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

*Desk file
B.U.C.
(Bus Unit Committee)*

Doc. No: 002976
Date: 05-Mar-1991 04:08pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No:

TO: See Below

Subject: STRATEGY MEETINGS WITH THE EXTENDED EXECUTIVE COMMITTEE

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I believe we will have strategy meetings with the Extended Executive Committee for sometime to come. One of the items I would like to go over is the cost of selling.

Conventional wisdom says that the cost of direct selling is always higher than indirect selling. Like all religious beliefs, one is not supposed to challenge this. It is assumed everyone knows that if we want to make money, we should use indirect selling all the time. I would like to know why.

At one of the Extended Executive Committee meetings, I'd like you to review costs of direct selling and tell why they are higher than indirect selling. Are our salespeople lazy and incompetent? Are they over paid? Are they poorly managed? Are they lacking in motivation? What does an analytical, numerical analysis of the question conclude?

Does our direct selling force take all the hard ones and all the responsibility of account management, no matter who sells? Do they have to make things work, even if a third party does the selling?

If large system selling takes months or years and involves a lot of selling, and if it takes a lot of integration, purchasing, project management, design, and things that the Business Units should do but do not do, do these costs get averaged over the simple sales that third parties might do? Does the profitability of third-party selling appear greater because every dollar of profit we make on a direct-selling sale is compared with a larger base than every dollar we make in indirect selling, which is based on a smaller NOR number?

In the new accounting system, any unit should make the same profit in the Product Business Unit and the Integration Business Unit. The question then is: Will the indirect salesforces drive harder and work harder, and will they be more effective, intelligent, and clever than our direct selling salesforce? And will they sell more because their price to the customer would be lower than if we sold it through our own salesforce?

KHO:eh
KO:5036
(DICTATED ON 3/5/91, BUT NOT READ)

Distribution:

TO: Don Zereski	(ZERESKI.DONALD)
TO: Bob Hughes	(HUGHES.BOB)
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CC: Bill Demmer	(DEMMER.BILL)
CC: Bob Glorioso	(GLORIOSO.BOB)
CC: Russ Gullotti @ CORE	(GULLOTTI.RUSS)
CC: Dom LaCava	(LACAVA.DOM)
CC: Frank McCabe	(MCCABE.FRANK)

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question: Who will we put in charge of NAC; and at the same time, should we rearrange some of the pieces and put them in other places? ✓

For strategic discussions, we should ask Bill Strecker to list the core competences he thinks we have or should have. He should first list those areas in which we have a significant or unfair advantage and upon which we should base most of our strategic planning. Then he should list those areas which are not key, and those areas in which it is to our advantage to continue. Then, separately, he should list those areas we have to be good in, even though they are areas in which we probably will never be leaders.

I'd like Pete Smith to list the markets we are in, and identify those in which we have a particular advantage, those in which we are followers, and those that we are trying to enter. Also, I would like to have him identify those markets in which we have a particular advantage, and indicate if there are any of these that we have a disadvantage in.

Pete should also identify those markets in which we are alone, or relatively alone, because of the entry cost or because they are boring to others. In particular, he should identify which ones have potential for growth because either the market is very large or because the market is growing. And then, finally, he should identify those markets which have the potential for significant

profit.

After this, I would like to have a half- to one-hour discussion of several of our key product areas. With this, I'd like to ask the obvious, simple set of market questions such as:

- o What is the market?
- o What advantages and disadvantages do we have?
- o Who are and will be the competitors?
- o How big is the market?
- o What can we contribute?
- o How will we make money?
- o Are we followers or are we leaders?
- o Does the business go to the lowest-priced manufacturer, the lowest-priced seller, the highest technology, or to the best service?

We will not answer the problems in this short period of time, but

it would help clarify the approach we want to make to our strategic planning. The following is a list of people I would like to have make this short, strategic report to us:

1. VAX hardware and software - Bill Demmer.
2. RISC hardware and software - Dom LaCava.
3. Production Systems - Bob Glorioso.
4. MS-DOS - Grant Saviers.
5. Small business - Pete Smith.

Note: We will skip NAC this time because BJ is out of town.

At a subsequent meeting, I would like to use the same questions to discuss our disks, tapes, integrated circuits, manufacturing, EIS, and Services.

