

**SENIOR MANAGEMENT  
WOODS MEETING  
TYNGSBORO, MASSACHUSETTS  
DECEMBER 1992**



**RESTRICTED DISTRIBUTION  
RUSS GULLOTTI, Registration #7**

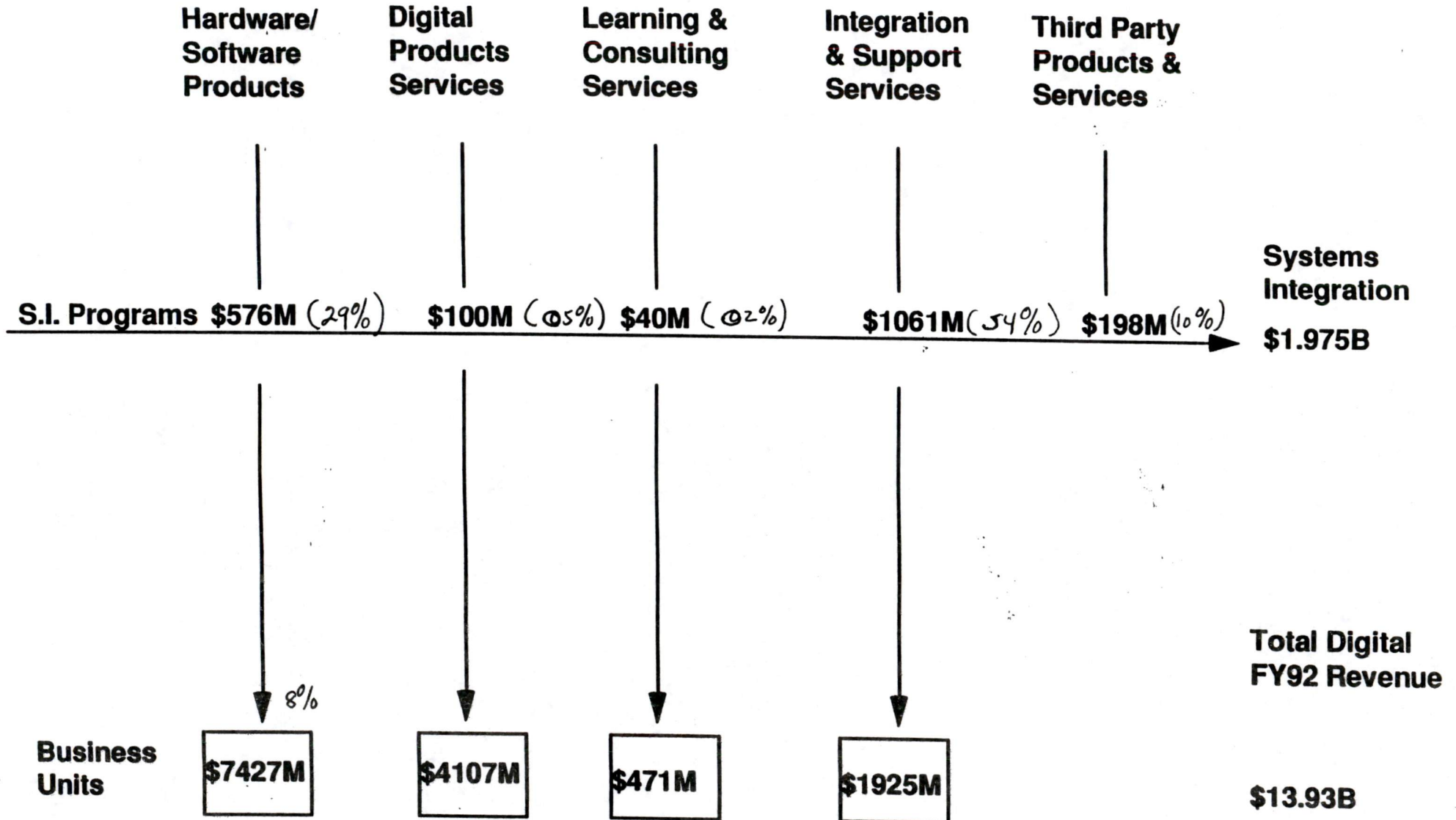
*This goes in  
woods #1  
Boulder  
(MRO?)*

## DIGITAL'S PROFESSIONAL SERVICES GROUP

	<u>FY93 NOR \$M</u>	<u>FY93 CM \$M</u>	<u>FY93 CM % NOR</u>	<u>NOR Growth Over FY92</u>
Customer Training	244	37	15%	5%
Management/IS Consulting	84	12	14%	49%
Technical Consulting	<u>190</u>	<u>21</u>	<u>11%</u>	<u>5%</u>
Consulting Services	274	33	12%	15%
Network Integration Svcs - H	30	12	40%	38%
Network Integration Svcs - S	<u>484</u>	<u>45</u>	<u>9%</u>	<u>12%</u>
Network Integration Services	513	57	11%	13%
Operations Support Services	337	60	18%	36%
Application Project Svcs - H	704	208	30%	15%
Application Project Svcs - S	<u>655</u>	<u>20</u>	<u>3%</u>	<u>7%</u>
Application Project Services	1358	228	17%	11%
<b>Total Professional Services</b>	<b>2727</b>	<b>415</b>	<b>15%</b>	<b>14%</b>



# Systems Integration Model



## REVENUE GROWTH SCENARIO

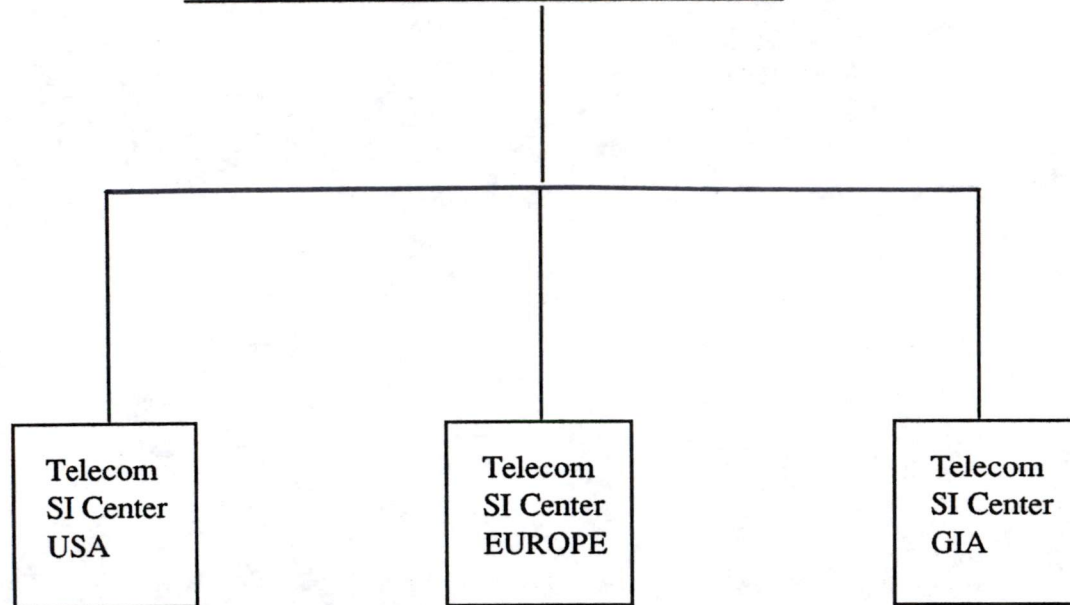
	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>
Hardware/ Software @ 5%	\$7.5B (54%)	\$7.9	\$8.3	\$8.7 (51%)	\$9.1	\$9.6	\$10.0 (47%)
Maintenance @ 2%	\$4.5B (32%)	\$4.6	\$4.7	\$4.8 (28%)	\$4.9	\$5.0	\$5.1 (24%)
Professional Svc. @ 20%	2.0 (14%)	2.4	2.9	3.5 (21%)	4.2	5.0	6.0 (29%)
<b>TOTAL DIGITAL</b>	<b>\$14B</b>	<b>\$14.9</b>	<b>\$15.9</b>	<b>\$17.0</b>	<b>\$18.2</b>	<b>\$19.6</b>	<b>\$21.1</b>
SI as subset } @ 30% }	2.0 (14%)	2.6	3.4	4.4 (26%)	5.7	7.4	9.6 (45%)

## VALUE ADDED OF INDUSTRY BUSINESS UNITS

	Industry Focused	Non Industry Focused
Products	5% ? 6	95%
Professional Services & SI	30%	70%

# SERVICE CENTER MODEL

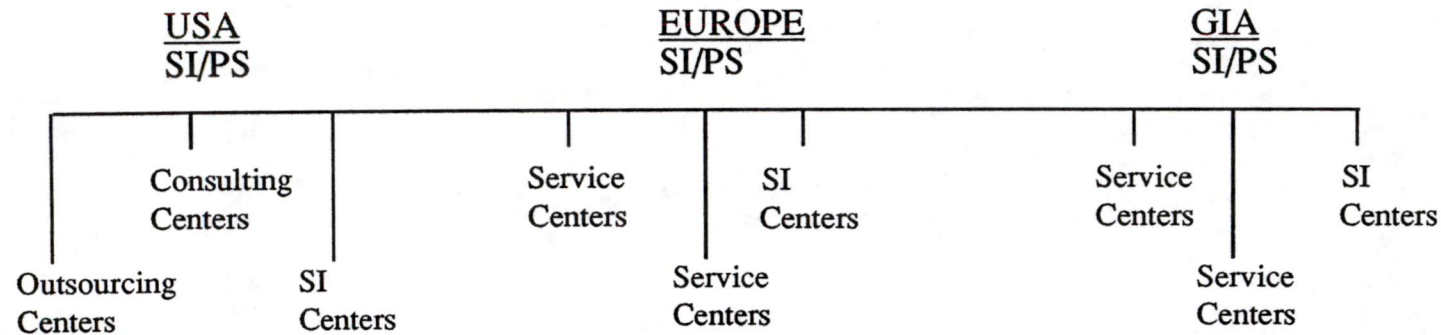
## TELECOM BUSINESS UNIT



"Software Factory"  
Program Management  
Application Consultants  
BID Teams  
"Remote" Project Centers  
Custom Hardware



# SERVICE CENTER MODEL



- 1) Telecom SI Centers are a network of skills globally.
- 2) Resources in a Geography are matrix managed - industry is tie breaker.
- 3) Repeatability by industry is driven by industry business units.
- 4) Horizontal repeatability is driven by Corporate SI/PS Manager

# SYSTEMS INTEGRATION CENTER

**Software  
Factory**

**Custom  
Hardware  
Engineering  
Center**

**Application  
Integration  
Center**

**Expertise Center**

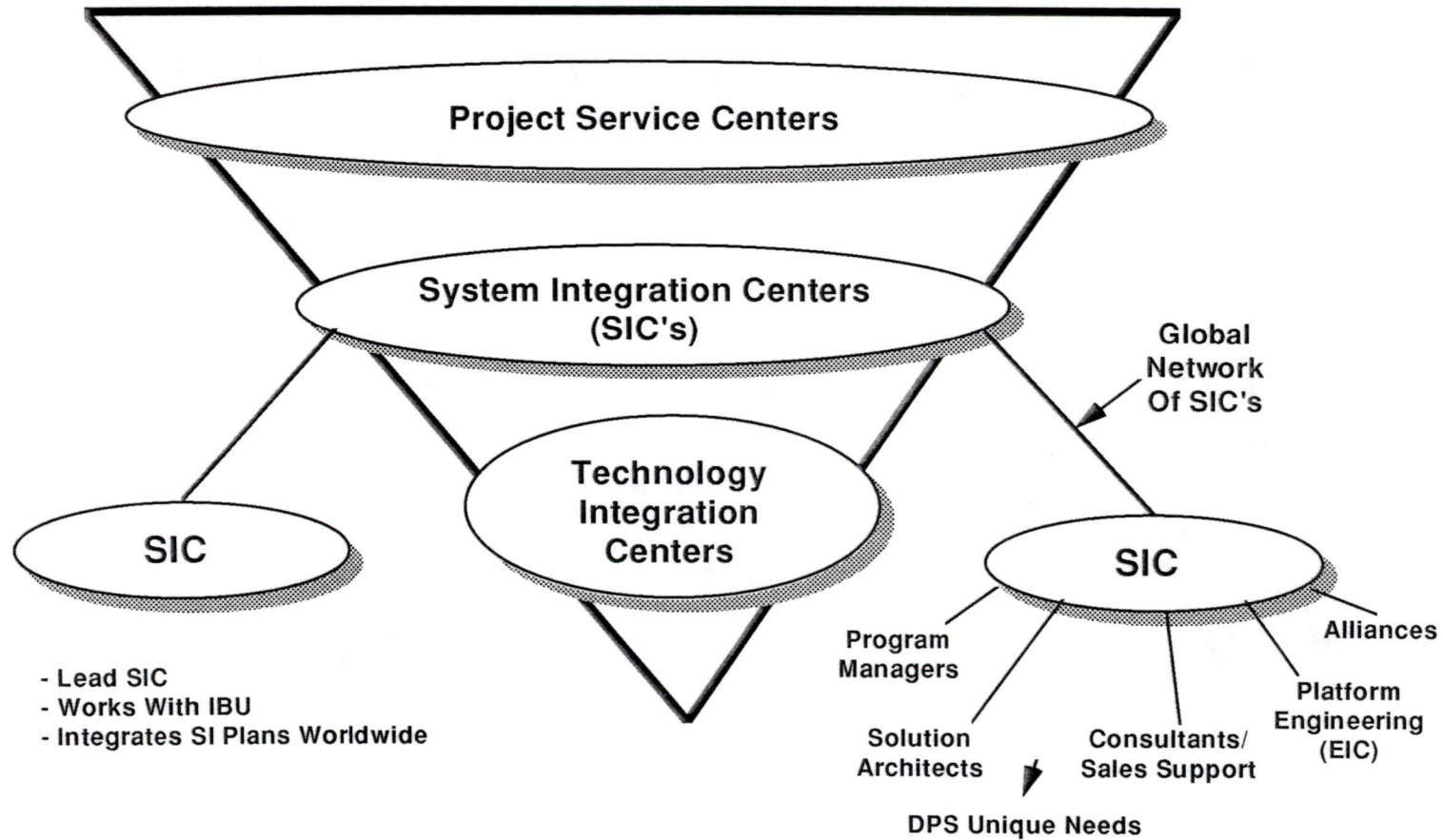
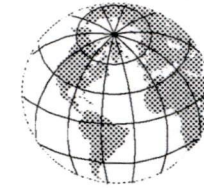
**Industry Consultants  
Integration Consultants**

