

FC. KO

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 28-Mar-1989 03:27pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: U.S. OPERATIONS

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I would like to break the Company into pieces. Each piece would be run as a business. They would only use the personnel functions, finance functions and the overhead they needed. If there are left over overhead people, their corporate boss will have to find a place for them.

The first of the four key pieces I propose would be desktop, office and departmental computers, which is everything run by Lacava and Henry Ancona.

The second group would be systems integration run by Glorioso.

The third would be networks run by B.J. (which could be included in the second group).

The fourth would be applications run by Pete Smith.

These businesses would be responsible for their own personnel, finance, maybe manufacturing, their own sales, sales support, field service and software services.

Dave Grainger would be responsible for major accounts and resellers and those parts of field service and software services that do not come under the four main businesses.

I would like to make Bill Strecker marketing vice president. He would be the keeper of corporate strategy and marketing plans and would be responsible for software marketing, manufacturing and distribution and have new product development that is not done in the other four groups.

These six people would be a committee chaired by me and would replace the functions of the MSSC. In addition, we would keep the present Executive Committee and present P/MSC.

KHO:lt
KO:2818
(DICTATED 3/28/89 BUT NOT READ)

Distribution:

TO: Win Hindle	(HINDLE.WIN)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: John Sims	(SIMS.JOHN)
TO: Jack Shields	(SHIELDS.JACK)
TO: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

E.C.

INTEROFFICE MEMORANDUM
CORMTS ALL - IN - 1 SYSTEM

Date: 28-Mar-1989 10:58am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: BREAKDOWN OF COMPANY RESPONSIBILITIES FOR EFFICIENCY

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It appears that the Company has become too big to be run as one piece. It seems particularly clear that the field has grown too big to be run as a single unit. Probably no other company in history has ever successfully run this large a company with as diverse a set of responsibilities as one unit. Here is the way I think we should break down the Company.

First of all, let's break up the Company into three or four pieces. Each piece will have their own sales force, their own field service and their own software support. There probably would be only one central sales group and that would be the major accounts program. The part that administratively supports the groups would be in each district.

Each of the businesses would make out their own budget, they would budget all services, including personnel, finance, manufacturing and engineering, and they would not include any overhead in their budget that was not necessary for their operation.

After this is done, maybe there will be a number of overhead people left hanging who will not be necessary, and they will have to be taken care of as a special project.

The first major group would be the Major Accounts group. This might be enlarged so that we have an account manager for every account that needs one, but it should need very little overhead.

The next group would be the Channels group. They would sell through third parties all of the products that were generated for other parts of the Company.

The third group would be desktop products, small business, and departmental applications. This would include PC's, terminals, and workstations, and would include the office program and the PC

LAN program.

Another group would take over the service and selling program that Field Service has now set up for desktop devices, which would be made up of people who do both selling and servicing for these simpler machines. This group would be the basis of the field operation for this segment of the Company.

The Systems Integration group would take over that part of software support that does systems integration work and would raise to a high corporate level the whole systems integration business. They would be responsible for all of the systems integration business from huge systems to smaller systems that we have to deliver and make work as a system.

We would probably have one DECdirect and one order processing system to take care of all groups.

KO:2810
(DICTATED ON 3/27/89, BUT NOT READ)

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Shields	(SHIELDS.JACK)
TO: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

E.C. 10

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 5-Apr-1989 03:18pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: DISCUSSION AT NEXT TUESDAY'S EXECUTIVE COMMITTEE MEETING

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There are three questions we would like to hear discussed at the Executive Committee meeting. First, who decides what products are taught to the sales people and the customers, and how up-to-date are the courses we offer today? Are we teaching the products we are selling today? Are we teaching the products that we will offer by the time the students graduate? Does the content agree with the point of view of the product designers?

The second question is, what do we teach about Digital's strategy, product strategy, philosophy, and architecture? Our corporate marketing plan is to offer, above all, a computing strategy and architecture. Do we get this across to all our sales people? Does it agree with the point of view of our corporate strategist and architects?

Who decides our philosophy of selling? Who decides the content of our sales training? Who decides our corporate approach to selling? Have we lost the traditional Digital values of putting the customer first and depending on our good service to get the business, or have we taught the modern way of using sheer persistence and pressure? Do we teach management that sales should be Theory X or Theory Y?

There are rumors in the Company that there is a group informally called "Thought Police", run by Mark Roberts, who decide, by themselves, without influence from the corporate strategist, Company marketers, or Company product people, what they will allow the sales person to know about products and what they will allow to be taught to them in our sales training. I'd like to propose on Tuesday, that we abolish this group and that we have engineering decide these issues.

Who develops our courses? How much of it is done outside, and how much of it is done inside? If it's done outside, who are the developers and how are our values transferred?

We've lost all or most of our DEC values in the field. Did this come about from sales training?

As our senior executives have gone out to help in sales calls, they have been quite disturbed by, first of all, the lack of knowledge of our products and strategies by the sales people at all levels, and, because of the dependence they have on support, they have often not taken the time to learn the general problems, needs, and characteristics of the customer.

If the Executive Committee decides we should have the product people and the Company strategist define what should be taught in these areas and not Mark Roberts, let's make this presentation to P/MS.

KHO:dao

KO:2839

Dictated on 4/5/89, BUT NOT READ

Distribution:

TO: Pat Cataldo	(CATALDO.PAT)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Smith	(SMITH.JACK)
CC: Jack Shields	(SHIELDS.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

Win,

Pat's response is attached.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 6-Apr-1989 09:48pm EDT
From: Pat Cataldo
 CATALDO.PAT
Dept:
Tel No: 249-4200

TO: See Below

Subject: RE: DISCUSSION AT NEXT TUESDAY'S EXECUTIVE COMMITTEE MEETING

Ken, in response to your memo and questions, I am in the process of pulling together some materials which will help in discussing the issues you raised.

Sales training has worked with the Announcement Strategy Committee as an advisor for the products which are being introduced. As a result of this interaction, the Sales Training developers then work directly with the product people as subject matter experts who tell us the information that should be promoted about the features, functionality, etc.

As we have discussed in the past, since we are neither the source (product managers) nor the destination (field sales and support) of the product information, we work with both groups to define, design, develop, deliver, and measure this training. This work is done by Digital people. We have gone outside in the past for non-technical training development where we did not have resident expertise but these courses were then taught by Digital instructors.

I will be able to address this process further as well as have some material on course content for the PMSC on Monday. This has been discussed with Abbott and he will be arranging it on the agenda.

Distribution:

TO: Ken Olsen

CC: Abbott Weiss
CC: Jack Shields
CC: Jack Smith
CC: John Sims
CC: Win Hindle
CC: Jim Osterhoff

(OLSEN.KEN)

(WEISS.ABBOTT)
(SHIELDS.JACK)
(SMITH.JACK)
(SIMS.JOHN)
(HINDLE.WIN)
(OSTERHOFF.JIM)

E.C. KO

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 5-Apr-1989 04:07pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: SELLING PHILOSOPHY

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

I. THE DIGITAL SELLING

There are two extremes in selling philosophy. First of all, there is the old, traditional Digital approach where all our efforts were aimed toward serving and helping the customer. We refused to take an order if it was wrong for the customer. We were patient when they didn't buy, and we were patient and helpful after they did buy.

There was trust between management and the sales person. When there were changes to be made, the sales person adapted quickly and easily. Forecasts were not overly time consuming, but there was little fear in telling what was really going on. There was good, competitive information because of free flow of information between management, product lines, and the sales people.

Our philosophy of measurement was very simple. We felt that goals and measurements were primarily of importance to the individual sales person. Secondly, they were important so they could compare themselves with their peers, and thirdly, they were important to management.

Above all, the sales people were technically competent so that they could truly help with the customer's problem. They understood the corporate product strategy, and, as they presented products to the customers, they learned more and more of the detail of our products.

The customers trusted us and accepted us as part of their own organization and developed great loyalty to Digital.

II. THE OTHER WAY OF SELLING

The modern way of selling is expounded on as many video

cassettes on the subject as there are video cassettes on exercise programs. The modern way of selling pushes boldness, persistence, cleverness, a little trickery, and no technical knowledge.

Account control implies, in two words, all of the modern philosophy of selling.

Measurements are used to pressure, intimidate, and instill fear in the sales person. The reward system implies no trust that the sales people will motivate themselves to do what is correct, and the rewards are delivered with little sense of appreciation for the work done because the rewards are mathematical and not the result of true appreciation.

The modern way of selling uses a large amount of overhead, a large number of groups that develop all kinds of red tape, and sales programs with all kinds of threats and promises.

III. DIGITAL'S NEW PHILOSOPHY

I think it's time that Digital formally develop a selling philosophy in which we put things in correct order. Maybe we should have a committee that reviews the alternatives and comes up with a simple statement that we can put on every sales person's desk. Maybe if we pick the modern approach of selling, we should just put a little plaque that says, "Big Brother is watching you", but if we pick a more complex and somewhat abstract way, the philosophy should be one which strives to help the customer and strives for excellence.

There is a lot to learn from IBM about the new way. Francis G. Rodgers' book on The IBM Way really teaches how successful he was with insincerity and trickery, but there are positive things to learn from IBM in the way they support the customer after the sale has been made and, therefore, have very consistent and significant continuing sales.

KHO:dao
KO:2838
DICTATED ON 4/4/89, BUT NOT READ

Distribution:

TO: Dave Grainger	(GRAINGER.DAVE)
TO: DICK POULSEN	(POULSEN.DICK)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
TO: Jim Osterhoff	(OSTERHOFF.JIM)

TO: Win Hindle
TO: John Sims
TO: Jack Smith
TO: Jack Shields

(HINDLE.WIN)
(SIMS.JOHN)
(SMITH.JACK)
(SHIELDS.JACK)

CC: Abbott Weiss

(WEISS.ABBOTT)

*of for this office to forward to
Ken Smart per Ann Jenkins. E.C. KO
Done 4/12/89
NK.*

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 10-Apr-1989 01:27pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: PROBLEMS OF PARTICIPATORY MGMT. IN AN INTERACTIVE ORG.

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Thirty some years ago when Digital started participatory management was the academically accepted way to run an organization. It fit in well with McGregor's Theory Y management. It was very natural for Digital to be built upon these concepts.

The concept, at least from Digital's point of view, was that mangers and team members should have the opportunity to participate in the setting of their goals. This is an important part of having them be motivated. It is also based on the assumption that, most likely, they know more about the subject than senior management, and thirdly, when things don't work according to plan, they make sure that things work out well, even though there may have been mistakes in the plan.

These concepts worked out very well, but, in time, two problems developed. People felt they had a sacred right to participate in other people's goals. They spent more time worrying about other people's plans and projects than their own and were greatly frustrated because, regardless of how hard they worked, they were not able to turn off other projects or turn them around or change them to their suiting. This, of course, was not in the theory of participatory management where one is given the right to, not set, but take part in the development of his own goals, but never was it stated that you have a right to form other people's goals.

The second problem developed when people developed the idea that they had veto power on all goals that were requested of them. This meant that, in an interactive organization like Digital where everyone is interdependent on everyone else, anyone could, by simply saying no, stop anyone else's project. This, of course, is not part of the theory. At the budget and planning time, every group budgets all the things they will do and all the things which they need, many of which are to come from other groups. If the other group refuses to do them or proves that

they cannot be done, then the boss has two choices. He can tell the service group that they are going to have to do what is necessary for the first group to have a complete product or he is going to have to turn off the first group.

If the budget and the plan for the organization is fixed and all that is needed to complete each of the jobs or systems is budgeted, it is not within the freedom of any group to arbitrarily, on their own, drop their contribution during the year. This may wipe out whole, major projects and even commitments to customers.

It is, therefore, important that everyone with a project, such as workstations, list everything that is necessary to make them complete including, for example, a micro ULTRIX. If the ULTRIX group doesn't believe in this and thinks it's unwise, they can talk management into not including this. If they are successful, we may drop the workstation business, we may drop portions of it, we may cut it back to the point where it's not worth doing, or we might talk the workstation group into the fact that they'll be successful without it.

If, however, in this example we decide we need a micro ULTRIX, the ULTRIX group will have to do it. It is not their option to say they don't like the idea and they won't conform.

This participatory management does not change the budgeting system. Every project has to have every component budgeted, and every component has to be guaranteed to be there in order to make every project successful. The fact that we believe in participatory management doesn't change this and it is ridiculous to think that project managers have to convince every group on which they are dependent to accept their ideas and then continuously sell them on the ideas so they won't shut it off.

There is indeed a third problem which is continuously an undercurrent in a participatory management organization, and that is the feeling that this theory is very wasteful. If we had competent, educated, clear thinking, and aggressive management, who could lay out all the plans for the Corporation with no redundancy, no risk taking, no duplication, and no competition and with perfect efficiency, all necessary projects would be completed, and the best of all possible worlds would be obtained.

The biggest problem with this approach is that benign leadership will never agree that any one person is that much smarter than the benign leadership, and when it's not clear which of the two paths is to be taken, they are likely to pick both until the question is clear. When the choice is between perfect wisdom and motivation, they are likely to pick a motivated group rather than an unmotivated group following perfect logic.

There are a few other obvious principles that have to be understood to make the system work. The managers make the

commitment to do certain things for a certain amount of money during the budget period. If any changes are made, the corporate plan should be changed, and all those dependent upon the original plan have to be notified. This seems obvious, but so often people get so frustrated with managers because they can't get them to do new, additional things that they request. Obviously they should request to have the new item budgeted. It's obvious it is not up to the manager to re-shuffle those commitments he has to do things which are requested informally. Some of our best managers absolutely frustrate the rest of the Company because, during the budget year, they can't get them to do additional things. Now, some of them should probably be done, but they should be done as a formal change to the original budget and not something that they can request on an informal basis without taking any responsibility.

Another obvious principle is that, if someone is committed to accomplish a job which is dependent on others getting their part done, they have the very clear responsibility to let management know that the job cannot be fulfilled because of the failure or change of a program by someone else. It is their obligation to try to work it out with the other person, but it is not their obligation to sell the other person, and they are not a failure if they fail to sell. The overriding principle is that they must notify management that the job is in jeopardy of failure because of a lack of commitment from the other party.

KHO:dao

KO:2864

Dictated on 4/9/89, but not read

Distribution:

TO: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Shields	(SHIELDS.JACK)
CC: Remote Addressee	(PAT SPRATT @MLO)

EC KO

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 12-Apr-1989 01:58pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: NEW ORGANIZATIONAL EMPHASIS

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We've lost some of the major emphasis on the goals of the Corporation, and we have to immediately strive to get them back. It is our goal to serve the customer. We want to strive for excellence, quality, and service as seen by the customer. We want to be interested in solving their problems in an optimum way, to be patient with them when they are not buying and make their needs and their success our primary goal.

This means that the local sales person should be the most important person in our corporate organization. Everyone else is there to serve them because they are the ones who serve the customer. We've lost this emphasis by stating that the field is the most important part of the Company which means the overhead structures, the management of the field and the measurements of the field became most important and the sales people themselves felt like they were at the bottom of the chain. We now want to make them feel like their jobs and their customers are the most important part of Digital.

The first thing we will do is to organize the field to support the sales person as a key member of the Digital community. We will organize all corporate account managers in a simple structure run by Dave Grainger that will emphasize the importance of the sales person and their customer.

The second problem we have is that the product information got lost in a complex chain of groups with responsibilities and power to control grew up between the product people and the sales person. Not only was the resulting overhead expensive, but little information got through the system. We want to change this so that the product people have the direct responsibility for supporting the sales person.

The sales support people which are the product experts will be run directly by the product people. They will be budgeted,

financed, educated, and supervised by the product people. There will be no overhead structures or control structures between the product people and the support people.

The next problem is that there are markets which we have not been able to penetrate. We've assumed that small business is strictly a channels problem which of course is a cop-out. Unless we solve the problem, we don't know which is the best channel in which to sell it. We've also done an ineffective job in marketing and advertising. We want to leave all that responsibility to the product people and then hold them responsible for it and measure them accordingly.

Education now has been spread around many different, disconnected overhead groups. We would like to have one group responsible for all technical education, and this will probably be in the product groups. This one group would coordinate trade shows, universities, road shows, classes, sales meetings, DECworld, video programs, and audio programs. The responsibility will be in one place and that's the product area.

We've also have been missing a place to hold the various business models. We should be able to tie together each of the businesses we want to go to and make sure there is a business model which is justifiable and adds up to the Corporation.

KHO:dao
KO:2881
DICTATED ON 4/12/89, BUT NOT READ

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Shields	(SHIELDS.JACK)
TO: Jack Smith	(SMITH.JACK)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Dave Grainger	(GRAINGER.DAVE)

10

F.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 18-Apr-1989 03:27pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: SALES PHILOSOPHY

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Here's the best statement of sales philosophy that I've seen so far. The mistake we made lately is that we thought the "field" was the center of the Corporation which meant that field headquarters was the one group everyone was to serve. The result was that the sales people were dumped upon instead of served.

It is the corporate goal to give quality products and service to our customers and to maintain sincere and enthusiastic support for them. The sales people are the one constant contact with the customer and, therefore, everyone in the Company is there to serve the sales people who in turn serve the customer.

KHO:dao
KO:2904
DICTATED ON 4/17/89, BUT NOT READ

Distribution:

- TO: Dave Grainger (GRAINGER.DAVE)
- TO: DICK POULSEN (POULSEN.DICK)
- TO: Remote Addressee (PIER CARLO FALOTTI @GEO)
- TO: Jim Osterhoff (OSTERHOFF.JIM)
- TO: Win Hindle (HINDLE.WIN)
- TO: John Sims (SIMS.JOHN)
- TO: Jack Smith (SMITH.JACK)
- TO: Jack Shields (SHIELDS.JACK)
- TO: Remote Addressee (ERLINE BELTON @CFO)
- CC: Abbott Weiss (WEISS.ABBOTT)

EC.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 25-Apr-1989 09:44am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: A RADICAL APPROACH TO SMALL BUSINESS

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I am going to propose that Digital start a completely new business, separate from the rest of the Company from a financial point of view, and run as if it were a division.

The traditional view Digital has on small business is that it is simply a channels problem which translates into "we don't take care of details, we let the OEMs, the distributors, and the partners take whatever we have and fill in the rest to do a job for the small customer." My approach is that we, first of all, solve the problem in detail for hardware, software, consulting, and education, and then we decide what channels we will use.

Secondly, I propose that we limit the market. A normal approach is to try to solve everybody's problem both technical and emotional. The market is so big that this is a frustrating and impossible task.

I propose that we limit the market to those customers who know they have to spend 3 percent of their yearly NOR on computing and that only 1/3 of this is hardware and 2/3 is software and consulting.

I propose that we limit our business to those people who have had experience and know that they can't solve their problem with a \$4,000 PC, and they clearly see what business problems they want to solve. I want to have nothing to do with those who just fall in love with PCs and have no understanding of their own business.

I'd like to limit our approach for some time to just VMS because we have so much experience and other people have so much software in this system.

I propose that we sell simple, time-shared systems that will use dumb terminals, PCs, and workstations.

Our normal belief is that we have to go through a huge program to gain all the kinds of applications that are strange and different to Digital. I propose that we probably have all the software we need and some of it is exceedingly good. I'd like to call a Little Brown House half-day WOODS meeting soon to go over the software and application needs and resources we have. I'd like Pete Smith to send someone who can tell us what we have that is directly applicable to small business in the area of word processing, mail, accounting, and desktop publishing. In addition, what software do we have or can we have that will do manufacturing and inventory problems for a small company?

For the scientific company, what can we do to help in their laboratory work? For the engineering company, the architect, the town maintenance department, and the factory maintenance department, what do we have to offer them in the area of CAD? What can we offer companies who are challenged by their customers to use EDI?

I'd like Jay Atlas to come and explain what he has available in software and application, from his customers, that we could offer as part of our program. I'd like Don Busiek to come with a list of all the software and applications which software services has already done for a myriad of customers. I'd like Eli Lipcon to come and explain what we can have available from our partners. I'd like Henry Crouse to tell us about the part of cash registers in small business, both in retail and other operations and how many small businesses have a cash register operation, even though they are not considered retail operations. I would like him to tell us what software and application is available. There are lumber yards, auto part stores, small manufacturers, health clubs, and a number of other things run with VMS and that use a cash register.

I happen to have Thursday, April 27th, morning or afternoon free. If we can have a preliminary meeting at that time, it would be very convenient for me.

This won't be a hardware meeting. We would like to assume that the software will drive the hardware and not vice versa.

Back in the DECmate days, we had some great business packages. The customers loved us. We had a particularly good construction company package. Unfortunately, the group was overrun with overhead people who, as problems developed in software like they always will, withdrew packages rather than solving them and improving the packages. In time, we had a great market potential but no product.

KHO:dao
KO:2924
DICTATED ON 4/23/89, BUT NOT READ



You are not
required to
attend. I
checked w/
Affort.
H
4/26

Distribution:

TO: Gary Eichhorn	(EICHHORN.GARY)
TO: Eli Lipcon	(LIPCON.ELI)
TO: Don Busiek	(BUSIEK.DON)
TO: PETER SMITH	(SMITH.PETER)
TO: Jay Atlas	(ATLAS.JAY)
TO: Henry Crouse	(CROUSE.HENRY)
TO: Jesse Lipcon	(LIPCON.JESSE)
TO: Henry Ancona	(ANCONA.HENRY)
TO: Dave Copeland	(COPELAND.DAVE)
TO: Remote Addressee	(JOHN ROSE @LJO)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Smith	(SMITH.JACK)
CC: Jack Shields	(SHIELDS.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 15-May-1989 11:11am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: FIELD

VERY CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

The morale has picked up in the field, and they like the promise of reform, but there is still great fear of retribution and punishment for squealing about the system. There is still great fear of breaking rules such as selling to a customer that is not on their list of 200 even though no one else in Digital will ever sell to them. There is great fear of going over the head of the immediate policing entity in asking for strategic discounts from the people with product responsibility.