KHO:eh
KO:5036
(DICTATED ON 3/5/91, BUT NOT READ)

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TO: Bill Johnson	(JOHNSON.BILL)
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TO: Dom LaCava	(LACAVA.DOM)
TO: Frank McCabe	(MCCABE.FRANK)
TO: BOB PALMER	(PALMER.BOB)
TO: Grant Saviers	(SAVIERS.GRANT)
TO: Local Addressee	(STEUL.BILL)
TO: Win Hindle	(HINDLE.WIN)
TO: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Jack Smith	(SMITH.JACK)
TO: Ken Senior @ CORE	(SENIOR.KEN)
TO: John Sims	(SIMS.JOHN)
TO: Bill Strecker	(STRECKER.BILL)
TO: PETER SMITH	(SMITH.PETER)

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INTEROFFICE MEMORANDUM

TO: BUC Members

DATE: 5 February 1991

CC: Lyn Benton
Dick Fishburn
Jim Osterhoff
Ken Senior
John Sims
Bill Strecker
Abbott Weiss

FROM: Terry Fink

DEPT: Marketing Financial
Planning & Analysis

DTN: 297-3093

M/S: MRO4-3/H19

Bob Glorioso
Rich Whitman
Tom Frederick
Paul Kelly
Patti Foye

*file
BUC
(desk file)*

SUBJ: 1/28/91 Business Unit Committee Minutes

VAX 9000 - Bob Glorioso, Rich Whitman

This portion of the meeting was a joint meeting of the Corporate Operations Committee and the Business Unit Committee to brainstorm on ways to improve the unit sales of VAX 9000's. Bob and Rich updated the group on current product status and the plans to re-announce the VAX 9000 later this month. Many ideas to increase the order were generated. Bob is going to write-up these ideas and circulate to the Operations Committee for review.

Memories PCU - Tom Frederick

Tom reviewed recent performance: 28 consecutive products have met FRS (first revenue ship) date, FY91 revenue is \$50M better than plan, FY91 gross margin is \$25M better than plan. The Memories PCU has made extensive use of benchmarking to run their business. In one key area, DRAM purchasing, but while we purchase competitively, we are not best-in-class. Tom will look into pooling our purchasing power with other DRAM buyers to secure more favorable terms.

Desktop Service (DTS) - Paul Kelly

Paul stated that in order to be successful we need to increase the awareness among our target customers of our ability to service multi-vendor equipment. Ken suggested that we change our tag line on the Nightly Business Report, for instance, to help build this awareness. Paul will investigate.

Currently we are short of our profit goals on break/fix services, and making money on higher value-added services. Strategy is two-fold: fix the cost problems on break/fix, and move up the value chain as much as possible.

DTS is ending an 18 month start-up period and forecasts starting to make money in Q3 or Q4 of FY91. For the full year FY91, DTS forecasts being \$0.4M off at contribution margin.

Utilities - Patti Foye

Don Zereski raised the issue of possible overlap between Utilities and Process Industries charters. Patti will investigate and get back to Don.

Revenue is on plan for FY91 with some upside potential in Europe and GIA.

Patti was asked about barriers to success. Two stool out. IBM is continuously courting key third parties who today run only on Digital platforms, and IBM's long history of calling on the executive suite of many of the largest utilities. Our strategy is to focus on the top 20 accounts, and let their successes "dribble-down" to the rest of the industry.

Management Planning & Control Panel

Gauges		3 Yr. Performance History			Goal		Current Year	3 Yr. Plan		
					Min	Max				
1. Customer Rating	D									
	B									
2. Profit	D									
	B									
3. Growth	D									
	B									
	MR									
4. Market Share	D									
	B									
5. Asset Mgmt	D									
	B									
6. Position	D									
	B									
7. Peer Rating	D									
	B									

D = Digital
 B = Best in Class Benchmark
 MR = Market Rate

General Questions for All Business Units

1. What is your value added?
2. Why over/under Best in Class?
3. Why over/under Market Growth Rate?
4. What are your biggest opportunities?
5. What will play the biggest role in achieving your maximum goal vs. minimum goal?
6. What are the key indicators/milestones to indicate you are on track towards your goal?
7. What are your dependencies? Rank order team in terms of their impact: 1 = most important → n = least important
8. With whom do you need to establish, enhance or maintain collaborative work?
9. What are your biggest risks?
10. What are the 3 most serious barriers to your success?
11. How will a targeted improvement in one gauge impact the others?
12. Where will you disinvest, why?
13. What major changes do you expect in: And what will be their impact?
 - Competitors
 - Market in General
 - Customer
 - Suppliers
 - Technology
 - Economy
 - Government
14. Where is your biggest need for more information/intelligence?
15. What other Digital enterprise groups:
 - Win if you Win?
 - Lose if you Lose?
 - Lose if you Win?
 - Win if you Lose?
16. At what level of investment in your business would we reach a point of diminishing returns in resulting benefits?

