

Research Board Rec'd 6/7
Envelope dated 6/3 May 21

Dear Win,

Just a note to update you on my academic plans. Thanks, at least in part, to your recommendation, I was accepted at Carnegie Mellon. But have decided instead to attend MIT's Sloan School.

The two schools have a number of appealing characteristics in common: a strong operations bent, diversity of students, even similar size.

RESEARCH BOARD

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One of the reasons deciding me in favor of MIT actually came up in our conversation. That is the long-term career possibilities envisioned by the students. CMU students seem to limit themselves more. Though I was impressed that a high percentage of graduates from both schools later formed new ventures.

Thanks again for your time and help,

Ann Seligman

A-53



Mr. Winston R. Hinkle
Senior Vice President
Corporate Operations
Digital Equipment Corporation
Maynard, MA
01754

Ann Seligman
300 West 55th Street
New York, NY

10019

I N T E R O F F I C E M E M O R A N D U M

Date: 26-Jan-1990 02:35pm EST
From: NICK PAPPAS
PAPPAS.NICK AT A1 AT USEM AT PKO
Dept: SW Licensing Operations
Tel No: 223-3999

TO: BOB HUGHES @MKO
TO: JOHN RANDO @OGO

Subject: Reseearch Board

I spoke to Ernie Vonsimson of the Research Board today. The question regarding software pricing was sent to the Research Board by Trevor Nichols of Barclay's Bank. Apparently Barclay's is active in the US Research Board. There is a separate Research Board in Europe, I gather.

At any rate, Ernie sent me a FAX copy of the Barclay's inquiry. The inquiry arrived too late for Ernie to include it in the topics that he discussed when he visited Digital. The following is an exact transcript of the message sent from Trevor to Ernie.

"I attach below a comment from my global systems manager. If you glean anything of interest on this topic during your visit to Digital I would welcome a call. Thanks.

One issue of concern global software licensing and in particular Vaxstation licensing. Standard layered products pricing policy adds some 50% to the price of a VAXstation which is totally unacceptable.

As regards global licensing, we must see a change in Digital's attitude so that we can reduce out spend on layered products otherwise the cost of ownership of distributed systems becomes higher than centralised systems - totally counter to Digital's arguments and likely to impede our ongoing strategy."

(The typos are in the original)

Unfortunately, the message does not contain enough detail that I can be certain what problems we are trying to solve. The second paragraph mentions a 50% number which seems very high unless they have a huge number of products on their

systems. Even then, it is hard to believe. The problem could be related to the number of products (you could fix that with a discount based on number of different layered products per system) or it could be due to the local uplift, or some other factor. The issue raised in the last paragraph sounds like the old "site licensing" issue, but again it's hard to be certain.

Ernie did not really seem to understand enough detail about the Barclay situation to help define the issues. I will attempt to call the Barclay's account manager on Monday morning to make sure we understand precisely what the issues are before we attempt to formulate our response.

I told Ernie that I would call him on Monday to advise him of progress.

Will has original article -

Pat Mullen sent this to you.

Will Mullen on trip to California

For 20 years, The Research Board Inc. has studied IS issues of vital importance to major international corporations. Unlike most IS research organizations, the Board shuns publicity. Recently, however, Research Board senior partners and co-founders Naomi O. Seligman and Ernest von Simson agreed to discuss some of their recent research with CIO—the first time Research Board findings have been publicly aired. The discussions shed light on how large companies are solving complex organizational issues and pours cold water on some current thinking about decentralization.

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A New York-based research group that helps top CIOs share data on what works and what doesn't in IS management shares some of its recent findings

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INTELLIGENT NETWORKING

The Research Board Inc. is one of the IS world's most unusual institutions: part Billionaire's Club, part research house and scholarly retreat, and part for-profit consulting firm. According to Seligman, to become a client is to become a member is to join an exclusive, elite society. Membership is strictly limited to CIOs at the 80 companies considered to be "the best users of technology" in major industries, "based on their reputation for leadership in information systems." Sixty of the CIOs work for American companies; the rest are employed by European corporations. All work for businesses that take in at least \$10 billion in annual revenues. Members include such prominent CIOs as American Airlines Inc.'s Max Hopper, American President Companies Ltd.'s James S. Marston, Chrysler Corp.'s G. Nichols Simonds, The Hartford Insurance Group's William L. Harrison, Kraft General Foods' J. Bruce Harreld, Merrill Lynch & Co.'s DuWayne Peterson, and Mobil Corp.'s Jerome F. Trautschold Jr.

Computer and communications vendors are kept at arm's length by the Board. Although senior executives of computer companies sometimes speak at Research Board meetings, they are not permitted to join, commission research or donate money. The Board is financed largely by membership dues; some funding comes from consulting work undertaken for

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BY ALLAN E. ALTER

ILLUSTRATION BY CARIE HENRIE

members.

The Board's value to its members, Seligman explained, lies both in its research activities and in the opportunity to discuss IS issues with other CIOs at scheduled meetings held throughout the year at the Board's New York headquarters and elsewhere around the United States and in Europe.

Members commission three research projects a year. According to von Simson, the topics they choose tend to fall into one of three broad subject areas: best practices, which typically involve IS organizational issues; technology management studies, such as computer security or network management; and applications such as distribution-channel systems and CIM. All research is conducted by the Board's own full-time 10-member research staff. Researchers are granted access to confidential information supplied by Board members and IS vendors, according to Seligman.

The research is presented and discussed at closed-door meetings attended by 20 to 40 members. Members are expected to attend three such meetings a year. To ensure a high level of discourse at these meetings, members are required to read all Research Board reports in advance.

Member CIOs must also attend meetings in person—no stand-ins are allowed. As good as the reports may be, said von Simson, "it's the discussion with members, staff and guests that stirs it all together and makes it edible."

The research summarized in this article is based on investigations into IS organizational practices by Board members. It draws upon separate studies of data-center operations and applications-development organizations. The findings—which build upon 16 years of ongoing research on IS practices—were presented to Board members between June and December 1988. Seligman stressed that the findings apply to multibillion-dollar corporations, but not necessarily to smaller companies.

Decentralizing computer operations is a recurring theme in IS circles. According to conventional wisdom, said Seligman, companies are migrating their systems from mainframes to a three-tiered computing architecture of mainframes, minicomputers and PCs. Firms are breaking up their mainframe-dominated central data centers in favor of smaller, local minicomputer-based centers. Some IS gurus have even predicted the demise of the mainframe.

But a Research Board study indicates that the conventional wisdom and mainframe doom-sayers are wrong.

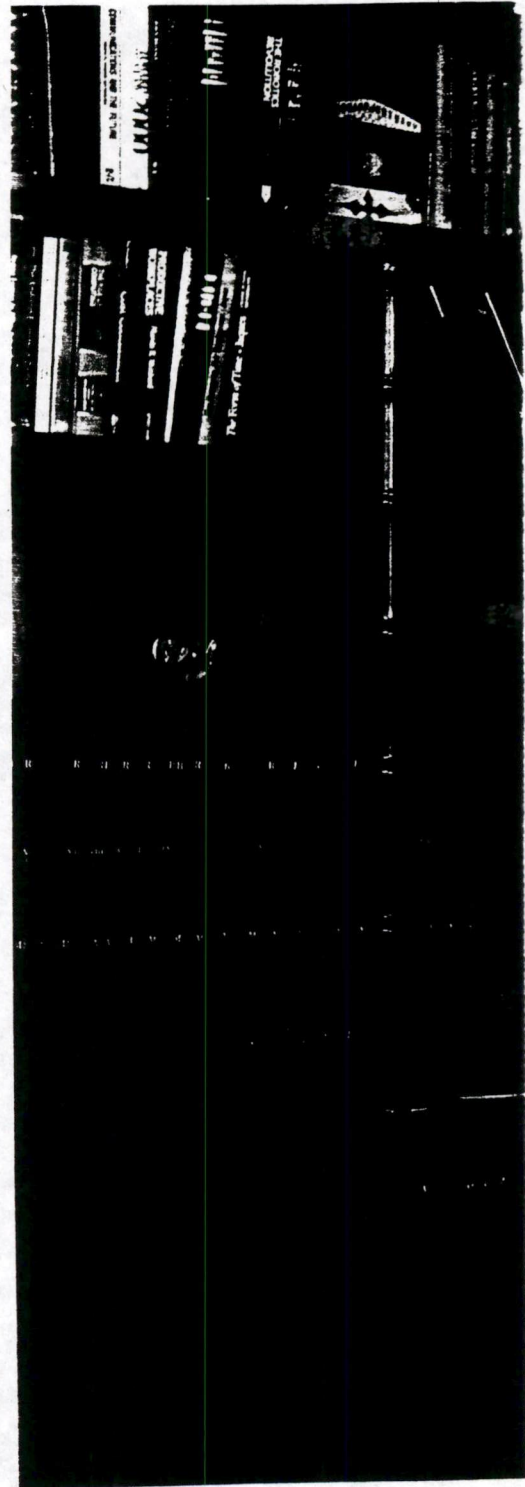
"IS decentralization is bunk," said Seligman.

A study of data-center management practices in 26 Research Board member companies found that 24 were consolidating their operations, or already had. (Von Simson defines consolidation as combining many centers into fewer, whereas centralization refers to placing centers under a central manager. Consolidation implies centralization, according to von Simson, but the reverse is not necessarily true—a company could centralize without consolidating its centers.) Even companies that had set up local centers were disbanding them, absorbing their functions into mainframe-based central data centers that are larger than the local centers combined.

"The consolidation of computer operations seems to transcend whatever business philosophy they were operating on in other areas," said von Simson. "Consumer products companies, with a very decentralized tradition, are continuing to consolidate operations."

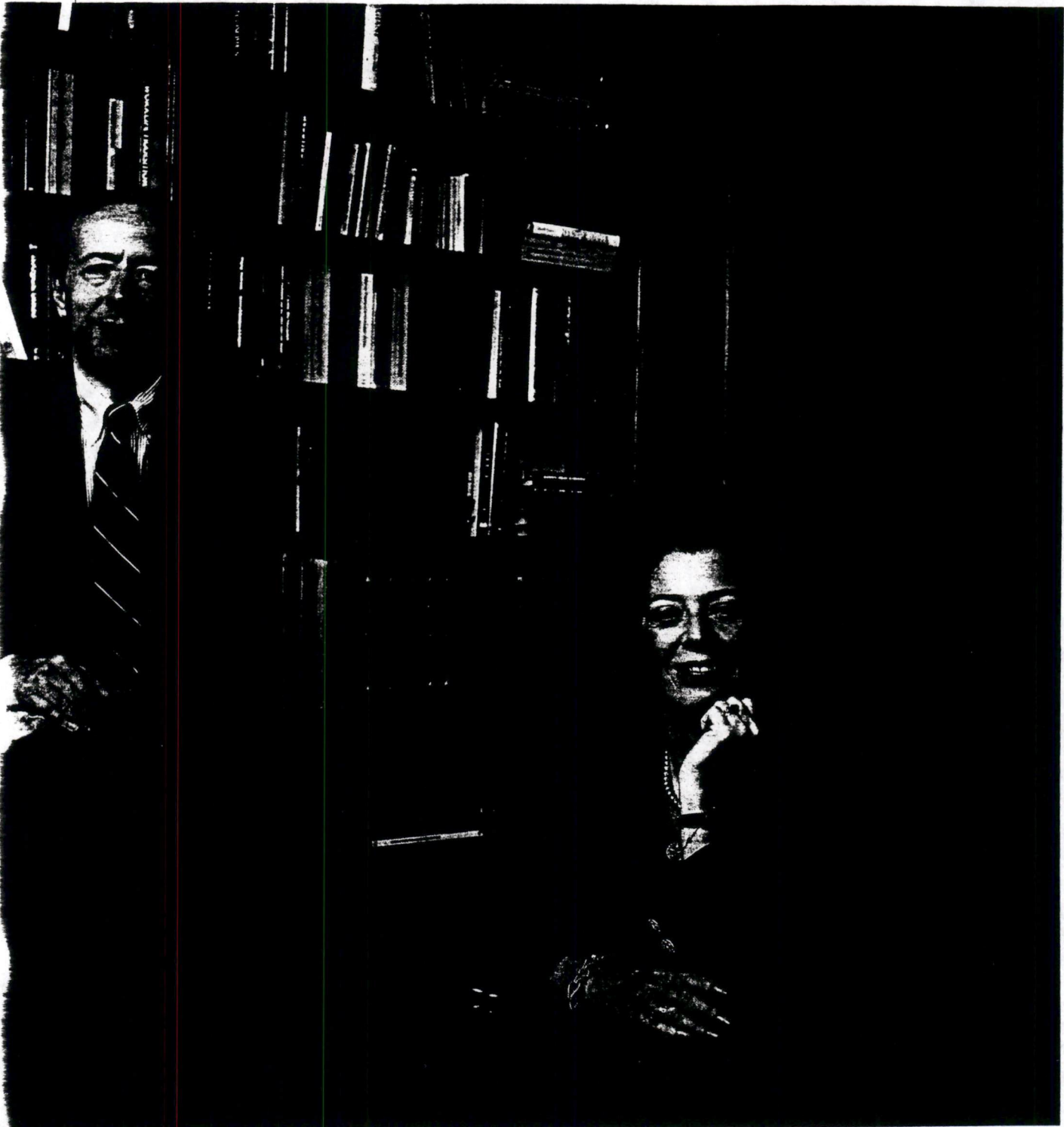
In addition, some companies are abandoning a three-tiered architecture, eliminating minicomputers, and adopting a two-tiered architecture of mainframes and workstations.

In some cases, von Simson said, consolidation was the result of merging or acquiring another company. But in most cases, companies consolidated operations and adopted



ERNEST VON SIMSON and NAOMI O. SELIGMAN run the

two-tiered architectures to save money and improve the performance of their operations. The companies surveyed reported, on average, an immediate 20 percent savings as a result of consolidation. Members saved even more over time from the efficiencies obtained by consolidating.



New York-based Research Board as an exclusive haven for CIOs interested in putting new theories of IS operation to some practical tests.

These benefits come in several ways:

■ **Labor:** Research Board members experienced difficulty finding enough good technicians to run their local centers. The cost of paying the ever-increasing salaries demanded by top-flight operations staff became bur-

densome. By consolidating their centers, companies saved money and improved the quality of their staff. "As you got bigger data centers, you got better people because you could afford them," said von Simson. "That's pretty universal. The great hidden value of consolidation is a staff

capable of improving reliability, efficiency and productivity."

■ **Software fees:** Rising software-licensing fees, particularly for key items such as database-management systems, pushed Board members to consolidate. By running a system on one mainframe instead of several

PHOTO BY KENT HANSON

minicomputers, members dramatically and quickly cut their software expenses. Vendors are trying to adjust their fee schedules, researchers found, but not fast enough to offset the advantages of consolidation.

Costs favor centralization: Decentralization made economic sense because of the high cost of transmitting data between users and remote mainframe sites, the frequency of mainframe crashes and the limitations of dumb terminals. All of these problems have been overcome, the Board's researchers concluded.

Competition among network providers has driven down communications costs in the United States. WATS services costing 29 cents a minute in 1984 cost 16 or 17 cents in 1989, said von Simson. Returns on private lines are "unbelievable. We have members paying half as much for far more capacity."

Mainframe downtime has decreased. Members' mainframes "went from 85 to 96 percent reliability to over 99 percent. That's astounding when you translate that into hours," said von Simson. And today's inexpensive but powerful PCs can perform much of the data processing done on minicomputers and mainframes, further reducing data-transmission costs.

Difficulties of decentralization: The study cast some doubt on the flexibility and connectability of decentralized operations, according to von Simson. Departmental and tier systems are workable—some members "have done it and are happy." But others found departmental and tier systems incur unacceptably high staffing and software overhead costs. Such systems were also found to be awkward to use because of the wide dispersion of data. For example, it can be harder to retrieve massive amounts of data from several departmental systems than from a single system. This is a controversial conclusion to a complicated issue, von Simson acknowledged. Nevertheless, in an age when workers increasingly need data from other departments, storing data in many local data centers makes less sense.



Measure for Measure

Chief executives use techniques that range from the investigative to the intuitive in evaluating the work of their CIOs.

How do CEOs judge whether their CIOs are successful and competent? The Research Board came up with some answers. Tell us about your work on IS organizations. Six CEOs discussed the subject during the course of those studies. Others have since been interviewed by Research Board co-founder and Senior Partner Ernest von Simson.

Von Simson said the most common evaluation technique is to simply ask the executives how they think IS is doing. Naomi Sargent, Research Board senior partner and co-founder, related one CEO's evaluation: "[He] asks line managers, 'How is the problem with the IS organization?' If the answer is 'What problem?' then he knows IS is on track."

But increasingly, CEOs are putting more weight on other factors. CEOs draw a clear distinction between becoming popular with customers and responding to corporate objectives—and the latter comes first.

CEOs judge CIOs by how much they help the company obtain competitive advantage, and win and keep paying customers. CEOs also care about how efficiently CIOs run their IS operations. And von Simson says CEOs who cannot provide some method of measuring or demonstrating their CIOs want to know if their companies' systems do a better job of pleasing their paying clients than the competition. CEOs also care about how well CIOs do in how their customer support systems stack up against those of their competitors.

