

C O M P A N Y C O N F I D E N T I A L

DIGITAL

INTEROFFICE MEMORANDUM

TO: Jean-Claude Peterschmitt DATE: 5/29/80 Thu 16:49:32
cc: Ted Johnson FROM: Win Hindle
 DEPT: Corporate Operations
 EXT: 223-2338
 LOC: ML10-2/A53

SUBJ: European Trip

One of the observations that I have made recently is that discontent about the company increases the higher in management you are. People in the front lines are generally pleased with their jobs and their opportunities. Higher level management, particularly those who have primarily a strategic or planning role, are much more upset about what is happening (or not happening).

I saw the same phenomenon in Europe on my trip this year. The largest organization - U.K. - had the most unrest, and the smallest - Denmark - had very minor irritations with the company. Also, several of the EHQ functional managers seemed quite concerned, whereas, in the countries these functions seemed quite peaceful. Let me be more specific.

The U.K. management team was obviously concerned about not getting enough resources in the current budget pass. I felt Darryl was particularly upset about the sales organization ("After two very successful years, all we get is a request for higher yields and more pressure for next year.") In the meeting with the country team, I got a strong feeling that they felt a strong need to control their own destiny to a much greater degree. Clearly, they believe they are much too tightly controlled by the product lines and functions. They talked about the desirability of switching manpower among product lines, about funding some discretionary spending through a price increase, and about making trade-offs among local expenses. All of these issues show frustration at being over-controlled. As we discuss Europe's organization for the future, we should remember this U.K. frustration. If we do nothing, the frustration will increase and I suspect we will lose some good people.

I suspect Darryl senses this frustration, though he is always so polite that he won't say it. I thought at first that he was personally concerned about his own position, but I decided he was

upset about the U.K.'s lack of freedom to make choices. He did seem more uptight than I had ever seen him.

The U.K. has done well for many years. I wonder if we should do a "U.K. experiment" rather than a "Norway experiment" and give them freedom to budget as they see the market. Here again, the larger the organization, the greater the frustration over current issues.

I met with six U.K. sales reps at lunch, and I was very impressed by their maturity and understanding of their business. They all had prior sales experience and very much appreciate the Digital advantages. I was struck by how we are now attracting people of this capability to work for us. We could blow it all, however, if we restrict the degrees of freedom we allow in the large countries.

Germany is in transition, and I felt they were handling it well. I wish I could have talked with the German team after you appointed Willi Kister as Manager. However, my feeling is that it will be fine. The management group obviously wants a boss, and Willi will fill that role completely. There is some concern that he will be dictatorial and not listen, but my reaction to Willi is that he is listening far better than he ever has. Germany knows the old Willi of six years ago, and I predict he will be excellent in the job.

During my German visit, I also became very excited about the opportunities we have in the market there. Our penetration, particularly in commercial markets, is very low. With the right leadership, the German salesforce can get that market. It will take some selling of the Commercial Group in the U. S., but Willi Kister is a perfect person to make that happen. I am really pleased by the whole succession of events and I predict that in three years we will be very excited about our accomplishments in the country.

I am concerned, however, about the growing gap between our plant in Kaufbeuren and our office in Munich. They used to have monthly meetings and now there is no regular contact. With no Personnel Manager over both groups, the interchange is minimal. After Willi has been in place for awhile, I suggest you push for a regular meeting that includes the subsidiary management and the plant. We need to get a marketing enthusiasm about the plant or we might as well not have built it.

Manufacturing in Europe needs more visibility. I talked to Paul Neuman, and he is clear on the next steps toward approving another DEC plant on the continent. However, this long range plan is not known to anyone but you and Paul, as far as I could determine. From my viewpoint, you and your staff have underplayed the value of manufacturing to our European business. I would be thumping the table to get more production in the EEC (on the continent) even if I couldn't prove exactly how it helped

get orders. My advice is to push this issue forcefully (assuming you believe it).

In Germany, I also became concerned about country marketing focus. I met for an hour with Frank Berger and his staff. All of the subjects they brought up were focused on short range problems (36-bit products, MUMPS, etc.). This is the group that should understand long-range opportunities in each country, but I had no sense that they did. Perhaps I misread the hour, Geoff Shingles thought I did. In any event, you and Geoff should be stressing the importance of long-range opportunities to these country marketing organizations. It is those groups who are essential to the planning process and to selling the Product Groups on long-range potential. I think Frank Berger should move into sales management, because I sense he does not have a strategic outlook, and I mentioned this to Geoff and to Willi.

Denmark was an excellent visit. After several years of poor sales, they have started to grow. I had a good feeling that Lennart Detlefsen was in charge in a very constructive way. There is excitement in a small country management team that senses its opportunity. Large countries have gone through this stage and lost the enthusiasm. Denmark is going through the same problems as others (too much OEM business as a percentage of the total, country protectionism, external profitability, etc.). Lennart knew all about the "Norway experiment" and his feeling was that they were too small to make it work. I got no feeling that he wanted to try a similar experiment just yet. He has his hands full just getting a team together and moving ahead in sales.

My visits with various committees made me feel that I was back in Maynard. I believe it is time to re-look at the European-level committees and move some of their decision making back to the countries. Perhaps some decisions could be given to Regional Teams at a certain size (\$100M in sales?). Clearly the U.K, is ready to handle more, whereas Denmark is not. I would like to see you work on this issue to ease the frustration.

The other note that struck me was the EFC meeting where the functional managers and the country managers seemed to have such a low level of mutual trust. It took 20 minutes to deal with how France would discuss the decision agreed to by the Committee. What a waste of time! I talked about this with Pat Canavan and he would like to work on trust with the European staff. We have been working on the issue of Country vs. Product Groups. Now you need to give some time to Country vs. Function. Perhaps we need to do the same thing in Maynard. Let's discuss this issue when you are in Maynard for your next visit.

The budget was a mysterious subject to everyone whom I talked with. No one seems to understand the whole process. I am going to talk about this with Ted, because it is getting to be a very serious matter. There is an atmosphere of helplessness about the

subject. We change the process each year and that doesn't help. The need for quicker feedback is felt by everyone I talked to in the countries. I realize you can only affect Europe's budget process, but I think you should do all you can to make sure the process is sensible. I will work with Bill Thompson on the whole company process.

I had a good meeting with Haskell Cehrs. If what he says is all correct (and I didn't have a chance to check), he has done a fine job in getting the systems issues under control. I wish I could say the same for the Corporate Systems in Maynard. The idea of having remote groups do the software development (after the systems analysis is done by the Geneva group) is excellent. In the competition between France and Italy for the next remote systems group, I recommend Italy. I made this point to Haskell and he said it was a toss of the coin, that he could succeed either place. From my viewpoint, Italy needs a feeling that the corporation "trusts" them with some non-Italian function, and this seems to me to be the perfect answer. There is no capital investment to make - no labor unrest difficulties. And France has gotten F.S. Remote Diagnosis, and the SWS Telephone Support Center. So whatever you can do to influence the Systems Group remote site, I would suggest you push for Italy.

The next location decision will involve Manufacturing - whether to build an additional plant in Germany or the U.K, or start a new facility in France. Here I would push very hard for France. I believe we need it for image there (I believe Arnaud de Vitry thinks so too, but is too polite to say so). Once we have more presence in France and Italy, I think we can slow down for a bit and expand what we have.

A talk I had with Crawford Beveridge troubled me in that he believes Personnel is too large, but he feels he has no power to say no to the functions and product lines who want personnel representatives. I believe Personnel is a geographic function primarily, and it blows my mind that everyone in the matrix has to have a personnel rep. But Crawford feels powerless to stop this silliness. I thought he was more powerful than that, but I will discuss the whole issue with Shel Davis. Our personnel costs will go right out of sight if we don't stop the proliferation.

Other functional managers seemed right on top of things, and I felt fine about the people reporting directly to you with the exceptions already mentioned.

The big strategic and organizational issues are what we need to solve soon - reporting relationships to the U. S., budget processes, decision-making processes within Europe, and international account management. These are so large and complex and take so long to solve that they frustrate senior managers. I suspect that is why senior managers are more frustrated than front-line people - the time-frame to solve problems is so long.

But that is what we are required to work on in a company of our size.

I enjoyed the visit as always. Please thank Maria for her excellent arrangements.

WRH/bwf

Europe

COMPANY CONFIDENTIAL

DIGITAL

INTEROFFICE MEMORANUM

TO: Jean-Claude Peterschmitt DATE: 5/7/79 Mon 9:48:00
FROM: Win Hindle
CC: Ted Johnson DEPT: Corporate Operations
EXT: 223-2338
LOC: ML10-2/A53

SUBJ: European Trip

As always on my trip to Europe, I have strong impressions after a week of visiting. My overall reactions this time are less positive than in the past. In particular, the frustration in the top management is much higher than ever before. Before discussing that problem, let me give you my thoughts about other subjects.

You and I had an opportunity to discuss France and Claude Sournac. Claude has put France on an impressive growth curve. Business is good, but the management team is not solid. There is a low level of understanding and trust between Sales, Field Service and Software Service, probably stemming from the top managers of these functions. Clearly, Claude's job is to bring his top management group together (or get new people in those slots.) You have been working on this with him, and I believe he will finally do this if he participates in picking the people. Also on the positive side, Claude is very concerned and interested in good employee relations, and he has had fine results. France is in better shape than ever before. By the way, I liked the Evry site which I visited.

Switzerland seems to me to be in excellent shape. Jean Friederich is in full charge and has confidence. I thought the managers in various functions were strong and motivated. My only criticism of Jean is that he doesn't listen enough, sometimes interrupting his staff.

Silvio Garretti is a delightful and concerned manager, but I always feel he is disorganized - perhaps all Italians are the same. I am impressed by the people he has developed, and the Italian team seems to be working quite well. The Personnel Manager, Enzo Mignone, on the other hand, feels there is not enough cooperation. He sees the functional managers doing their own functions and not instilling a "DEC" spirit in their people. I would have to be there longer to judge. Perhaps Crawford Beveridge ought to comment on this because he spent a day with

Mignone recently. Mignone feels that Personnel and F&A are low status functions and need to attain the same status as Sales, Field Service and Software Service.

The other feeling I picked up strongly in Italy (from others, not from Silvio) was that of being thought of by others as a "second class" country. They believe Europeans think poorly of Italians and that therefore Italy gets none of the European functions. For example, there will be no European DECUS meeting in Italy for the next 5 years. Italy is regarded as the "leader" of the Mediterranean countries, according to several in the office. They will put CSS, Field Service Training (which was removed after operating for a year), and Manufacturing into their long range plan.

Silvio (and Claude Sournac) need more time from you and/or Bobby. I suggest you set up a once a month face-to-face meeting with each one. Both are frustrated by the amount of meeting time in Geneva. They must be there 3 days with only 1 1/2 days of meetings. They claim the other 1 1/2 days are wasted since they can't get to see the people they need to see at that time (such as you) because you are always in meetings those three days. I think you should work on their frustrations by cutting down their meeting requirements.

The subject of meetings brings me to a major observation. I think you have established too many committees in Geneva. We are actively trying to cut down meeting time in Maynard, I encourage you to try the same. I would like to see meetings that involve only specific proposals to be decided at the meeting. Endless discussion topics are possible, and occasionally discussion is desirable - but I prefer to do this at WOODS-type, away from the office, meetings. For example, there were several EBMC issues that were being presented for discussion only, and I had the feeling that some members did not need to know about the subject nor were they very interested. I am trying at the Operations Committee to keep these kind of presentations to a minimum and have them sent out as written documents.

Another technique I am starting to use is to assign topics to a sub-group of the committee. For example, only Shel Davis and I will look at organization changes because the whole Operations Committee can't help and is not interested. In general, I'd like to get us back to having line managers manage. Approvals are needed on major issues, of course, and this is what committees should be used to do. In the Reviews of Operations, I would encourage you to do that with yourself, Bill Steul, and Geoff in attendance, but don't tie up the whole EBMC on this.

Regarding Lou Reagan's presentation of the future of Order Processing, Dave Stone whispered to me that someone in addition to Jim Murdoch ought to be communicating with Lou Reagan. Dave feels Jim is only a technician and doesn't understand the "business and customer" aspects of order processing. I suggest you ask Dave what he meant.

I was pleased to hear Bill Steul's positive report on the things that he had accomplished in F&A. It sounds from his point of view that we have made real strides in some age-old problems such as accounts receivable and fiscal profitability.

I had a very interesting trip to Galway. They need some good EDP systems help, and I judged they were getting it from the U.S. Until their systems improve, there will be some level of problems with deliveries. What concerned me most was the feeling that the rest of Europe was down on the plant. There needs to be a strong positive note injected into Galway, a new sense of pride in their work and in their importance to Europe. You can probably help that by working with Paul Neumann and Bob Gould.

I believe there needs to be a "joint plan" among European Marketing, Manufacturing and Sales as to what each function will do in FY'80 and '81, that will help each other function to do its job. There should be quantifiable goals that each function sets for itself, in writing, that will make the job of the other functions easier. For example, Sales should set goals of getting a very high percentage of clean orders, and spreading the orders 30% in Month 1, 30% in Month 2, 40% in Month 3. Marketing should set goals with regard to forecast accuracy (planning to offer special "packages" to move products according to forecast.) Manufacturing should set goals relative to on-time delivery and quality. If Geoff, Bobby and Paul Neumann mutually agree on these, then there can be a more positive feeling among the functions - each helping the other. I'd like to see you lead this effort.

Now to return to my concern for the frustration being felt (and displayed) by yourself, Geoff and Helmuth. Somehow, we have to address that frustration openly. First of all, you must make clear to Ted what your sources of concern are so that he can react and help lead to a solution. I am very willing to be helpful here, but I think Ted should be primarily involved from the Operations Committee.

Let me try to state the frustration I hear from you, Helmuth and Geoff. First, you feel you understand the European markets better than the Product Group Managers. You are also frustrated because despite higher profits in Europe historically, the PGMs continue to invest more heavily in the U.S., especially in a crunch. But you are also reluctant to cut the Product Group ties to the U.S. for fear that you are not yet prepared to take on a full marketing and sales support role until the marketing function is better established, if ever. Thus, there is a dilemma. You would like to be making the European investment decisions, but you are reluctant to propose a "European P & L" because the support needed is not in place yet.

I believe we need to work on this issue very seriously and very soon. The level of frustration has reached a serious level (with you as well as several others on the top level in Europe). I suggest that we set up a discussion with Geoff and yourself, John Leng, Julius Marcus, Ted and myself. Perhaps this group could spend an evening together during the May Budget Meeting. I will ask my secretary to set this up.

Outside of being concerned with your frustration level, I had a very beneficial trip. There is a special DEC spirit that prevails, even in serious situations, and that generates a lot of confidence. Thank you for suggesting the stops I should make and thanks to Maria for making the arrangements, which worked out perfectly.

WRH/bwf

digital**COMPANY
CONFIDENTIAL**Europe**INTEROFFICE MEMORANDUM**

TO: Jean-Claude Peterschmitt
cc: Ted Johnson

DATE: June 26, 1978
FROM: Win Hindle
DEPT: Corporate Operations
EXT: 2338
LOC/MAIL STOP: ML5-2/A53

SUBJ: European Trip

I am always impressed after a week in Europe by the high quality of our European people. You and your managers have really done a superb job in bringing top-notch people to Digital Europe. Let's always keep that a top priority.

The general level of manager frustration seems higher this year. Issues causing frustration are known to you, but the major ones are: length of time to make real estate and personnel decisions, having to get Product Line approval for allowances, too many product lines, difficulty of getting functional cooperation because of functional profit goals, etc. Clearly, we are large enough now to decentralize decision making more than we have, and I encourage you and EMC to address this. I do not detect the same level of frustration in NORAM.

I spoke with all the subsidiary managers except Germany and Spain. Almost universally, they expressed a strong need to make more decisions for their country. This is partly ego, but it is more than that. The role of a subsidiary manager must be addressed, and the August meeting hopefully will help. I believe we should give the subsidiary manager a budget which includes sales expense, allowances, and advertising. Then he should make trade-offs between these, while retaining his product line bookings commitments. Let's work on this in the coming months.

I do not believe we should go to giving complete fiscal profitability to country managers. I was interested that Bill Steul believes we should give this responsibility once a sub reaches \$100 Million in NOR. Somehow, we have to meet our fiscal profitability goals without this. You might discuss this with Steul to de-fuse his own frustration on the fiscal profitability problem.

The Country Managers, particularly in ^{Nordi}~~NORAM~~, feel very remote. I suggest one solution is to include them in the District Managers' Meeting. Let's call it the District and Subsidiary Manager Meeting and include Norway, Finland, Denmark, Austria, Spain, and Belgium. It would do a great deal for their ego to be included in this way. And they really could contribute without disturbing the quality of the meeting.

My visit to Geneva was excellent, particularly because I had a good chance to meet with most of the EMC individually. One of the highlights was to see how pleased Geoff Shingles is with his position. I think he will be very pleased to remain in his current role for a long time. Next to you, Geoff is the most respected individual in Europe. And he is doing a superb job in converting Europe to the corporate product lines. I think Geoff can contribute most to the company by staying in his current job for the next 2 - 3 years.

Pier-Carlo Falotti is one of the really imaginative managers in Europe. But he has been in his job only a year, and he hasn't yet achieved complete Field Service cooperation with his ideas. I would like to see him stay in his current job for at least another year to work all of these issues.

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Dave Stone has taken on a heavy load of responsibility outside of Software Services. He claims he expects to remain in Europe for an indefinite period, which is probably O.K. because his acceptance in the U.S. has diminished. I have suggested to Dave that he work on his relationships with Andy Knowles, in particular, to prepare for an eventual return to the U.S. I think he is an exceptional manager, but this feeling is not duplicated by other Operations Committee members.

Pierre-Yves Tiberghien's position is a problem for the future. He is not technical enough to be the strategic planning manager for Europe. I would like you to put him reporting to Geoff, concentrating on the "environment" for the growth of Digital in Europe.

You and I talked about Bobby Choonavala. I do wish that I felt that he was more skillful as a leader. He surely has a tough region to manage, but I don't feel the South West team pulls together particularly well. Perhaps the region is too diverse ever to feel a need for working together. The results of the South West Region are excellent, which is certainly Bobby's accomplishment. But the country managers are all quite independent and appear to focus almost entirely on their own country with relatively little regard for the larger picture.

We talked about European Manufacturing. I expect there will not be a successor to Ward who has the feeling for Europe that he has had, but I hope I'm wrong about that. To me it is essential that the person reside in Europe, but I will not get into that question unless you ask. I'm sorry Ward has to leave so fast. You should address the issue of more plants in Europe in your long-range plans. I would like to have your clear input on how additional manufacturing (or purchasing) in Europe will affect future growth. Would the lack of manufacturing put a lid on how much growth we could expect in each country?

Austria is a nice size as an operation and I enjoyed the visit. I was upset, as you know, that Bernhard Manzl was so easily convinced to add 3% more to his uplift in order to "pay for" building a training center. It is a problem, I think, that everything we want in each country is added to the price, instead of forcing a trade-off with some other expense. The subsidiary managers do not seem to show the same concern for higher prices as they do for other problems. Maybe the customers do not hassle them on this but merely buy from a lower priced competitor. In any event, I hope you can straighten out how we pay for a training set-up in Austria.

One other thing that bothered me in the Vienna office was Bernhard's comment about the offices. They were apparently going to have an open office design, but changed so that all the managers had offices. Bernhard's explanation was that he had been told (by whom, I wonder) that "Austrian managers all have private offices." This seems to me an issue where DEC values should supersede other inputs. I'm sure Swiss "tradition" is the same as Austria, but you all have open offices. I wish someone had reviewed that plan and treated everyone the same - either everyone has open offices or everyone has an office. Different treatment for managers like that really bother me.

I had a very stimulating visit in Stockholm, where the country managers were all gathered. We spent much of the time discussing the Commercial market, largely because our new Swedish Sales Manager, Lars, came from Univac and had a great many comments. Here, and in many other conversations, I received a great deal of useful input on how we should be changing to do a better job penetrating the commercial area. Clearly, our ability to adapt to the needs of this market will determine how fast we can grow in the future. The country managers in Nordic were very clear in their desire to have more decision-making done at local level. They feel "left out" as a group because of their sub-district status, and their input prompted me to recommend to you that you include them a bit more - such as in the District Manager meetings.

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Birger Kvaavik seems to have a firm hand on the District. He still strikes me as a somewhat aloof manager, but he apparently is right for that area. I do not see him as having potential for being a Regional Manager in the future.

In the UK we spent a great deal of time dealing with compensation, particularly the issue of cars as compensation. I think the time has come to accept the fact that the high marginal tax countries need this form of compensation. I suggested to Darryl and Peter Thompson that they work out a proposal based on salary level (not on position) and that they then work with other countries to see if there can be a philosophy that could be applicable all across Europe. By basing a plan on salary level (or on marginal tax rate), it seems to me we can accommodate the need for other kinds of compensation and still retain our fundamental values.

I like Darryl's style as a manager. His performance against plan this year has not been outstanding, but there are explanations for this. I believe he will continue to grow and has much potential.

Regional Marketing is suffering, particularly in the Northern Region. Tony James has lost many people, and I think it is very largely due to the lack of agreement on the job. The proposal of how regional and country marketing should be done in the future, as put together by Dick Dobbie, seems fine to me. Tony James agrees with it. I understand Geoff will make the proposal on this so the Operations Committee can make a final decision in August.

One more compensation issue - I hope we are not making "private deals" with managers any more to pay them outside the country. I heard a reference to this possibility, but no specific information.

One other observation in the UK, Bob McPherson mentioned that he had had to push very hard on Don MacKenzie relative to renting more space on Arkwright Road in Reading because MacKenzie said the space was not up to "Digital standards." I find that incredible, having seen the new space that CSS has there. We really have to watch functional managers on issues like this (we have had the same issue with our Facilities people in the U.S.) as they will price us right out of the market with their "standards." Maybe he's also the one who said Austrian managers must have offices.

I particularly enjoyed having more time than usual to talk with you. I believe the challenges you face are three-fold.

- 1) Propose (to the Operations Committee) and implement a European organization that will give you time to plan the future of our European business. In particular, this means having less people report directly to you.
- 2) Decentralize much more decision-making to the regions and countries. The future of morale in your area depends on reducing decision times.
- 3) Remain competitive on prices and expenses. This means reducing uplifts and watching overhead structures.

I have great confidence you can do all of these things and will be happy to help wherever I can.

Thanks for your hospitality. I always enjoy spending time in Europe.

digital**COMPANY
CONFIDENTIAL***Europe***INTEROFFICE MEMORANDUM**

TO: Jean-Claude Peterschmitt
cc: Ted Johnson

DATE: June 28, 1977
FROM: Win Hindle
DEPT:
EXT: 2338
LOC/MAIL STOP: ML5/A53

SUBJ: European Trip

As usual, I had a most enjoyable and informative visit in Europe. My only complaint is that there was a little too much scheduled. Visiting two distant places in the same day does not allow enough time in either one.