Customer Account Unit Questions

What percentage of your total business is in each category?

- EIS
- Service Product
- S/W Product
- Integration
- H/W Product

2. In which parts of the Account is your market share highest (eg Division, Function, Geography)?
3. What is the penetration strategy?
4. In which parts of the Account does Digital have no business?
5. What is the entry strategy?
6. How is Digital positioned in this account:
 - Sr. Management - Ops Management - MIS - Purchasing
7. How does the growth of Digital business relate to growth of the Customer's business?
8. How could P&SCU's help you succeed?
9. How could MBU's help you succeed?
10. How could Geography support help you succeed?
11. What are your constraints on growth in this account?
 - Digital based
 - Customer based
12. What would be the impact of removing those constraints?
13. What are the major risks in this Account? (eg. stability of customer business market conditions, competitive actions, mgt attitudes)? What are your plans for managing those risks?
14. Who are our major competitors in various groups, functions, geographies within the account?
15. What is your strategy for replacing each competitor?
16. What level of investment would be needed to take major market share from your most significant competitor?

Marketing Business Unit Questions

1. How have you segmented your market place?
2. How is Digital currently positioned in each segment?
3. What is Digital's current market share in each segment?
4. What is the major difference in need across those market segments?
5. In markets where we have little/no presence, what is our entry strategy?
6. What are the limits to our success in entering new markets?
7. In markets where we have a presence, what is the penetration strategy?
8. What are the limits to our success in penetrating established markets?
9. What would be the impact (positive & negative) of achieving dominant market share in each segment?
10. Do you see major shifts in market needs over the short term/long term?
11. What technologies/competencies are our primary value added to your market segments?
12. If any of the key value added areas are supplied by a third party, should we bring it in-house?
13. What products or services, which we now produce in Digital, have low value added to your markets and could be sourced from third parties with low risk?
14. Who are our major competitors in each segment?
15. How are you helping the accounts to succeed?
16. How are the accounts helping you?
17. What do you need from P&SCU's to enhance your success?
18. How can you enhance P&SCU's performance?
19. If allowances are higher than company average in one of your segments, what can be done to reduce them?

Product & Service Creation Unit Questions

1. What investments would be necessary for you to have best in class product?
2. What investments would be required for you to be the industry standard?
3. What would be the impact (positive and negative) of achieving:
 - Best in class?
 - Industry standard?
4. What is limiting your growth?
 - people competence shortage - market size
 - capacity - competitive action - lack of attention from Accounts
5. What are the biggest risks to achieving your plan? (eg. Product Cost, Time to Market, Competitive Actions)
6. In what areas are the current plans/activities of other P&SCU's limiting your success?
7. In what areas are current sales and marketing activities/plans limiting your success? How big would the benefits be if these limitations were removed?
8. In what areas are your products suffering because their benefits are not understood?
9. What are your plans to reduce product costs?
10. In what products are you disinvesting?
11. Who is the "next generation" best in class and what are they doing to earn that title?
12. If allowances on your product are higher than company average, what is driving that:
 - over engineered - over manufactured - not sold properly - not marketed well
13. What would be the short and long term impact of changing your sourcing strategies?
14. How are you being impacted by changes in your product cycle?
15. At what product volume do we gain maximum fixed/variable cost benefits?
16. What is the driver of current changes in price/performance ratios?
(eg. competitors, technology availability, customer demand, etc.)

COC 1/28/91 BUC

Note to CSMC re:
AS Productivity
Key return package

Discretionary Spending
- middle mgmt block.

Planning for 92

Dec's Vision

New Mgmt System

Mkt oriented Revenue Plan

Move to Best in class

Cost growth faster to be higher than VDR

* Note to Dick F - (cc Audmore)
(not good). Break out SVCS deliv. - Measure us on productivity
fields. But do not handle it - People reacting stupidly in

* Note to CSME/CSMC re:
{ Costs rising at corps
field productivity?
Discretionary rising ahead of FY 90.
Capital

Trips for "revenue"
into resource
planning

* Jim Audmore - assign a person to work on Service
cost / "OTD" formats for all SVCS.