**Program Management  
Office**

**Program/Project Managers  
Contract Specialists  
MTT Support  
Bid Teams**

**Alliances**

# System Integration Center Model





**PRIORITIES:**  
 #1 Make the contracts by business unit.  
 #2 Make the bottom right hand corner.

**LOCATION**  
 U.S. Marlboro  
 GIA Acton  
 Europe Geneva

**HDQ**

- Sales
- PS/SI
- Finance
- Legal
- Human Resources

**Corporate Business Unit Finance**

CONTRACT

**PS/SI**

- Outsourcing
- Cust. Training
- Network Integration
- Consulting
- Customized H/W S/W

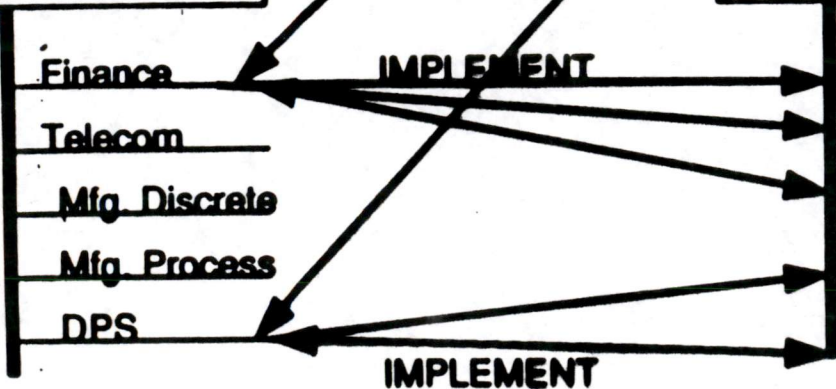
FUNCTION

**DPS Business Unit**

**Industry Business Units**

**Area Territories Countries**

**LOCATION**  
 GIA EUR U.S.  
 CORPORATE COUNTRIES AREAS



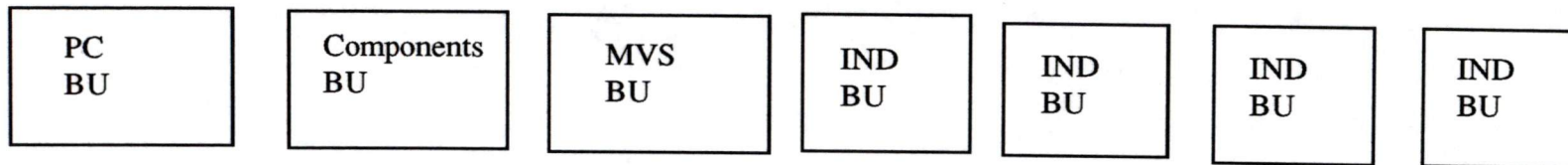
**ENTITIES**

<b>EUROPE</b>	<b>U.S.</b>
Nortic	North
Germany	South
U.K.	East
Italy	West

Account Resources  
 PS/SI Resources

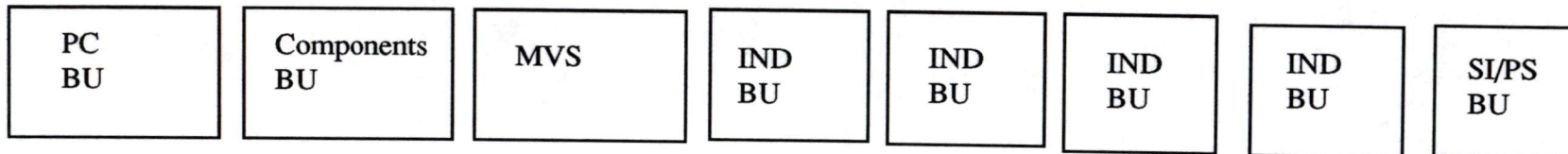


## ACCOUNT FOR 100% DIGITAL P&L



- A) Assign industry value added SI/PS to industry units, e.g., Telecom application SI effort.. (30%)
- B) Assign non-value added SI/PS to industry B.U. by account., e.g., VMS student from a telecom account goes to telecom. (70%)
- C) SI/PS = function with secondary P&L.

## ACCOUNT FOR 100% DIGITAL P&L



- A) Assign value added SI/PS by IND BU to IND BU. (30%)
- B) Assign remainder of SI/PS to SI/PS Business Unit.
- C) SI/PS is both a function and a Business Unit.

ROLES/RESPONSIBILITIES - RE: SI/PS

SI/PS FUNCTION

- SKILLS TEMPLATES
- BUSINESS MODELS
- METHODS
- TOOLS
- TRAINING PLANS
- INVESTMENT PRIORITIZATION
- SECONDARY P&L/BALANCE SHEET
- SI/PS STRATEGIES, BUS PLANS FOR HORIZONTAL SERVICES/SI
- CHAIRPERSON OF SI/PS LEADERSHIP COMMITTEE  
(3 GEO, SI/PS, 4 CBU, SI/PS MGR)
- INSURE GLOBAL CONNECTION OF ALL HORIZONTAL SI/PS SERVICE CENTERS
- TIE BREAKER FOR SI/PS CONFLICT FOR HORIZONTAL SOLUTIONS ON BEHALF OF CBU.
- SERVICE DEVELOPMENT AND "ENGINEERING"
- DEVELOPMENT OF HORIZONTAL REPEAT PLATFORMS/SERVICES

## TERRITORY

- MANAGE ALL SI/PS RESOURCES
- ROUTINE TRADE OFF OF RESOURCES
- IMPLEMENT SI/PS PLANS/STRATEGIES
- IMPLEMENT CBU PLANS/STRATEGIES
- MANAGE SIC ON BEHALF OF CBU
- SECONDARY P&L BY SI/PS "BUSINESS"
- IMPLEMENT TRAINING/SKILLS PLANS PER FUNCTIONAL PLAN
- IMPLEMENT RESOURCE PLANS PER CONTRACTS WITH CBU/SI PS FUNCTION
- PARTICIPATE IN SI/PS STRATEGIES PLANS WITH CBU AND FUNCTION
- IMPLEMENTATION OF REPORTING/ACCOUNTING SYSTEMS PER CBU, FUNCTION



## CUSTOMER BUSINESS UNIT

- PRIMARY P&L INCLUDES ALL PS/SI
- STRATEGIES, BUSINESS PLANS FOR VERTICAL SOLUTION AND SI/PS FOR THEIR INDUSTRY
- MARKETING FOR ALL SI/PS WITH MARKET SHARE GOALS
- APPROVER OF ALL SI/PS FUNDING?
- DIRECT GLOBAL ACTIVITIES OF SIC
- TIE BREAKER FOR SI/PS CONFLICT FOR INDUSTRY SOLUTIONS
- TRAINING OF SALES FOR SI/PS OFFERING CONSULTATIVE SELLING
- DEVELOPMENT OF REPEATABLE PLATFORMS/SERVICES FOR INDUSTRY
- MAKE/BUY DECISION FOR APPLICATIONS

**SENIOR MANAGEMENT WOODS MEETING  
16/17 DECEMBER 1992**

**PARTICIPANT LIST**

**Henry Ancona  
Ron Bunker  
Larry Cabrinety  
Charlie Christ  
Bo Dimert  
Dick Farrahar  
Russ Gullotti  
Charlie Holleran  
Bill Johnson  
Frank McCabe  
Ed McDonough  
Vin Mullarkey  
Bob Palmer  
Lucia Quinn  
John Rando  
Bruce Ryan  
Willow Shire  
Peter Smith  
Adriana Stadecker  
Bill Steul  
Bill Strecker  
Mike Thurk**

✍️

**SENIOR MANAGEMENT WOODS MEETING**  
**16 DECEMBER 1992**  
**AGENDA**

8:30 - 8:40 a.m.	<b>Agenda Review</b> -- <i>Adriana Stadecker</i>	
8:40 - 9:15 a.m.	<b>Opening Remarks</b> (1) -- <i>Bob Palmer</i>	
9:15 - 10:00 a.m.	<b>Customer Business Units</b> (2) <b>Industry Groups</b> -- <i>Henry Ancona</i>	<b>Decision</b>
10:00 - 10:30 a.m.	<b>BREAK</b>	
10:30 - 12:30 p.m.	<b>Corporate Functions</b> (3) <b>Task Force Report</b> -- <i>Willow Shire</i>	<b>Proposed Direction</b>
12:30 - 1:30 p.m.	<b>LUNCH</b>	
1:30 - 3:00 p.m.	<b>FY94 Operational</b> (4) <b>&amp; Budgeting Process</b> -- <i>Vin Mullarkey</i>	<b>Proposals for Decisions</b> <b>Assignments</b> <b>Updates</b>
3:30 - 4:00 p.m.	<b>BREAK</b>	
4:00 - 5:30 p.m.	<b>Engineering Restructuring</b> (5) -- <i>Bill Strecker</i>	<b>Information Sharing</b>
6:30 - 7:00 p.m.	<b>RECEPTION</b>	
7:00 p.m.	<b>DINNER</b>	







## OPENING REMARKS

- Welcome/introduction of new team members
  - \* Reminder of the task before us:
    - We are still losing money and market share.
    - We need to change our focus towards the customer.
    - We have to return to profitable growth.
    - We need to focus on the environment, (accountability, excellence in every thing we do, no excuses, do what is best for Digital, etc.).
  
  - \* Some of the things in our favor:
    - Strong balance sheet, very favorable interest rates.
    - Customers who want us to succeed.
    - Leadership performance and price performance with Alpha AXP.

## OPENING REMARKS

- Major milestones of previous Management Woods.
  - \* Maine - New Company direction proposed based on inputs from Senior Management Team. Chartering of various taskforces for further analysis and refinement.
  - \* Salem - Direction refined based on taskforce inputs.
    - Organizational model developed.
  - \* Stonehedge I - Testing the new business model.
    - The new model in practice - *Per Olof Loof*.
    - How to best organize central product/marketing functions - *Mahendra Patel*.
    - Operational and strategic planning.
    - International accounts.

Bob Palmer  
16,17 Dec 92

## OPENING REMARKS

\* Review other key events:

- Engineering organization
- Engineering strategy
- New managers for U.S./EUR/GIA
- Corporate Ethics manager decision
- New task forces chartered



**SENIOR MANAGEMENT WOODS**  
December 16 & 17

- Goals for this meeting:
  - \* Re-confirm the grouping of the industries in each CBU.
  - \* Agree to general directions for the functions and specific next steps.
  - \* Understand the work and agree to the recommendations of the implementation taskforce.
  - \* Agree upon the contracting Process/FY94.
  - \* Share with the group the work being done on strategic intent.
  - \* Nail down the decisions that are made and the messages we want conveyed back to the larger organization.

Bob Palmer  
16,17 Dec 92

**SENIOR MANAGEMENT WOODS**  
December 16 & 17

- Preview of January meeting:
  - \* Supply Chain update.
  - \* Further work on contracting and other urgent processes.
  - \* Resolve Product Marketing.
  - \* Decide on Territories.
  - \* Open discussion on what we want to be and how we want to operate.

## FY94 PLANNING CALENDAR

- December** - Announce Business Unit Managers.  
(*Bob Palmer*)
- December 3** - Review/Approve Product Direction.  
(*Bill Strecker, Executive Committee*)
- January/  
February** - Communicate Product Strategy to  
Business Units.
- Review/Approve Business Unit business  
models & strategies.  
(*Senior Management Committee*)
- February/  
March** - Business Units contract with Areas and  
Functions  
(*especially Engineering and SI/Professional Svcs*)
- April** - Review Business Unit, Area and Function  
plans.  
(*Senior Management Committee*)
- Present Business Units strategy to BOD/1st pass.
- May** - FY94-95 quarter operating plans - 1st pass.  
(*Senior Management Committee*)
- June** - Close of FY94-95, 8 quarters operating plans,  
present at BOD for review/approval.



