I noticed in the packet of information for this conference that the local tourist association calls Hong Kong "the ultimate incentive." Now I know what that means -- after 5 days of shopping in this great city you have the ultimate incentive to get back to work!

The past few days have produced some memorable moments that we'll all be able to enjoy for years to come. Mary and I are privileged to have shared these moments with you.

Summit Conferences are so special that I always worry a little that my comments will be worthy of the occasion.

In thinking about what I was going to say, I recalled the time Conrad Hilton was asked by an interviewer on network television if he had an important message for the American people.

Mr. Hilton replied, "Yes, yes, I do! Tell them whenever they take a shower, always put the curtain inside the tub."
The ambience of success and celebration of these Summit Conferences is such that I probably need a theme a little more philosophical than that. But to avoid undue pontification I remind myself of the story of the little girl who was asked by her teacher to write an essay about Socrates. "Socrates," she wrote, "was a Greek philosopher who went around giving people good advice. They poisoned him."

That was a good story for the 1985 Summit Conference in Greece and I thought there might be a Confucius equivalent to it for Hong Kong. I couldn't find one. But naturally I did find a lot of other sayings of that great philosopher.

**Confucius and Superior Man**

Confucius dedicated his life to social reform by teaching a whole system of ethics based on the single principle of reciprocity.

Tonight, however, I want to concentrate on what Confucius said about being a superior individual. His saying that most captured my attention was: "Words and action are the hinge and spring of the superior man. The movement of that hinge and spring determines glory or disgrace."
Words are "the hinge" ... action "the spring". Now with the spectre of the past so close, in Control Data today we need no metaphor to remind us of the penalties of inaction.

But in this particular saying we hear that, even with action, there is no certain promise of success. The only certainty is movement. And that movement can open a door to glory or to disgrace.

Moreover we hear that movement is the result of words as well as action -- "the hinge and the spring" -- of the superior individual. An immediate example of such an individual which comes to mind is Winston Churchill who could inspire his people with his words and lead them by the example of his actions, but knew moments of disgrace as well as ultimate glory.

The question Confucius raises is how do we forge a hinge and spring whose movement is toward glory?

Once when he was asked about this, Confucius replied simply: "Self-cultivation." When asked to go further, he added, "Self-cultivation with a view to helping others." Asked to go still further, Confucius said, "Self-cultivation with a view to helping everybody."
Self-Cultivation and the Superior Company

The same Confucian logic could be applied to the question of what makes a superior company. A superior company practices self-cultivation, i.e., people in a superior company practice self-improvement. Looked at more deeply, a superior company practices self-cultivation with a view to helping "others," or more specifically, helping its customers.

That's what we mean by a marketing company -- creative response to customer needs. Innovation is what we call that creative response to customer needs, and it results from understanding the needs themselves, the competition, and other forces that impact the customer -- in other words, understanding the customer's circumstances.

At the annual meeting of stockholders a few weeks ago, I talked about "Control Data...The Marketing Company." I told stockholders that we are in the process of building on existing marketing strengths in Control Data (self-cultivation, if you will), and intend to be ever more intensely customer-focused. I added that we want this attitude to pervade the Company and set the tone for everything we do. This is the key to sustained competitive advantage. It is the key to financial success in today's global marketplace.
So, a superior company practices self-cultivation ... self-cultivation with a view to helping its customers. Or most comprehensively stated: a superior company practices self-cultivation with a view to helping everybody -- customers, stockholders, employees -- all of its constituencies.

It is in this sense that the three core values of marketing, quality and people and of which I speak so often, can best be understood. By making those values pervasive in the company we are practicing exactly the sort of intensive self-cultivation Confucius prescribed.

The Superior Company and Marketing

Let me pick up on the idea that marketing is the key to success. If we are to remain profitable and continue to be a viable force in the computer industry, it means that we must sustain a rate of innovation greater than ever before. A company cannot simply cost-cut its way into sustained financial success.

