INTRODUCTION

Thank you, Dean Borsting. I welcome the opportunity to be part of this CEO Lecture Series.

It has been said that a challenge for all of us "is not to learn, but to unlearn."

That statement is especially true for any business executive visiting a college campus. Caught up in the pressures of day-to-day business, we tend to stick with what we learned in the past. Meeting and exchanging ideas with younger people who often have an entirely different perspective is a challenge to re-think the way things are done and, if necessary, unlearn.

Anyway, I want you to know that I've come to your beautiful campus today prepared to both unlearn and learn, but I make no claims as to my competence in either regard.

I've titled my remarks, "Managing for Success in the Changing Corporation." First let me say a few words about the sort of change taking place in Corporate America.
THE CHANGING CORPORATION

To illustrate this change, I'll just say two words: "restructure" and "downsize."

Twenty-five years ago neither word was listed in Webster's Seventh New Collegiate Dictionary. Five years ago both words were listed, with "downsize" defined this way: "To make in a smaller size...downsize automobiles."

These days instead of automobiles, a far more likely example would be corporations. And the definition might read: "To make leaner and more competitive. To narrow the focus of an organization's activity."

In a recent survey of some 600 American CEOs, nearly 39 percent said their companies had "downsized" in the past two years. Thirty-five percent of these same executives intend to do more downsizing in the next two years.

It has been estimated that downsizing and restructuring have eliminated more than 1.5 million professional and managerial positions at U.S. companies since 1979.
Control Data has certainly experienced the kind of change those figures imply. Restructuring has meant a reduction in the size of the full-time employee population from nearly 61,000 in January 1982 to 34,500 at the beginning of this year. It has resulted in fewer levels of management, with up to five levels having been removed over the past two years. The levels now range from four to eight across the Company. Meanwhile, the employee-manager ratio has increased from 6.6 in 1982 to nine employees per manager today.

The numbers may vary from company to company but they all add up to the same thing: American corporations are getting leaner. And world competition being what it is, they're going to stay that way to survive. U.S. companies must stay lean to survive.

Peter Drucker—the management consultant—sized up the situation correctly in a recent *Harvard Business Review* article. Drucker wrote:

"The typical large business 20 years hence will have fewer than half the levels of management of its counterpart today, and no more than a third the managers."
"In its structure, and in its management problems and concerns, it will bear little resemblance to the typical manufacturing company, circa 1950, which our textbooks still consider the norm. Instead it is far more likely to resemble organizations that neither the practicing manager nor the management scholar pays much attention to today: the hospital, the university, the symphony orchestra. For like them, the typical business will be knowledge-based, an organization composed largely of specialists who direct and discipline their own performance through organized feedback from customers, colleagues, and headquarters."

I find the analogy of the corporation to a symphony orchestra particularly appropriate. Although, in the case of my own company, I think the better metaphor would be a jazz ensemble.

Whatever the case, the management job in Drucker's new "information-based organization" will be analogous to that of a music conductor. It will require that managers, like conductors, be able to focus each player's skill and knowledge on the same "score" and their joint performance.

MANAGING FOR SUCCESS

Now, I realize that not all of you will be going into management. But those of you who do should know exactly what your objective is.
That may seem fairly straightforward. It's amazing, however, the number of people who don't really know what their objective is when they set out to become a manager or a top executive.

There are five management principles that have guided me over the years. They have been particularly helpful as guideposts through Control Data's turbulent change of the past few years. I'd like to share these principles with you.

The first principle is: "The true reward of management is accomplishing complex tasks through the success of others. Once you have experienced that feeling, nothing else in business will ever bring you complete satisfaction. If your prime goals are personal recognition or riches, there are far better and easier paths to take."

Management is both complex and ever-changing. So it offers both great intellectual challenge and variety. Likewise it offers the opportunity to work with others in the most rewarding way. That is to simultaneously learn from and teach others, to stimulate and be stimulated by others. So openness and a desire to learn are fundamental to a manager's success -- and realizing its rewards.
The second management principle is: "Develop your own style...learn from everyone, imitate none. Success in this development depends more than anything on remembering that your first obligation is to provide an environment that will enable your subordinates to realize their full potential. And fitting your own strengths and weaknesses to that purpose."

As Drucker pointed out, the corporate culture of the 1950s and 1960s is an anachronism. To survive in today's highly-competitive marketplace demands responsiveness. Responsiveness to both customer need and technological change.

This responsiveness requires decentralization to get decisions closer to the market. At Control Data, for example, we are decentralizing the organization and shaping a new corporate culture built on commitments to Marketing, Quality and People.