# GENERAL DIRECTION OF DIGITAL'S BUSINESS UNITS

P C  B U S I N E S S  P&L	C    B O    U M    S P    I O    N N    E E    S T    S S    S  P&L	S    C    B T    O    U O    M    S R    P    I A    O    N G    E    S E    E    S N    S T    S S  P&L	Discrete Mfg & Defense Business Unit  P&L  - SI/Prof Svcs - Applications - Services - Product Definition - Marketing - Sales Plan	Natural Resources & Process Business Unit  P&L  - SI/Prof Svcs - Applications - Services - Product Definition - Marketing - Sales Plan	Financial, Prof'l & Public Svcs Business Unit  P&L  - SI/Prof Svcs - Applications - Services - Product Definition - Marketing - Sales Plan	Communications & Consumer Business Unit  P&L  - SI/Prof Svcs - Applications - Services - Product Definition - Marketing - Sales Plan	Multivendor Services Business Unit  P&L
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WORLDWIDE SALES & MARKETING

WORLDWIDE SI/PROFESSIONAL SERVICES

WORLDWIDE ENGINEERING

WORLDWIDE MANUFACTURING & LOGISTICS

CORPORATE FUNCTIONS (FINANCE, PERSONNEL, LEGAL, CORP. MARKETING, etc.)

INFORMATION MANAGEMENT & TECHNOLOGY (IM&T)





# CUSTOMER BUSINESS UNITS

~ \$2B

DISCRETE MFG. & DEFENSE	
Industry Segments	Solutions
<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Aerospace</li> <li>• Electronics</li> <li>• Defense</li> </ul>	<ul style="list-style-type: none"> <li>Mfg. Planning</li> <li>Mfg. Execution</li> <li>Engineering Product</li> <li>Data Mgmt.</li> <li>Defense Logistics/ Intelligence</li> </ul>

~ \$1.7B

CONSUMER & PROCESS MANUFACTURING	
Industry Segments	Solutions
<ul style="list-style-type: none"> <li>• Travel/ Transportation</li> <li>• Consumer Packaged Goods</li> <li>• Retail/Wholesale</li> <li>• Chemical</li> <li>• Utilities</li> <li>• Environment</li> <li>• Forest, Mining, Metals &amp; Glass</li> <li>• Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>Quality Control</li> <li>Geographic Info. Sys.</li> <li>Customer Response Sys.</li> <li>Sales Info. Systems</li> <li>Store Systems</li> </ul>

~ \$1.6B

COMMUNICATION, EDUCATION & ENTERTAINMENT	
Industry Segments	Solutions
<ul style="list-style-type: none"> <li>• Telecom</li> <li>• Cable</li> <li>• Media</li> <li>• Entertainment</li> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>Corp. Telecom</li> <li>Messaging</li> <li>Wireline</li> <li>Wireless</li> </ul>

~ \$2.5B

FIN'L, PROF'L & PUBLIC SVCS	
Industry Segments	Solutions
<ul style="list-style-type: none"> <li>• Banking</li> <li>• Insurance (except Health)</li> <li>• Software &amp; Data Svcs.</li> <li>• Arch., Eng., &amp; Construction</li> <li>• Other Prof'l. Svcs.</li> <li>• Public Admin.</li> </ul>	<ul style="list-style-type: none"> <li>Retail Branch Systems</li> <li>Trading Systems</li> <li>Workflow Document Mgmt.</li> <li>Registry Applications</li> </ul>

~ \$0.75B

HEALTH	
Industry Segments	Solutions
<ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Health Insurance</li> <li>• Pharmaceuticals</li> <li>• Social Security</li> <li>• Gov't. Hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Hospital Info. Sys.</li> <li>New Drug Applications</li> </ul>

*Decided*

# Customer Business Units Recommendation

Discrete Manufacturing & Defense	
Industries	
<ul style="list-style-type: none"> <li>. Automotive</li> <li>. Aerospace</li> <li>. Electronics</li> <li>. Defense</li> </ul>	

Process and Health Industries	
Industries	
<ul style="list-style-type: none"> <li>. Pharmaceuticals</li> <li>. Healthcare</li> <li>. Chemicals</li> <li>. Utilities</li> <li>. Environment</li> <li>. Forest, Mining, Metals and Glass</li> <li>. Oil &amp; Gas</li> </ul>	

Communication & Consumer	
Industries	
<ul style="list-style-type: none"> <li>. Telecom</li> <li>. Cable</li> <li>. Media</li> <li>. Entertainment</li> <li>. Education</li> <li>. Retail / Wholesale</li> <li>. Travel / Transportation</li> <li>. Consumer Packaged Goods</li> </ul>	

Financial, Professional & Public Services	
Industries	
<ul style="list-style-type: none"> <li>. Banking</li> <li>. Insurance</li> <li>. Software &amp; Data Svcs.</li> <li>. Arch., Eng., &amp; Construction</li> <li>. Other Prof. Svcs.</li> <li>. Public Administration</li> </ul>	



chemicals pharm

process

us  
health  
Pharm





# Customer Business Units

## Current Decision

Discrete Manufacturing & Defense	
Industries	
<ul style="list-style-type: none"> <li>. Automotive</li> <li>. Aerospace</li> <li>. Electronics</li> <li>. Defense</li> </ul>	

Natural Resources and Process	
Industries	
<ul style="list-style-type: none"> <li>. Pharmaceuticals</li> <li>. Chemical</li> <li>. Utilities</li> <li>. Consumer Packaged Goods</li> <li>. Environment</li> <li>. Forest, Mining, Metals and Glass</li> <li>. Oil &amp; Gas</li> </ul>	

Communication & Consumer	
Industries	
<ul style="list-style-type: none"> <li>. Telecom</li> <li>. Retail / Wholesale</li> <li>. Cable</li> <li>. Media</li> <li>. Entertainment</li> <li>. Education</li> <li>. Travel / Transportation</li> </ul>	

Financial, Professional & Public Services	
Industries	
<ul style="list-style-type: none"> <li>. Banking</li> <li>. Healthcare</li> <li>. Insurance</li> <li>. Software &amp; Data Svcs.</li> <li>. Arch., Eng., &amp; Construction</li> <li>. Other Prof. Svcs.</li> <li>. Public Administration</li> </ul>	

# BUSINESS UNIT TASK FORCE

# RECOMMENDATIONS

d i g i t a l

Restricted  
Distribution

Work in Progress

BUSINESS UNIT TASK FORCE  
12/16/92



# Agenda

- **Task Force Assignment**
- **Task Force Members**
- **Decision Criteria**
- **Proposals and alternatives**
- **Fit with decision criteria**
- **Recommendation**



**Business Unit Task Force**  
**Assignment**

**To make recommendations on two proposals for  
changes to the Customer Business Unit structure**





# Task Force Participants

Clem O'Brien	GIA Strategic Planning Director
Deb Bergevine	Corporate Services
Francois Escher	European Org. Consulting
Patti Foye	IBU V.P.
Hans Gyllstrom	Software Engineering V.P.
Neal Houtz	U.S. Industry Sales V.P.
Lucia Quinn	Corporate Marketing
Dick Scarborough	Corporate Services

Henry Ancona	Chair
R.J.Mathew	Secretary
Joel Goldstein	OD Consultant

## Contributors:

Bo Dimert  
Willow Shire  
Nancy Strecker  
Abbott Weiss  
Eli Lipcon





## Proposals submitted

- **Align HealthCare and Pharmaceuticals**
- **Align Consumer Packaged Goods and Retail/Wholesale**

### Basis for proposals:


Organize around the Customer and the Value Chain



## HealthCare - Market Characteristics

- **Worldwide HealthCare Costs out of control**  
(US Target: Reduce HealthCare costs from 13% to 8% of GNP )
- **Cost Containment requires making the Value Chain more efficient**  
(e.g. Pharmaceutical Companies -- Hospitals)





# Should Health insurers be in Health or Insurance?

## **In Insurance:**

- Solutions commonality
- Account alignment with Public Administration
- Health insurers think of themselves as insurers first

## **In Health Care:**

- Value chain
- HMO's

## **Recommendation:**

**Align health insurers with Insurance**



Insurance Companies are financial intermediaries that pay for services received by beneficiaries. Insurance companies and government agencies are grouped in one SIC Code:

- Life and Health Insurance
- Property and Casualty Insurance
- Pension, Social Security and Tax Deferred Savings (Annuities)
- Salary and Disability Insurance

### Health and Disability Insurance Companies

270 U.S. insurers cover 72 million people. The top 20 received \$28 billion in group employee benefit premiums in 1990. The big members of Health Insurance Association of America (HIAA) that are Digital Insurance accounts include:

- Prudential Insurance Company
- Aetna Insurance
- Travelers Insurance Company
- Provident Life and Accident
- Principal Financial Group
- John Hancock Mutual Life Insurance
- Blue Cross Hospital and Blue Shield Medical Insurance

The linkage of health care supplier to insurance carrier is provided by VANs such as National Electronic Insurance Claims (NEIC), owned by these major health insurance companies.

Workmen's Compensation is a special type of health and salary insurance, sometimes underwritten by state government:

- Liberty Mutual Insurance
- GAK (Holland)
- Injured Workers Insurance Fund of Maryland
- Workmen's Compensation Board of New Brunswick

### Healthcare Providers

Healthcare providers supply hospitals and clinics, medical professionals and medical equipment to diagnose and treat patients. HMOs compete with traditional insurance companies by combining medical care and payment to providers of medical services. These are similar companies are part of the Healthcare Industry:

- U.S. Healthcare
- United Healthcare
- Healthsource
- Takecare



## Organizing to address the Health Market

- **Healthcare and Pharmaceuticals should be aligned in Natural Resources & Process CBU**
- **Digital should signal its Strategic Intent to focus on the Health market**




**“Health” should be in Customer Business Unit Name**



**Rename CBU to Process and Health Industries**





**Consumer Packaged Goods (CPG) & Retail/WholeSale**  
**- Market Characteristics**

- **Consumer Packaged Goods and Retail/Wholesale are part of Value Chain**
- **Future expenditures of these Companies are increasingly focused on common Sales and Distribution solutions and less in Manufacturing and R&D.**



**Organizing to address CPG and Retail/Wholesale**

**RECOMMENDATION**

**Move CPG to Communications & Consumer CBU**

**PRO: Synergy between Consumer and Media industries**

**CON: CPG is a process industry**

**REJECTED ALTERNATIVE**

**Move Consumer Industries to Process & Health  
Industries creating Process, Consumer and Health CBU**

**PRO: All process and consumer industries together**

**CON: Too many investment foci in one CBU**





## Alternatives

### Alternative 1:

- **Maintain the current Customer Business Unit structure**

### Alternative 2:

- **Move HealthCare into the Natural Resource and Process Business Unit, thus bringing Pharmaceutical and Health Care together**
- **Move Consumer Packaged Goods (CPG) into the Consumer and Communication Business Unit, thus bringing CPG and Retail/Wholesale together**

## Fit with Decision Criteria

- **Maximize Customer Orientation**

- Simplify Account Alignment
- Organization meaningful to our Customers
- Anticipate Industry investment Trends
- Leverage Value Chain linkages

- **Leverage Solutions Orientation**

- Cluster Industries around Common, Repeatable Solutions

- **Focus, Focus, Focus**

- Firmly establish and effectively communicate Flagship Investment markets

- **Business Units managed as a portfolio**

- critical mass and stability

Alternative 1	Alternative 2
yes	yes
less	more
less	more
less	more
yes	yes
less	more
yes	yes



# Conclusions

- **Changes justified based on**
  - Customer Feedback
  - Increased Focus on emerging industry investment trends
  - Communicating Strategic Intent through focus and naming
- **Risks need to be managed**
  - Rapid internal communication of these changes needed
  - little current SI focus on Health or Consumer



# Customer Business Units Recommendation

Discrete Manufacturing & Defense	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Automotive</li> <li>. Aerospace</li> <li>. Electronics</li> <li>. Defense</li> </ul>	Manufacturing Planning Manufacturing Execution Engineering Product Data Management Defense Logistics/Intelligence

Process and Health Industries	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Pharmaceuticals</li> <li>. Healthcare</li> <li>. Chemicals</li> <li>. Utilities</li> <li>. Environment</li> <li>. Forest, Mining, Metals and Glass</li> <li>. Oil &amp; Gas</li> </ul>	Quality Control  Hospital Information Sys.  Geographic Info. Sys.

Communication & Consumer	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Telecom</li> <li>. Cable</li> <li>. Media</li> <li>. Entertainment</li> <li>. Education</li> <li>. Retail / Wholesale</li> <li>. Travel / Transportation</li> <li>. Consumer Packaged Goods</li> </ul>	Corporate Telecomm. Messaging Wireline Wireless  Sales Info. Systems Store Systems Customer Response Sys.

Financial, Professional & Public Services	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Banking</li> <li>. Insurance</li> <li>. Software &amp; Data Svcs.</li> <li>. Arch., Eng., &amp; Construction</li> <li>. Other Prof. Svcs.</li> <li>. Public Administration</li> </ul>	Retail Branch Systems  Trading Systems  Workflow Document Mgmt. Registry Applications



# Customer Business Units

## Current Decision

Discrete Manufacturing & Defense	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Automotive</li> <li>. Aerospace</li> <li>. Electronics</li> <li>. Defense</li> </ul>	Manufacturing Planning Manufacturing Execution Engineering Product Data Management Defense Logistics/Intelligence

Natural Resources and Process	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Pharmaceuticals</li> <li>. Chemical</li> <li>. Utilities</li> <li>. Consumer Packaged Goods</li> <li>. Environment</li> <li>. Forest, Mining, Metals and Glass</li> <li>. Oil &amp; Gas</li> </ul>	Quality Control  Geographic Info. Sys.  Customer Response Sys.