The field still doesn't quite believe we are going to follow through on the reform, and they are very much afraid that the police state is ready to take over again like it has happened in Panama.

I am very disappointed with personnel. Personnel should never let the state of fears get as bad as it did, and, if there is still great fear in the system, personnel should be in a position to get it straightened out.

I am afraid that personnel is either part of the retribution system or a victim of it and, therefore, quite useless in the field.

From the field's point of view, they have heard us talk, but, as far as they are concerned, Chick Shue is still there, none of the enormous red tape and regulations have changed, there is no more freedom in discounts, freedom of who they can sell to or freedom to talk to the product people than they had before.

KHO:dao
KO:3008
DICTATED ON 5/14/89, BUT NOT READ

Distribution:

TO: John Sims	(SIMS.JOHN)
TO: Remote Addressee	(ERLINE BELTON @CFO)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: Jack Shields	(SHIELDS.JACK)
CC: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
CC: Dave Grainger	(GRAINGER.DAVE)

E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 17-May-1989 09:13am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: USE OF COMPUTERS IN OUR OFFICES

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When Marty joined the Company, he was surprised and disappointed to find out how little we use computers in our offices. Forms have to be filled out with a pen or pencil and all of the red tape is done manually. This is one of the reasons why it takes so many overhead people to run our operations.

I believe this probably should go under Strategic Resources or Finance, but I have asked Marty to make believe that it is part of Legal and to set about to automate all of our forms and all of our office functions that are dumb and a pain in the neck.

I think it is safe to assume that everyone has access to a terminal, P.C., or a workstation where they can fill out forms using a keyboard and that the computer will take care of all of the standard information that has to be repeated for every form.

KO:3018
(DICTATED 5/17/89 BUT NOT READ)

Distribution:

TO: John Sims (SIMS.JOHN)
TO: Jim Osterhoff (OSTERHOFF.JIM)
TO: Martin Hoffmann @CORE (HOFFMANN.MARTIN)

CC: Win Hindle (HINDLE.WIN)
CC: Jack Smith (SMITH.JACK)
CC: Jack Shields (SHIELDS.JACK)
CC: Abbott Weiss (WEISS.ABBOTT)

E.C. 10

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 19-May-1989 03:07pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

Win Hinkle + others
TO: See Below

Subject: JULY ANNOUNCEMENT

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

The July announcement is getting big and exciting, but I am afraid that we may not make it big enough to get all the messages across.

Please consider taking over a gym or a big building at Brown University which we can use for a full-day announcement of these products. We can use a day for a number of separate announcements at separate times and fill in the time in between for laboratory and hands-on contact with the equipment and with the engineers. We could break the day into three or four separate sessions which take turns in going through the various pieces.

The beauty of having it at Brown University is that we can then leave it set up for the whole school session and our students could use it as part of their classes or after hours.

If we do this right, we might even take in a group of customers and do some of the things with it that we did at DECTop University.

We could demonstrate all our techniques for making networks and it would be interesting if we could get hands-on experience in wiring up an office LAN using Hewlett Packard, IBM, or American Tel wiring techniques and compare it with a ThinWire system.

KHO:dao
KO:3031
DICTATED ON 5/19/89, BUT NOT READ

Distribution:

TO: KEN SWANTON (SWANTON.KEN)

TO: Jesse Lipcon	(LIPCON.JESSE)
TO: PETER SMITH	(SMITH.PETER)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Shields	(SHIELDS.JACK)
TO: Jack Smith	(SMITH.JACK)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
TO: George Chamberlain	(CHAMBERLAIN.GEORGE)
TO: Henry Crouse	(CROUSE.HENRY)
TO: Jim Cudmore	(CUDMORE.JIM)
TO: Bill Demmer	(DEMMER.BILL)
TO: Dick Farrahar	(FARRAHAR.DICK)
TO: Kurt Friedrich @CORE	(FRIEDRICH.KURT)
TO: Sam Fuller	(FULLER.SAM)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: BILL HANSON	(HANSON.BILL)
TO: Bill Heffner	(HEFFNER.BILL)
TO: Bill Johnson	(JOHNSON.BILL)
TO: Bill Keating @CORE	(KEATING.BILL)
TO: William Koteff	(KOTEFF.WILLIAM)
TO: Dom LaCava	(LACAVA.DOM)
TO: Frank McCabe	(MCCABE.FRANK)
TO: BOB PALMER	(PALMER.BOB)
TO: Grant Saviers	(SAVIERS.GRANT)
TO: PETER SMITH	(SMITH.PETER)
TO: Jack Smith	(SMITH.JACK)
TO: Remote Addressee	(DAVID STONE @GEO)
TO: BILL STRECKER	(STRECKER.BILL)
TO: Remote Addressee	(DICK YEN @TAO)

E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 17-May-1989 01:57pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: IMPORTANT MESSAGES FROM THE FIELD

VERY CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

Many of the frustrations I reported last year are still unsolved in the field and are very discouraging. The sales people are still spending most of their time fighting through red tape and poor quality services. If we are going to recover, or even survive, we are going to have to make efficient use of our sales people. So far we have done little to help.

I think Jack Smith, for most of these problems, is going to have to set up organizations to take care of each of these items because they are his responsibility. The problems are:

I. PRICE LISTS

The problem with the price lists is not that they are big and have too many items. In fact, the sales people are terrified by our simplification of the price lists. They claim that when prices are deleted, the important ones are deleted and it just adds to their trouble and frustration. They would like to have every price available and the size of the book is not important.

The big problem is that the price lists are not on time, not at all current, not consistent with each other or the on-line information, and they are not consistent with the databases.

With highest priority, I want Jack Smith to take over the price lists and instantly develop a single database with all the prices that are absolutely current because there is no other database than this one database.

From this database there will be published each month an updated price list for each of the special interests. They will probably look like the Air Travel Guide and will

be mailed out in the same way. Cost is irrelevant. The only cost to worry about is the trouble people have in getting prices, making up bids and taking orders.

With lap top computers at the customer site, at home or at their office, sales people should have access to the master price file so that they can quickly and accurately make up orders.

II. ON-LINE

From the sales persons point of view, for the last two years, On-Line has degenerated. It used to be the source of good, technical information, delivery information and pricing. Now it has become salesy and relatively useless and the prices and the data are not accurate. I want Jack Smith to take over On-Line and have it be the current, accurate source of technical information for every sales person.

If the newspapers can print an edition each day, we can produce an On-Line each week that covers all of the technical information that people want and it can be accurate. Jack should set up a staff to accomplish this and it should start immediately.

III. ORDER INFORMATION

Right now, sales people spend a great amount of effort trying to find out the status of an order. If they are not old timers who know someone in every manufacturing site who can trace down all the components for an order, the customer ends up with no useful information as a result of his inquiry.

We should immediately develop a database that shows the status of all orders. The sales person should be able to interrogate this database and get answers. If information is needed by word of mouth, there should be someone in Manufacturing with the responsibility to answer these questions immediately without delay and with accuracy.

This database should automatically tell the sales person and the customer when there is a delay in delivery, and it should not be up to the sales person to look for the information.

Apparently, the attitude of Manufacturing is not to serve the sales person and the customer. This has to change.

IV. DECISION MAKING, DISCOUNTS, AND ALLOWANCES

There is enormous red tape and rules in making decisions. Almost no responsibility is left with the Unit Manager and

it is all passed up in a complicated set of decision making algorithms. The Unit Manager should be given a lot of freedom to make decisions. Decisions should be made as part of an overall plan and strategy, and the Unit Manager should be held responsible for the results. When there are decisions that should be passed above, they should be sent to the product people who are involved, and they should be committed to give instant answers.

If instant answers are not readily available, there should be a place in Engineering that will give them.

V. SUMMER SCHOOL

There is a fear that our Summer School is going to be a rah-rah, jazzy, marketing event. The group I talked with wants hard technical data and prices. They would be willing to spend two and a half days getting all the technical information they can, and the last thing they want is rah-rah, jazz. They are be willing to stay up all night if the technical content is good. They don't want to be told how to sell, they don't want to hear about the inspiration of space projects, or war stories. They just want facts on the products.

VI. DEMOS

We have been so economical with the helps we give the sales people, probably because we have to pay for all of the overhead and sales programs. They not only cannot get printers so that they can do their work, but they cannot get their hands on a workstation to play with so that they can tell the customer about windows. The product people should strive to have products at every office so that sales people can have a chance to learn them.

At each office, we should also have a kit for making up ThinWire cables and hooking up networks so that sales people can wire up an office-type network, right there, by cutting the cable and putting connections on it so that they have a feel for just how easy it is to use.

VII. AUTOMATION

The sales people want printers, but they need much more than that. They should all have a lap top computer and databases that they can access to get information. They all should have a cellular telephone.

Each Unit Manager should include these things in his budget if he can justify the returns. I'd also give them a small hand held dictating machine so they can make notes after the sales call, and then there should be secretaries to type the notes.

Orders should be printed and entered automatically by the sales people themselves. The system should be so automated that they do not need a secretary. However, they should have a secretary for letters, notes, and memos.

VII. SOFTWARE UPDATES

There is a lot of unhappiness with our software update system. It does not happen automatically, they have to argue in order to get software for customers who have bought the services, but do not get the software updates.

We should have the software updates run and managed by the software product people.

VIII. RESPONSES TO FAILURES

Today, if there is a failure that the customer and the sales person would like to be fixed right away, there is a sequence of approvals necessary, that seems to take forever. That frustrates the customer and the sales people to no end.

If something should be fixed, the sales person should have the authority to have it fixed instantly, even if it means replacing the equipment. We can argue about it afterwards. If there is any question, it should go to the product people to make the decision, not the hierarchy in the Sales Department.

The goal should be happy customers. If the unit fails, fix it regardless of what it takes to get it fixed.

IX. DECATHLON

I hear complaints that the DECathlon is too big an investment and that it takes too much time and energy.

I think there is a feeling that DECathlon should include more people because more people are involved in any sales success, but it should be a lot less expensive in time, money, and energy.

I propose that we change the rules for 1990 and say that DECathlon will be given to every sales office that grows 20 percent a year. We will give it to the whole office and it will be something in which everyone takes part in.

I think all of these things are the responsibility of Jack Smith and his operation. He should organize to do this immediately if we are going to succeed and increase sales. He should make sure

that there is someone assigned who will budget, schedule, and get all of this done quickly and then be held responsible to make sure it gets better and better and the efficiency of the field is 100%.

KO:3020
(DICTATED 5/17/89 BUT NOT READ)

Distribution:

TO: Jack Smith	(SMITH.JACK)
CC: Dave Grainger	(GRAINGER.DAVE)
CC: BILL HANSON	(HANSON.BILL)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Shields	(SHIELDS.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
CC: George Chamberlain	(CHAMBERLAIN.GEORGE)
CC: Henry Crouse	(CROUSE.HENRY)
CC: Jim Cudmore	(CUDMORE.JIM)
CC: Bill Demmer	(DEMMER.BILL)
CC: Dick Farrahar	(FARRAHAR.DICK)
CC: Kurt Friedrich @CORE	(FRIEDRICH.KURT)
CC: Sam Fuller	(FULLER.SAM)
CC: Bob Glorioso	(GLORIOSO.BOB)
CC: BILL HANSON	(HANSON.BILL)
CC: Bill Heffner	(HEFFNER.BILL)
CC: Bill Johnson	(JOHNSON.BILL)
CC: Bill Keating @CORE	(KEATING.BILL)
CC: William Koteff	(KOTEFF.WILLIAM)
CC: Dom LaCava	(LACAVA.DOM)
CC: Frank McCabe	(MCCABE.FRANK)
CC: BOB PALMER	(PALMER.BOB)
CC: Grant Saviers	(SAVIERS.GRANT)
CC: PETER SMITH	(SMITH.PETER)
CC: Jack Smith	(SMITH.JACK)
CC: Remote Addressee	(DAVID STONE @GEO)
CC: BILL STRECKER	(STRECKER.BILL)
CC: Remote Addressee	(DICK YEN @TAO)

cc: Win Hindle

EC.

RECEIVED

JUL 10 1989

Winston Hindle

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

Date: 06-Jul-1989
02:22pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: Jack Smith (SMITH.JACK)
TO: Jack Shields (SHIELDS.JACK)
TO: Dave Grainger (GRAINGER.DAVE)
TO: Jim Osterhoff (OSTERHOFF.JIM)

Subject: RESULTS OF SALES EFFICIENCY PROGRAM

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The score so far is "sales prevention group" = 100 and Ken Olsen = 0. We have gotten no where in the programs I have tried to start.

The "sales prevention" groups are still in charge with no interest in the efficiency, morale, or spirit of the sales people.

We are still micro-managing the sales people and still treating them like children.

They have to wait a half hour for the hot line which is a half hour of sales time. We shut down the hot line with no thought that the sales people work late, and every hour they save is an hour they can sell.

For a unit manager to get a field service call for a loaned piece of equipment he writes a note to the field service manager who writes a note to the field service man, and, if everyone is in and no one is on vacation, the field service man will go out on the job. This is not the way to sell.

Discounts are still negotiated between unit managers, field service, and software services, and allocation is dependent on how hungry and how stubborn a sales person is.

We are not allowed to leave sales support people with a customer like IBM does because he would then just get orders like IBM does. The rules say that we can only use sales support people for specific jobs.

Allowances are done by algorithm not by wisdom.

There is almost no support for ULTRIX in the field.

We punish sales units if one man does not keep up with the paperwork for demos by allowing no more demos for the whole unit. It sounds like the "sales prevention" people work for HP.

Most offices have not seen the equipment they are trying to sell. They can't try it out before they sell it, and demos are too much trouble.

Budgeting, field service, software services, and sales support are still done by algorithm or by the "sales prevention" group and not for business reasons.

Our new service warranty was probably one of the biggest catastrophes in the Company's history. It was probably the worst thing that happened and the biggest cause for our drop in sales. It is impossible to administer. It probably costs 25 percent of sales time, devastates our reputation with customers, and it probably takes enormous overhead to manage.

Order processing is unbelievably inefficient. The problem is not a large price list. The list could be very big and put on a computer, but the information has to be good and there has to be only one database.

The automated quote system is very poor. There is no flexibility and it cannot handle complicated systems. The sales person should be able to edit the printed quote. The way it is now, they have to tell the customer that what it says is not what it means.

The text for the quote system is not in English but in Digital code. IBM makes very thick proposals which include some sales pitches. Ours is very brief and filled with initials and Digital words.

I got a great response from my insistence that we give sales people cellular telephones. We will no longer pay for calls the sales people make on phones that they install themselves. Now the sales people have to pay for their own calls and their own phones.

KHO:lt

KO:3195

(DICTATED 7/6/89 BUT NOT READ)

E.C.

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

Doc. No: 009392
Date: 17-Jul-1989 10:28am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: HOW TO BE A "HIGH CLASS" COMPANY

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

"High class" is really a very low class description for people, things, or a Company, and we're too high class of a Company to use it.

However, one of the concerns often expressed in the field are the lack of confidence the potential customers have in us and the lack of respect and feeling that we're not gentlemen or dignified or responsible. One good subject for discussion at Heald Pond would be: What are our problems in this area, what caused them, and how do we win the respect that we feel we need to serve the customers with the quality equipment that we make?

Some of the potential answers are: A myriad way of measuring sales people ends up with more low brow activity than simple commissions.

The results of our surveys of customers which are initiated, performed and summarized by those being measured, are not respected by anyone outside the Company.

Our discount and allowance policy makes us look like a very shady operation. Sales people have expressed the thought that customers don't want the discount so much as they are afraid that if they don't argue for it, they won't get everything that's coming to them. They would much rather have a simple, fixed policy in which they know without dickering what the price will be.

The lack of trust we show in our sales people worries customers. If these are our representatives and we don't trust them, this does not help our image.

KHO:dao
KO:3222
DICTATED ON 7/16/89, BUT NOT READ

Distribution:

TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Frank McCabe	(MCCABE.FRANK)
TO: Remote Addressee	(MICK PROKOPIIS @MLO)
TO: BOB PALMER	(PALMER.BOB)
TO: Bill Demmer	(DEMMER.BILL)
TO: Dick Fishburn	(FISHBURN.DICK)
TO: Dave Grainger	(GRAINGER.DAVE)
TO: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
TO: DICK POULSEN	(POULSEN.DICK)
TO: Don Busiek	(BUSIEK.DON)
TO: Win Hindle	(HINDLE.WIN)
TO: HARVEY WEISS	(WEISS.HARVEY)
TO: John Sims	(SIMS.JOHN)
TO: Grant Saviers	(SAVIERS.GRANT)
TO: Bill Johnson	(JOHNSON.BILL)
TO: Jack Smith	(SMITH.JACK)
TO: George Chamberlain	(CHAMBERLAIN.GEORGE)
TO: ROBERT R. EVERETT	(EVERETT.ROBERT)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Bill Heffner	(HEFFNER.BILL)
TO: DONALD ZERESKI	(ZERESKI.DONALD)
TO: Jack Shields	(SHIELDS.JACK)
TO: PETER SMITH	(SMITH.PETER)
TO: Remote Addressee	(RUSS GULLOTTI @BTH)
TO: ED SCHEIN	(SCHEIN.ED)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: BILL STRECKER	(STRECKER.BILL)
TO: Remote Addressee	(PAT SPRATT @MLO)
TO: Remote Addressee	(WILLOW SHIRE @MRO)
TO: Remote Addressee	(BONNIE BEDELL @CFO)

F.C.

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

Doc. No: 009827
Date: 24-Aug-1989 10:50am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: PRICE RAISE

DIGITAL CONFIDENTIAL

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I think it's naive to raise prices without looking at all the data. I am insisting that you go over all our data on discounts and allowances before you raise prices. Also, I think you should present to the Executive Committee the whole list of products that we offer, which ones are selling, which ones are not selling, which ones are making money, and which ones are not making money and see what we learn in this study before we raise prices. The most important questions are: What do we put into these products? How much are we spending today? Are we marketing them to the point where we sell enough to justify them?

The general question is not whether we are charging enough in our main list price for our products but whether we are selling enough to make money and whether we are losing what we make on products which we don't bother selling at all?

KHO:dao
KO:3322
DICTATED ON 8/23/89, BUT NOT READ

Distribution:

- TO: Jack Smith (SMITH.JACK)
- CC: Jim Osterhoff (OSTERHOFF.JIM)
- CC: Win Hindle (HINDLE.WIN)
- CC: John Sims (SIMS.JOHN)
- CC: Jack Shields (SHIELDS.JACK)
- CC: Abbott Weiss (WEISS.ABBOTT)
- CC: Martin Hoffmann @CORE (HOFFMANN.MARTIN)

E.C.

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

Doc. No: 009909
Date: 30-Aug-1989 10:56am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: CHANGES IN THE FIELD

DIGITAL CONFIDENTIAL

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It's now nine or ten months since I announced changes in the field. For the most part, nothing has happened yet. I have already told the Board that I am terribly embarrassed that I am not accomplishing the things that I've promised them I would accomplish. Most of the things we did in the budgeting were not those that I asked for. I also had to admit that I promised I would make the changes by making the changes in the budget and that would influence the organization. I had to already confess, and I have to again confess to them in September that we did not do in the budget what I had promised, and we have not changed the organization. I would like to meet with you on Friday, September 1st, or Tuesday, September 5th, and I'd like to have a schedule for accomplishing all the things I've asked for.

I want to immediately put education into the product groups, and I want to immediately have you propose to the Executive Committee how we will organize the field so that everyone in the organization understands it. There is utter confusion in the field today. We appear to say, yes, we will organize by industry to the industry people; yes, we will organize by geography to the geography people; and, yes, we will organize by products to the product people. Then, I'd like you to go through all the things that I ordered to be done and give me a schedule on them. One of them is budget in the traditional sense by sales unit. I clearly specified, over and over again, that the ACTs would be part of the application budgets.

I also clearly said that support people would be clearly budgeted and controlled by the product people, and I'd like to make sure that this is absolutely clear to everyone in the system.

KHO:dao
KO:3348
DICTATED ON 8/29/89, BUT NOT READ

Distribution:

TO: Jack Shields	(SHIELDS.JACK)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Smith	(SMITH.JACK)
CC: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: Dave Grainger	(GRAINGER.DAVE)
CC: Dick Fishburn	(FISHBURN.DICK)
CC: Remote Addressee	(PAT SPRATT @MLO)

EC.

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

Doc. No: 009964
Date: 01-Sep-1989 04:55pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: DIGITAL PRINCIPLE OF ORG. AND U.S. FIELD ORGANIZATION

DIGITAL RESTRICTED DISTRIBUTION

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In 32 years, we have learned (or should have learned) principles of organization. It is human nature for every manager, every engineer and every committee to tell every general or every budget unit how decisions should be made. However, he who is responsible has the responsibility to make sure the best decision is made and advice from everyone else is not an excuse for failure.

Many people are frustrated because they know what the Company should do but they will not take the responsibility. Therefore, he who proposes does.

The proposals should be made in the form of budgets. Every unit (or team) must have a budget that commits what will be returned, what capital will be used and the costs incurred.

However, if a senior manager's budget is the sum of all of the costs and all of the promised return of all of the groups that work for them, it will normally be true that, any overhead, any buildings, any large lobbies, any status symbols and any red tape they develop and directly manage will be infinitely small compared to their total budget. Therefore, the budget of each manager should rather define only the services they and their staff commit to return for the costs they incur directly.