Manufacturing CEOs, for example, indicate that they care about how well their CIOs do in responding to customer requests. They also care about how well their CIOs do in responding to the needs of their sales and marketing departments. CEOs in the chemical, petroleum and pharmaceutical industries also care about how well their CIOs do in responding to the needs of their sales and marketing departments.

CEOs in the financial services industry care about how well their CIOs do in responding to the needs of their sales and marketing departments. CEOs in the health care industry care about how well their CIOs do in responding to the needs of their sales and marketing departments. CEOs in the retail industry care about how well their CIOs do in responding to the needs of their sales and marketing departments.

CEOs in the technology industry care about how well their CIOs do in responding to the needs of their sales and marketing departments. CEOs in the telecommunications industry care about how well their CIOs do in responding to the needs of their sales and marketing departments.

ILLUSTRATION BY CARIE HENRIE

■ **Lower brick-and-mortar costs:** By consolidating data centers, Research Board members spent less not just on systems, but on security, emergency generators and backup units. And by operating fewer centers, companies can also install diagnostic and monitoring tools more quickly and at lower cost.

■ **Future savings:** As data-center automation evolves, companies expect it will be easier and less costly to automate a single large center than many smaller data centers.

Overall, researchers found, "the economies of concentration are incontrovertible—and will become even more compelling in the future," said von Simson. The arguments for a three-tiered architecture "are not as dominant as they used to be," he concluded.

CIOs wish to create more responsive, business-oriented IS organizations. But how? This question has led to endless discussions over the best way to organize IS functions, and has fueled the debate over decentralization versus centralization. The applications-development-and-support function, which creates and maintains systems used by line departments, stands at the center of this controversy. The Research Board examined how 25 of its members organize applications development in their companies. It found that most IS executives had moved applications development out of central IS.

About half of the 25 companies studied dispersed at least some of their development activity. (Von Simson defines dispersion as moving the physical location of IS units away from the central IS department and into the user organization.) Six of the 25 companies not only dispersed, but divided managerial responsibility between IS and the user department in a "striped-line" reporting arrangement (defined below). Even fewer had gone further and decentralized this IS function, giving division executives managerial control.

Most of these companies had dispersed or decentralized in hopes that

"user control will lead to applications more relevant to the business," and enable IS to become more responsive, the report stated. (A few companies had decentralized because the corporation itself was divided into independent business units.)

But those companies that had decentralized were not happy with the results. Decentralizing applications development did not necessarily lead to more relevant applications. According to the report, "most systems identified as impacting revenues or non-administrative costs were developed by central groups."

"Information systems decentralization is bunk."

—Naomi O. Seligman



Furthermore, decentralization was found to have many disadvantages. The effectiveness of a decentralized development group depended on the technology-management capabilities of the line manager, said von Simson. Some were good at managing technology, others were not. Decentralized development groups often suffered from "atrophy," he said. Staff members did not keep their technical skills up to date. And, according to Seligman, IS staff assigned to decentralized development units often lack a clear career path within IS.

In many companies, von Simson said, decentralization made integrating systems across departments more difficult. According to Seligman, IS executives lost the clout needed to make necessary company-wide changes, or set corporate IS standards.

Is there a way CIOs can combine the efficiencies and professionalism of centralization with the responsiveness of decentralization? The Board's senior partners believe they

can provide a guidepost.

Based upon their investigations into IS organizational structures, the Board's research staff created a model for a well-balanced and effective IS organization. The model is a composite of the "best solutions" found by Board members. (Von Simson declined to identify which parts of the model come from which Board members.)

This model, von Simson noted, is not meant to be adopted in its entirety. In fact, no Board member has done so. Several functions described in the model overlap, and CIOs are advised to choose those that best fit their respective organizations.

Many corporations, according to Seligman, organize IS by dividing the department into three central functional areas: applications, operations (such as the data center and telecommunications) and planning. The Research Board's composite model breaks up the old hierarchy, creates new functions and eliminates others.

One feature of the model is dispersed applications development and support groups. Each department served by IS has its own group, located on-site. This group has what von Simson and Seligman call a "striped-line" reporting relationship to both the department or division it serves and to IS. That means IS and the line-organization share managerial responsibility for the development group. Each user-organization is responsible for setting priorities, the size of its applications group and cost ceilings. But the central IS organization calls the shots on the technology platform—setting standards on hardware, operating systems, database systems, networks, CASE and other development tools. Central IS retains responsibility for all human-resource functions: recruiting and hiring, training, transferring and promoting applications staff. The head of the group reports to the IS executive.

Making sure both the applications-development group and central IS understands and responds to user needs is the responsibility of a new member of the IS team: the account executive (AE). Each department

would have its own full-time account executive. "The AE is the person from IS who represents IS to the user," said von Simson. "The AE is a guy who knows how to get whatever resource you need." In effect, AEs would be sub-CIOs, helping their departments use technology for competitive advantage, and ensuring IS responsiveness. AEs can come from either the IS or the end-user department, but they must be among the company's "best and brightest," said Seligman.

Other IS functions described by the Board's composite model would be centralized, rather than dispersed.

IS executives have long wondered how to leapfrog the competition with innovative applications when their departments are staffed with traditional mainframe-oriented systems developers. The Board's model suggests three separate central application development groups be created, each reporting to the CIO.

Group A is charged with developing and improving mainframe applications. Group B's members are encouraged to take risks, developing applications using PCs, or microprocessor-embedded devices such as hand-held terminals. This group might also experiment with UNIX or parallel processing.

Group B consists of the company's most imaginative technicians. To make Group B viable, CEOs and CIOs must be prepared to accept a 25 percent failure rate on Group B projects. Group B members should be separated from Group A—perhaps by hundreds of miles. According to von Simson, not only Board members but computer firms such as IBM get the best results by keeping the more "fragile, risky efforts" of such innovators free from the interference of mainframe technologists.

A third group—the Applications Integration Group (AIG)—integrates the efforts of groups A and B with the company's existing systems. "This is an overall coordinative function," von Simson said, and also requires highly imaginative IS staffers. Their job is to consider how to tie to-

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—Ernest von Simson

gether various computer operations, applications and technologies, create an overall plan for developing the application, and contract out and coordinate the development effort among the various IS groups.

A fourth central IS group, the Systems Support Group (SSG), provides technical support and assistance to the three applications development groups. The SSG supports databases, software and minicomputers, and provides standard development tools and training. This group's standard-setting function ensures lateral career mobility for all IS staff. No IS members would be stuck in a particular end-user department because they did not know the development tools used elsewhere. And by establishing corporate standards, the SSG ensures that applications can be integrated across departments.

Two other central IS functions—data-center operations and telecommunications—would constitute separate IS groups. The former would run the consolidated data centers discussed in the first study, while the latter would be in charge of telephony and voice technology.

Despite the increasing integration of voice and data, these two organizations should be kept separate. The two functions require different organizational cultures. Operations staff is paid for reliability and cutting

costs, not for taking risks with new technologies, said von Simson. "Telecommunications is becoming an experimental area, with totally new responsibilities, applications, technologies and vendors. It's a very complicated world, messy and opportunistic." Successful telecommunications organizations differ from those that "are just trying to keep things going every day."

What is missing from this model? Planning groups, for one. Account executives and line management would take on the planning role. "That's how IS gets responsive," said Seligman.

The model also doesn't include a separate R&D group—in part, Seligman explained, because R&D groups have a reputation in many companies for undertaking frivolous work. More importantly, R&D's function has been usurped in the model by the applications-development organizations. Board members with effective R&D units, said von Simson, make sure they "deliver technology, and not just study it."

According to Seligman, not only would line organizations benefit from this model, but so would IS personnel. The Board's model creates a rewarding career path. Since IS staffers are not locked into any one group, they can broaden their skills and increase their knowledge of their company's business by rotating among departments. Should any one department be downsized, IS staff can be moved to another division, rather than laid off.

CIOs who follow the tried-and-true best practices of the Board's members will also reap personal benefits, according to Seligman. CIOs who build responsive IS organizations can devote time to working with other key executives on strategic matters. In Seligman's phrase, they can gain "parity of influence" with other key senior executives. CIOs who run responsive, well organized IS departments are like owners of well-maintained cars: Instead of tinkering under the hood like a mechanic, they can concentrate on the road ahead. ☐

Research
Board

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012573
Date: 27-Feb-1990 01:08pm EST
From: Win Hindle
HINDLE.WIN
Dept: Corporate Operations
Tel No: 223-2338

TO: PETER SMITH
TO: WILLIAM M. STEUL

(SMITH.PETER)
(STEUL.BILL)

Subject: CIO MAGAZINE

I think you should pick up on Bob Hughes' attached request to write a "white paper" or "model" of Digital's recommended "style of computing" for large companies. I can get The Research Board's information if that is helpful. We need to come together around our "distributed model." For example, Bill Strecker says that "data should be centralized"--it is access that should be distributed to the work place. We need a framework by DECworld time.

ps

Attachment

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Date: 22-Feb-1990 04:20pm EST
From: Robert C. Hughes @MKO
HUGHES.BOB AT A1 at SELLIM at MK
Dept: National Accounts
Tel No: 264-SELL

TO: DAVE GRAINGER @MRO
TO: WIN HINDLE @CORE

CC: BILL DEMMER @CORE
CC: BOB GLORIOSO @CORE
CC: JACK MACKEN @UPO

Subject: CIO MAGAZINE

*** DIGITAL INTERNAL USE ONLY ***

Last month's issue of CIO Magazine contained an article featuring the Research Board partners which should give us cause for real concern.

In net, the Research Board is close to concluding that the old timesharing model (mainframes hooked to telecom lines hooked to dumb terminals) is a better way to do computing than distributed computing. Their argument is that the increasing price performance curves of mainframes, coupled with lower telecom costs and increased hardware and software reliability, make it cheaper and more efficient to do this kind of computing. They argue that it does not preclude one from operating in a distributed management style. Take the position in this article, and assume that IBM is helping supply them with facts to prove the case. Add to that the increasing questions from Research Board members about our uplift, product, and software costs around the world, and one might conclude - if one had a sneaky mind - that the Research Board was in the process of preparing a white paper on the advantages of the timesharing computing model.

Subsequent conversations with several of the CAMs whose CIOs are on the Research Board confirms that, in fact, these companies are trying to consolidate their computing as stated in the article. Last week I learned that IBM is "contributing" 3090s at \$1M a pop in order to get these mainframes into what would normally be a distributed computing environment.

If you smell the same "blue rat" that I do, I could use some help in:

- 1) Positioning the 9000 as the world's most efficient, effective timesharing machine.
- 2) Resurrecting/or creating white papers that talk about the

advantages of distributed computing over alternate styles of computing: a) management style, b) 24 hour around the globe customer response, c) more responsive system management (tape changes, disk changes, etc.), d) simpler operating environment for users, e) other.

- 3) Honing in on the need for a worldwide software and pricing strategy (at least at the account level) would be helpful.

I have a strong suspicion that the Duponts of this world will look at the cost of the 3090 to dumb terminal model with layered software versus the equivalent distributed model. And our software pricing for distributed computing better approach that for a timesharing computing or we are going to have difficulty selling to these companies in a tight economic environment.

rch

Nick Pappas

4 p.m.

I N T E R O F F I C E M E M O R A N D U M

Date: 01-Feb-1990 09:16pm EST
From: NICK PAPPAS
PAPPAS.NICK AT A1 AT USEM AT PKO
Dept: SW Licensing Operations
Tel No: 223-3999

TO: BOB HUGHES @MKO

CC: WIN HINDLE @CORE

CC: JOHN RANDO @OGO

Subject: URGENT *** The Research Board

We now have one clear problem statement from the Research Board. Ernie von Simson is still trying to figure out if there is a second problem that he wants us to respond to. The issue we need to respond to right now is documented in the attached memo which I FAXed to Ernie today.

Bob, now that we have a problem statement, I committed to Ernie that we would get back to him by the end of next week (2/9). But I am not sure who is really the proper person in Digital to issue a public statement on Digital's position on international pricing -- especially an issue as sensitive as our differential uplift pricing. Perhaps, Pier-Carlo would be the best person to prepare the response since it is being raised by European customers. PLEASE ADVISE ME ASAP WHO IS RESPONSIBLE FOR FORMULATING THE DIGITAL POSITION ON INTERNATIONAL PRICE CONSISTENCY, so that I can meet our commitment to Ernie.

I am happy to be the problem manager and coordinate the Digital response and provide liaison to Ernie since Ernie may come back with other questions where my expertise in Software Licensing will be of more direct value.

The attached FAX was sent to Ernie von Simson of The Research Board on 1 February 1990 at 4:27pm. Receipt was confirmed at 4:36pm. FAX number: 212-758-6156.

FAX

To: Ernie von Simson

From: Nick Pappas
Software Licensing Operations Manager
Digital Equipment Corporation

Date: 1 February 1990

Subj: Pricing Inquiries

The purpose of this memo is to document where we now stand regarding the two software pricing issues which you raised to Digital's attention.

The first issue is the pricing of layered software products on networks. As far as I can determine from the detail that you have supplied so far, Digital's pricing is competitive. If indeed there is a problem, it may be an issue specific to one account rather than a general problem recognized as such by the Research Board. If you decide to investigate this issue further, I anticipate that you will advise me if you determine that there is a general problem to which the Research Board would like Digital to respond.

The second issue is the customer perception that our software pricing variations between countries are much larger than can be accounted for by currency adjustments or reasonable cost differences. This pricing policy is perceived as unreasonable. You report that this is a very high priority issue causing considerable upset among the European Research Board community. You would like a formal response from Digital on this issue.

I will get back to you by Friday, 9 February 1990, with some specifics on the second issue. If I do not have a formal answer by then, I will have an action plan.

Regards,

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Regards,

Add - Research Board

I am taking rest of file to discuss with Bruno -

I N T E R O F F I C E M E M O R A N D U M

Date: 02-Feb-1990 04:52pm EST
From: Robert C. Hughes @MKO
HUGHES.BOB AT A1 AT SELLIM AT MK
Dept: National Accounts
Tel No: 264-SELL

TO: NICK PAPPAS @PKO

CC: WIN HINDLE @CORE

CC: JOHN RANDO @OGO

CC: PIER CARLO FALOTTI @GEO

CC: JACK MACKEEN @UPO

Subject: RESEARCH BOARD FOLLOW-UP

Thanks for following up on the Research Board phone call.

I believe the customer that raised the issue to the Research Board is Barclays. I was under the impression, in talking with Ernie, that they wanted to speak to the people in the company responsible for making the decision about International software pricing and licensing. I told them you were the person responsible for pulling together the proposal and presenting it to the Executive Committee. I also let them know that Pier-Carlo Falotti was the sponsor of that effort.

I thought they would be satisfied in knowing that we had someone drafting a proposal. I thought they would be satisfied in being able to talk to the person drafting that proposal. If that won't satisfy them, I would suggest that Pier-Carlo have someone issue a statement to Barclays as to what we are doing. I also know that Win Hindle has spoken with Barclays on this subject and he may have communicated with Pier-Carlo as well.

rch

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012211
Date: 05-Feb-1990 02:38pm EST
From: Robert C. Hughes @MKO
HUGHES.BOB AT A1 at SELLIM at MK
Dept: National Accounts
Tel No: 264-SELL

TO: WIN HINDLE @CORE

CC: JACK MACKEEN @UPO

CC: DAVE GRAINGER @MRO

Subject: RE RESEARCH BOARD

Win, I did not tell Nick that you had recently visited Trevor.
Please brief him as appropriate.

Thanks,
rch

RB

File
Research Board

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012227
Date: 06-Feb-1990 09:04am EST
From: Win Hindle
HINDLE.WIN
Dept: Corporate Operations
Tel No: 223-2338

TO: Bob Hughes
TO: Remote Addressee

(HUGHES.BOB)
(BRUNO D'AVANZO @GEO)

CC: Remote Addressee
CC: Remote Addressee

(PIER CARLO FALOTTI @GEO)
(NICK PAPPAS @PKO)

Subject: THE RESEARCH BOARD

We have promised The Research Board an answer to the question outlined in the attached memo from Nick Pappas. Would you please confer and prepare the answer to their question on how our software prices vary country by country. Then, either Bob or Nick should relay the answer to Ernie von Simpsen at The Research Board.

ps

Attachments

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Date: 05-Feb-1990 11:50am EST
From: NICK PAPPAS
 PAPPAS.NICK AT A1 at USEM at PKO
Dept: SW Licensing Operations
Tel No: 223-3999

TO: See Below

Subject: The Research Board *** URGENT

There may be a misunderstanding about the situation, so I shall attempt to clarify.

The problem presented to Digital by the Research Board is ABSOLUTELY NOT a software licensing and pricing problem.

The problem articulated by the Research Board is that our pricing (especially for software) varies widely among countries. The customers feel that the differential is unreasonable since it is sometimes far greater than can be explained through currency adjustments or reasonable differences in cost. To put it in internal DEC-speak: our uplifts vary all over the place. This issue has been addressed to IBM also, and they have made an acceptable statement to the European Research Board members (we don't know what they said).

Since the problem is being presented on behalf of European customers, and since this is an international pricing issue, I assume that Pier-Carlo will prepare the response or an action plan that we can deliver to the Research Board by this Friday, February 9.