Innovation -- the creative response to customer need -- does not simply mean gee whiz product performance. It means products of cost, quality, availability, distribution and service that, in turn, will result in helping customers gain competitive advantage for their own product or service.
So, marketing also means selling and servicing the customer. Confucius said that the superior man "is anxious to see clearly" and "wishes to hear distinctly." Excellence in selling and servicing starts with watching and listening closely to what customers do and say so we can develop approaches that best fit their particular circumstances.

The creative response to customer need comes from all levels. It can be distilled, coordinated and shaped at the top. But like quality, it must permeate the Company.

The Superior Company and Quality

It's no accident that in talking about "marketing" the word "quality" pops up. Quality is another ingredient of creative response to customer need. In other words, quality is one more element of marketing, and you might say that the emphasis in Control Data on the Total Quality Management Process (TQMP) is, in reality, just another way of emphasizing marketing.

Confucius said: "The superior man figures totalities, not angles. The little man figures angles, not totalities." The superior company also figures totalities, not angles. And TQMP is a concept that figures totalities in managing quality.
A lot of management is, mistakenly, aimed at angles, that is, on fixing problems. Instead, the focus should be on totalities, or fixing the process that causes the problems. That's what TQMP is all about -- process. And, process can be continuously improved, which is to say continuously cultivated.

The Superior Company and Change

Another saying of Confucius is: "Where the superior man goes, things change...". Control Data is a superior company with superior people like you and where we go, things change. For 30 years we have been a driving force of change in the world.

Just consider some of the product changes we've brought into the marketplace. The very concept of the supercomputer was introduced to describe the dramatically different computer Control Data designed a quarter century ago. Now, with the introduction of the ETA-10, we're continuing to show the way. The New York Times recently reported that when the ETA-10 reaches full configuration, it will be the first supercomputer to receive the U.S. Department of Energy's Class VII rating. Up to now, the most powerful machines have been in Class VI.
We pioneered computer-based training. Although a few short years ago this concept was almost uniformly rejected and we were derided for our ideas, that has changed. CBT is now rapidly becoming an accepted part of training and education processes.

Until Ticketron came along with automated ticketing, the "hard-ticket" process had not changed in some 400 years, or since Elizabethan times.

And Ticketron is but an example of the application of computer technology to produce new services as well as new forms of old services which now are a part of everyday life for people around the globe.

Incidentally, it was, among other reasons, to foster the growth of services that Control Data led the fight 20 years ago to change the basic pricing structure of the computer industry. "Unbundling" as that change was called, when initiated in 1969, marked the beginning of the rapid growth of computer services.

Control Data fostered the idea and practice of technological cooperation. In the early days there were the technology partnerships with Fairchild that made possible the early supercomputers. The formation of MPI over a decade ago to
share disk drive technology and manufacturing provided the major impetus to market leadership for the data storage products business.

Four years ago we conceived and put in place the MCC research consortium, and, as a result, there are now some 50 cooperative research efforts in place in the computer and other industries. As a matter of fact, MCC even precipitated a change in U.S. antitrust laws to allow technology companies to engage in cooperative R&D work.

These kinds of changes are not small things. They have fundamental and far-reaching effects on how business is conducted and on the economic lives of people all over the world. The imagination and the determination to bring about that kind of change is found in very few companies. We are one of those.

Control Data has been no less a change agent in the practice of the human resource management. Take just one example -- EAR -- the 24-hour confidential service to employees and their families to help solve personal and work-related problems. Control Data was a pioneer of the EAR concept back in 1974. It spread quickly to other companies, to professional sports teams, and communities at large. **Not long ago at the Board
meeting of the Mpls. Area United Way I heard a report that its "First Call for Help" (an EAR equivalent) is one of their fastest growing human services. Listening to such a report, there is a special feeling of pride knowing your company pioneered the idea behind it.** (this starred portion omitted in International Group #2)

The Superior Company and Adversity

Still another Confucius saying that has special meaning for Control Data is: "The superior man keeps cool when he's hungry...a little man -- he goes hungry and falls apart from it."