Profit is the main goal of a budget. It often happens that solving ones own problems and being economical pays off very little compared to straightening out the contributions of others. Everyone must stay focused on what they directly plan and manage. Therefore, every unit budget should be what they return for what they do and they may be measured by their results.

Everybody wants to do good things, all of which should help the

company; however, the total costs can quickly add up to much more than the income. Therefore, for every product budget, someone has to be in charge of the total Corporate budget for that product.

U.S. FIELD ORGANIZATION

There will be about 600 sales units. Some are single accounts and some are many accounts. Each one will budget all cost and capital used, and the bookings that they promise to return. They will run units like a business, but will not count profit because it involves items outside their control.

There will be about 60 Districts who are there to help and serve the units. They will normally be landlord to several units. They will budget all district unique expenses and capital they use for what service they return to their units. They will normally be measured on how well their units do. Because the budgets are not the sum of the budgets below them, the units can make investments anywhere in the world and get a return anywhere in the world and the District will not be hurt.

There will be about 6 Areas who are there to serve the Districts. They normally have one manager and little or no staff. Normally, they will be located in a District or an office at Headquarters. Sometimes, the Districts will be grouped by geographical location, sometimes by industry, or any other way which might be convenient.

The Government District will be one Area which will also do Government marketing. The Reseller group will be in Districts which will need resellers and will also do the reseller marketing.

Allowances need not be done by rule of thumb the same way across all products. The Districts and Areas will not be involved in allowance approvals. Allowances will be done by product and each product group will give the rules for their products and will quickly, by telephone, answer questions not covered by the rules to the sales units.

KO:3360
(DICTATED 9/1/89 BUT NOT READ)

Distribution:

TO: Dave Grainger	(GRAINGER.DAVE)
TO: Jack Shields	(SHIELDS.JACK)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)

CC: Jack Smith (SMITH.JACK)
CC: Martin Hoffmann @CORE (HOFFMANN.MARTIN)
CC: Abbott Weiss (WEISS.ABBOTT)
CC: Jack Shields (SHIELDS.JACK)
CC: Jack Smith (SMITH.JACK)
CC: Bill Demmer (DEMMER.BILL)
CC: Bob Glorioso (GLORIOSO.BOB)
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CC: Remote Addressee (PIER CARLO FALOTTI @GEO)
CC: Dave Grainger (GRAINGER.DAVE)
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CC: Don Busiek (BUSIEK.DON)
CC: DONALD ZERESKI (ZERESKI.DONALD)
CC: BILL HANSON (HANSON.BILL)
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CC: PETER SMITH (SMITH.PETER)
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CC: BRUCE J RYAN @CORE (RYAN.BRUCE J)
CC: Dick Farrahar (FARRAHAR.DICK)
CC: Remote Addressee (PAT SPRATT @MLO)
CC: Remote Addressee (WILLOW SHIRE @MRO)

V.F.C.

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

Doc. No: 010608
Date: 19-Oct-1989 02:04pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: GREAT MANAGERS DEVELOP POOR LEADERS

DIGITAL RESTRICTED DISTRIBUTION

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It is my observation that when a company or a group has a terrible manager in charge, good leaders come to the surface and make an operation work and when that poor manager leaves, suddenly it is discovered that there are very competent people to take over, and they do a good job.

The corollary is also true. When a company or group has a truly great manager or a group of managers, it is very hard to develop and find good leaders underneath them. They take responsibility for everything, they work eighteen hours a day, they are in demand to visit every group in the Company to show leadership at every building and every country, and they personally have to make decisions because there is nobody underneath them who can prepare decisions that only need to be rubber stamped. The results are extremely serious when this person gets tired or has to leave.

Digital is now getting to be quite well organized, and we have great managers in charge of each piece, but we're setting about to wear them out or kill them. We insist that they go everywhere, do everything, help everybody, take part in all sales, and make all decisions, and it is clear that there is no one underneath them that we can trust.

It is clear that we have to immediately start dumping responsibility to the next two layers below the managers. We should hold them responsible for preparing proposals that just need to be rubber stamped. It will also be clear they are taking the responsibility and not the senior managers.

We should insist that the committee secretary makes sure the proposals that come to the committee are complete and ready for a yes or no answer. It should be the goal that proposals can be read ahead of time and that the normal situation is to vote

acceptance even before people are called into the room.

We are now a big Company, and we should identify those areas in which we try to put more and more responsibility on an individual or a small number of people. For example, as we rebuild STF, let's not insist on one group who, at best, has a narrow view of the Corporation and that they don't take the responsibility for the whole Corporation. Let's instead break the Company into a number of pieces. For example:

1. Networks and Communications
2. Terminals
3. PCs
4. Workstations
5. Time-sharing
6. Mainframes
7. Supercomputers
8. UNIX
9. VMS
10. Systems Integration

Let's assume that the software to go with each piece of the Company is part of the responsibility of that group.

These groups should have the feeling of complete responsibility. They should prepare strategies and plans that are complete and can be approved with a simple yes or no, or, in some cases, there could be several choices, but they are complete enough so that one can be picked.

For our meetings, we should normally give people time in the morning so they can take care of a few telephone calls and talk to the secretary. Then we should probably schedule some time at noon so that they can take care of all those other outside calls that have accumulated.

Once in a while, we should get away from telephones and everything else and truly be meditative on the future of the Company, but almost all regular things should be assigned to someone else to develop complete plans and strategies.

If we had a person or persons who had the responsibility to make sure that all our building plans were wise, we probably would not have over built two years ago. When a lot of people without that responsibility feel the responsibility to make everybody happy, they approve everything that is requested by someone more senior than they are, but they have never asked to pass judgment on the wisdom of the whole plan.

Instantly, we should hold each region responsible for all the district manager's budgets and get them done in a week or so. Then we should immediately hold all district managers responsible to make sure that those accounts which are resident in their

district do their budgets with wisdom and skill. We should not leave the implication that Ken Olsen, Dave Grainger, or anyone else is going to run the budgets. We have the organization, we should force those people to do their obvious task, and not give them any time to complain and moan.

KHO:dao

KO:3462

Dictated on 10/18/89, but not read

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
TO: Willow Shire @ CORE	(SHIRE.WILLOW)

D
Please ask that this
memo get sent also
to Peter Jancoy, Pete Zoller,
and Ed Kamins

Review KO

F.C.

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

Doc. No: 010636
Date: 20-Oct-1989 01:30pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

↑ Norma made this
request of
Lbbie ipko's office.

TO: See Below

Subject: STRATEGY QUESTIONS FOR THE STRATEGY MEETING

DIGITAL CONFIDENTIAL

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I think one of the most critical strategic questions we need to solve immediately is how we present our products, our prices, and our configuration rules so that the sales person and the customer can understand them.

Yesterday we were told, for reasons beyond my comprehension, that it is impossible to group the necessary software packages for a common application. The reasons were all internal to the product group and had something to do with our strategic goals which I didn't understand. If we can't sell the products we make because of internal reasons, we all ought to understand exactly the reasons why.

We have many reasons why it is impossible or takes forever to do advertising. There is some implication that it is senior management, the Executive Committee, or someone that limits us, but the detailed reasons are always all within the product group. There is an implied rule that everybody has to agree on advertisements before they are allowed to be brought up to Ken Olsen or the Executive Committee. If this is true, let's spell it out and at least let Ken Olsen and the Executive Committee know why it takes months for us to come up with an ad and why other companies can do it in a day or two.

Part of the strategy should be to identify our marketing messages and then lay out our plans to make sure we deliver the messages. What are our big advantages? Is it immoral and illegal to tell the world? Are VMS networking, RdB, large scale integration, etc. our advantages? Is it okay for us to tell the world, and, if so, exactly what are the messages and how do we do so?

Another major strategic question is: What individual pieces of hardware and software are we missing before we can sell to certain areas? It seems to me that it has been between nine and

twelve years that we've been working on CD ROM for software. We, today, don't have the device for feeding it into the computer or the network. Since this came up two days ago, we've defined a product that we can put together quickly and cheaply, but apparently there is a the rule that we can't make it until the software distribution people agree they want to use it. It is said that the software distribution people don't want it because they will make less money on this inexpensive media. Is this how decisions are made in the Corporation?

There are long lists of common jobs that many people need to get done with a system. If we package them, we could sell them simply right from literature, with little sales time, no integration, no configuration, no specialist, no education group involved, no field service assembly, no software support, and no contribution from all the groups that are traditionally involved in selling systems. We would keep a lot fewer people busy, but we could get a lot more business. What is our strategy? Do we insist on everybody in the Company having a piece of every job, or can we package hardware and software to do particular jobs and sell it as if we are selling a refrigerator that you just plug in and it does something? Most likely you would plug it into the wall for power, and then plug into Ethernet to do the job it is supposed to do.

KHO:dao
KO:3467
DICTATED ON 10/19/89, BUT NOT READ

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
TO: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Jack Smith	(SMITH.JACK)
TO: Bill Demmer	(DEMMER.BILL)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Dom LaCava	(LACAVA.DOM)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
TO: Dave Grainger	(GRAINGER.DAVE)
TO: DICK POULSEN	(POULSEN.DICK)
TO: Don Busiek	(BUSIEK.DON)
TO: DONALD ZERESKI	(ZERESKI.DONALD)
TO: BILL HANSON	(HANSON.BILL)
TO: BILL STRECKER	(STRECKER.BILL)
TO: PETER SMITH	(SMITH.PETER)
TO: Bill Johnson	(JOHNSON.BILL)
TO: BRUCE J RYAN @CORE	(RYAN.BRUCE J)
TO: Dick Farrahar	(FARRAHAR.DICK)
TO: Remote Addressee	(PAT SPRATT @MLO)

TO: Willow Shire @ CORE

(SHIRE.WILLOW)

EC.

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

Doc. No: 010840
Date: 02-Nov-1989 04:27pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: IMAGING

DIGITAL CONFIDENTIAL
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Dick Heaton and crew have had success in setting up an imaging sales office as part of the sales department. This gives the sales person a place to go and because the staff is confident and enthusiastic, they are able to help the sales person.

Let's consider pursuing this one step further and put a DCC in one of our local buildings. It would carry on the functions of the sales office but would also have a demonstration area for all the things we can offer and integrate. Those who want to come and see something can see it all in one place.

If it is a good idea, we then should do the same thing for electronic publishing and EDI. We might also have a small area for other things such as DECTalk.

If we concentrated it all in one of our newer, not too full buildings, we could have some specialized DCCs. For example, one could be a network wiring of DCCs where we demonstrate all the possible ways of doing wiring, and customers could come there, look at them, try them out, make connections, make sample networks, and really see the advantages and disadvantages of each of the ways of wiring up a network.

KHO:dao
KO:3494
DICTATED ON 11/2/89, BUT NOT READ

Distribution:

TO: Jim Osterhoff (OSTERHOFF.JIM)
TO: Win Hindle (HINDLE.WIN)
TO: John Sims (SIMS.JOHN)
TO: Martin Hoffmann @CORE (HOFFMANN.MARTIN)

TO: Abbott Weiss (WEISS.ABBOTT)
TO: Jack Smith (SMITH.JACK)
TO: Remote Addressee (DICK HEATON @UPO)
TO: Remote Addressee (KERRY BENSMAN @UPO)
TO: Jack Smith (SMITH.JACK)
TO: Bill Demmer (DEMMER.BILL)
TO: Bob Glorioso (GLORIOSO.BOB)
TO: Dom LaCava (LACAVA.DOM)
TO: Remote Addressee (PIER CARLO FALOTTI @GEO)
TO: Dave Grainger (GRAINGER.DAVE)
TO: DICK POULSEN (POULSEN.DICK)
TO: Don Busiek (BUSIEK.DON)
TO: DONALD ZERESKI (ZERESKI.DONALD)
TO: BILL HANSON (HANSON.BILL)
TO: BILL STRECKER (STRECKER.BILL)
TO: PETER SMITH (SMITH.PETER)
TO: Bill Johnson (JOHNSON.BILL)
TO: BRUCE J RYAN @CORE (RYAN.BRUCE J)
TO: Dick Farrahar (FARRAHAR.DICK)
TO: Willow Shire @ CORE (SHIRE.WILLOW)
TO: Ken Olsen (OLSEN.KEN)
TO: BOB PALMER (PALMER.BOB)
TO: Grant Saviers (SAVIERS.GRANT)

EC.

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

Doc. No: 010931
Date: 08-Nov-1989 01:09pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Copy to Win et al

Subject: CORPORATE OPERATIONS COMMITTEE WOODS MEETINGS

DIGITAL CONFIDENTIAL

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I'd like to concentrate on our marketing and strategic opportunities. We need to aggressively increase market share. Because our marketing is run by engineers, it is normally aimed at the products we don't have yet but will have in two or three years. We are already bored with the products which we have today that excited us two years ago, and we have to concentrate on getting an enthusiastic, organized marketing and selling approach to our products. I think we should do this by scheduling two meetings, one in January and one in February.

For the first meeting, I'd like to work on the marketing of products. I'd like to look at this by product segments and, for the meeting, have the market segment manager responsible for the preparation and attendance for each segment. They would find the best unit or account managers, from the sales department, to be part of a team for each of these segments. Those three people will prepare and come to the WOODS meeting with their approach to marketing and selling.

I'd like to do the same thing in February, but, in that case, have ten to twelve applications. These could include office All-In-1, imaging, EDI, desktop publishing, banking/insurance, trader workstations, small business, science/laboratory, manufacturing, big accounting, telecommunications, CASE, and IS. Here to, I'd have three people on each preparation committee and have those same three people attend the WOODS meeting.

The purpose for the meeting is to come up with new, innovative ideas to sell our products and aggressively increase market share.

I'd like Jack Smith and Willow Shire to lay out the list of each of the applications and each of the segments and who would be the chairman of those committees. Then have that chairman search out

the best two sales people to be on their committee. These sales people should compliment the interest and experience of the engineer, they should be enthusiastic about selling what we have and matching it with the needs of the customer, and getting our message organized and communicated.

KHO:dao
KO:3506
DICTATED ON 11/7/89, BUT NOT READ

Distribution:

TO: Jack Smith	(SMITH.JACK)
TO: Bill Demmer	(DEMMER.BILL)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Dom LaCava	(LACAVA.DOM)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
TO: Dave Grainger	(GRAINGER.DAVE)
TO: DICK POULSEN	(POULSEN.DICK)
TO: Don Busiek	(BUSIEK.DON)
TO: DONALD ZERESKI	(ZERESKI.DONALD)
TO: BILL HANSON	(HANSON.BILL)
TO: BILL STRECKER	(STRECKER.BILL)
TO: PETER SMITH	(SMITH.PETER)
TO: Bill Johnson	(JOHNSON.BILL)
TO: BRUCE J RYAN @CORE	(RYAN.BRUCE J)
TO: Dick Farrahar	(FARRAHAR.DICK)
TO: Willow Shire @ CORE	(SHIRE.WILLOW)
TO: Ken Olsen	(OLSEN.KEN)
TO: BOB PALMER	(PALMER.BOB)
TO: Grant Saviers	(SAVIERS.GRANT)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Smith	(SMITH.JACK)
CC: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
CC: Abbott Weiss	(WEISS.ABBOTT)

E.C.

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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: 011013
Date: 15-Nov-1989 02:13pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: Win Hindle
TO: Martin Hoffmann @CORE
TO: Jim Osterhoff
TO: John Sims
TO: Jack Smith

(HINDLE.WIN)
(HOFFMANN.MARTIN)
(OSTERHOFF.JIM)
(SIMS.JOHN)
(SMITH.JACK)

Subject: PAY INCREASE FOR EXECUTIVE COMMITTEE

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I am very discouraged that during the period of time we stopped giving pay raises to the Executive Committee we made very little headway in separating out the overwhelming frustration and overhead in the Corporation. I am not sure if things are getting better or worse in the Field. We are still committed to measurements, rewards and allocations, and not to making things simple for the customer and sales person.

We still want to overwhelm the sales person and the customer with controls, signature and red tape and have them take part in allocations of the segments, services and the financial department.

I want to propose to the Board of Directors that we give no stock options or pay raises to the Executive Committee, Operations Committee and the vice president's in the Field until there is clear success in simplifying and making it easy for the sales person to represent Digital to the customer.

Talk, plans, promises and WOODS meetings mean nothing. I want no increase in compensation until the sales person and the customer see the results.

KO:3528
(DICTATED 11/15/89 BUT NOT READ)

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

Doc. No: 011031
Date: 16-Nov-1989 01:12pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below *Executive Committee and others*

Subject: CORPORATE LEADERS FORUM

DIGITAL CONFIDENTIAL

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I think we can make our Corporate Leaders Forums more efficient and with more content if we set about to fill in with Digital information and not outside professors to give general futuristic predictions on vague things.

We might change the name to Senior Executive Seminars. I think people would much rather become educated on a small number of critical concepts, so that they can carry on conversations with their people, rather than vague generalities about the future. We could find the best lecturers within Digital who are experts on the subject and have them carefully present the right technical subject, but narrow the goals of the lecture to get across the critical, major concepts.

One lecture could be on standards. The theme should be UNIX is not a standard, but UNIX should follow standards.

Another one should be on databases. We can explain two, three, or four different databases and how they operate so that people can walk away with a feeling that they understand initials when they hear them.

Another lecture could be on OLTP and the general concepts would be very important to any senior executive.

The concepts of a networked organization with its implications on teamwork, data sharing, software sharing, and work sharing would be well to have organized in a simple outline that could be presented in an hour.

Desktop devices could also make a good one-hour seminar. What's the difference between a terminal, a picture terminal, a

PC, and a workstation? How does one pick between them? What does it mean to network them together in a building or in a whole organization?

KHO:mg
KO:3533
(DICTATED 11/15/89 BUT NOT READ)

Distribution:

- | | |
|-----------------------------------|-----------------------------|
| TO: Remote Addressee | (DAVID COOPER @TUO) |
| TO: Remote Addressee | (PIER-CARLO FALOTTI @GEO) |
| TO: PETER ZOTTO(PETER ZOTTO@CORE) | (ZOTTO.PETER) |
| TO: PETER SMITH | (SMITH.PETER) |
| TO: Jack Smith | (SMITH.JACK) |
| TO: Jim Osterhoff | (OSTERHOFF.JIM) |
| TO: Win Hindle | (HINDLE.WIN) |
| TO: John Sims | (SIMS.JOHN) |
| TO: Martin Hoffmann @CORE | (HOFFMANN.MARTIN) |
| TO: Abbott Weiss | (WEISS.ABBOTT) |

DIGITAL CONFIDENTIAL Document

E. C.
11/21

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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: 011064
Date: 20-Nov-1989 02:49pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: ONE-PAGE PRESENTATION MANUAL

DIGITAL CONFIDENTIAL

DO NOT DISTRIBUTE OR COPY

I'd like the committee secretaries to prepare a one-page presentation manual that will lay down the rules for presentations.

It is very important that we make our meetings more efficient so we don't demand so much energy of our senior executives for items that could be done with much more efficiency.

I think the first rule should be that every agenda item should, on the agenda, state the question being asked, or the reason for the presentation.

The same rule should apply to all presentations with a significant set of slides or a book. On the first slide or the cover of the book, it should state the estimated total cost of preparing those slides or book. Every slide, every chart, or drawing in the book should state what one is supposed to learn from that chart.

Too often people make charts and slides in order to fill up a presentation but have no reason in mind, whatsoever, why they are making the chart, and, therefore, it is a waste of time. If people are forced to figure out why they are making it, they will make less and will be sure that the chart presents the message they want to get across.

The goal of a chart or slide is to show that something is irrelevantly small or something is very big, or that two or three items are approximately the same, the result of the slide should be stated and then, maybe, the statement would be more effective than the slide, and all we would need is a statement.

There are several reasons why we may want to bring up an item, one is education. If this is the case, people may not want to be educated, and they don't have to come to the meeting.

The second reason an item might be brought up is if there is a question. The question should be clearly and concisely stated in the agenda. If this is done, we may give the answer without having a presentation.

The third reason for making a presentation is that people don't know the answer, and they want a bull session or a brainstorming session. In this case, they should state this, and say, "I'll present all I know, and I then need your help to go to the next step beyond that."

The fourth reason for a presentation is to present a plan for approval or to present results for review. In this case, it is critical that the presentation not be a snow job to hide the missing things or the things that are not done well or have gone wrong. I believe, for these presentations, the secretary should look at them first and warn people in the agenda what things are left out or warn people which things should be looked at because they are critical, negative, or dangerous. Too often, reports and reviews are carefully crafted to hide from the listeners the things they should worry about or challenge.

These rules may sound brutally frank, but it is brutally cruel to ask tired, busy executives to sit through long presentations when the question wasn't formalized or thought about, or where the whole presentation is developed to hide the significant facts and the listeners have to somehow find out what is being hidden.

KHO:dao

KO:3543

DICTATED ON 11/19/89, BUT NOT READ

Distribution:

TO: Willow Shire @ CORE	(SHIRE.WILLOW)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Jim Cudmore	(CUDMORE.JIM)
TO: Patrick J Spratt @ CORE	(SPRATT.PAT)
TO: Remote Addressee	(ROBERTA BERNSTEIN @MLO)
TO: Remote Addressee	(KEN SENIOR @OGO)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Smith	(SMITH.JACK)
CC: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
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CC: Bill Demmer	(DEMMER.BILL)
CC: Bob Glorioso	(GLORIOSO.BOB)

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CC: Remote Addressee (PIER CARLO FALOTTI @GEO)
CC: Dave Grainger (GRAINGER.DAVE)
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FOR WIN'S IMMEDIATE REVIEW

F.C.
11/21

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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: 011054
Date: 20-Nov-1989 09:36am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: PREPARING FOR COMING RECESSION

DIGITAL RESTRICTED DISTRIBUTION

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It seems like things are turning around somewhat in the U.S. Pier-Carlo says Europe continues to look good except for the U.K. However, the economists now seem to agree that we are in for a real recession. I am always suspicious of the economists when they only look at two months of old data and do not take into account current factors such as the major cutback in defense spending. Therefore, I think we should make plans for a serious recession.