I have already mentioned my chief concern, and that is rebuilding the EMC. With three relatively new members and two with new jobs, there is a lot of team building to do. You have started working on this development of the group with your Cape Cod meeting, and I encourage you to have these kinds of meetings as often as practical. It also points out that you ought to try in the future to have no more than about two changes per year. Groups have a hard time staying together with too much change.

Jean-Pierre Salzmann is having a really difficult time adjusting to DEC. I didn't see Jean-Pierre but I had a long talk with Trevor Greenwood and several other EMC members. My feeling is that it is just not going to work out for Jean-Pierre, and that we should encourage him to find a job outside of DEC. No one I talked to believes he will make it. He is a delightful person and it is sad that he cannot make a match, but his personality and style are just too inflexible. I believe we should be very generous in allowing him time to find a new job.

Geoff Shingles seems to be having some difficulty switching from a general manager to a product line/marketing manager. Again, I didn't talk to Geoff, but I did spend time with his group. They do not feel that Geoff is really their leader as yet, but I have great confidence they will. I will spend quite a bit of time with him when he comes to the U.S. in August.

The job Al Peters will be doing has a lot of potential. It is very important that he work closely with Geoff in developing sales strategy ideas, I'm sure he will. Al has a good concept of how he will go about his job, and a lot of enthusiasm for it. He would be glad to stay in Europe another 4 - 5 years.

I would like to raise the whole issue of whether Europe is getting a large enough percentage of the total corporate resource. In the last two years you have not made a strong pitch for more resources and I know you believe that the plan for FY78 is as much as you feel comfortable with. However, for the long run, I would expect Europe to grow somewhat faster than NORAM for two reasons: first, computer penetration in Europe is less now than NORAM; and second, we make more profit in Europe. I hope you, Geoff, and Al Peters will really concentrate on this in the next long-range plan.

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The European Product Line Managers should be pushing harder on the allocation of resources for Europe. I have encouraged them to be a strong input to the Product Lines this Summer during the long range planning process. I will also push this issue strongly with the Product Group Managers in Maynard.

Central Engineering should do some hardware development in Europe. I believe it would be a great source of pride and motivation to our European employees. I sense that Dick Clayton is a stumbling block to this, and I am going to push on Dick pretty hard on the issue.

You expressed frustration over the increasing number of product lines in Maynard. I believe this trend is inevitable as we focus our efforts on more and more specific markets. We should talk about how to make it easier for Europe to deal with this trend, as I do understand your difficulty in relating to so many pieces of business. Geoff and I should work this issue, also, to see if we can come up with some new alternatives.

My visit to Germany was exciting. Bob Bishop has made a mark already - at least 5 or 6 people both in Germany and in Geneva commented on how much influence he is having. I sensed a bit of criticism of Helmut Coqui in these comments. I feel that some people sensed that Helmut was too slow to change his organization and too willing to let expenses go up out of proportion to the business growth. In any event, Bob appears to be accepted - though I doubt that the German organization would want him forever. Helmut is a more comfortable leader.

One comment that Frank Berger made disturbed me. He said there are rumors running around Germany that Helmut was "forced out" of Germany and that he would not be returning. You should do what you can to put down such a rumor, for Helmut's sake. I told Frank that the rumor simply was not true and that he should counter it whenever he could.

Frank also said that, "We know we have our problems" (i.e. expense levels) and that the organization was ready to work hard on those problems with Bob.

I got excellent feedback in Munich and Cologne on several problems - disk prices, IPG terminal prices, lack of turnkey systems, LDP softness, software reliability, and a few others. Joe Mestermann, Hans Dirkmann, and Bernard Manzl are impressive District Managers. In fact, it is a strong team there. I feel quite good about our Central Region for the next few years. The only Regional Manager that seems a bit weak is Eric Knoller. He is a bit too passive in the group and I do not feel enough aggressiveness in a regional team where you have to be strong to be heard.

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The Workers Councils in Germany still seem to take an enormous amount of time. I was also dismayed that they had not initiated J.P.&R. in Germany yet because the Workers Council had not approved it yet. They haven't even brought it up to the Council. If we really are committed to Employee Relations, it seems to me that this program ought to have been started some time ago.

One other issue in Germany is advancement opportunity. They complained about this but don't seem to have done much about it. We discussed parallel career paths and it was obvious that members of the Regional Team do not really believe it will work in Germany. There is such a stress on the title "Manager" that no one feels a parallel technical path will satisfy anyone. Bob Bishop and the regional team are going to work a lot more on that issue.

I had a good meeting with Jan Terwisse and the Dutch management team. Jan reminds me of Ralph Hollenberg. Apparently, he has had to clean up some messy problems left by Hans Steenman: BUS Products Mgr., Software Service Mgr., LCG Mgr., and Personnel Mgr. If Jan's story is correct, Hans really did a poor job of people selection. Anyway, the group now appears to be heading in a positive direction, though they will miss their bookings budget for the year. I was particularly impressed with Frank DeMeyere who will be taking over Software Services. I liked his directness and confidence that he could solve the Software Service problems. Willi Michelsen, Field Service Manager, also appeared to be very strong and constructive in the group. I hope Jan does not try to be too heavy-handed in his leadership, for he tends to be very directive in his style.

That visit does raise the issue of whether Hans Steenman is strong enough to manage the LDP business out of its current problems. I have some strong concern that he may not be able to do it. I would like you and Geoff to keep a watchful eye on Hans and LDP, and I will ask Ed Kramer to do the same.

My Ayr visit was too brief. I did not get there while the plant was in operation. The management team spent an hour with me and we all went out for dinner. They are surely all charged up over their first successful year. There is high morale and confidence they can do a big expansion in FY78. I believe they will make it.

My last day was spent with Daryl and the North European Management Group, which is always a pleasure. They seem to be formed together very successfully under Daryl. The group is going to miss Dave Lawrence because he is such a convincing spokesman for all kinds of UK issues.

There was much frustration at that meeting on administrative systems (i.e., order processing, cost center reporting, etc.). Ken Raynor was not all that confident about solving the problems very quickly; in fact, he appeared somewhat helpless and spoke about how the European Systems Group under Ray Gazzola was supposed to lead the effort here. I think EMC ought to get a reading from Ray and the Regional F & A managers to be certain there is a positive direction to all this. From my experience with systems groups, I know it is frustrating to line managers to wait so long for systems. But unless the line people watch the process carefully, systems can take forever.

I was also very pleased to see how well Bob McPherson has done with his CSS operation. They have reorganized to do a better job with big systems, and from the results of the last several months, I gather they have made an impressive showing of on-time deliveries. Bob is doing much better than I would ever have predicted, which pleases me.

The ESSC voted that Field Service could service competitors' peripherals on DEC systems. I believe that this is a fundamental marketing strategy question for the company, and that the Marketing Committee should have been consulted on this. I understand the issues on both sides, and I know how strongly Jack Shields feels. I am going to discuss the question with the Marketing Committee and I expect that the group will want to bring it up again before you implement it fully in Europe.

My final point is one we discussed in your office. I think you should spend more time in the U.S. The other members of EMC and the European Product Line Managers should also spend more time in the U.S. Of course, you should insist that key corporate managers reciprocate and spend more time in Europe. The European influence is still not strong enough in Maynard, and we all need to work harder at that.

Thanks for the hospitality. As usual the arrangements worked perfectly and I received a great deal of useful data about the company during my stay. You and your colleagues have built a strong, aggressive organization and I want to be sure every one of us understands the opportunities available to DEC in Europe in the next five years.

bwf

digital

INTEROFFICE MEMORANDUM

TO: Jean-Claude Peterschmitt ^{LOC/MAIL STOP}

cc: Ted Johnson

DATE: May 27, 1976

FROM: Win Hindle

DEPT:

EXT: 2338

LOC/MAIL STOP: ML5/A53

SUBJ: European Trip

**COMPANY
CONFIDENTIAL**

I had, as usual, a useful and informative visit in Europe. The highlight was our joint EMC/Operations Committee meeting which went extremely well and accomplished both of your two main objectives. The long range plan that all of you prepared was excellent - probably the best long-range document I have seen produced at Digital. I believe that the priorities stated in the plan are correct, with employee relations and manager development at the top of the list.

Your senior managers are working well as a team. In the long term, I have the greatest confidence in Ward and Geoff, who I believe will continue to grow the fastest. Dave Stone has great potential if he can protect himself from his ego - I wish he could learn humility somehow. Each year I grow more confident of Bobby, he has listened to counsel from you and others about being a manager and I feel he is doing well in working with his group. Helmut seems to grow steadily but slowly; I think he has been too slow to change his organization, but he is working the right issues. Jean-Pierre Salzman is too new to evaluate - we must all help him enter our peculiar organization and succeed. Dick Poulsen seems to be on top of his job and has three exceptional Regional Service Managers. My greatest concern is Pierre-Yves who seems by far the weakest area functional manager in Europe - he may also have the toughest job. It might have been wise to put Pierre-Yves in charge of the Treasury functions in Europe and bring in a top financial man. At this point, I don't see him as the senior man in finance in five years.

My visits to Milan and Stuttgart were interesting and also fun. I believe you should ask more U.S. visitors to go to the smaller offices where most U.S. people do not visit. The staffs there really appreciate the attention.

Silvio Garretti is struggling somewhat to get on top of his job, but I believe he will be successful. He expressed frustration with Geneva and the EHQ committees, particularly the length of time it takes Personnel matters to be approved. Of course, he is just learning to plan ahead. There is another Personnel matter I mentioned to Bobby - Silvio and Enzo Mignone feel that we should give the status of "dirigente" (spelling may be wrong) to the top managers in Italy as is customary in similar companies. I know Bobby is considering this but he may not sense how important it is to them. Also, the Finance area in Italy is a horror. Otto Mohr is not on top of it due to the lack of a Finance Manager who is now in training. The F. and A. job is over Otto's head and I think we need a much more senior person.

I found the Stuttgart office delightful - motivated people enthusiastic about Digital. Joe Mestermann and Otto Schlorb struck me as excellent sales managers. My discussions brought out the need for a new level of management in the German organization - either we should have a Sales Manager and more Districts or we should have Branch Managers. I favor the latter because I would like to see Helmut Coqui operate as Sales Manager. But right now the District Managers are spread too thin, I believe. Then there is the German DEC-10 problem! I hope that this great frustration is solved in FY77, but it has taken so long that only a successful year will make me believe we have solved the problem. LDP is beginning to be a problem, also, in Germany with increasing pressure on buying German computers with government money. There is some pessimism in Germany about this and we must re-study our marketing strategy. I think we should concentrate more LDP attention on industrial laboratories in Germany, which means putting LDP specialists on the teams that sell to the "Corporate" market. There seemed to be reluctance about this idea because of the long-time separation of the University/Government teams and the Corporate teams in Germany.

Jean-Claude Peterschmitt
European Trip
Page 2

A few comments on Personnel. It is clear to me that the union representatives in France could have been avoided by good management in the subsidiary - especially good Personnel management. Our priority on employee relations, assuming that priority is translated all the way to the front line managers, should prevent that from happening in other subsidiaries. I believe we in the U.S. now understand the workers councils much more clearly, and we understand the requirements to have them in many countries. Where we must have them, let's make them positive forces in employee communications. But where we are not required to have them, let's work for one-to-one line management to solve employee problems.

I did mention that I think Jean-Pierre Salzmann should use the word Personnel somewhere in his title. Organization Development is a fine concept, but it is sometimes confusing to people whether it also includes all the Personnel functions.

I know you are still concerned about Jean-Pierre's functional boss in the U.S. After thinking about this issue, and hearing your thoughts as well as the thoughts of Ted and Dennis, I have concluded that Jean-Pierre should report functionally to Carl Janzen in the U.S. for all Personnel matters, including Employee Relations. Carl is responsible for employee relations in the field operations, as Dennis is for the Corporation. It does not make organization sense to me to split employee relations from Personnel and ask Jean-Pierre to report functionally to two different people.

I am very pleased with our resolution of the budgeting process. It will probably take a few budget passes to do it smoothly, but I will work with my product lines to study carefully the area profit plans as well as managing the total picture. I think you and Ward should work on presenting alternative European budgets where you feel that they are in the best interest of Europe. We can deal with that kind of conflict and resolve it satisfactorily and you should not feel hesitant to raise those issues with the Operations Committee.

It was a pleasure to spend a week in Europe and feel the enthusiasm in our organization. Congratulations to you and your team. And thank you for the warm hospitality.

bwf



COMPANY

digital

CONFIDENTIAL

INTEROFFICE MEMORANDUM

TO: Jean-Claude Peterschmitt

LOC/MAIL STOP

DATE: March 24, 1975

FROM: Win Hindle

DEPT.

EXT. 2338

LOC/MAIL STOP: ML5/A53

cc: Ted Johnson

SUBJ:

This was a very full and informative visit to Europe. I had an excellent chance to talk with the senior European and Regional Managers. Following are some of my thoughts, many of them I have already discussed with you.

The U.K. appears very, very strong. I was again impressed by the superb team-building job that Geoff Shingles performs. Ron Eisenhower has come in very well and considers Geoff to be the best manager he has ever had. If Ron continues to do well, as it appears he will, I believe we in the U.S. will have to reconsider him for a Regional Manager position.

I would like to see Geoff's talent used to help Bob Thorley to grow as a manager. Bob has proved his capability to make sound business moves, but I think he needs to be more open and flexible with his managers and his peers. My suggestion is that Bob work for Geoff on a day-to-day basis, still meeting with you from time to time on business strategy, and, of course, with John Holman on world-wide CSS plans. Geoff would like to help Bob, but feels he cannot force it under the current structure. I will discuss this with John Holman.

In a similar matter, I would like to see the European Software Engineering Manager report to Dave Cope. Dave has gotten on top of his job extremely well; Geoff Shingles and Dave Stone both believe he could add a great deal to the management of ESE. I will speak with Larry Portner (who has reportedly taken a negative view on this) to encourage this change.

My meetings in Reading included Dave Buckingham and Vinod Shah but not the other District Managers. I have very high regard for Vinod, in particular because of his quiet confidence and knowledge of his market. Dave should learn a little more humility before going on to bigger and better things.

In general the ability of our U.K. organization to bring in new business in tough economic times is amazing and delightful. We should all be very proud of them.

The South West Region still has many growing pains. Not one of the District Managers are proven as yet. Bobby himself has progressed and I agree with you that he takes a much more general (rather than just sales) approach to the Region. I think you can best help him by letting him talk out his people moves with you (such as the French manager's job).

I met John Friedrich at a dinner, but did not talk to him enough to form an opinion. Having seen others come to DEC from large companies, I expect he will have a tough adjustment. Bobby expects this and is working that issue with him.

Jean-Claude Peterschmitt

Page 2

March 24, 1975

Claude Tissot is doing better - he has hired some fine people. I was particularly impressed with Michel Ferreboeuf and George Cassir. Of course, he hired Guy Marque-Pucheu and Yves Sarrazin earlier. As I told Bobby, I do not see anyone now in the French organization who could take Claude's place - nor do I believe Henry Ancona or Patrick Courtin are ready. I would not rush to fill the job unless a very strong person was available from outside the company. Another suggestion I made to Bobby (which he did not like) was to tell Claude we wanted him to stay in his job through FY76. Then, a year from now, we would pick a man from inside who has progressed the most. Claude told me he was concerned that we had told him of our desire to replace him 9 months ago and that nothing has happened. The uncertainty is bothering him. I assured Claude that we all considered him an extremely valuable person and wanted to be sure he was challenged by his next position.

The 10 is going well in France. Guy Marque-Pucheu has done far better than I ever believed he could. It is important to attack the commercial and industrial market now, and Guy is doing that.

CSS - Paris has made a good start. I met Chris Michel for the first time and am pleased with his progress.

I was able to spend sometime with Hans Steenman, and I feel he is really not yet there as a D.M. He told me he is spending 55% of his time selling. Bobby is trying to push him into paying attention to the other functions. Hans is a very good person and I think he will develop, particularly when the Dutch economy starts to get better.

I attended Helmut Coqui's regional staff meeting. You ought to do that sometime. The quality of reports was good and I was impressed at their professional approach. Bernard Manzl seems very solid in the industrial market and he gave me some good feedback. I haven't been able to get to see Frank Berger as an LDP expert. Helmut has confidence that Frank really knows the government market, but I still feel shaky about him.

Gerd Konig has not worked out well, unfortunately, and the 10 business is suffering. He should leave the manager's job (perhaps the company) quickly. I told Helmut of my real disappointment in him for not solving the 10 problems in Germany. He immediately said he was going to work out the solution with Tony James. I told Helmut I expected him to be responsible, with any help that Tony could provide. Would you follow up on this particular point. (Helmut would not expect Willi Kister to solve a management problem if Frank Berger were failing - why does he look on the 10 differently?)

Elard Giffhorn and I discussed the Workers Council. Quite honestly, it makes me very sad to see Elard and other employees spending so much time on this. I understand it is required by law but I hope we are doing everything we can to keep it in check. That's one added way to push up cost per man.

Helmut and I discussed the future organization of his Region. He says he wants to make a firm decision to be effective July 1 of this year. We talked about a Sales Manager and I recommended Willi Kister. We also agreed that we did not want to create more "levels" of management. I think you should push this issue very hard with Helmut to help him decide. He needs to bounce his thoughts off of someone - I believe that is the way he decides things.

Jean-Claude Peterschmitt

Page 3

March 24, 1975

I told Helmut Coqui that I felt he had lost interest in things while we were together at the EMC. Helmut admitted he was irritated by the quantitative requirements of the Regional Managers' reports at EMC. He had not had time to prepare well, either. When I talked with him in Munich, I knew my previous assessment was wrong and that Helmut was, in fact, trying very hard. He was glad to have my observations. I believe Helmut gives the impression of disinterest because he is less vocal than Geoff and Bobby. I suspect that not having English as a native language is a real handicap. You might continue working that issue with Helmut because several EMC members (Ward and Geoff) mentioned to me that they thought Helmut had lost interest.

Dave Stone is doing a top-notch job - far better than I thought he would. He has impressed his colleagues and helped his subordinates. We will have to be sure to recognize that when it comes time for him to return to the U.S.

We have discussed Ward's excellent work. I think that group is on the right track and, most importantly, the Regional Managers think so too. It is vital that we bring Ward back to the States into a challenging job, also.

It is very useful to hear how all of my product lines are received in Europe. I conclude that I have only one problem area - Industrial. The salesmen feel that our front end equipment is not competitive and, I gather, would like to see IPG more aggressive. I will work on those issues.

Once again, thanks for your hospitality. You and all the others make a busy trip most enjoyable. It is good to see how strong DEC is in Europe.

bwf

A handwritten signature in cursive script, likely belonging to Jean-Claude Peterschmitt, located in the lower right quadrant of the page.

CONFIDENTIAL

digital

INTEROFFICE MEMORANDUM

TO: Jean-Claude Peterschmitt

DATE: May 15, 1974

cc: Ted Johnson

FROM: Win Hindle

DEPT: Administration

EXT: 2338 LOC: 5-5

SUBJ: European Visit

This recent visit to Europe was relatively short, so I have a short report on my feelings about the trip. My general reaction is that the area has gained significant management strength since last year.

Bobby's South Western Region seems to need the most attention from a management viewpoint. In particular, I believe Italy needs most attention. It would be excellent if Alberto could remain there as a branch sales manager and bring in a new general manager. I do not believe he should go to Maynard because I think he will get lost there and eventually quit. Let's find him an European (hopefully Italian) position.

France is a more subtle problem - we need a new general manager in a few years, and I think it would be excellent if we could phase Claude into another position there at the right time. First, however, we must identify a new general manager, then train him for several years.

Walter Huwyler should remain in Switzerland, too. With the difficulty of finding Swiss salesmen, we should try to keep his talent there. Could we make him Components Macro Manager for Switzerland (Bobby suggested this)?

In general, sending a person who has failed as a manager to the U. S. does not strike me as a good idea. I would urge you to discourage this practice. I do not believe you want to encourage people who have failed as managers in Maynard to come to Europe. It is an expensive, risky solution to problems that I believe should be solved in Europe.

As we discussed, Bobby must come to grips with the decision on whether to become a general manager or stay a sales manager. I would urge you to keep this question in front of him until he makes a commitment. He obviously could do anything he freely chooses.

Helmut Coqui continues to grow as a manager. I am surprised he allowed Kister and Krings to leave at the same time because it leaves two big gaps and their successors will require a great deal of his time. Also, the three people who have headed up the three parts of CSS in Munich have had some coordination problems that Helmut has not had the time to observe and resolve. I am glad we have one man heading that function in FY75. Helmut's biggest problem next year will be bringing a new management team together. Gerd Konig will need his attention, also, but I believe with the proper coaching, Gerd can make it.

European Visit
Page 2
May 15, 1974

Your EMC management team is developing very well. The addition of Dave Stone will add strength to the functional side. Steve Jenks has already added to the functional group, and I am very pleased at the contribution he is making. (Let's try to keep him at DEC.) I would like to see you encourage the functional people to participate more in the EMC meetings. I would also like to see you encourage all the EMC members to visit Maynard 3 times per year and spend a week visiting all the group managers there. This interaction is very valuable.

Beyond a general good feeling, I have two thoughts of areas you might watch more closely:

- 1) We are too slow in changing managers who are not making it (i.e., Huwyler, Carlucci, etc.)
- 2) We do not plan.

Both are points equally valid in Maynard and Geneva, so I do not point them out because Maynard is doing well. We all have to work these issues more intensively.

Thanks again for your hospitality.

bwf



INTEROFFICE
MEMORANDUM

DATE 12th October, 1973

SUBJECT Your U.K. Visit

TO Win Hindle

FROM Geoff Shingles

I felt I would like to take a few seconds to write you a short note to thank you for the effort which you put in during your visit to the U.K. I am sure that all the people you met with found it very useful and, as I said, visits of Vice Presidents always considerably boost our morale and I would like to just remention the need which I feel for Pete Kaufman to visit the field.

I did have a very pleasant letter from Dr. Thomas thanking us for our efforts and stating that he feels that our regular meetings are genuinely helping the Edinburgh Computer Centre relationship. Additionally I believe that your input concerning getting our own points on those agendas is valid and we will be implementing that in the future.

You will remember that while in Edinburgh we discussed the 11/45 quality problem and the effects which it was having with the UK Government testing authorities. We have had a recent meeting with the Technical Support Division at the Department of Trade and Industry and I believe that with the appropriate reassurances and setting up a better communication link between DEC and themselves we will be able to retrieve the situation. However, I believe we are going to have to do some very hard thinking and shovelling to get ourselves completely clean again. We have never been politically favoured as you know but at least up until recent months we were very strongly favoured technically from the standpoint of product excellence and excellence in quality and engineering. I hate to lose this as this was the main string to our bow and we will be working hard to restore that.

Thank you again for your effort - we look forward to seeing you again soon.

Regards from the U.K.