The word "marketing" means many things to many people. We have defined it this way: Marketing is a system of management that produces an in-depth understanding of what you must do to help make your customers successful, and produces the processes necessary to assure the successful implementation of that understanding. By focusing on customer success -- their needs and requirements to achieve success -- you, your business, can gain competitive advantage and success.
Quality also has been defined many ways. But the most effective definition and the one we use at Control Data is: conformance to customer expectations. So you can see that from a macro viewpoint Quality and Marketing are essentially synonymous.

All too often, quality is thought of as elegance. But quality is as essential to, and as achievable in, a Chevrolet as in a Cadillac...a McDonald's as in a five-star restaurant.

At Control Data, we have embodied the drive for quality in what we call TQMP—Total Quality Management Process. TQMP embraces three concepts: 1) Quality can and must be managed; 2) Everyone has a customer; 3) Processes are the problem, not people.

We've been spreading TQMP through the company for four years now. The process of converting a large organization to a quality culture is estimated to be a 7-10 year process. I can certainly vouch for that. But let me tell you nothing can be more exciting than to see the concept take hold—to see the feelings of power, and competence it brings to people at all levels of the company.

At the heart of quality is this concept of empowerment—enabling individuals to achieve their full potential and, at the same time, accept accountability for their work product. That, as I pointed out a moment ago, is the basic objective of an effective management style. In Control Data we want people to be able to say these six words to themselves: "What I think and do matters."
In the book, *The Empowered Manager*, business consultant Peter Block writes, and I quote: "The key to powerful companies are powerful employees--those who will take responsibility without waiting for it to be handed to them, who care more about getting results than pleasing others, who will take calculated risks and not cling to the status quo, and who have visions of what their companies can be and are strong, honest advocates of that vision."

I want to expand on this matter of empowerment a bit further.

Successful managers are able to produce gut level motivation without resorting to exploitation. Fear of failure ... fear of competitors ... plain old discomfort and concern -- are powerful motivators. They are as useful in the management job as reward. Exploitation, on the other hand, is to exercise insecurities to the detriment of the person being managed. It's surprising how many managers cannot recognize the difference.

Fundamental to this differentiation are accountability, consistency and criticism.

**Accountability** will produce self-improvement, self-motivation and self-discipline. Any tyrant can induce "sweaty palms" but managerial leadership induces self-discipline and accountability. Managerial **consistency** derives primarily from a strong set of
personal beliefs and a sense of fairness. A manager's beliefs must be based on mental hard work—studying, understanding, forming opinions and developing reference points.

Being fair means to hear things out. Of course, it also means not to exploit one person to the benefit of another. But most important in the relationship between a manager and a subordinate is the willingness to listen and possessing the knowledge to be able to explore with them problems and solutions. Fairness demands that a manager have strong opinions. There must be a willingness to change but no propensity to do so. Above all, fairness does not mean to be accommodating or to have jelly beans for everybody.

The concept of people empowerment also has a dimension of particular importance as we approach the 1990's. That is the challenge of providing advanced opportunity for women and minorities.

The statistics are compelling.

Today, women and minorities, including immigrants, make up 53 percent of the American workforce. That number will increase significantly. According to the Hudson Institute, this group will account for approximately 85 percent of the net number of new workers between now and the year 2000. Women alone will account for 64 percent of those new workers.
The flip side of these figures is perhaps most important. The native white male now constitutes 47% of the workforce. Between now and the year 2000, native white males will make up only 15% of the net additions to the workforce.

The message in these numbers for management can be summed up in one word: Opportunity. If managers don't use that opportunity to make sure that women and minorities develop fully their abilities, there's going to be a huge gap between the needs of American business and the skilled human resource essential to its success.

The third principle has to do with challenge. A manager's greatest challenge is to encourage risk taking change agents. This is particularly difficult in large organizations. The responsibility for and importance of this grows greater with the higher level of management. Innovation is not in the character of large organizations. It must be consciously induced and separately nurtured or it will be smothered and eliminated by the organization.

More often than not, the people who are most innovative have characteristics that make them unappealing to the organization at large. Indeed, they frequently work at cross-purposes to the objectives of the organization. The management job in this regard demands an excellent sense of balance. Amongst other things the manager must remember this: while most innovators are mavericks, most mavericks are not innovators.
The word innovation, by the way, has a semantic halo effect that results in the association of innovation with the creation of some wonderfully new and different product or service. But the management task with respect to innovation is both more mundane and more profound than that.