A number of months ago, when we looked at the slow down, we set about to make cuts. This time, let's first solve our problems and then see if we have to make cuts. At that time, I was sure we would straighten out the U.S. field in a small number of months, but now it looks as if we are planning a two-year program to get the word out to the sales people to solve problems that took less than a year to generate.

I thought we would straighten out the field with the simple ideas we had and then straighten out software services, do some marketing and get our messages straight. If we take two years for each step, the message will never get out the other end and two years for each one will be about ten years.

I do not know a department in the Company that is not committed to an infinite number of steps, approvals, signatures, meetings and detail to get the most obvious things done. The workers are impatient and the vice presidents and Executive Committee members are protecting their overhead people. I would like to take the day on Tuesday to have the Executive Committee go over every step necessary to solve every problem, particularly the red tape overhead problems in the Corporation.

After that, I would like to go over every unprofitable, not worthwhile product and cut it out. Then, I would like to go over every marketing message to make sure it is clear and simple and that we have a program to get it out.

I think the confusion within the Company about the UNIX RISC message is our biggest burden. The second, and maybe equally as important, is our tendency to sell those messages for the future which engineering is trying to sell internally for funding. They have lost complete interest in those things that were selling within the Corporation last year, which are simple products this year. They seem afraid to mention the products we have today because it would weaken their argument for research money for tomorrow's products.

KO:3544
(DICTATED 11/20/89 BUT NOT READ)

E.C.

DIGITAL CONFIDENTIAL Document

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

Doc. No: 011093
Date: 21-Nov-1989 03:31pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: NEW EMPHASIS ON APPLICATIONS AND MARKETING

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Marketing applications is a major part of our selling. In general, people buy applications and not computers. To show emphasis on this, the Executive Committee has decided that they, as a committee, will review, influence, challenge, and inspire application groups.

The Corporate Operations Committee will continue to oversee the segments and the operations of the Corporation which normally involve the selling, manufacture and delivery of hardware and software. The Executive Committee will be responsible for overseeing all application marketing groups.

Each marketing group shall have one manager who will be responsible for budgeting, all expenditures and committing to all resulting orders. For example, there will be a manager for manufacturing applications, NAS, imaging, EDI, etc. There will also be a manager for each of the various applications in telecommunications and each of the applications in banking.

Each of these managers will come periodically and explain their dream for market share, for products, for growth, etc., with the Executive Committee. In addition, each month or each quarter, the expenditures and returns will be published on a list for each of the marketing groups.

KO:3551
(DICTATED 11/21/89 BUT NOT READ)

Distribution:

TO: Jack Smith

(SMITH.JACK)

TO: Bill Demmer	(DEMMER.BILL)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Dom LaCava	(LACAVA.DOM)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
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TO: DICK POULSEN	(POULSEN.DICK)
TO: Don Busiek	(BUSIEK.DON)
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TO: Dick Farrahar	(FARRAHAR.DICK)
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TO: BOB PALMER	(PALMER.BOB)
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TO: Win Hindle	(HINDLE.WIN)
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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: 011111
Date: 22-Nov-1989 03:22pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: REVIEW OF MARKETING GROUPS

DIGITAL CONFIDENTIAL

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Now that the Executive Committee is going to take on the responsibility to review, challenge, inspire and rationalize the marketing and application groups throughout the Company, I believe it is your responsibility as a committee of the committee secretaries to organize all the applications and marketing groups throughout the Company so that the Executive Committee can take hold of their new job. I believe we have marketing groups in every country and many groups in engineering. It would be good if you would prepare a list of all of these and then organize it in a way so that we can review them every six months or a year.

We would like to review two to four marketing groups at each meeting of the Executive Committee, and, for most Board of Directors' meetings, it would be good to have them review one or two groups.

We don't want these groups to consist of a very elaborate slide show or thick marketing plan. In general, these discussions should be casual, free-for-all discussions and not so organized that interchange is limited.

The presentation normally should consist of a simple statement of what is being spent in people and dollars and what the return is and orders or qualitative measures. Probably all the important data can be presented to the people for reading ahead of time in two, three or four pages and then, during the meeting, it will consist of a discussion on the assumption that people have read the preparation material.

The committee might propose the outline for each presentation.

Each outline would be different for different categories of groups. For some of them, it should be a review of the market the group is serving, the market share, and what the market share should be. We should also identify our most important competitors, their advantages, our advantages, our problems, and the answers to our problems.

The summary should be our investment, our return on investment, and the incremental return for an incremental investment. What would be the results if we cut back on our investment?

Major Business Weakness of Digital

In history, one of the weaknesses in our business plans is that we budget development of a product and we put aside a certain amount of money for marketing it. That marketing money is then put into a pool run by a marketing group that markets many products.

The result, not uncommonly, is for the product investment to continue and to be successful, but the marketing group has many responsibilities and one pool of money, and they feel it is their prerogative to invest that in the most opportune way with the result that many products are invested in engineering, tooling, production, and inventory but are never marketed. The product is often a failure because no marketing was accomplished and because the marketing group has many responsibilities and only limited funds, and they are not committed to market all the products that come under their responsibility.

I'd like the Executive Committee to take on the responsibility to make sure that, for every product investment, there is an appropriate budget and plan for marketing it and that this is reviewed to make sure that, if the product fails, it is clear whether it is poor planning, poor engineering, poor manufacturing, poor selling, poor marketing or complete lack of marketing, because the ~~signed~~ funds were used elsewhere.

ASSIGNED

Further Weakness of Digital

We traditionally leave the marketing of the product to the engineers which has several inherent weaknesses. First of all, the engineers work intensely with the product and cannot develop a feeling for the potential customer who doesn't understand all the details, all the acronyms, all the dreams and all the technologies. Secondly, the engineer, just by nature, is always trying to sell the improvements for which he is looking for funding for next year. This means that those products which he was enthusiastic about selling last year and the year before and which today are developed and ready to be sold, and often better than what he dreamed about, are no longer of interest to him. In fact, it is very common, almost traditional, for the engineer to explain all the weaknesses of today's product, which he was selling two years ago, because his main goal now is to sell the

need for the Company to invest in the projects for which he is looking for funding for the next two years.

It is not uncommon for engineers to unconsciously use the press, customers, and speeches to help sell the need for investment next year. The customer normally wants to know what we have today that he can buy today, and this engineer is completely involved in trying to get money for the improvements that he wants to accomplish within the next two years. If he can convince the customer and the press that these weaknesses are there and that he has a solution, he then is funded. It is, therefore, of utmost importance that the marketing message be reviewed by outside people with a certain objectivity.

We owe it to the customers to tell them about our future plans but that should be separate from marketing the products we have today and how they solve the problems of the customer and how they compare with the competition. It's a quite separate issue to tell what's coming down the road and none of that should be done by pointing out the weaknesses of today's product.

KHO:mg
KO:3557
(DICTATED 11/22/89 BUT NOT READ)

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Memo from Ken O.

*File
K.O.
E.C.*

DIGITAL CONFIDENTIAL Document

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

Doc. No: 011220
Date: 05-Dec-1989 03:38pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: POINTS OF FAILURE IN SEGMENT MANAGEMENT

DIGITAL CONFIDENTIAL

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When we first segmented the Company into product lines twenty-five years ago, everyone was against it except General Doriot. He warned me that it always failed, but, if I insisted, he would support me. It took me many years to realize what he was talking about. Segment management almost always fails, but I don't know of any other way of running a large company, and we have to keep trying.

The three points of failure that we've observed are:

1. After some success, segment managers, all too often, delegate the budgeting, the financial review and financial management of the segment to a spreadsheet or a finance person. At which time, they lose all power and control.
2. It quickly becomes clear to most segment managers that the most significant improvement to their P&L statement can be made by straightening out other parts of the Corporation. This is obviously true if you look at the mathematics. The reason we broke the Company into segments was so that people would be motivated to straighten out their part of the Corporation, on the theory, that if each part of the Company did a good job on their part, the whole Company would be taken care of. It is always easier to straighten out another person than to straighten out oneself, particularly when the mathematics show that the return is faster in the other places.

It is even more true that if one looks at the future, the future growth of the Company comes about, not by cutting

manufacturing costs by one percent, or by cutting one percent out of European costs of sales, but by marketing, strategy, and product architecture which only the segment manager can do. But, alas, when people are taking the short term view, the effort is spent on cutting one percent somewhere else in the Corporation and not in those areas which they are responsible for that would make a several hundred percent difference three years away.

Looking back on the immediate history, it's clear that a tiny improvement in anybody else's effort would have made a significant difference in the past quarters. It is even more clear that a tiny bit of marketing and presenting a clear simple message could easily get a doubling of market share for most segments and this would save any other part of the Company.

3. The overwhelming problem that develops in time is the belief that the most important part of being a segment manager is to defend and exploit the god-given rights and prerogative of a segment manager. It is believed that the segment manager has the right to make decisions, spend money, and make commitments without answering to anyone except for the final number which is the only thing the people above them are allowed to look at. This is why there are many products that we never market because it was soon to be the prerogative of the segment manager to spend the money, develop the product, put it into production, and then decide where to spend marketing money or marketing energy.

It's clear from history that segment managers, in time, compete more internally than externally. This is why we have cabinets that are different in a customer's computer room. Each group, above all, wants to be different from other parts of Digital even more than they want to be different from the competition, and, in time, there is more competition in who has the best announcements, who has the best sales meetings, or who has the best part of DECworld, than there is competition with the outside world.

THE ANSWER

It's clear that the Executive Committee has the responsibility to make sure that the segment managers clearly maintain the main goal which is to do the planning, marketing, developing and organizing of their product. The things which only they will do and can do are the key parts of their job and all things that should be standard, that should look alike and that should be done once for the Corporation should be the responsibility of the Executive Committee.

The Executive Committee should not measure people just by the

bottom line. This encourages many bad decisions. Each group should be measured by the quality of the job they do, for how much of the market share they get, and for the return on each of the investments they make. I'd like Abbott and Willow to be sure that the questions are raised at the Executive Committee meeting which will take away from the segment managers those things which are not worth creative concentration and to make sure that common things are decided with their help, but once for the whole Corporation.

One of the first things I'd like to do is to make a commitment to a common Company cabinet. This has been designed, it's ready for proposal, and I'd like the Executive Committee to make sure that a commitment is made for all organizations using a cabinet, and that they use the same one probably with the same power supplies. They should also insist that all equipment brought into a computer room looks like it came from the same manufacturer and is equal in quality design with any of our smaller competitors.

KHO:dao

KO:3584

Dictated on 12/4/89, but not read

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
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TO: Abbott Weiss	(WEISS.ABBOTT)
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TO: Don Busiek	(BUSIEK.DON)
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E.C. ^{K.O.}

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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: 011302
Date: 11-Dec-1989 03:39pm EST
From: Ken Olsen
 OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below *Executive Committee + others*

Subject: SALES UPDATE

DIGITAL CONFIDENTIAL

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On Friday, 8 December, the SSMI decided to modernize Sales Update and make it the one document which will get information to all field operations and all managers in the Corporation. We use the name Sales Update because the main reason for the document is to get information to the sales people quickly and in an interesting form. The same information is, of course, important to all other managers in the Company, particularly all the other field organizations. It would also encourage all organizations to straighten out misconceptions that they hear about in this document.

Newspapers publish an edition every day and have them delivered to homes, offices or stands every morning. It was decided that we will get this document out every week to every manager at Digital. It is important that it be on every desk by noon on Friday. This is difficult to do for Europe and even more difficult for Australia.

In order to accomplish this, the closing time for all input is 5:00 p.m. on Wednesday. By Thursday morning, it has to be locked up and on the wire around the world.

It is not clear whether it should be done in magazine form or tabloid form.

The copy that gets out Friday morning will probably be in English. The local translation will be a short time later.

For most countries, the copy will be off the wire and mailed in a few hours so it would be at everyone's desk by noon on Friday.

Those in remote cities can print it with a laser printer in the office and have a local letter shop reproduce it. Those in tiny, very remote offices, can print it and distribute it right within the office either by making more copies on the laser printer or by putting it through the copy machine.

By going to the trouble of getting it out quickly, making it an event each week, and by going to some trouble and expense to do so, we will make it an important document. We will also eliminate the need for many other documents.

I don't believe that Sales Update will contain long, complex, technical articles on specific products, but instead will give some basic information and then tell how do get a printout of the technical document for those who are interested in it.

Some of the most important marketing tools we have are our own employees. We often don't exploit this. We don't tell our employees and our own managers about our successes, our products, the features and the advantages we have. We also don't tell about the tremendously exciting wins that we make. This document will be the vehicle for doing so and should be one of our most important marketing tools.

We will label this document "For Internal Use Only", but we should, as we write articles, assume that every one of our competitors and customers will get a hold of it. We should write every story so that it will not be damaging if the competition gets it and so it would be advantageous to us if it were shown to a customer.

There is a certain advantage in having these shown to the customer. If we write something for ourselves, we can be much more honest than if we write it for normal publication. When it is written for internal use, we can say exactly what we think. We can qualify statements by saying "we believe", or "to the best of our knowledge", or "from our limited research, the results are..". We can also list the weaknesses of the competition's products. It is not good style to do this in an open publication, but honesty is often what the salesperson needs and sometimes the customer should understand.

One of the motivations for this new approach to Sales Update is to answer questions on red tape, procedure and policy for the sales people. We now have almost developed a relatively simple approach to selling and decision making; but, even so, we have complex products, and there will always be questions. We will have a column called "Ask Ken" or "Ask Jack" where we will answer questions from the sales people (or anyone else). We will answer the questions and then reformulate them for this column to make sure we make the policies clear to everyone.

This document will also be a tool for trying out ads. We can try

out our sales pitches, marketing pitches, and themes just to see the reaction. We can even put in hand-drawn, amateurish ads and ask for a response.

We are so careful not to tell the advantages of VMS because we may be negative on UNIX. In this document, we could informally present all sides of all arguments and make it interesting reading.

I believe a column every week entitled "Clothes and Etiquette for Sales People" would be exceedingly valuable. Everyone who travels would like to know about travel etiquette and, in this day when traditional etiquette has been dropped, it is hard to learn from one's parents or colleagues or even to observe others. It would be helpful to explain what modern etiquette is and when one has the freedom to do otherwise. This might get a little difficult for a worldwide publication, but it would probably be more interesting to everybody in the world if it were titled "Clothes and Etiquette for American Sales People".

I'd like a proposal presented to the Executive Committee and the Operations Committee in the immediate future. It would be nice if we could get this started at the first of the year. We might immediately ask each country for a proposal on how they would distribute the document in their country and, if necessary, how they would translate the document for later distribution. If we do this in magazine style, we could have the covers preprinted weeks ahead and stored locally. We might contract with some organization who is doing it already like the Christian Science Monitor and have them take over the whole job.

KHO:lt
KO:3605
(DICTATED 12/11/89 BUT NOT READ)

Distribution:

TO: John Sims	(SIMS.JOHN)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
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TO: Remote Addressee	(RUSS GULOTTI @BTH)
TO: Dick Fishburn	(FISHBURN.DICK)
TO: Ken Senior @ CORE	(SENIOR.KEN)
TO: Jack Smith	(SMITH.JACK)
TO: Bill Demmer	(DEMMER.BILL)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Dom LaCava	(LACAVA.DOM)
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TO: Dave Grainger	(GRAINGER.DAVE)

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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: 011313
Date: 12-Dec-1989 01:24pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: *Copy to Exec. Comm. etal.*
1990 KEN OLSEN

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attached

In yesterday's New York Times' business section, there was an article by a young reporter telling IBM what they should do to survive. In summary, he said that they should get out of the mainframe business and the minicomputer business and concentrate on big sellers like laptop computers. This is, of course, foolishness. Large companies have to do something more complex, esoteric, and unique to survive. They cannot compete with small companies doing things that small companies could do better.

However, this does raise a question: Can a large company survive by doing only esoteric, complex things that are only appreciated by the competition in the trade? Does a large company also have to sell large quantities of the big selling items in order to survive?

In particular, the question is: Can Digital survive with selling "multivendor network systems" without making major financial and emotional investments in those things which the mainstream industry is interested in? Originally, we set up the Corporate Operations Committee to be a small, thoughtful, interactive group to discuss Corporate strategy. It has gotten now that so many people have insisted on coming that it has the same problems as the traditional large groups have. I would like the Corporate Operations Committee to do a fun job which means cooperation, consultation, meditation and thoughtfulness on the part of the actual committee members themselves. I would like them to come to the January Board of Directors meeting and tell what they think, from their experience, are the four to six largest, most significant markets to Digital starting January 1, 1990, and then identify what we are doing to get our share in that market. For example, are they PC LANS, PC themselves, workstations, servers for PCs and

workstations.

Then, let's identify how much we are investing in each of these major opportunities. How much are we investing in R&D, manufacturing inventory, selling, advertising, and marketing. How do these investments compare with the other major players? Are we investing to win? Then, later in January, I'd like to have an updated School of Marketing. I'd like to divide the senior executives into six groups and give each one a problem to solve like we did last time.

Each group would have two or three weeks to order the equipment and then in one day, in an open factory area, they will have delivered, in cardboard boxes, all the pieces they ordered, and their task for the day would be to assemble the system, get it to work and demonstrate it.

The School of Marketing emphasizes that part of marketing which says that, in order to sell a product, you have to have it well thought out and packaged in a way that can be ordered easily and quickly without any hassle, and then it can be put together by the customer if he wanted to.

Too often technical managers feel that the challenge is to get a system that works and then think that mysteriously someone has to make it easy to buy, easy to sell, easy to order and easy to assemble. Then in March, I'd like to report to the Directors how competent we are doing in those areas which we think are most important to Digital.

KHO:mg
KO:3604
(DICTATED 12/11/89 BUT NOT READ)

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W. Hindle

K. H. OLSEN

12 December 1989

TO: Executive Committee
Operations Committee

RECEIVED

DEC 12 1989

Winston Hindle

/mg

DIGITAL EQUIPMENT CORPORATION

A Prescription for Troubled I.B.M.

I.B.M.'s problems will worsen unless it takes strong medicine.

By JOHN MARKOFF

BY all accounts, the International Business Machines Corporation is in trouble. Drastic measures are now in order if it is to keep its dominance in computers. Some would even argue that the time has finally arrived for it to drop its stubborn preoccupation with the mainframe, maybe even spin off its minicomputers.

Its ailing condition has become an obsession on Wall Street. I.B.M.'s earnings have been sliding for several years, falling to \$5.8 billion last year, from \$6.58 billion in 1984. The stock, once the darling of Wall Street and a symbol of stability, has never recovered from the stock market crash of 1987. It closed Friday at 96%, down from a high of 175% just before the crash.

The company's efforts to reverse its fortunes have been greeted unenthusiastically. Just last week, I.B.M.'s chairman, John F. Akers, told a group of analysts that the company planned to induce 10,000 workers to leave the company, would take a \$2.3 billion special charge to improve the company's finances and would spend up to \$4 billion to buy back its stock. "We are fully prepared to take further actions if dictated by economic or business conditions," he said, suggesting that things could get worse.

When one I.B.M. watcher pointedly asked Mr. Akers if the company's senior management were not the real culprit for its financial malaise, the chief executive bristled. "I believe that a management team is measured by its ability to deal with the problems, and I believe we are identifying the problems and dealing with them," he shot back.

Many financial analysts called for far more draconian measures: staff cuts of 30,000, or even 50,000 employees, among other things.

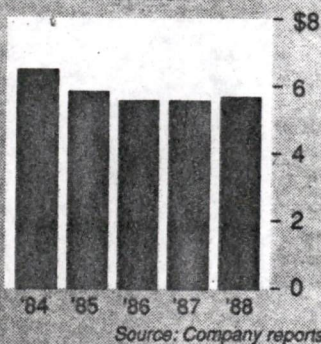
But technology experts have come to their own disturbing consensus. At a time of increasing global competition that is driven by technological developments, I.B.M. has risked its long-term position, preoccupied with meeting Wall Street's demands for quarterly results. They think I.B.M. can preserve its standing as the nation's supreme high-tech company and challenge the Japanese only by concentrating on innovation.

At the heart of I.B.M.'s dilemma is its seeming inability to pursue the most promising new technologies and make a clean break with technologies of the 1960's and 1970's, like mainframes, which are still the core of its business. It is this pursuit of new technology that has permitted companies scarcely more than a decade old like Apple or Compaq, to become multibillion-dollar enterprises, sometimes capitalizing on developments that I.B.M. had access to first.

What should I.B.M. do? Technology-oriented I.B.M. watchers prescribe strong action, but not Wall

Large-System U.S. Sales Are Flat

I.B.M.'s revenues from sales of mainframes and minicomputers in the U.S., in billions of dollars.



Source: Company reports

The New York Times/Dec. 10, 1989

Street's brand of cost-cutting. Here is one blueprint.

Stop Cutting Workers

First, I.B.M. should drop its "thousand cuts" strategy for gradually shrinking its work force in the United States. I.B.M. chose this path rather than a layoff strategy in an effort to preserve morale. But recently departing executives say the strategy has backfired. Some of the company's best and brightest employees have accepted the inducements, and left. And many workers who remain are paralyzed by fear that voluntary actions might eventually be replaced by the involuntary cuts.