INTEROFFICE MEMORANDUM

TO: Geoff Shingles

DATE: October 3, 1973

cc: Jean-Claude Peterschmitt
Ted Johnson

FROM: Win Hindle

DEPT:

EXT: LOC:

SUBJ: Visit to U.K.

Thanks for your hospitality on my recent trip. It was very useful to be in the field, listening to customers and salesmen.

I wish there were something I could suggest to you, but there is very little, since things seem to be going so well. Your U.K. District Managers seem challenged and eager to grow. Field Service is now back on top of installations after a rough summer. I didn't have the chance to talk with anyone from Software Support, but I suspect they need some help. I think there should be District Supervisors for Software Support - Dave Cope clearly can't supervise all those people himself, and I do not believe they can get proper supervision from the office managers.

You might give further thought to the forecasting issue. I suspect we might ask the field for 12-month unit forecasts at some time in the near future.

Congratulations on the team you have put together and the results you have gotten.

bwf

Attached is a memo regarding the DECsystem-10 organization in Germany. Helmut and Ward will have to work very hard to keep Juergen Kesper productive.

I was very pleased to see how Peter Mazlowski has developed and I hope he will agree to manage the entire CSS operation in Germany for the next two years. We must make a better profit in the software group there. A change proposed by Jim Murdock in the accounting for that group will help to give us a better picture of the operation. Weiner Heyn is good and very proud of his operation. Peter could provide good leadership for him and make sure Warner doesn't become too inflexible.

Helmut and Elard Giffhorn^{EN} seem to be on top of the Work Council issue in Germany. I'm sure you and Ed Jaferian will remain close to it. It sounds ominous to an American, but I feel better after hearing the German managers talk about it. They seem to be doing the right things.

We did not discuss the Employee Council in France; I had meant to do that. From the information I received previously, I suspect we ought to go ahead with that before being forced into it. We should discuss that when we talk next.

As you predicted, I found Berger Kvaavik much more on top of his job than the previous year. I feel that he still tends to "lecture" his people a bit too much and I'm not sure how much they dare disagree with him - this could be a problem in the future. Kurt Nilsson is one of the finest Field Service Managers I have met. He can go much further in management in the future. Tomas Lofgren has a good group of well motivated software support personnel. He does not seem as well organized as I would have hoped for one we are thinking of as a Regional Software Manager. On the people side, he is clearly superior; I'm not yet convinced on the administrative side.

Our Director's Meeting in Stockholm went well. Sven Asbrink is a fine choice as Director and could be very helpful if Berger will use him. I hope you and Geoff will occasionally meet with him, also, to keep him interested.

The French Office has settled down measurably since I last visited. The new quarters clearly help and losing a few disruptive people have helped. They still feel constrained by what they believe the restrictions on them are and I encouraged them to come forward with proposals they believed would work. We talked about developing the industrial market and I suggested they make a proposal to Bobby and you on how they would like to move in that area in the next several years. At this point, they don't see that they have some freedom to operate and you and Bobby should encourage that. Even in Special Systems, they are hesitant to fight hard for a local group. This may be a result of the relatively conservative leadership that Claude Tissot provides and it is probably the area that we should work on with him.

Across the company, we have a real need to decide on a strategy for the industrial markets. It is certainly true in the places I visited and in the U.S. Sam Melo could help to put together some ideas, but it will take a lot of work with you and the three Regional Managers to bring a strategy to reality. I told everyone about the proposals being worked by Brad Vachon for the automotive industry in the U.S. and they were eager to keep in touch with how this progressed.

Ward MacKenzie has been very well accepted in Europe by everyone I talked with. I have no suggestions on how he could do his job any better because it seems to be going so well.

The question of account management will have to be worked very hard to succeed. In Germany, they are convinced it cannot work without reducing yields by 20%. I suggest you press the issue very hard at your Sales Managers meetings to get the concept fully accepted. They they will have to sell it at the District and Branch levels. I would place it quite high on the priority list of goals for FY74.

Further development of European Special Systems, particularly your idea of "^{computer} computer centers" is one I will have to think about and talk about more. Intellectually, I like the concept, but I do worry about the difficulty of transporting competence across geographic borders. We will have to work on those ideas over the next few months.

In summary, I believe Europe is in excellent shape. I see no glaring weaknesses except the ones we have across the entire company (i.e. penetrating the industrial market, software support organization and responsibility, poor delivery information). I enjoyed my week and got a refreshing view of our many strengths as an organization.

ga

TO: Ward MacKenzie
Helmut Coqui

DATE: 5/22/73

FROM: Win Hindle

CC: Jean-Claude Peterschmitt
Ted Johnson

DEPT:

EXT :

SUBJ: German DECsystem-10 Sales Organization

I have already talked to Ward regarding my extensive conversation with Jurgen Kesper. Let me summarize my thoughts:

1. Juergen is still very upset about having to report to Gerhard Konig. He feels we were not open with him about his problems. He feels Gerhard was hired without his okay (which he feels we said we would obtain from him), and he feels he can learn nothing from Gerhard.
2. Juergen feels he has support in his feelings from other managers in Germany (he did not say who). He claims that they (as well as he) believe Gerhard will fail because he is "not a DEC-type guy". He claims these others do not believe that Gerhard had the experience he claims to have had.
3. It is clear to me that Gerhard will succeed only if both of you work to support him strongly. I suggest that Helmut work with Kister, Krings, Hofmann, and Berger to make sure they support Kong, I suggest Ward work with Kesper to show him he can learn management techniques from Konig. This must be a well-coordinated strategy and Konig must know the situation and what you are doing to support him. Also, Kesper must know how much we appreciate his success and how much we want him to grow in management ability. From here on, I think everyone should be very open with everybody else. Trying to keep secrets has not worked and I believe success will come by having everybody understand the situation.

ga



CONFIDENTIAL

TO: Jean-Claude Peterschmitt

DATE: June 1, 1972

cc: Ted Johnson

FROM: Win Hindle

DEPT:

SUBJ: European Trip Report

Once again I had an excellent visit in Europe. The plans worked out beautifully and I met more of our employees than ever before. I am very positively impressed by the quality and dedication of our European employees. The whole organization is noticeably stronger than a year ago and I am very pleased by this progress. You should feel a strong sense of accomplishment.

We have discussed France verbally, but in summary I feel Claude Tissot has consolidated his own position as manager very nicely. However, I believe he has let Field Service slip badly and as a result our response time to service calls and morale are both poor. Claude has stayed away from managing Tony Adcock because he was sensitive to the fact he previously held that position. I discussed this with both Claude and Ken Senior and encouraged both to help Tony succeed, because he is just floating free at the present and needs help badly.

The only other worry in France is whether it is wise to spend money trying to get 10 business. My own feeling is that it is a waste of money which could far better be spent in other districts (Switzerland, Germany, U.K., Scandinavia and Benelux). Also, our salesman does not seem to have any good ideas where to go for business in the private sector. I think we are doomed to failure on the 10 in France with our current course of action. I hope you and Ward will look hard at this and make a change.

In Germany, the greatest pleasure of my trip was a much stronger respect for Helmut Coqui's abilities. I found him much more sensitive than previously to the people in his organization and their relationships with him. He agrees that he is supervising far too many people directly and is working to correct this in time. His managers all commented to me that they feel the need to work with him directly more than they are able to do. Karl Hofmann is clearly a strong leader and Helmut appropriately relies heavily on him.

Helmut Peroebner is a mystery to me and I did not have a chance to talk to him alone. His job seems ill defined to me, and I understand you are pressing Helmut Coqui to define that job. It is very important that we measure the Sales Support Managers' jobs (also in UK and Scandinavia) because they could be just added overhead if we are not careful. We have taken 3 good salesmen and put them into these three positions and we must be sure that they are contributing more than they would as salesmen or sales managers. If the job is primarily administrative (trade shows, order processing, coordination of product and market information), then we could use more administratively adept people to fill the jobs rather than proven salesmen. I'd like to see you really get a better handle on the District Sales Support Managers' job and the qualifications for the job.

I discussed Juergen Kesper at length with both you and Helmut Coqui. Juergen is having great difficulty hiring good people. I feel he will always have that problem and that he will thus limit 10 sales in Germany. We should find a way to allow Juergen to have responsibility for scientific 10 sales and have another group under another manager for other markets. We definitely must not lose Juergen in the process because he is an excellent man and a proven producer of business. This is a very tough management problem but I believe you and Helmut are going to have to develop a strategy to solve it.

Willi Kister is doing extremely well. I had a very good visit in Hannover, although I think Willi could not see why I was there. He has built an excellent team and has arrived at a nice balance between supervising the German lab/research market and his branch office (Juergen Kesper on the other hand has totally let the branch function without him). I believe Willi has a great potential for increased management responsibility in the future. He feels he could get the same yield (which is already excellent) on 4 more salesmen than budgeted in FY73 in the German lab/research market. I think we ought to change the budget and give him more resources and get the business. Is there some way within your European budget to put more salesmen into that market in Germany? It looks like an easy way to generate another \$2 Million in bookings to me.

After visiting Germany, I am wondering whether it might not be well to have the Market Sales Managers (Kesper, Krings, Kister) located with Helmut Coqui in Munich. Particularly in Juergen Kesper's case, it would put him in the same office with the Large Computer Field Service Product Support Manager and Large Computer Software Support Manager, which is something he wants very much and I feel he should have (of course he wants them in Frankfurt). With all the Sales Managers in the same office with Helmut Coqui, I believe he would be in better control of the overall German Sales situation. The disadvantage, of course, is that there would not be senior people in the branch offices to supervise day-to-day activities. In Kesper's case it seems clearly like a good idea to me, but I am not as convinced about the others. You might give it some thought with Helmut.

The moves Bobby has made in Switzerland are a good start at re-building the organization. I had a fine visit with Walter Huwyler in Zurich. He will always be somewhat difficult to manage but I believe Bobby has him analyzed well. I would really like to be putting PDP-10 effort into Zurich (I would trade that position with the one in France). Walter should not supervise this effort but one 10-man operating in Switzerland could be effective. Jean-Paul Mueller could probably supervise the 10-man, though it is going to take him at least 6 months to get on top of his new job. I think he was an excellent choice.

Alberto Carlucci is one of the most dedicated men I have ever met. I do not know how he can continue to fight for business in a country where he has lost respect for the government and most of the people. He has thought about how to get business for DEC in Italy so much, that I'm afraid he may not be making the right assumptions any more. Pier-Carlo Falotti (who is such a competent person) said (after I pressed him for ideas) that he believes we should be selling "across the board" rather than concentrating in the narrow markets Alberto has defined. Pier-Carlo also thinks we would get more business in Turin and Rome if we had a man there.

I have no idea who is right, but I did suggest to Bobby that he hold an Italian "Woods" meeting on sales strategy and invite Alberto, the two salesmen, Pier Carlo Falotti, and Piero Ballardelli (who seems very solid and interested). Then Alberto would have to "talk out" his strategy with Bobby and the people who are more knowledgeable about the market. In my discussions with Alberto and his people, Alberto hardly gave anyone a chance to talk. I am afraid he is not listening anymore.

Pier-Carlo Falotti has come up with some very innovative field service contracts in order to get more business. You ought to look these over with Ken Senior (who has approved them on an experimental basis, apparently) and see if they have applicability elsewhere.

I have no particular thoughts on Belgium and Holland except everything looks very good. We have two good managers there and they seem to be right on top of things. Ralph Hollenberg is a real professional at managing and he has good men (Peter Picktall was an excellent choice). At the same time, I don't sense any long-term commitment on Ralph's part; I think he would leave in a minute for a job which looks even slightly more attractive. Michel Dawance is very sharp and analytical but he doesn't present himself yet to best advantage because he doesn't talk positively enough. I mentioned this to Bobby and I think he will work on this with Michel. The 10-man in Holland impressed me and I feel he will do well there.

As far as Bobby is concerned, his biggest problem is to get a viable plan in Italy and help J-P Mueller take hold in Switzerland. Bobby is challenged by this for another year and then he would clearly like to go to Maynard. We should jointly figure out by January how to use Bobby in Maynard for he is truly a top-rate manager.

Birger Kvaavik is doing his absolute best to succeed, but he doesn't seem to be pulling it off. It is a tough district with that spread-out geography. The most serious lack at the moment is the vacancy in the Stockholm branch. Per Hjerppe has never really filled that job, by his own admission, since he was still trying to cover the 10 leads and cover Finland. On July 1, Per will go back to being full-time 10 Sales Specialist for the District - which is what he really wants to do, I am convinced - (After a year, Per would like a 2-year job in Maynard. It seems that is in the minds of a lot of people - we will have to hire a boat on July 1, 1973, to take them all over.) I had a very brief chat with Lars-Eric Jansson to try to get a feeling of whether he could (or would want to) do the branch job. I do not believe he should do that job as he strikes me as being far too indecisive and withdrawn. Thus, that is still a big hole for Birger to fill, and there is no obvious answer. I would suggest a branch manager from some smaller area, but then the language becomes quite a barrier.

I gained a great deal of respect for Per Hjerppe in my time with him in Stockholm and in Helsinki. He will bring in some 10 business if it is possible, and I believe it is. I suspect he ought to stay in Scandinavia for 2 more years, rather than the one he is suggesting, to solidify some business and train someone to carry on.

My intuitive feeling is that Birger is not strong enough as a manager to make Scandinavia a real success. I got a strong feeling of distance between him and his people when we were all together. They don't relate to him as people in other countries relate to Helmut, Bobby and Geoff. He has to win them on his leadership, since he cannot do it on technical grounds, but I sense they have not accepted him on any grounds at this time. My advice is to begin

June 1, 1972

searching for a Scandinavian District Manager for I think Birger does not have the ability to put the district together.

Birger has probably told you we spoke to Dr. Leif Lindh. He is outgoing and sharp but highly concentrated in his consulting activities in consumer industries. The next step is for Birger (and you if you would like to do it) to meet at length with him (since we had a very short visit) to see how he could be of assistance to us with the set of contacts he has. He had an excellent attitude in that he only wants to be a Board Member if he can make a positive contribution. If Dr. Lindh doesn't want to do it (or if we don't think he can) then he offered (and so did Mr. Tannberg) to make suggestions of other people.

I judge you knew we were committed to go to Finland with a man very soon (was this proposed to the Operations Committee and I missed it?). Since the commitment had been made, I backed it up strongly during my trip. I think it is the right thing to do.

I had a short chat with Pierre-Yves Tiberghian and told him I was pleased at the work on the European Profit and Loss Statement. He is still trying to refine it. Don't let the figure of merit get too complex or no one will believe it any more. Accountants have a way of running away with a concept like that one.

You and I spoke of the need to identify career paths for people such as Ed Jaferian and Dave Packer so they would not get nervous about their future as the time to return to Maynard approached. I will work on that issue with Dennis Burke as I agree it is very important.

We also spoke of the desirability of your working out a set of goals with each of your functional managers (their functional department manager in Maynard should do the same with them). Unless you and your managers are very clear with each other, it would be very easy to go down different roads. I think this is particularly needed in Chris Scott's case. Of all of your functional managers, I sensed Chris had the hardest job of satisfying both regional and district needs and therefore needed your help most.

In summary, it was a very useful trip for me. I feel very comfortable that our European business is in extremely capable hands.



bwf

CONFIDENTIAL

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INTEROFFICE MEMORANDUM

TO: Jean-Claude Peterschmitt

DATE: June 16, 1971

cc: Ted Johnson

FROM: Win Hindle

DEPT:

SUBJ: European Visit

Each year as I write a report on my visit to Europe I feel more positive on the operation. My overall feelings at this time are very positive. A number of problems that existed a year ago have been solved. Except for U.K. and Italy, I heard little talk of economic slowdown. Next year should be quite good in most areas.

The U.K. organization during the next year as we work toward a market-oriented structure will be difficult. I am sure Dave Lawrence will do a good job of holding things together, or even developing them along the lines that Geoff Shingles lays down before he comes to Maynard. I am worried that we will not put a concerted effort on 10-sales in the U.K. for FY72 (Peter Watt is also very concerned about this); I will look forward to hearing how you resolve this question with Geoff Shingles. The Branch Manager meetings in the U.K. are very useful; I think you should encourage Geoff to mix functional managers into this group. The team building in each country will become more and more important as each area grows in total people.

My visit to Scandanavia was quite specialized so I have no solid comments except a generally good feeling about Birger. Let's make sure we stay close to budget there because his projected growth is very steep. If he starts missing on bookings, I believe you should hold back on his expense growth rate.

I spoke with you about Germany. In summary, it seems to me the market organization concept is well accepted but it will be rough to manage during the coming year. The split between branch and market responsibility has not been clarified. In particular, this will hurt the establishment of closer relations between branch managers and field service branch supervisors. In general, I felt that the Munich office was a series of small domains, not one team. Since you have talked to Helmut about this, as has Dennis Burke, I will not write a special memo to Helmut. Next time we meet I will bring it up and ask him how he is doing on that problem.

Special systems should be emphasized more in Europe. With the current managers, I am afraid we will not be aggressive enough, so I will discuss this with Brad Vachon. Special hardware/software systems under Werner Heyn are having great problems in Munich, so that problem needs resolution. I feel that these types of specials should be done under one boss who has adequate resources to be successful. Werner is not ready for this kind of responsibility yet; in fact, he needs a strong supervisor who can both help and control him a bit.

I was very favorably impressed by Karl Hofmann, Helmut Perobner, and Erich Knoller in Munich. They all seemed competent and broad in the definition of their jobs. Helmut Coqui can really put together an excellent team, if he puts it high enough on his priority list.

Italy is a disappointing country to me. Business is so difficult and our people seem so good. I talked with Bobby about this quite a lot and my advice is to keep Italy at a low expense level until we see business easier to get. I would not expand, in fact, I would think of cutting back on sales effort to as small a number of salesmen as are needed to cover the large industrial customers.

Switzerland needs a leader and less overhead, and I think Bobby sees it the same way. I suggest you help Bobby in letting Pierre go find another job and appointing a new manager. We should be doing a lot better in getting Swiss business.

It was a real pleasure to visit France and to see how well Claude Tissot is fitting into the leadership role. Everyone I met seemed relaxed and much more of a team member. I am still somewhat concerned about expanding our business in France because of the high level of nationalism still present. We should certainly emphasize the markets that are influenced least by the French government, and I believe Claude intends to do this.

I have no particular comments on Belgium and Holland - both are proceeding well with good managers. Ralph Hollenberg may tend to be a bit strong-willed at times, and I'm sure he will have to be counseled to keep himself under control. The spirit in both offices attests to the excellent job Bobby has done in these areas.

At the regional level I sensed the need to build the group more as we discussed. Pierre-Yves needs to meet and talk with Al Bertocchi as soon as possible, and I will speak with Al about this. My impression upon talking with others is that Pierre-Yves has done the accounting job we asked him to do; however, in doing it he has still not sold himself as a manager that inspires confidence. Dave Packer commented that in his opinion European accounting was in better shape than Maynard accounting. In the various offices, I picked up a few very positive remarks about Dave and the work he has done. My only negative feeling about Finance was to wonder whether the pendulum had swung too far and we were collecting too much detail (which would also mean spending too much in expenses).

Ed Jaferian clearly needs help in Germany. I would like you to push Ed on finding a man so that this person can get on board and start helping Helmut on his organization. It is a pleasure to see that Ed has the confidence of most everyone in the districts.

Bruno Duerr may have some difficulties in being a manager. He will need your counsel from time to time, I'm sure; but he may not ask for it. He seemed a bit stiff and not too confident and left the least favorable impression on me of any of the managers I met in Geneva.

PDP-10 specialist hiring is very, very critical so I urge you to stay on top of that. At the present level of specialists, I consider \$7 Million for FY72 quite optimistic. Peter Watt is also nervous about meeting that budget.

The French office group suggested a general policy of introducing new products in Europe three months after U.S. introduction. However European salesmen should be totally informed at the time of U.S. announcement. I suggest you discuss pros and cons of this at a District Manager Meeting.

It was a pleasure to visit again. I appreciate all the hospitality. Please thank Rosemarie for her excellent coordination of arrangements for me.

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INTEROFFICE MEMORANDUM

DATE: June 8, 1970

SUBJECT: European Trip

TO: Jean Claude Peterschmitt

FROM: Win Hindle

cc: Ted Johnson

From my viewpoint, my recent European visit was certainly worthwhile. I got a frank reading from most of the managers on their current status, and I felt I could be open with all of them. Let me go through each country and give you my thoughts and recommendations:

England - The U.K. is going well and I expect they will have another excellent year in FY1971. Geoff is a natural leader and has achieved a high level of motivation and success. He has finally gotten Geoff Finch out of a manager's role, which is long overdue, and has put his best man (Peter Herke) into his largest office. The London salesmen need a good strong pep talk to jazz them up and Peter will surely do this. Bob Thorley seems a good choice for Manchester.

My only criticism of Geoff Shingles is that he has spent too much time on non-sales matters (i.e., both budgeting and space searching have consumed great quantities of his effort). I believe he could have assigned some of the clerical parts of both of these tasks to someone else. Geoff does spend time with his service managers and it shows -- he has achieved excellent relationships with Dave Lawrence and Chris Morris.

France - Doing business in France is so frustrating; it is even affecting such an imperturbable man as Louis-Noel. You have convinced me that there is so much uplift in our French prices that DEC adds profit by being in France. Otherwise, I would strongly urge our holding off any expansion there because of the high cost of sales. As it stands, I believe we should spend no PDP-10 effort there since I see no chance of success with that product. Louis-Noel feels that when the 5-year "arrangement" between the French government and CII lapses at the end of this year, we have a good chance of selling 10's. CII has sold 25 Model 10070 (Sigma 7) computers while we sold two PDP-10's.

I think Louis-Noel is just great; he is sharp, he understands Americans and Frenchmen, he likes DEC particularly well. I believe he has leadership potential beyond the French manager's job in the future, if he wants it. If you have special one-shot assignments at the regional level that need to be done, I suggest you give a few of them to Louis-Noel to test him for broader responsibilities in the future.

Italy - The other high frustration country for business is certainly Italy. At the same time, our two men have done well there this year. Alberto is another natural leader who is still very new and green at managing. I think he will do as well as anyone could do at getting business in Italy. I believe Alberto needs to be counseled and helped by someone with more expertise than Pierre Jaillet; in addition, I think Alberto does not respect Pierre.

June 8, 1970

As in France, we should continue to be certain we are charging an uplift that assures added profit, since Italy is a high sales cost area. Alberto respects you very much and I would urge that you give him as much time as you can in the next year. One alternative idea to your spending time with him is to have him attend District Managers' meetings, since he is very smart and could absorb a tremendous amount from other managers.

Germany - I mentioned my thoughts about Helmut Coqui in some detail. He tends to think problems are solved before they are really solved (i.e., Peter Schmidt is not settled down yet from the blow of not being selected District Manager, yet Helmut thinks the problem is behind him). He has a real building job to do with many green managers in branch sales and branch field service jobs. Vince Marshall should be a considerable help to him since Vince is experienced and a strong personality.