Communication & Consumer	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Telecom</li> <li>. Retail / Wholesale</li> <li>. Cable</li> <li>. Media</li> <li>. Entertainment</li> <li>. Education</li> <li>. Travel / Transportation</li> </ul>	Corporate Telecomm. Messaging Wireline Wireless  Sales Info. Systems Store Systems

Financial, Professional & Public Services	
Industries	Solutions
<ul style="list-style-type: none"> <li>. Banking</li> <li>. Healthcare</li> <li>. Insurance</li> <li>. Software &amp; Data Svcs.</li> <li>. Arch., Eng., &amp; Construction</li> <li>. Other Prof. Svcs.</li> <li>. Public Administration</li> </ul>	Retail Branch Systems  Trading Systems  Hospital Information Sys.  Workflow Document Mgmt. Registry Applications



# Summary Recommendations/Proposed Decisions

- **Move HealthCare to the Natural Resources and Process Business Unit and rename Process and Health Industries Business Unit.**
- **Move Consumer Packaged Goods to the Communication & Consumer Business Unit**



# **CORPORATE FUNCTIONS**

## **TASK FORCE REPORT**

Willow B. Shire 12-16-92



# Task:

## Recommend -

- **Work, roles, and organization of Corporate functions needed to support Business Units and Territories.**
- **Business Processes needed to support Business Units and Territories.**
- **Scope potential savings.**

# Resisted Temptations

- Redesign the Company
- Duplicate work of Roles/Responsibilities  
Task Force
- Focus internally
- Select people to do proposed jobs

# Functions and Business Processes Task Force

- Antonio Correia Almeida Country Mgr., Portugal
- Bob Burke SI for Discrete Mfg, USA
- Bob Jolls Product Marketing
- Marvell Mitchell Accounts, U.S.
- John Rando *Digital Product Svcs*  
Customer Svcs, ~~U.S.~~
- Mark Selby CPG, Europe
- Tom Sheehan Accounts, U.S.
- Nancy Strecker Pharmaceutical IBU
- Fred Traversi AI, *Consulting Svcs, US.*
- Cor Van Maanen Svcs, Netherlands
- Abbott Weiss Retail IBU
- Willow Shire Healthcare IBU/Chair
- Carolyn Carder OD Consultant



# Conclusions at the Beginning

- **Current functional structure is preventing rapid progress toward our goals of:**
  - customer focus and
  - increased profitability.
- **We need to apply learning from work on the Supply Chain ...massive opportunities become available when we take a process view of work.**
- **Digital's future success requires fundamental, systemic re-design of how we do the work of Corporate 'functions'.**
- **Incremental improvement is not enough... you can't get there from here.**



# Bottom Line

- **Focus on Business Units and Processes**
- **Do not organize by Function**
- Do not re-engineer/benchmark by Function

# Worldwide Functions (14)

- Finance
- Purchasing
- Legal
- DIM+T
- Property
- Personnel
- Government Relations
- Security
- Quality
- Environmental Health & Safety
- Licensing
- Education & Training
- Waste Management
- International Trade

# Design Principles for Re-engineering

- All work must add value, directly or indirectly, to the paying customer.
- Business Units will have clear mission and responsibilities tied to customers...and functions must support them.
- Responsibility for business performance is assigned to Business Units.
- New Processes must be embraced and implemented by Territories.
- Process re-engineering must result in clear productivity gains.
- Continuous improvement is required to sustain redesigned processes.

**Process View of  
the work of  
Digital Equipment Corporation**

- **Customer Business Processes**
- **Business Operations Processes**
- **Office of the President**



# Customer Business Processes

- **Purpose of work:**
  - meet customers' solution requirements
  - enable productive revenue growth
  - assure customer satisfaction
- **Three Processes:**
  - **Customer Engagement Process**  
(lead generation → signed order)  
managed by Corporate Sales/Marketing Manager
  - **Solutions Creation Process**  
(customer need → solution availability)  
managed by Business Unit Managers
  - **Supply Chain Process**  
(signed order → customer payment + ongoing service)  
managed by Mfg + Logistics Manager

# Business Operations Processes

- **Purpose of work:**

- support Business Units
- provide for continual organizational evolution
- optimize use of organizational resources
- enable productive, data driven operations
- assure employee satisfaction and development

*Renewal*

- **Four Processes**

- **Decision and Information Process Planning:**  
owns how 'contracting' occurs within corporation, planning, information management, decision support, ...
- **Acquisition Process:**  
people, capital, materials, technology, alliances, ...
- **Communications Process:**  
employees, stockholders, analysts, governments, ...
- **Learning Process:**  
development, education, performance appraisal, ...

# **Office of the President:** **Core Administrative Services**

**Purpose of work:**

- **Required by President/CEO or Board of Directors**
- **Defines Mission and Values of Enterprise**
- **Develops Strategy and Architecture for Enterprise-wide Policies & Standards**
- **Includes:**
  - **Legal, Financial, Treasury, International Trade**



# Process Managers' Roles

- **Each Process Manager:**
  - May also manage a Business Unit or Line Function
  - Leads team in defining the process
  - Leads team in re-engineering the process
  - Owns the continuous implementation of a process
  - Identifies cost savings
  - Insures broad employee involvement
  - ✓ – Reports to CEO/President
- **Territory Process Managers:**
  - Manage the four Business Operations Processes
  - Deploy resources
  - Report to Corporate Process Managers



# Results

- **Administrative systems are customer-friendly**
- **Salespeople have more time with customers**
- **Engineers know what to build**
- **Accountability is clear**
- **Rapid decision-making**
- **Information to support decisions is quickly, broadly available**

# Next Steps

- **By January Woods Meeting:**

- Complete the list of current functions. *-- Willow Shire*
- Understand total resources and spending. *-- Willow Shire*
- Scope broad areas of accountability of current functions (one page per function). *-- Willow Shire*
- Begin the benchmarking of the seven processes. Size opportunities (assets and spending). *-- Adriana Stadecker*  
*-- Jim McCluney*  
*-- Fred Traversi*
- Propose an education on Methodology of Process Reengineering to be added to a Supply Chain presentation at the January Woods meeting. *-- Adriana Stadecker*  
*-- Jim McCluney*  
*-- Fred Traversi*

## Next Steps

- **At January Woods Meeting:**
  - Review the above work with the Senior Management group and make decision regarding level of commitment and next steps.
- **If Support Exists, after January Woods Meeting:**
  - Name process managers.
  - Create a cross-process team to ensure integration and “process reengineering” expertise is appropriately leveraged.
- **If concept is not supported at January Woods Meeting:**
  - Decide how functions will be streamlined to achieve Business Units’ profitability goals.

# Summary

**All Corporate functional people/work will contribute to:**

- 1. Customer Business Processes  
and/or**
- 2. Business Operations Processes  
and/or**
- 3. Office of the President: Core Administrative Services**



# Show Stoppers

- Implementation of Business Processes depends on a shift from Functions and Geographies to Business Units and Business Processes.
- Multiple reporting relationships blur focus and priorities. Primary responsibility must be clear.
- Transition from Functions to Business Processes must be well-planned. Avoid 1983 transition problems.

# Cost Savings: Examples

- Supply Chain
- DPS
- Education and Training
- ✓ • Relocation
- Communications



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# **P&L Task Force**

**Vin Mullarkey**

**Company Confidential**



## **P&L Task Force Presentation Outline**

- 19 active P&L Task Force Projects
- Revenue Classification Boundaries
- Account Mapping into CBUs
- FY93 Reporting Restatements
- FY94 Reporting
- FY94 Operational Budget/Contracting Process

# P&L Task Force Mission

- Define the Business Unit P&L/Asset structure
- Define what management information is required to support the Business Units
- Develop a supporting ("business context") P&L structure focusing on horizontal views of the Company (e.g products)
- Develop a budget restatement and recommitment process
- Evaluate our systems capability and develop a plan to support these requirements

## P & L Task Force Participants

Hayden Anderson	Management Reporting
Fran Barton	Europe Sales/Service
Rich Butler	Services
Jim Flanagan	Business Units
Lois Haskins	Industry Marketing
Mark Hollyer	Manufacturing/Logistics
Bob Jackson	US Sales/Service
Len Levy	IM&T
Donna McCarthy	Corp. Controller's Office
Vin Mullarkey	Team Leader
Mhairi Paget	Corp. Controller's Office
Carol Reid	Business Units
Rick Ryan	Channels
Dave Spratt	GIA Sales/Service
Bruce Steele	Corp. Controller's Office
Gerry Uva	Corp. Controller's Office

# Programs, Leaders & Interdependencies

	BU Boundaries (Flanagan)	BU Acct. Map (Haskins/ Rosenberg)	Old to New Transition (Uva)	P&L Measurement (Uva)	Asset Measurement (O'Leary)	Currency Respons. (Nanavat/ Uva)	COD/ Selling (TBD)	MCV (LeBlanc)	Operat. Metrics (Mullarkey)	Warranty Xfer (Butler/ Hollyer)
FY '94 Oper. Plan/ Contract Process (TBD)	★	★		★	★	★	★	★	★	★
S/T P&L Report (Steele/Zellner)	★	★	★	★	★	★	★	★	★	★
FY'94 P&L Report (Steele/Anderson)	★	★		★	★	★	★	★	★	★
Forecast Process (Butler)	★			★	★	★	★	★	★	★
Support Reports (Steele)	★	★		★	★	★	★	★	★	★
Mgt. Rptg. Phase 3 (Jaillet)	★	★		★	★	★	★	★	★	★
Pricing Process (TBD/Uva)	★					★				
Demand Planning/ Solutions Fcst (TBD/McCluney)	★				★					
Investment Process (Mapps)			★		★				★	



# P&L Task Force

## Overview of Programs

1. **FY94 Operating Plan/Contract Process (TBD)**  
Define FY94/95 Operational planning process. Define contracting/budgeting process between Business Units and functions, including Areas/Territories.
2. **P&L Reporting**  
Short-term: (Bruce Steele/Faith Zellner)  
Provide simulated revenue and transfer cost planning information for budgeting and contracting process.
3. **FY94 Reporting New Structure:** (Bruce Steele/Hayden Anderson) Provide high quality financial reporting (P&L, assets, operational metrics) for Digital's new management structure.
4. **Forecast Process (Rich Butler)**  
Define forecasting process to ensure company's business forecast is the sum of the Business Units' forecasts.
5. **Supporting Reports (Bruce Steele)**  
Provide supporting - backup reporting capability on key items by Business Unit (e.g. backlog, SI projects, Account Managers, etc.)
6. **Pricing Process (TBD)**  
Define process for pricing products common to all Business Units.
7. **Demand Planning (Jim McCluney)**  
Develop the process for forecasting Demand requirements through the Business Units.

8. **Investments Process** (Charles Mapps)  
Develop a process for reviewing and approving investment proposals that are common to multiple Business Units.
9. **Business Unit Boundaries** (Jim Flanagan)  
Develop the boundaries and guidelines for establishing review assignments to the IBUs and CBUs.
10. **Business Unit Account Mapping** (Lois Haskins/Larry Rosenberg)  
Develop a process to map all accounts to IBUs/ CBUs and a system to support reporting requirements on maintenance needs.
11. **Old to New Transition** (Gerry Uva)  
Develop an internal control process that provides for an orderly transition from the FY93 Budget Commitment structure to the new structure.
12. **P&L Measurement** (Gerry Uva)  
Establish the new P&L structure for measurement and reporting purposes.
13. **Asset Measurement** (Marian O'Leary)  
Develop an effective method for measuring the Business Units on their controllable assets (Asset charge to the P&L vs. ROA).
14. **Currency Measurement** (Amit Nanavati, Gerry Uva)  
Establish where the Actual \$ vs. Constant \$ P&L accountability will be.
15. **Selling Expense Assignment** (TBD)  
Develop proposal for implementing P/L-10 for Selling Expense (charge Business Units a competitive standard by channel, by country).

**16. Cost of Service Delivery (Rich Butler)**

Develop a proposal on the use of P/L-10 versus actual cost versus planned SI project level cost.

**17. MCV (Claire LeBlanc)**

Develop one comprehensive competitive manufacturing standard for each product. Competitive gap to P/L-10.

**18. Operational Metrics (TBD)**

Establish critical non-financial metrics to measure operational performance of the functions.

**19. Warranty Transfer (Rich Butler)**

Propose a process for handling warranty revenue and cost. (Expense to Business Units versus Revenue to MVS BU versus expense to Engineering or Manufacturing.)



# Revenue Classification Boundaries

## PC Business Unit

- All Intel-based PC Systems
  - > *Issues:*
    - \* Does it include all PC-related software?
    - \* Does it include PC-related services?
    - \* Does it include add-ins and/or add-ons?