Rather than relying on random and voluntary resignations, I.B.M. would be smarter to slim down rationally, by spinning off unpromising product lines, like minicomputers.

Minimize the Mainframe

I.B.M. should confront the reality that the era of mainframe computing is ending. Less expensive desktop computers may not eliminate mainframes any time soon, but they are dramatically slowing their growth. The expanded horsepower of microprocessors has enabled personal computers and work stations to handle applications from payroll processing to exotic document processing that were once possible only with mainframes. The company, there-

fore, would be smart to embrace the philosophy proposed several years ago by John Sculley, the chairman of Apple Computer Inc., who says he views mainframes mainly as storage peripherals, rather than power sources, for personal computers.

But I.B.M. faces a tremendous force of inertia in reorienting itself around desktop computers. As much as 50 percent of its revenues and 65 percent of its profits worldwide flow from its mainframe product lines.

Spin Off the Mini

The company should spin off its AS/400 line and other minicomputer systems. Like mainframes, minicomputers are a dying breed, highly vulnerable to the cheap processing power of personal computers and work stations. But unlike the mainframe, which will continue to serve a vital role as a speedy librarian handling data storage and special tasks, minicomputers are headed for extinction. In fact, jettisoning the product line could slash more than \$4 billion in expenses for the company without any loss in growth.

Take the AS/400 line. When introduced in 1988, the line enjoyed initial success by encouraging I.B.M.'s existing minicomputer customers to upgrade, but the business is now exhausted. And the introduction of ever more powerful new desktop computers will mean increasingly rough sledding for the line in the 1990's.

Stress the Desktop

Instead, I.B.M. should shore up its weaknesses in faster-growing segments of the business, like desktop computing. The computer maker took an important step in the desktop direction earlier this year, when it put James Cannavino, an esteemed veteran of the mainframe division, in charge of both personal computer and work-station development.

And, wisely, I.B.M. over the last four years has invested heavily to become a low-cost producer of personal computers in an effort to fight off the onslaught of clones. Its share of that market has recently begun to bounce back.

But the company has bungled its efforts to compete in work stations, the industry's fastest-growing segment, because it was shamefully timid in exploiting a technology it developed that offered faster processing through simplified hardware design. The vaunted technology, known as RISC, for reduced instruction set computing, was pioneered by John Cocke at I.B.M.'s Watson labs in the mid-70's. As early as 1981, the company had working prototypes of the technology that were far faster than anything that existed.

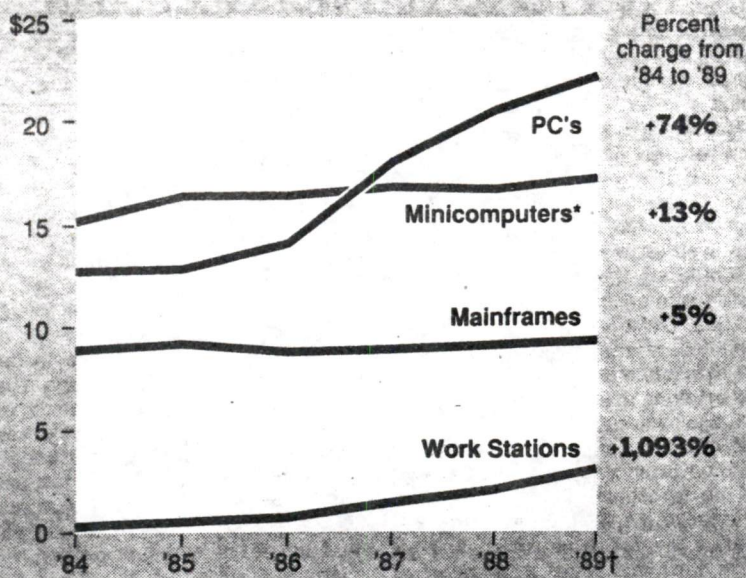
Yet I.B.M.'s first commercial product based on RISC was a disappointment. The product, the PC/RT work station, was not introduced until early 1986 — after a dozen of I.B.M.'s toughest competitors, including Sun, Digital Equipment and Hewlett Packard, had already released their own RISC-based work stations and sewn up the

market. Worse, many in the industry believe that I.B.M. intentionally watered down the work station's capabilities to keep it from cannibalizing sales of its other entrenched products, namely its minicomputers and mainframes.

Yet I.B.M. still has a chance to redeem itself. Early next year, it is scheduled to introduce a new family of work stations with powerful RISC capabilities. With speeds ranging from 20 million to 100 million instructions per second, the new line, code-named Rios, would be competitive with the very best machines on the market. Now, I.B.M. should price the Rios line aggressively, even if it does risk competing with its AS/400 minicomputer.

The Changing Domestic Computer Market

Hardware sales in the U.S. by U.S. vendors, in billions of dollars.



* Multi-user systems costing less than \$1 million.

† Estimate.

Source: International Data Corporation

The New York Times/Dec. 10, 1989

Bring Back I.B.U.'s

To invigorate development efforts, the computer giant should bring back its Independent Business Units, or I.B.U.'s., the independent ventures formed to nurture new businesses. An organizational tool intended to foster entrepreneurial thinking within I.B.M.'s larger, slower-moving corporate structure, these units made it possible for I.B.M.'s "wild ducks," the creative managers who chose not to "fly in formation," to spread their wings. Both the I.B.M. Personal Computer and the new line of computer work stations evolved from these units, which at their peak numbered 15. I.B.M. has now disbanded all but two of them. Yet it has not had a blockbuster product since the personal computer.

Accept Open Systems

Lastly, I.B.M. must abandon its preoccupation with account control, under which it pushes proprietary products to lock in customers to its systems, and move quickly to put its open-systems house in order. Open systems, computer hardware and software combinations that meet generally accepted industry standards, are rapidly becoming the wave of the future. Just last month, the Open Software Foundation, an industry consortium attempting to form a new standard operating system, rejected I.B.M.'s AIX.

I.B.M. should now drop AIX and support the choice of the Open Software Foundation and A.T.&T., which are close to an agreement on a single operating system. If it doesn't, the computer maker will be locked out of open systems entirely, isolated with two closed systems, AIX and System Application Architecture. ■

Take Gates to Task

I.B.M. should shock the computer industry out of complacency and show that it is prepared to take risks on new technology by siding with Steven Jobs in his battle to break the stranglehold Microsoft's William Gates has on the desktop software market. No one in the computer industry packages technology more brilliantly than Mr. Jobs. And I.B.M. should take full advantage of its license to Mr. Jobs' Nextstep software, a innovative visual control panel. If the computer giant used Nextstep as the standard "dashboard" for all of its computers, its could spur and bring order to its far-flung designs.

But so far, the company has been sketchy about how it will use the software for fear of offending Mr. Gates, who has developed software for I.B.M. personal computers including a competing, albeit more bland, alternative to Nextstep, known as the presentation manager. To borrow a phrase that Kenneth Olsen, the president of Digital Equipment, used to describe the Unix operating system, presentation manager is "about as exciting as a Russian truck."

By endorsing Nextstep, I.B.M. could in a single audacious stroke declare its independence from Microsoft, which has slowed development applications for I.B.M.'s new desktop computer operating system by sending mixed signals about which program software developers should write for first.

Step Into Laptops

I.B.M. must also step into the laptop and notebook computer markets. Already generating \$2 billion a year, the business is growing by more than 40 percent annually. Once thought of as toys, or worse, as useful only to journalists, laptops now match virtually all the features of their bulkier, desktop cousins. In fact, many believe that the next generation of laptops, with their improved convenience and features, may even begin to displace desktops.

The recent purchase of the Zenith Computer Corporation by a French concern, leaves the Compaq Computer Corporation as the only major laptop player in the United States. But if Americans abdicate the market, they may ultimately lose the expanding desktop market as well.

For its part, I.B.M. has failed abysmally in the market; its offerings are heavier and less functional than most. Rather than losing precious time by developing a product internally, the company should license or purchase outright technologies needed to build state-of-the-art laptops now being developed by any of a half-dozen start-up companies in Silicon Valley. Because the Japanese still lead in portable displays, I.B.M. should embark on a crash research program in flat panel displays, monitors that are slimmer and lighter-weight than cathode-ray terminals. That work would dovetail neatly with the nation's need for high-definition television technology.

When we ask someone to pilot our airplane, or we have someone do open heart surgery on us, or if we have someone design a new bridge, we give them complete responsibility. We give them freedom to make choices and judgments, and we give them great trust. However, we do not say they are free to invent their own theories, teach themselves, try out new ideas which they invented themselves that are not commonly accepted by the field. In fact, for these very critical jobs, we are very careful to make sure that their training is in line with the theories we believe in. We expect to have standards which they will follow, and we have checks and balances to make sure they don't do anything way out of line. This in no way limits their freedom, responsibility, capability for creativity, and freedom to make judgments when needed.

However, there is a tendency in running businesses to pick a person for, often irrelevant reasons, and then let him go headlong into the job without any discussion of theory, standards, or measurements, like you would expect a bridge designer, doctor or a pilot to follow.

When people are asked how they manage, they often use words from textbooks, but they don't explain what they mean, or maybe they don't understand what they mean. For example, it is so commonly believed in the circles we move in that giving someone P&L responsibility guarantees success, and the magic of those words makes everything work well. We often point out the failure of communism where entrepreneurs don't have P&L responsibility with freedom to make choices and decisions in investments, and they don't have a reward system for success and failure. So, from this we often, without much thought, conclude that simply saying the words P&L creates magic.

We, indeed, do see magic often when there is a group with one product who feel complete P&L responsibility, who can justify investments by their success, who can control their overhead, their R&D, and their expenditures on irrelevant things such as buildings, flagpoles and airplanes. They are forced to balance their income with their expenditures and forced to make a profit if they are going to grow and if they are going to have a reward.

Not all small groups with P&L responsibility survive. Those who are first interested in the accoutrements of the office, or those who can't add or subtract on the P&L statement, disappear quickly.

The thing that people find hard to understand is that, when you give P&L responsibility to someone running a third of a very large corporation, you do not give the motivation and reward system to those individual products upon which the success of the organization is dependent. In fact, it is much closer to the Russian system. Like the Russians, the top man has P&L responsibility. If this was enough, it would guarantee success

of the Communist system.

When the top man has P&L responsibility and he runs everything himself, the individual group is not motivated by the need to justify future expansion by results. There is no great motivation to cut costs when the expenditures don't balance the income. There is no great need to be creative in doing all the things necessary to make a profit. In an organization like this, it is clear that profit is a very unnatural thing because the pressure on expenditures is much greater than the pressure on income.

In the name of capitalism, we give P&L responsibility to the leader of a large number of groups, but we end up, from the individuals in the groups point of view, being very close to the Communist system. Investments are made by personality, politics and appearance, and no group has a feeling of controller influence on their future, or little upon their success. Unlike the agencies in the state of Massachusetts, the game is to politic for as much expense money as possible, because that is the secret for success and expansion.

My friends in charge of large segments would feel very hurt at this because they are very bright, competent, conscientious and economical, but even if they can't get around to admitting it, they don't have the time or energy to be the leader and take P&L responsibility for each of the multitude of units below them.

THE PLACE FOR STAFF

Staff can be very dangerous in an organization. Staff can really set all the goals and make all the decisions. They do so quietly, subtly, and because they are all good people, they do it unobtrusively. They simply don't let anything into the system that they don't approve of, and that means they control everything.

Staff is also not rewarded for getting jobs done, taking risks or normal success. Their only goal is to avoid trouble and mistakes, and it is not uncommon for them to tie the whole organization up with enormous red tape so nothing useful gets done.

However, staff is the secret to managing the Company. Staff is the key to success and staff is the one tool management has to run the organization.

The head of a large company or the head of a sector of a large company can only spend energy on a small number of most important things. There is a normal tendency for staff to do only those things which help the boss, and therefore, they concentrate all their effort on those small number of things which are most important to the boss.

The first thing the staff should do is concentrate on all those things that the boss is not concentrating on to make sure that they get due emphasis and concern.

The boss gets all his financial reports designed around those things he's most interested in, or all his responsibilities as a big glob. He has no tools with which to manage the details. Everything is glommed together or allocated arbitrarily. When he has to pass judgment on the cancellation or expansion of the product, the actual results of the product get lost by averaging and arbitrary allocation.

The people responsible for a product are devastated by the fact that their future is dependent more on averaging and allocations than upon actual result, and their enthusiasm for running their unit in a business-like way is clearly discouraged. The financial person who arbitrarily allocates the expenses has complete power over the success or failure of the project.

JANUARY 1990 FIVE-YEAR PLAN

The five-year plan I have asked the Management Sciences Group to collect, from all the units of the Company, during the month of January 1990, will hopefully demonstrate how the staff can be useful in managing the Company. They all must set up a program for collecting from each of the units the plans, results and data about the unit, be they very small or reasonably large. Their goals and plans will be clearly specified. Their measurements will be specified, and the results will be clear. Little or no arbitrary allocations will be used--just what they spend money on will be included.

This collection of plans should be of little burden to the sectors because they will be just recasting the figures they have to separate all the individual units and document them.

When we have all the separate units collected by computer, it would be easy to recast them to look at products and plans and to study questions that need to be answered.

From this, we can also quickly analyze which products have done well and which ones have done poorly. Then analyze which ones have advertised and which ones have done real marketing, and see it as a correlation between advertising and results of products. We can also figure out if there really was a plan to sell a product or if it was just planned to be developed and then got into production.

From this data, we should be able to find out if all the marketers in the Corporation are part of a plan, or if each marketing group does what's right in their own eyes. We also ought to find out if there are marketing groups that work for the "state" who decide which products they will market and which ones they will not, and if the decision is not left to the people who

supposedly have product responsibility.

We also ought to be able to pick out those products which may be good and may be a success as far as completion, but for which we have no plans to sell, and cancel them. Then cancel the development of those projects which don't include the plan to advertise and market.

KHO:mg
KO:3646
(DICTATED 12/21/89 BUT NOT READ)

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E.C.

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

Doc. No: 009535
Date: 28-Jul-1989 09:12am EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: UNIT MANAGER'S MANUAL

DIGITAL CONFIDENTIAL

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We at Digital like to think that we have less red tape, more informality and better communication than other companies. We make ourselves believe this by not writing down the red tape. The result of this is that we often end up with more red tape because each level of the Company feels they have to generate their own red tape through rules, regulations and their own control. These sometimes compound each other, and sometimes we suffer because they're inconsistent and different between levels and between parts of the Company. I'd like to, in one manual, which we'll call the "Unit Manager's Manual", list, in outline form, all the controls we impose on the field. These should be consistent and standard through all of North America and probably much of the world. I'd like this part of the book to be developed by Jim Osterhoff and signed by him.

Today some places have six signatures or twelve signatures and you can see how low levels will do this in order to have safety. If a senior man takes responsibility and signs his name to the controls, he then can make them simple and straightforward and not have lower levels worry about their own security.

Today we send sales people to school for sales skills; but we seem to feel that unit managers and district managers don't need this, and we leave them free to develop their own rules, regulations, and red tape. It's also true that many of them never learn sales skills, definitely didn't learn the sales skills that we teach our salespeople, and they've never been taught project management or even the basic concepts of management.

I'd like one section of this book to outline the principles of management and another section to outline project management so that people can treat each sales goal as a project and also run

major systems projects.

Part of this should also be reporting so that there is a standard Digital way of reporting in each office and also a standard way of keeping records. This way we can move people between different parts of the Corporation, and each office will be done the same way.

Each section should be laid out in simple outline form so that it is easy to grasp and easy to find.

By defining the unit manager's job, we will, at the same time, automatically be defining the district manager's job.

There should be a chapter on sales philosophy. Do we run each unit or each salesperson in a business-like way where they keep control of their expenses and their yield and they are motivated to do a professional job, or do we keep beating on them for more?

We should also outline in one place all the regulations, rules and concepts for our various and sundry rewards. They should all be in one place so that we can see the foolishness or wisdom of them and so the salesperson can understand them.

We should probably get a hold of an IBM manual or manuals and take the best out of these. There is also a number of good concepts in the book, THE IBM WAY--probably the most important concept was that the whole corporation is done the same way. We should be able to do this without limiting creativity and individual responsibility. In fact, not having everyone invent everything and protecting themselves with red tape, should encourage creativity in those areas where it is important.

We should lay out clear, simple concepts for loaners, discounts, allowances, and so forth.

We should also describe the use of computers in selling. How do we expect people to have available computers built for them to learn and do their job and for them to demonstrate to their customers?

John Sims should have a section on personnel records and reviews so that there is a standard system for keeping records, for having automatic reviews and to state exactly what the policies are.

The result of this should be, in the next few months, a one-week course for all the unit managers and all the district managers in the USA and Canada. We should send them the book first, and then give them concentrated training which would include products, architectures and concepts, in addition to all the management things needed to do their job.

KHO:sls
KO:3242
(DICTATED 7/26/89 BUT NOT READ)

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EC.

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

Doc. No: 009636
Date: 04-Aug-1989 01:21pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below *CC: Win Kinkle*

Subject: MORE ON MANAGEMENT MANUALS

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As we develop the management manuals for the unit managers and for the business units, we should carefully phrase what we feel are the most important principles of management.

One of the most important concepts which seems to be least understood in American business and rarely discussed is the management of overhead. We've seen in the last number of years, among the nations' best companies, massive development of overhead in good times and gross firings when times slow down. The management of overhead must be one of the most significant gaps in American management thinking.

Because it is normally not clearly spelled out as a responsibility for managers, their principles take over which mushroom overhead. First of all, we pay people in proportion to the size of their budget and the number of people working for them. If someone does a job for one million dollars, they obviously get paid a lot less than someone who does the same job but spends ten million dollars.

The other personnel principle in this country is that if you can do a job with ten people you would get paid relatively low, but if somehow you can make that job take a thousand people, you are obviously worth a tremendous amount more.

The next principle that has evolved in American business is that managers, supervisors, and, indeed, workers have rights to certain overhead such as secretaries, assistants, computers, reports, financial analysts, and personnel people.

Another unwritten principle that unfortunately has developed is that each group has a right to be equal to other groups as far as expenditure of overhead. If other groups have things, your group obviously deserves them.

It is also believed in modern American management that any data

or any report one can think of generating obviously has to be done, and the data and the reports are more important than the economy of getting a job done.

Because it is never specifically stated otherwise, there is a belief that managers have the right to keep growing overhead, but when hard times come and mistakes have to be corrected, it is not their responsibility to do anything. They have the right to grow overhead, but they have no obligation to take care of it. The Corporation has to do this by mass firing or by overall policies that would pay people to leave. This, of course, because it's not managed, means losing the best people.

It is also believed in modern American management that one's responsibility has to increase every year. I see this in non-profit organizations. Many of them were very effectively run with part-time volunteers for many years. When a full-time staff was hired, the staff had the traditional American concept of growth and responsibility which means overhead in a non-profit organization mushrooms year after year because it's the only way professional managers can grow in responsibility. The result is that soon, little by little, the good things that the non-profit organization was formed to accomplish disappear, and all the funds go into overhead. The same thing is true within business. Overhead functions to meet the American growth syndrome have to grow. They grow when things are good, and they also grow in proportion when the staff is cut back because it's the overhead people who cut the staff and they never cut their own.

I think it is of the utmost importance that we develop, maybe first of all, a statement of overhead policy for our management manuals. Clearly there is a responsibility of the manager to control overhead, to eliminate any of it that is not absolutely necessary, and to always keep it in balance with the job.

It is equally clear that the reporting system, within the Corporation, has to identify the overhead and measure it relative to the job being done and the importance of the job. If the job is not important, it obviously should be cleaned out with all its overhead.

The reward system should also drop the historical, traditional measure of number of people and budget in paying people, but instead reward people for efficiency and how well a job is done. We should never hire a compensation consultant whose formula, first of all, includes the size of the budget and the number of people working for an individual. But even more important, we should have a clear statement of just what our policy is.

KHO:dao

KO:3266

Dictated on 8/3/89, but not read

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F.C

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

*TO: Pat Spatt + affad Weiss
Copy to Exec. Comm.*

Date: 22-Feb-1989 04:11pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: BUDGETING OVERHEAD

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At the Executive Committee meeting yesterday, it became clear once more that customers are not interested in paying for our overhead, our data collection, our studies, our financial analysis and all the overhead functions that grow and grow.

It is so ingrained in Digital that we should keep increasing the markup to cover these good things that we feel we have an obligation to do it. Most of this overhead does not come about because we are generous, nice or interested in society but instead because of some hidden passion to look professional.

I don't believe we should get rid of these things by arbitrarily ordering cutting people.

I think this is the time to do it. We should have everybody, in addition to all the normal budgets, budget overhead. Every district, every engineering group and every marketing group should list jobs, those that are line jobs doing the work for which the group is informed and all of those which are direct and indirect support. The overhead people should be broken down into fine detail so that people are forced to justify the need for each one and to explain what return they get from them. This should be set in such a way that the biggest challenge is to explain it to themselves with only a vague danger of being asked to do it publicly.

KHO:lt
KO:2705

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TO: Remote Addressee
TO: Abbott Weiss

(PAT SPRATT @MLO)
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file
E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 22-Feb-1989 01:49pm EST
From: Ken Olsen
 OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: KEN OLSEN'S SCHOOL OF MARKETING 1989

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I'd like to take half a day of the March Woods meeting and have each member of the Executive Committee, partnered with one member of Jack Smith's staff, solve a simple small business problem.

The problem is: We have a small business that needs one workstation for desktop publishing and maybe a little simple CAD work.

We need eight terminals hooked to the accounting system. They should also do word processing and electronic mail.

