GOOD AFTERNOON AND WELCOME TO THE KICKOFF MEETING FOR THE 1984-1988 LONG-RANGE STRATEGIC PLAN.

AND A SPECIAL WELCOME TO THOSE OF YOU IN BALTIMORE JOINING US VIA TELECONFERENCING. LAST YEAR WE ASKED THE COMMERCIAL CREDIT PARTICIPANTS TO TRAVEL OUT TO MINNEAPOLIS FOR THE MEETING. WITH THE TRAVEL EXPENSE WE'RE SAVING THIS YEAR, I NOW HAVE ONE MORE REASON TO REQUEST AN IMPROVEMENT IN COMMERCIAL'S YEAR-END FORECAST!

WE CALL THIS THE "KICKOFF MEETING" BECAUSE IT'S THE TIME WHEN WE OFFICIALLY LAUNCH THE FORMAL PLANNING EFFORT BY DISTRIBUTING THE PLANNING MANUALS, CONFIRMING THE CALENDAR AND DISCUSSING IMPLEMENTATION DETAILS.

BUT PROCEEDING THIS KICK-OFF, WE HAD ALREADY INITIATED AN ANALYSIS EFFORT OF TOP CORPORATE ISSUES. SEVERAL OPERATING GROUPS HAVE ALSO STARTED THEIR PLANNING PROCESS ON AN ACCELERATED BASIS. SO THE PROCESS IN REALITY IS WELL UNDER WAY.
TODAY, WHILE WE'RE ALL TOGETHER, I'D LIKE TO COVER TWO SUBJECTS WITH YOU, EACH VERY BRIEFLY. FIRST, A FEW COMMENTS ABOUT THE PLANNING PROCESS ITSELF. AND SECOND, SOME OBSERVATIONS ON THE CHALLENGE OF STRATEGIC PLANNING AT CONTROL DATA.

THE FIRST THING TO SAY ABOUT THIS YEAR'S PROCESS IS THAT IT IS HIGHLY SIMILAR TO THE ONE WE USED LAST YEAR. THAT, IN ITSELF, IS NOT AN INSIGNIFICANT STATEMENT, AS MANY OF YOU CAN APPRECIATE FROM HAVING PARTICIPATED IN PLANNING EFFORTS OVER THE YEARS.

WE HAVE MADE A CONSCIOUS DECISION TO MINIMIZE STRUCTURAL CHANGES AND TO CONCENTRATE INSTEAD ON CONTENT. AS A RESULT, MANY OF THE KEY ELEMENTS OF THIS YEAR'S PLANNING PROCESS ARE VIRTUALLY UNCHANGED:

O FOR EXAMPLE, PLANNING ACTIVITIES WILL AGAIN BE STRUCTURED AROUND A "FIRST HALF" AND A "SECOND HALF", WITH A "HALF-TIME" IN BETWEEN.

O AND LIKE LAST YEAR, PLANS WILL BE SCRUBBED BY THE STRATEGIC PLANNING AND REVIEW COMMITTEE BEFORE THE FINAL REVIEW BY MYSELF. WE ARE WORKING TO IMPROVE THE EFFICIENCY OF THESE REVIEW SESSIONS, HOWEVER.
FINALLY, THE LRSP FORMS THEMSELVES ARE VIRTUALLY UNCHANGED ALTHOUGH THEY HAVE BEEN REDUCED IN NUMBER AND SIMPLIFIED. ALSO, THE ENTIRE PLAN IS NOW ON WORD PROCESSING, AN IMPROVEMENT WHICH SHOULD BE WIDELY APPRECIATED.

THERE ARE TWO AREAS, HOWEVER, WHERE WE HAVE MADE SIGNIFICANT CHANGES. ONE IS OBVIOUS ALREADY, AND THE OTHER WILL BECOME OBVIOUS VERY SOON.

THE CHANGE WHICH IS OBVIOUS IS THE INCREASED EMPHASIS ON THE IDENTIFICATION, ANALYSIS AND RESOLUTION OF MAJOR STRATEGIC ISSUES.

A STRATEGIC ISSUE IS NOT TO BE CONFUSED WITH A STRATEGY OR AN OBJECTIVE ALTHOUGH IT MAY BEAR A CLOSE RESEMBLANCE TO ONE OR BOTH OF THEM. RATHER, A STRATEGIC ISSUE IS A CRITICAL OPPORTUNITY OR THREAT OR PROBLEM WHICH MUST BE UNDERSTOOD, AND -- TO THE DEGREE POSSIBLE -- RESOLVED IF OBJECTIVE SETTING AND STRATEGY FORMULATION ARE TO BE DONE ON A SOLID FOUNDATION.