We really have fantastic potential in Germany, from my viewpoint. I'm enthusiastic about going ahead with as much business as our young managers can handle. I think you should spend a lot of time with Helmut helping him build a "team" -- it seemed to me that the "team idea" was weaker in Germany than any other country except Sweden.

Helmut has got to work hard with Peter Schmidt to keep him happy, productive, and feeling important. I think Helmut was an excellent choice as District Manager and I expect he will succeed very well. He seems to have a good feeling for Americans and for DEC.

Switzerland - I have never been impressed by Pierre Jaillet's ability as a manager or as a salesman. This trip did not change my view. He is more interested in style than in content; he is not very effective at his biggest customer - CERN. He is not respected by Alberto Carlucci. I think Pierre is pleasant but ineffective in a company like DEC. I suggest you phase him out of the company since I don't see any job where he can really contribute.

We need a stronger man at CERN. Yves is good technically but not outstanding. Pierre does not fill in Yves' weak points - that is why we are having trouble at CERN. Can we hire a strong technical man from CERN? I suspect Yves would do well selling in a less political place than CERN.

Sweden - I talked at length with Kjell Reistad driving from Lausanne to the Airport. He is still in a disturbed state about his failure to convince Personnel of his problems with Swedish personnel requirements - legal and accepted practice - and about his failure to control Sven. He poured out his troubles solidly for 30 minutes. He would like to go back to a technical job and considered the U. S., but his wife said "NO!" He says he wants to continue to be Swedish branch manager, but I feel he could be talked out of that into being a super-salesman in Sweden. I strongly urge that you and Kvaavik (when he starts) try to get Kjell to give up all management responsibility - he can't do it and it really eats away at him emotionally. Before Kvaavik arrives, I would like you and Ed Jaferian to meet with Kjell (all three together) to try to resolve his Personnel problems with regard to legal requirements in Sweden.

Regional - I was pleased at the way Ed Jaferian and Myron Myers are doing their jobs. There is still much to be done in both areas, as we know, but I think they have a balanced view of priorities. As I said in a separate memo, I think Bill Newell is tired and should be replaced by a European. That poses a problem since Dave Lawrence is not yet ready for more responsibility - maybe he will be in 6 months and the change could be made then.

I mentioned to you that Pierre-Yves Tiberghien worries me from the point of view of building a staff beyond our need for that staff (i.e., - empire -building - though that is too strong a word). Pierre-Yves is having trouble understanding DEC because of his past with big administrative structures at big organizations. He needs your attention to a large degree now because he is not sure what is happening to him in the budgeting. I hope he can "unbend" from his formal training and become more flexible in approaching his job.

You seem to be very much on top of your own job at this point - congratulations for that. The men reporting to you have a significant respect for your counsel and wish they could get to see you more often. On the other hand, I repeat what I said directly - please govern yourself so you don't endanger your health by working too hard and too long. We will all be happy if you grow 65% instead of 75% next year and remain healthy so as to grow 65% the following year.

bwf

FRANCE

Your criticism about changing managers is justified. I have been too sensitive to Pierre's frustrated reactions to an environment with which he could not really identify. However, as Joly has accepted, I am confident that we are now off on a very good track. When I made the offer to Joly, I raised frankly the aspects of his personality about which we had some questions. His reactions were extremely positive, and the very open and personal contact I established with him on that occasion left me with a very positive feeling.

As for Pierre, I agree that he has a lot to learn, and he knows it, in spite of his very self assured appearance. The recent dropping out of Tom Lawrence gives me the double opportunity to put Pierre in a tough front line spot (he will be in charge of a combined Swiss-Italian district), and to keep him under close guidance.

France as a whole is still, I believe, an area of real potential to us (although, I admit, I am obviously biased). Depending upon statistics, France today ranks second or third in terms of number of computers installed in European countries. This should more or less also be true for our type of computers. The rules of the game are just a little more "different" than they are, say, in the UK or Germany.

NORM HUTCHINGS

I plan, and have already begun, to spend more time with Norm, in order to:

- strengthen him in his present responsibilities
- evaluate what can be his ultimate position.

I hope that it will be possible, with Brewster Kopp, to re-think very clearly what Norman's role should be. Contrary to the way he has been considered up to now, as performing an operating role within an organisation, entirely defined and controlled by Maynard; his role as a manager, reporting to me, as I see it, includes the following duties:

- (a) operate the European accounting set up within rules set by the corporate accounting organisation;

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- (b) play a key role in setting up the European organisation within the corporate financial organisation: contact with banks, dynamic adaptation to changing European constraints (devaluations, payment policies in each country), maintain the link between subsidiary managers and corporate accounting and finance;
- (c) develop the European reporting system needed for planning, budgeting and control at all levels;
- (d) develop financial performance criteria for himself, for subsidiaries and for Europe;
- (e) establish the structure for the organisation needed in Europe to perform these tasks. For this, he must be given a sufficient degree of authority and autonomy. For instance, he should not be told what staff he needs. A key factor will be his ability to interface smoothly with the corporate organisation.

This is, admittedly, a very big job, and close collaboration between Maynard, Norm and I will be needed.

ORDER PROCESSING

This is, indeed, a very untidy area. As Maynard is taking very significant steps to improve the set-up, a considerable change for the better can be expected soon. The planned position of an order processing analyst for Europe, located in Maynard, but regularly visiting Europe, should be very significant. It will allow us to identify the errors we are making on both sides, and to correct them.

However, I continue to be convinced that the processing of orders, as such, is far from being the only cause which results in apparent order processing problems. I believe that production scheduling, inventory control, engineering program scheduling, etc., are among the frequent causes of our problems. The whole area of commitments to dates, specs, etc., is one where I think drastic improvement is needed.

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SWEDEN

I am very glad that you had a good feeling about Sweden. It has been my impression for a long time that Kjell is running a much better organisation there than he has ever been credited for, and recent results are there to confirm this.

I believe the Swedish "separatist" attitude is improving. Kjell is certainly making a great effort to improve the contact. Unfortunately, the distances are great, and I, as well as others from Europe and Maynard, don't get to Stockholm as frequently as is really needed.

In addition to some difficulties in expressing his ideas in English, especially in meetings, Kjell's problem has been for a long time that, as "director and manager" of the Swedish operation, he thinks he should be free to run it as if it were a company unrelated to a larger organisation. I am glad that you encouraged him to present his proposed policies in a documented form.

However, it is true that I, as well as John Leng, have frequently taken a discouraging attitude towards excessive adaptation to local practices in each country. I continue to believe that there are many areas where standard company approach is, in the end, more effective than standard country approach. After all, as far as I know, even in the the US, there are many things we don't do "like everyone else". The right balance between the two is a difficult one.

GENERAL SUPPORTING STAFF

You did not mention this in your report, but, following your oral comments, I have also given some more thoughts to this problem.

I, too, am concerned by the fact that we need so much more supporting staff than in the US, and that, at the same time, this staff appears overloaded in many places.

It is true that a greater effort is needed to streamline our organisation and methods, and I will re-emphasize this problem to the subsidiary managers.

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On the other side, I am sure you realise that there are a number of tasks which a European district has to perform, that do not exist in a comparable US district. These include :

1. Proposals

European customers are not used to working over the telephone. They want everything in writing, and in detail. The fact that practically all our literature is still in English necessitates a large amount of extra effort, in that all relevant information has to be translated and re-typed. A typical proposal covers several pages, where in the US the printed material appended to a brief proposal is sufficient.

2. Customer Orders

These again are long. Careful review of the terms and conditions (by the salesman), and lengthy answers are again needed. Once more, the telephone can rarely be used effectively.

3. Administration

A typical order requires a lot of documents related to shipping and customs (import certificates, etc). Again translation is needed.

4. Handling of Customer Enquiries (replies to advertisements)

In some areas we are running several months behind (eg UK). I am trying to free enough budget to establish a central direct mail set-up and get up to date.

The fact that a basic requirement for a secretary (except in the UK) is that she speaks two languages means that, on the whole, we have girls of a higher degree of intelligence. This sort of girl tends to be slightly reluctant to work on the more routine aspects of a job. She therefore has less experience and is not as good at her job.

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However, in view of your comments, we are continuing to look into this particular problem in order to make sure that we do not have any unnecessary paperwork, and that what has to be done, is done effectively.

Thank you again for your very full comments on your trip.

I always appreciate receiving comments or criticisms which will help me to establish a strong organisation in Europe.

Jean-Claude

JCP:cah

digital

INTEROFFICE MEMORANDUM

DATE: June 11, 1969

SUBJECT: European Trip

TO: Jean-Claude Peterschmitt

FROM: Win Hindle

cc: Ted Johnson

My two week trip to Europe accomplished exactly the objectives I had in mind - about 50% of the time was spent with customers and 50% with our own staff. My arrangements were excellent; please pass along my thanks to Chris Hadlow for a fine visit.

Let me list the major positive and negative points first and then proceed to more detail:

POSITIVE

1. District and branch managers enthusiastic and competent.
2. Customers I visited expressed good level of satisfaction with DEC.
3. No major problems with delivered equipment (i.e. our field service is several fold more competent than several years ago).
4. The personnel freeze has been quite well accepted.

NEGATIVE

1. No German Manager in sight.
2. French Manager will change again - third man in three years.
3. Norm Hutchings is in turmoil.
4. Order processing still not smooth (both Europe and U.S.).
5. Sweden has developed a "separatist" attitude to some degree.

ENGLAND - Geoff Shingles seems to have an excellent feeling for his job and his people. He is working well with his 3 branch managers. Weaknesses this past year in PDP-9 and module sales are recognized and corrective steps are being taken to meet the 1970 budgets for each product. I have a very good feeling for our future in the U.K.

HOLLAND - Bobby Choonavala is still struggling with a new operation. This past year he has missed his budget due primarily due to lack of PDP-10 bookings. However, the 10 looks promising for a few systems in 1970.

We have developed excellent relationships in major universities and with the Dutch Government and I'd say the future for all products is very bright here. I think you should spend some time with Bobby on the administrative side of his job as he seems to shy away from this. His customers seem very close to him.

FRANCE - I developed negative feelings about France, perhaps for the same reasons that Pierre has developed negative feelings. It is so difficult to do business there from the sales viewpoint. Also, the difficulty of employee relations (government control over policies) seemed most severe of all our subsidiaries. I think it is going to be increasingly difficult to sell PDP-15 and PDP-10 in that environment.

I am disappointed that we are changing the manager again because it hurts our image when we are trying to look like a stable, permanent company. It seems to me we should have required Pierre to stay through the next Fiscal Year and looked for a replacement to start next March. Pierre did most poorly in meeting his bookings goals this year (except for the brand new Italian operation) and now we will never know how he would have done in meeting his goals for 1970.

You make a good point when you say that we are making a good profit in France (even though the cost of sales is high) because of the considerable uplift included in French prices. Consequently, I think we should continue to pursue our French business aggressively. However, we must keep a constant watch on our profit there because it appears that our cost of sales as a percentage of bookings will continue to increase.

SWITZERLAND - My main impression here was of CERN, where our potential is certainly excellent. It appears we could sell at least three PDP-10 systems and innumerable small machines here in the next few years. I would expect Tom Lawrence to perform very well in this environment.

GERMANY - I was very impressed with the competence of our 2 branch managers. I wish one of them were ready for the German Manager position now, but I think each one is 1 - 2 years away from that. I would expect Coqui to develop more quickly and be available to handle it in 18 months. Of course, this position should not remain vacant that long and I suggest we try to find an American to fill the job for 18 months.

Prospects for business seem excellent, although the German government could start to make it more difficult by legislating a Buy German policy, which has apparently been discussed in the German Parliament.

We discussed the German attitude about the importance of structure and position. My conclusion is that we all must try to understand and work with our German employees since we will obviously not change them very much. I don't think this stands as a major obstacle as long as we select a manager carefully.

SWEDEN - Kjell Reistad will probably come closer to his Bookings budget this year than any other area, which is a great credit to his work. At the same time, Kjell feels least appreciated of all the managers I met in Europe. He feels that he has done a very good job and has gotten very little recognition for it.

Kjell is particularly concerned over his inability to influence changes in company policy for Sweden. He has proposed, apparently, a number of changes that fit into the Swedish way of doing business and has met with "that's against company policy." I expressed surprise that he had found such a road block to his ideas and encouraged him to be more aggressive in proposing policies in which he strongly believed.

The staff in the Stockholm office was more alive and open than any of the other groups I talked with. They were very free in offering product ideas and also had the feeling that no one listened to them. My suggestion is that more Maynard visitors visit the Stockholm office and that we encourage Kjell to express himself more forcefully in the future.

ACCOUNTING

I was very concerned at Norm Hutchings distraught attitude. He appeared very harried and I had the impression that he was carrying the world on his shoulders. The two areas of major concern to him are (1) authorized signatures for checks and voucher approval authorization. Apparently one recent telephone bill was not authorized rapidly enough and as a result, telephone service was discontinued for a period of time with great embarrassment to Norm. (2) The question of whether accounting should be centralized or decentralized in Europe over the long term is of significant importance to him. If it is to remain centralized he feels that he must develop his clerical staff in order to cope with the problem of growth. Allied with this problem is his desire to have his own reporting relationships vis-a-vis with the Maynard manager clarified. I have already encouraged you to spend some time with Norm and I have done the same with Bob Dill. We have been very pleased with the technical output of the European accounting group and now we need to be sure the organizational problems are clarified.

SUMMARY

I feel we are well on our way to an excellent organization in Europe, and I got the feeling of strong support of you, yourself, from your various managers. They all complained that they did not see you enough and I know you are aware of this problem. If we continue to proceed ahead during the next year in the same solid way as we have this year, I believe that we will have a really superb organization.

bwf

France

Yack... Latt...

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I n t e r o f f i c e M e m o

TO: *WIN HINDLE

DATE: TUE 27 AUG 1985 10:01 AM GMT
FROM: MICHEL FERREBOEUF
DEPT: FRANCE
EXT: 1640
LOC/MAIL STOP: SIEGE àPAO

MESSAGE ID: 5283450071

SUBJECT: RE: GMF

86061

I agree 100 % with you when you say "if a (inexperienced) customer refuses to buy our support, then we should not make the sale".

In the GMF case, the difficulty came from the fact that :

1. At that time (2,5 years ago) we, in Digital, were rather inexperienced in determining what the customer had exactly to be, to know and to do, in order to implement successfully such a large network.
2. We were too much influenced by the assurance of the customer, his strong position to handle 100 % of the application and the size of his computing team.

Today we would handle an equivalent project with much more authority, knowledge and focus.

Regards.

27-AUG-85 6:35:34 S 00315 USMT
USMT MESSAGE ID: 19850827100138/9459àPRSEIS

I n t e r o f f i c e M e m o r a n d u m

To: MICHEL FERREBOEUF

Memo: 5282963432MIL24
Date: Thu 22 Aug 1985 2:05 PM EDT
From: WIN HINDLE*
Dept: CORPORATE OPERATIONS
Tel: 223-2338
Adr: ML010-2/A53

Subject: GMF

CONFIDENTIAL - DO NOT FORWARD - DO NOT COPY

Thank you for the explanation of GMF's decision to return to a centralized IBM solution.

I believe we need to look on the episode as a DEC learning experience and share the learning at senior levels across the company.

What I learn from this case is that particularly when we deal with an inexperienced customer, we must take responsibility for his success. In other words, DEC must sell enough expertise so that the customer is guaranteed success. If he refuses to buy our support, then we should not make the sale.

I would be interested in your reaction to this approach.

WH1:S.3.30

Francois Gilotti Back ground Attached
PCF
[Signature]
[Signature]

I n t e r o f f i c e M e m o r a n d u m

To: WIN HINDLE*

Memo: 5278836416MIL00
Date: Fri 12 Jul 1985 5:21 AM EDT
From: MICHEL FERREBOEUF
Dept: FRANCE
Tel: 1640
Adr: SIEGE àPAO

Subject: RESENT MEMO - GMF -

**** CONFIDENTIAL ****

As requested, here is a brief summary of the situation with our customer GMF.

GMF is the largest French insurance company. In 1982, it decided to restructure its internal information system and migrate from a centralized to a decentralized architecture consisting of a network of 114 VAX's connected to an IBM mainframe through TRANSPAC. The gateway being formed by PDP 11/44 and a group of Software products which DIGITAL subcontracted to a British OEM, SCICON. GMF kept the entire responsibility of its applications, the conception and development of which it did not wish to subcontract.

Between 1982 and 1985, when GMF cancelled the project, DIGITAL has fulfilled - and often gone beyond - its contractual and moral commitments : 114 VAX's delivered in 6 months in accordance with the planning, the SICON Interface delivered and installed as planned, and all the requested services (maintenance, support, consultancy) delivered by a very professional team, 100 % dedicated to this customer. Technical problems on DIGITAL side have been solved one after another as they came up. Only the reliability of the network had not yet been fully demonstrated by SCICON, but it was only a matter of weeks before such could be done. Moreover, none of these problems ever impacted or delayed GMF in the development of its application.

In May 1985, GMF suddenly decided to give up its decentralization project, and come back to a centralized IBM solution. The deep cause of this choice is the customer's failure in developping a good application. It is not the quality of DIGITAL services and products.

This failure is clearly due to a tremendous lack of organization on the customer's side, poor performance of its technical teams, inconsistency of management (3 project managers in 3 years, 4 organization managers in 30 months, internal conflicts between the different teams involved, etc...) lack of adequate training despite our propositions, plus the fact that our advice was rarely taken into account.

Despite the low and irregular visibility we had on GMF's

developments, we repeatedly gave them warnings, verbally and in writing, that they were not taking the right approach.

Finally, GMF asked for an audit, which was conducted by Andy Wilson and Paddy Griffin, Digital Software specialists. The conclusions were catastrophic. We proposed to undertake the entire reconception of the applications under our full responsibility, which was refused by the customer, who pursued his efforts for a few more months and finally renounced.

In conclusion, GMF has underestimated the difficulties of decentralization in a very centralized organization. We still are convinced that the solution was not only technically viable but good.

The lesson is : first, there is a strategic and political dimension in projects of this size, with companies of this type, which should not be underestimated ; second, the perfect operation of a network is critical enough for a large company to change its automation strategy rather than living with a defective solution, whatever the defects are ; third, IBM is very strongly resisting the intrusion of competitors in one of its privileged markets.

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I n t e r o f f i c e M e m o

TO: MICHEL FERREBOEUF

DATE: THU 20 JUN 1985 1:51 PM EDT
FROM: WIN HINDLE
DEPT: CORPORATE OPERATIONS
EXT: 223-2338
LOC/MAIL STOP: ML10-2/A53

MESSAGE ID: 5276614742

SUBJECT: INSURANCE

VERY CONFIDENTIAL

DO NOT FORWARD - DO NOT COPY

I am very interested in the insurance market for the future. I know that we had a recent set back with our large French insurance customer. Would you please send me, on a very confidential basis, the reasons why DEC won the business originally, and what happened to displace us.

WH:da

WH:S1.72

Background Attached

FRANCE

d i g i t a l

I n t e r o f f i c e M e m o

TO: *WIN HINDLE

DATE: TUE 06 AUG 1985 7:11 PM GMT
FROM: PIER CARLO FALOTTI
DEPT: EUROPE
EXT: DTN:821 - X4961
LOC/MAIL STOP: àGEO, GVA-CL.VUE, 607

MESSAGE ID: 5281339865

SUBJECT: Re: DEC-FRANCE

Ref: FRANCE i totally agree with you.

6-AUG-85 16:02:40 S 02042 USM1
USM1 MESSAGE ID: 19850806191142/24278àGVAML2

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I n t e r o f f i c e M e m o

TO: PIER-CARLO FALOTTI

DATE: FRI 12 JUL 1985 11:34 AM EDT
FROM: WIN HINDLE
DEPT: CORPORATE OPERATIONS
EXT: 223-2338
LOC/MAIL STOP: ML10-2/A53

MESSAGE ID: 5278827290

SUBJECT: DEC-FRANCE

I appreciate the excellent business performance of DEC-France these past several years. Thank you for sending the performance charts.

My negative feelings during the Euroboard Meeting about France had only to do with the quality of the presentations, not the business. However, really excellent performance includes good business results plus good marketing of those results to the management.

WH:em
WH1:S2.44

Subject: ~~France~~ DEC - France

EMS To: Pier Carlo Falotchi

From: WH

2.44

I ^{appreciate} ~~have~~ ~~been~~ ~~very~~ ~~good~~ ~~to~~ ~~hear~~ ~~about~~ the excellent business performance of ^{DEE} France these past ^{several} ~~the~~ years. Thank you for ^{sending} the ~~performance~~ ~~charts~~ performance charts.

My negative feelings during the ~~Euroboard~~ Euroboard Meeting about France had only to do with the quality of the presentations, not the business. ~~However~~ However, really excellent performance includes good business results ^{plus} ~~and~~ good marketing of those results to the management.

* * * * *
* D I G I T A L *
* * * * *

JUL 11 1985

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

SUBJECT: DIGITAL FRANCE

DATE: 5 July 1985 /mjm

TO : Win Hindle, ML010-2/A53

FROM: *fw* Pier Carlo Falotti
DEPT: MGMT EUROPE
LOC : GEO/C0202

Mario José Muller

Dear Win,

As promised during our meeting in Valbonne last May, I am enclosing here a few data comparing the four major countries in Europe, i.e. UK, Germany, France, Italy.

As you can see, France is approximately performing at the same level as the other larger countries, and in some areas even better.