## Multivendor Service Business Unit

- All Hardware Product Services (HPS), Software Product Services (SPS) and Desktop Services (DTS), including Remedial Service Revenue directly part of SI project. Also includes service associated with component sales.
  - > *Issue:*
    - \* Does it include Warranty Revenue? (under study)

## Storage Business Unit

- Off-base OEM sales of Storage products, including Storage Management Software. Excludes Storage ISS, add-in and add-on Storage sales.

## Component Business Unit

- Contract Manufacturing, Engineering, and external Semiconductor Sales. Includes TOEM embedded Sales below the box level. Includes private labeling of VIPs and other products. Excludes ISS, add-in and add-on component sales.
  - > *Issues:*
    - \* Does it include software component sales?

## Four Customer Business Units

- Revenue is determined by the direct mapping of all accounts (worldwide) to CBU's. Includes all Hardware, Software, Professional Services, Systems Integration and Royalty Revenue.



# **P&L Task Force**

## **Account & Revenue Mapping into CBUs**

- **Woods II Decisions:**

- > There are four CBUs.

- > All accounts will be aligned by Business Unit.

- \* CBUs are made up of IBUs.

- \* Each Account (Worldwide) is in only one IBU.

- > There will be a small number [ $<50$ ] of approved exceptions for conglomerates, governments, etc.

- **Task:**

- > We need a corporate IBU list (and charters) and consistent geography IBU alignment.

- > We need a clear mapping of accounts to IBU or CBU.

- \* Today, there are many accounts that map to multiple IBUs.

- > We need to expand our global account capability to include all international accounts.

# P&L Task Force

## Account & Revenue Mapping into CBUs

### • Recommended Mapping Process:

- > Establish a Task Force, with representatives from the geographies and CBUs. Required by December 23.
- > Lois Haskins and Larry Rosenberg are agreeable to lead the effort.
- > Establish a consistent Corporate IBU structure.
- > Establish guiding principles for aligning accounts to IBUs.
- > Each geography proposes a list of all accounts mapped to IBUs.
- > Geography Lists are merged and reconciled by Task Force:
  - \* For global accounts, IBUs are proposed by host country.
  - \* For other accounts in more than one geography, Task Group proposes IBUs.
  - \* For one-geography accounts, geography proposals will be used.
- > Exceptions to "one account to one IBU" rule may be proposed by geography or IBUs/CBUs.
- > Task Force approves/disapproves exceptions. Disagreements may be elevated to a Corporate Forum.
- > Must be substantially completed by February to facilitate reporting in Q1. Final approval at March Woods.
- > Corporate reference establishes on-going, Corporate-wide maintenance process.
- > Build worldwide reference set for reporting system.
- > Implement worldwide FY94 CBU/IBU reporting.

# P&L Task Force

## Account & Revenue Mapping into CBUs

- **Resources required:**

- > Focused project leaders for each of the geographies with knowledge and expertise of customer accounts and industries.
- > Representatives from CBUs/IBUs who are informed and can speak for the CBU Team.
- > Focused IM&T Support Team required for Q3 and Q4.



## P&L Task Force FY93 Reporting Restatements

- **Purpose and Scope:**

- > To provide simulated revenue and transfer cost planning information to allow the new business managers to begin their budgeting and contracting process.
  - \* Q1, FY93 -- completed in December
  - \* Q2, FY93 -- completed in January
  - \* FY92 -- completed in January
  - \* Q3/Q4 FY93 -- with new reporting structure (week 3)

- **Program Manager:** Faith Zellner

- **Process:**

- > For January we will use:
  - \* Today's Woods' decisions for Business Unit boundaries:
    - # PC
    - # MVS
    - # Storage
    - # Components
  - \* We will use the current IBUs mapped to the new CBUs.
  - \* As new mapping becomes available, we will phase in and re-run periods previously run. Numbers will change.

- **Resources:**

- > The December run requires focused effort by the existing resources (mainly Corporate plus some help from geographies; possibly some additional equipment.)



# P&L Task Force

## FY94 Reporting

- **Purpose and Scope:**

- > To provide high quality financial reporting (P&L and Assets) for Digital's new management structure.
  - \* Revenue and Certs available monthly beginning end of week 2 August for July.
  - \* Full reporting available beginning end of week 2, October for Q1.
  - \* Primary focus on eight Business Units and their first level sub-segments.

- **Program Manager:** Hayden Anderson

- **Process:**

- > Finance has a team planning FY94 reporting process.
- > Plan is to be developed by Jan. 31.
- > Detailed geography implementation plan needs to be developed. Required by February 28.
- > Issue:
  - \* Should there be full monthly reporting, or full quarterly reporting with monthly revenue, certs, direct expense?

- **Dependencies:**

- > Account mapping work completed.
- > Expense assignment work completed and approved at January Woods.
  - \* SG&A Expenses
  - \* R&D Expenses
- > Finance solution for Professional Services costs by project/account/IBU/CBU. (PAARS System common worldwide)

- **Resources:**

- > Five full-time people at Corporate.
- > Three project managers representing each geography.
- > Approximately 10 - 15 part-time people for implementation teams within the geographies (to be determined by the February 28 plan).
- > Three part-time people to implement process within Manufacturing, Marketing and Engineering.
- > Three people who can focus on professional services costs by CBU.

# FY94 Operational Budget & Contracting Process

## Overview

- These major activities taking place in parallel:
  - delivery of the FY93 plan
  - begin development of Corporate strategic plan
  - develop FY94/95 operating plan
  
- The FY94/95 Operational Plan will:
  - deliver Business Unit business plans achieving profitable growth in FY94/95
  - deliver supporting functional plans achieving benchmark by Q4, FY94
  - be integrated into a Corporate operating plan
  - be completed for final review at the June 17th Board meeting

# FY94 Operational Budget & Contracting Process

## Principles

- Charter and roles of new organizations should be as clear as possible before the cycle begins
- Managers of new organizations should be in place and key resources aligned before cycle begins
- As a context for budgeting, Business Units will develop first-pass business models before 8-quarter budgets are begun
- As a context for budgeting, based on competitive Benchmark operating goals, functions will update their functional models/plans before 8-quarter budgets are begun
- Contracting for sales and services will be at 8 (Business Units) by 3 (Area) level for FY94 with capability to report 8 by 15 (Territory)
- Product Line 10 will be used for identified functional uncompetitiveness and not charged to the Business Units (possible exceptions)
- Full integration of account plans is required by the last day of FY93



# FY94 Operational Budget & Contracting Process

## Process Steps

- High-level Corporate financial goals will be established
- Business Units and Functions will exchange business models and competitive functional plans
- These plans will be reviewed by Senior Management to identify and evaluate:
  - quality and depth of planning assumptions
  - overlaps/omissions
  - key dependencies/resource requirements
  - competitiveness of functional plans
  - gaps to Corporate financial goals
- After any revisions required to meet Corporate goals, Senior Management will approve Business Unit plans as directionally correct
- Business Units will contract with functions for required level of support
- Operational budgets, reflecting these contracts, will be reviewed by Senior Management and 'reworked', as necessary, to meet Corporate goals

# **FY94 Operational Budget & Contracting Process**

## **Roles/Responsibilities**

### **Corporate Budget Manager:**

- provide process leadership
- help ensure linkage to Corporate Strategic Plan
- propose high-level goals to Senior Management
- develop template for Operational Plan
- develop and provide Budget Process Manual
- provide business and planning advice to Business Units and Functions
- help Business Units and Functions to develop Best-in-Class models and Benchmark goals
- identify disconnects between Business Units
- facilitate closure of contracting differences
- review Business Units' and Functional plans to identify overlaps/risks/opportunities to support Senior Management 'portfolio management'
- deliver the plan on schedule to the June BOD

# **FY94 Operational Budget & Contracting Process**

## **Roles/Responsibilities (continued)**

### **Business Units:**

- develop profitable business models and business plans which support corporate goals for revenue growth, profitability and asset utilization
- work with Areas to develop plans which are implementable by the accounts
- contract with functions for levels of support required to meet business plans

### **Functions:**

- develop Benchmark operating goals to achieve competitiveness by end-FY94
- develop operating plans which support the Business Unit goals
- contract with Business Units to provide required level of support at negotiated rate



# **FY94 Operational Budget & Contracting Process**

## **Business Unit Plan Outline**

1. Statement of Charter and Strategic Objectives
2. Environmental Appraisal: customer, competition, technology
3. Market Strategy/Competitive Advantage
4. Business Model Scenarios
5. Business Goals
6. Solution Set: products and services
7. Market Plan by Area (Territory) by Channel
8. Quantitative Goals: eg. market share, customer satisfaction
9. Resource Requirements (owned and contracted)
10. Investments Required
11. Interconnections/Interdependencies
12. Risk/Opportunity Assessment



# **FY94 Operational Budget & Contracting Process**

## **Functional Plan Outline**

1. Statement of Strategic Objectives
2. Environmental Appraisal
3. Competitive Advantage
4. Benchmark Metrics
5. Business Goals
6. Quantitative Goals/Scenarios
7. Market Plan by Business Unit (Areas/Territories only)
8. Resource Requirements
9. Investments Required
10. Interconnections/Interdependencies
11. Risk/Opportunity Assessment

# **FY94 Operational Budget & Contracting Process**

## **Oversight Committee Role**

### **Charter/Purpose:**

- Ensure FY94/95 Operational Budget process produces an implementable plan which meets the Corporation's commitments to the Board
- Charter sub-groups to develop:
  - detailed processes and supporting rules
  - solutions to point issues

### **Responsibilities:**

- Provide cross-Business Unit/Functional leadership to design and drive the Operating Budget process
- Ensure needs of all key constituencies are met
- Provide leadership to ensure contracting process works
- Provide linkage into senior management

### **Membership:**

- Include senior representatives from all key constituencies: Business Units, Functions, Corporate Planning

# FY94 Operational Budget & Contracting Process

## Timetable

December/January	Business Unit managers names and organizations aligned
January	Corporate goals for earnings, market share, cash developed/communicated
January/February	Business Units develop first-pass Business Models; Functions update competitive models; account planning begins
Mid-February	Business-unit strategy and functional competitiveness check-in with senior management (sections 1-5 of plans)
February-April	Contracting process between Business Units and functions takes place
April 28-30	Business Units and functional operational budgets reviewed and approved at Management Woods
May	Detailed 8-quarter operating budgets and final account plans developed
June 17	BOD review and approval

# FY94 Operational Budget & Contracting Process

## Next Steps

- Appoint Corporate Budget Manager
- Bring cross-Business Unit/cross-functional Budget Oversight Committee together to provide guidance on and operational support for:
  - process
  - contents of business plan and functional plan
  - overall time-table
  - major issues requiring decisions
  - bi-weekly, 1-2 hours
- Form working-group(s) to design specific formats for various submissions and determine more detailed calendar









# Implementation Task Force

## PARTICIPANTS

**Frank Bowden**

Sales VP, Central Acct Terr

**Ron Chan**

Asia HR Manager

**Ralph Christensen**

Engineering Personnel Mgr.

**Dick Finn**

LACR Regional VP

**Patti Foye**

VP Utilities Business Unit

**Ian Hodgson**

Euro Industry Dir, Oil & Gas

**Mark Hollyer**

Bus & Fin Anal Mgr, WW M&L

**Nancy James**

Mgr of U.S. Sales Long Range Planning

**Ron Larkin**

Managing Dir, So Pacific Region

**Max Mayer**

U.S. Prof Services

**Laurence Megson**

Mgr Euro Org Consulting

**Herman Oggel**

SI, Europe

**Pete Rego**

Mgr prod Design & Mfg Logistics

**Edmund Reilly**

Japan Regional President

**Adriana Stadecker**

Exec Operations Counsel

**Paul Van Der Spiegel**

Director, Benelux

## IMPLEMENTATION TASK FORCE December 1992

STARTING POINT - Different pictures in our heads  
Many Assumptions of how it would work

BUSINESS UNITS ESTABLISHED - Not on top of current structure  
Major Structure Change  
Manage the FY94 P&L through the Business Unit

CHARTER RESET - Customers and Business Units are givens  
Structure needed for maximum responsiveness  
Minimum Infrastructure

OUR FOCUS was primarily on the Customer Business Units (CBU)  
(with full understanding that the PC, Components, Storage, and  
MVS will have their own Business Model)

WE AGREED that the purpose of the CBUs is to rapidly increase  
our share of the solutions business for their assigned accounts  
and to rapidly increase market share in currently non covered  
accounts in their specific markets.

WE STARTED with Customer Buying Models and worked back into  
the Corporation using a Value Based Approach.

WE FOCUSED on the entire market for each Customer Business and  
separated the Value Chains which a CBU would drive from Volume/  
Commodity chains which other Business Units would drive.