* D-Stone meeting re: { pull through - Set it up
CSSE role
SW Sustaining
Project approval process (esp when
Stone does the implementation)
Sharon Keller (Trust)

* Note to Fishburn/Demmer re xfr Rich Butler

Bus Unit / Mgmt System

Key Bus Unit

- ① Sets price
- ② determines Benchmark cost
- ③ Sets cost

Golden Key SIB own xfr price (B.U.P.)

9000 Review

* Criticism for delay of ST reseller (9000 impact)
go faster. Jack Smuri.

Solorzano

* Make 1 day response for 9000 a way of life through engineering!! 1 hour escalation!!
See support in engineering. He should yell if it's not there. His job is the entire process - (even if it's not his job).

* USA TNG of service delivery people
and TNG at the Sales TNG course.

* Note to Stamm Nunn / Bob Bajema / USAF // etc. I'll see 9000 / 6000 with them.

BUC

Memories Tom Frederick

- open, owner, team, in ^{in. touch} charge, creative
_{input}

- left \$ in table re add on pricing vis IBM.
Debate over xfu price.

Desktop Services - Paul Kelly

* got D-stone's friend's article re: Desktop - then put Paul Kelly with her to get a positive article written one month later

— Eickhorn input - "Can't make money at breakfast" is a poor assumption. Do not migrate upwards at the expense of lowering service costs of breakfast.

Printed by Russ Gullotti @ CORE

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

Doc. No: 002445
Date: 03-Jan-1991 11:25am EST
From: Terry Fink
FINK.TERRY AT A1 at HOPER at M
Dept: Finance
Tel No: 297-3093

RO

TO: See Below

Subject: Business Unit Committee - Minutes - December 17, 1990

Distribution:

TO: DON ZERESKI @CORE
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TO: BILL STEUL @CORE
TO: PETER SMITH @CORE
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TO: DICK POULSEN @CORE
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CC: KEN SENIOR @OGO
CC: LYN BENTON @CORE
CC: DICK FISHBURN @CORE
CC: ABBOTT WEISS @CORE
CC: BILL STRECKER @CORE
CC: JOHN SIMS @CORE

(FINK.TERRY AT A1 at HOPER at MRO)

CC: JIM OSTERHOFF @CORE
CC: WIN HINDLE @CORE

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INTEROFFICE MEMORANDUM

TO: Business Unit Committee Members
Presentors

DATE: 2 January 1991
FROM: Terry Fink
DEPT: Marketing Financial
Planning & Analysis

CC: Business Unit Committee CC List

DTN: 297-3093
M/S: MRO4-3/H19

SUBJ: Business Unit Committee - Minutes - December 17, 1990

Industrial Research Business Unit - Robert Horne

Agreed that the best way to understand marketing activities was in the context of a complete view (i.e. full P&L). Agreed that marketing activities would not be charged to Account Units through a 'transfer price' approach.

There needs to be more discussion on how to review the market-based units, such as Industrial Research/Lab. As a start, we put some words up on a chart as follows:

"IBU's manage their direct investments by understanding total sales to their markets less all costs to produce the solutions, market the solutions, and sell the solutions. IBU's will set systems prices to cover these costs and make a profit"

It was agreed that these words did not quite capture the spirit of the discussion, but were worth recording as a helpful springboard for further discussion.

General Electric Account Unit - Tony Pellegrini

Tony presented much interesting data for the group to think about:

In FY90, General Electric purchased 8 times as much processing power as they did in FY86 for approximately the same amount of money.

Our cluster licensing practices have reduced license revenues from GE from \$13M to \$7M over that last 2 years.

Lagging Sun Microsystems by 6 months is equivalent to

having no product at all. Current issues are lack of CADDs-90, VERSACAD, Formtek, Mentor and Cadre application sets.

For desktop devices we should consider offering UNIX and VAX at the same price. We should not penalize customers who go/stay with VAX.

We should invest more in sustaining engineering. Our customers believe we should offer more bug fixes in current releases, rather than wait for the next release.

Tony recommended we announce all price increases 90 days in advance. Issue is customer satisfaction. Customers expect and are prepared to deal with price increases, but they expect to be forewarned and need time to react. Lately, we have not been giving as much notice as they would like.

Next meeting is January 7, 1991, from 8:00am to noon.