Distribution:

TO: WIN HINDLE @CORE
TO: BOB HUGHES @MKO
TO: PIER-CARLO FALOTTI @GEO

CC: JOHN BUCKLEY @MRO
CC: JOHN RANDO @OGO
CC: JACK MACKEN @UPO

Call Jack MacKeen

Su PCF 2/26

Simplify software business with customers

Background
attached.

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012316
Date: 12-Feb-1990 09:28am EST
From: David TOSO @GEO
TOSO AT GVA05A1 @EHQMTS @GEO
Dept: SYSTEMS & SERVICES MKTG
Tel No: 7821-4384

TO: BOB HUGHES @CORE
TO: WIN HINDLE @CORE

CC: BRUNO D'AVANZO @GEO

Subject: Research Board Response

Digital's European Pricing Position

Digital is an international company that operates subsidiaries in many countries around the world. In each country we strive to make a profit and this rule applies equally to high and low labor cost countries.

In Europe we have made significant investments in our sales, support and local engineering staff. Balancing the local costs of supplying and servicing our Products means that prices vary from country to country around Europe in order that we can make local profits and invest in the local economy.

Buying practises vary throughout Europe. In Germany, as an instance, customers require a far higher level of Software Support before they purchase a product. Local Market Forces, cost of sale, size of operation, product mix and practice all contribute to the local price.

We put major focus on creating products that are international in application and this requires continuing investment. In this way, for example, an ALL-IN-1 user can write a memo in Portuguese and send in to his German subsidiary who can read the Portuguese text, edit it on his German terminal and then send it to Brazil - and have it all work.

In Europe there is customer demand for different services with the product which results in different prices from other markets. This is highlighted in the Software Market where we have included 12 months of Service within our Software Product Price. It would be misleading to compare this to then US list price which does not include the service.

Despite these local differences in Europe there is a tendency towards

commonalty driven by the unified market of 1992. Digital regularly reviews its pricing in each country with the goal of moving towards a closer harmonization. By 1993 we believe this process will have led to less variation in price structure in Europe and pricing based on the value added in international applications and products.

The issue is complex and we would be pleased to have a senior European Manager discuss it in person with the Research Board if desired.

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Date: 22-Feb-1990 04:20pm EDT
From: Robert C. Hughes @MKO
HUGHES.BOB AT A1 at SELLIM at
Dept: National Accounts
Tel No: 264-SELL

TO: DAVE GRAINGER @MRO
TO: WIN HINDLE @CORE

CC: BILL DEMMER @CORE
CC: BOB GLORIOSO @CORE
CC: JACK MACKEN @UPO

Subject: CIO MAGAZINE

*** DIGITAL INTERNAL USE ONLY ***

Last month's issue of CIO Magazine contained an article featuring the Research Board partners which should give us cause for real concern.

In net, the Research Board is close to concluding that the old timesharing model (mainframes hooked to telecom lines hooked to dumb terminals) is a better way to do computing than distributed computing. Their argument is that the increasing price performance curves of mainframes, coupled with lower telecom costs and increased hardware and software reliability, make it cheaper and more efficient to do this kind of computing. They argue that it does not preclude one from operating in a distributed management style. Take the position in this article, and assume that IBM is helping supply them with facts to prove the case. Add to that the increasing questions from Research Board members about our uplift, product, and software costs around the world, and one might conclude - if one had a sneaky mind - that the Research Board was in the process of preparing a white paper on the advantages of the timesharing computing model.

Subsequent conversations with several of the CAMs whose CIOs are on the Research Board confirms that, in fact, these companies are trying to consolidate their computing as stated in the article. Last week I learned that IBM is "contributing" 3090s at \$1M a pop in order to get these mainframes into what would normally be a distributed computing environment.

If you smell the same "blue rat" that I do, I could use some help in:

- 1) Positioning the 9000 as the world's most efficient, effective timesharing machine.

- 2) Resurrecting/or creating white papers that talk about the advantages of distributed computing over alternate styles of computing: a) management style, b) 24 hour around the globe customer response, c) more responsive system management (tape changes, disk changes, etc.), d) simpler operating environment for users, e) other.
- 3) Honing in on the need for a worldwide software and pricing strategy (at least at the account level) would be helpful.

I have a strong suspicion that the Duponts of this world will look at the cost of the 3090 to dumb terminal model with layered software versus the equivalent distributed model. And our software pricing for distributed computing better approach that for a timesharing computing or we are going to have difficulty selling to these companies in a tight economic environment.

rch

DIGITAL INTERNAL USE ONLY Document

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012573
Date: 27-Feb-1990 01:08pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Corporate Operations
Tel No: 223-2338

TO: PETER SMITH
TO: WILLIAM M. STEUL

(SMITH.PETER)
(STEUL.BILL)

Subject: CIO MAGAZINE

I think you should pick up on Bob Hughes' attached request to write a "white paper" or "model" of Digital's recommended "style of computing" for large companies. I can get The Research Board's information if that is helpful. We need to come together around our "distributed model." For example, Bill Strecker says that "data should be centralized"--it is access that should be distributed to the work place. We need a framework by DECworld time.

ps

Attachment

DIGITAL INTERNAL USE ONLY Document

Naomi gave Naomi Commitment
that PCF will attend meeting
on April 4

CAF

Research Board

NOTE: Naomi was very pleased
w/ response.

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012589
Date: 28-Feb-1990 12:36pm EST
From: Win Hindle
HINDLE.WIN
Dept: Corporate Operations
Tel No: 223-2338

TO: Remote Addressee

(PIER CARLO FALOTTI @GEO)

Subject: THE EUROPEAN RESEARCH BOARD MEETING

212-486-9240
Naomi Seligman

I talked again with Naomi Seligman and recommended that you meet with The European Research Board in April. IBM's European President met with them at their October meeting, and they agree that this is fair treatment for both companies.

They want to concentrate on two subjects:

- 1) How is Digital doing as a corporation--what is our message to our large customers?
- 2) What are we going to do about inconsistent software prices from country to country?

The major part of the conversation will be on the first subject, I am sure, since we have a good answer on the second topic. I think it is far better for you, rather than me, to represent the company with The European Research Board. Their request is for you to meet with them in Paris the morning of April 4, Wednesday, and I hope you are able to do it.

wp

DIGITAL INTERNAL USE ONLY Document

Day - March 5 Take information home
Call Namin Schyman to discuss w/ PCF.
PCF visit
Feb. 26

Pricing across Europe -

RB- IBM ahead of us -

RB-Europe - April Mtg - ~~April 3-4~~ April 3-4

June Meeting of Euro Board?

Barclays, Penzance, Mistle, Sente General -

Consistent pricing across countries

- Min Cost Differential -

Three weeks.

Research Board -

Bill Steul

Telecon with
Steul

22-Feb-1990

Win,

Bill Steul called to point this same article out to you. He would like to discuss ways to go back to The Research Board and work with them in order to make our messages clearer--influence their thinking regarding the (negative) comments they made.

Bill and I agreed that you and he would touch base by phone the week of March 5 (after your return from California). I have put Bill on your Call List for March 5.

Donna

3/5/90

Bill will follow up on this by getting some independent data on costs of centralized vs. distributed computing -

*Hold until
Bill Skul
gets some
independent
data*

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012677
Date: 05-Mar-1990 04:33pm EST
From: STEUL
STEUL@CSGDEC@MRGATE@CSGVAX@PDM
Dept:
Tel No:

TO: win hindle@CORE
TO: pat mullen@MRO

Subject: Research Board Comments in CIO Magazine

*Background
attached.*

Pat. I'm sending you this note because I know you are out of town this week.

Win suggested we get some independent data before responding to the Research Board on the comments that were quoted in the February 1990 issue of "CIO Magazine".

Could Dr. Michael Tracy at MIT help us? I'm told he has developed convincing arguments for reducing data processing costs by distributing computing resources. Who is the best person to contact Dr. Tracy?

Regards.

:eh

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012677
Date: 05-Mar-1990 04:33pm EDT
From: STEUL
STEUL@CSGDEC@MRGATE@CSGVAX@PDM
Dept:
Tel No:

TO: win hindle@CORE
TO: pat mullen@MRO

Subject: Research Board Comments in CIO Magazine

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Regards.

:eh

I N T E R O F F I C E M E M O R A N D U M

Date: 21-Mar-1990 08:36am EST
From: Pat Mullen
MULLEN.PAT AT A3 at MCIS2 at MRO
Dept: CISM
Tel No: 297-6866

TO: WIN HINDLE @CORE

CC: BILL STEUL @PDM
CC: PETER SMITH @CORE
CC: BOB HUGHES @CORE
CC: HENRY ANCONA @CORE

Subject: REBUTTAL OF RESEARCH BOARD ARTICLE IN CIO MAGAZINE

In order to avoid looking like we are crying sour grapes by challenging an organization that is well respected and claims to have 16 years of research behind this project, I recommend the following approach. We engage an outside source, i.e., an academician, to conduct a study relative to the business benefits of Distributed Computing which will include interviews with customers such as Bankers Trust, British Petroleum, etc., who are strong believers in the Digital style of computing. If this is agreeable with you, I will contact the editor of CIO Magazine to stimulate their interest regarding another point of view relative to Distributed Computing. I would like to plan to have this project completed prior to DECWORLD.

My secretary will be calling your office to arrange a meeting in order that I may discuss this issue further with you and to hear your thoughts.

Regards,
Pat Mullen

2082

REF. BOARD
Pat Mullen

- Pat will try to set up study CIO
with Mgt. Science Group -

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012989
Date: 27-Mar-1990 03:26pm EST
From: Janet Shipman
SHIPMAN.JANET AT A1 at EMASA2 at
Dept: Public Relations Mgmt.
Tel No: 223-6865

TO: BOB HUGHES
TO: See Below
CC: WIN HINDLE + OTHERS

Subject: Your CIO Magazine Concern *Background is attached*

Your original memo, re: Research Board conclusions on time-sharing model has just reached me through multiple passes of distribution. To let you know, we are developing a "white paper" on Digital's recommended style of computing for large companies to be used in conjunction with the DECWORLD Public Relations activities. I have given this task to the DECWORLD Public Relations Committee.

Thanks for the input.

Regards.

Distribution:

TO: BOB HUGHES @MKO
CC: Nikki Richardson @ MLO (RICHARDSON.NIKKI AT A1 at EMASA2 at ML
CC: ZILVITIS @CSTEAM @VAXMAIL (KIRK.DALLAS AT A1 at EMASA2 at MLO)
CC: Dallas Kirk
CC: ANCONA @SAGE @VAXMAIL
CC: PAT MULLEN @MRO
CC: PETE SMITH @MRO
CC: STEUL @CSGDEC @VAXMAIL
CC: WIN HINDLE @MLO

I N T E R O F F I C E M E M O R A N D U M

Date: 27-Mar-1990 03:26pm EDT
From: Janet Shipman
SHIPMAN.JANET AT A1 AT EMASA2
Dept: Public Relations Mgmt.
Tel No: 223-6865

TO: See Below

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Thanks for the input.

Regards.

Distribution:

BOB HUGHES @MKO

WIN HINDLE @MLO

STEUL @CSGDEC @VAXMAIL

PETE SMITH @MRO

PAT MULLEN @MRO

ANCONA @SAGE @VAXMAIL

Dallas Kirk

ZILVITIS @CSTEAM @VAXMAIL

Nikki Richardson @ MLO

(KIRK.DALLAS AT A1 AT EMASA2 AT MLO)

(RICHARDSON.NIKKI AT A1 AT EMASA2 AT MLO)

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012986
Date: 27-Mar-1990 03:31pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Corporate Operations
Tel No: 223-2338

TO: Remote Addressee
TO: WILLIAM M. STEUL

(PAT MULLEN @MRO)
(STEUL.BILL)

Subject: REBUTTAL OF RESEARCH BOARD ARTICLE IN CIO MAGAZINE

Why do we need an outsider? Why can't we conduct the study ourselves? It would be a wonderful learning experience for one of our people. The idea of interviewing our good customers is fine, and I am enthusiastic about it; but why give it to an outsider when we have excellent management science and marketing people inside the company. Let's conduct the study and look at the results before contacting CIO Magazine since I don't know what the results will show from a quantitative point of view. If the results are great, let's definitely market them at DECworld.

wp

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 013089
Date: 05-Apr-1990 11:21am EDT
From: Robert C. Hughes @MKO
HUGHES.BOB AT A1 at SELLIM at
Dept: National Accounts
Tel No: 264-SELL

TO: See Below

Subject: RE CIO MAGAZINE CONCERN

Great! Thanks for the follow-up, Janet.

rch

Distribution:

TO: JANET SHIPMENT @MLO
CC: RAY WOOD @MRO
CC: DAVE GRAINGER @MRO
CC: BILL FERRY @MRO
CC: WIN HINDLE @CORE
CC: STEUL @CSGDEC @VAXMAIL
CC: PETER SMITH @CORE
CC: PAT MULLEN @MRO
CC: HENRY ANCONA @TTB
CC: DALLAS KIRK @MLO
CC: ZILVITIS @CSTEAM @VAXMAIL
CC: NIKKI RICHARDSON @MLO

V CIO

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 013101
Date: 05-Apr-1990 05:11pm EDT
From: Bob Hughes
HUGHES.BOB
Dept: National Accounts
Tel No: 264-SELL

TO: Remote Addressee (PAT MULLEN @MRO)
CC: Win Hindle (HINDLE.WIN)
CC: Remote Addressee (BILL STEUL @PDM)
CC: Remote Addressee (BOB HUGHES @MKO)
CC: Remote Addressee (HENRY ANCONA @TTB)

Subject: RE REBUTTAL OF RESEARCH BOARD ARTICLE IN CIO MAGAZINE

Background attached.

Rather than spend money outside - lets help Janet Shipman put together the "White Paper". In reading Demmer's note, and listening to others, it seems to me we have more academic and real knowledge of this subject than an academician? Good tho!

rch

DIGITAL INTERNAL USE ONLY Document

DIGITAL EQUIPMENT CORPORATION ¹⁹⁸³
INTERNATIONAL (EUROPE)

Board-

RECEIVED

APR 11 1990

Winston Hindle

PIER CARLO FALOTTI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

THE RESEARCH BOARD Inc.
Ms Naomi O. Seligman
220 East 61st Street
NEW YORK, N.Y. 10021
U.S.A.

Geneva, April 5th 1990/dc

Dear Naomi

I want to thank you for your invitation to speak at the Research Board meeting of April 4th in Paris.

It was an excellent opportunity to leave a good impression with key customers and obtain some useful feedback.

I really appreciated your support and friendship toward Digital.

Sincerely yours,

Pier Carlo Falotti

Call Naomi Seligman

*File
The Research
Board*

THE RESEARCH BOARD

INCORPORATED

220 EAST 61st STREET · NEW YORK, N.Y. 10021 · (212) 486-9240

copy

April 9, 1990

Dear Pier Carlo:

The members of the European Board have asked me to thank you again for an incredibly well focused and straightforward presentation. Your candor concerning the pricing differential between various countries was appreciated. As was the suggestion for separating the calculation for locally sensitive services from basic software and hardware charges, where fundamental costs aren't really a function of local markets.

Everyone is intrigued by the concepts you presented on software pricing. In the short term, their final judgment will depend on the invoice total, of course. But the long term effects of simpler and less distrustful billing practices will surely work to Digital's advantage. As should the more responsive structure for dealing with major international accounts. This really makes perfect sense for both customer and supplier.

Lastly, you were a great hit personally with this always direct, sometimes thorny, crowd. Very high marks for dealing with the issues which concerned them most; and in a manner that was both very charming and open. Absolutely terrific. Thanks again for joining us in Paris.

Sincerely,

Naomi O. Seligman

Mr. Pier Carlo Falotti
President - Europe
Digital Equipment Corporation
12 avenue des Morgines
Case Postale 176
CH 1213 Petit-Lancy
1 Geneva, Switzerland

RESEARCH BOARD
File - The R.B.

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 013177
Date: 11-Apr-1990 11:56am EDT
From: Pat Mullen
MULLEN.PAT AT A3 at MCIS2 at M
Dept: CISM
Tel No: 297-6866

TO: WIN HINDLE @CORE

Subject: MY FOLLOW-UP WITH MANAGEMENT SCIENCES

*Background
attached.*

Regarding the Research Board article, I have spoken with Management Sciences. Their resources are somewhat tight right now, and it may take about three weeks before they can free up someone. I am waiting to hear back from them.

Regards, Pat

digital

DIGITAL EQUIPMENT CORPORATION

Kenneth H. Olsen
President

Maynard, Massachusetts
01754-2571

25 July 1990

Mrs. Naomi O. Seligman
The Research Board Inc.
220 East 61st Street
New York, New York 10021

Dear Naomi:

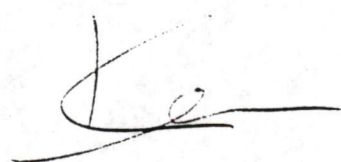
Sometime, I would like to hear your thoughts as to what you think Digital could do to help computer users such as members of the Research Board. We are pleased with the way the VAX 9000 is going now; we have what we think will be a significant success; and, we plan to continue that product line for a long time. We also see new technologies that make it even more exciting.