We have eight PCs doing miscellaneous specialized work in accounting and engineering.

We also have eight tiny one man remote offices that we would like to tie into the system. They don't need synchronous lines but just simple dial-up telephone modems would be good enough.

They are happy with the VMS software that is available to run on a VAX time-shared system, except that they have one UNIX program that they would also like to run.

They have a myriad of MS-DOS software, but they are happy to put that on individual PCs with floppy disks.

The customer was led to believe that he could do all of this on one PMAX with a large disk and a streamer tape for backup. Can he do it? If so, what equipment do you want so you can hook it up during the half-day March meeting?

Will he have to run his UNIX program on one of the PCs, or can he do it on the PVAX?

Like all good little companies, he has plans for dramatic growth. Before he buys it, he would like to know how would we do it if he had ten times as many workstations, terminals and PCs.

Let's assume we can add any amount of disks or peripherals to the PVAX. It's not quite true because, after a certain number of units are added to SCSI, it gets to be unreliable. But for this experiment, let's assume we can add any number of disks and that we have a package that will carry them.

If we can't do all the things requested here, let's not go to the next larger size VAX, but let's limit the number of things that we do that can fit on a PVAX.

KHO:lt
KO:2708

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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
C O R M T S A L L - I N - 1 S Y S T E M

Date: 16-Feb-1989 01:14pm EST
From: Ken Olsen
 OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: PULLING ALL MARKETING OUT OF THE FIELD

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

The marketing plans presented at the WOODs meeting this week were particularly well prepared and very competent--except for one thing.

They were painfully unaggressive and completely left out the need to present their message. The marketers may have been just too beat down for several years with all the red tape and all the czars who have completely removed all motivation for advertising and message presenting.

For several years, the field has claimed arbitrary power to decide what they'll sell and what they won't. They said the measurements for the field were very clear, these were the primary measurements of the Company, and they would pick those products which optimize their measurement; and there was no way to look for exception.

You can see how we could remove all spirit and motivation from the marketers. If they brought it to the Executive Committee, the Executive Committee would think of reasons for being conservative and not doing things, but would add little motivation to getting any messages presented.

They believed Jack Shields had arbitrary power and wouldn't dare present anything to him.

Getting it through 30 people sitting at MSSC took forever to get it on the agenda, and it was impossible to get 30 people to be unanimous on anything. Field headquarters blocked everything except what they were interested in. A few people learned to bypass the field, have sales meetings with sales people, or go out and visit sales people without the formality of headquarters.

Those areas which were doing particularly well were the most arbitrary and hardest to influence. The most significant case

was the telephone ordering system. This group was very successful, had high profit and high growth; but what went into the catalog was strictly up to them, and it was arbitrarily removed. The people responsible for the marketing had no access to the decision making process for this most powerful tool we have for selling.

A local salesman always did have, and always will have, to make the decisions as to what his particular customer needs and wants. This is obviously important, but it does not mean that several other layers of the Company have to arbitrarily filter the message before it gets to the salesman.

I believe the answer is clear, which is to separate all marketing from the field operations. The mechanical preparation and mailing of the telephone catalog should be separated from the marketing part of it which should be motivating to get many products sold. When products don't sell, they should first be marketed and then a formal procedure made for removing them from the catalog as soon as it's clear they're not selling.

The marketing groups should have direct access to the salesman with no filtering by headquarters or by areas, and they should be measured on the quality of the job they do. If they are wasteful, inefficient and the products are hard to order, they should be responsible for fixing it, and they should be removed from their job if they won't or can't do it.

KHO:dao

KO:2688

Dictated on 2/15/89, BUT NOT READ

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
TO: Jack Shields	(SHIELDS.JACK)
TO: Abbott Weiss	(WEISS.ABBOTT)
CC: Dave Grainger	(GRAINGER.DAVE)

E.C.

Rec'd 2/9/89
WEH

K. H. OLSEN

9 February 1989

TO: Win Hindle
Jim Osterhoff
Jack Shields
John Sims
Jack Smith

CC; Abbott Weiss

DIGITAL EQUIPMENT CORPORATION

19 February 1982

NOTES:

MY FRIEND, FRED TAYLOR
AND
SCIENTIFIC MANAGEMENT
OR
THE REAL COST OF "PUBLISH OR PERISH SYNDROME"

I've been dismayed to find out how few well-educated engineers remember who Faraday was and how few business school graduates remember Babbage, Taylor or Gantt.

It seems to me that, at one time, a scientific, technical education was largely aimed at teaching the students the tricks, techniques and systems people have learned to break problems down into simple component parts, and the result was an education in the understanding of the phenomena that resulted. It also produced an appreciation of the techniques so that similar techniques can be used to break other problems into components that can be understood and managed.

I'm afraid that our modern education is largely an opportunity for professors to show off their brilliance in developing a critical, clever, elegant analyses of physical or business phenomena. Presentations in class are just a step in developing these analyses so that they can be written down on papers and will be published and appreciated for their elegance.

The business school professor makes points by proving how much brighter, intelligent and analytical he is than Henry Ford. I'd like to have some business students who were taught some of the things that Henry understood.

Electrical engineers today worship the professor who can develop one long, complex, partial differential equation that will encompass all the generalized theory of energy transfer and, in an elegant way, describe both steam engines and electrical motors. I'd like to have some electrical engineers who know both what an electric motor is and how you use it, and who have enough exposure to the techniques used through many, many years of science and engineering--techniques that break new problems into pieces to understand them, analyze them and improve them.

When I first read a little of Fred Taylor's works many years ago, I thought they were obvious and anyone would think that way.

However, I've learned to appreciate Fred Taylor's ideas. It must have been very disturbing for people to have Mr. Taylor analyze their work and break it into simple components. I'm sure each one of them thought their job was filled with art and technique beyond any analysis and that they were the only ones who could do it. I'm sure supervisors and foremen felt that they were a key part and that they had to watch their people and pass on techniques over a long period of time.

When we built our first computer, the engineer who designed it was very competent and very good, however, he felt that he had to supervise the manufacture of every machine. When we had so many orders that it was impossible for him to supervise each one, and we moved it to production where foremen supervise the production of the machine, the engineer resigned. He thought we showed lack of appreciation for his skill and we had done him wrong because we systematized the job so that ordinary people could build the machine.

Today most of our managers still act that way. Their job is so complex that it is beyond analysis, description or systematizing and their skill is dependent on all those years of experience they have. I don't think my friend, Fred Taylor, would agree.

When I read about business managers in Fortune magazine, those who have been successful and those who have failed, I get the feeling that they too feel their job is beyond analysis and beyond systematizing. In fact, the authors often maintain an air of mystery.

Now, I'm sure you can't break the manager's job into pieces and say, "now that we have it organized, we can pass it on to anyone", but one thing is clear. As an organization gets bigger and one man's time does not get much bigger, he has to organize and systematize his job so that he can pass it on to others. It

is further true that we're not all going to live forever
(although some of us don't see to believe that) and in order to
pass on our jobs to others, we have to be able to systematize it
and organize it.

KHO:ep
KO1:S9.47
KO:2657

In the typical situation, where the man is underemployed, overmanaged, and constantly let off the hook, a half-failed man in a half-failed organization, education of any variety won't help. And total failure must follow from the unpleasant delusion that classes can transform the adult mind and personality like some fairy wand. The less companies and educators expect to turn an incompetent into a polymath, or a bully into a Boy Scout, the more they are likely to achieve. As it is, too much of what now passes as management education isn't education: it is indoctrination, entertainment, or occupation of vacant hours. And it has very little to do with the management of business, which is the real business of management.

(1) Frederick W. Taylor's major publications are "A Piece Rate System" (1895); "Shop Management," (1903); and "The Principles of Scientific Management" (1911). "Shop Management" is an expansion of his earlier paper on piece rates. The emphasis is on the importance of "the coupling of high wages for the workman with low labor cost for the employer" and the resulting public benefits from lower prices. The following principles are listed as guides for the best type of management:

- (a) *A Large Daily Task.* Each man in the establishment, high or low, should daily have a clearly defined task laid out before him.
- (b) *Standard Conditions.* The workman should be given such standardized conditions and appliances as will enable him to accomplish his task with certainty.
- (c) *High Pay for Success.* The workman should be sure of high pay when he accomplishes his task.
- (d) *Loss in Case of Failure.* When the workman fails he should be sure that sooner or later he will be the loser for it.

(2) Harrington Emerson's major publications are "Efficiency as a Basis for Operation and Wages" (1911), and "The Twelve Principles of Efficiency" (1913). The major portion of his latter book is devoted to a description and illustration of his principles of efficiency which are: (a) A clearly defined ideal. (b) Common sense. (c) Competent counsel. (d) Discipline. (e) The fair deal. (f) Reliable, immediate, adequate, and permanent records. (g) Dispatching. (h) Standards and schedules. (i) Standardized conditions. (j) Standardized operations. (k) Written standard-practice instructions. (l) Efficiency reward.

- (3) Henry L. Gantt's major publications are: "Work, Wages, and Profits" (1911); "Industrial Leadership" (1916); and "Organizing for Work" (1919).

A selection of some of the most lasting and useful contributions to management thought from Gantt are:

- (a) *Man is Goal Oriented.* The most effective method of stimulating interest in people in general is to set a task, an objective. This concept provided the basis for his task and bonus plan.
- (b) *Training Is the Responsibility of Management.* It is management's responsibility because it can increase productivity.
- (c) *Task Setting Is Essential.* It is superior to driving or urging men to more strenuous toil without any well measured standards of how much work is reasonable under the conditions present.
- (d) *Authority and Responsibility.* The authority to issue an order involves the responsibility of seeing that it is properly executed.
- (e) *Planning and Control.* These provide proper methods, and proper results will follow proper methods. Fact must be substituted for opinion. This concept is the basis for the principle of the Gantt Charts for which Gantt is best remembered.

(4) Alexander H. Church's most influential book is "The Science and Practice of Management" (1914). He was the first to analyze the basic functions essential to any manufacturing activity. His organic functions of manufacturing are:

- (a) *Design*, which originates.
- (b) *Equipment*, which provides physical conditions.
- (c) *Control*, which specifies duties, and which orders.
- (d) *Comparison*, which measures, records, and compares.
- (e) *Operation*, which makes.

Church's principles of effort to be applied to the organic functions are: (a) experience must be systematically accumulated, standardized, and applied; (b) effort must be economically regulated; and (c) personal effectiveness must be promoted.

(5) Frank B. Gilbreth's major publications are: "Concrete System" (1908); "Bricklaying System" (1909); "Motion Study" (1911); and "Primer of Scientific Management" (1912). "Applied Motion Study" was written with Lillian Gilbreth in 1917. His contributions to manufacturing management are in the area of motion and time study. He stated that "the aim of motion study is to find and perpetuate the scheme of perfection." Motion Study (q.v.) was explained by him as having three stages: (a) discovering and classifying the best practice; (b) deducing the laws; and (c) applying the laws to standardize practice, either for the purpose of increasing output or decreasing hours of labor, or both. Gilbreth devised a system of dividing work into its most elementary elements which were called "Therbligs." His goal was the development of methods of least waste.

These basic concepts of the representative pioneers of Scientific Management serve to illustrate that they did not put their faith entirely in systems or mechanisms. They considered Scientific Management to be a way of thinking about the process of achieving objectives or tasks and the elimination of wastes through efficiency methods which can be measured.

Subject Branches. Perhaps a more fruitful way of appreciating Marketing is to see what is involved in the activity:

- (1) People (as buyers and sellers in a culture).
- (2) Goods and services (product innovation).
- (3) Channels of distribution (a complex of wholesaling and retailing institutions).
- (4) Performance of functions:
 - (a) Marketing information and research
 - (b) Buying
 - (c) Selling (personal, advertising, promotion, publicity)
 - (d) Transportation
 - (e) Storage
 - (f) Financing
 - (g) Risk-taking
 - (h) Standardization and grading
 - (i) Consumer services.
- (5) Pricing.
- (6) Laws and the governments.
- (7) The environment, including competition.
- (8) Marketing management (creativity, planning, control).
- (9) Transfer of title.

Profitable, efficient Marketing implies combining many interrelated variables in correct proportions in a dynamic system.

E.C. KO

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 10-Feb-1989 01:15pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: BUDGETS IN MECHANICAL DESIGN

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

We have not used budgets to control the large number of miscellaneous functions that, without control, end up wasting money and causing duplication. This budget time, I'd like to budget many of the details in the large projects and then recast them for the whole Company so that we can identify duplication, redundancy, or the lack of wisdom.

I'd like the mechanical design projects in each of the computer groups, disks, and any other place to be budgeted individually and then collected for the Corporation. In addition, I'd like to collect all of those pieces of cabinetry which today are being used by different groups.

I'd like Digital's corner of the computer room to look as good as Amdahl and National Cash.

Today, our corner of the computer room looks very amateurish. We have several heights of equipment, several widths of equipment, and, unlike any other professional mainframe people, we have connectors and cables sticking out of the sides into the corridors.

We have, for many years, I believe, been leaders in industrial design, but, in the last few years, where every group has gone off and decentralized, we've become very amateurish. Although, we may be enjoying independence in making work to keep our people busy, the results have been expensive and can't help but hurt the sales of our equipment.

I'd like George to collect all this information and be sure that, in the budget, we eliminate all redundancy and duplication and, at the same time, budget one standard set of packages so that we look as professional as the other mainframe companies, and we save the money by having fewer packages.

There will be major conflicts coming from this, because it is religiously believed by some mechanical design groups, that it is immoral to leave unused space in cabinets and that the cabinets should be no larger than the computer needs. In order to make a professional looking system, the rule has to be that the cabinets are always bigger than what is needed in order to make it possible to make all the cabinets look alike. The tiny cost of making cabinets, in general, slightly larger than what is needed, will be overwhelmingly saved by having a smaller inventory and easier installation and above all, the marketing results of good looking equipment.

KHO:dao

KO:2662

Dictated on 2/10/89, but not read

Distribution:

TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Bill Demmer	(DEMMER.BILL)
TO: Dom LaCava	(LACAVA.DOM)
TO: George Chamberlain	(CHAMBERLAIN.GEORGE)
TO: Win Hindle	(HINDLE.WIN)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Jack Shields	(SHIELDS.JACK)
TO: Jack Smith	(SMITH.JACK)
TO: John Sims	(SIMS.JOHN)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: Remote Addressee	(PAT SPRATT @MLO)

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 6-Feb-1989 04:37pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: SYSTEMS INTEGRATION BUSINESS

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

I'd like to talk Win Hindle into taking line responsibility for the corporate systems integration business. I believe that we would have won some of the business we lost if the system integration business was high in the organization. I also think that Win's position in the Company, gray hair and maturity and the resulting confidence that this bestows on the customers is very important.

I also think that we have to have someone who will organize the business so that all the components of system integration, such as low-cost networking components, will be given high priority.

I also believe that the system integration business needs a high-priced model which will make money. Normally, when you are unique in offering capability to large companies, you charge high and make a high profit.

Planning a systems integration business is an interesting business planning problem. It incorporates computers, disks, software, networking, field service, software services, education, special services, and outside contracting, and takes very careful analysis to make sure we make money and our costs are minimum. We have to challenge many of the things we have taken as a basis for our business but that were based on the history of a company that was not in the modern world.

KHO:ld
KO:2649
(DICTATED 2/6/89 BUT NOT READ)

Distribution:

TO: Win Hindle

(HINDLE.WIN)

TO: Jim Osterhoff

(OSTERHOFF.JIM)

TO: John Sims

(SIMS.JOHN)

TO: Jack Shields

(SHIELDS.JACK)

TO: Jack Smith

(SMITH.JACK)

CC: Abbott Weiss

(WEISS.ABBOTT)

E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 6-Feb-1989 02:57pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: MAJOR CHANGE IN CORPORATE STRATEGY

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

It has been our corporate strategy, from the start, to buy products or components when they can be purchased and design and manufacture them only when they're not available outside. This was very wise because it saved our assets, whether they be money, people, space, experience, or energy for those things that make us unique.

I propose that we change this strategy because things are different today. We now have a surplus of people, a surplus of plants, a surplus of money, and sometimes the capital equipment to do manufacturing. I suggest that we manufacture those things which are easiest for us to manufacture to the point where we keep our people busy and our plants filled. This does not mean that we carry this to the point where we have to hire people and expand manufacturing, but simply that we have enough backlog of products for us to build in order to keep our people busy.

There are parts of our engineering department who do not believe in designing a product more than once, improving it, or continuing its development until it gets to be an inexpensive, high-production product. After they build one, they like to give the design to someone else to let someone else manufacture it so they can go off and do some more esoteric engineering. This is never a good way to do business because a product is never competitive the first time it is built, and it only gets better as it is redone and redone again. These products are the ones that we should probably concentrate on first.

I am thinking that we should also form a commodity manufacturing and design group. This group should take those products, which should be made in high enough quantities, and make sure that their design is designed for low price, ease of production, and that the manufacturing process is set up to build them that way.


KHO:dao

KO:2647

1
DICTATED ON 2/5/89, BUT NOT READ

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
TO: Jack Shields	(SHIELDS.JACK)
TO: Abbott Weiss	(WEISS.ABBOTT)

E.C. 

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 18-Jan-1989 01:33pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: FALSE ASSUMPTIONS IN DIGITAL'S ADVERTISING

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

I'd like to review our basic assumptions in advertising.

First of all, I think our biggest goal or the highest attainment anyone could have in advertising Digital is to invent a catchy phrase like, "Digital has it now." Every time we talk about advertising, people want to invent the new, catchy phrase or invent the new "Big E". In general, these things only mean something to us and nothing to the customer.

Secondly, we don't like to talk about products. We like to generate generalized pros about business efficiency, return on assets, and things we don't understand. People who do understand these, don't read or pay any attention to us.

We hire advertising agencies and hire experts within the Company who don't understand our strategy, know little about our products, and their only contribution to justify their fees is to write generalized pros which, of course, nobody ever reads.

We believe that we should catch the customer's attention by doing what everybody else does in their advertising which is to present some generalized "pros" (which could sell cars or soap) that will attract their attention, or make them call on the salesman because, after selling our ad, they suddenly got the idea that they should compete in this worldwide economy. The people who make these generalized, general purpose pros believe that, once the salesman is in there, he will tell the people all the wonderful things about our products and, in one hour, leave them with a detailed message of everything we have to offer.

I believe what really happens is that no one ever reads our pros. We catch their imagination with facts, features, speeds, and prices, but we think it's too low brow to tell them this, and besides, our professional writers don't know how to put these into perspective.

If, with great persistence, one of our advertising people does get in to talk to a customer, we get very little information across in the one hour he is allowed. The customer doesn't normally believe it the first time because there are no facts involved, and the salesman tries to leave a pile of literature which is limited only by how much he can carry with him. They are all usually glossy, heavy, slick, magazine type ads that tell the wonderful, glorious things that we can do, but still without facts.

Another bit of our religion says that we dump everything we can think of on the press at the day of an announcement. If they don't catch everything that we've said and put it into perspective, it's because they're stupid, and it's not our fault. We work so hard to concentrate everything we know into this one-hour presentation, and we have no energy to follow through on advertising or marketing afterwards. Besides, we think there is a certain amount of immorality in giving a message more than once.

I'd like to try a new approach to advertising. I think our testimonials are great, and we should maintain them, but maybe at a lower level in order to make room for a factual program.

Suppose, after next week's announcement on the 6300, we had a doubled page ad which had pictures of seven computers across the top and, under each one, we had a few simple facts. These seven computers would be three or four MicroVAX systems and the rest 6300 models. With this one spread, we can put all our major computer lines into perspective. We would have all the simple comparisons such as speed, memory size, disk size, disk access speed, memory access speed, and a few other pertinent features that we think customers should look at. There would be no pros on the page at all--just simple numbers or a simple statement. With this, the customer and the newspaper reporter could have something to meditate on which will help put everything into perspective rather than having an enormous jumbo of pages, booklets, pictures, and facts that tell how everything is more glorious, more powerful and more revolutionary than every other product we make, and how everything we do will make everybody more competitive with everybody, everywhere in the world.

Then suppose we follow through and use the same format for a whole series of ads. The next one would be seven of our desktop devices. The next one would be the seven ways we do networking, starting with DC423, thinwire Ethernet, fiber optics, lasers, microwaves, and maybe wide area networking. Another page would be seven approaches to LANs and group computing, starting with a very cheap one for a small number of PCs and showing how the seventh one will tie the whole company together. Another group of seven would be what we offer in software. (This may not break down into seven). Here we would say we do VMS and ULTRIX and then list all the common features, interfaces, software

applications and architectures that are common between both of them and a statement when to use ULTRIX and when to use VMS. We might also say that, for the VAX computer, we can run VMS, ULTRIX and MS DOS. For the RISC computer, we can run ULTRIX and MS DOS and for the PC, we can run MS DOS and the blank version of UNIX.

We might also make a group of seven on the subject of clustering. We may also have a group of seven application categories in which we do very well. We might also have a group of the seven services we offer such as education, software services, field service, network design, and network management.

We could then put these all into a book that is quite thin and is not much harder to read than a comic book, and in each double page, there's a group of seven things we offer in each category. If the salesman uses this booklet when he visits a customer, he could use it as an outline for his talk and leave the booklet with his customer. We could have a cross reference that offers books on each of the subjects.

We would start with the book and then use double pages for ads, and we could use it as a vehicle for orienting each new product announcement.

I believe, very seriously, that we have to change our approach to selling and advertising. We like the right pros and talk generalities, and we have to do something to increase our efficiencies.