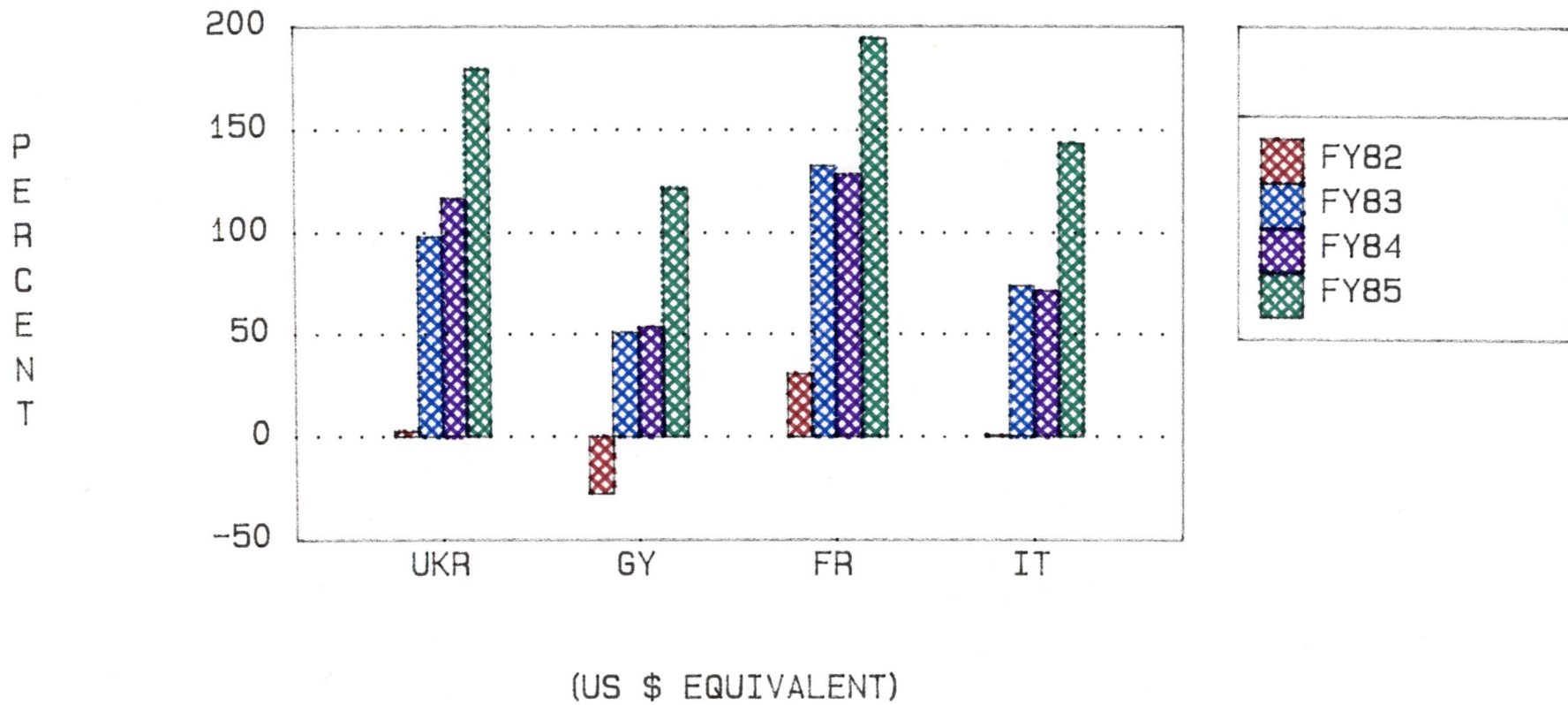
I hope these few graphs will correct the wrong impression left on you during the presentation of Digital France.

Thank you again for your support and feedback.

Best regards

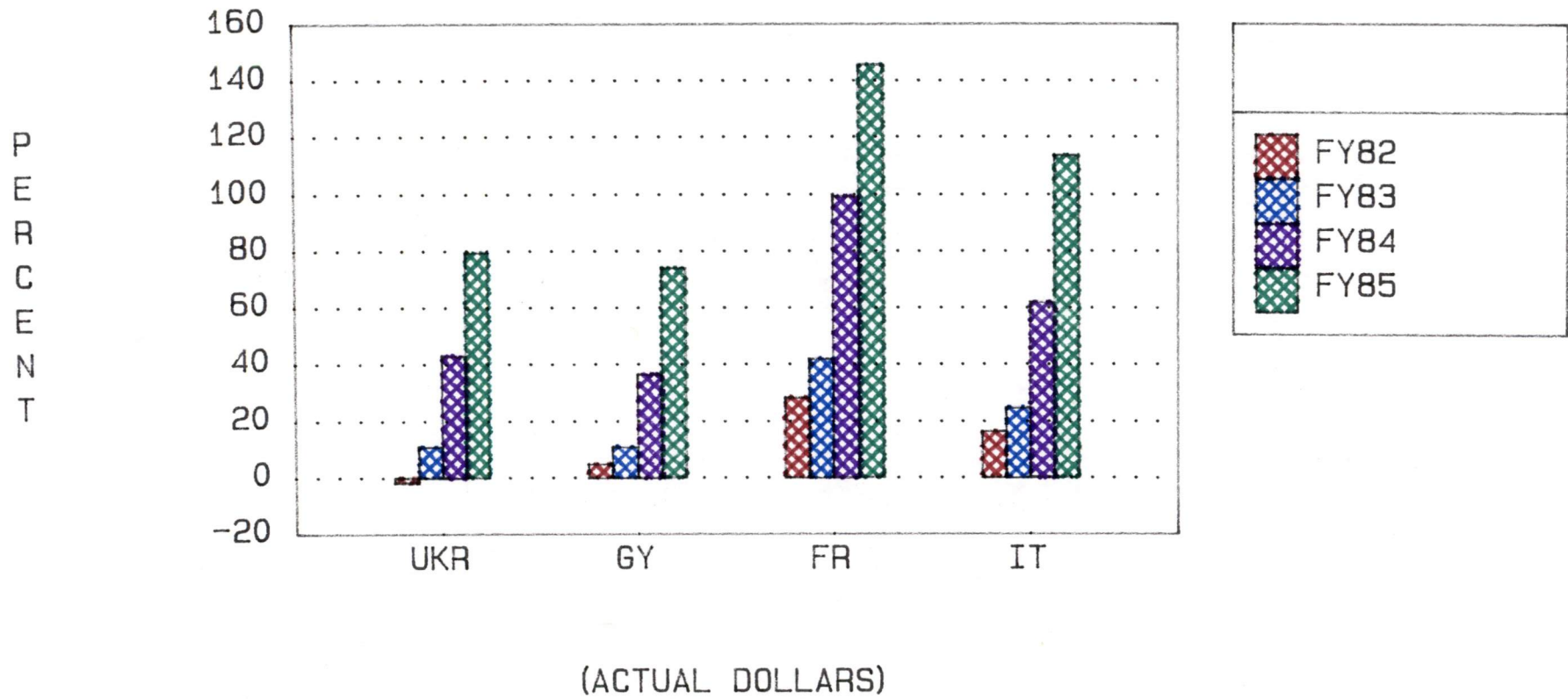
Encl. : 6 graphs.

ORDERS GROWTH OVER FY81



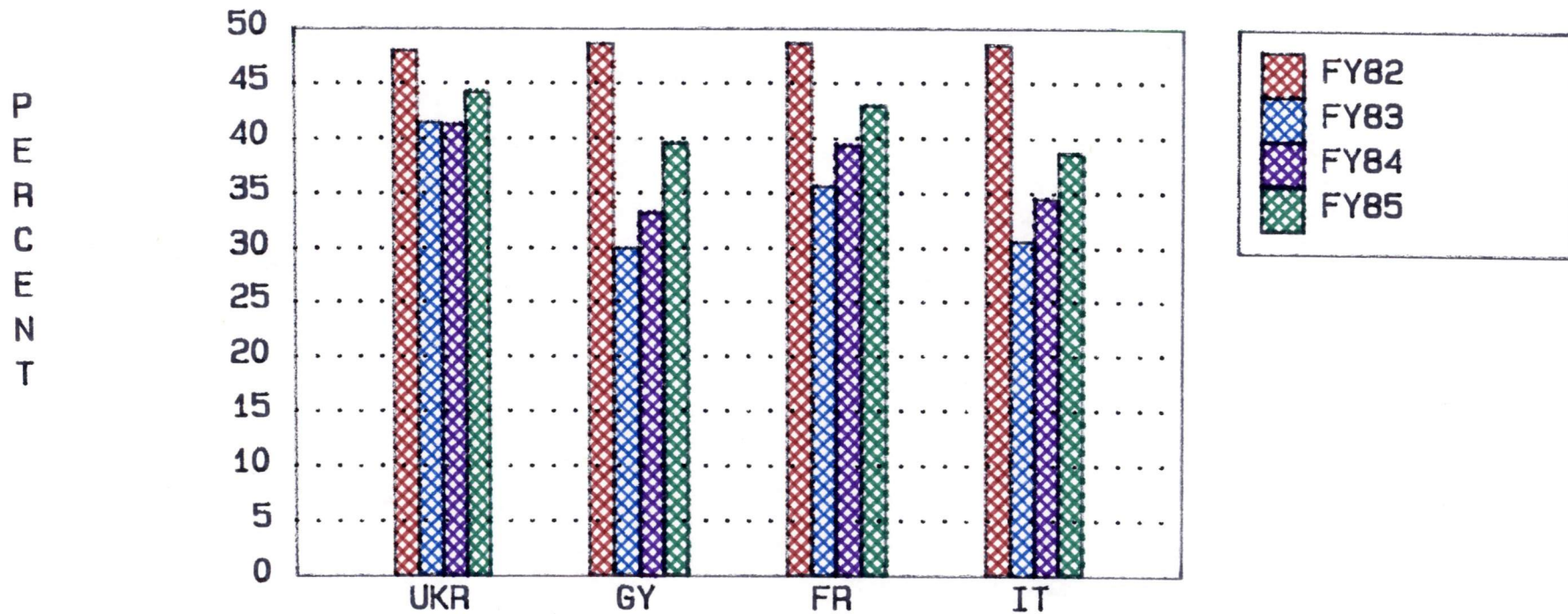
REVENUE GROWTH OVER FY81

TOTAL BUSINESS



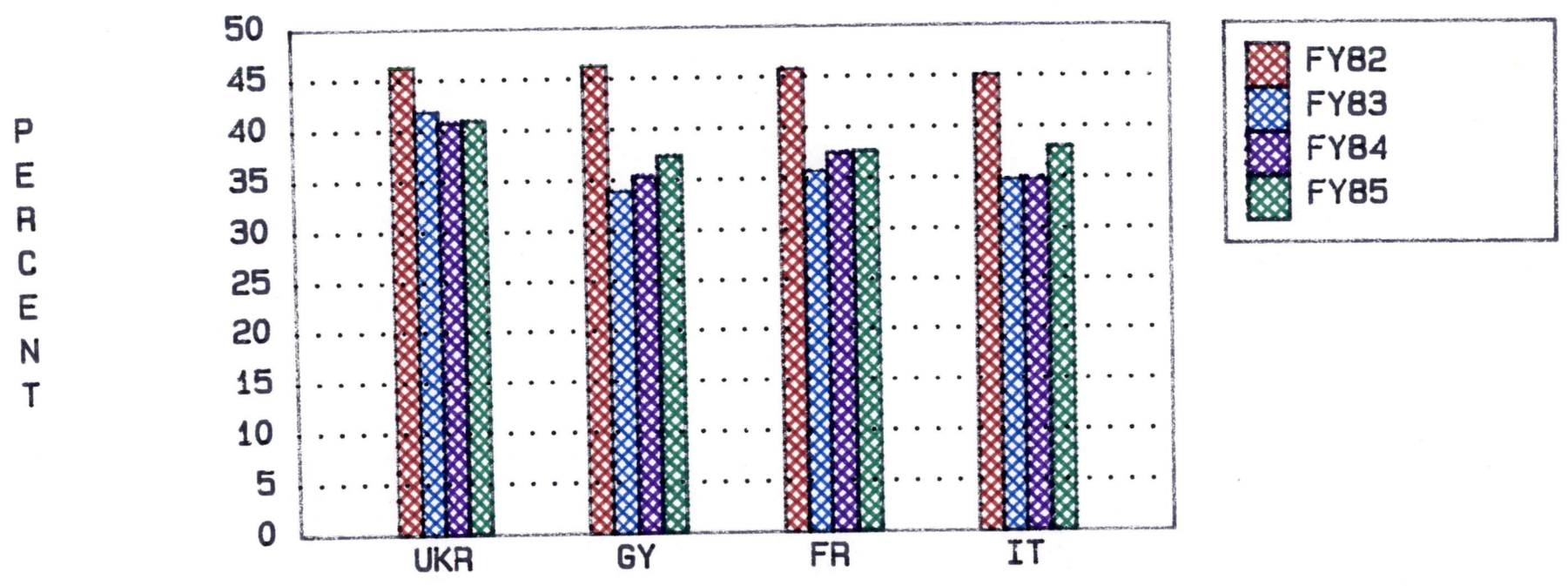
PROFIT % REVENUE

HARDWARE BUSINESS



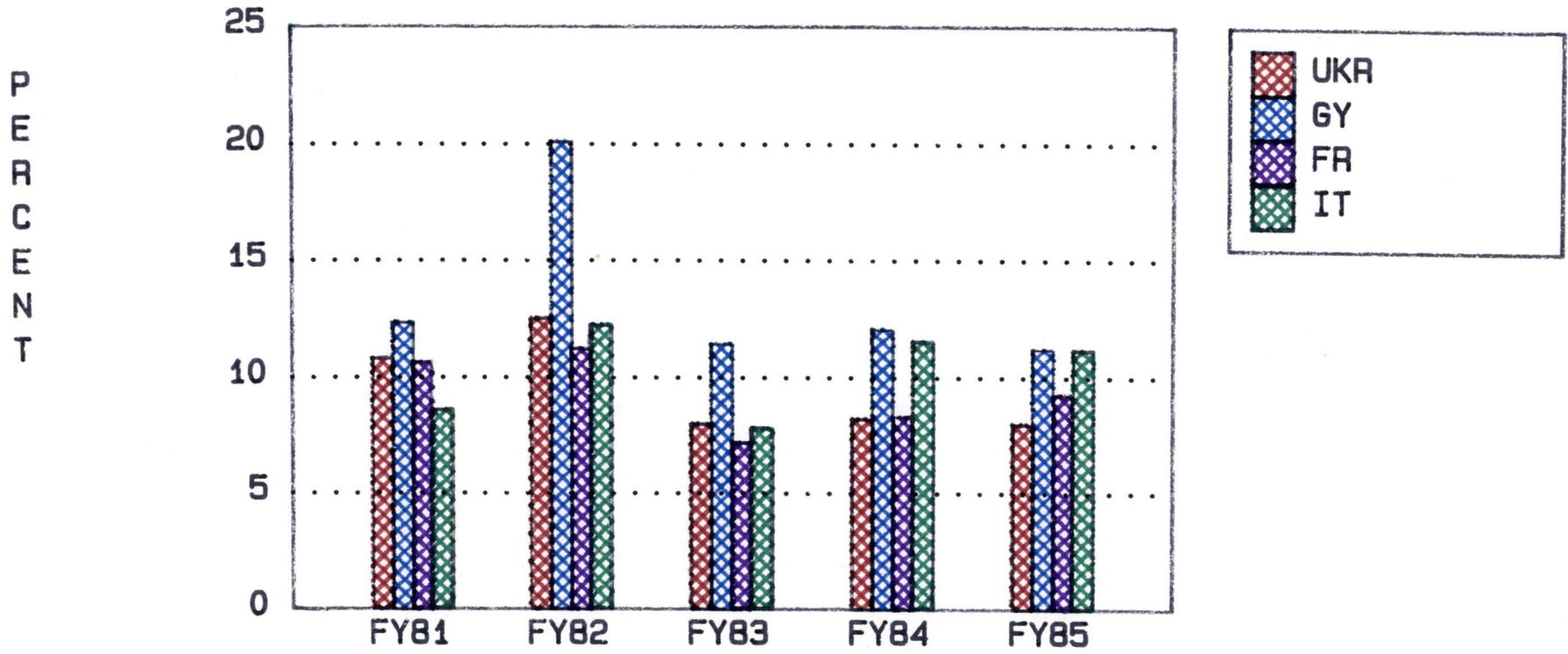
PROFIT % REVENUE

HARDWARE + SERVICES

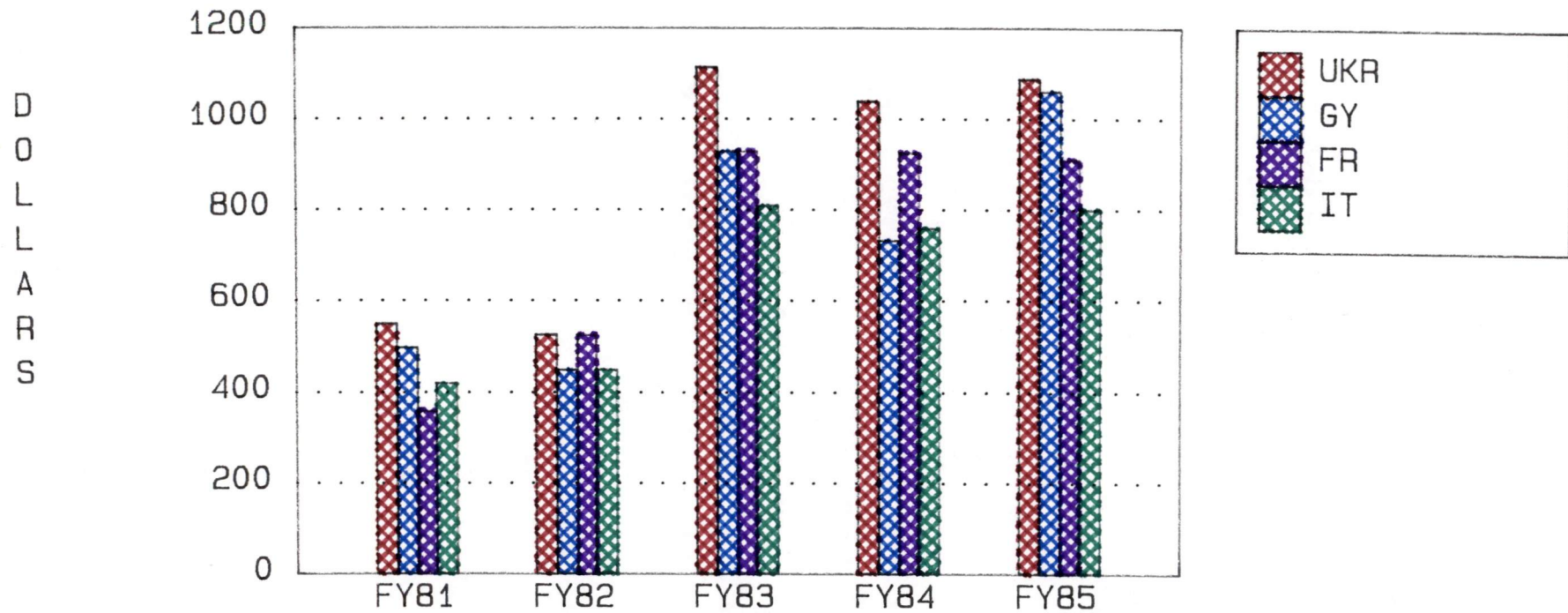


COST OF ORDERS

SALES BUSINESS



ORDERS PER SELLING PERSON



APR 01 1985

K. H. OLSEN

April 1, 1985

To: Arnaud deVitry
Jean-Claude Peterschmitt
Win Hindle ✓

C.
Please ask Ann to send
Copies also to Jack Shields,
Pier Carlo Falotti and Claude
Sournac. 4/01 Millie

DIGITAL EQUIPMENT CORPORATION

CENTRE MONDIAL
Informatique et Ressource Humaine

- A De V. +
- JCP
- Win

Le Président

March 15, 1985

To President François Mitterrand,
President of the République Française

Mr. President:

On December 31, I took the liberty of informing you, by personal letter, of my intention not to seek renewal of my mandate as President of the Centre Mondial, at the expiration of the statutory period of 3 years (March 82 - March 85).

Since then, my apprehensions concerning the government's choices of technology in the crucial and sensitive field of personal computation (both hardware and software) have constantly increased, particularly as regards the project of a network of computer-literacy workshops.

I must, therefore, regretfully confirm today that in these circumstances I can no longer assume the executive responsibility for the Centre Mondial. I do not wish to be in conflict with the government policy, much less your own.

We know that only carefully targeted, up-to-date, audacious if needed, choices of computer technology can unlock the vast human resources of our people. You were the first to help us bring to France, and many other countries, an awareness of these new riches.

It is my intention, at this time, as on regular occasions in my public life - from "Lieutenant in Algeria" to the "American Challenge" - to devote myself to a book on this new and noble crusade. My concern is with the future.

With my sentiments of respect and gratitude.

Jean-Jacques Servan-Schreiber

France

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I n t e r o f f i c e M e m o

TO: PATRICK COURTIN
*WIN HINDLE
JEFF KALB
KEN OLSEN
JEAN-CLAUDE PETERSCHMITT

DATE: WED 2 MAY 1984 1:38 PM EDT
FROM: JACK SHIELDS
DEPT: FIELD OPERATIONS
EXT: 276-9890
LOC/MAIL STOP: OG01-2/R12

MESSAGE ID: 5235237715

SUBJECT: ETIENNE DAVIGNON

RE: ETIENNE DAVIGNON

My office took the following message from Samuel Fleming, Vice President of Arthur D. Little Company, who called about Mr. Davignon's visit.

He had dinner with him Friday and Mr. Davignon spoke very warmly of his reception at Digital, the trip, the tour, and the helicopter ride (which he very much liked). Everything seemed to have gone perfectly. Mr. Fleming said there was no need to call him as he was to be out of the office for the next few days.

Fraser
DEC 15 1983

12/15/83

Win

MC Minutes of 11/15/83 re French Proposal
Margaret

4. FRENCH MANUFACTURING PLANT - Claude Sournac/Henry Crouse

The proposal to begin in FY84 with a small operation was approved to go to the BOD, with the proviso that the plant is made part of the overall manufacturing plan and budget, not an incremental addition.

d i g i t a l

La Smart - What did our minutes say about bringing this to the BOD?
Interoffice Memo

TO: KEN OLSEN

cc: see "CC" DISTRIBUTION

DATE: MON 12 DEC 1983 5:46 PM HEC
FROM: CLAUDE SOURNAC
DEPT: COUNTRY MANAGEMENT
EXT: 1848
LOC/MAIL STOP: PARIS/EVRY

MESSAGE ID: 5221019540

SUBJECT: B.O.D.

THIS EMS IS FROM THE FRENCH C.M.T.

Jean-Claude PETERSCHMITT informed us to-day that the French Manufacturing proposal had been withdrawn from the Board of Directors agenda.

We would like your confirmation that we can consider the Management Committee Decision as the final one, whatever the date when formal approval will be given by the B.O.D.

In effect, we must underline that this decision is seriously jeopardising our presence in France.

We are now sandwiched between the Corporation and the French Government agencies who we are presently negotiating with. Timing has become a critical issue.

oooooooooooo

N.B. for Jack SHIELDS' secr. : Please give a copy to Jean-Claude PETERSCHMITT who is in Maynard. Thanks.

12-DEC-83 15:08:07 S 30366 GEMI

12-DEC-83 15:29:45 S 25677 RCSO

12-DEC-83 17:04:25 S 05579 GEMI
GEMI MESSAGE ID: 5221029732

"CC" DISTRIBUTION:

PIER-CARLO FALOTTI
JACK SHIELDS

*WIN HINDLE

JEAN-CLAUDE PETERSCHMITT

MME CHABANIER/DIGITAL EQUIPMENT FRANCE

France

A DINNER WILL BE HELD AT HOTEL FRANTEL TO-NIGHT AUGUST 31ST AT 8.00 P.M WITH FOLLOWING PEOPLE :

- ~~JACQUES HENRI BRISAC~~ LEGAL MANAGER
 - . GEORGES CASSIR SALES MANAGER - *leaving*
 - . ETIENNE CHARRON EDUCATIONAL SERVICES MANAGER
 - . ALFONSO GAJATE MARKETING MANAGER - *too talkative*
 - . CLAUDE PESQUET SOFTWARE MANAGER
 - . YVES SARRAZIN SMALL SYSTEMS MANAGER
 - . JEAN PAUL VERDU PERSONNEL MANAGER - *looks good - met me & delivered me to airport*
- JEAN CLAUDE PETERSCHMITT WILL ALSO ATTEND THIS DINNER.