What it amounts to is this: a manager must inculcate in the work group the concept of continuous improvement (i.e., change) in every work process. Said more simply, it's the "there's gotta be a better way" mind-set. This, as a matter of fact, is the basic mind-set which underpins a Total Quality approach to management. So embracing change in the work group is the single greatest challenge of management today and for the future.

The fourth principle is that of management responsibility. In the 1970's there was a running debate as to whether the purpose of a business enterprise was simply profits or encompassed a larger set of "social responsibilities."

In recent years this debate has taken the form of whether the corporate responsibility is solely to the shareholder -- more explicitly to shareholder value -- or to a broader group comprising shareholders, customers, employees, and the communities in which it operates.
The debate is unfortunately by and large set forth in terms of invective and rationalization rather than insight and rationale. So there's nothing to be gained from reciting the familiar arguments. The motivation underlying the whole issue, however, is ominous. It is a desire for instant gratification not dissimilar to that which invaded the economic structure of Great Britain in the latter half of the 19th Century, and ultimately stripped that country of its economic prowess. This is clearly a serious threat to the future of U.S. world leadership.

At the root of all this is a failure to understand the difference between "creating value" and "realizing value." Indeed, the misunderstanding is so profound that people continually refer to the process of realizing stockholder value by referring to it as "creating stockholder value".

"Creating value" or "creating wealth" (and I'll use the terms interchangeably) means building competitively advantaged businesses -- that is, businesses which contribute to the success of the customers they serve. As a result, over time, they will generate superior financial performance. Creating wealth is a relatively long-term process.
"Realizing wealth" means to restructure, or broker a portfolio of businesses or properties so that the underlying values become more immediately evident, which in the case of publicly owned companies leads to a higher stock price. Realizing wealth is a relatively short-term process.

Clearly a business and its managers have the responsibility to both create wealth and realize wealth for its stockholders. And I assure you that while realizing wealth primarily involves analysis and paper, creating wealth is much tougher, and is impossible without primarily focusing on customers and employees.

Furthermore social change can just as surely threaten business as can technological change or change in its financial health. The manager's responsibility is to correctly sense and appraise the environment and its changes and establish strategies to both create wealth and realize wealth. Without exception, change will present market opportunity. The degree of health of the organization in its multiple dimensions—stockholders, employees, customer base and community relations—determines its ability to grasp those opportunities.

The fifth, and last, principle is: "The managerial job is physically, emotionally, and mentally demanding. Poor husbandry of those personal resources will ultimately result in failure."
Time frames in management tend to be extended. The results of missed opportunity or lack of vigor are seldom immediately apparent. Yet a sense of urgency is fundamental and a proper sense of urgency is not possible for people who are physically debilitated, mentally dulled, or emotionally unstable.

The management job demands perspective. Perspective can only come from experiences -- as many experiences as you can cram into a day. Reading is the only shortcut to actual experience available. It is simply a way to share the experiences of others and therefore is highly leveraged in this matter of gaining perspective. Even so there is a caveat. And that is, always try to learn from whatever you read, but don't always believe whatever you read.

These personal resources -- intellect, emotion and health -- are highly interdependent. Intellectual achievement, mental alertness are impossible with a sluggish body. Mental confusion and distress leads to physical deteriorization. And disorganization of time use can induce pathological states in either body or mind.

Those, then, are the five principles that have helped me as a manager and executive. I still remember when I first articulated them for myself. I was on an airplane reading a book on management principles when I decided to write down my own
thoughts. I still have the original notes. About once a year I get them out and test them against a recent experience. I can say they have served me well. As I was reading them in preparation for today, I came across a statement on leadership and General George C. Marshall, America's chief of staff in World War II and the architect of Europe's postwar economic recovery plan -- the Marshall Plan, as it became known.

Here's what I wrote: "General Marshall was in the context of his culture and background, the ultimate leader. He was stronger and tougher than Eisenhower. He was more rational and considerate than Patton. Above all, he was not driven by ego-mania. He was as smart as any of them. But his single greatest attribute was self-discipline."

In thinking about this statement, I recalled a story about Marshall when he was a second lieutenant stationed in the Philippines. There wasn't much for him to do at the time so he decided to work on improving his mechanical aptitude, which was lousy. He got an old truck and every afternoon he made himself take the engine apart and put it back together again. He did this until he overcame that particular weakness in himself. This was indicative of the leader he was to become, dealing with himself and others.
Few people can match General Marshall's greatness. But we can follow the example of his management skill and self-discipline as we go about our tasks. The success of our orchestra will bring us success as conductors, and help make beautiful music for everybody -- customers, employees, communities -- and most especially, stockholders.

Thank you.