KHO:dao

KO:2583

Dictated on 1/17/89, BUT NOT READ

Distribution:

TO: Peter Jancourtz
TO: Ed Kamins

(JANCOURTZ.PETER)
(KAMINS.ED)

CC: Dom LaCava
CC: KEN SWANTON
CC: Jim Osterhoff
CC: Win Hindle
CC: John Sims
CC: Jack Shields
CC: Jack Smith
CC: Abbott Weiss

(LACAVA.DOM)
(SWANTON.KEN)
(OSTERHOFF.JIM)
(HINDLE.WIN)
(SIMS.JOHN)
(SHIELDS.JACK)
(SMITH.JACK)
(WEISS.ABBOTT)

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 16-Jan-1989 02:09pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: Jim Osterhoff
TO: John Sims

(OSTERHOFF.JIM)
(SIMS.JOHN)

Subject: COST FOR NEW MAN

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

We sometimes, casually hire new people with no real feeling for the cost. Will you calculate for the Board and for the Executive Committee WOODs meeting, this week, what the cost is per new man per year. If a new person is paid \$30,000 a year or if he is a senior person being paid \$100,000 a year, how much additional cost is there for a secretary, staff, maintenance, etc.?

How much does it cost for heat and power?

How much does it cost for the building itself, including the land, taxes, and all the other costs we normally include?

What is the cost for networking, computers, desktop devices, and air conditioning to drive them and the power to run them?

When we hire a new person, his cost appears to be average with all the other costs. The real cost to the Company is the additional cost incurred by hiring him, and many of these costs are not decided by any official organization of the Company but by mysterious people who believe that they're good. For example, I don't think anybody formally decides what we will put in the building in the way of computing, networking, and terminals.

KHO:dao
KO:2570
DICTATED ON 1/15/89, BUT NOT READ

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 16-Jan-1989 02:05pm EST
From: Ken Olsen
 OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: John Sims

(SIMS.JOHN)

Subject: UNWRITTEN EMPLOYEE BENEFITS

 CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

Do we still have an unwritten employee benefit that you can buy a newspaper at the door when you come to work and it's your right to read it on Company time?

Do we still have the Company benefit that you can buy breakfast, eat breakfast, and read the paper on Company time?

It would be good to go to the Executive Committee and list all these unwritten employee benefits that we give people at a time when other companies are becoming quite economical.

KHO:dao
KO:2571
DICTATED ON 1/15/89, BUT NOT READ

EC.

INTEROFFICE MEMORANDUM
CORMTS ALL - IN - 1 SYSTEM

Date: 9-Jan-1989 11:47am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: WHY OUR INVESTMENTS DON'T PAY OFF

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

I completely disagree with your conclusions presented in your note on why our investments don't pay off.

1. I don't believe it's that we have too many business units.
2. I don't believe that fewer business units will make it work.
3. The budgeting system that I am insisting on at this time I believe is the only thing that will help. We will have one person's name on every proposal, and he will be held responsible for that proposal and if it is accepted, it will be reviewed, and he will, and the whole organization will, understand whether he was right or not.

Today, we have an infinite number of people often proposing things that other people will do, but no one has the feeling of responsibility.

We built an enormous number of buildings with no one responsible for them.

We bought a lot of capital equipment with no one feeling responsible for it.

We had the whole Bob Hughes organization set up to decide what software we should buy but with no return on investment, no measurement made afterwards, and no business plan to show that the investment was justifiable.

In the field, decisions were made like ACTs and all the other overhead without a business plan that would justify the enormous increase in overhead and with someone feeling responsible for it. I don't believe that the managers even understood how large the

overhead grew in the last five years, and I think it would have increased as much in the next five years if we didn't make a change.

I believe the only answer is to have the people who will take the responsibility, who will be measured, and whose job is on the line, make the proposals and then measure them as individuals.

I claim that out of this new budgeting system, there will be accounting that can show who has done what he promised and who has not.

The last few years, Jack Shields has believed the problem was in unused manufacturing, and Jack Smith believed it was overhead in the field, and I believe the problem was that expenditures and capital were spent by staff and not by people with the responsibility to get the return.

KHO:dao

KO:2562

Dictated on 1/8/89, but not read

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Win Hindle	(HINDLE.WIN)
CC: John Sims	(SIMS.JOHN)
CC: Jack Shields	(SHIELDS.JACK)
CC: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

EC

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 5-Jan-1989 12:22pm EST
From: Jim Osterhoff
OSTERHOFF.JIM AT A1 at CORA
Dept: FINANCE
Tel No: 223-8761

TO: See Below

Subject: Reflections on a Recent Executive Committee Meeting

At a recent Executive Committee meeting we had three presentations proposing or reporting on new or recent investments -- Consilium, the Japanese Investment Plan, and the ACT's. In all cases there were high returns associated with the investments.

Almost all of the investment proposals we see have very attractive returns, and we usually approve them on that basis. Yet overall we can cite as a reason for our profit decline the fact that we have made investments that haven't paid off. Many investments we see are justified on the basis of incremental volume, as were Consilium, the Japanese Investment Plan, and ACT's. But more often than not we don't even achieve the volumes on which initial product investments are based, and in many instances I suspect the initial product programs don't anticipate later investments that are made and justified on the basis of incremental volume. So we end up investing more than originally planned and selling less.

I believe there are two reasons for this: (1) as we have discussed many times, we are generally too optimistic in our volume assumptions, and (2) we have many "independent business units" that are goaled to achieve the same dollars of revenue -- i.e., that justify their budgets on overlapping sales to overlapping customers.

Geographies, industries, applications, channels, products organizations, and other components of the company are all chasing revenue and many times it is the same revenue. Most of them also have budgets and make investments to achieve "their" revenue goals. When we look at investment proposals, we don't have any way of relating them to other investments that are counting on the same revenue for providing their return, because we don't have any way at the moment of defining the overlaps of all the spenders. Further, we usually don't have any way of knowing after the fact which investments are paying off and which ones aren't -- or which managers are being successful and which ones aren't. If we do well in the factory, for example, is it because of the ACT's, Consilium, the base products, industry marketing, or certain geographic sales organizations? Somebody is responsible for each of these areas and

we give them budget money to spend, but we don't really have a good way of evaluating their individual proposals or trade-offs among them.

I believe the solution to this problem lies in a simpler, more elegant organization which has fewer "independent business units" -- fewer units that are "responsible" for revenue and whom we empower with budget independently to make investments. I believe this would not only improve decision-making but would generate substantial overhead reduction and cost savings opportunities. We should continue looking at the business every way we can think of that adds to our understanding of it, but we should move toward having fewer organizational business units that independently spend money. The few that remain should be in a better position to make trade-offs among investment proposals that are aimed toward the same or overlapping revenue opportunities.

Jim

/at

Distribution:

TO: JACK SMITH @CORE
TO: JOHN SIMS @CORE
TO: JACK SHIELDS @CORE
TO: KEN OLSEN @CORE
TO: WIN HINDLE @CORE

CC: ABBOTT WEISS @CORE

*This was attached E.C.
to Ken's memo re: Succession
to Ken Olson*

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 22-Mar-1989 08:37am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Distribution

Subject: HISTORY OF DIGITAL

VERY CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

Digital has gone through three phases, and it seems to me that we can break Digital's history down into three phases.

The first phase was when we were one small entrepreneurial group with a lot of entrepreneurial drive and all aspects of the business were concentrated in one place. We grew quite well, and we were very, very economical with overhead and expenses.

In this first phase with the entrepreneurial drive to develop, market, sell, innovate, and do the whole job, growth was enormous and limited only by energy and money.

The second phase was the product line phase. At 14 million, we had to break the Company into pieces, and we assigned the entrepreneurial responsibility to many groups. Growth was even faster, each group felt enormously responsible and always kept in mind product development, marketing, and selling. They felt they had control and responsibility for their whole business.

During the product line phase, each product line and each country wanted to grow 50 percent more than what we felt we could afford in energy or money. The entrepreneurial spirit generated more products and more opportunities than we could satisfy.

The third phase was when we went into the traditional, big company division of labor, central control, central planning, and no competition phase, which is where we are today. We have a very obvious, very traditional idea that we will control everything centrally, and that, quite independent of the rest of the Company, engineering will design components that they think will be useful. MSSC will do the marketing and will tell the sales department what to do; but the sales department is really, completely independent and sets their own goals, standards, motivations, and measurements, and, in many places, does their own marketing. The result is that we are now entrenched in the mode of growing a lot faster than technology and automation

improves efficiency. Our plan now is to decrease in size every year as we have eliminated the ambition, motivation, individual courage, drive, and creativity that came with entrepreneurial groups.

The answer is to be more centralized and in control, and, once in a while, give people entrepreneurial titles but to make sure that there is nothing behind it.

It's hard to look at the history of any company of significant size that had the growth rates which we had when we were entrepreneurial or even has the growth rate which we would need to keep up with the increases in efficiency that we expect to incur.

The field tried adding overhead, controls, rules, orders, and more managers to accomplish this without great result.

We are going to have to decide, as a Company, if our primary motivation is to prove that we can do as well with central control, central planning, central committees, and central everything without entrepreneurial spirit in the Company.

KHO:dao

KO:2789

Dictated on 3/20/89, BUT NOT READ

Distribution:

*Distribution for
Successor memos.*

TO: ROBERT R. EVERETT (EVERETT.ROBERT)
TO: John Sims (SIMS.JOHN)
TO: Remote Addressee (SARAH SUMNER @CFO)
TO: Remote Addressee (BONNIE BEDELL @CFO)
TO: RON SMART (SMART.RON)

CC: BILL STRECKER (STRECKER.BILL)
CC: Jim Osterhoff (OSTERHOFF.JIM)
CC: Win Hindle (HINDLE.WIN)
CC: Jack Smith (SMITH.JACK)
CC: Jack Shields (SHIELDS.JACK)

E.C. KO

INTEROFFICE MEMORANDUM
CORMTS ALL - IN - 1 SYSTEM

Date: 13-Mar-1989 02:48pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: PROBLEMS OF 1989

VERY CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

A. FIELD PROBLEMS

1. Our products are very hard to order and very hard to quote, therefore, it takes an inordinate amount of the salesman's time. Engineering and the field are working together to solve this problem.

2. Measurements in the field have caused an enormous amount of negotiations between groups that have to cooperate and remind one of the old problems of the product lines. Too much time is spent arguing on who gets credits, who gets charged, and who pays for the discounts. The field is committed to eliminate this problem.

3. The strategy and product messages are not clear. To compensate for the lack of clear messages, last year the field set up a group to rationalize and organize the messages for the salesmen. They failed and no messages got through to the salesmen at all.

The average salesman has been with us for 1 1/2 years and has no feeling of tradition and little feeling for our products. Engineering still feels that the salesman should do the final, strategic integration of products, but they are not able to do it.

4. Ed Services tries to rationalize and organize the products, but without guidance from engineering, the attempts are good but not good enough.

5. Sales people are now account managers and call on experts for help. There are not enough experts.
6. The biggest complaint the field has now is that they don't have the help of software services or project managers. I assume this is because our products are not organized for ease in making systems. To help this, we have offered, for any project of importance, to draft people from engineering, manufacturing, finance, science, and factory groups to be project engineers and to help with software and software resources. This will be great for the people in the home office because they'll find out what is really going on in the field, and it will be great for the field because they'll get home office expertise or access to expertise.

B. ENGINEERING PROBLEMS

1. Engineering still seems to operate on the theory that the OEM or the customer has to do systems engineering and to fill in the pieces that engineering is not interested in. We have, a long time ago, run out of customers who were able to do this or who want to do it, and we have very few salesmen who are able to do it. Now we are left with only software support people who can do the job.
2. We've also confused the field and our salesmen by introducing new ideas but without getting the strategic message across to our salesmen, our structures, and our customers. If they knew where to look, they could find that we have made statements on these problems a number of times, but we have not always said the same thing. Some areas of confusion are:
 - a. UNIX-RISC versus VAX VMS.
What do we believe and what do we really support?
 - b. We have gotten caught up in a mips race but have not explained. What counts besides raw mips?
 - c. Why three platforms plus AQUARIUS when they all have the same mips? We give no explanation as to what else you get for more money.
 - e. We've completely confused people about PCs.

Most of the sales department, and probably most of engineering, believes that PCs are the enemy and we should never admit that they exist. They feel that if they close their eyes, they may go away.68R

C. PRODUCT CONFUSION

1. The general Office problem is the integration of PC's, PS2's, Macs, terminals, and workstations with FAX capability and automatic backup. I think the salesmen believe we can do any one of those things but not all of them.
2. In the factory, customers already have PCs but they need networking and controllers integrated together along with MRP and office systems.
3. The laboratory needs PCs, networking, VME bus, Q-Bus, and office integration. We can't expect the salesmen to talk them into just one of these at a time.
4. We claim we are a multi-vendor, but each person who gives the speech hedges as to what it means and is not at all clear to the salesmen what he can offer and take orders for.
5. The salesmen still does not have a clear message on how their customers can use IBM terminals to work with DEC systems.

D. PROPAGATING MESSAGES

1. We have to organize the messages and clearly, honestly say what we don't have and say what we will have. We need to say what to take orders for and how the customer should live until we are able to do other things the customer wants. We should also tell the salesmen to walk away from those customers who want to do things that we don't believe in.

We have several vehicles for getting our message across:

- a. Our integrated budget is forcing a lot of recognition of the need for clear strategies and integrated product messages.
- b. Most groups are fighting tooth and nail against the idea of advertising, but as we

press people for it, they are facing some of the need for clear messages.

- c. Special DECdirect catalogs for each product area or application area is a vehicle for presenting a clear message. People don't believe glib advertising or glib speeches but they tend to believe catalogs because there are model numbers, prices, and a strong implication the system will work if you buy it from the catalog.
- d. The handbook where we give an executive summary that integrates the whole message with all the details we know about the message is a wonderful Bible for the salesman and for the customer to use. It forces engineering to say exactly what their pitch is.
- e. The summer sales meeting where each product group and each application group will face 400 sales people with their message will force clear, simple messages. Presenting sales people with a poor message is a very cleansing experience. DECTop University and Network University are a subset of the sales meetings which are very effective.
- f. The beginning of the annual report is now being written and which is read by many people in the financial world, customers, and sales people. It is short, easy to read and very professionally done. Engineering is normally happy to have professional people write this in a way which is safe and easy and says nothing that hints about weaknesses or problems. This year, I'd like to use the annual report as a vehicle to clearly get our message across in each of those areas of application that we claim to satisfy.

KHO:dao
KO:2773
DICTATED ON 3/13/89, BUT NOT READ

Distribution:

TO: Jack Smith (SMITH.JACK)
TO: System Distribution List (JFSSTAFF:)

CC: Jim Osterhoff
CC: Win Hindle
CC: John Sims
CC: Jack Shields
CC: Abbott Weiss
CC: Dave Grainger
CC: Don Busiek
CC: DONALD ZERESKI
CC: Dallas Kirk
CC: Jeffrey Gibson

(OSTERHOFF.JIM)
(HINDLE.WIN)
(SIMS.JOHN)
(SHIELDS.JACK)
(WEISS.ABBOTT)
(GRAINGER.DAVE)
(BUSIEK.DON)
(ZERESKI.DONALD)
(KIRK.DALLAS)
(GIBSON.JEFFRY)

E.C. H.O.

DIGITAL CONFIDENTIAL Document

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

Doc. No: 011468
Date: 20-Dec-1989 08:33am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: EXRC COMM. + OTHERS
TO: See Below

Subject: FIVE-YEAR BUSINESS PLAN

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We tend to manage the Company by business segments which are very large. We do our business planning around these segments and because of their size, a huge percentage of their plans are allocated expenses. We tend to solve all problems by saying, it's up to them to solve.

We tend to solve problems by dumping them on these segments and saying they are responsible, and they have to find the answer. But because the planning and reporting is done in large chunks, and most of it is allocated, they have little data around which to make decisions or to improve efficiency.

This January, we will set about to lay out a five-year plan for a small business unit or a small overhead group. Each group will state their tasks, their goals, and their unique capabilities. The business groups will state their unfair competitive advantage, their sales pitch, and how they will market.

The overhead functions will state their goals, who they are working for, who they get directions from, how they will measure themselves, and how those that work for them will measure them.

We will plan to cover only the U.S. to start with, but we will cover every unit from two people to several hundred people. From this, we will be able to see where there is duplication, lack of clarity and goal, and what their contribution will be.

If this program is done successfully, we will get every unit to see if its goals are clear, if it is needed for the Company and if it is successful. Then we can add up all the costs to see how they contribute to the customer.

We will be able to take this data and recast it several ways. Today, because overhead is allocated in arbitrary and large gloms, the success and failure of projects are largely dependent upon the allocations, and business decisions are made, not on the individual merit of the product and whether it contributes incrementally, but on the arbitrary allocation of overhead.

KHO:dao

KO:3641

Dictated ON 12/19/89, BUT NOT READ

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
TO: Martin Hoffmann @CORE	(HOFFMANN.MARTIN)
TO: Abbott Weiss	(WEISS.ABBOTT)
TO: Ken Senior @ CORE	(SENIOR.KEN)
TO: Jack Smith	(SMITH.JACK)
TO: Bill Demmer	(DEMMER.BILL)
TO: Bob Glorioso	(GLORIOSO.BOB)
TO: Dom LaCava	(LACAVA.DOM)
TO: Remote Addressee	(PIER CARLO FALOTTI @GEO)
TO: Dave Grainger	(GRAINGER.DAVE)
TO: DICK POULSEN	(POULSEN.DICK)
TO: Don Busiek	(BUSIEK.DON)
TO: DONALD ZERESKI	(ZERESKI.DONALD)
TO: BILL HANSON	(HANSON.BILL)
TO: BILL STRECKER	(STRECKER.BILL)
TO: PETER SMITH	(SMITH.PETER)
TO: Bill Johnson	(JOHNSON.BILL)
TO: BRUCE J RYAN @CORE	(RYAN.BRUCE J)
TO: Dick Farrahar	(FARRAHAR.DICK)
TO: Willow Shire @ CORE	(SHIRE.WILLOW)
TO: BOB PALMER	(PALMER.BOB)
TO: Grant Saviers	(SAVIERS.GRANT)
TO: Remote Addressee	(STEVE FRIGAND @OGO)
TO: Remote Addressee	(JOHN WETMILLER @OGO)

DIGITAL CONFIDENTIAL Document

F.C.

DIGITAL CONFIDENTIAL Document

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

Doc. No: 011538
Date: 21-Dec-1989 02:06pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: HOW TO MANAGE A HIGH-TECH COMPANY

Everyone seems to feel that they know how a high-tech company should be managed, and most of those think that they can do a better job than what they see being done. The college student, the reporter from the NEW YORK TIMES the engineer, the janitor all understand how it should be done. However, their theory is usually based on one simple concept. This concept is usually based on what they see missing in the management they've observed. Some would agree that what is needed is stability, and others argue that the secret is quick, rapid and frequent change. Still, others would say what's needed is strong, tough management with firm financial controls. Others say the secret to success is giving freedom to everyone. Some argue that giving P&L responsibility to someone is the magic that automatically creates success. Some believe the secret is to have a very human, sensitive organization, and others feel toughness is the one secret to success.

Few people stop to observe that very few high-tech companies avoid stagnation after reaching a certain level or avoid completely disappearing. When one looks at what has happened to the bright stars in high tech of thirty, twenty, ten, and five years ago, one might come to the conclusion that more thoughtful consideration of the theory of management is in order.

In looking at the history of high tech, one might come to the only sure conclusion that, like raising children, the only ones sure to fail are those who know they have everything figured out and don't have to learn anything. However, a little more thought raises doubt for that simple theory.

Life is filled with paradoxes and conflicts in raising children or managing a high tech company, and integrating them all in a balanced way. Like raising children, love, enthusiasm, enjoyment and fun compensates for a lot of the weaknesses in theory.

THE MAGIC OF P&L RESPONSIBILITY

E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 23-Feb-1989 09:39am EST
From: Ken Olsen
 OLSEN.KEN AT A1 at CORA at
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: 1990 BUDGET

TO: ALL FIELD PERSONNEL

FROM: KEN OLSEN, JACK SHIELDS, DAVE GRAINGER

We've committed for the 1990 budget to make field operations much more efficient and much more satisfying. We promise to eliminate the time-consuming steps in preparing quotes and processing orders. We've committed to have districts make their own budgets and allocate resources to make things more efficient. We're confident that we will have a system that eliminates the time-consuming negotiations between services in the field and between districts and the major account managers.

With the efficiencies that should come from these improvements, we think that selling will be much more efficient, and we should get a lot more orders per man. However, we want to remind everyone that we are not making major organizational changes but simply changing the way we are doing our budgeting. People shouldn't expect instant changes, particularly when the budget period doesn't start until this July.

We'd also like to remind people that, even though we expect great new efficiencies in the future, we must today get a significant number of orders before July. We expect everyone to continue to work as hard as ever even though the new efficiencies won't be seen for awhile.

Before and during the summer and during the fall, we'll have a large number of very exciting product announcements. We'll have the very large, fast VAX computer that so many customers have been enthusiastically waiting for, and we'll have a VAX that's between the 8700 and the 6300 in price and speed. We'll also continue improvements in the smaller VAX and UNIX machines. We are promising a very exciting year, and we will all have to work to make sure these efficiencies really work out the way we promised.

With best wishes.