ANOTHER COMMON CHARACTERISTIC OF MAJOR STRATEGIC ISSUES IS THAT THEY ARE COMPLEX, AND THEY OFTEN AFFECT MULTIPLE ORGANIZATIONS.
WE HAVE ADDRESSED SUCH ISSUES BEFORE IN STRATEGIC PLANNING. AT LAST YEAR'S KICKOFF MEETING, WE DISTRIBUTED TEN STRATEGIC ISSUES, AND THE PLANNING UNITS WERE ASKED TO RESPOND IN THEIR LONG-RANGE PLANS.

THIS YEAR WE TOOK A MORE INTENSIVE APPROACH.

LAST JANUARY, AFTER A LENGTHY EVALUATION PROCESS, THIRTEEN ISSUES WERE SELECTED BY THE MANAGEMENT COMMITTEE. WE THEN FORMED THIRTEEN ISSUE ANALYSIS TEAMS TO STUDY THE ISSUES, INTERACT WITH THE PLANNING UNITS AND DEVELOP SUMMARY REPORTS AND ACTION PLANS.

IN A FEW MINUTES JOHN LACEY WILL DESCRIBE HOW THESE TEAMS OPERATED, AND HE WILL GIVE YOU A BRIEF OVERVIEW OF THE ISSUES THEMSELVES.

WE'RE INTENT ON MAKING MORE PROGRESS IN THE RESOLUTION OF THESE CRITICAL ISSUES THIS YEAR, AND THE CONSIDERABLE EFFORTS OF THE THIRTEEN ISSUE TEAMS OVER THE LAST THREE MONTHS ARE VISIBLE EVIDENCE OF THAT RESOLVE.

THE OTHER CHANGE WE'RE MAKING, WHICH IS NOT YET VISIBLE, HAS TO DO WITH OUR APPROACH TO LONG-RANGE STRATEGIC FINANCIAL PLANS.
IN THE PAST, FINANCIAL OBJECTIVES HAVE BEEN RELEASED TO THE
PLANNING UNITS EARLY IN THE PLANNING CYCLE. THIS WAS DONE TO
PROVIDE AS MUCH TIME AS POSSIBLE FOR THE DEVELOPMENT OF THE
FINANCIAL PLAN, IN CONCERT WITH PREPARATION OF THE NARRATIVE
STRATEGIC PLAN.

BUT THERE ARE TWO SIGNIFICANT DRAWBACKS TO THIS APPROACH:

FIRST, DESPITE EXHORTATION TO THE CONTRARY, IT HAS
PRODUCED A LOT OF NUMBER FUMBLING THAT HAS NOTHING TO DO
WITH ADDRESSING THE BUSINESS -- THE MARKETS, THE
PRODUCTS, AND THEIR RELATED STRATEGIES -- THAT ARE THE
REAL GUTS OF A STRATEGIC PLAN. IN EFFECT, EVERYBODY SAYS
"TO HELL WITH ALL THAT WORDY STUFF -- I KNOW WHAT THEY
REALLY WANT AND THAT'S THE NUMBERS." AS A RESULT,
THOUSANDS OF HOURS ARE SPENT MANAGING NUMBERS WHICH
REPRESENT VARYING DEGREES OF EXTRAPOLATION FROM LAST
YEAR, POSITIONING FOR NEXT YEAR'S BONUS PLAN, AND JUST
PLAIN HOPE. THEN SOMEBODY MAKES UP SOME WORDS THAT FIT
THE NUMBERS.

THE SECOND DRAWBACK IS THAT IN ANY EVENT FORECASTS EARLY
IN THE YEAR ARE NOT MUCH DIFFERENT THAN BUDGET -- SO BY
THE TIME THE PLAN IS FINISHED WE REALLY ARE WORKING WITH
YEAR-OLD BASE DATA.
SO THIS YEAR, WE WILL NOT BE ISSUING FINANCIAL OBJECTIVES UNTIL AFTER THE JUNE FORECAST.

THIS MEANS THAT THE FIRST HALF REVIEWS WILL NOT ADDRESS THE FINANCIAL CONTENT OF THE STRATEGIC PLANS. INSTEAD, THEY WILL BE FOCUSED EXCLUSIVELY ON THE FUNDAMENTALS — MARKETS, NATURE OF THE BUSINESS, OBJECTIVES, COMPETITION, AND MAJOR ISSUES.

DURING THE FINAL REVIEW PROCESS, WE WILL, OF COURSE, BE LOOKING AT THE FINANCIAL PLANS, AND THEN WE'LL MOVE INTO THE BUDGETING EFFORT FOR 1984.

WITH THOSE COMMENTS ON THE PROCESS ITSELF, LET ME SHARE SOME MORE GENERAL OBSERVATIONS WITH YOU.