THIS APPROACH has significant impact on understanding the value  
THAT THE FOLLOWING ENTITIES PROVIDE TO CUSTOMERS:

Account Management  
Service Centers  
Territories  
Business Units



## DESIGN PRINCIPLES

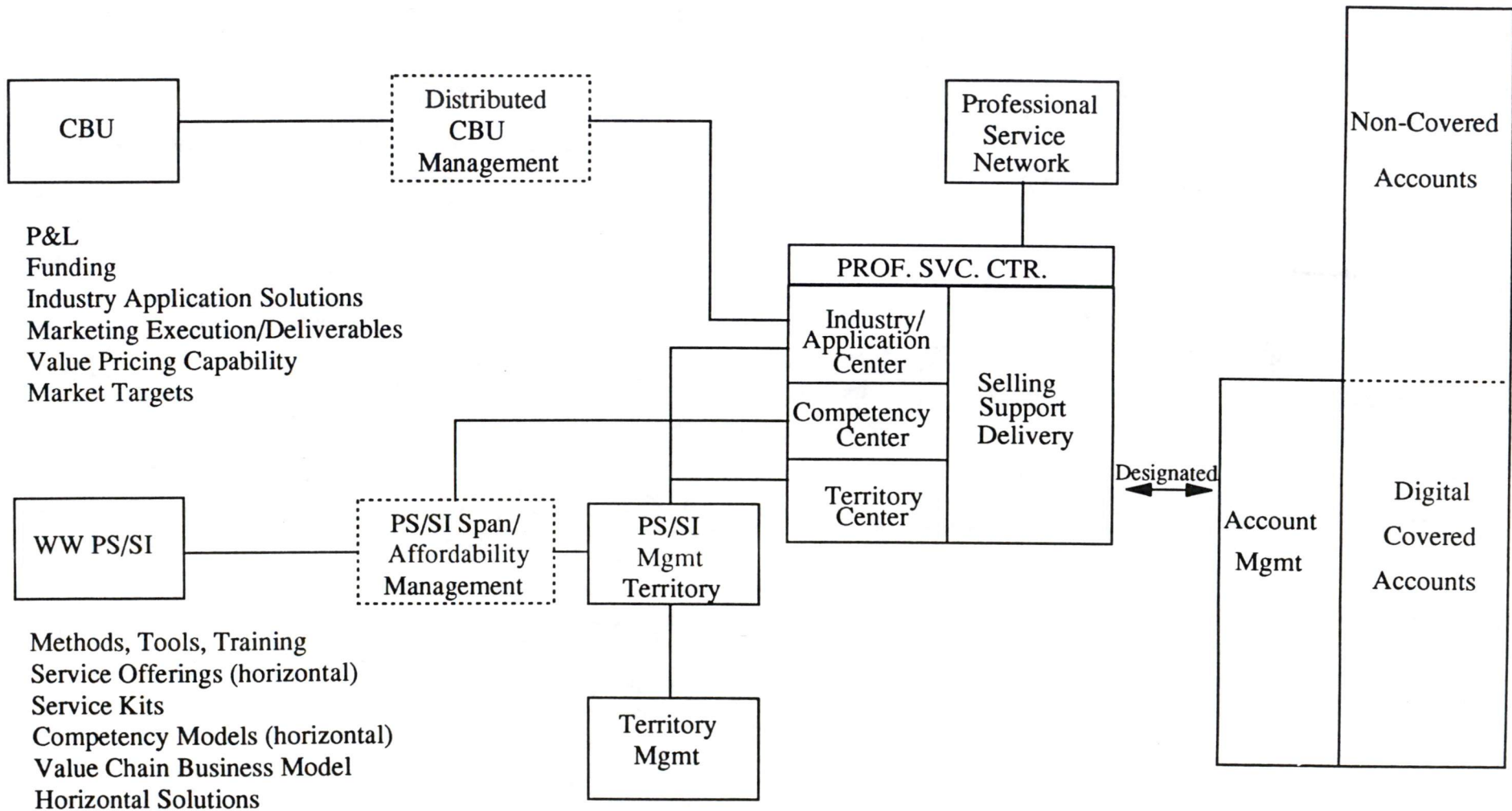
- Accounts will line up to CBUs.
- The Business Unit is the primary P&L of the Company.  
The sum of the Business Units is 100% of the Company P&L.
- Territory or PS/SI is a secondary P&L used as a management tool.
- All activities in the Company will be funded by the Business Unit and all of these activities will need to add value as seen by the Customer (and therefore the Business Unit).
- There are a number of activities which must be managed across Business Units - Supply Chain, Engineering, PS/SI. Therefore, there will be a contracting and negotiation for these services across CBUs.
- A process will exist for business units to agree to our "horizontal" products and services offering.
- A process will be in place for the Business Units to negotiate with all other entities of the Corporation for the "competitive costs" for designing, selling, distributing, manufacturing products and services, etc.
- The Senior Management Team of the Company will manage disconnects during the year.
- Once named, the CBU Manager will make decisions on which Industries we will invest in and which ones we will sell to, but not invest.

**FIVE SELLING SEGMENTS**

ENTERPRISE SIZE	Commodities		High Technology			Integrated Solutions		
	Unbundled	Bundled	Components	Solution Systems	Complex Systems	Systems Solutions	Information Systems	Business Consulting
LARGE (>\$100M)								
SME (<\$100M) and SINGLE UNIT								
CONSUMER								



# PROFESSIONAL SERVICES/SI VALUE CHAIN

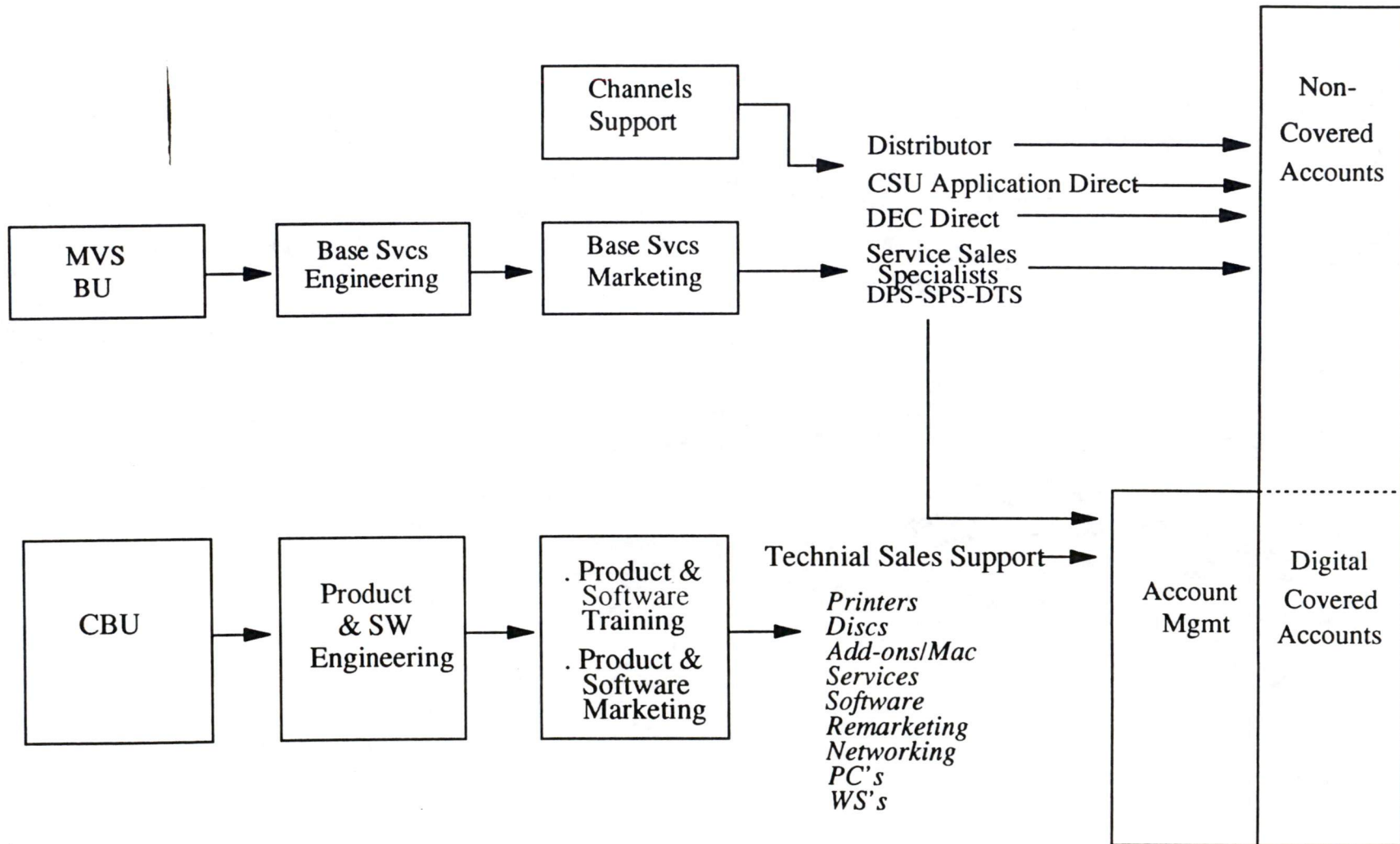


## PROFESSIONAL SERVICES VALUE CHAIN

- We will have a network of Certified Professional Service Centers which provide selling support and delivery of Professional Services for our Account Managers.
- Professional Service Centers can be focused on horizontal services, Industry/Application solutions, or specific competencies.
- Horizontal Centers will be located as close to the Customer as affordable, and will manage the Horizontal "Resource Pools" which will be utilized by the Industry/Application or Competency Centers.
- Core Industry/Application or competency skills will be in the respective centers until we can transform these into horizontal, distributed capabilities.
- Each Account group will have a designated, named Professional Service Center as a primary interface for their Professional Services requirements.
- There will be a Professional Services Manager in each Territory.
- Professional Service Centers which are Horizontal-focused will report to the Professional Services Manager in the Territory.
- Professional Service Centers which are Industry/Application-focused will report to the Professional Services Manager and CBU.
- Competency-focused Professional Service Centers will report to the appropriate Professional Services Manager.
- Professional Service Centers might have all three (horizontal, industry/application and competency-focused) services available to achieve economics of scale.
- Professional Service Centers will receive methods, tools, training, service offerings, service kits, competency models, Horizontal solutions from Worldwide PS/SI.
- Professional Service Centers will receive Industry/Application solutions, marketing, and value pricing from CBUs.



# TECHNICAL SALE VALUE CHAIN



# CBU KEY WORK ACTIVITIES

PLANNING	X Strategic	X Business Planning	Account
MARKETING	<b>Strategic</b> X Vertical X Horizontal Geographic	<b>Operational</b> X Vertical X Horizontal Local	
(Need Business Processes to execute cross-CBU issues e.g. Product pricing, cross-Industry applications, New engineering investments)			
DESIGN <small>(R&amp;D, Engineering Product Mgmt)</small>	<b>R&amp;D</b> X Applications HW/Middleware Services X Solutions	<b>Life Cycle</b> X Applications HW/Middleware Services Solutions	
ACQUIRE	<b>Strategic/Investments</b> X Applications Hardware X Solutions Services	<b>Implementation</b> Applications Hardware Solutions Services	
MANUFACTURING	Contracted (at competitive/benchmarked costs, quality & time)		
DELIVERY	Contracted (at competitive/benchmarked costs, quality & time)		
SELLING	Contracted to Territories (at competitive/benchmarked costs, quality & time)		
SERVICE	<b>Development</b> MVS - BU X Solutions PS/SI - Contracted	<b>Implementation</b> Territory Centers	

## **KEY ROLE STATEMENTS**

- **THE JOB OF THE TERRITORY IS TO DEVELOP A COMPREHENSIVE PLAN BY CBU AND TO MANAGE THE LOCAL VALUE ADDED WORK IN SUPPORT OF ACHIEVEMENT OF THAT PLAN.**
- **THE JOB OF THE "AREA" IS TO PROVIDE SPAN MANAGEMENT OF TERRITORY RESOURCES, TO MANAGE RESOURCES WHICH ARE AFFORDABLE ONLY ON A CROSS-TERRITORY BASIS BUT WHICH NEED TO BE DISTRIBUTED CLOSE TO A CUSTOMER, AND TO DRIVE SYNERGY OF CBU PLANS ACROSS TERRITORIES.**
- **THE JOB OF HQ IS TO DEVELOP A DIRECTION AND PLAN FOR THE TERRITORIES AND TO MANAGE THE VALUE ADDED RESOURCES AT HEADQUARTERS.**
- **HQ STRUCTURES DO NOT NEED TO BE REPLICATED IN EACH AREA OR TERRITORY. HQ STRUCTURES SHOULD ONLY BE ESTABLISHED IN ORDER TO PROVIDE SPAN OF CONTROL OR REACH MANAGMENT BASED ON THE AFFORDABILITY OF A BUSINESS PLAN.**

## KEY TASKS TO BE COMPLETED by January Woods Meeting

1. CEMENT THE COMPANY INTO BUSINESS UNITS

*Industries to CBU*  
*Accounts to CBU*

2. NAME A PERSON FOR THE TECHNICAL VALUE CHAIN

3. BUILD COMPANY FINANCIAL MODELS FOR EACH VALUE CHAIN

4. DEVELOP A PROCESS AND PUBLISH A CALENDAR OF EVENTS  
FOR THE FOLLOWING ACTIVITIES:

*Industry, Vertical Solutions and  
Channel Decisions from CBUs*

*Horizontal Solutions from PS/SI and CBUs*

*Technical Sale Solutions from Engineering and CBUs*

5. COMPLETE METRICS AND MEASUREMENTS WORK

6. DECIDE ON MANAGEMENT PROCESSES, RE-ENGINEERING AT  
JANUARY WOODS. UNDERSTAND IMPACT ON IMPLEMENTATION  
PROCESS.



# Aggregate Competitive Business Models Preliminary

	Standard 15%	Non-Standard 30%	Buyout 10%	Multi Vendor Svcs 25%	SI 20%	TOTAL 100%
Revenue	100%	100%	100%	100%	100%	100%
Cost of Sales	64%	37%	69%	64%	63%	56%
Sales, General & Administrative	19%	41%	21%	11%	17%	23%
Research & Development	9%	14%	3%	6%	6%	5%
Operating Income	8%	8%	7%	19%	14%	12%

# OPERATIONAL P&L

**TECHNICAL  
PRODUCT  
SALES**

**PROFESSIONAL  
SERVICES**

**SI  
SOLUTIONS**

REVENUE

ACCOUNT MGMT

COST OF DELIVERY

LOCAL SUPPORT COSTS

SPAN MGMT COSTS

HQ COSTS

PROFIT

## RECOMMENDED IMPLEMENTATION PROCESS

- NAME/FORM A COMPANY IMPLEMENTATION TEAM:
  - Company Implementation Program Mgr - reports to  
Adriana Stadecker
  - 1 Implementation Program Manager from each Bus Unit (8)*
  - 1 Implementation Program Manager for each Geography*
  - 1 Implementation Program Manager for PS/SI Value Chain*
  - 1 Implementation Program Manager for Technical Sales Value Chain*
  - 1 Implementation Program Manager for Supply Chain*
  - (+ other change managers, as needed)*
  
- EACH REPRESENTATIVE IS A DIRECT REPORT (for the Program)  
TO THE APPROPRIATE SENIOR MANAGER ORGANIZATION
  
- THE WORK:
  - Drive an Integrated, Cross Company, Expeditious Transition  
to the New Company Model while maximizing focus on making  
the FY93 and FY94 plan.
  