However, the question of which customers we should serve is still up in the air. We are now getting the impression that users, like your members, have become very conservative. After years of exploring the revolution that desktop computing would do to an organization, exploring the wondrous claims of standardized operating systems that would solve everyone's problems for very little money, and, after years of swapping IS managers, many of the large companies are becoming conservative and are seriously considering the ten-year commitment to IBM and showing little stomach for exploring new ideas. If this is the way large computing and the large corporations are going, we might very well leave it to IBM, without competition, because we feel there is enough market in other areas.

I'd like to meet with you and hear your views and advice as to how we might help your Board members.

With best wishes.

Sincerely yours,



KHO:eh

See Kim ~~W~~ → Call Naomi Seligman

The Research Board * file
Research Board
til Naomi
return
Kim's
call

1. Kim's letters (need copy of letters) attached.
2. Unilever - is UNIX crazy for them?
3. How robust do you expect UNIX to get?

Naomi is on
JAc. until
Sept. I left
a message you
called.

Diary - Sept 23
1990 ←

1. Recognize issues
2. Would like to spend more time
before answering - get studied response -
3. Then sit with Naomi & Ernie
here or there - 6 weeks or so -

→ ~~No you want to
talk w/ Ernie
in the meantime
or wait to talk
w/ Naomi?~~

10/90

1. Large customers are retrenching - this more wish aware
- Exp. time in banking + insurance -
Digital representation from "excellent" to "close to unethical"

Some Large national accounts tend to be satisfied (Dow, Hartford)
A number feel we have very poor, untrained staff
Most unsatisfied accounts ~~was~~ dissatisfied around by S.I. projects

2. VISION - others today have the ^{same} vision
No new Digital VISION has replaced it.

3. Competition is stronger today -
IBM putting more good products out
HP stronger
UNIX more respectable (SUN, SEQUENT)
Distribution channels collapsing
Direct sales force big asset.
On-line T.P. is MVS in Financial Services
However, 9000 essential.
Perception - Digital slow at product dev.

4. Mgt. Team not ~~well~~ respected -
Younger people not visible -

Ideas - Annual Report - Customers ~~not~~ not leading edge -
- Board - not leaders -

Customers preoccupied by failure rates

(Fix)

VISION should be low risk supplier

(Fix) - Representation must be up graded (Armed.)
Esp. power industries

- Systems integration contracts must be delivered
even at a short term loss -
(in sample - only 1 of 4 came out well.)

(Fix) - Review large jobs at officer level -

(fix) - ~~Pass on~~ 50% ~~cost~~ ^{Price} / perf. improvements per year in hardware -

(fix) Software strategy must incorporate other data base strategies

(fix) Allow more competition in prod. dev. - get into a "product rhythm"

(fix) Use business units to test new managers - give visibility
to younger mgs.

DIGITAL RESTRICTED DISTRIBUTION Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 016508
Date: 07-Nov-1990 04:38pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No:

TO: See Below

Subject: THE RESEARCH BOARD'S VISIT

DIGITAL RESTRICTED DISTRIBUTION

DO NOT DISTRIBUTE OR COPY

I asked the Research Board for advice about what we should do in the mainframe business. I said, now that people are showing a tendency to avoid risk by going with IBM, is there any reason for us to be in that business? Before they answered that question, they first asked if we would like to hear the observations they found while researching the question. We, of course, jumped at the chance.

- I. They say our customers are very unhappy with us; we have become unethical in many cases; and this is often due to our third-parties who create the problem. These third-parties are often contractors in the consulting area.

They say that the EC has always had the reputation of solid New Englanders with the highest of ethics. But, in the last number of years, we have lost that with the pressure we put on salespeople to meet and increase goals, and to collect payments.

They did say that National Accounts are okay. This might be because of the Executive Committee's interest in National Accounts. But, they did say others are poor. This does not mean small companies, but those who are not in a position to be National Accounts.

They said this is often within the Financial community, although there are bits and pieces everywhere.

- II. They say we have no apparent vision. The vision we

use to present was that we went beyond the glass house, that we were a network Corporation. Now, when others are saying and doing the same thing, there is no apparent new vision.

They say we have a lot more competition now. Of course, this is completely wrong. We really only have IBM and Hewlett-Packard; almost everyone else has disappeared except in localized areas.

- III. They say the management team does not appear to be winners. They are too old and too disconnected, and the next generation is not at all visible. Before customers are willing to buy from us, they would like to know who is going to be running the Company in two years and ten years from now.

They suggested breaking up into Business Units and making the leaders of the Business Units visible.

- IV. They say strategic alliances are tremendously critical to us. We should check-out all body shops, all third-parties, and all partners. If in doubt, we should lose the business and not go with doubtful partners. We are too inept. Our experts do not have knowledge, and they give the wrong advice. Price low and then add charges later.

- V. The goal should be to be "a low risk supplier." People are swarming to IBM today because of the failures in the computer industry, and their concerns about us and the people we put in contact with them.

They said we appear to have one good job for every four bad jobs.

They suggested that integration managers should be like lending officers. A lending officer only takes those loans which are of high quality, which leave the customer happy, and leave the company profitable. We put too much pressure on salespeople. They take orders they shouldn't take; they take contracts that we cannot fulfill; and we claim expertise we don't have.

We have to follow the old tradition of meeting the contract and not nickel and dime the customer. If we made a mistake we should swallow the mistake.

I would also suggest that when there is a change in the customer's part, we make it a formal change and charge them something for it, so that at the end there is a clear document of what changes were made in the contract.

- VI. We appear to have lost our product rhythm. We are late and behind times. This is, of course, not true, but we have to face the issue that this is the image we present to the outside world. I believe most of that comes from the criticism our own people give to their neighbors, the press, the magazines, and the analysts. Our own people try to prove their evaluation of our products by getting the press on their side.
- VII. We could charge fifty percent more for our systems if the customer felt they were risk free. I believe we could do this by charging very low for the hardware and software and charging safely high for the services, which would imply competitiveness in the technology, but safety and quality in the hard part.
- They also suggested that the use of neural nets and imaging are exotic sounding words to catch people's attention.
- VIII. They suggested that the major need in the world is to "de-complex" large databases. We claim we distribute databases, but what the world needs a program that says we can make it easier to manage and change. Sometimes a new application takes almost a year to debug because of the complexity of large databases. This is an area we could clearly get a leg up on IBM and do something no one else does.
- We could announce "architecture for large systems."
- IX. They say the VAX 9000 is very, very important and we have to be successful at it. They say the demand is great for it, particularly among our older customers who need bigger machines.
- They did say that OLTP for large customers is too late for VMS. People are too committed to MVS and are not about to make any changes now. They made no comment about OLTP for new and smaller databases.
- This did, however, say that the very large databases such as American Airlines' Saber System are continuously buying small computes to off load portions of their large database, such as crew assignments. They tend to go to small companies to buy smaller computers. We do not give the impression of being competitive and reliable.

KHO:eh
KO:4706
(DICTATED ON 11/6/90, BUT NOT READ)

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Martin Hoffmann	(HOFFMANN.MARTIN)
TO: Jack Smith	(SMITH.JACK)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Bill Strecker	(STRECKER.BILL)
CC: PETER SMITH	(SMITH.PETER)

DIGITAL RESTRICTED DISTRIBUTION Document

Research Board

+-----+
| d | i | g | i | t | a | l |
+-----+

INTEROFFICE MEMORANDUM

TO: Ken Olsen
Jack Smith

DATE: 09-Nov-1990
FROM: Win Hindle
DEPT: Administration
EXT : 223-2338
LOC : MLO12-1/A53

SUBJECT: RESEARCH BOARD REVIEW

DIGITAL RESTRICTED DISTRIBUTION

Recently Naomi Seligman and Ernie von Simson from The Research Board visited us to give us an evaluation of Digital's current position with their large member companies (total 100 companies). It was a sobering review. Ken and I listened to their comments and then Jack Smith joined the meeting to hear their suggestions. This meeting was the result of Ken's letter to them (attached).

COMMENTS:

1. Large customers are retrenching (especially in the insurance and financial services industries). This translates to these large organizations becoming "risk averse." They plan to take the "safe road" for the next few years.

In these large accounts, Digital's account managers are ranked from "excellent" to "very poor" ("close to unethical" in a few cases). Two companies that are pleased are Dow and Hartford Insurance. At the other end of the spectrum, we are regarded as having poor, untrained staff. In particular, our systems integration programs have been a major problem. Only one of four projects is regarded as really successful. There is a belief that we lure customers into a contract then hit them for higher payments because the "scope has increased."

2. Digital does not have a vision. Our vision was particularly compelling to customers five to ten years ago. Now it is lost in the similarity with IBM, HP, and others. No one can tell where Digital believes it is unique.
3. Our competition is much stronger today--that includes IBM (turning out lots of good products), HP (out of a ten-year slump), and UNIX players (Sun, Sequent, etc.). There is a perception that our product development cycles are long compared with the shorter cycles of our competitors (i.e., we do not have the "product rhythm" that we used to have).

Distribution channels are collapsing/changing in our industry. A strong, direct sales force is a major asset. IBM and Digital have the best. We should value this strength and use it to our advantage.

Transaction Processing in the financial services industry will be run on IBM's MVS in the next decade. Digital has not been able to convince enough people to run on our TP systems. However, this does not mean that the 9000 is less important. In fact, the 9000 main frame and its successor systems are "essential" to Digital's continued retention of our customer base.

4. Digital's top management team does not have successors in the eyes of our large customers. They see Ken, Jack, and Win but do not have visibility of the successors who are ten to fifteen years younger. These people do not have to be stars. They merely need to be visible.

Ernie von Simson observed that our annual report does not have "leading edge" customers in the pictures. This is something we must evaluate in next year's report. Also, he believes that our board does not come across as an asset because they do not lead firms that are regarded as "excellent." There was little discussion on these last two points.

Naomi and Ernie then went on to be constructive about what we could do to remedy these problems. (Jack Smith joined the discussion at this point and stayed for the rest of the meeting.) Their first and most important recommendation was to present Digital as the "low-risk supplier" for large company needs. In this period of time when CIOs are "risk averse," they want to bet on a "sure thing." We should position ourselves as the safest solution.

The second major recommendation they made is to evaluate and up-grade our sales account managers where needed. They believe we must have reps who are perceived as totally ethical. Here Armco was mentioned as an account that needs attention.

In order to watch our large programs carefully, they recommended that a high-level manager (officer?) approve every major program then review it on a regular basis. Their advise on major programs is to accept short-term losses rather than try to re-negotiate a commitment. Customers never forget if they feel "short-changed" or "cheated."

Naomi and Ernie next recommended that we show our customers we are keeping up with the 50 percent per year improvement in price/performance of our products. There is a feeling out there that we are trying to improve margins by not passing along technology improvements. Another way they expressed this thought was that we need to convince at least some of our customers that

our "product introduction" rate is as good or better than our competition. (They noted that the press beat us unmercifully on the lateness of the 9000, and they realize that this was unfair. However, it affects perception, and thus we need to counter the perception.)

In our software strategy, Digital needs to be perceived as integrating all systems. This applies especially to data base systems. They mentioned Oracle in particular as a company that we do not have to love but should encompass in our multi-vendor strategy.

Finally, Ernie and Naomi were very pleased to hear about our new business unit organization. They saw this as a wonderful opportunity to have our middle managers meet with customers to illustrate that Digital has "bench strength" behind the Executive Committee. They feel we need that kind of visibility of our capable mid-level managers.

We thanked Naomi and Ernie for their thoughtful and helpful observations and advise. It was obvious that they both care a lot about Digital and want us to do well.

ps

Attachment to Jack Smith only.

DATE: 20-Dec-1990

TO: Barbara Taylor
DTN 276-8080

OG01-2/m09

CC: Paulette Shuckhart
DTN 273-6487

FROM: Donna Knowlton

Donna

Enclosed is the listing of The Research Board members. Please compare this list with the CLF list and advise my office if there are any names on the attached lists that have attended CLF in the past five years.

I will not be back to the office until January 3. If you have the information prior to January 3, please call Paulette who will be sitting in for me while I am out and give her the names.

These lists are VERY confidential; therefore, I have removed the headers that reference that the list belongs to The Research Board. After you are finished using the lists, please return them to me or shred them.

Thank you.
Donna

Attachment

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 001809
Date: 02-Jan-1991 01:40pm EST
From: BARBARA TAYLOR
TAYLOR.BARBARA
Dept: CORPORATE EXECUTIVE PROGRAMS
Tel No: 276-8080

TO: Donna Knowlton

(PAPER MAIL)

Subject: Requested Information

Per your request, I am returning the Research Board listings to you. I spoke with Paulette on Wednesday and explained to her that we keep an extensive program history on all of our customers. During the course of doing the research for you, I found that though a very small percentage of the individuals listed have actually attended a CLF, the majority (90+%) have been invited to one or more programs and have either not responded to the invitation, responded in the negative or have cancelled. If a listing of this information would be helpful, I will be happy to get it for you.

Regards.

Barbara



KO memo to WRH + J. Sims

Printed by Win Hindle

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 020550
Date: 10-Apr-1991 02:18pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: Win Hindle
TO: John Sims

(HINDLE.WIN)
(SIMS.JOHN)

Subject: SENIOR REPRESENTATIVES

DIGITAL CONFIDENTIAL

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The reason we cannot present senior people to The Research Board is because we "ain't got none." In the Bill Demmer/Bob Glorioso area, we do not have the businesses divided into pieces over which we can put a senior person.

Pete Smith tends to pick quiet, nice but junior people who have little contact with or influence over engineering and EIS.

We have got to make sure Bob Glorioso breaks his responsibilities into pieces and staffs each one with a senior, mature, competent, confidence assuring person.

We also have to make sure Pete Smith's Integration Business Units share the responsibility for products and clearly takes responsibility for the categories of EIS businesses we are in.

KO:5214
(DICTATED 4/10/91 BUT NOT READ)

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 020669
Date: 16-Apr-1991 04:31pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: See Below

Subject: THE RESEARCH BOARD

DIGITAL RESTRICTED DISTRIBUTION

I talked with Naomi Seligman of The Research Board to clarify what they have been saying recently about Digital to their members. We have received several inputs from Board members of negative statements. Naomi said that they made no report on Digital at their recent meeting on the "new structure of the industry." There was one comment in their 100-page report: "With all the huff and puff, IBM's overhead is still larger than DEC's."

Board members call Naomi and Ernie regularly between meetings to ask their opinions. She believes they are very careful to be non-judgmental in their comments. They never make systems recommendations. However, people "hear what they want to hear" and often use their comments on the industry to back up what they have decided to do anyway.

There are two areas that Naomi and her colleagues have genuine concerns about Digital. First, they are worried about succession, not just to CEO but also to the next level of Digital managers. They have not had any visibility to the group of people in their late 30's and 40's who could move into the top jobs in 5 or 10 years.

The second concern is for getting software writers to write for DEC platforms. They are worried that VMS is not growing and therefore we will not get the best software on our systems in the future.

Naomi once again stressed The Research Board's long-term interest in seeing Digital do well. She is very willing to have me call her any time we have a specific instance that worries us. I believe they genuinely want to help us while remaining objective in stating their concerns to Board members.

ps

Distribution:

TO: Ken Olsen	(OLSEN.KEN)
TO: Jim Cudmore	(CUDMORE.JIM)
TO: Bill Demmer	(DEMMER.BILL)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Russ Gullotti @ CORE	(GULLOTTI.RUSS)
TO: Bob Hughes	(HUGHES.BOB)
TO: Bill Johnson	(JOHNSON.BILL)
TO: Frank McCabe	(MCCABE.FRANK)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)

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Bc: Roger Rose

DIGITAL RESTRICTED DISTRIBUTION Document
I N T E R O F F I C E M E M O R A N D U M

Doc. No: 020671
Date: 16-Apr-1991 04:56pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: See Below

Subject: THE RESEARCH BOARD

DIGITAL RESTRICTED DISTRIBUTION

In my recent conversation with Naomi Seligman of The Research Board, I told her about the future evolution of the Aquarius mainframe family and the reaction that might be generated by the Motorola situation. She said that they would like to know more about our technology path with the VAX 9000, but she asked to defer a visit for a while because of their schedules.

Her general reaction was favorable--both to the technology and to our commitment to having mainframe capability. When it is convenient for them, I will be sure we get an appropriate delegation to visit them to disclose more information on our strategy.

ps

Distribution:

TO: Jack Smith (SMITH.JACK)
CC: Jim Cudmore (CUDMORE.JIM)
CC: Bill Demmer (DEMMER.BILL)
CC: Bob Glorioso (GLORIOSO.BOB)
CC: Dallas Kirk (KIRK.DALLAS)
CC: Frank McCabe (MCCABE.FRANK)
CC: Mark Steinkrauss (STEINKRAUSS.MARK)
CC: BILL STRECKER (STRECKER.BILL)

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BC: Roger Rose

~~W. Adams Seligson~~

- Very careful to be non-judgmental in answers -
- Concerned about 2 things
 1. Concerned about succession - younger managers not visible (IBM people are visible)
 2. How are we going to attract ~~the~~ ISV's

(Never said anything about ethical behavior)

"With all the ~~big~~ huff & puff - IBM's OH is still larger than DEC's"

~~Everyone~~ Everyone (IBM, SUN, etc) calls them to ask about what they heard -

Appraisal technology change -
would like to talk with us - about our Alpha development - they will call back when calendar permits -

THE RESEARCH BOARD

INCORPORATED

220 EAST 61st STREET · NEW YORK, N.Y. 10021 · (212) 486-9240

*Sent copy of this
to Frank McCabe
per WCH 6/91*

April 16, 1991

*Smiles up that I
message to convince !!*

Dear Mr. Falotti,

A brief note to thank you for our recent discussion of Digital's positioning in Europe. Your unique view of the requirements for a truly global strategy were insightful and enormously interesting. Clearly Digital's lack of a commission structure is a basic competitive advantage in this critical arena. In addition, your point on the special advantage of Europeans as opens systems software engineers was a wonderful cultural perspective and has been the basis of a great deal of discussion in our offices.