TO-MORROW, SEPTEMBER 1ST, A MEETING IS SCHEDULED AT 10.30 AM IN DIGITAL (RUNGIS BUILDING) IN CHRISTIAN GHARIB'S OFFICE WITH :

- . JEAN LOUIS DELAFRAYE DISTRICT SALES MANAGER ← *Strong*
- . CHRISTIAN GHARIB " " " " ← *Strong*
- . ROGER FROUX DISTRICT FS MANAGER
- . HERVE HOAREAU DISTRICT SOFTWARE MANAGER
- . MICHEL LETOURNEUR DISTRICT SALES MANAGER
- . JEAN PIERRE ROBICHON FS LARGE ACCOUNTS MANAGER
- . ERIC WILSON TREASURY MANAGER

Jean-Claude
BEST REGARDS,

SW

BERNADETTE (CLAUDE SOURNAC'S SECRETARY)

Stable Winter Translatable Keyboard Software - 64

Message of Hindle # 1111

*
FRANTEL 260738F
DECFE A 691840F

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I n t e r o f f i c e M e m o

TO: JEAN-CLAUDE PETERSCHMITT

DATE: TUE 12 APR 1983 4:12 PM EST

FROM: WIN HINDLE

DEPT: CORPORATE OPERATIONS

EXT: 223-2338

LOC/MAIL STOP: M10-2/A53

MESSAGE ID: 5196626893

SUBJECT: ABEL FARNOUX

My recollection of the discussion with Abel Farnoux is not precise. I recall his interest in technical discussions with our staff in order to discover mutual interests. Those discussions would be at managerial levels with people like Bernie LaCroute, Julius Marcus, Patrick Courtin. If he brings some technical staff with him, it would be wise to have some of our technical specialists involved also.

I do recall encouraging him to visit. It seems to me he was headquartered in the U.S. at that time, so it would be easy to arrange.

After the visit, I asked the DEC participants to write down their impressions and send them to Claude Sournac. I do not have any inputs from any of our people.

WH:dc

WH1:S.4.12

* d i g i t a l *

Collect these inputs for Claude Sournac.
Geoff Shingles
File Cite FRANCE

TO: *WIN HINDLE

DATE: WED 22 SEP 1982 4:45 PM EDT
FROM: DICK DOBBIE
DEPT: CORP. EUROPEAN OFFICE
EXT: 276-9347
LOC/MAIL STOP: OG01-1/M02

cc: JEAN-CLAUDE PETERSCHMITT
GEOFF SHINGLES
CLAUDE SOURNAC

MESSAGE ID: 5176493225

SUBJECT: FRENCH MINISTRY VISIT

As you requested, here are the things which I observed during the individual discussions:

1. Several people mentioned the original intent of the Minister to visit Silicon Valley (time was insufficient), and made a point of saying they planned to visit HP, which seemed to underscore Claude's contention that HP and IBM enjoy some special status based on their investments in France.
2. Mr. Abel Farnoux will be based in New York and expressed his intent to return to DEC for a more in-depth visit (he mentioned wanting to see some manufacturing facilities and to talk more about potential for cooperative technology programs with French companies).
3. In general the greatest level of interest seemed to be in the area of cooperative technology sharing with French Industry (as it was in the group discussion). This is also consistent with the interests expressed by several French Government officials over the past two years).

I agree with you that this visit was a good opportunity for Claude to establish a relationship with Mr. Chevenement and several other important French officials. I still feel, however, that we really need to have an agreed strategy for dealing with the French Government which addresses the difficult question of how far we are willing to go in technology sharing with French companies. Otherwise we will continue to run the risk of oversetting expectations and potentially worsening rather than improving our position in France as a result of the specific projects we pursue (as may already have happened in the case of the Telic Videotex terminal project).

Jean-Claude has asked Geoff to propose an overall strategic framework for dealing with the major European Governments for review by Operations Committee, which should help get us closer to an agreed strategy for France.

P.S. - ~~Could you send copies of any other inputs you receive from Saturday's meeting to JCP, Geoff, and myself as well as Claude?~~

Xeo

YV N

Bruce Holbein's memo
I think Dennis send an EMO as well

France

* d i g i t a l *

TO: see "TO" DISTRIBUTION
cc: see "CC" DISTRIBUTION

DATE: THU 16 SEP 1982 4:24 PM EDT
FROM: DENNIS KULSICK
DEPT: ACCOUNT PROGRAMS
EXT: 223-6827
LOC/MAIL STOP: PK3-2/S50

MESSAGE ID: 5175853392

SUBJECT: FRENCH MINISTRY VISIT UPDATE

The following is to summarize the minimal changes and other progresses during this week relative to the visit this Saturday, September 18th, to Digital/Virginia Road by Minister Chevenement and his delegation. The purposes of the visit have not been changed at all; there have been several changes to the list of participants, both our guests' and ourselves.

The complete list of visitors is as follows.

- Mr. Jean-Pierre Chevenement, Minister of State for Research and Industry
- Dr. Francois Gros, Science Advisor to Prime Minister Mauroy
- Dr. Philippe Lazar, President, National Institute of Health and Medical Research
- Mr. Gerard Renon, Deputy Administrator General, Atomic Energy Commission
- Mr. Jacques Warin, Director of International Affairs, Ministry of Research and Industry
- Mr. Pierre Gadonneix, Director of Metal, Mechanical, and Electrical Industries, Ministry of Research and Industry
- Mr. Abel Farnoux, Director of Long-Range Planning and Technical Projects for the Western Hemisphere, Ministry of Telecommunications
- Mr. Wladimir Mercouroff, Director of International Affairs, National Center for Scientific Research
- Dr. Jean-Loup Motchane, Director of Science and Technical Cooperation, Ministry of Foreign Affairs
- Dr. Jacques Bodelle, Science Counselor at French Embassy in Washington
- Mr. Alain Jubier, Representative of CNRS, Washington
- Mr. Phillipe Lorino, Technical Advisor to Mr. Chevenement
- Mr. Andre Nemo, Consul General, French Consulate, Boston
- Mr. Edward McGaffigan, Jr., Assistant Director for International Affairs, Office of Science and Technology Policy (U.S.)

- Use best technology (computers-VDT)
- Allow small firms to start -
- Encourage innovation

The list of Digital participants is, in fact, the distribution list of this specific ems.

Please note that the need for an interpreter has disappeared, but understand that the guests may have some difficulty in our use of the English language.

We have also arranged for the Virginia Road facility to be opened at 10:00 on Saturday morning. Both Julie Salovardos

and myself will be available there at that time to assist in any last minute details. For your use as necessary, the local telephone number at that facility is (617)-264-3044.

With the cooperation of DIS, we have arranged to have Bob Hyman available to demonstrate our ALL-IN-ONE product capability should the visitors wish to see an example of our technology.

The basic agenda does not vary from the previously-issued one:

11:30 Welcome and Introduction to Digital (Win Hindle)
12:00 Luncheon
12:30 Roundtable Discussion
1:30 Conclusion and Departure
(2:00) (Absolute deadline for departure if the guests are to meet other afternoon commitments)

Both a 35mm and an overhead projector will be available for use.

If there are any questions or needs which have not yet been addressed, please do not hesitate to contact this writer.

Thank you, in advance, for your participation in this visit and its unusual nature.

Resards.

"TO" DISTRIBUTION:

HENRY CROUSE
WIN HINDLE
GRANT SAVIERS

DICK DOBBIE
BRUCE HOLBEIN
CLAUDE SOURNAC

SAM FULLER
BERNIE LACROUTE

"CC" DISTRIBUTION:

BOB ERICKSON
JULIE SALOVARDOR

BOB HYMAN

JOHN MACRI

* d i g i t a l *

France

TO: EMC & DIR REPORTS:
cc: FRANCE BUYS:

DATE: MON 22 NOV 1982 6:26 PM EDT
FROM: PATRICK BUFFET
DEPT: TECH EXT RESOURCES
EXT: 223-2453
LOC/MAIL STOP: ML01-5/M83

MESSAGE ID: 5182699104

SUBJECT: FROM HENRY CROUSE
SUPPORT OF BUYS IN FRANCE.

The problem:

Digital's French subsidiary, our 2d largest in the world, is undergoing great difficulties which rapidly endanger its survival. Generally the country faces a rapid deterioration of its balance of trade and pulls all the stops. Our shipments into the country are rejected on technicalities because we are mostly importers. We do not export out of France an amount deemed to be sufficient.
Without dwelling on the moral or legal aspects of international trade we may be able to deal effectively with the situation. We have to pull an all out effort to buy, conventionally, in France. If we react faster than our competition we can in fact maintain our position in large market.

The process:

In order to buy in France we will identify, evaluate and select competitive french goods (SW, HW) or services which we can source there. These goods and services must be worldclass, conform to our normal criteria of selection: they will make us competitive when integrated in our systems.

Your help is critical:

You have in your group the experts who can best understand the fitness of the offering into our products.
I URGE YOU TO ASSIGN ONE PERSON to support the process (identify, evaluate and select). Your representative will interact with Patrick Buffet who is in of establishing the process.
We do not want to send over planeloads of engineers to France, we want to develop normal relationships with the vendor base from the start. We will in the usual manner invite the vendors to visit us here.
In parallel we are setting up the business approach to this move with
Russ Martin (Worldwide Supply Base Mngr) and
Kevin M. O'Brien (Europe Purchasing Mngr) and
Claude Sournac (France country Mngr).

Please indicate by EMS to Patrick and me the name of your representative. In case you asked, no special linguistic ability is expected, we just want good people .

23-NOV-82 3:07:22 S 00286 MLCG
MLCG MESSAGE ID: 5182585197

FRANCE
He is not coming at this time
per Patrick per Gunn.

TO: see "10" DISTRIBUTION
FROM: DICK DOBBIE
DEPT: CORP. EUROPEAN OFFICE
EXT: 276-9347
LOC/MAIL STOP: 0G01-1/M02
DATE: TUE 9 NOV 1982 11:44 AM EDT

MESSAGE ID: 5181275865

SUBJECT: COMPANY GENERALE D'ELECTRICITE - FRANCE

THE FOLLOWING MESSAGE IS FROM
JEAN-CLAUDE PETERSCHMITT

Georges Peberreau, President of Company Generale Electricite (the largest French Telecommunication/Electrical/Electronics conglomerate) asked to meet Ken Olsen in late November to explore areas of mutual interest (CGE is one of the recently nationalized companies, a chairman has been appointed by the Government, but it is clearly recognized that Peberreau is the CEO).

To understand Peberreau's objectives and prepare for such a visit, Claude Sournac and I visited him on November 3. As I had anticipated, Peberreau's request was tied to our recent evaluation of CGE's terminal, and our decision not to pursue it as a possible product to be included in our price list. Peberreau stated that one of his driving motivations was Government driven (by Charles Salzmann, Technology advisor to Francois Mitterand - see separate memo).

Peberreau's position was essentially:

1. My Company makes money and I am interested in finding joint opportunities with Digital which make business sense for both, not simply in Government driven arrangements.
2. Concerning the terminals, we (CGE) did not drive the project correctly, and did not do a proper selling job.
3. Therefore, I strongly propose to revisit the issue. In any case the French Government (Salzmann) expects me to give it maximum attention, and I want to be certain that it has been properly addressed.
4. I also want to explore other economically viable opportunities with DEC, which will

a) Improve my capability of DEC products in spite of rapidly growing protectionist pressures, as we need DEC's technology. DEC contributing to employment in France is the major argument to support this

b) provide business opportunities for CGE."

We agreed to explore the following:

- Use by Digital of the CGE low end terminal in Europe
- Review the terminal issue at Corporate level in relation with our future Videotex strategy
- CGE as a possible sub-contractor for manufacturing PC elements
- CGE as a private brand manufacturer/reseller of PC, in particular for the integration in communication structures requiring PTT approvals (CGE is a major supplier to PTT's in Europe)
- DEC evaluating CGE fiberoptics technology. Pebereau indicated that fiberoptics was one of his major areas of product priorities and believes CGE will have state-of-the-art technology to offer.

We agreed that:

- As soon as possible, if feasible before Pebereau's Nov. 23 visit to the US, Francois Petit, new president of CIT-Alcatel (the telecommunications subsidiary - responsible for both the terminal and fiberoptics development) will meet with our appropriate DEC representative. I have already agreed with Patrick Courtin that he will act as primary contact with Pebereau. Patrick will involve Andy Knowles and Jack Shields and others as appropriate.
- A visit from Pebereau to Ken Olsen in November could only be a courtesy visit, as necessary preliminary work could hardly have been completed before then. HOWEVER, IT IS MY IMPRESSION THAT BECAUSE OF THE FRENCH GOVERNMENT'S CLEARLY STATED EXPECTATIONS - VIA SALZMANN-PEBEREAU WILL END UP PRESSING FOR SUCH A VISIT TO SHOW THAT HE HAS PUT HIS PERSONAL WEIGHT INTO EXPLORING OPPORTUNITIES WITH DEC. Claude Sournac and I, with the involvement of Patrick Courtin, will coordinate with Ken's office.
- We will explore with European Manufacturing the opportunities of subcontracting to CGE (Paul Neuman/Frank McCabe).
- We will explore in France and Europe CGE as a possible distributor for PC (Claude Sournac/JCP).

My impression of Pebereau was very positive: a no-nonsense, action and result oriented businessman. I believe that under the proper circumstances, a meeting with Ken and other senior DEC management could be very productive. Indeed, he stated that as far as he was concerned, he was prepared to meet with anybody at

DEC who could contribute to a meaningful business relationship
between us.

9-NOV-82 15:00:26 S 02444 OGEM
OGEM MESSAGE ID: 5181283994

"TO" DISTRIBUTION:

PATRICK COURTIN
FRANK MCCABE

*WIN HINDLE
KEN OLSEN

ANDY KNOWLES

"CC" DISTRIBUTION:

CLIFF CLARKE
JACK SHIELDS

DICK DOBBIE
JACK SMITH

PAUL NEUMAN
CLAUDE SOURNAC

* d i g i t a l *

TO: see "TO" DISTRIBUTION

cc: CLAUDE SOURNAC

DATE: TUE 9 NOV 1982 11:46 AM EDT
FROM: DICK DOBBIE
DEPT: CORP. EUROPEAN OFFICE
EXT: 276-9347
LOC/MAIL STOP: OGO1-1/MO2

MESSAGE ID: 5181275832

SUBJECT: FRENCH GOVERNMENT POLICIES

THE FOLLOWING MESSAGE IS FROM
JEAN-CLAUDE PETERSCHMITT

VERY CONFIDENTIAL - DO NOT COPY

Report on a meeting with Charles Salzman, Advisor to President Mitterand on Technology, and a close personal friend of Mitterand. See comments on actions at the end of this memo.

Claude Sournac and I met with Salzman on the same day as our visit to Pebereau (CGE) (see separate memo). Salzman focussed with strong emphasis on the following points (stating that he had specifically discussed them with the President):

1. France has a dramatically growing trade imbalance (indeed, latest forecast for 1982: \$14 bio deficit). Therefore, strict and real protectionist measures are unavoidable. Strong active steps are being taken, and he cannot but support them. Yet, at the same time, Salzman is sharply advocating the urgency for France to have adequate access to advanced technology such as provided by Digital. In his words, "I am between a rock and a hard place."
2. "DEC: help me help both of us. We need to demonstrate that import of DEC products is not a one-way street contributing to further trade imbalance. The issue is very short term."
3. Salzman continues to believe that DEC purchasing the CGE terminal to include in our price list as either a low cost limited functionality VT100 or a Videotex terminal is a unique short-term opportunity for this difficult situation. He insists: "We recognize that, in one or two years, you will have your own terminal, but it is the next two years which are critical to us."
4. Therefore, he is both formally requesting that CGE's president (Pebereau) take the matter up personally and that we bring the issue to Ken's attention. He personally insists that he is ready to make a one-day trip to meet Ken. I

explained to him once again that we approach decisions of that sort on the basis of economic and strategic considerations. I, however, committed to review the matter at top Corporate levels to investigate the proper course of action. I suspect that Salzman will keep pushing for a visit with Ken. His request was essentially as a personal representative of the French President.

COMMENTS

I consider that this matter has to be taken very seriously, and Arnaud de Vitry believes that Salzman indeed represents the President's position. Both the threats of protectionism and the opportunities for us as a major supplier of advanced technology products are real.

Among most relevant people (and even in veiled or open statements made by top people in industry and Government), it is considered that CII-Honeywell's days are numbered. The French consider that Digital represents the only major technology alternative to IBM. However, even so, in the present employment crisis, giving us any preferential treatment is not feasible if we are only a one-way importer.

We must explore all reasonable ways to contribute positively to the French trade balance. These are

- French products of interest to us. We will continue in Europe the currently ongoing process and bring relevant opportunities to the attention of the proper Corporate groups.
- Sourcing and subcontracting in France (CGE, Matra-Haris, etc.). We are working this with Manufacturing and Engineering, and in particular will review the issue of the CGE terminal.
- Manufacturing in France: clearly not a short-term option. Salzman clearly indicated that if we did present an application for a plant, we would obtain fast approval. We will pursue this for the long term when additional European manufacturing capacity will be needed.

9-NOV-82 14:45:26 S 02384 OGEM
OGEM MESSAGE ID: 5181283981

"TO" DISTRIBUTION:

*WIN HINDLE
JACK SMITH

KEN OLSEN

JACK SHIELDS

Information

processing / CONTINUED

DATA PROCESSING

France's five-year plan to catch up

"If capitalism had worked the way it was supposed to, things might be different today—but capitalism did not work," according to Jean-Pierre Chevènement, France's Minister of Research & Industry, who gave U.S. businessmen this reason for his government's interventionist economic policy. At the top of the list of business failures, Chevènement and his colleagues in France's 18-month-old, Socialist-led government charge, is private industry's inability over the past 10 years to meet the market challenge in information technology.

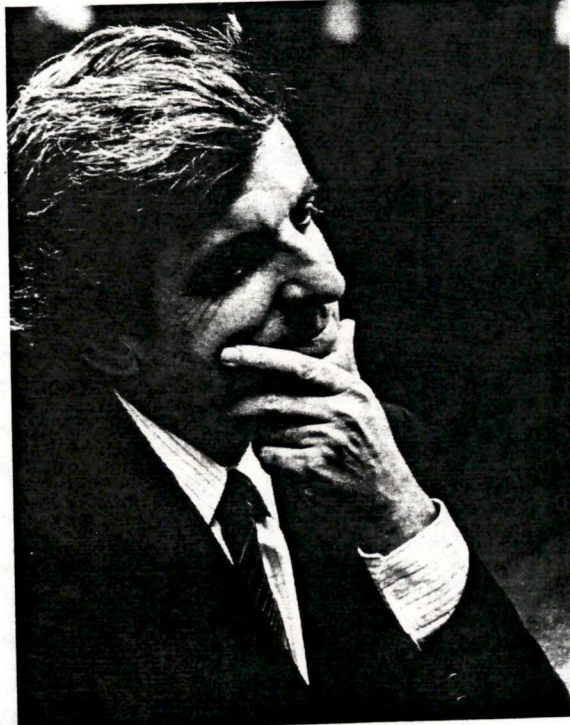
Chevènement is convinced that a strong showing in the electronics industry is vital to his country's economic health for the rest of this century and beyond. To ensure this future, he is now orchestrating a five-year, \$20 billion effort to build France into the world's third technological and industrial power, alongside the U.S. and Japan. Under the Chevènement plan, the government, which already controls 70% of the \$10 billion French electronics and information processing industry, will promote French mastery of research, development, and manufacturing in every technology sector, from semiconductor chips and optical fibers to mainframe computers and color television sets.

Borrowing from Japan. After 12 months of strategic planning, the French government has now assigned roles to the four big corporate guns in its information technology arsenal: CII-Honeywell Bull, the Thomson-CSF/Thomson-Brandt Group, the Alcatel Electronique Div. of Compagnie Générale d'Électricité, and the Matra Group. The combined 1982 sales of these companies in electronics and information processing products are expected to total more than \$8.5 billion.

The French strategy borrows heavily from Japan's Ministry of International Trade & Industry (MITI) in that it seeks to divide the market among the four chosen companies. CII-HB will bear sole responsibility for computers—from micros to mainframes. Consumer electronics will be the exclusive domain of the Thomson Group. Alcatel is in charge of office automation, and Matra

and Thomson share the job of developing a viable domestic semiconductor industry. "We are trying to create France Inc.," declares Jean-Herve Lorenzi, Chevènement's top adviser for electronics technologies.

The three market sectors assigned top priority—electronic components, small computers, and consumer electronics—are scheduled to get 43% of the government funds over the life of the five-year project. "In these three key sectors, we believe we can acquire mastery of necessary technologies, capture our home markets, and develop a strong export potential," declares Lorenzi. An additional 40% of total funding is earmarked to support growth in the two sectors in which French companies already hold leading worldwide market positions: military electronics and telecommunications.



Minister Chevènement: "Capitalism did not work."

Taking another page from the Japanese book, the French intend to use their domestic market as a development and export base. "Purchasing by government agencies and nationalized companies will represent more than half of the [French] market for these technologies over the next five years," predicts Jean-

Claude Hirel, director of the electronics and computer industries department in Chevènement's ministry. "Public spending," he adds, "can be a precious tool in the effort to recapture home markets."

Instead of going for R&D, however, much of the government spending—at least for the immediate future—will be used to soak up the red ink flowing from France Inc. CII-HB will run up losses of \$150 million in 1982, and Jacques Stern, the computer maker's government-appointed president, says that the company will not reverse this trend until 1987. Despite the help from its highly profitable military electronics business, the Thomson Group is expected to chalk up nearly \$150 million in losses for 1982. Similarly, Matra is losing money in all of its nonmilitary activities. By comparison, Alcatel Electronique, which is near the break-even point, looks positively healthy.

The French companies are counting heavily on product breakthroughs to move them into the black. CII-HB, for example, will soon take over SEMS, Thomson's minicomputer subsidiary—now in the red, too—to help it to develop a 32-bit superminicomputer such as those scoring big growth in U.S. markets. CII-HB had been counting on Honeywell Inc. in the U.S. to provide this advanced product.

But Honeywell's decision last year to reduce its equity share in CII-HB to 19.9% from 47% casts a shadow over future technological cooperation. CII-HB will have a hard time developing its own 32-bit machine because its products are not compatible with SEMS's computer architecture. By 1986, Chevènement predicts, CII-Honeywell Bull's revenues will equal 50% of the French domestic computer market.