Printed by Russ Gullotti @ CORE

INTEROFFICE MEMORANDUM

Doc. No: 001966
Date: 07-Nov-1990 09:33am EST
From: Terry Fink
FINK.TERRY AT A1 at HOPER at MRO
Dept: Finance
Tel No: 297-3093

TO: See Below

Subject: Business Unit Committee - Minutes - November 5, 1990

Distribution:

- TC: DON ZERESKI @CORE
- TC: HARVEY WEISS @CORE
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- CC: ABBOTT WEISS @CORE
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- CC: JOHN SIMS @CORE
- CC: JIM OSTERHOFF @CORE
- CC: WIN HINDLE @CORE

Use the RDL option to see remainder of distribution lists.

*Resend
BLSMC*

*Pat, Shawn, David, please
note your presentation
dates. Use it ahead
prepare 2-3 weeks in
advance. It is your
action to get up
time with me
to get ready. Dick S. is
my alternate on
this committee.*

*A -
I want to do a
review of CS or LTS
bus unit 7-10
we go to bus unit before
please schedule. Return - 9/11
file in my desk files.
see schedule inside.*

Return!

*A -
Please schedule
here for me - on
Dick S. for these
meetings.
Include me 4 weeks before
week, Kathy, Cataldo
dates.
K*

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+-----+

INTEROFFICE MEMORANDUM

TO: Business Unit Committee Members DATE: 6 November 1990
CC: Win Hindle FROM: Terry Fink
 Jim Osterhoff DEPT: Finance
 John Sims DTN: 297-3093
 Bill Strecker M/S: MRO4-3/H19
 Abbott Weiss

SUBJ: Business Unit Committee - Minutes - November 5, 1990

1) Opening Comments - Ken Olsen

- Need simple formats
- Avoid snow jobs and presentation designed to hide facts
- New management system designed to help

2) Charter Review - Terry Fink

- We should help business unit managers meet their plan
- Consider standard formats
 - JFS Standard Package
 - Heald Pond II One-Page Format
- Schedule should be viewed as a planning tool...need to adjust to reflect changing priorities/emphasis
- Substitute policy: each member to designate an alternate
- Material to committee one week ahead would facilitate review
- Add workstations to Business Unit List

ACTIONS: Terry Fink to forward JFS Standard Package & Heald Pond One-Page Format to Committee Members for comments

NOTE: Updated copy of charter and schedule is being sent under separate cover (postscript document). If you need assistance with postscript please contact my office.

3) Network Review - Mike Thurk

- Issues/Opportunities:
 - Putting together large project bids
 - Competing at the gible level

4) Network Site Services - Jim Neumann

- Q1 below budget
- Plan is to recover and meet budget for full year

INTEROFFICE MEMORANDUM

DATE: 7 November 1990
FROM: Terry Fink
DEPT: Finance
DTN: 297-3093

TO: Business Unit Committee Members

CC: Win Hindle
Jim Osterhoff
John Sims
Bill Strecker
Abbott Weiss

SUBJ: Charter of Business Unit Committee (Postscript Document)

Attached is the Charter and Planning Calendar for the Business Unit Committee as reviewed at the November 5 meeting.

**BUSINESS UNIT COMMITTEE V7.0, 11-5-90
BACKGROUND INFORMATION**

PURPOSE: Review worldwide performance of all business units (PCU, ABU, Account, Service, IBU) versus plan (Executive Committee continues to approve budgets)

Develop overall understanding among business unit managers
as to how to run a profitable business

Help Business Unit Managers make their plan

APPROACH: Review each business unit at least once a year
Review units off plan (10% or more) more frequently

EXPECTED OUTCOMES: Consensus about state-of-the-business and
current plans
Coaching/mentoring of business unit managers
Revisions/adjustments to business unit plans
to deal with changing market, customer
competitor and company forces

FORMAT: Half-day meetings every other week
Review presented by business unit manager
Business unit manager decides on other attendees
1 hour per review, 15 minutes presentation,
45 minutes Q&A

Written feedback (i.e. minutes)
Use standard formats of the business unit
Substitutes: Designated Alternates Only

Copy of presentation to Committee Members one week prior to meeting

BUSINESS UNIT COMMITTEE

COMMITTEE MEMBERS:

John Alexanderson
Henry Ancona
Jay Atlas
George Chamberlain
Dave Copeland
Jim Cudmore
Gary Eichhorn
Pier Carlo Falotti
Terry Fink, secretary
Rose Ann Giordano
Dave Grainger
Russ Gullotti
Marty Hoffman
Bob Hughes
Bill Johnson
Dom LaCava
Ken Olsen, Chair
Dick Poulsen
Grant Saviers
Jack Smith, Co-chair
Peter Smith, Co-chair
Bill Steul
Harvey Weiss
Don Zereski

**BUSINESS UNIT COMMITTEE
SCHEDULE**

**NOTE: For Planning Purposes.
Schedule subject to change.**

Fiscal Week	IBU/ABU	PCU/PBU	SCU	Account
Nov 5	6	Networks/Johnson	NWSS/Neumann	
Dec 3	10	Media/Farquhar Lab/Home Image/Davis		Shared Medical/Beutel
Dec 17	12	Utilities/Foye	Workstations/Gaubatz	GE/Pellegrini
Jan 7	2	CMPD/Copeland ESG/Copeland	VAX/VMS/Demmer	
	28	Travel/Dobres	UNIX/LaCava	Nomura/Harigai
Feb 18	8	Education/Trocchi Governments/Trocchi		Kodak/Erwin
Mar 4	10	Retail/Ricevuto	PC Integration/Rose	McDonnell-Douglas/Crossland
	18	Banking & Investment/Goldberg Insurance/Thomas	PC's/Saviers	Bankers Trust/Saunders
Apr 1	1	Software Application Dv'lpment/ Dancy	Video/Printers/Cabrinety	Schlumberger/Aghamalian
	29	OIS/Hodges EPS/Woolf		BP/MacNaughtan
May 20	8	Telecom/Wellhoener System/Data Center Mgmt		NT/Harding
Jun 3	10	Small Business/Eichhorn	New Software Group/Stone	Reuters/Whellams
	17	U.S. Federal Gov't/Weiss SDS/Lipcon	PDP-11s/Williams	Ford/Smith
Jul 8	2	Healthcare/Shire Professional Services/Pepin		Dupont/Posey
	29	FABS/Carabetta	Storage/Christ	CitiCorp/Miller

Bus Unit Committee 11/15/90

Terry Fiell secty

- Rule - Bus Unit Progress on plans.
- Dialogue re learning from Bus Units.

K.O. Group should create format for reviewing Bus Plans - no "sno jobs" no hype // no rec charts // Don't make extra

K.O. If a question needs to be raised & answered, be sure the q gets clearly phrased so it can be answered.

* OK to select an alternate to member (Dids)

- Presentations should include MKT share plans / %

Think ~~meets~~ (for BT)

* groups should show Big winner / Big loser.

Neumann - NWSS

* Note to Carol Re: x charge (people making Bod by dumping their costs "by mistake".

Input from K.O. - ethics re 3rd parties in integration projects (trust?)
Research Board - "michel + dume" on customers

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

Doc. No: 001975
Date: 07-Nov-1990 03:45pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

*File
Bus Unit
Mfg.*

To: See Below

Subject: 5 NOVEMBER 1990 BUSINESS UNIT COMMITTEE MEETING

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Monday's Business Unit Committee meeting was good, but we did miss the main point of our reporting system. In the old Product Line days, a group owned a the market and fought violently to get every sale included in the category for which they took credit. The result was that they, or their peers or management, could, in no way, measure the success of their investment, except for their investment in lawyers to argue that all orders should be included in their category.

The system we are now instituting does not measure people by categories "which they own." Measurements are made on the individual projects. Yesterday, we heard summary data on people with and people without NAC. I have the feeling that some projects do well and some do poorly and interest is lost in some products before the financial return is complete.

Next time, let's do NAC over again. This time, let's prepare a sheet listing all the projects and some explanation for the NAC budget, if the NAC total budget is bigger than the sum of the product.

In each row, let's give the history of each project in the last two or three years. This should include those projects which have been dropped because that's a part of business and has important information in it. This should include those projects which are doing very well and those that are doing poorly. It should not include products done by people outside of NAC on a different budget.

The information on these projects should, of course, also include the planned numbers for the next two or three years. We also

should have the actual or the guess at the base cost or base price, the marketing and integration costs, the MLP, and the percent allowed for selling. It is more important to have an approximation of these numbers than to wait until they are perfect.

We might do well starting off with one product and be sure we have the format right. FDDI might be a good one for that because it is a brand new product, and it is doing well and shows great promise for the future.

KHO:eh
KC:4701
(DICTATED ON 11/6/90, BUT NOT READ)

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