With that simple expression of logic Crosby demonstrates that quality and marketing are inextricably linked -- that one gives
strength and meaning to the other. Total quality combined with effective marketing will combine to propel us toward the recognized competitive advantage we must develop if we are to succeed in the marketplace.

There are four essential requirements to achieve this kind of recognized competitive advantage -- and they echo the basic principles of TQMP.

- To know our markets and know them very well.
- To define and develop the right products.
- To sell and service them competently.
- And to communicate the corporate messages effectively.

I have no illusions about the challenge this goal of being a genuine marketing company represents. We have a long, long way to go. But we will get there.

James Joyner, an associate of Phil Crosby, said in a recent article: "A quality-minded organization [and I might add marketing-minded] is one where everyone understands exactly what they are to do, has the resources and knowledge necessary to do it and then has management's help [in doing] it right."
That brings us back to you and the other people who are essential to Control Data's success. Recent surveys have shown that 99 percent of Control Data's employees feel a personal responsibility to help the company succeed.

So how do we, as managers, release the enormous potential of that support?

One of the most important things we can do is build and maintain a culture, a work environment in which people feel accountable, in which creativity and initiative are supported, in which there is pride because the products and services we provide are known for quality.

The process by which that work environment is achieved is a two-way street. The company and each manager are responsible for process and environment to foster initiative, pride and responsibility. And, in turn, each subordinate knows he/she will be held accountable and is expected to aggressively pursue individual self-development.

Consider this two-way street with regard to five basic principles in the context of people management. We should expect and give reward for performance. And just as positive reward for good performance is important, so must we insist on negative reward for poor performance. Every one of us has the right to expect that our boss
and the company create an environment for self-growth and achievement. But with that right comes the responsibility to stretch ourselves to the limit of our full potential. We should expect fair and just treatment — and we have the responsibility to act with personal integrity. Everyone clearly wants benefits and services that improve personal quality of life, but we have the equal responsibility to work as individuals for the benefit of our co-workers, our families and our communities.

It is reassuring to know that the company has job security as a goal, but we must always work each day knowing there are no guarantees in life — only opportunity. Economic success of the company, in the final analysis, is the means by which economic security of the individual is secured.

There is another belief that runs through all these principles, and that is in the belief that Control Data will be a leader in assuring this environment for growth and success to women and minorities. Now especially is the time to renew and our commitment to that purpose.

Well, tonight I have gone from talking about people to talking about quality to talking about marketing and then back to people. Believe me, I have enough to say that I could run through that cycle again and again. All three are essential to our success. People,
quality, marketing. Each depends on the other. People, quality, marketing. Take those three words home with you. Think about them. And be sure to bring them to work with you tomorrow.

And now I’d like to answer your questions.