Getting into VCRs. With the French government putting all of its consumer electronics eggs into Thomson's basket, French officials are now pushing for acquisitions in other countries that will move the French company into the market opening created by the collapse of West Germany's AEG-Telefunken. The worry is growing over France's increasing trade deficit in consumer electronics—which now tops \$1 billion—so Chevènement and his colleagues are encouraging Thomson to begin producing videocas-

Information processing / CONTINUED

sette recorders under license. The plan is to sell 1 million VCRs by 1987 and to increase Thomson's share of the worldwide color television market to 9% from 6% today.

The government's goal in electronic components, which are mainly semiconductors, is to double revenues to \$3 billion in five years. Much of this plan depends on Thomson's ability to increase sufficiently its \$156 million in annual semiconductor revenues. But it could be a losing battle. Thomson's market share has been slipping in the face of advances from such European leaders as Holland's Philips, West Germany's Siemens, and Italy's SGS-ATES Componenti Elettronici.

The government is counting on agreements between Thomson and Motorola Inc. in the U.S. to shore up the company's sagging semiconductor business. The government insists, however, that Motorola move beyond simple licensing

agreements to long-term technology exchanges. Much of the government funds for semiconductors will go to the tie-ups between Matra and Harris Corp. and Intel Corp. But with sales of only \$3.5 million last year, Matra's semiconductor group is still in its infancy. "It will take a while [for the French] to attain worldwide class," comments Guy Debruyne, marketing director for Intel's subsidiary in France.

Organized research. To get its program off the ground, the French Research & Industry Ministry is launching eight separate projects to design commercial products. "Instead of having dispersed research teams, [we are] grouping public and corporate labs around common products," explains Lorenzi. "It's a copy of what the Japanese are doing." High on the list of priority projects are the design of a superminicomputer, more sophisticated computer-aided design of integrated circuits, automatic language

translation technology, and video display technologies.

These are lofty ambitions, though, and doubts abound about the government's ability to accomplish its goals. "I am not impressed by the amount of money anyone can put into this business," comments Daniel Queyssac, the Frenchman who now heads the U.S. subsidiary of SGS-ATES. He explains: "This is a business that cannot be run from the desk of a ministry." Success will depend on the government's ability to become a super-planner and its ability to create a strategic synergy between all of its diverse technological efforts, say industry watchers in France. CII-HB, for example, could profit from Matra's semiconductor expertise and from Alcatel's strength in telecommunications. Notes a French executive: "What is Japan's MITI but a corporate planning department? I am not sure that the French government is prepared to fulfill that role." ■

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The burden of responding to this questioning of motives fell on NBS director Ernest Ambler.

Representative George E. Brown, Jr. (D-Calif.), was the most persistent in pursuit of the identities and motives of the policy-makers. With the Office of Management and Budget obviously in mind, he told Ambler, "I get the distinct impression that budgetary decisions and most of the planning decisions are being made elsewhere." Ambler, who like other agency witnesses, made it clear that he was there to defend the Administration budget, did concede that, "Mr. Brown, any director of a bureau will tell that he gets a lot of help."

A point Brown seemed to be getting at was expressed this way in earlier testi-

mony by Dresselhaus. "It is difficult to understand the devastating budget cuts in basic research of the NBS funding for 1984 in view of the general policy of the 1984 budget, which shows a large increase of 18 percent in basic research across the various agencies."

A witness at the House hearings, Robert H. Pry put it another way. Pry, vice chairman for technology of Gould, Inc., said "I find it puzzling that the one department marked for the largest percentage decrease in R & D is the Department of Commerce, whose record for providing technical results useful to industry, per dollar spent, is unsurpassed by any other government department or agency."

Congress is not above reproach in its

dealings with NBS. For example, it recently began imposing "floors" on spending for activities it deemed important. In a period of static or shrinking funding, such rigidity can be damaging to a scientific agency. And the congressional process is a rough and ready one in which it is easier to deplore and restore budget cuts than to look carefully at an agency like NBS and inquire if it is doing what it should be doing and doing it well or poorly. But now in the case of NBS the legislators seem to have caught the Administration in a contradiction between the policies it professes and actually practices. At any rate, if the Administration has a persuasive counterargument, it was not made at the hearings.

—JOHN WALSH

Research Chief Quits French Cabinet

Paris. France's flamboyant minister of research and technology, Jean-Pierre Chevènement, has resigned following a major political disagreement with President François Mitterrand and the majority of the French Cabinet over the steps that should be taken to boost France's technological industries and solve its economic and social problems.

Chevènement's resignation was announced last week as part of the broader reshuffle of cabinet positions that followed the devaluation of the French franc and the revaluation of the German mark. He will be succeeded by Laurent Sabius, a 36-year-old protégé of Mitterrand who was previously minister of the budget and is expected to follow a more conventional path than his predecessor. Significantly, the order of Sabius' responsibilities have been reversed in this title, so that he will now be minister for industry and research.

The timing of Chevènement's departure, the most notable change in the Cabinet lineup, was partly coincidental. Chevènement had, in fact, handed his resignation to President Mitterrand on 2 February, after a meeting of the Council of Ministers at which he had been reprimanded by the President for wanting to play an excessively large role in determining the strategies of France's newly nationalized industries.

Chevènement had argued that strong intervention was the only way of making the government's economic and technology policies consistent with its socialist principles. Mitterrand, however, preferred to listen to other Cabinet members who argued that the industries should be left more free to pursue their own strategies.

The clash had been brewing for some time. Chevènement, a charismatic politician who generates strong emotions in both his supporters and detractors, is the leader of a powerful left-wing group within the French Socialist party which had long expressed its opposition to the increasingly monetarist policies that the government is adopting under the guidance of its finance minister (and new deputy prime minister) Jacques Delors.

As research minister, Chevènement achieved some notable successes. He persuaded the government to endorse in principle an expansion of the research and development budget from 1.8 to 2.5 percent of the gross national product by 1985. He also organized a vast national colloquium on research policy at the beginning of last year which helped reduce the skepticism of the scientific community toward his plans. The previously low morale of scientists was raised further when the promised increases in research spending began to materialize last year with a research budget almost 10 percent higher in real terms than in 1981.

In July 1982, Chevènement was promoted by Mitterrand, who added responsibility for industry to his portfolio. It was a challenge to which Chevènement responded eagerly, arguing that France could become the world's third technological power behind the United States and Japan.

In the end, however, he was unable to reach his goals. He faced combined resistance to his proposals for strong government intervention both from the industries for which he was now responsible—ranging from chemicals to telecommunications—and from Cabinet colleagues who argued that it was necessary to place economic pragmatism before ideology.

There was also growing disenchantment with Chevènement's strategy within the scientific community. Many French scientists are concerned that general budgetary constraints will mean that support for research this year will fall well behind the promised targets and that Chevènement's expanded responsibilities would have left him little time to attend to their more parochial concerns, such as the revision of career structures within research institutions.

Chevènement's successor, Sabius, lacks Chevènement's political commitments and charisma but has built a reputation as an effective and intelligent administrator, as well as a successful political tactician. He is expected to proceed more cautiously, giving greater responsibilities and freedom to the private sector but endorsing his predecessor's support for increased funds for basic science.

—DAVID DICKSON

April 23rd - 2:30 - 3:00

Christian Cuillery, *Government & Industrial Large Groups Relations. Mgr.*
France - Evry office

Subject: How he can help DEC to take opportunity to follow the
French environment.

* digital *

MAR 30 1982

France

TO: CLAUDE SOURNAC

DATE: MON 18 JAN 1982 4:10 PM

cc: JACK SHIELDS

FROM: JEAN-CLAUDE PETERSCHMITT

DEPT: V.P. EUROPE

EXT: 2222

LOC/MAIL STOP: GE/C2301

SUBJECT: GOVERNMENT & INDUSTRIAL LARGE GROUPS RELATIONS MGR

As we discussed over the phone I want to confirm our understandings that Christian Cuillery's responsibilities are a support function to Sales and Marketing.

He will provide information and data which will help develop strategic and tactical actions to optimize our penetration in Government markets and in large companies where business is related to government policies.

He will, IN NO WAY act as a representative to Government or large companies of Digital's position relative to Government issues.

As soon as I have the detailed job description of Christian, I *attached* will discuss it with you to make sure we have a complete agreement on his role. Once this is done, it will be good to circulate a somewhat more specific description of his role than the January 11 announcement, to avoid that key people in the company involve him in matters which are not his responsibility.

Also, as you know, I want to be personally involved in Government strategies as we develop them and reach clear agreement before any major interaction with Government officials.

mr

*Cheryl,
This is the job description
that Dick Dabbi gave me
for Christian Cuillery. If
Wini says I should be "saying"
something different for his*

Cheryl,

This is the job description
that Dick Dabbi gave me
for Christian Quillery. If
Wini says I should be "saying"
something different for his

title, please let me know.

Thanks

Teresa

* d i g i t a l *

MAR 30 1982

France

TO: CLAUDE SOURNAC

DATE: MON 18 JAN 1982 4:10 PM

cc: JACK SHIELDS

FROM: JEAN-CLAUDE PETERSCHMITT

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Also, as you know, I want to be personally involved in Government strategies as we develop them and reach clear agreement before any major interaction with Government officials.

mr

background
FRANCE attached

* d i g i t a l *

DEC 29 1981

TO: Win Hindle ✓
CC: Bill Long

DATE: December 24, 1981
FROM: Jack Shields
DEPT: Customer Services
EXT: 223-2548
LOC/MAIL STOP: PK3-2/A58

SUBJECT: BOLDNESS AND PROJECT 83

Some of Claude's proposals are investments. I also have concerns about the thoroughness of the proposals. I have asked Jean Claude to manage this one.

To Bill Long, Jack Shields
Do you want to propose any
of these ideas to the Operations Committee?

* d i g i t a l *

TO: JEAN CLAUDE PETERSCHMITT

cc: *WIN HINDLE
BILL LONG

DATE: WED 16 DEC 1981 17:25 HEC
FROM: CLAUDE SOURNAC
DEPT: GENERAL MANAGEMENT
EXT: 1848
LOC/MAIL STOP: PARIS/EVRY

7/m

12/18/81

SUBJECT: BOLDNESS AND PROJECT 83

Note for Bill

LONG's secretary : Please give a copy to
Jean-Claude PETERSCHMITT

We received the message that we had to be imaginative to
propose actions to increase our volume of loggings and
shipments this year. We had to make a presentation at EPPC
and beside one price adjustment due to currency move we
presented a serie of actions which we felt would have
more effect on volume and cost less than any product p
rice

reduction.

These actions were :

- Delegation of the overall allowance line to the country for
faster reaction and better and more efficient use.
- Development of a new channel using FS and Sales Trainees
to sell add-ons through a campaign proposing a 5 %
allowance.

Thus all the sales force would devote its time to the
sales of systems.

- Hiring of 25 to 30 more sales people in orde
r to increase

our penetration in these markets (ESG, MDC, LDP and T/OEM)
where our only limitation to sales volume is a lack of
manpower. (Our proposal costs less than a price reduction
of 1 % in 82 and 2 % in 83).

EPPC has rejected these ideas saying it has no decision
power on these issues.

I am concerned that we keep talking about what should
be done but we cannot get our ideas through the dec
ision

making authorities. Could you advice me of the most appro-
priate persons or committees to bring these ideas to and
have a fast answer.

Best Regards,

NB : For your information, Dick DOBBIE has a copy of our
proposal to EPPC.

16-DEC-81 17:29:50 S 8003 GEMI

17-DEC-81 02:59:41 S 10716 RCSO

FRANCE

* d i g i t a l *

TO: BRUCE HOLBEIN

DATE: DATE UNKNOWN UNKNOWN TIME

cc: see "CC" DISTRIBUTION

FROM: CLAUDE SOURNAC

DEPT: GENERAL MANAGEMENT

EXT: 1848

LOC/MAIL STOP: PARIS/EVRY

SUBJECT: UNKNOWN

CC: GEOFF SHINGLES <SHIç1385 àGEMS>

CC: JACK SHIELDS <SHIç183 àCORE>

CC: JACK SMITH <SMIç12 àCLEM>

CC: BEAT STIEFEL <STIç45712 àGEMS>

SUBJECT: FRENCH ECONOMICAL POLITICAL ENVIRONMENT

DATE: MON 14 DEC 1981 15:12 HEC

Note for Bill LONG's secretary : Please give a copy to
Jean-Claude PETERSCHMITT

INTRODUCTION

DIGITAL has been operating long enough in France to know that regarding imports and exports France administration has its specifics, its red tape, its control, but that it has never represented a more major problem than in any country where we operate. So instead of spending time on those matters, we should better try to explain what are the characteristics of the market and environment as a whole.

FRENCH COMPUT
ER MARKET

French Computer Market is second in size in Europe after Germany and before UK. For historical reasons, French subsidiary did not develop enough until 1975 and at this stage was ranking 5th among European subsidiaries, after UK, Germany, Holland and Switzerland.

We now rank third and market future is promising.

We could have even progressed more if in 1976 Government had not lauched

a "Computer Plan" (Plan Calcul) the aim of which was to give a kind of monopoly in the Government market to the newly established company CII-HONEYWELL BULL where HONEYWELL had 43 % of shares.

On this potential market which represents 35 % of total computer market, we have been practically considered as outlaw.

Meanwhile, IBM which employs 20.000 people in France has several plants and an engineering

center, managed to sell more in the

Government market than CII-HB themselves (35 % against 32 %). In

effect, being given their presence they were unofficially also considered as a "French" company.

GOVERNMENT AS A PARTNER OF INDUSTRY

Although we can find some indications of French Government interference in manufacturing as far as the 16th century (weapons manufacturers and tapestry manufacturers were nationalized) or beginning of 20th century (telephones, railways), it is under DE GAULLE that most nationalizations happened (Electricity distribution, 60 % of banks, main insurance companies, coal mines, Renault cars, Airlines, most aircraft industry, etc ...). Following Governments, although being right wing oriented were influencing the orientation of large companies to meet the overall goals of Government industrial plans, through a range of subsidies which were not always objectively granted.

EXTENSION OF GOVERNMENT/INDUSTRY PARTNERSHIP UNDER MITTERRAND

Apart obvious election reasons (get all the left votes for them), what has driven socialist Government to extend nationalizations ?

- they think, like preceding Government that we are living in a time of macro-economy. Consequently, industry must be driven through a plan to compete internationally and R and D must be optimized giving large companies a focus on key sectors.
- they want to control those key sectors of economy through nationalization either to fight against de facto monopolies (banks, chemical groups) or because state is the main buyer (aircraft makers) or because they are industries of future (electronics).
- they want nationalized companies to be a kind of laboratory for new social relations where employees could express their ideas directly without interference of unions.
- they have extended nationalized sector from 12 % to 17 % of total industry. This total ratio of state owned industry is still under Italy's (30 %) and Austria ones.

FRENCH GOVERNMENT MAIN VIEWS AND THEIR CONSEQUENCES ON ACTIVITIES OF COMPUTER COMPANIES

Government also states clearly that :

- France belongs to Atlantic Community,
- Profit should be the motor of economy,
- Free competition should be maintained between private and public companies,
- Imports will not be limited,
- There will be no more nationalization,
- Employment is first priority,
- Balance of payment has high priority.

Henceforth we should not fear a direct danger upon our existence as a company. They are less nationalistic than preceeding Government and they want to encourage foreign companies to invest in France to improve ratio of unemployment.

In the past months, more agreement to invest have been proportionally given to foreign companies than under GISCARD. But it is also true that in Government controlled computer market

they will favor purchase of computers proceeding from a manufacturer creating employment and improving balance of payment. To-day, both IBM and HP (which has just decided to open a second plant) are very well considered, even more than CII-HB the financial performance of which is disapointing.

EXTENSION OF PRECEEDING GOVERNMENT POLICIES REGARDING DECENTRALIZATION

Present

Government, following in fact an idea of DE GAULLE wants to stress upon decentralization of power at county level and also wants to keep the policy of preceeding Governments to push companies to decentralize from Paris. Under the authority of a Government outfit called DATAR and following a policy similar to those we find in UK they give new incentives (11.000 \$) per job created, tax advantages, etc ..., to decentralize or create new establishment in Provinces (manufacturing). They also favor joint ventures licensing agreements, etc ...

WORLD COMPUTER CENTER

Famous scientists from all the world recently met to participate in the creation of a "World Computer Center", the initiative of which has been taken by J.J. SERVANT-SCHREIBER (who is not a socialist) strongly supported by President MITTERR

AND who made

the opening.

Participants were : Prof. Seymour PAPERT (MIT), Nicholas NEGROPONTE (MIT), Fernando FLORES (Stanford University), Raj REDDY (Carnegie University), Alan C. KAY (Rank Xerox), Terry WINOGRAD (Stanford University), etc ...

The objective of this center is to design an individual computer which can be done in 18 months in the opinion of Seymour PAPERT who is said to devote most of his time to this project.

WHAT HAVE WE DONE

We know the decision makers :

- Ministry of Industry,
- Ministry of Planning,
- Office of the President,

Contacts have been established between them and top management (including Ken OLSEN and Win HINDLE).

I participated in several meetings involving Francois MITTERRAND, Michel ROCARD (Ministry of Planning), Jean LE GARREC (Ministry of public sector), Charles SALZMANN (Advisor of President) and also top management of CGE and THOMSON, newly nationalized electronics companies.

Above comments reflect what I understood to be the thinking of present Government.

Under preceeding Government, we already drew the attention of management on the need for DIGITAL to show more presence in France.

We are now in a situation where 25 % of our sales are made to Government or nationalized companies. We doubt on our ability to keep our market share if we do not take actions for increasing our presence.

COURSES OF ACTIONS WHAT SHOULD WE TAKE

As long as we think it is wise to keep our penetration in the second European market, we have to show the Government our will to establish our presence. You will find hereunder some

suggestions :

- Establish a manufacturing plant,
- Subcontracting manufacturing of parts or complete equipments,
- Buying hardware products to French companies (Videotex, thin screens),
- Buying software products (like IBM did, purchasing from Marcel DASSAULT aircrafts an engineering application software),
- Participating directly or undirectly (contribution) to the "World Computer Center" where S. PAPERT is involved.

HOW TO COORDINATE THOSE ACTIONS

Experience has shown that we need a lobbyist to coordinate contacts with Government and large French companies on one hand, Geneva and Maynard on the other hand. We expect to announce this appointment in the next coming weeks.

Best Regards,

14-DEC-81 18:55:24 S 2998 GEMI

14-DEC-81 13:02:56 S 24380 RCSO

"CC" DISTRIBUTION:

GORDON BELL
TED JOHNSON

DICK DOBBIE

*WIN HINDLE

FRANCE

* d i g i t a l *

TO: JEAN CLAUDE PETERSCHMITT

DATE: DATE UNKNOWN UNKNOWN TIME
FROM: PAUL NEUMAN
DEPT: MANUFACTURING
EXT: 2260
LOC/MAIL STOP: GENEVA/EHQ

cc: see "CC" DISTRIBUTION

SUBJECT: UNKNOWN

SUBJECT: EUROPEAN MFG PLANS - FRANCE
DATE: TUE 24 NOV 1981 16:49 HEC

In reply to your memo of November 23rd, 1981, the timing indicates landbanks. The Edinburgh site is in process with the Scottish Development Authority and we expect a proposal from them in Q3. The original Valbonne site was rejected as non buildable by DEC Facilities Mgt, and we currently are investigating (2) new sites in Valbonne with the help of Michel Dutech, French Country Real Estate Mgr. He indicates that the process will take 3-6 months to negotiate and have the usual DEC Facilities approval.

As to your point that the NEXT plant should be in France, my feeling is that it will become clear when we understand the type of additional capacity we need, the timeframe it is needed, and any cost premiums we would have to trade off. I believe the cost issue will become much more of an issue as we decentralize P/L to the countries. Willi and Darryl may not support the France plant if it means there will be a transfer cost premium to their P/L. I have already stated to you and the EBMC that if the next plant is Terminals my preference is France.

As to your point on history and French politics, I also agree but as you well know in 1975 Mfg proposed a plant in FRANCE and was turned down by the French Government.

I believe you missed my final point in the original memo. We propose and build MFG plants to meet market demand by our customers. Last years MFG plan was based on a projected Hardware MLP demand of \$2.5 Billion for Europe in FY85. The current plan is based on \$1.9 billion. \$600 million in 12 months is a significant amount of MFG capacity to take out of the plan. If you really want to speed up the time table for the French Plant, let's get back on the original plan.

Regards.

PN/ns,.

24-NOV-81 18:41:31 S 27034 GEMI

24-NOV-81 13:00:29 S 37147 RCSO

"CC" DISTRIBUTION:

DARRYL BARBE
WILLI KISTER

BILL HANSON

*WIN HINDLE

France

* d i g i t a l *

TO: PAUL NEUMAN

cc: see "CC" DISTRIBUTION

DATE: MON 23 NOV 1981 11:10 HEC
FROM: JEAN CLAUDE PETERSCHMITT
DEPT: VP-EUROPE
EXT: 9-011-41-22-93-3311
LOC/MAIL STOP: GE/GE

SUBJECT: EUROPEAN MANUFACTURING PLANS - FRANCE

A point of clarification re. your memo of November 18, 1981, to Win Hindle:

Are the times indicated (UK: 82; FR: 83; GY: 84) referring to land banking or to startups? It is my current understanding that (following our decision in May this year), we had ALREADY land banked in UK and France?

As far as STARTUP, I agree with Win: Our NEXT plant should be in France. From a perspective of possible trade barriers, we need to secure a position there. Also, all the signs would indicate that currently the French government would be very receptive.

If history were to repeat itself (and it has a tendency to, particularly in French politics), this window may close again if we wait too long. Hewlett Packard took advantage of an open window in the early 70's and they are reaping heavy benefits from it right now.

ph

23-NOV-81 11:14:59 S 2277 GEMI

23-NOV-81 05:17:41 S 24360 RCSD

"CC" DISTRIBUTION:

DARRYL BARBE
WILLI KISTER

BILL HANSON
JACK SMITH

*WIN HINDLE
CLAUDE SOURNAC

* d i g i t a l *

~~background attached~~
FRANCE

TO: *WIN HINDLE

DATE: WED 18 NOV 1981 14:50 HEC
FROM: PAUL NEUMAN
DEPT: MANUFACTURING
EXT: 2260
LOC/MAIL STOP: GENEVA/EHQ

cc: see "CC" DISTRIBUTION

SUBJECT: NEXT MFG PLANT - EUROPE - YOUR NOTE 11/03/81

The Euro/MFG vision we presented to the Operations Committee last year indicated a plan to start 3 new plants in the FY82-85 timeframe most likely in UK, GY, FRANCE.

- FY82 - Mass Storage (Plant X)
- FY83 - Terminals (Plant Y)
- FY84 - Additional European Capacity (Plant Z)

During the last 12 months, we have decided to focus Kaufbeuren on MASS STORAGE. Dick Esten's Terminal Group has for a number of reasons developed significant excess capacity, delaying the need for a European Terminal Plant, and a combination of increased MFG efficiency and reduced output required by the market has delayed need for additional capacity for our existing products.