As a company, over the past two years we clearly demonstrated during the restructuring the coolness that Confucius refers to in this statement. On more than one occasion we could've fallen apart. But, I'm proud to say, we kept cool and did what had to be done.

At the 100% Club I said that the four basics we applied to restructuring the company were: A clear view, a cold appraisal, a willingness to take risks and no looking back.
In doing the "cold appraisal," I realize now, we applied once again this principle of self-cultivation as expressed in two other Confucius sayings: "What the superior man seeks is in himself." And -- "The superior man does what is proper in the position where he is; he does not wish to go beyond that."

The financial restructuring of the Company took advantage of the value we had in our own assets. We had to determine those businesses that offered the best opportunity for sustained competitive advantage. And, as you know, we considerably narrowed the Company's focus. Some 13 businesses or product lines were sold or shut down. By working these assets to realize their value, we were able to provide a sound financial foundation for the Company to aggressively develop its chosen businesses.

At its root Control Data's philosophy and strategic focus is to do fewer things better. To paraphrase Confucius, we will continue to seek what's within ourselves -- and to do what is proper in the context of the given circumstances.

The words, "doing what is proper," however, have still broader meaning and application in how we do things in the company. "Doing what is proper" for customers can be seen as another way of saying, "Quality," that is, we will constantly seek "conformance to customer expectations."
"Doing what is proper" for employees is at the core of the belief in people and the principles of good human resource management. That's difficult enough in good times; in bad times it is indescribably tough. One of the things I will always feel good about is the manner in which the downsizing of 1985-86 was handled. Today, including Commercial Credit, there are 21,000 less employees than on December 31, 1984. Yet less than 6,700 of those were forced terminations. Personal pain and dislocation were impossible to avoid. But we truly minimized the pain to the extent possible for everyone involved, In addition retained a lot of superior people and generally improved the organization. That is something for all of us to feel good about.

Doing what is proper involves other difficult business decisions as well. An example is Control Data's decision to stay in South Africa. We are not missionaries. Our purpose in life is to add value and create wealth. But we can do that both ethically and humanely.

In his book on business in South Africa, "Black and Gold," Anthony Sampson dismisses as "superficial morality" the theory that apartheid will wither as the economy grows and blacks advance and prosper.
Well, I don't see anything superficial at all in treating blacks and whites as equals and providing an environment where black workers and their families can improve their lives.

In our own small way, we are helping black South Africans prepare for the post-apartheid period. We intend to stay as long as we believe that it's economically the proper thing to do for Control Data and its employees and customers in South Africa. We, of course, do not totally control the circumstances. Some day we may be faced with the unavoidable decision to leave; but we will do so, I'm sure, as creatively and as properly as we are now staying.

CONCLUSION

I think that if Confucius were alive today he would approve of what we're doing at Control Data.

Many of the sayings that he urged people to live by, we are following as a company.

I strongly believe Control Data is a superior company. And I believe that our words and action -- our hinge and spring -- will move us to glory in the years ahead -- which is not to say there won't be pain along the way.
At the last Summit Conference in 1985, I read a poem titled, "The New Day."

I would like to read the poem again because I think the events since we last gathered make it even more appropriate as we meet here tonight:

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

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

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

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

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

As the sun begins to rise
The dark shadows of despair
Fall away--the new day's here
Wonderful, bright and fair.
Thank you for making this "new day" possible. You are truly superior people and I know that you'll continue the superior performance that brought you here to Hong Kong.

Confucius would probably say, "Superior people make their own luck." But let me wish you good luck anyway. As always -- good selling and I hope to see each of you in London.
But perhaps the fondest memories will belong to Ed Crews and his wife, Estlee, who celebrate their 20th wedding anniversary tomorrow (June 3).

Ed joined Control Data in 1965. He has made the 100% Club ten times and this is his third Summit Conference.

I would like to pay tribute to Ed and Estlle on this very special occasion by raising our glasses in their honor. Happy Anniversary, Ed and Estlee. We wish you continued happiness and many, many more fulfilling years together. Thank you for spending your anniversary with us.