INTRODUCTION

THANK YOU, PROFESSOR MEYERS. I WAS GOING TO SAY IT'S A PLEASURE TO BE HERE BUT AFTER SOME OF THE HARD-HITTING COMMENTS AND QUESTIONS I'VE HEARD THIS AFTERNOON, I'M NOT ALL THAT SURE...MAYBE I'D BE BETTER OFF SPENDING 60 MINUTES WITH MIKE WALLACE.

SERIOUSLY, I WELCOME THIS OPPORTUNITY TO SHARE MY EXPERIENCES AS CEO AT CONTROL DATA. AS FORMER BASEBALL MANAGER GENE MAUCH ONCE SAID: "IF IT'S TRUE THAT YOU LEARN FROM ADVERSITY, THEN I MUST BE THE SMARTEST S.O.B. IN THE WORLD." [PAUSE]
PROFESSOR MEYERS TOLD ME THAT YOU'D BE READY FOR MY VISIT.

JUDGING FROM YOUR COMMENTS, I WOULD GIVE ALL OF YOU AN A+ ON YOUR HOMEWORK. I WANTED TO BE EQUALLY WELL-PREPARED. SO, I REVIEWED MANY OF THE SAME NEWSPAPER AND MAGAZINE ARTICLES THAT YOU DID.

AFTER READING ABOUT THE EVENTS OF THE PAST FEW YEARS, A HENRY KISSINGER QUOTE CAME TO MIND: "THERE CANNOT BE A CRISIS NEXT WEEK. MY SCHEDULE IS ALREADY FULL."

THE PERIOD SINCE THE MID-EIGHTIES HAS BEEN AN INCREASINGLY TROUBLED ONE FOR THE COMPUTER INDUSTRY. IN TERMS OF ECONOMIC FORCES, COMPETITIVE STRUCTURE AND TECHNOLOGY, THE INDUSTRY HAS NEVER SEEN GREATER CHANGE.

WELL, IT IS WITH SOME SATISFACTION THAT I NOTE THIS QUESTION WAS ASKED MORE THAN FOUR YEARS AGO. INDEED, CONTROL DATA HAD A FUTURE IN 1985 JUST AS IT DOES TODAY. BUT TO ENSURE THAT FUTURE, CONTROL DATA HAD TO MAKE SOME DRAMATIC CHANGES.
I CAN TELL YOU THAT MAKING THOSE CHANGES WAS NO EASY TASK. AS ONE SECURITIES ANALYST TOLD THE NEW YORK TIMES ON MY SELECTION AS CEO: "NO ONE'S EVER RESTRUCTURED A $5 BILLION COMPANY IN THE COMPUTER INDUSTRY LIKE THIS BEFORE."

SITUATION IN 1985

- FOUR MAJOR BUSINESSES

  FINANCIAL SVCS. - COMMERCIAL CREDIT

  PERIPHERAL PRODUCTS

  COMPUTER SYSTEMS

  COMPUTER SERVICES

  INFORMATION

  SOFTWARE AND SYSTEMS INTEGRATION

  PROCESSING SERVICES
[SOME OF THE MORE ESOTERIC OF THESE: EDUCATION,  
WELLNESS, MGMT. & TECHNOLOGY ASSISTANCE TO SMALL  
BUSINESS, INFO. SVCS. FOR SMALL FARMS, ETC.]

• MAJOR PROBLEMS IN EACH -- EACH DIFFERENT IN NATURE

FINANCIAL SVCS. - OVER-DIVERSIFICATION, "ONE-STOP  
SHOPPING" - CHANGING MARKETS ("TECH.")

PER. PRODS. - MARKET LEADER ARROGANCE. HARDENING

OF THE ARTERIES.

COMP. SYS. - NOT RESPONDING FAST ENOUGH TO CHANGING MKT.

COMP. SVCS. - MAJOR TECHNOLOGY CHANGE IMPACT.
• GENERAL PROBLEMS - OVERDIVERSIFICATION - TRY ANYTHING. HIGHLY CENTRALIZED CULTURE. [OBSERVATION: A PERSON’S (OR ORGAN.’S) GREATEST STRENGTH IS THEIR WEAKNESS]

• IMMEDIATE 1985 CRISIS: LIQUIDITY

WHAT WAS DONE


3RD LGST IPO IN WALL ST. HISTORY.

(2) “FIXED” PPCO - CHANGE OF MGMT. CUT BACK TO OEM DISK DRIVES.

FIXED PRODUCT PROBLEMS. CHANGED MGMT. AGAIN. SOLD PPCO. 400+M.

TOOK 2 YEARS LONGER 1986-1987, COST MORE THAN SHOULD HAVE.

(3) CHANGED COMP. SYS. STRATEGY - 10/88 - 5/89.

(4) INVESTED IN SVCS. BUSINESSES THRU ACQUISITION AND INTERNAL DEVELOPMENT.
WHERE WE ARE IN 1990

• REPOSITIONED. RIGHT PLACE IN THE MARKET.

• STILL HAVE FINANCIAL “OVERHANG” TO FIX BEFORE AGGRESSIVE GROWTH CAN TAKE PLACE.

• COMPETITIVE ADVANTAGES NEED TO BE STRONGER. NO “PROFIT (OR CASH) COW” TO MILK - OR EVEN CARRY THE LOAD.

LEADERSHIP QUALITIES IN TIMES OF CRISES

“KEEP YOUR COOL,” “BE DECISIVE,” “EXUDE CONFIDENCE”, ETC. THOSE ADMONITIONS ARE ALL WELL AND GOOD - BUT THEY TRULY DON’T TELL YOU SO MUCH ABOUT “HOW” AS “OUTCOME”.