While the plant buildings have been postponed beyond the 5 year Plan, it is still a key part of our strategy to landbank (3) sites.

- FY82 - UK - Edinburgh - Site you visited in May.
- FY83 - FRANCE - Valbonne - Co-location in same industrial/scientific park as the Field Service Diagnostics Center.
- FY84 - GY - Munich - potential co-location site with Regional H.Q. Operations.

The UK and France sites are acceptable as co-location sites with European Engineering, and I believe within the next 2 months the Munich site will also be accepted by Engineering.

In the FY82-84 time frame the only way MFG can increase DEC presence in France is through sub-contracting and local sourcing. MFG is committed to do anything it can to help Claude and his fellow Country Mgrs sell more including building plants to meet increased demand.

Regards. Paul.

18-NOV-81 15:51:01 S 1589 GEMI

"CC" DISTRIBUTION:

DARRYL BARBE BILL HANSON
JEAN CLAUDE PETERSCHMITT JACK SMITH

WILLI KISTER
CLAUDE SOURNAC

11/03/81

Route to Jack Smith

Paul Newman
Jean-Claude Peterschmitt

I believe our next European Plant should be in France. We have 45% of the market almost closed to us unless we have a plant - especially if it is a "technology" plant (Volume) in an area of unemployment. What is the current plan for the next plant in Europe
or Spain

11 a.m. Meeting with the German
Management Team

11 a.m. John McLean (F&A Mgr.)

Noon Lunch with Rudi Schneider
(Personnel Mgr.)

2 to 4 p.m. Erich Knoller (Software-
service Mgr.)
Visit to the Technical
Marketing Center

4 to 5 p.m. Fieldservice Meeting
(Karl Hofmann)

7 p.m. Willi Kister / Dinner



DATAR

NEWSLETTER FROM FRANCE



Michel Rocard

A message from the new
Minister in charge of
French planning and
regional development

France's electronics industry:

a special ten-
page report



From : Claude SOURNAC

To : Patrick COURTIN
Win HINDLE
Andy KNOWLES
Paul NEUMAN
Jean-Claude PETERSCHMITT
Geoff SHINGLES
Jack SMITH
Arnaud de VITRY
Jim WADE

INT'L HERALD TRIBUNE

Monday, Nov. 9th, 1981

Jean-Alexis BAYART
Jean-Jacques BERNIE
Jacques-Henri BRISAC
Etienne CHARRON
Michel FERREBOEUF
Christian MICHEL
Etienne MICHELON
Jean-Pierre REICHENBACH
Yves SARRAZIN

France
NOV 19 1981

Industries in U.S. Respond to French Bid for Investment

By Axel Krause

International Herald Tribune

PARIS — In a reversal of Giscardian policy, the Mitterrand government is actively seeking to attract new foreign, and particularly U.S., industrial investments to France.

And based on about a dozen recent examples, the drive is off to a good start.

"It's not quite a boom yet and uncertainties remain, but the investment climate under the Socialists definitely has changed for the better ... we are pushing ahead," said the executive of a leading U.S. multinational company that is among those launching or expanding industrial projects.

The investment drive is being motivated by the government's determination to create new jobs quickly; last week France's unemployment exceeded two million for the first time and it shows no sign of easing.

Warming Relations

The Mitterrand government also wants to tap advanced U.S. technology and know-how in key sectors, such as electronics, mainly to compete with intensifying competition from Japan, even though some decidedly hostile French industrialists fear a new, unwelcome source of competition at home.

The new policy reflects warming U.S.-French relations. Western and French officials said. "Domestic considerations clearly predominate, but it is not pure chance that welcoming Americans now is coming just as Presidents Mitterrand and Reagan are agreeing on key Atlantic issues," said a senior Western diplomat based in Paris.

Among the U.S. direct investments announced in the past several weeks are the following:

- Ford plans to invest \$200 million to expand its large auto transmission plant in Bordeaux, representing the largest foreign investment in France this year and Ford's single biggest in Western Europe.

- Hewlett-Packard plans to build a new plant near Lyons to manufacture electronic equipment and possibly, small computers.

- Quaker Oats is building a small pet food plant in St. Etienne, its second in France, which may be expanded later.

- Macrodyne Industries, a California-based company, plans to construct a plant to build high-velocity stamping equipment in Parthenay, in western France.

- Harris Inc. and Intel, also of California, are teaming up with the recently nationalized Matra group of France to double the capacity of an existing semiconductor plant and to build a new electronic design center, both in Nantes.

- Union Carbide is teaming up with Elf-Aquitaine, the state-controlled oil company, to build a carbon fiber plant in southwestern France, and they are considering a second unit to manufacture polyacrylonitrile, a petrochemical used in textile fibers.

Preparations for these projects and roughly half a dozen others being evaluated by the French government were started before the election victory of Mr. Mitterrand last May.

But after the election, each case was carefully reviewed for potential political implications, in most cases by the U.S.-based top management and boards of directors of the companies, according to interviews with company executives on both

sides of the Atlantic and senior French government officials.

"I feared my top management would reverse our basic decision to proceed, but they did not," said Pierre Mary, head of Quaker France. He added that his company also had been considering a site in the Netherlands.

"We have full confidence in the [Mitterrand] government," said Rudolf H. Boniface, president of Ford France, shortly after Ford's project was announced Oct. 21.

Ford's Decision

Ford had weighed a site in Britain, but turned to Bordeaux largely because of handy, skilled manpower at the site but also because, French and Ford officials said, the government agreed to provide about \$40 million in financial backing and because the project had the continued backing of Jacques Chaban-Delmas, the mayor of Bordeaux and a former prime minister in the government of Georges Pompidou.

Generous subsidies and low-interest, government-backed loans are being offered in virtually all of the ventures, covering 25 percent or more of the total costs.

French government officials readily conceded that these enticements were established under previous non-Socialist governments, but they emphasize that they are being applied more generously than before.

"Our approach and attitude is new — the funds have always been there — but we are moving faster, without delays and prejudice to Americans and we are listening to all the suggestions on how to improve the climate even more," said a senior official in the Ministry of Economy and Finance.

He and officials at DATAR, the government's regional development agency, emphasized that the new effort will be continued despite some decidedly hostile complaints from French business groups.

An example is the French telecommunications industry, which last week vehemently criticized government approval of a project by Mitel, a Canadian telephone equipment company, to build two plants in the Vosges region representing a total investment of 150 million francs and that will create about 1,000 new jobs.

"That project has our blessing, since it represents a new, badly needed investment in a depressed area that has been traditionally based on textiles," a DATAR official said, adding that Mitel and North American companies generally are more willing to go into high unemployment areas than their French counterparts are.

This year — representing the first major increase since 1976 — foreign direct investments in France will rise from the year-earlier level of about \$2 billion, led by the United States and trailed by West Germany, Britain and Switzerland, government officials said.

Remaining Barriers

A decade ago, total direct investments in France totaled \$2.9 billion, according to a recent survey of investment trends published by the Organization for Economic Cooperation and Development.

Barriers remain. For example, Western diplomats in Paris said that the Mitterrand government still appears opposed to foreign takeovers of major French companies.

Meantime, the U.S. Chamber of Commerce in France recently circulated a six-

page memorandum to key ministries outlining and criticizing what it considers to be continuing obstacles to new U.S. investments, affecting both companies and executives based in France.

The chamber would like to see more detailed information regarding what sectors the government wants to develop plus the terms of possible foreign participation, as well as swifter processing of requests for approval of projects.

New government-sponsored tax proposals aimed at raising personal income taxes and tapping revenues generated outside France also should be revised to favor investments and, above all, executives.

Tax Plans Feared

According to the memorandum, the government tax proposals are costly and unfair and could cause executives and their companies to leave or bypass French investments in favor of those in Britain and Belgium or other countries which have "more understanding" attitudes.

"This is not the best time to be investing in France, since there are still many uncertainties such as the gloomy state of the economy," said a director of the chamber and a longtime Paris resident. He added that "our suggestions are aimed at making France more competitive."

Senior French officials said that they were studying the letter and that it would be answered. "We want to be understanding," the Finance Ministry official said. But he emphasized: "We also think a distinction should be drawn between the interests of U.S. corporations and individual executives or residents working for them ... They are not necessarily the same."

France -

How important is plant -

FRENCH L.R.P. SUMMARY

PRESENTATION TO
CORPORATE MANAGERS
MAYNARD

I - DIGITAL EQUIPMENT FRANCE IS NOT POSITIONED AS IT SHOULD BE

A) IF WE COMPARE COUNTRY % OF EDP WORLDWIDE REVENUE TO LOCAL % OF DIGITAL REVENUE

UK	:	4 %	WORLDWIDE REVENUE	8	%	DEC REVENUE
GY	:	10 %	WORLDWIDE REVENUE	5	%	DEC REVENUE
FR	:	6 %	WORLDWIDE REVENUE	2.4	%	DEC REVENUE

B) IF WE LOOK AT RELATIONSHIP COMPUTER EXPENDITURE/GNP IN 1975

UK	2.83
FR	2.65
GY	2.45

C) IF WE LOOK AT COMPUTER POPULATION

FRANCE HAS 2ND WIDEST IN EUROPE

D) IF WE LOOK AT WHAT INDUSTRY IS DOING IN EUROPE

FRENCH SUBSIDIARY IS 1ST FOR BURROUGHS, HONEYWELL, SEL
2ND FOR IBM, NCR, HP
3RD FOR DG, DEC

E) IF WE LOOK AT RELATIONSHIP LOCAL SUBSIDIARY/CORPORATION REVENUE

DEC FRANCE IS ONLY 2.4 % OR 14TH OF INDUSTRY

SEL	:	19.4
IBM	:	13.9
GA	:	8.3
BURROUGHS	:	7.5
HP	:	6.9
PRIME	:	4.0
DG	:	3.5

F) IF WE LOOK AT SALES FORCE

DEC FRANCE HAS NOT EVEN 1 % OF INDUSTRY SALESMEN

II - WHAT DO WE PROPOSE

TO BECOME ONE OF THE LEADING MAJOR SUPPLIER BY GETTING A GROWING SHARE OF THE MARKET, FROM 5.8 % IN 78 TO 11 % IN 83.

OUR GOAL SHOULD BE REACHED THANKS TO A PROPER INVESTMENT IN RESOURCES AND THROUGH AN IN DEPTH PENETRATION OF SELECTED MARKETS AND GEOGRAPHIES.

III - STRATEGIES

GENERAL STATEMENT

LET US INVEST WHERE WE WILL BE SUCCESSFULL TAKING INTO ACCOUNT CORPORATE STRATEGIES AND LOCAL ENVIRONMENT.

1) FOCUS OUR HIGHEST GROWING INVESTMENTS WHERE WE CAN BE MORE PRODUCTIVE, I.E.

- TECHNICAL OEM'S
- ESG
- TERMINALS
- WORD PROCESSING
- MDC
- COMMERCIAL OEM'S

MAINTAINING A SPECIAL FOCUS ON LAST THREE GROUPS.

IN EFFECT, THERE IS NONE OF LESS PRESSURE FROM PART OF GOVERNMENT TO "BUY FRENCH" (WHICH MEANS MAINLY HONEYWELL) IN THE PRIVATE MARKET.

WE SHOULD ALSO CAPITALIZE OUR PERFORMANCE AND EXPERIENCE IN THIS FIELD.

2) OPTIMIZE GEOGRAPHICAL COVERAGE :

- SELECTING CITIES WHERE WE WANT TO REACH A CRITICAL MASS BECAUSE OPPORTUNITIES ARE THERE (I.E. LET US GET OEM'S BEFORE THEY ARE TIED TO COMPETITION).
- BEING GOOD CITIZENS : ACCORDING TO GOVERNMENT REGULATION OUR GROWTH IN PARIS WILL BE DIRECTLY PROPORTIONATE TO OUR EXPANSION IN PROVINCES.
- BASED ON ABOVE, WE CAN GROW ONLY IF WE GET DECENTRALIZATION TO FRANCE OF EUROPEAN OR CORPORATE ACTIVITIES. A VERY POSITIVE DECISION HAS BEEN IMPLEMENTATION OF EUROPEAN TECHNICAL CENTER IN VALBONNE. IT WILL NOT BE ENOUGH TO SUPPORT OUR GROWTH IN THE FUTURE AND FOR INSTANCE FACTORY WOULD BE WELCOME.

IV - WHY CORPORATION SHOULD INVEST IN FRANCE

BUSINESS INTERNATIONAL MAGAZINE RECENTLY MADE A SURVEY OF MORE THAN 200 MAJOR COMPANIES, ASKING FOR THE RATINGS OF 16 EUROPEAN COUNTRIES AS MARKETS AND AS INVESTMENT SITES IN THE COMING DECADE. THE TOP THREE COUNTRIES FOR EACH CATEGORY, ON A SCALE OF 0-100, ARE :

<u>MARKETS</u>		<u>INVESTMENT SITES</u>	
GERMANY	(81)	GERMANY	(67)
FRANCE	(77)	UK	(61)
UK	(68)	FRANCE	(57)

WE ALSO GAVE ON FIRST PAGE AN OVERVIEW OF DEC FRANCE POSITION RELATIVE TO POTENTIAL.

ON TOP OF THIS, OVER LAST FIVE YEARS, DEC FRANCE HAS SHOWN A STEADY PROGRESSION IN BOOKINGS, AN AVERAGE YIELD OVER EUROPEAN AVERAGE, A COST PER MAN GOING DOWN FROM ONE OF THE HIGHEST TO THE LOWEST IN EUROPE AFTER UK (SEE SET OF FIGURES ATTACHED, TO BE SUPPORTED DURING PRESENTATION)

V - SUMMARY OF SUMMARIES

- . FRANCE IS ONE OF THE FIRST MARKETS IN EUROPE AND IT IS WORTH FOR CORPORATION TO INVEST IN FRANCE.
- . WE NEED :
 - RESOURCES IN MANPOWER
 - DEC PRESENCE (SUCH AS VALBONNE, PLANT, ETC ...)
PROPORTIONATE TO EXPECTED DEC FRANCE GROWTH.
- . IF WE WANT FRANCE TO BE AT COMPARABLE LEVEL WITH UK OR GY BEFORE 2.000 A.C. WITHOUT JEOPARDIZING THEIR GROWTH, MORE RESOURCES ARE TO BE GIVEN TO EUROPE.
- . SPEED IN ALLOCATION OF RESOURCES IS DECISIVE.

BOOKINGS / YIELDS

PRODUCT LINES		FY 78			FY 79			FY 80			FY 81			FY 82			FY 83		
		Booking	Man power	Yield	Booking	Man power	Yield	Booking	Man power	Yield	Booking	Man power	Yield	Booking	Man power	Yield	Booking	Man power	Yield
COMPUTER PRODUCTS	TERMS	559	1.0	559	1.950	1.8	1.083	2.200	2.0	1.100	2.900	2.4	1.200	.800	3.0	1.266	4.200	3.0	1.400
	MICRO	318	1.1	297	700	1.3	538	1.200	2.2	545	2.100	3.5	600	2.700	4.5	600	3.000	4.5	667
	CSS	1.114			1.700			2.400			3.300			4.200			5.200		
	GRAPHICS	293	0.9	341	700	0.9	778	900	0.9	1.000	900	0.9	1.000	900	0.9	1.000	900	0.9	1.000
	W.P.				400	2.0	200	700	2.0	350	2.100	4.6	450	3.200	5.3	600	4.500	10.0	450
	A & S Gr.	1.448			2.145			2,800			3.500			4.600			6.000		
	SUB-TOTAL	3.732	3.0	1.244	7.595	6.0	1.266	10.200	7.1	1.437	14.800	11.4	1.298	19.400	13.7	1.416	23.800	18.4	1.293
GROWTH				103.5	100.0	1.8	34.3	18.3	13.5	45.1	60.6	(10.7)	31.1	20.2	9.1	22.7	34.3	(9.5)	
TECHNICAL PRODUCTS	OEM	5.404	7.8	689	8.000	11.1	721	11.000	17.1	643	15.600	23.0	678	20.300	27.0	752	24.800	31.0	800
	PDP-8's	935	1.6	602	800	1.4	571	600	1.0	600	250	0.5	500						
	LDP	2.513	8.5	322	2.410	7.5	321	3.000	8.6	350	3.750	10.7	350	4.700	13.4	350	5.900	16.9	350
	MDP	229			700	2.0	350	800	2.0	400	1.050	2.7	375	1.400	3.7	375	1.800	4.5	400
	EPG	515	1.7	308	500	1.5	333	700	2.0	350	850	2.3	370	1.000	2.5	400	1.200	3.0	400
	ESG	* 3.753	5.7	658	4.000	7.5	533	4.800	9.7	495	5.800	11.6	500	7.300	15.0	487	9.100	18.0	506
	SUB-TOTAL	13.349	25.3	528	16.410	31.0	529	20.900	40.4	517	27.300	50.8	537	34.700	61.6	563	42.800	73.4	583
GROWTH				22.9	22.5	0	27.4	30.3	(2.3)	30.6	25.7	3.9	27.1	21.2	4.8	23.3	19.1	3.5	
COMMERCIAL PROD.	TELCO	505	1.0	486	400	1.2	333	600	1.6	375	1.000	2.0	500	1.500	2.6	576	2.000	3.2	625
	MDC	* 2.906	8.5	342	4.500	11.6	388	6.300	19.7	320	9.400	29.0	324	13.600	39.0	349	20.100	50.0	402
	CSI	* 2.440	7.6	321	3.500	10.0	350	4.800	16.0	300	6.900	22.6	305	9.600	30.0	320	13.700	39.0	351
	OEM DIS	* 5.770	9.1	634	8.350	10.0	835	11.200	16.6	675	15.400	22.4	688	21.000	28.0	750	29.300	35.0	837
	SUB-TOTAL	11.621	26.2	443	16.750	32.8	511	22.900	53.9	425	32.700	76.0	430	45.700	99.6	459	65.100	127.2	512
GROWTH				44.1	25.1	15.3	36.7	64.3	(20.0)	42.8	41.0	1.2	39.7	31.0	6.7	42.4	27.7	11.5	
GRAND TOTAL		28.702	54.5	527	40.755	69.8	584	54.000	101.4	533	74.800	138.2	541	99.800	174.9	571	131.700	219.0	601
GROWTH		1.0	36.0	(3.0)	42.0	28.1	11.0	32.5	45.3	(9.0)	38.5	36.3	1.0	33.4	26.5	5.0	32.0	25.2	5.0

* Estimated

CS - NOVEMBER 1978

21 November 1978

revised 11 Dec 78

LRP FRANCE

	FY73 \$M	% Total	FY78 \$M	% Total	5 yr annual growth %		FY79 \$M	% Total	FY83 \$M	% Total	5 yr annual growth %
Market size (DEC product span)			680						1600		19
DEC Market share %			5.8						11.3		
TOTAL BOOKINGS (MLP net)	5.4	100.0	28.7	100.0	40		40.7	100	132.0	100	36
Technical	4.1	75.9	13.3	46.4	26		16.4	40.3	43.0	32.6	26
Commercial	.7	13.0	11.6	40.6	75		16.7	41.1	65.0	49.2	41
Computer	.6	11.1	3.7	13.0	44		7.6	18.6	24.0	18.2	45
SELLING MANPOWER (average)	12	---	54.3	---	35		70.8	---	219	---	32
YIELD	450	---	527	---	---		576	---	602	---	---
NOR	4.3	100.0	38.2	100.0	55		54.1	100	182.0	100	37
H/W NOR	3.5	81.4	29.6	77.6	53		42.9	79.3	139.0	76.5	36
Service NOR	.8	19.6	8.7	22.4	60		11.2	20.7	43.0	23.5	38
TOTAL STAFF (end of year)	89	---	350	---	32		495	---	1225	---	29
NOR/person (\$K)	48	---	109	---	18		109	---	148	---	6
C/M ¹ (selling)	37.2 ¹		54.5 ²		7		62.0 ³		77.3 ³		7
Cost/person ¹	16.8 ¹		32.9 ²		14		33.3 ³		47.3 ³		7

- (1) Floating
- (2) 4.99 FF/\$
- (3) 4.79 FF/\$

TOTAL MANPOWER SUMMARY

	FUNCTIONS	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
<u>SALES</u>	Regional/Subs. Managers	1	1	1	1	1	1
	Sales Managers	-	1	1	1	1	1
	District Managers	-	-	-	1	2	2
	Group Managers	2	2	3	3	6	7
	Unit Managers	5	7	11	16	20	24
	Sales Exec./Repr.	36	48	77	104	134	172
	Clericals	18	21	30	40	51	65
	TOTAL	62	80	123	166	215	272
<u>FIELD SERVICE</u>	Regional/Subs. Managers	1	1	1	1	1	1
	District Managers	-	-	2	2	2	2
	Branch Mgrs/Log./PS Mgrs.	5	5	6	8	9	10
	Supervisors	10	12	15	20	25	31
	Product Support Engineers	6	13	15	18	20	22
	Marketing	1	2	3	4	5	6
	Technicians	98	145	181	224	287	356
	Logistics + EDP	13	18	21	25	29	32
	Secretaries	14	15	18	21	24	27
	TOTAL	148	211	262	323	402	487
<u>A & S GROUP</u>	Professionals	1	1	1	1	1	2
	Clericals	2	3	3	4	4	4
	TOTAL	3	4	4	5	5	6
<u>SOFTWARE SERVICES</u>	Regional/Subs. Managers	1	1	1	1	1	1
	District Managers	-	-	2	3	3	3
	Staff Managers	-	2	2	2	2	2
	Unit Mgrs/Group Mgrs/CCC Mgrs.	4	3	7	9	12	15
	Consultants/Senior Consultants	1	1	2	3	3	3
	Assoc. Spec./Spec./Senior Spec.	18	29	46	62	79	96
	Clericals	6	7	13	16	19	22
	TOTAL	30	43	73	96	119	142
<u>TRAINING</u>	Managers	1	2	4	4	5	5
	Professionals	14	19	25	31	36	40
	Clericals	4	4	6	6	7	7
	TOTAL	19	25	35	41	48	52
<u>MARKETING</u>	Managers	incl.	1	1	1	1	1
	Professionals	in	2	3	4	5	6
	TOTAL	Sales	3	4	5	6	7
<u>C.S.S.</u>	Managers	5	8	10	12	13	14
	Professionals	24	43	68	80	85	90
	Clericals	7	9	13	18	22	26
	TOTAL	36	60	91	110	120	130
<u>PERSONNEL</u>	Managers/Supervisors	1	1	2	2	3	3
	Professionals	3	5	6	6	8	8
	Clericals	3	3	4	5	6	7
	TOTAL	7	9	12	13	17	18
<u>F & A</u>	Managers/Supervisors	8	11	13	15	18	19
	Professionals	26	35	44	52	60	69
	Clericals	12	14	17	20	21	23
	TOTAL	46	60	74	87	99	111
<u>GRAND TOTAL</u>		350	495	678	846	1031	1225
<u>GROWTH</u>			41 %	37 %	25 %	22 %	19 %