- PRESENT MONTHLY TO SENIOR MANAGEMENT FORUM:
  - Recommendations for Approval
  - Progress Against Milestones
  - Issues for Senior Management Decision
  
- TEAM MEMBERS NAMES TO BE FORWARDED BY FUNCTIONAL  
MANAGERS TO ADRIANA BY JANUARY SENIOR  
MANAGERS WOODS
  
- SENIOR MGMT GROUP TO REVIEW TEAM AT JANUARY WOODS



7



## ROLES, RESPONSIBILITIES AND CONTRACTS

### TASKFORCE

**Members:**

Lyn Benton  
Mario Bonzano  
Dick Farrahar  
Max Mayer  
Frank McCabe  
Jim McCluney  
Clem O'Brien  
John Rando  
Willow Shire  
Tony Wallace  
Lisa Bender  
Bill Koteff

## TASK

- Re-evaluate our previous work on Roles and Responsibilities for
  - Confirmation
  - Changes
  - Decisions required

## APPROACH

- Reviewed input from:
  - Original Roles and Responsibilities work.
  - Work decided at Senior Management Woods.
  - Job description for Business Unit openings.
  - Work of other task forces.

## MAJOR DESIGN ASSUMPTIONS

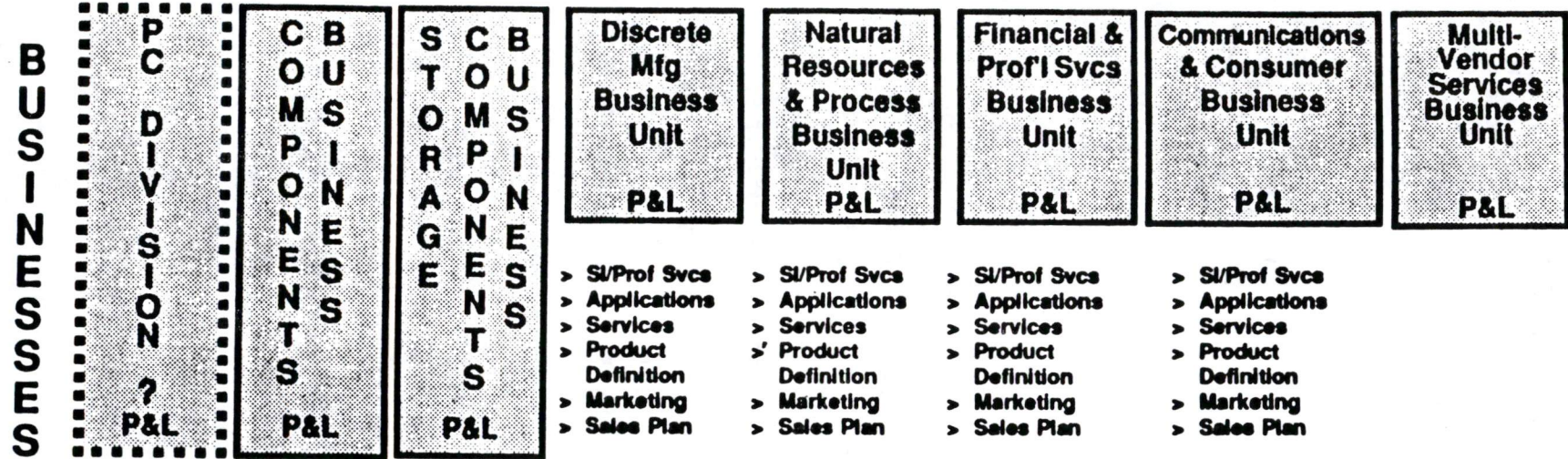
1. This is a new Company model, in a new era, with a cultural bias towards:

Customer  
Clarity  
Action  
Accountability  
Focus  
Accomplishments  
Perseverance

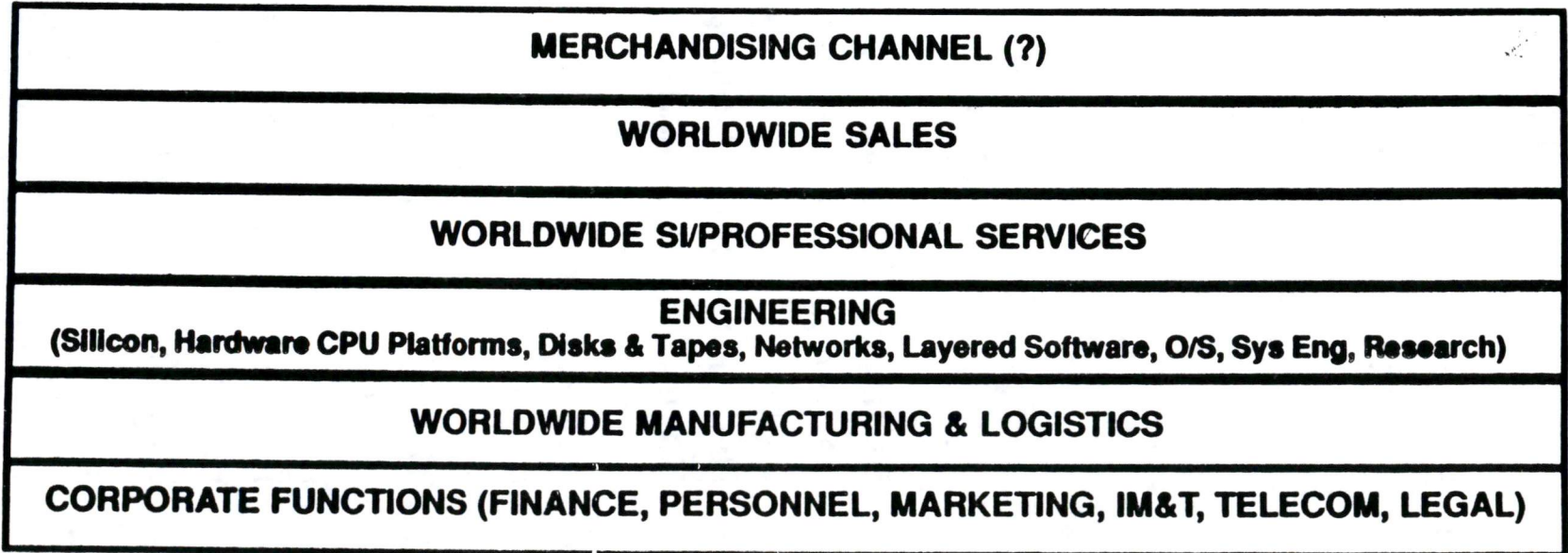
2. Business Units are accountable for Company performance and achieve plans, *regardless*.
3. Resources of the Company are deployed to meet the Business Unit's plans.
4. Account managers are responsible for all business in their account.
5. The job of the functions is to serve the Business Units.
6. End point design includes 12-15 Territories. For our purposes here Territories and Areas are equivalent for FY'93 and FY'94.
7. Must place the right people (skills, values, beliefs and behavior of 1-4) in the key jobs.



# GENERAL AGREEMENT ON DIGITAL'S BUSINESS MODEL



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**digital**

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**"WORK IN PROGRESS"**

Senior Management Woods  
2/3/4 September 1982  
WOOD819b.ppt



## STATUS OF BUSINESS MODEL

(Since Sept.)

ENTITY	Status	DESCRIPTION
Customer Business Units	Confirmed	Edited, but as originally proposed.
Personal Computer Business Unit	Created	Mission is focused on industry standard PC market.
Storage Components Business Unit	Created	Mission stated to reflect internal and external customers with corresponding metrics.
Components Business Unit	Decision required	Decision required on: (1) mission; (2) inclusion of terminals and printers; (3) level of product integration.
Multi-Vendor Services Business Unit	Changed	Focus shifted from remedial services only to "predictive maintenance and advisory support"; resources shifted to Territories.
Territory & Country	Created/ Changed	Partitioned roles and responsibilities of Country in the original version to Territory and Country.
Account Manager	Confirmed	As originally proposed.
World-Wide SI/Professional Services	Changed	Changed from operational business to corporate function.
World-Wide Sales	Decision Required	Decision on primary mission required.
Manufacturing & Logistics	Confirmed	As originally proposed.
Engineering	Confirmed	As originally proposed; strengthened connection to MVS.
Corporate Functions	Pending	See Corporate Functions Task Force report.

--WORK IN PROCESS, REVISION 2--

-Revised Company Map-

## CUSTOMER BUSINESS UNITS

- Mission:**
1. Achieve industry-leading profit \$ growth in defined markets by meeting customer needs through Digital products, services and solutions.
- Work Activities:**
1. Continuously and actively researches and thoroughly understands the needs of customers within defined markets.
  2. Determines which customer needs will be satisfied with Digital products and services.
    - Translates customer perspective to those within the Company who need to understand it.
  3. Develops a business plan which meets customer needs and generates profit and/or increase in market share.
  4. Executes the business plan with full responsibility for achieving the stated profit.
  5. Identifies, negotiates and manages strategic alliances in their markets.
  6. Negotiates with other business units to determine horizontal solutions.
  7. If no satisfactory Digital product (application) or service exists, may acquire and deliver product and service from a partner or even a competitor to ensure customer satisfaction and P&L performance.
  8. Funds and approves the budgets of all functions.
  9. Contracts for activities necessary to implement the business plan.
  10. Directs global activities of SICs and determines vertical/industry specific SI/PS offerings.
- Metrics:**
1. P&L/ROA
  2. Market Share
  3. Customer Satisfaction

## PERSONAL COMPUTER BUSINESS UNIT

- Mission:**
1. Make Digital one of the top 5 industry standard P.C. suppliers with industry leadership ROA.
- Work Activities:**
1. Continuously and actively researches and thoroughly understands the needs of customers in the industry standard P.C. market..
  2. Determines how customer needs will be satisfied with Digital industry standard P.C.s, i.e. defines product requirements.  
--Translates customer perspective to those within the Company who need to understand it.
  3. Develops a business plan which meets customer needs and generates profit and/or increase in market share in the industry standard P.C. market.
  4. Executes the business plan with full responsibility for achieving the stated profit.
  5. Contracts for activities necessary to implement the business plan.
  6. Identifies, negotiates and manages the relationships with OEMs and resellers.
  7. Manages engineering resources to deliver product to specifications.
  8. Contracts with M&L to build and deliver product.
  9. Builds best-in-class P.C. mass merchandizing infrastructure.
  10. Provides leads to Customer Business Units and Accounts for large sales.
- Metrics:**
1. ROA
  2. Market Share
  3. Customer Satisfaction



## STORAGE COMPONENTS BUSINESS UNIT

**Mission:**

1. Achieve aggressive volume and profit advantage for Digital products by providing Storage components to high volume customers and industry distributors.
2. Fulfill the CBU product requirements for Systems Storage.

**Work Activities:**

1. Continuously and actively researches and thoroughly understands the needs of customers within defined markets.
2. Determines how customer needs (both OEM and CBU) will be satisfied with Digital Storage components.
  - a. Translates customer perspective to those within the Company who need to understand it.
  - b. Validates opportunities with strategic intent to avoid conflict with systems strategy.
3. Develops a business plan which meets customer needs and generates profit and/or increase in market share.
4. Executes the business plan with full responsibility for achieving the stated profit.
5. Contracts for activities necessary to implement the business plan.
6. Identifies, negotiates and manages the relationships with OEMs and resellers.
7. Manages engineering resources to deliver product to specifications.
8. Contracts with M&L to build and deliver product.
9. Create technical sales capability (linked to accounts) for selling Storage components to other storage manufacturers, other systems vendors, and off-base migration opportunities.