Enclosed is a copy of a message that I sent to our members based on our conversation, distributed via our electronic mail network. Please feel free to call me in Paris (33 1) 42.72.45.84 with any questions.

Again, many thanks for your thoughtful comments.

Sincerely,

CS-S

Charles von Simson

Pier Carlo Falotti
President
Digital Equipment Corp. Europe
12, avenue des Morgines
Caseo Postale 176
CH-1213 Petit Lancy
1 Geneve Suisse



A view of success and considerable challenges from Pier Carlo Falotti, President of DEC Europe. On one hand, the company is ahead of IBM in providing global account management for multinational customers. ~~On the other hand, charting a clear direction for Digital R&D presence in Europe is a difficult task; and a critical one, as overseas business now represents 60% of the company's revenue.~~

Falotti has no organizational chart, he tells us. His management philosophy is to continually force entrepreneurship by shunning hierarchies. But managing a balance between Europe and the New England countryside is clearly the job for a true diplomat.

To demonstrate his success, Falotti describes two initiatives that he considers a barometer of his organization's strength and autonomy. First is the "Entrepreneurial" approach to Digital's top 100 accounts; for each, global responsibility resides with the local account manager in the customer's headquarters country. In this respect Digital has a significant lead over IBM. "This represents a powerful change in viewpoint. The fact that our salespeople do not work on commission is an important enabler. We are accustomed to sharing credit for sales, whereas you can't suddenly double (or halve) commissions."

The second initiative concerns Digital's European development centers. Falotti points out that while none currently leads a global r&d effort, a few are deeply involved in some of the company's key product strategies. Most notably the Varese, Italy facility working on VMS. Varese is collaborating with U.S. based developers to bring VMS source code in line with open systems standards for communications, data storage, applications interfaces, etc. "The ability to move applications and human interfaces transparently between VMS and Unix will be Digital's fundamental competitive advantage. Varese is critical to our plans to achieve that within two years."

Varese currently employs about 500 software engineers; a larger number would be unmanageable, says Falotti. "This is the best talent in Italy. We could never draw this concentration of expertise in the Boston area. Moreover, Italians don't believe they are the center of the world; they understand the necessity of compromise in pursuing global/open technologies." Falotti believes that Varese is among the best development communities within Digital today. Transfers of R&D competence are never really planned, he concludes: "They are brought about by pockets of talent like Varese."

Charles von Simson

*Done
Is the VARSIA operation
mentioned had reports from to you
[Signature]*

~~[Signature]~~ ✓

RECEIVED

MAY 14 1991

digital

INTEROFFICE MEMORANDUM

UFO

Date: 07-May-1991 Tue
From: Pier Carlo Falotti
Dept: Management
Loc: @ GEC / A 607
Tel: 709.49.63
DTN: 821.49.63

To: EXECUTIVE COMMITTEE

Subject: THE RESEARCH BOARD Inc.

I think that you should be aware of the opinion of the Research Board European based representative to ensure we reinforce, with his american counterpart, the positive image he has gained of Digital.

As you know, they are very powerful influencers of our largest customers.

Regards
PCF/dc

Attachment: Copy of letter from Mr Charles von Simson / The Research Board Inc.

Distribution:

KEN OLSEN
JIM OSTERHOFF
JACK SMITH
MARTY HOFFMANN

WIN HINDLE
JOHN SIMS
KEN SENIOR
BILL STRECKER

THE RESEARCH BOARD

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220 EAST 61st STREET · NEW YORK, N.Y. 10021 · (212) 486-9240

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APR 16 1991

April 16, 1991

*finally our first I
message to convince !!*

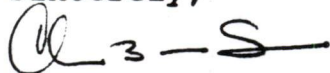
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Charles von Simson

Pier Carlo Falotti
President
Digital Equipment Corp. Europe
12, avenue des Morgines
Caseo Pastale 176
CH-1213 Petit Lancy
1 Geneve Suisse



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Charles von Simson

80
really 32!

See Jack

Printed by Ken Olsen

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 013072
Date: 08-May-1991 03:40pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: Ken Olsen
TO: Jack Smith

(OLSEN.KEN)
(SMITH.JACK)

Subject: THE RESEARCH BOARD VISIT

DIGITAL CONFIDENTIAL

Naomi Seligman and Ernie von Simson want to visit us for a day in June to follow up on our desire to tell them "where Digital is going." They also want to learn about our base technology going forward in the mainframe area--where most of their clients have a great interest. My added agenda is to have them talk to people who are the "new generation of Digital managers," since they have mentioned this issue several times.

Here is my proposed agenda. What do you think?

1. Ken Olsen and/or Jack Smith--Overall strategy
2. Bob Palmer--Mainframe technology direction
3. Don Zereski--Sales strategy for large accounts
4. Bill Demmer and/or Bob Glorioso--Production Systems/VAX-VMS
5. Russ Gullotti and/or Pete Smith--Systems Integration for large accounts
6. Bill Steul and/or Henry Ancona--Complete systems for large customers
7. Dave Stone--Software for large customers
8. Mike Thurk--Networking for large customers

No John D. Loewenberg
Senior Vice President
Information Technology Services
Aetna Life & Casualty

Yes Peter W.C. Mather
Vice President
Management Information Services
Air Products & Chemicals Inc.

Yes Charles P. Fletcher
Vice President - Engineering
Aluminum Company of America

No Max D. Hopper
Senior Vice President
Information Systems
American Airlines, Inc.

Yes B. Garland Cupp
Executive Vice President
American Express Company

Yes John Coman
Manager of Networks
and Information Services
Atlantic Richfield Company

No Martin A. Stein
Executive Vice President
Systems Engineering
Bank of America

Yes Michael Simmons
Executive Vice President
& Group Executive of
Technology & Operations
Bank of Boston

Yes Alex J. Gibbons
Director
Information Services
Bristol-Myers Squibb Company

Yes Dale Fieldcamp
Director
Information Services G.O.
Caterpillar Inc.

No J. Raymond Caron
Senior Vice President
CIGNA Corporation

No Paul Canter
Vice President - Management
& Administrative Systems
Continental Grain Company

No Dr. Mark Schapper
Managing Director
Advanced Technical Development
CRA Limited

Yes Hans Huppertz
Director
Corporate Information Systems
The Dow Chemical Company

Yes Dr. Raymond E. Cairns, Jr.
Senior Vice President
Du Pont Information Systems
E.I. du Pont de Nemours & Company

Yes Floyd M. Wilkerson
Vice President - Administration
Eaton Corporation

Yes Paul Pavloff
Senior Director of
Information Resources
Georgia-Pacific Corporation

No G. Nichols Simonds
Vice President
Information Systems
Honeywell Inc.

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Staff Vice President
Communications & Data Processing
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No David V. Evans
Vice President and Director
Information Systems
J.C. Penney Company, Inc.

No H. William Howard
Vice President, Information
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Inland Steel Industries, Inc.

No Allan B. Deering
Vice President
Management Information Services
PepsiCo Inc.

No Raymond L. Giovannelli
Vice President
Management Information Services
Johnson & Johnson

No Robert J. Herbold
Senior Vice President
The Procter & Gamble Company

No Laurance T. Burden
Senior Vice President - CIO
and Administration
S.C. Johnson & Son, Inc.

No Malcolm D. MacKinnon
Senior Vice President
Information Systems Office
The Prudential Insurance Company
of America

No J. Bruce Harreld
Senior Vice President
and Chief Information Officer
Kraft General Foods, Inc.

No James F. Sutter
Vice President & General Manager
Information Systems
Rockwell International Corporation

No Dean O. Allen
Vice President, Information
& Administrative Services
Lockheed Corporation

Nom James C. Grant
Executive Vice President
Systems & Technology
The Royal Bank of Canada

Yes George P. DiNardo
Executive Vice President
Information Management
and Research
Mellon Bank Corporation

Nom William C. Harker
Managing Partner
and Chief Operating Officer
Royal Trust Corporation of Canada

No DuWayne J. Peterson
Executive Vice President
Merrill Lynch & Company

No Charles B. McQuade
President & CEO
Securities Industry
Automation Corporation

No Gregory W. Easterlin
Director - Textured Yarns
Milliken & Company

No Dr. Norman L. Vincent
Vice President - Data Processing
State Farm Mutual Automobile
Insurance Company

No Peter A. Van Zyl
General Manager
Systems & Computer Services
Mobil Oil Corporation

No Lawrence E. Bacon
Senior Vice President
Data Processing Department
The Travelers

No Gerald C. Durand
Vice President
Management Information Services
Norfolk Southern Corporation

No John M. Hammitt
Vice President
Information Systems
United Technologies Corporation

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No Sijbren Kramer
General Manager
Information Systems & Automation
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No Jean-Marie Levaux
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de l'Informatique
Union des Assurances de Paris

No Jean-Daniel Kahn
Directeur de l'Organisation
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No Niklaus Meyer
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Unilever PLC

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No	Mr. Gregory E. Buoncontri Vice President Information Systems & Services Asea Brown Boveri, Inc.	No	Mrs. Diane B. Smigel Vice President, Information Services John Hancock Mutual Life Insurance Company
No	Mr. Sidney Diamond Vice President Worldwide Information Services The Black & Decker Corporation	No	Mr. Bill Eaton Senior Vice President and CIO Levi Strauss & Company
No	Mr. Darwin A. John Managing Director, Information Systems The Church of Jesus Christ of Latter-day Saints	No	Mr. Kailash C. Khanna Senior Vice President Systems and Technology Manufacturers Hanover Trust Company
No	Mr. James R. Stojak President Citicorp Credit Services Inc.	No	Mr. John J. Pajak Executive Vice President Massachusetts Mutual Life Insurance Company
Yes	Mr. Harvey R. Shrednick Vice President, Information Services Corning Incorporated	No	Mr. Thomas L. Pettibone Senior Vice President New York Life Insurance Company
No	Mr. Robert E. McNulty Vice President, Technology Management and Operations The Equitable	No	Mr. Etienne Jaughey Member of the Managing Board Nordstern Versicherungen AG
No	Dr. Ron J. Ponder Senior Vice President Information and Telecommunications Federal Express Corporation	No	Mr. Gilian K. Geniesse Senior Vice President Northern Trust Company
No	Mr. Herbert W. Moller Vice President Management Information Systems The Gillette Company	No	Mr. Charles DelPriore Director of Data Processing Systems and Services Reader's Digest Association
No	Mr. William L. Harrison Senior Vice President The Hartford Insurance Group	No	Mr. Donald W. Shump Vice President, Information Systems Scott Paper Company
No		No	Mr. Timothy E. Turnpaugh Executive Vice President & Manager Seafirst Bank

8/90

digital

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(T)

File
The Research
Board

Research Board -
Loop has been closed -
no action required.

I N T E R O F F I C E M E M O R A N D U M

at OGO

Date: 02-Jan-1991 02:34pm EDT
From: BARBARA TAYLOR
TAYLOR.BARBARA AT A1 at CAPNET
Dept: CORPORATE EXECUTIVE PROGRAMS
Tel No: 276-8080

TO: PAULETTE SHUCKHART @MLO

Subject: Information Requested

The following individuals have attended Corporate Leaders Forums in the past five years:

Peter W.C. Mather
Charles P. Fletcher
B. Garland Cupp
John Coman
Michael Simmons
Alex J. Gibbons
Dale Fieldcamp
Hans Huppertz
Dr. Raymond E. Cairns, Jr.
Floyd M. Wilkerson
Paul Pavloff
James B. Woods
George P. DiNardo
Harvey R. Shrednick

1/2
PS Called Ann Seligson gave her names of those who have attended. Ann wanted the list verbally rather than typed. Ann was very pleased w/ info

Have been invited to an upcoming CLF:
James C. Grant
William C. Harker

If we can be of further assistance, just give me a call.

Regards,

Barbara

D - I have not told wny anything of this.
~~Barbara Taylor will send list back to copy. (printed)~~

Research Board
1/14/91

1. Can Naomi or Eunie help. - let them know.
2. Study this year as restructuring industry
decided not to push us since we had so much
3. Ann going back to MBA - Stanford, MIT, C.M.U.
Anne will call me for interview & recommendation
to MIT Sloan School.

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 018010
Date: 11-Jan-1991 11:12am EST
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: Remote Addressee

(MARK SELBY @BST)

Subject: UNILEVER

How is the current Unilever/Digital relationship?

ps

DIGITAL INTERNAL USE ONLY Document

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

B @BST

Date: 16-Jan-1991 09:41am EST
From: Mark Selby
SELBY,MARK AT A1_ODIHAM @UBOHU
Dept: Corporate Accounts
Tel No: 768 5159

TO: Win Hindle

(HINDLE.WIN AT A1 AT CORA @ CORE)

Subject: RE: UNILEVER

Win,

Good to hear from you. The situation with Unilever at the moment is pretty complex.

On the positive side;-

- We have just won a major Pan-European network opportunity for their detergents companies. This resulted in hardware orders worth \$4.3M in the week before Christmas and c.250K in consulting contracts due before the end of the fiscal. This has been the culmination of many months work.

- Our presence in the US is growing steadily and we are bidding for several significant projects in New Jersey, Connecticut and Illinois.

- We are actively pursuing a major opportunity in India for 50 manufacturing plants. HP are the competition and we are not being complacent. We have built a significant A/c team in India since November and have good Country Management support. We anticipate the business being worth c.\$10M over 3-4 years.

- On the Quality side we are making progress. The Account team have received Quality awareness training and we have just completed our first Total Quality study tour for 17 Unilever people (hence the delay in responding). We took them to Ireland to see how we are implementing Quality in manufacturing. The event was an enormous success and now we are planning a series of similar events.

My personal frustration regarding Total Quality remains and Frank and I have spoken on the topic. We managed to have Frank filmed by Unilever recently as part of a Unilever internal Quality video.

On the flip side;-

- Unilever are going through a period of significant change. They have issued their new IT policy and are going through organisational change.

Many Unilever companies have major reservations about the new policy and are resenting the imposition of a policy from the centre.

This has resulted in a tense environment and significant internal politics. On a few occasions the resulting frustration has then been targetted at ourselves and other suppliers.

- One specific networking project felt the full force of this frustration and coincided with a Unilever IT conference at which Naomi spoke. Mike Johnson blew up over some incorrect information he had received but I'm glad to report that we were soon back on the correct footing.

- The Account team is growing in stature and is working well with most of the management groups. We are constantly learning and trying to be innovative and effective. HP remain the most serious potential threat.

Regards,

Mark

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Agnes K. ...

Printed by Win Hindle

DIGITAL INTERNAL USE ONLY Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 018376
Date: 23-Jan-1991 03:50pm EST
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: Remote Addressee

(MARK SELBY @BST)

Subject: UNILEVER

Thanks for your status report on Unilever. You and your team are moving forward well on most fronts.

Sorry to hear of the blow-up at Unilever's recent IT conference. Did it have a connection with Naomi Seligman? If so, I need to know the details because I talk often with Naomi.

ps

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custy Gen
files - Research Board
files - Unilever

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 019136
Date: 15-Feb-1991 03:47pm EST
From: Mark Selby
SELBY, MARK AT A1 ODIHAM @UBOHU
Dept: Corporate Accounts
Tel No: 768 5159

TO: Win Hindle

(HINDLE.WIN AT A1 AT CORA @ CORE)

Subject: RE: UNILEVER

Background attached!

Win,

I just wanted to give you an update on progress with Unilever. The Indian project has grown in size to c \$20M. We are head to head with HP who are being very aggressive on pricing. Digital India is doing a good job and 5 members of the Corporate Account Team have been working down there. The project is proving a memorable experience. Soft/hard currency manipulation, 107% sales tax and dietary problems certainly bring home to you the meaning of a Global customer. We even seconded the services of the Indian ambassador to France to help with logistics at one point.

Another interesting development is on the network. We are joint bidding with Infonet (25% owned by MCI) for Unilever's Corporate Network. Next week I will be briefing MCI VP's with the MCI A/c team for a meeting they will be having with Iain Anderson later this month.

This is an interesting alliance and I am optimistic that we will do well. ATT, EDS and IBM are some of our competitors.

With regard to your question of Naomi's involvement in the problem that developed with Unilever, I am not certain whether she had any involvement. When she spoke at the November conference (to which IBM, HP and ourselves were invited) she insisted that we all left the room. I approached her later to say hello and perceived a quite frosty reaction. I can only assume that she did not want to be seeing fraternising with suppliers in front of Unilever.

I would be grateful for any feedback you get from Naomi on the Account.

Regards,

Mark

R.

~~See Jack Smith~~ RG
file TRB

Printed by Win Hindle

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 019956
Date: 18-Mar-1991 01:57pm EST
From: Russ Gullotti @ CORE
GULLOTTI.RUSS AT A1 at CORA @
Dept: Digital Services
Tel No: 264-6209

TO: WIN HINDLE @CORE

Subject: RESEARCH BOARD REVIEW

Win, thanks for getting a copy of the Research Board Review document for me.