PRETEND WITH ME FOR A MINUTE THAT YOU ARE NOT AN EMPLOYEE OF THE COMPANY, BUT RATHER AN INTERESTED OUTSIDER, PERHAPS A BUSINESS ANALYST OR A POTENTIAL INVESTOR.

IF YOU WERE TO STUDY THE 25-YEAR HISTORY OF CONTROL DATA, AND IF YOU PAID ATTENTION TO THE VARIOUS ARTICLES, STORIES, AND STUDIES ON THE COMPANY, YOU WOULD SURELY CONCLUDE THAT CONTROL DATA IS ONE OF THE MOST STRATEGICALLY VITAL CORPORATIONS IN THE UNITED STATES TODAY.
WE WERE FOUNDED ON A STRATEGIC VISION IN 1957, A VISION OF THE MARKET FOR LARGE-SCALE SCIENTIFIC PROCESSORS. THIS FIRST BUSINESS STRATEGY WAS QUICKLY AUGMENTED BY NEW INITIATIVES INTO DATA SERVICES, PERIPHERAL PRODUCTS, VOCATIONAL EDUCATION, THAT IS, CONTROL DATA INSTITUTES, AND THEN COMPUTER-BASED EDUCATION.

EACH OF THESE NEW STRATEGIES EMERGED ONLY AFTER CROWDING OUT OTHER COMPETING IDEAS, AND WERE GENERALLY GREETED WITH CONSIDERABLE SKEPTICISM INSIDE AS WELL AS OUTSIDE THE COMPANY.

NOR IS THAT JUST AN HISTORICAL STATEMENT. THE STRATEGIC JUICES ARE STILL FLOWING, GIVING RISE TO NEW VENTURES, URBAN AND RURAL SERVICES, HEALTHCARE SERVICES, AND SMALL BUSINESS SERVICES. THE SKEPTICISM AND CONTROVERSY STILL EXIST AS WELL.

BUT WHETHER OUTSIDERS AGREE OR NOT WITH ALL OUR STRATEGIES, NO ONE DOUBTS THE VITALITY -- THE ENERGY -- THE INNOVATIVENESS OF CONTROL DATA. THE MORE THOUGHTFUL AND FORSIGHTED ACTUALLY VIEW US AS ALMOST INVINCIBLE FROM A STRATEGIC VIEW.

THAT'S FINE. BUT IT'S NOT ENOUGH, AND IRONICALLY, IN SPITE OF THE VITALITY AND THE OBVIOUS ENERGY THAT WE COMIT TO NEW PROGRAMS, THE RESULTS ARE COMING UP SHORT. MOREOVER, IN SOME OF OUR ESTABLISHED BUSINESSES THERE IS CLEAR EVIDENCE OF MISSED OPPORTUNITY AND FAILURE TO MOVE RAPIDLY AND DECISIVELY.
SO THAT'S THE PARADOX; ROBUST HEALTH WITH REGARD TO NEW IDEAS, NEW VENTURES, NEW MARKETS, BUT AT THE SAME TIME, TIRED BLOOD.

WHAT CAN YOU AND I DO TO IMPROVE THE PLANNING AND EXECUTION TO GO WITH THOSE INNOVATIVE IDEAS? HOW CAN WE DEVELOP A MORE VITAL, ACTION-ORIENTED POSTURE FIRST WITH REGARD TO PLANS AND SECOND WITH REGARD TO EXECUTION OF THOSE PLANS?

THE ANSWER GOES BEYOND THE MECHANICS OF THE ANNUAL PLANNING CALENDAR. WE WON'T OBTAIN WHAT WE'RE AFTER SIMPLY BY STREAMLINING THE PROCESS OR PUTTING THE FORMS ON WORD PROCESSING.

THE ANSWER IS A MATTER OF CULTURE. STRATEGIC THINKING SHOULD BE TAKING PLACE AROUND US ALL THE TIME -- IN STAFF MEETINGS, IN PHASE REVIEW MEETINGS, IN ONE-ON-ONE CONVERSATIONS, IN NOISY ARGUMENTS OVER LUNCH, AND IN THE SOLITUDE OF INDIVIDUAL MANAGERS WORKING QUIETLY IN THEIR OFFICES. STRATEGY FOUNDATION IS RAGGED AND UNEVEN. IT MOVES ALONG IN FITS AND JERKS, CONSTANTLY CHANGING AND ADAPTING TO NEW OPPORTUNITIES AND PRESSURES. A STRATEGICALLY ALERT ORGANIZATION WILL KNOW WHERE IT IS IN THE MARKETPLACE, WHO ITS COMPETITORS ARE, AND WHAT FORCES ARE OPERATING ON ITS CUSTOMERS AND ITS TECHNOLOGIES.
WITH THIS SENSE OF MARKET PRESENCE, AND ARMED WITH FORESIGHT, THE ORGANIZATION WILL BE ABLE TO BETTER UNDERSTAND THE FUTURITY OF ITS CURRENT DECISIONS. THAT IS, IT WILL BE ABLE TO APPRECIATE THE FUTURE IMPLICATIONS OF THE DECISIONS IT IS MAKING TODAY. ACTUALLY PRODUCING A REALISTIC STRATEGIC PLAN DOCUMENT THEN BECOMES A RELATIVELY EASY TASK AND CAN BE DONE BY RELATIVELY FEW PEOPLE AT A RELATIVELY HIGH LEVEL -- BECAUSE THE INTERCHANGE CONFLICT AND CONSENSES MAKING HAS BEEN DONE -- IT IS, AS I SAY, CONTINUOUS.