**Metrics:**

External Customers

1. ROA
2. Customer Satisfaction
3. Market Share

Internal Customers

1. Customer Satisfaction
2. Cost

## COMPONENTS BUSINESS UNIT

- Mission:**
1. Generate volume and profit by proactively taking advantage of Digital products (opportunisticly).
  2. Optimize ROA on technology investments which the customer driven units require.
  3. Proliferate Digital's architecture (hardware, software and services) seeding strategic markets.
- Work Activities:**
1. Continuously and actively researches and thoroughly understands the needs of customers within defined markets.
  2. Determines how customer needs will be satisfied with Digital components.
    - a. Translates customer perspective to those within the Company who need to understand it.
    - b. Validates opportunities with the Company strategic intent.
  3. Develops a business plan which meets customer needs and generates profit and/or increase in market share.
  4. Executes the business plan with full responsibility for achieving the stated profit.
  5. Contracts for activities necessary to implement the business plan.
  6. Identifies, negotiates and manages the relationships with OEMs and resellers.
  7. Creates technical sales support capability linked to accounts.
- Metrics:**
1. ROA
  2. Cash flow
  3. "Customer Business Unit leverage" (difference in unit cost between Customer Business Unit volumes and total volume).
  4. Independently determined customer satisfaction
- Implications:**
1. Sells products "below" the systems level of integration (e.g., chips, boards, etc.).
  2. Engineering designs products for Customer Business Unit's, not Component Business Unit.
  3. Investments to be funded in the Customer business Unit's (e.g., FAB6 for Alpha).

## MULTIVENDOR SERVICES BUSINESS UNIT

**Mission:**

1. Develop and manage the business of multivendor predictive maintenance and advisory support services for software and hardware, sold through all channels which maintain or increase market share, profit, and cash flow to the Company by anticipating and meeting evolving customer needs.
2. Ensure that Digital sets the industry benchmark for serviceability (installability, maintainability, upgradability) in all its products.
3. Develop break-through thinking with Engineering to reduce warranty costs to zero.

**Work Activities:**

1. Continuously and actively researches and thoroughly understands the needs of customers within defined markets.
2. Determines how customer needs will be satisfied with Digital products and services.
  - Translates customer perspective to those within the Company who need to understand it.
3. Develops a business plan with other BU's which meets customer needs and generates profit and/or increase in market share, including trade-out of third party equipment.
4. Executes the business plan with full responsibility for achieving the stated profit.
5. Contracts for the support activities necessary to implement the business plan.
6. Formulate plans to attract, develop, evolve, and maintain world-class human resources capable of selling and delivering services.
7. Funds investments to develop service capability and technology.
8. Identifies, negotiates and manages strategic alliances in their markets.
9. Funds and approves the budgets of all functions.

**Metrics:**

1. Independently determined customer satisfaction
2. ROA/P&L
3. Total IT maintenance market share



# TERRITORY

## Mission:

1. Execute with operational excellence the sales and service plans developed by, contracted for, and funded by, the business units.

*Channels supply chain  
admin  
Sales support, legal  
and service*

## Work Activities:

1. Participate in development of Business Unit plans on an ongoing basis.
2. Gather, assimilate and translate Business Unit plans. *into actionable plans*
3. Develop and maintain customer satisfaction.
4. Provide for excellence of resources; implement sales and services training plans. *budgets support of BU*
5. Translate sales/services plan to resource deployment. *operations/admin*
6. Uses methods and tools developed by Worldwide Sales and SI/PS, and MVS. *, sales mgmt, BU*
7. Sell, service and deliver to implement plan.
8. Manage SICs within the territories. *pse vertical/worldwide*
9. Identify deviations from plan cause a decision to take place, and then take action in real time *work with Business*
10. Create ongoing dialogue with BU's on territory-based market intelligence.
11. Territories make deals and pricing decisions within business model of Business Units.
12. Plan and execute localization for countries within Territory funded by Business Units.

*capacity*

*Advantage  
Planning  
Action for*

## Metrics:

1. Monthly performance to plan by Business Units (using business contribution margin).
2. Independently determined Customer Satisfaction.
3. Employee Satisfaction.
4. Project profitability at bid (+/- scope change).
5. Project bid and delivered on time, on spec, on cost.
6. *geography "derived H1" issued.*
7. *Resources are Monitored via constant  
Comm with Business  
(trade off)*



## ACCOUNT MANAGER

**Mission:** 1. Satisfy the customer in a manner that helps the customer achieve his/her business objective and meets Digital's Business Units plans.

**Work Activities:**

1. Manage customer expectations and satisfaction.
2. Understand and be able to professionally articulate Digital's capabilities.
3. Understand the customer's business and problems, and apply Digital's information technology to help them solve them.
4. Develop an account plan to sell all Business Unit offerings into the account at business unit profit targets using all available channels.
5. Execute plan with appropriate resources.
6. Provide ongoing dialogue and feedback to Business Units and Territories on market intelligence, strategies and processes.

**Metrics:**

1. Independently determined customer satisfaction
2. Revenue and controllable expenses per Business Unit contract.
3. Employee satisfaction (for managers with direct reports)

## COUNTRY

- Mission:**
1. Host manager of resident resources.
  2. Manage Digital's country image and presence (legal, fiscal issues, relationships, etc.) .

- Work Activities:**
1. Implements consistent policies and procedures for the country.
  2. Develop and maintain customer satisfaction.
  3. Elevate to Territories country specific opportunities..
  4. Ensure processes and systems are in place to maintain fiscal and financial control (this ranges from local fiscal requirements [fiscal, tax] to financial control through forecasting).
  5. Proposes localization requirements to Territory.

- Metrics:**
1. Customer Satisfaction
  2. Employee satisfaction

## WORLDWIDE SI/PROFESSIONAL SERVICES

### Definition of SI/Professional Services:

Network services, recovery services, outsourcing, management consulting, technical consulting, customer training, systems integration, custom application development, and custom hardware development,

**Mission:** 1. Provide best-in-class methods, tools, training, competencies standards, and policies, standards for SI/PS.

**Work Activities:**

1. Input to Customer Business Units for SI/PS strategies and plans.
2. Propose business models.
3. Develop service offerings with delivery infrastructure based on business unit funding.
4. Develop and implement worldwide methods, tools, standards, policies, procedures, business practices and policies, and training.
5. Manage the functional excellence in professional services and SI programs.
6. Establish and maintain best-in-class competencies.
7. Integrate with engineering for core competencies.
8. Develop and manage horizontal SI repeatable platforms and services based on Business Unit needs

**Metrics:**

1. Service quality as independently assessed by customers.
2. Employee development and satisfaction.

## WORLDWIDE SALES

- Mission:**
1. Ensure Digital has a best-in-class sales force.
  2. Functional excellence and leadership of sales.
- Work Activities:**
1. Articulate, obtain company approval of, and communicate generic selling models and templates for the company.
  2. Drive incorporation of models into business unit plans.
  3. Provide input to, and understanding of, business unit strategies and sales models.
  4. Design sales and sales management compensation, rewards and recognition.
  5. Career planning and development process for sales.
  6. Establish and maintain standards, methods, training and tools for sales.
  7. Provide a single "sales leads" management system for use across the company.
- Metrics:**
1. World class sales yields by business unit and country.
  2. Quality of functional deliverables.
- Assumptions:**
1. This is an functional leadership, not operational, function (i.e., does not own the sales people).
- Implication:**
1. To make this a strong operational function, add at least the following two items to "Work"...
- Approve Country sales plans on behalf of the Business Units.
  - Build functional management process to manage and deliver plan.



## MANUFACTURING & LOGISTICS

**Mission:** 1. Best-in-class supply and delivery of competitive products and services to customers as a service to the Business Unit (plans) and Territories.

**Work Activities:**

1. Be a partner in Business Unit and Territory planning processes.
2. Execute plans to Business Unit and Engineering specification (buy material, build and source products, deliver, etc.)
3. Translates customer requirements into Supply Chain delivery (with countries).
4. Manage inventory and assets employed within Supply chain (plants, resources, warehouses, transportation, etc.) on behalf of Business Units
5. Manage Corporate Demand / Supply process for the Business Units.
6. Educate Business Units and countries/accounts on the supply chain and its process.
7. Provide best-in-class practices, polices, standards, templates to the Business Units and countries/accounts for products and services receivables (one billing and collection process).
8. Provide best-in-class acquisition processes for Digital.
9. Drive the Supply Chain DFX activity (Design For Manufacture, Design for Serviceability, Design for...) with Engineering and Services.

**Metrics:**

1. Supply Chain metrics, e.g.,  
on-time customer delivery, etc. (customer driven)  
inventory turns, ROA, etc. (internal financial)  
product slippage's (internal non-financial)

**Assumptions:**

1. Business Units accountable for inventory created on their behalf and for forecasting it with the Supply Chain, which orders, positions and manages it on their behalf.

## ENGINEERING

- Mission:**
1. Deliver competitive products / solutions with best-in-class time-to-profit (HW/SW/Service) to meet the needs of the product and service Business Units.
  2. Identify emerging technologies which can lead to market creation and leadership within the Business Units.
  3. Define the future core technical competencies for the company and ensure leadership capability is in place to deliver the strategy.

- Work Activities:**
1. Understand current and future customer's needs in conjunction with the business units.
  2. Based on technological leadership, interact with present and future customers and competitors to seize opportunities for future (HW/SW/services) products.
  3. Partners with M&L to design product requirements and suppliability that result in competitive cost and asset utilization.
  4. Partners with MVS on serviceability maintainability and outage localization to drive warranty costs to zero.
  5. Participate in Business Unit sponsored programs to interact with current and future customers.
  6. Translate customer requirements from Business Units into product requirements.
  7. Deliver (make and buy) products to plan.
  8. Attract and retain world-wide, world-class technical talent around our technical core competencies.
  9. Implement world-class engineering processes and practices.
  10. Use Digital as a testbed for new product releases.
  11. Use systems engineering to ensure backward and forward plug-and-play capability.
  12. Articulate company's integrated technology strategy.
  13. Responsible for all product marketing, including product introduction and establishing reference prices.

- Metrics:**
1. Performance to plan (on time, on spec., on budget).
  2. Customer satisfaction in all dimensions (e.g., reliability, quality, etc.).

## ALL CORPORATE FUNCTIONS

- Mission:**
1. Define and deliver global business processes competitively for the Company.
  2. Ensure leadership capability to deliver its strategy in providing customer satisfaction and Business Unit profit.
  3. Provide information access, expertise and service that Business Units need to run their business.

- Work Activity:**
1. Understand current and future customer needs in conjunction with the Business Units.
  2. Translate requirements from Business Units into services provided.
  3. Deliver competitive services to plan.
  4. Attract and retain global world-class talent.

- Metrics:**
1. Performance to plan
  2. Business Unit satisfaction
  3. Business Unit ability to meet its goals (business processes not in the way).

- Implications:**
1. Not optimizing function or measuring to best-in-class.
  2. Optimize and align resources to businesses.
  3. Is this doable? When?

[work in process to be updated after 12/16,17 woods]

## CONTRACTING MODEL

- **The Business Units contract with the Corporation for "The Plan".**
- **Territories contract with Business Units [through a Business Unit Manager in Territory] for profit, revenue, capabilities, level of service, expenses and milestones.**
- **Functions contract with Business Units [through a WW Functional Manager or a Business Unit Manager in Territory] for capability, level of service, expenses and milestones.**
- **Accounts contract with Business Unit Manager in Territory for revenue and expense.**



## BUSINESS MODEL - OPEN ISSUES

### COMPONENTS BUSINESS UNIT

- How opportunistic is this mission?
- Below what level of integration are products sold?
- Are printers and terminals part of this B.U?

### MULTI-VENTOR SERVICES BUSINESS UNIT

- Is this Business Unit correctly named?
- Should standard integration services be part of this B.U.?

### WORLD WIDE SALES

- What is the primary mission of this function?

### CROSS-BUSINESS UNIT ISSUES

- Who sets pricing?
- Who pays for warranty?
- How do we manage horizontal platforms?
- Who does speciality selling (Storage, MVS, Components)?
- Who pays for internationalization?
- Who is primarily accountable for DSO?
- Who chooses distributors?

## BUSINESS MODEL - OPEN ISSUES (Cont.)

### HIERARCHY OF METRICS

- Customer satisfaction vs. P&L in BU's?
- Individual BU P&L vs. portfolio goals in Territory?

NEXT STEPS

**Prior to January Woods Meeting:**

- All named managers review existing statements of their own role and responsibilities.
- They make edits, additions and changes to the statements.
- They prepare a proposal for final approval by their colleagues at the January Woods Meeting.
- For roles where no manager exists, the Roles and Responsibilities Task Force becomes the "keeper" of the description.





# JANUARY WOODS

- ◆ **Revenue recognition.**
- ◆ **Logistics proposal.**
- ◆ **Supply Chain update.**
  - Include education component regarding reengineering.
- ◆ **Product Market**
- ◆ **Territories (12 - 15)**
  - Joint proposal/Area VPs.
- ◆ **Contracting Process**
  - Include horizontal PS/SI & Engineering.  
Cross Business Units negotiation.
- ◆ **“Technical Value Chain”.**
- ◆ **Functions vs. “Processes”.**
  - Sizing of opportunities.
- ◆ **Implementation process.**
  - Confirming the team.
- ◆ **Review roles & responsibilities.**
  - As managers are named.