In the memo that you wrote to Ken and Jack, you mentioned that the Research Board felt that we were having major problems with our Systems Integration programs and that only "one of four projects is regarded as really successful". Did the Research Board offer any specifics? Is there anything in particular that I can deal with on this?

A very sobering document to say the least.

Russ

DICTATED BUT NOT READ

DIGITAL INTERNAL USE ONLY Document



d | i | g | i | t | a | l

INTEROFFICE MEMORANDUM

TO: Jim Cudmore ✓
Frank McCabe

DATE: 19-Mar-1991
FROM: Win Hindle *WRH dk.*
DEPT: Administration
EXT : 223-2338
LOC : MLO12-1/A53

SUBJECT: THE RESEARCH BOARD

CONFIDENTIAL

The two top managers of The Research Board visited Ken, Jack, and me in November. Attached are the notes that Ken and I made at that meeting. They did their data gathering by asking their members about Digital. As you will read, the results are not complimentary.

dk

*Delivered to
Jim Cudmore 3/22*

+-----+
| d | i | g | i | t | a | l |
+-----+

INTEROFFICE MEMORANDUM

ROUTE TO: Frank McCabe
 Jim Cudmore

DATE: 21-Mar-1991
FROM: Win Hindle
DEPT: Administration
EXT : 223-2338
LOC : MLO12-1/A53

SUBJECT: THE RESEARCH BOARD REPORTS

Here are The Research Board reports on Digital for the past eight years. I think all of the written reports are enclosed. They asked us not to copy the reports, so I am sending them along to you in their original form and would like you to return them after you have finished.

Both Naomi Seligman and Ernest von Simson are traveling, and I will not be able to be in touch with them until the week of April 8. I will let you know what transpires in that conversation.

ps
Dictated but not read.

*4/22
3 reports returned +
filed in The Research
Board historic file.*

file
The Research Board

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 020164
Date: 26-Mar-1991 09:23am EST
From: Jim Cudmore
CUDMORE.JIM
Dept:
Tel No: 223-6923

TO: Frank McCabe (MCCABE.FRANK)
CC: Jim Cudmore (CUDMORE.JIM)
CC: Win Hindle (HINDLE.WIN)
Subject: RESEARCH BOARD

McCabe
Frank, based on our meeting with Win, I think we agreed to do the following things:

1. Win would 'dig out' the information from the last 10 years or so of Research Board reports on Digital and circulate to you and me - this item has been taken care of.
2. We agreed it was important to have a concerted program for improving our relationship with the Research Board and that this would best be done by changing the perception of the Research Board members as opposed to directly focusing on the Research Board itself.
3. We needed to find out how important the Research Board was in affecting the member companies purchase decisions and the way to do this was to ask our "friends" who are Research Board members (Ray Cairns, DuPont; etc).
4. We decided that we ought to audit our Accounts managers' view of our position with the Research Board members accounts and determine whether the Account managers are aware of the Research Board and the CIO's participation.
5. Frank, I think you proposed that we get the top ten accounts who are Research Board members to conduct an in-house survey to gain a thorough understanding of how we are perceived and what we must do to win with these critical accounts.
6. We ought to figure out how to leverage the knowledge that

all of these customers really do not want to be hostage to IBM and want a credible alternative.

Frank, if you could pull together a synopsis of what this memo says, assuming you agree with it, and prepare a brief presentation for the Working Group committee meeting on April 1st - that would be great.

Thanks, Jim.

PS: Can we take the list of Research Board member companies and indicate how many of them are NOT Digital accounts - this would be a very interesting activity and may represent a real business opportunity - or get a snapshot of our FY'91 business with each and our estimated share?

PPS: Frank, I am assuming you saw both Win's 11/9/90 memo and Ken's 11/7/90 memo - I also think we ought to summarize what the Research Board said about us as part of that presentation for the Working Group. Thanks.

on file

on file

DATE: 29-Mar-1991

ROUTE TO: Frank McCabe

W Jim Cudmore

FROM: Paulette Shuckhart

Paulette

*Forwarded to Frank
4/2/91*

The attached correspondence should have been distributed with The Research Board information that Win recently sent to you.

ps
Attachment

*Return to Win
after reading*

Naomi Seligman
Call
JRB

Printed by Win Hindle

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 020355
Date: 03-Apr-1991 02:23pm EST
From: Jack Smith
SMITH.JACK
Dept: S.V.P. of Operations
Tel No: 223-2231

TO: Dallas Kirk
TO: Mark Steinkrauss
TO: Bob Glorioso

(KIRK.DALLAS)
(STEINKRAUSS.MARK)
(GLORIOSO.BOB)

CC: Win Hindle

(HINDLE.WIN)

Subject: AQUARIUS

DIGITAL CONFIDENTIAL

DO NOT DISTRIBUTE OR COPY

Following is my first pass at the "party line" if the Motorola situation should become public. We should get out in front of this. I think it would be a good idea for Win to visit The Research Board in NY as soon as possible.

Our Aquarius development programs encompass, at this time, three future generations of mainframe (production systems) offerings extending well into the 90's. Our 1st generation of these machines, the 9000, is currently in the marketplace. Our intent is to continue our VAX tradition of seamless migration from generation to generation allowing customers to leverage past investments while capitalizing on the latest state-of-the-art base technology. We expect 9000 enhancements to be introduced on an on-going basis to enhance price/performance while continuing to introduce additional features. Future generations will be introduced based on completion of development schedules and market consideration.

As we evolve future generations of mainframe (production systems) machines, we will continue our advance development programs to evaluate base technologies in both CMOS and ECL and enhanced performance methods such as chilling, GA, etc.

DIGITAL CONFIDENTIAL Document

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 020430
Date: 05-Apr-1991 08:29am EST
From: Bob Glorioso
GLORIOSO.BOB
Dept: Information Systems Business
Tel No: 297-5915

TO: Jack Smith

(SMITH.JACK)

CC: Win Hindle

(HINDLE.WIN)

CC: Mark Steinkrauss

(STEINKRAUSS.MARK)

CC: Dallas Kirk

(KIRK.DALLAS)

Subject: RE: AQUARIUS

We have already begun to work the process. We will coordinate with Win.

Re: The Research Board Meeting

Bob Supnik
1:30

Bob Supnik
will meet with them

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022334
Date: 19-Jun-1991 09:12pm EDT
From: Bob SUPNIK
SUPNIK@HUMAN@MRGATE@BXBMTS@BXB
Dept:
Tel No:

replacement
for Bill
Klemmer

TO: win hindle@CORE

Subject: Research Board visit

VMSmail To information: MTS\$::"core::win hindle"
Sender's personal name: Moved to BXB1-2/C4, 293-5690 19-Jun-1991 2055

I regret having to ask, but who or what is the Research Board?

Also, since I entirely concur in the opinion that "Digital has lost its way",
I may not be the right person to dispell that viewpoint to the Board.

/Bob

Win,
I have forwarded this message to
Bill Klemmer. His secretary
will make certain Bill sees it today
so we can make a change if necessary—
before I send itinerary to Naomi.

RK

Production Systems are a high priority Call Marc Chardon

Digital is serious about being customer oriented
and is listening to our customers

We are in Commodity business
Printed by Win Hindle

The
Research Board

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022486
Date: 26-Jun-1991 02:59pm EDT
From: CHARDON
CHARDON@NAS007@MRGATE@ZKOMTS@Z
Dept:
Tel No:

TO: WIN HINDLE@CORE

Subject: PREP FOR: THE RESEARCH BOARD VISIT - JULY 9, 1991

VMSmail To information: MTS\$:"CORE::WIN HINDLE"
VMSmail CC information: CHABOT,PFEIFFER,CHARDON
Sender's personal name: Marc E., ZK01-3/B10 26-Jun-1991 1438

Win,

I am David Stone's Strategy Manager.

David has asked me to make sure that he is fully prepared for his part in the Research Board visit on July 9, 1991. I have a few questions that go beyond the agenda and your original note to David:

1. Are there any specific hot questions that you expect to come up?
2. What 2-3 messages (other than our own TNSG messages) would you like to have David support, reinforce or introduce?
3. Are there any "political" sensitivities that we should be aware of? (David knows Naomi already, so he has some idea of her style, etc.)
4. Do you have an idea of the format of the discussion? I am assuming from your note that it is a 'fire-side chat' style, with no slides or overheads.
5. What level of disclosure should we expect? I am currently assuming that this isn't under PID, but that we will talk about futures where appropriate.

I understand that you and Donna will be back on Monday, and look forward to working with you to make sure that we get the maximum out of this visit!

Best regards, Marc Chardon

Shall I put Marc
on Call list? Y/N
David Stone? Y-N

RK

The Research Board

Tuesday, July 9

- 8:00 am - David Stone
Software
- 9:00 am - Grant Saviers
Client-servers, PCs, and PC networking
- 10:00 am - Bob Palmer
Mainframe technology and manufacturing strategy
- 11:00 am - Mike Thurk
Network management
- 12:30 pm - Bob Supnik
VAX/VMS systems
- 1:30 pm - Ken Olsen
Overall strategy
- 2:30 pm - Kurt Friedrich
UNIX systems
- 3:30 pm - Jack Smith
Digital operations
- 4:30 pm - Win Hindle
Wrap up

Don't look like new vendor
 WANB problem - customers "contained" WANB
 Have good story - tell it clearly
 Community wrong message
 BJ - wrong story given on visits -

Perceptions terrible
 Emphasizing products -
 Visitors disappointed at visits
 Looks like SI & Service -
 CRA
 Mark Schaffer
 OSF over sold - wrong - UNILIVER

(8)

Joly
David Evans

11/90

Be regarded as "Low risk supplier"
Up-grade account mgs.
 High level of ^{agreement} match every major program -
 P/P not improving
 Integrate data base - multi-vendors

- Less people - more time?
- FORTUNE article -

Research Board

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022728
Date: 09-Jul-1991 02:36pm EDT
From: *Bob* SUPNIK
SUPNIK@HUMAN@MRGATE@BxBMTS@BxB
Dept:
Tel No:

TO: win hindle@CORE

Subject: Research Board

VMSmail To information: MTS\$:"core::win hindle"
VMSmail CC information: MSBCS::DEMME
Sender's personal name: Moved to BXB1-2/C4, 293-5690 09-Jul-1991 1414

Although the nominal topic was "VAX/VMS", the entire hour was a grilling about Alpha (I am now well done): migration timing and strategy; rollout strategy; performance and function; relationship to MIPS; relationship to ACE. I provided factual information to about the same level as an Alpha PID; where there were open issues (like UNIX) I said that decisions were still pending. In all, very challenging!

/Bob

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Date: 10-Jul-1991 05:46pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: See Below

Subject: THE RESEARCH BOARD VISIT JULY 9, 1991

Naomi Seligman and Ernie von Simson, directors of The Research Board, had an excellent visit. They now believe we have a set of product strategies which they understand. They thoroughly enjoyed the day and found the conversations straightforward as well as convincing. They liked and respected the people they met.

Now, the tough messages from Naomi and Ernie:

1. Our large customers (their "members") have a very poor perception of Digital because they do not know our product strategy (nor did The Research Board until they visited for a day). Product strategy to them includes all of our hardware, software, systems, and network strategies. This perception causes them to believe that "Digital does not know where it is going." Customers get their poor impressions from the press and from the lack of clear, direct communications from Digital. Naomi and Ernie recommended that we put on a day for each customer as we did for the two of them.
2. Our corporate visits are often a presentation of "concepts." We leave visitors with the impression that we are going out of the base products business and becoming a service and systems integration company. Their recommendation is to put heavy product content in corporate visits.
3. Because our customers are not sure where we are going, they are "containing" further commitment to Digital products-- this is very serious. The same thing happened to WANG several years ago and now WANG has become an IBM VAR.
4. Digital is communicating poorly with large accounts. We must reverse this trend quickly by training our account managers to get across our product strategies and by managing senior-level corporate visits effectively.
5. Digital is "overselling" OSF and UNIX. We are leading some larger customers to believe we will have more than we can deliver in the timeframes we are promising. Their recommendation is to be very realistic with our customers

about the capability and functionality of our UNIX environment.

6. Final recommendation -- Digital has a powerful product strategy. We need to tell it clearly and be prepared that some customers won't like it. Some of The Research Board members feel misled by Digital's promises, so we must be totally honest about timeframes for availability of new products.

dk

Distribution:

Ken Olsen	(OLSEN.KEN)
Jim Cudmore	(CUDMORE.JIM)
Remote Addressee	(PIER CARLO FALOTTI @GEO)
Kurt Friedrich @CORE	(FRIEDRICH.KURT)
Bob Hughes	(HUGHES.BOB)
Bill Johnson	(JOHNSON.BILL)
Frank McCabe	(MCCABE.FRANK)
BOB PALMER	(PALMER.BOB)
Grant Saviers	(SAVIERS.GRANT)
Bob Supnik	(SUPNIK.BOB)
Jack Smith	(SMITH.JACK)
PETER SMITH	(SMITH.PETER)
David Stone @ CORE	(STONE.DAVID)
BILL STRECKER	(STRECKER.BILL)
Mike Thurk	(THURK.MIKE)
Don Zereski	(ZERESKI.DONALD)

DIGITAL CONFIDENTIAL Document

Call Naomi @ 10:15
Tues, July 16 Fri

Printed by Bill Johnson

DIGITAL CONFIDENTIAL Document

TRW CAM

INTEROFFICE MEMORANDUM

Doc. No: 026548
Date: 10-Jul-1991 05:46pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

K
I need to call them ASAP, set up a time
7/15
left msg

TO: See Below

Subject: THE RESEARCH BOARD VISIT JULY 9, 1991

Naomi Seligman and Ernie von Simson, directors of The Research Board, had an excellent visit. They now believe we have a set of product strategies which they understand. They thoroughly enjoyed the day and found the conversations straightforward as well as convincing. They liked and respected the people they met.

WOW!

*Gates
Kedon*

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B J - in right of
Lant - made sense)
MIKE - " ")

Industry Alliances

- ↳ strategically where are we going
- ↳ just as a new supplier

5. Digital is "overselling" OSF and UNIX. We are leading some larger customers to believe we will have more than we can deliver in the timeframes we are promising. Their recommendation is to be very realistic with our customers about the capability and functionality of our UNIX environment.
6. Final recommendation -- Digital has a powerful product strategy. We need to tell it clearly and be prepared that some customers won't like it. Some of The Research Board members feel misled by Digital's promises, so we must be totally honest about timeframes for availability of new products.

dk

Distribution:

TO: Ken Olsen	(OLSEN.KEN)
TO: Jim Cudmore	(CUDMORE.JIM)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
TO: Kurt Friedrich @CORE	(FRIEDRICH.KURT)
TO: Bob Hughes	(HUGHES.BOB)

Use the RDL option to see remainder of distribution lists.
DIGITAL CONFIDENTIAL Document

30 million transactions/day

Product side - creditably is important

Winn
Stecker
Pete Smith

How do we get all the Vap, "RS6000", WKS ten thousand
How do get 486 replacement.

Rooney - MCI Perspective
- 6 * CD ROMs

Naomi Seligman

→ Mike Thunk -

→ came up in Oct - didn't see next generation of mgs
- clients not seeing them

* whole visit was really good

* some stuff moving in correct direction

Naomi - @ mar. mtg. no one from Dec's
- no intention of doing anything about anything soon

System Ent - sounded impractical
- waste of time; viewed by
- the last refuge;

2 issues

- ↳ next occasion for a mtg - wants Digital three
- ↳ started to constrain amount of equip
- ↳ next Early Sept - 2 sections of Assoc Board
↳ very key people

Global Staff section for outsourcing of networks

Continue the discussion -

Sept. Mtg
2 halves
Sept 11, 12

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Date: 10-Jul-1991 05:46pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: See Below

Subject: THE RESEARCH BOARD VISIT JULY 9, 1991

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dk

Distribution:

Ken Olsen	(OLSEN.KEN)
Jim Cudmore	(CUDMORE.JIM)
Remote Addressee	(PIER CARLO FALOTTI @GEO)
Kurt Friedrich @CORE	(FRIEDRICH.KURT)
Bob Hughes	(HUGHES.BOB)
Bill Johnson	(JOHNSON.BILL)
Frank McCabe	(MCCABE.FRANK)
BOB PALMER	(PALMER.BOB)
Grant Saviers	(SAVIERS.GRANT)
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Mike Thurk	(THURK.MIKE)
Don Zereski	(ZERESKI.DONALD)

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Date: 11-Jul-1991 05:16pm EDT
From: Pat Mullen
MULLEN.PAT AT A1 AT NUTMEG AT
Dept: I/S Executive Marketing
Tel No: 264-5701 (603/884-5701)

TO: GERHARD FRIEDRICH @UPO

CC: JIM WADDICK @MPO

Subject: Research Board

Ger, I need your assistance in getting a current list of, or at least who are there, beginning of the calendar year the Research Board members. The reason being, they put out a report not too favorable to Digital. Honeywell has been looking at the report, namely Nick Simonds, CIO, and he gives it credibility saying that many members are heavy DEC customers. What I need to find out is the companies and we'll go back and see how we are doing within those companies. If they have been buying our equipment and we have been successful, then we can discredit the findings. This perception caused by the Research Board is having some major impact in business.