THERE ARE SEVERAL ASPECTS OF MAKING SUCH A CULTURE A LIVING REALITY IN CONTROL DATA. LET ME COVER JUST A FEW.

FIRST, WE NEED EFFECTIVE AND WELL-ORGANIZED SUB-SYSTEMS AND SUB-ORGANIZATIONS TO FEED THE ON-GOING PROCESS OF STRATEGIC PLANNING. DO YOUR UNITS HAVE VALID CHARTERS AND MISSION STATEMENTS? DO THEY KNOW THEIR INTERFACES WITH OTHER ORGANIZATIONS? DO THEY FEEL AN ABSOLUTE RESPONSIBILITY -- THAT UNDER ANY AND ALL CIRCUMSTANCES THEIR COLLEAGUES CAN DEPEND UPON THEM? ARE ALL PROCESSES AND PROCEDURES FLOWED, ANALYZED, AND DOCUMENTED?
SECOND, WE NEED A CULTURE THAT ENCOURAGES TRUST AND INDIVIDUAL INITIATIVE. DO YOU PROMOTE INTELLIGENT RISK-TAKING? HAVE YOU STRUCTURED YOUR WORK ASSIGNMENTS SO THAT PEOPLE HAVE THE OPPORTUNITY TO FAIL? OR DO THEY WANDER IN A FUZZY WORLD WHERE THE DISTINCTION BETWEEN SUCCESS AND FAILURE IS UNCLEAR? CANDOR, CONSTRUCTIVE CONFLICT AND CONTENTION -- ARE THEY PRESENT?

THIRD, WE MUST HAVE HANDS-ON MANAGEMENT. IT'S EASY TO EXHAUST OURSELVES IN THE ROUTINE REQUIREMENTS OF EVERYDAY WORK -- WHAT YOU MIGHT CALL THE "IN-BASKET SYNDROME." ARE YOU OUT OF YOUR OFFICE AND CLOSE TO YOUR CUSTOMERS, YOUR MARKETS, YOUR TECHNOLOGIES, YOUR PEOPLE? DO YOU REALLY ENJOY STUDYING CUSTOMERS' NEEDS AND REQUIREMENTS, EVEN THOUGH THIS CAN INVOLVE SIFTING THROUGH TONS OF CHAFF TO FIND A GERM OR TWO OF WHEAT?

FINALLY, WE NEED BROAD-BASED OWNERSHIP OF STRATEGY THROUGHOUT THE MANAGEMENT TEAM. OWNERSHIP IMPLIES INTELLECTUAL COMMITMENT, AND IN THE FINAL ANALYSIS THAT COMMITMENT IS OBTAINED ONLY THROUGH PARTICIPATION. PARTICIPATION, NOT IN FILLING OUT THE FORMS ONCE A YEAR, BUT IN THE EXCITEMENT -- DAY-TO-DAY -- OF DETERMINING FUTURE DIRECTIONS.
TO CONCLUDE, IF YOU CAN ANSWER "YES" TO MOST OF THESE QUESTIONS, AND IF YOU SHARE THIS VIEW OF STRATEGIC PLANNING AS BEING A PERVERSIVE, CULTURAL PROCESS, THEN WE WILL BE WELL ON OUR WAY TO MAKING CONTROL DATA A STRATEGICALLY VITAL COMPANY BOTH IN CONCEPT AND IN RESULT.

IN SUCH A CORPORATION, THE FORMAL PLANNING PROCESS WHICH WE ARE DISCUSSING TODAY SIMPLY PROVIDES REINFORCEMENT, DISCIPLINE, AND CONTINUITY. A SNAPSHOT IN TIME. WE HAVE MADE A LOT OF PROGRESS IN RECENT YEARS TOWARD THAT GOAL. IT'S TIME TO FINISH THE JOB.

NOW, IF THERE ARE ANY QUESTIONS, I'LL BE GLAD TO ANSWER THEM....OTHERWISE I'LL ASK JOHN LACEY TO GIVE YOU AN OVERVIEW OF THE STRATEGIC ISSUES AND ANALYSIS TEAMS. JOHN....