Pages 11,14-17 missing in original (Jan. 2010)
(1) A CLEAR VIEW - THERE ARE THOUSANDS OF THINGS CROWDING IN AT ONCE - YOU HAVE TO \textit{filter} THEM WILL ALL THE INTENSITY YOU CAN MUSTER. (WHAT PROBLEM ARE YOU TRYING TO SOLVE? E.G. SCREENS) - CONCENTRATE ON IMMEDIATE AND OVERRIDING CONSTRAINTS; E.G. (A) TIME - ‘86 BANK DEBT 12/31 (B) BASIC SOURCES RATHER THAN SYMPTOMS - LACK OF BUSINESS FOCUS, NEED FOR CULTURE CHANGE (C) PEOPLE - OVERRIDING CONCERN FOR PEOPLE.

(2) A COLD APPRAISAL - THIS MAY BE HARDEST BECAUSE CRISIS HEIGHTENS ADRENALINE FLOW AND ADRENALIN FLOW AMPLIFIES EMOTIONAL DRIVES. E.G., BANK DEBT - SALE OF CCC VS PUBLIC DEBT OFFERING; CULTURE CHANGE - OUTSIDE APPRAISAL; PRODUCT DEFICIENCIES - OUTSIDE APPRAISAL.
(3) A WILLINGNESS TO TAKE RISKS - IF THERE IS A RISKLESS PATH OUT OF
MAJOR CRISIS, I HAVEN’T KNOWN ONE AND THEY MUST BE VERY RARE! E.G.,
BANK DEBT - MAJOR ASSET SALE - IF IT FALLS THROUGH DEBT OFFERING
IMPERILED. ON THE OTHER HAND, IF UNERTAKE DEBT OFFERING AND IT
FAILS -- THEN - FIRE SALE!! BUSINESS “FOCUS” -- EASY TO SAY, BUT WHICH
TO CHOOSE? -- INCOMPLETE KNOWLEDGE. SHORT-TERM WINNERS
DOMINATE. AGAIN SITUATION AT CONTROL DATA -- WAS NO CASH PROFIT
CULTURE CHANGE - MEANS NEW PEOPLE. NEW PEOPLE ARE THE
BIGGEST RISK OF ALL. DILEMMA: OLD PEOPLE WON’T/CAN’T CHANGE. NEW
PEOPLE ARE UNKNOWNS. FIRST THREE MONTHS CHANGED HALF (5) OF TOP
10 EXECS. IN THE CO. FOUR WERE “NEW” TO COMPANY (I.E., LESS THAN 3
YEARS).

NO LOOKING BACK

MEANING IS OBVIOUS I THINK - MAKE YOUR CHOICES WITH YOUR EYES
OPEN. THEN DEVOTE EVERY OUNCE OF MENTAL AND PHYSICAL ENERGY TO
MAKING THEM WORK.

• BUTCH CASSIDY & THE SUNDANCE KID
• DON'T GIVE IN TO "WHAT MIGHT HAVE BEEN" OR WORSE YET, MERE
NOSTALGIA

ABOUT THE “GOOD OLD DAYS.”

• EXERCISE

• DO THE RIGHT THING FOR THE COMPANY -- 1ST, LAST & ALWAYS.
WHAT I WOULD HAVE WISHED:


2) ETA - WOULD HAVE FOUND A WAY TO LET IT SURVIVE. NOT A DIFFICULT DECISION, BUT ONE I FEEL BAD ABOUT -- DIFFERENT THINGS. [JAMES FLANIGAN QUOTES]

3) PEOPLE CHOICES. PERIPHERAL PRODUCTS, COMPUTER SYSTEMS, ETA. THIS IS INVARIABLY THE ROOT ISSUES. DIFFERENT TIMES, DIFFERENT PLACES. BUT ALSO, DIFFERENT TIMES, DIFFERENT FACES. CRISIS IS THE TRUE TEST.

4) ‘85 PROVISION WAS NOT BIG ENOUGH.

- MY ABILITY TO ASCERTAIN EXEC. WEAKNESSES - A 3-HORSE RACE

THAT TURNED OUT TO BE A ONE HORSE RACE.

- NOT BEING ARBITRARY ENOUGH
WHY I FEEL GOOD:

1) AN ARDUOUS AND DIFFICULT RESTRUCTURING HAS BEEN DONE. WE ANTICIPATED THE DIFFICULTY IN THE INDUSTRY. THE COMPANY IS MORE FOCUSED. THE COMPANY HAS SURVIVED. IT IS IN THE RIGHT PART OF THE MARKET FOR THE FUTURE. [QUOTE FROM GARTNER GROUP]

2) DECENTRALIZATION

3) TOTAL QUALITY MANAGEMENT

4) BOARD CHANGES

5) MCC

6) AT EASE WITH MYSELF.
NOTES FOR POSSIBLE DISCUSSION

ADVICE AND OBSERVATIONS

1. ROLE OF MEDIA IS DIFFERENT TODAY --

   MUCH MORE AGGRESSIVE

   MUCH MORE USE OF SECURITIES ANALYSTS

2. ROLE OF FINANCIAL ANALYSTS IS CHANGING LARGE STOCKHOLDERS

3. EVERY SALESMAN KNOWS THAT WHEN ALL IS SAID AND DONE IF YOU MAKE QUOTA YOU ARE A HERO: SMART, ADEPT, FINANCIALLY KNOWLEDGEABLE, A BOON TO MANKIND. IF YOU DON'T YOU ARE A BORN: LYLE ALTMAN, NETWORK SYSTEMS.
4. "A HUGE EGO AND THICK SKIN" IS THE WORST POSSIBLE COMBINATION FOR A PERSON IN THE CEO POSITION.

5. DON'T GET TOO FULL OF YOURSELF WHEN YOU'RE SUCCEEDING.