I'd appreciate your getting back to me as soon as you can.

Thanks,
Pat

/msg
Dictated but not read

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022863
Date: 15-Jul-1991 01:57pm EDT
From: GERHARD FRIEDRICH @UPO
FRIEDRICH.GERHARD AT A1 at MCI
Dept: EXECUTIVE RELATIONS
Tel No: 508 480-4426

TO: WIN HINDLE @MLO

Subject: RESEARCH BOARD

DO WE HAVE A CURRENT LIST OF MEMBERS OF THE RESEARCH BOARD?
INCIDENTLY, I DON'T AGREE WITH TRYING TO "DISCREDIT" THE BOARD'S
REPORTS, AS YOU'LL SEE IN MY ANSWER TO JIM WADDICK WHICH I'VE FORWARDED
TO YOU.

Yes - see attached

attached

REGARDS,
GERHARD

Do you want this list sent to Gerhard?

Y & N -

Other

*To: Gerhard Friedrich
Attached is a current list of ^{the} R. B. members.
Thanks for your note to Waddick - I suggest a
similar one to Pat Mullin along with the list of members.
Please I will send my summary of the ^{the} RB Mtg along
to Pat ~~also~~.*

*(Note - D. Gerhard misspelled Ernie's last name - please note in a nice way to his office
also is it Ern Simsen or Ern Simsen?)*

DN

*klone
7/18/91*

*Gerhard's response
to Jim Waddick
is attached.*

Printed by Win Hindle

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022864
Date: 15-Jul-1991 02:16pm EDT
From: GERHARD FRIEDRICH @UPO
FRIEDRICH.GERHARD AT A1 at MCI
Dept: EXECUTIVE RELATIONS
Tel No: 508 480-4426

TO: WIN HINDLE @MLO

Subject: RE: RESEARCH BOARD

I N T E R O F F I C E M E M O R A N D U M

Date: 15-Jul-1991 01:43pm EDT
From: GERHARD FRIEDRICH @UPO
FRIEDRICH.GERHARD AT A1 at MCI
Dept: EXECUTIVE RELATIONS
Tel No: 508 480-4426

TO: JIM WADDICK

(WADDICK.JIM AT A1 AT MUSKIE AT RDC)

CC: Pat Mullen

(MULLEN.PAT AT A1 AT NUTMEG AT TTB)

CC: GERHARD FRIEDRICH @UPO

Subject: RE: HoneyThanksforthehelp

JIM,

I RECEIVED YOUR NOTE REGARDING THE RESEARCH BOARD.

I'M SURE WE CAN GET YOU A COPY OF ALL THE CURRENT MEMBERS IF THAT WILL BE OF HELP TO YOU. THERE ARE NO VENDOR MEMBERS ALLOWED , SO ANY INFORMATION TO THE CONTRARY IS STRICTLY RUMOR.

WE HAVE JUST HAD A VERY SUCCESSFUL MEETING WITH NAOMI SELIGMAN AND ERNIE VON SIMPSON (RESEARCH BOARD FOUNDERS) THAT SHOULD GO A LONG WAY TO CONTINUING TO BUILD OUR RELATIONSHIP, AND THEREFORE, OUR PERCEPTION BY THEM.

DIRECTLY TRYING TO DISCREDIT RESEARCH BOARD REPORTS, ESPECIALLY WITHOUT HAVING SEEN THEM, IS NOT A WISE STRATEGY. GIVING THE CUSTOMER INFORMATION THAT WILL HELP CHANGE THEIR PERCEPTION THAT MAY, OR MAY NOT, HAVE BEEN CREATED BY SOMETHING WRITTEN OR DISCUSSED BY/AT THE RESEARCH BOARD IS CONSISTENT WITH WHAT WE TRY TO DO WITH THE BOARD ON AN ONGOING BASIS.

I'LL BE HAPPY TO DISCUSS THIS FURTHER IF YOU'D LIKE.

REGARDS,
GERHARD

I N T E R O F F I C E M E M O R A N D U M

Date: 11-Jul-1991 05:57pm EDT
From: JIM WADDICK
WADDICK.JIM AT A1 AT MUSKIE AT
Dept: NIA ACCOUNTS
Tel No: 442-2160 (612/851)

TO: Pat Mullen (MULLEN.PAT AT A1 AT NUTMEG AT TTB)

CC: GERHARD FRIEDRICH @UPO

Subject: HoneyThanksforthehelp

Pat -

Thanks so much for your help on this Research Board thing; if we can get some feedback that will discredit the message being broadcast within Honeywell, then we'll be in much better shape.

Is it possible that John Young (the H-P CEO) is a member of this board? (We heard this the other day; not substantiated.)

*G. Nichols
Simonds
VP Information
Systems
Honeywell.
is a member.*

Nick Simonds evidently is quite close to John Young due to some mutual involvement in common user groups/committees/Research Board/etc. (we're really not sure how they tie-in with one another)

On another note, we had a good FY91 with Honeywell. We finished at 130% on a target of \$16.5 million (total sales were \$21.3M)

So....
We're doing O.K. with them, we'd like to do much better; especially in their business systems.

Thanks again,
jim waddick

Printed by Win Hindle

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022868
Date: 15-Jul-1991 03:15pm EDT
From: BILL STRECKER
STRECKER.BILL
Dept: Vice President of Engineeri
Tel No: 223-3726

TO: Win Hindle

(HINDLE.WIN)

Subject: RE: THE RESEARCH BOARD VISIT JULY 9, 1991

What product strategy did we present?

Bill

DIGITAL CONFIDENTIAL Document

attached are the two items I propose to attach. are they right? Y-N

~~Bill~~ TO: Bill Strecker

Attached is the schedule of the people the Research Board visited, along with my memo suggesting the 3 ~~themes~~ messages. Since we do not ^{yet} have an "approved statement" of strategy, the best we can do is put the product leaders in front of people like the RB to tell what their sector strategies are. Any other ideas?

Printed by Win Hindle

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INTEROFFICE MEMORANDUM

Doc. No: 022883
Date: 16-Jul-1991 09:13am EDT
From: PETER SMITH
SMITH.PETER
Dept: Product Marketing
Tel No: 297-5160

TO: Win See Below

Subject: RE: RESEARCH BOARD

I'd suggest we include The Research Board on our list of consultants and analysts that we invite to all major pre-announcement briefings. This would keep them up to date and provide ongoing feedback to us.

Distribution:

- TO: Win Hindle (HINDLE.WIN)
CC: Win Hindle (HINDLE.WIN)
CC: Martin Hoffmann @CORE (HOFFMANN.MARTIN)
CC: Bill Johnson (JOHNSON.BILL)
CC: Ken Olsen (OLSEN.KEN)
CC: Jim Osterhoff (OSTERHOFF.JIM)
CC: Ken Senior @ CORE (SENIOR.KEN)
CC: John Sims (SIMS.JOHN)
CC: PETER SMITH (SMITH.PETER)
CC: Jack Smith (SMITH.JACK)
CC: Bill Strecker (STRECKER.BILL)

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Done ✓ TO: Peter Smith
Excellent idea! Please ~~set~~ arrange to do this!

RR proposing explanation to send. HJK 8/2

D-1 Forward copy of my memo of 7/10/91 Done 7/17/91
to Pin Couls Falotti, Dick Poulsen

Explanation About RB.

2 Also, who in the US is responsible for Customer Visits

264-5662 Bob Schmitt @ MKO
Bob Hughes
Zeriski

John Stinebaugh @ MRO
(you met w/ him and he met w/ me + Gen.)
Is this the person you are thinking of? Y-N-RR

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I N T E R O F F I C E M E M O R A N D U M

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John Sims	(SIMS.JOHN)
PETER SMITH	(SMITH.PETER)
Jack Smith	(SMITH.JACK)
Bill Strecker	(STRECKER.BILL)

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RB

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022930
Date: 17-Jul-1991 03:52pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: PETER SMITH

(SMITH.PETER)

Subject: RE: RESEARCH BOARD

Excellent idea! Please arrange to do this.

smv

DIGITAL CONFIDENTIAL Document

The Research Board

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022940
Date: 18-Jul-1991 03:15pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: Remote Addressee (PAT MULLEN @TTB)
CC: Remote Addressee (GERHARD FRIEDRICH @UPO)
Subject: THE RESEARCH BOARD VISIT JULY 9, 1991

The Research Board is a great source of "straight talk from our customers." Attached is my summary of the most recent meeting with the two principals.

smv
Attachment

DIGITAL CONFIDENTIAL Document

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Date: 10-Jul-1991 05:46pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: See Below

Subject: THE RESEARCH BOARD VISIT JULY 9, 1991

Naomi Seligman and Ernie von Simson, directors of The Research Board, had an excellent visit. They now believe we have a set of product strategies which they understand. They thoroughly enjoyed the day and found the conversations straightforward as well as convincing. They liked and respected the people they met.

Now, the tough messages from Naomi and Ernie:

1. Our large customers (their "members") have a very poor perception of Digital because they do not know our product strategy (nor did The Research Board until they visited for a day). Product strategy to them includes all of our hardware, software, systems, and network strategies. This perception causes them to believe that "Digital does not know where it is going." Customers get their poor impressions from the press and from the lack of clear, direct communications from Digital. Naomi and Ernie recommended that we put on a day for each customer as we did for the two of them.
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dk

Distribution:

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Jim Cudmore	(CUDMORE.JIM)
Remote Addressee	(PIER CARLO FALOTTI @GEO)
Kurt Friedrich @CORE	(FRIEDRICH.KURT)
Bob Hughes	(HUGHES.BOB)
Bill Johnson	(JOHNSON.BILL)
Frank McCabe	(MCCABE.FRANK)
BOB PALMER	(PALMER.BOB)
Grant Saviers	(SAVIERS.GRANT)
Bob Supnik	(SUPNIK.BOB)
Jack Smith	(SMITH.JACK)
PETER SMITH	(SMITH.PETER)
David Stone @ CORE	(STONE.DAVID)
BILL STRECKER	(STRECKER.BILL)
Mike Thurk	(THURK.MIKE)
Don Zereski	(ZERESKI.DONALD)

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Tuesday, July 9

- 8:00 am - David Stone
Software
- 9:00 am - Grant Saviers
Client-servers, PCs, and PC networking
- 10:00 am - Bob Palmer
Mainframe technology and manufacturing strategy
- 11:00 am - Mike Thurk
Network management
- 12:30 pm - Bob Supnik
VAX/VMS systems
- 1:30 pm - Ken Olsen
Overall strategy
- 2:30 pm - Kurt Friedrich
UNIX systems
- 3:30 pm - Jack Smith
Digital operations
- 4:30 pm - Win Hindle
Wrap up

BQ - a reminder
of who Naomi & Ernie
met with - so you can
stay consistent with
their messages.
Good luck!
Kathryn

The Research Bd

gave a hardcopy
of this memo as well
as the list of presenters
to Dallas Dept - 9/1/91

Printed by Win Hindle

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 022940
Date: 18-Jul-1991 03:15pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

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smv
Attachment

DIGITAL CONFIDENTIAL Document

The Research Bd.

+-----+
| d | i | g | i | t | a | l |
+-----+

INTEROFFICE MEMORANDUM

TO: Gerhard Friedrich

DATE: 18-Jul-1991
FROM: Win Hindle ^{WH smv}
DEPT: Administration
EXT : 223-2338
LOC : MLO12-1/A53

SUBJECT: THE RESEARCH BOARD

Attached is a current list of The Research Board members. Thanks for your note to Jim Waddick--I suggest you send a similar one to Pat Mullen along with the list of members. I have sent my summary of The Research Board meeting to Pat.

smv
Attachment

Susan - I already
gave B.J. a copy.

Printed by Bill Johnson

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 026886
Date: 22-Jul-1991 09:54am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: **RESEND**RESEARCH BOARD VISIT ON 7/9/91**WITH ATTACHMENT**

DIGITAL CONFIDENTIAL

DO NOT DISTRIBUTE OR COPY

The attached memo identifies the biggest indictment against our marketing program. I do not want to leave Heald Pond this week without solving this problem.

We want to market NAS; the customer wants to know about our product line. We want to sell NAS in the Annual Report; the customer wants to know about our product line.

Customers do not buy mainframe computers, mid-range computers, mini computers, servers, and workstations. They buy computers that do specific things. Those categories mean almost nothing. What do our computers do and how do we tell the customer? Customers do not buy generalized categories, they buy niche products for niche applications, from spreadsheets to payroll.

KHC:eh
KO:5657
(DICTATED ON 7/21/91, BUT NOT READ)

Distribution:

TO: Bonnie Bedell @ CORE
TO: Remote Addressee

(BEDELL.BONNIE)
(DONNA BLANEY @LKG)

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I N T E R O F F I C E M E M O R A N D U M

Date: 10-Jul-1991 05:46pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: See Below

Subject: THE RESEARCH BOARD VISIT JULY 9, 1991

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dk

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TO: Kurt Friedrich @CORE	(FRIEDRICH.KURT)
TO: Bob Hughes	(HUGHES.BOB)

Use the RDL option to see remainder of distribution lists.
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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 023028
Date: 23-Jul-1991 01:11pm EDT
From: GERHARD FRIEDRICH @UPO
FRIEDRICH.GERHARD AT A1 at MCI
Dept: EXECUTIVE RELATIONS
Tel No: 508 480-4426

TO: Win Hindle

(HINDLE.WIN AT A1 AT CORA @ CORE)

Subject: RE: THE RESEARCH BOARD VISIT JULY 9, 1991

WIN,
THANK YOU FOR YOUR REPORT ON THE ^{Research} CONFERENCE BOARD'S RECOMMENDATIONS.

ALTHOUGH I'M PLEASED THAT THE DAY SERVED IT'S PURPOSE IN MAKING NAOMI AND ERNIE MORE CONFIDENT ABOUT DIGITAL, I ALSO SEE A TRAP IF WE TAKE THEIR RECOMMENDATIONS TOO SERIOUSLY.

THEY SEEM TO BE SUGGESTING THAT WE HAVE LET OUR EMPHASIS ON STRONG PRODUCT DIRECTION/STRATEGY/OFFERINGS BE OVERSHADOWED BY OUR INTENTION OF BEING A LEADER IN THE ENTERPRISE INTEGRATION BUSINESS (WHICH AT THIS TIME MAY BE PERCEIVED AS MORE "CONCEPT" THAN REALITY). THAT MESSAGE IS PROBABLY WELL TAKEN, ESPECIALLY SINCE THEY REPRESENT CIO'S WHO FEEL IT'S THEIR ROLE TO ACT AS THE ENTERPRISE INTEGRATOR FOR THEIR FIRMS. SOMEHOW WE NEED TO GAIN CREDIBILITY AND THEIR CONFIDENCE THAT WE CAN BE PARTNERS NOT COMPETITORS IN THAT ROLE. THAT'S TAKING TIME AND BUILDING OUR EXPERIENCE BEFORE THAT BECOMES "REAL".

CERTAINLY WE CAN'T LOSE GROUND IN STATING OUR PRODUCT STRENGTH AS THE CORNERSTONE OF OUR BUSINESS DIFFERENTIATION. ON THE OTHER HAND, WE NEED TO CONTINUE BUILDING THE BALANCED MESSAGE OF HOW WE ADD GLOBAL BUSINESS VALUE THROUGH OUR COLLABORATIVE ENTERPRISE INTEGRATION SERVICES. ITS THE COMBINATION THAT MAKES DIGITAL A POWERFUL LONG TERM COMPETITOR, NOT JUST MAINTAINING OUR TRADITIONAL STRENGTH.

I'M SURE THAT YOU WEREN'T SUGGESTING THAT WE EXCLUSIVELY FEATURE PRODUCT IN OUR VISITS, BUT IF THE RESEARCH BOARD MEMO IS TAKEN TOO LITERALLY, WE RUN THE RISK OF SWINGING THE PENDULUM TOO FAR BACK. GIVEN THE CORPORATE POLITICAL ENVIRONMENT THAT CIO'S ARE CURRENTLY FACING (AND THE PERSPECTIVE THAT THE RESEARCH BOARD REFLECTS), I THINK WE SHOULD PUT THEIR VIEWS INTO PERSPECTIVE. ON THE OTHER HAND, SINCE OUR ARTICULATION OF OUR PRODUCT STRATEGY WAS PARTICULARLY EFFECTIVE FOR THE RESEARCH BOARD THAT DAY, IS THERE A WAY OF "PACKAGING" THAT MESSAGE FOR INCLUSION IN ALL CORPORATE VISITS?

RR

IS A VIDEO EFFECTIVE FOR THAT PURPOSE?

REGARDS,
GERHARD

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Date: 24-Jul-1991 02:58pm EDT
From: PETER SMITH
SMITH.PETER
Dept: Product Marketing
Tel No: 297-5160

TO: Dallas Kirk

(KIRK.DALLAS)

CC: Peter Zotto

(ZOTTO.PETER)

CC: Bill Johnson

(JOHNSON.BILL)

Subject: Research Board

Per the attached, can we make sure the Research Board is on our "pre-announcement" briefing invitee list and are given special treatment.

Thanks.

Peter

DIGITAL CONFIDENTIAL Document

d	i	g	i	t	a	l
---	---	---	---	---	---	---

INTEROFFICE MEMORANDUM

TO: Ken Olsen ✓
 Jim Cudmore
 Pier Carlo Falotti
 Kurt Friedrich
 Bob Hughes
 Bill Johnson
 Frank McCabe
 Bob Palmer
 Grant Saviers
 Bob Supnik
 Jack Smith
 Peter Smith
 David Stone
 Bill Strecker
 Mike Thurk
 Don Zereski

DATE: 16-Jul-1991
 FROM: Win Hindle *with ps*
 DEPT: Administration
 EXT : 223-2338
 LOC : MLO12-1/A53

BC: Roger Rose

SUBJECT: RESEARCH BOARD CRITIQUE

If you are concerned about The Research Board critique of Digital, be consoled by the fact that they are much more public about their criticism of IBM (see attached quotes by Naomi Seligman in Fortune). I asked Naomi if she was quoted accurately, and she responded that her remarks were made deliberately, knowing they would be printed.

ps
 Attachment

remember that this intelligence emanates from a firm that has long been bullish about IBM stock—the analysts estimated 1995 earnings for IBM at \$11.6 billion, close to twice the figure for the “good” year of 1990.

They like that report at IBM. Unfortunately, the accuracy of neither its forecast about mainframes nor any other is provable until the results are in. One restrained conclusion about IBM’s product line: It is better than it was a few years ago, still needs work, and is unquestionably getting it.

BY CONTRAST, IBM’s marketing skills don’t seem any better than they did a few years ago and definitely trail those of the frontier days described by Thomas J. Watson Jr. in his 1990 book *Father, Son, & Co.*, written with FORTUNE editor Peter Petre. Said Tom Jr. of IBM’s success in computers: “Technology turned out to be less important than sales and distribution methods. Starting with Univac [Remington Rand’s first computer, in 1951], we consistently outsold people who had better technology because we knew how to put the story before the customer, how to install the machines successfully, and how to hang on to customers once we had them.”

Oh, to have all that today! John Akers recognized the absence of those historical strengths around five years ago, when IBM’s world began to disintegrate. His strategy then was to move those thousands of employees—the “redeploys,” in IBM’s lexicon—into the field, where they were going to help the company get closer to customers. Later on, as it became apparent in Armonk that the strategy wasn’t delivering revenue growth, the U.S. marketing effort was reorganized several more times.

One customer who knows the consequences all too well is Thomas Pirelli, head of Enterprise Systems, a suburban Chicago company that sells specialized software to hospitals for computerized purchasing. Pirelli says the local IBM office was shaken up three different times in 1988 and early 1989. Three different sets of IBM managers called him, asking to drop by and explain how they were now doing things differently. “They wanted a day,” says Pirelli. “By the third one, I was only giving an hour. And in those three sessions, they never asked about our needs. They don’t listen. All they do is talk and show you the charts they’ve brought along.”

In the confusion, Pirelli says, one IBM newcomer even had to ask how much business Pirelli did with the company. The answer

IBMSPEAK

Companies tend to have their own special languages, which shed light on the corporate mind-set. At bureaucratic IBM, euphemism predominates over pungency. A lexicological sampler:

MIS or management initiated separation (n.) A reduction in the work force not caused by voluntary resignation or retirement. Translation: You’re fired.

nonconcur (v.) To withhold approval, as in: *I nonconcur with this proposal.*

redeploy (n.) An employee retained to perform a different type of job.

remission (v.) To change the mission or product of a facility. Example: *Let’s remission Endicott to make PCs.*

resource reduction (n.) Cutting staff, supplies, office space, etc. (see **MIS**).

solution (v.) To solve, as in: *We’ve got to solution this problem if we’re going to make the sale.*

tree hugger (n.) An employee who resists a move or any other change.

then was about \$2 million a year. “But since he plainly didn’t know,” says Pirelli, “I just made up a figure of \$20 million. That got his attention—until he realized it wasn’t true. I told him, ‘We use an IBM computer for that kind of data. You ought to try it.’ I’m not exaggerating about all of this. It was a parody!” Pirelli says that about 90% of the PCs in the hospitals he deals with used to be IBM’s, but he estimates that these customers are buying only about one-third of their new ones from the company.

Can Pirelli’s experience be explained by the fact he is a small-business man, a class of customer that IBM has never started with? It appears not, since complaints from large customers also abound. The Research Board’s Naomi Seligman says that most of the organization’s members are “fed up with the mediocrity of IBM’s marketing.” These buyers, she says, complain that too many people were put on their accounts, that the “knowledge base” of the IBM sales force is poor, and that Big Blue is still not providing solutions their companies need to network their computers and get full value from their huge investments. “It’s too bad,” says Seligman. “The customers can’t get what they want from small computer companies—they just aren’t set up to provide solutions—and the custom-

ers are short of staff to do the job inside. IBM would have a real edge if it had the skills and particularly if it could find the right ways to motivate its employees.”

In meetings, says Seligman, her organization’s members discuss the kind of IBM salesman they would like—“and the model is always Al Johnson.” Allen M. Johnson, 55, manager of the Bloomington, Illinois, office for 18 years, has only one customer, State Farm Insurance. In collaboration, State Farm and IBM have developed four generations of a sophisticated computer system for the insurer’s 17,500 agents. The two companies are also working now with a California startup, Go Corp., to test keyboardless hand-held computers on which the user—a State Farm claims adjuster, say—can write with a stylus.

Norman L. Vincent, head of data processing at State Farm, says he cannot say enough good things about Johnson: “From what I hear from other buyers, many IBM account execs just try to keep their noses clean for three years so they can get promoted. They say, ‘If my customer wants something IBM doesn’t want to give, I’m not going to go to the mat for it.’ Well, Al is just the opposite. He’ll go anywhere in IBM to get what State Farm needs. He’ll run into some guy who says, ‘My budget won’t allow that,’ and Al will ask, ‘Okay, who controls your budget, and where do I find him?’”

In the late 1970s, Vincent recalls, Johnson’s zeal got him into trouble. Johnson was then organizationally part of IBM’s data-processing division, which sold the company’s “big iron”—mainframes. But State Farm, trying to devise a computer system for its agents, needed small machines that were sold by another division. Johnson set about lining up the small stuff for State Farm. He says some “big-iron bigots” came after him, urging that he be fired.

Having survived, and having won nationwide reputations for serving his customer well,

Johnson rates a question: Has the IBM management ever asked him to teach other marketing people in the company how to do their job better? Answer: “No.” That suggests a lack of judgment up the line. Indeed, the biggest indictment of Akers’s management would seem to be that he has failed to fix IBM’s marketing problems. He came from the world of sales. Surely he should have

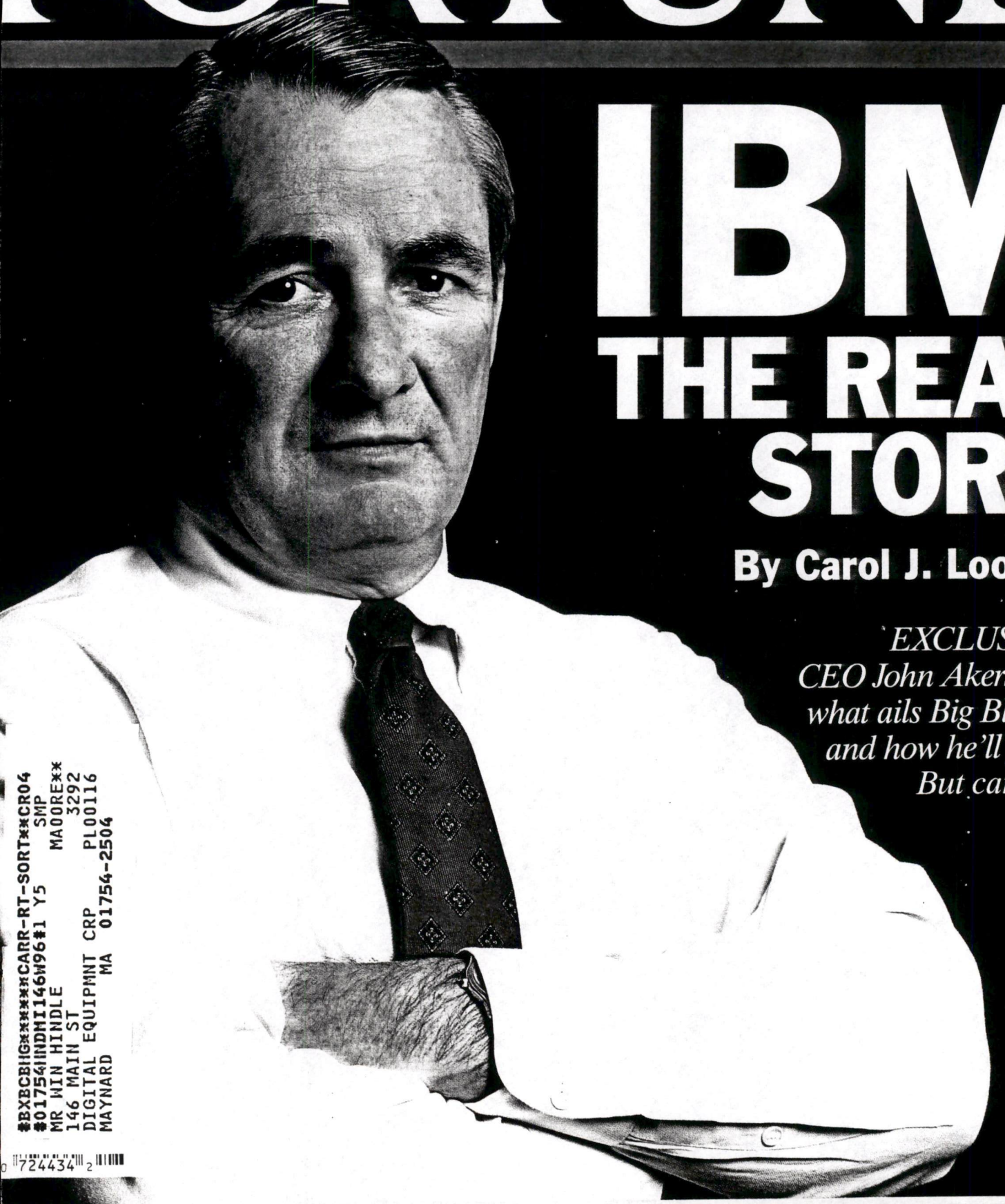
Three different sets of IBM managers dropped by. “They never asked about our needs. They don’t listen.”

PRECAST: GROWTH REVS UP • GAULT ON GOODYEAR • WHY JAPAN KEEPS WINNING

July 15, 1991

\$3.95

FORTUNE



IBM THE REAL STORY

By Carol J. Loomis

*EXCLUSIVE:
CEO John Akers tells
what ails Big Blue—
and how he'll fix it.
But can he?*

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#01754HNDMI146W96#1 Y5 SMP
MR WIN HINDLE MA00RE**
146 MAIN ST 3292
DIGITAL EQUIPMT CRP PL00116
MAYNARD MA 01754-2504

724434 2

I N T E R O F F I C E M E M O R A N D U M

Date: 16-Jul-1991 09:13am EDT
From: PETER SMITH
SMITH.PETER
Dept: Product Marketing
Tel No: 297-5160

TO: See Below

Subject: RE: RESEARCH BOARD

I'd suggest we include The Research Board on our list of consultants and analysts that we invite to all major pre-announcement briefings. This would keep them up to date and provide ongoing feedback to us.

Distribution:

Win Hindle	(HINDLE.WIN)
Win Hindle	(HINDLE.WIN)
Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
Bill Johnson	(JOHNSON.BILL)
Ken Olsen	(OLSEN.KEN)
Jim Osterhoff	(OSTERHOFF.JIM)
Ken Senior @ CORE	(SENIOR.KEN)
John Sims	(SIMS.JOHN)
PETER SMITH	(SMITH.PETER)
Jack Smith	(SMITH.JACK)
Bill Strecker	(STRECKER.BILL)

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I N T E R O F F I C E M E M O R A N D U M

Date: 17-Jul-1991 03:52pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: PETER SMITH

(SMITH.PETER)

Subject: RE: RESEARCH BOARD

Excellent idea! Please arrange to do this.

smv

DIGITAL CONFIDENTIAL Document

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I N T E R O F F I C E M E M O R A N D U M

Date: 24-Jul-1991 06:19pm EDT
From: Dallas Kirk
KIRK.DALLAS
Dept: CORP. PUBLIC RELATIONS
Tel No: 223-4562

TO: Win Hindle
TO: Bill Johnson

(HINDLE.WIN)
(JOHNSON.BILL)

Subject: RESEARCH BOARD

Is this a good idea? I sense from both of you that it takes major amounts of diplomatic skill to deal successfully with Naomi.

Regards,

Dallas

/pa

Attachment

DIGITAL CONFIDENTIAL Document

THE RESEARCH BOARD

INCORPORATED

220 EAST 61st STREET · NEW YORK, N.Y. 10021 · (212) 486-9240

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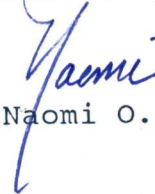
July 26, 1991

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Sincerely,



Naomi O. Seligman

Mr. Winston R. Hindle, Jr.
Senior Vice President
Corporate Operations
Digital Equipment Corporation
146 Main Street
Maynard, Massachusetts 01754

Posted: Mon, Jul 15, 1991 12:34 PM EDT

Msg: EGJB-4701-3758

From: E.VONSIMSON

To: ~~BROADCASTGROUP~~

CC: C.Catalano

Subj: Surprise! The Fog is Clearing at Digital Equipment

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4. Organizationally, there are now four business segments: a) VAX/Alpha with VMS; b) Commodity product lines - or hardware operating under DOS, Windows, OS/2 and Unix; c) Systems Integration, by which Ken Olsen means to charge for the installation services and support that were previously bundled with Digital's systems (though networking, etc. of non-DEC devices could be done as well); d) Services, which includes hardware maintenance, personal computer network support, wider networks, data base back-up and others. DEC is having considerable success retraining some younger plant engineers and accounting specialists as consultants, says COO Jack Smith. But we don't think the company any longer really harbors secret dreams of competing head-to-head against EDS on outsourcing or against Andersen on ad hoc custom applications

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29-Jul-1991 Mon 14:27

Naomi's secretary called to give you the following message from Naomi.

Naomi has thought more about the conversation you and she had today, and she began to think that perhaps you may have misunderstood her. Her message is as follows:

"Either you, Jack, or Ken would be most appropriate because we are talking about broad strategy."

Donna

Printed by Win Hindle

DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 023174
Date: 30-Jul-1991 01:37pm EDT
From: Win Hindle
HINDLE.WIN
Dept: Administration
Tel No: 223-2338

TO: Dallas Kirk

(KIRK.DALLAS)

CC: Bill Johnson

(JOHNSON.BILL)

Subject: THE RESEARCH BOARD

The idea, that we invite Naomi and Ernie to attend these briefings, is fine. They may not attend most of them, but they will feel included.

ps

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RECEIVED

JUL 31 1991

BILL JOHNSON

d	i	g	i	t	a	l
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INTEROFFICE MEMORANDUM

TO: Ken Olsen
 Jim Cudmore
 Bill Demmer
 Pier Carlo Falotti
 Kurt Friedrich
 Bob Hughes
 Bill Johnson ✓
 Frank McCabe
 Bob Palmer
 Grant Saviers
 Bob Supnik
 Jack Smith
 Peter Smith
 David Stone
 Bill Strecker
 Mike Thurk
 Don Zereski

DATE: 31-Jul-1991
 FROM: Win Hindle *WH*
 DEPT: Administration
 EXT : 223-2338
 LOC : MLO12-1/A53

SUBJECT: THE RESEARCH BOARD

 DIGITAL CONFIDENTIAL

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ps
 Attached

THE RESEARCH BOARD

INCORPORATED

220 EAST 61st STREET · NEW YORK, N.Y. 10021 · (212) 486-9240

July 26, 1991

digital

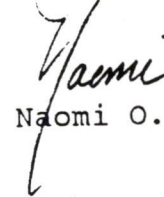
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146 Main Street
Maynard, Massachusetts 01754

Posted: Mon, Jul 15, 1991 12:34 PM EDT

Msg: EGJB-4701-3758

From: E.VONSIMSON

~~For: [REDACTED]~~

CC: C.Catalano

Subj: Surprise! The Fog is Clearing at Digital Equipment

digital

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*Sent I.O.
hand delivered to
those in area + BJ
1/4 class to PC F*

+-----+
| d | | i | | g | | i | | t | | a | | l |
+-----+

INTEROFFICE MEMORANDUM

TO: Ken Olsen
Jim Cudmore
Bill Demmer
Pier Carlo Falotti
Kurt Friedrich
Bob Hughes
Bill Johnson
Frank McCabe
Bob Palmer
Grant Saviers
Bob Supnik
Jack Smith
Peter Smith
David Stone
Bill Strecker
Mike Thurk
Don Zereski

DATE: 31-Jul-1991
FROM: Win Hindle *WH*
DEPT: Administration
EXT : 223-2338
LOC : MLO12-1/A53

cc: Roge

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July 26, 1991

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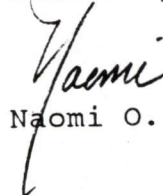
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