Sincerely yours,

KHO:lt
KO:2703

Distribution:

TO: CHUCK PICKLE @OHF
TO: FRANK BOWDEN @SCA
TO: AL HALL @MEL
TO: RON HEVEY @NYO
TO: LARRY GOODWIN @WRO
TO: DICK DOERR @IVO
TO: RON EISENHAUER @ACI
TO: HARRY EISENGREIN @RHQ
TO: BILL MCHALE @UFO

CC: Dave Grainger
CC: Jack Shields

(GRAINGER.DAVE AT A1 at CORA at CORE
(SHIELDS.JACK AT A1 at CORA at CORE

E.C. KO

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 5-Apr-1989 01:06pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: REPORT ON FIELD PROBLEMS

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As the executives get out into the field to help, they're disturbed to realize the problems we've had in the field that we have not known about. I'd like once more to ask that once a month we have a report on all field problems that have been going on for more than a month. This should probably be included in the first weekly sales report each month.

In addition, at that time, I'd like a brief summary of how we're doing on our major systems integration projects. We should include not only those big ones for which we are the prime contractor, such as Boeing, but also those for which we are a major supplier, such as Caterpillar.

It's devastating to executives to meet customers and hear about problems that have been going on for some time that we don't know about.

KHO:dao
KO:2840
DICTATED ON 4/5/89, BUT NOT READ

Distribution:

- TO: Dave Grainger (GRAINGER.DAVE)
- TO: Don Busiek (BUSIEK.DON)
- TO: DONALD ZERESKI (ZERESKI.DONALD)

- CC: Jim Osterhoff (OSTERHOFF.JIM)
- CC: Win Hindle (HINDLE.WIN)
- CC: John Sims (SIMS.JOHN)
- CC: Jack Smith (SMITH.JACK)
- CC: Jack Shields (SHIELDS.JACK)
- CC: Abbott Weiss (WEISS.ABBOTT)

*All follow up responses
to this memo from Ken
are attached.*

*H
3/31*

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 28-Mar-1989 11:37am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: LETTER TO EMPLOYEES

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I would like to send this letter out to all our employees. I am not sure if it should be sent as a letter or if it should be put in one of our publications, but it should go out immediately. I'd like everyone who should be involved to immediately drop everything they are doing to work on this letter to make sure the numbers are correct and get it out right away. We should assume it will find its way to the press, to the financial community and to competitors.

I don't want people to water it down so that it's blah and boring and says nothing and makes things seem worse. I'd like to tell the truth straightforwardly, but I am not afraid to make it exciting and to put things into the true perspective. I am terrified that, by the time it gets processed by everyone, it will be watered down to be dry as a stick.

TITLE: DIGITAL AND THE STOCK MARKET

In this last year, we have changed about 75 percent of our product line and have drastically increased the speed and capacity of our products. We have introduced many new, exciting products that we think will change the world of computing and also change our Company. The \$4.5 billion dollars we've invested in R&D and new product development in the last three years or so, we believe will show the world how computing will be done in the future.

There is a risk in this plan. I don't believe that any company our size has invested so heavily and changed their product line so dramatically. We've closed plants, shut down operations, and reallocated resources. The products that we planned two and three years ago are here today and better than we ever dreamed. We've told analysts, reporters, and customers that we might

introduce products and introduce the capability of our products faster than customers can grow their need for products and faster than they can train our sales people and our customers to use them.

We've been very careful not to predict our order rate or our profit rate during this time of great product excitement and enthusiasm. Today, the stock market wants stability and predictability and has little enthusiasm for the future or new technology, but we feel that it's clear that, in our business, when we have the technology and have the products we have to announce them and try to explain the short term risks to our stock holders. We believe it's very good business and it's good for the Company to jump at the opportunity to double the capacity of our products at a lower price.

We've also made significant improvements in efficiency in the organization. We now use a lot less inventory and still ship almost every order immediately upon receipt. We've dramatically increased our efficiency by use of technology and use of computers and by just being smarter. One of the results is that we do have surplus plants and people that we do not fully utilize, but we feel with the growth due to our new products (.....Tape went blank. Please complete.)

Last week we were accused of leaking information about profits for this quarter to an analyst. Just the opposite was true. A 2 percent change in the shipments for the quarter could make a 15 percent change in profit for the quarter. We usually make a pretty good profit, but this time with dramatic product improvements, we cannot, even for our own planning, predict the profit level for the quarter, and in no way would we make believe we could predict it.

For the last 32 years, it has been our goal to change the way the world does computing. The result has been, for most of the 32 years, severe criticism from those people who want stability and predictability.

It seems clear that, after a few years, there will only be two or three full line computer manufacturers in the world. We clearly plan to be one of these. We are willing to suffer the criticism for lack of stability. There have been a number of computer companies who put stability and predictability as the highest priority and stockholders can always invest in those, but most of them are not with us any more, and it's not clear that the rest of them will be with us much longer.

KHO:dao

KO:2808

Dictated ON 3/27/89, BUT NOT READ

Distribution:

TO: Dallas Kirk	(KIRK.DALLAS)
TO: Anne Kreidler	(KREIDLER.ANNE)
TO: John Sims	(SIMS.JOHN)
CC: Win Hindle	(HINDLE.WIN)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Jack Shields	(SHIELDS.JACK)
CC: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 29-Mar-1989 04:59pm EST
From: Anne H. Kreidler @CFO
KREIDLER.ANNE AT A1 at BARTL

E at CFO

Dept: Employee Communication
Tel No: DTN 251-1316

TO: See Below

Subject: DRAFT MEMO FROM KEN OLSEN TO EMPLOYEES

After taking your good advice about Ken's memo to employees, I'm recommending the following:

- we send out a brief memo from Ken to the Executive Committee for electronic distribution within their groups... this will happen as soon as there is agreement about the memo's contents
- a day after the distribution cycle is initiated, we will put the letter on LIVE WIRE. (It will not appear elsewhere since Q3 results publicity is only a few weeks away)
- we hold off on the bulk of the message until Q3 results, at which time, I will make sure we have an approved memo from Ken positioning the results for employees

Please react to my recommendations about the communications process as well as the attached drafted memo from Ken. I'd appreciate hearing from you by noon on Thursday.

Thank you.

Win,

This does not apply to you.

You were on the "cc" list.

af

DRAFT MEMO 3/29/89

FROM KEN FOR DISTRIBUTION THROUGH THE EXECUTIVE COMMITTEE

RE: Digital's Financial Position and Investments

**** Please Share This With Your Employees ****

It seems likely that within a few years, there will be considerably fewer full-line computer manufacturers in the world. We plan for Digital to be one of these.

To assure this, we must continue our careful strategy of investing in the growth of the company. In this last year, we have introduced many new, exciting products that we think will change the world of computing. I believe that the \$4.0 billion we've invested in research and engineering; particularly in new products and process development; is critical for Digital's long-term success.

As I've said before, some members of the investment community worry about us. They seem to look at short-range projections and downward trends rather than see the underlying goodness and value of what we are doing for the longer term.

Last week Wall Street reacted negatively when investment analysts concluded that a small change in revenues could have a significant effect on our profitability.

Digital usually makes a pretty good profit. But, with dramatic product changes, we must be willing to accept a temporary drop in profit to support our dreams for future information systems that can integrate entire organizations. Profitability aside, during periods of substantive product transitions, it's very difficult to predict revenues.

For the last 32 years, it has been our goal to change the way the world does computing. We are willing to suffer the criticism for occasional dips in profitability in order to fulfill our vision of enterprise wide computing.

3/29/89

Distribution:

TO: JOHN SIMS @CORE
TO: JIM SHAUGHNESSY @MSO
TO: GAIL MANN @MSO
TO: DALLAS KIRK @CORE
TO: JEFF GIBSON @CORE
TO: MARK STEINKRAUSS @MSO

CC: ABBOTT WEISS @CORE
CC: WIN HINDLE @CORE
CC: JIM OSTERHOFF @CORE
CC: JACK SHIELDS @CORE
CC: JACK SMITH @CORE

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 30-Mar-1989 02:41pm EST
From: Anne Kreidler
KREIDLER.ANNE
Dept: Employee Communication
Tel No: DTN 251-1316

TO: See Below

*Ken Olson +
John Sims
cc - Win Hinkle*

Subject: Draft Memo from Anne Kreidler

The following draft memo could be the final text for Ken to send to the Executive Committee for distribution within their organizations. It reflects comments from Jeff Gibson, Gail Mann, Jim Shaughnessy, Mark Steinkrauss and Dallas Kirk.

As discussed with you, John, we will wait until Ken sees this before proceeding.

In the meantime, if anyone wants to comment about the attached, I welcome the feedback, preferably sometime on Friday.

Many thanks.

DRAFT MEMO 3/30/89

FROM KEN FOR DISTRIBUTION THROUGH THE EXECUTIVE COMMITTEE
RE: Share This With Your Employees

It seems likely that within a few years, there will be considerably fewer full-line computer manufacturers in the world. We plan for Digital to be one of these.

To assure this, we must continue our careful strategy of investing in the growth of the company. In this last year, we have introduced many new, exciting products that we think will change the world of computing. The approximate \$4 billion we invested during the last three years in research and engineering, particularly in new products and process development, is critical to Digital's long-term success.

As I've said before, some members of the investment community worry about us. They seem to look at the short-term outlook and downward trends, rather than the underlying goodness and value of what we are doing for the longer term.

Last week Wall Street reacted negatively when security analysts concluded that a small change in revenues could have a significant effect on our profitability.

Digital usually makes a pretty good profit. But, with across-the-line product improvements, we must be willing to accept the risk of a temporary drop in profit to support our dreams for future information systems that can integrate entire organizations. Profitability aside it is always very difficult to predict revenues, but especially so during periods of substantive product transitions.

For the last 32 years, it has been our goal to change the way the world does computing. We are willing to suffer the criticism for occasional dips in profitability in order to bring our vision of enterprise-wide computing to our customers.

3/30/89

Distribution:

TO: Remote Addressee
TO: John Sims

(KEN OLSEN @CORE)
(SIMS.JOHN)

CC: Remote Addressee
CC: Win Hindle

(JEF GIBSON @CORE)
(HINDLE.WIN)

CC: Jack Smith
CC: Jack Shields
CC: Jim Osterhoff
CC: Remote Addressee
CC: Remote Addressee
CC: Remote Addressee
CC: Remote Addressee

(SMITH.JACK)
(SHIELDS.JACK)
(OSTERHOFF.JIM)
(_LEAGLE::MANN)
(_INK::KIRK)
(MARK STEINKRAUSS @MSO)
(ERLINE BELTON @CFO)

F.C. KO

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 28-Mar-1989 12:59pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: OVERHEAD

VERY CONFIDENTIAL

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I am disappointed with the Executive Committee. Everyone knows that we have a surplus of people, a lot of overhead, and a lot of unemployed or under employed people on our payroll. It seems to me that any vice president and/or member of the Executive Committee should, on his own initiative, take care of these problems without me taking the initiative. At the next Executive Committee, I would like to review how many personnel people, how many financial people, and how many overhead people each group has. Then let's decide what we are going to do about the problem.

KHO:lt
KO:2812
(DICTATED 3/28/89 BUT NOT READ)

Jim Osterhoff's response is attached.

Distribution:

TO: Win Hindle
TO: Jim Osterhoff
TO: John Sims
TO: Jack Shields
TO: Jack Smith

(HINDLE.WIN)
(OSTERHOFF.JIM)
(SIMS.JOHN)
(SHIELDS.JACK)
(SMITH.JACK)

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 30-Mar-1989 08:51am EST
From: Jim Osterhoff
OSTERHOFF.JIM
Dept: FINANCE
Tel No: 223-8761

TO: See Below

Subject: FINANCE HEADCOUNT

CONFIDENTIAL -- DO NOT DISTRIBUTE OR COPY

In response to your earlier request, Finance is preparing to discuss with you and/or the Executive Committee the number of people we have in Finance, where they are, and what they do. We believe there are opportunities for reduction -- some we in Finance can do ourselves and some that would come from streamlining the Company's overall organization.

Because of all the budget activity taking place, we still have more work to do for this review, and I have asked Abbott to reserve some time at one of our meetings in early May.

Distribution:

TO: Ken Olsen (OLSEN.KEN)
CC: Win Hindle (HINDLE.WIN)
CC: Jack Shields (SHIELDS.JACK)
CC: John Sims (SIMS.JOHN)
CC: Jack Smith (SMITH.JACK)
CC: Abbott Weiss (WEISS.ABBOTT)

E.C.

INTEROFFICE MEMORANDUM
CORMTS ALL - IN - 1 SYSTEM

Date: 22-Mar-1989 08:44am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

Bob Everett
John Sims
Sarah Sumner
Bonnie Redell + Ron Sarau

TO: See Below

Subject: SUCCESSOR TO KEN OLSEN

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

In looking for a successor for Ken Olsen someday, most people tend to think that he has to do all the things that Ken Olsen does today. It might be wiser to assume that maybe we are not organized optimally.

Suppose we start with the assumption that Ken Olsen has to do all the things he's doing because of the way we are organized and that our growth is limited and our results are unsatisfactory because Ken Olsen doesn't do all those things he has to do in an optimum way, and he is limited as to how much of it he can do. Maybe instead of looking for someone who can do a better job than Ken, we should instead look for an organization in which that responsibility is spread around the rest of the organization.

We had a model in the past where this worked well. That was when we gave entrepreneurial responsibility to many people. At that time, Ken spent most of his time figuring out ways of financing and obtaining facilities for the large growth and consoling those entrepreneurs who we would only allow to grow 50 percent when they wanted to grow 250 percent.

In the last year or two, we have given people entrepreneurial sounding titles, but they had good reason to believe we didn't mean it. We didn't prove that entrepreneurial organization does not help in problems, all we proved was that if you didn't need it, you didn't get results.

KHO:dao
KO:2790
DICTATED ON 3/20/89, BUT NOT READ

D - When is this Mtg? ~~EC~~

KO

on hold - working the mtg.
abbott doesn't know yet.

3/14

file
E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 7-Mar-1989 03:26pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: SHORT LITTLE BROWN HOUSE EXEC. COMM. WOODS MEETING

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

At our Little Brown House WOODS meeting, I'd like to discuss what our contribution to society will be two or three years from now. If we accept the goal that, in three years, we should be \$20 billion with no increase in headcount and a significant increase in profit, how are we going to do it? If we assume the product offering in computers and on disks will be a lot simpler, a lot less expensive, and getting close to being commodities, where do we make our contribution?

It's clear to me that this contribution has to come from an independent, entrepreneurial approach to many, many solutions. Some might be big like small business, some might be small like imaging for insurance companies, some might be medium like complete factory systems, and some might be very small like trader workstations. If we say that \$15 billion of that will come from entrepreneurial groups, and if we say the average size of the entrepreneurial group will be \$25 million, we are going to have to have 600 quite independent, very competent business units.

If we say we are going to cut the staff and shrink the Company down to a \$10 million dollar Company, the problem doesn't change very much. We would then probably have a need for 300 entrepreneurial, independent business units. The problem still is how do we run them?

Independent business units today don't work very well because they feel that all the important decisions are done by other groups in the Company or by managers who dump limitations, rules, and instructions on them.

If you don't agree with these assumptions and think there are other ways we can make a living, be prepared to discuss them at that time. If you think we are able to sell hardware and software and general solutions, will there be enough customers

and enough OEMs to put them together as complete solutions?

KHO:dao

KO:2752

Dictated on 3/7/89, but not read

Distribution:

TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Win Hindle	(HINDLE.WIN)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
TO: Jack Shields	(SHIELDS.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: BILL STRECKER	(STRECKER.BILL)

EC
mf

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 6-Mar-1989 02:28pm EST
From: Win Hindle
HINDLE.WIN
Dept: Corporate Operations
Tel No: 223-2338

TO: Jim Osterhoff (OSTERHOFF.JIM)
TO: John Sims (SIMS.JOHN)
TO: Jack Shields (SHIELDS.JACK)
TO: Jack Smith (SMITH.JACK)
TO: Abbott Weiss (WEISS.ABBOTT)

Subject: MARKETING

Bob Glorioso recently wrote a paper on marketing in which he concluded that marketing people have to be part of a business unit in order to be effective. I agree.

In Digital today, there are only two kinds of business units that are effective--Product Business Units and Countries. Industry Marketing and Channels Marketing are now integrated into the Countries, so they should be more effective in the future. Applications Marketing is trying to be effective. However, they do not control enough resources to succeed as business units. That was clear when they presented their plans to us several weeks ago.

I suggest we integrate applications into PBUs. They can still drive strategies along an applications dimension; but as a combined PBU/Application Group, they will have the resources to succeed. Some possible combinations are:

1. NAC/Office Systems/Telecommunications
2. Workstations/ESG/LDP
3. Mid-Range Systems/Manufacturing
4. High-Performance Systems/OLTP/Corporate Systems/Financial Systems.

ps

cm.2764

Write Mkt Memo

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 21-Feb-1989 09:02am EST
From: Bob Glorioso
GLORIOSO.BOB AT A1 at CORA a
Dept: High Performance Systems
Tel No: 297-5915

TO: See Below

Subject: MARKETING AS A FUNCTION

I have been attempting to understand the dynamic nature of the Marketing Function in Digital and its role in the future. My conclusions is -

MARKETING IS NOT A FUNCTION!

This conclusion is based on observations of the machinations of Industry and Applications (a.k.a. Product) Marketing over the last few years in contrast with the relative stability of Base Products/Systems Marketing. Why the difference?

First, go back to basics and ask what Marketing is. The common Marketing 101 definition is 4P's:

Product -
Price -
Promotion -
Place -

known as the Marketing Mix. However, each element of the Marketing Mix may indeed be a function!

Base Product/Systems Marketing is associated with a PBU and has principal responsibility or is closely associated with Product, Price and Promotion. On the other hand, Industry Marketing has only some responsibility for Promotion and a portion of the Place - No Product or Price and no area of principal responsibility. PMG's or Applications Marketing - the confusion in names begins to define the problem - has no mainline product responsibility and spends most of its time seeking unique 3rd party products to call its own. They are often called in for advice on mainline product issues but hold none of the business plans for them nor are they close to or part of the organizations that do. So, with respect to mainline products (or product proposals), PMG's/Applications Marketing, with the exception of OFIS, have none and only play roles in the other area. They have no principal responsibility for any of the 4P's. This makes it very difficult for them to develop identity with and concomitant passion for new product ideas or business proposed by others.

I believe that all functions want to be as involved as directly as possible with a business and its associated activities (4P's) and that people who carry the moniker, Marketing, may indeed be driven more than others to manage as many of the 4P's as they can. Thus the drive of PMG's to get some set of "exclusive" applications. In an environment such as ours is today - this does not always work and the Marketing functions seem to be "at sea" most of the time.

Also, I believe that the environment of the 90's will require a closer coupling of all our functions including Marketing, Engineering, Manufacturing, Services and Sales. This is clearly evident in Europe where the organization structure, content issues of 1992 and the strong focus on TP/Commercial business have forged strong functional inclusions in many of the critical business issues. Thus the plants there have become strategic parts of the total business. This is also echoed by Tom Peters (California Management Review, Winter, 1988, "The Need for a Management Revolution") where he states "But, as I'll argue below, to lose control of the plant is to lose control of the future - of quality, responsiveness, and the source of most innovation, which in manufacturing industries occurs in the palpable, on-premises integration among plant teams, designer, marketer, and customer."

Thus, one sees the Galway plant involved with much more than classical Digital Manufacturing. They are doing Engineering, Manufacturing, and Marketing Support as well - an integral part of the European Marketing Mix. In HPS and Storage, for example, Engineering, Manufacturing and Marketing (BPM/BSM) are part of the same infrastructure and have the same goal sets and business vision.

The following table is another way of looking at the roles and responsibilities we have today and may be a model for testing future directions.

Marketing Mix Roles and Responsibilities

Group Mix	PBU	BPM/ BSM	PMG/ APPL.MKTG	INDUSTRY MKTG	PMSC	MSSC	EXEC. COMM.
PRODUCT	R	S	C/S	C	C	C/S	A
PRICE	R	P/S	C/S	C	C	A	A
PROMOTION	P/S	P/S	C/S	P/C	C	A	A
PLACE	S	-	S	R/S	C	A	A

BUSINESS PLAN (TYPE)	R Product	S Product	R Applica- tions	-	-	-	R Products, Applications Services
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R = Responsibility/Principal
 P = Propose
 C = Consult
 S = Support
 A = Approve

The Solution

Don't treat Marketing as a Function! Make the Marketing people responsible for all of the 4P's and its associated functions: Engineering, Manufacturing, etc. OR, incorporate the current marketing people into the current business entities such as PBU's or create new Business entities of which they are a part. Until we do this I don't believe we will ever get really good at managing the Marketing Mix and hence, the business.

Distribution:

TO: BILL STRECKER @CORE
 TO: GRANT SAVIERS @CORE
 TO: BOB PALMER @CORE
 TO: BILL JOHNSON @CORE
 TO: BOB GLORIOSO @CORE
 TO: FRIEDRICH @STAR@VAXMAIL
 TO: JIM CUDMORE @CORE
 TO: JACK SMITH @CORE
 TO: RON SMART @MLO
 TO: JOHN SIMS @CORE
 TO: JACK SHIELDS @CORE
 TO: JIM OSTERHOFF @CORE
 TO: KEN OLSEN @CORE
 TO: WIN HINDLE @CORE

B.C. KO

See Pat Spight's
response attached.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 3-Mar-1989 02:51pm EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: NEW CORPORATE APPROACH TO MARKETING

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Back in the early days of Digital, when we introduced the PDP-8, we had a monopoly on a unique part of the market, but we couldn't get our message across. We had marketers who could tell wonderful, glib, heavenly messages about what these wonderful machines would do for people. We were very reluctant to give them all the facts because things were getting better. There were a number of weaknesses the machine had, and marketers never want to spell out what you don't have or what your weaknesses are.

They seem to have the theory that, if we promise wonderful things in the sweet by and by with violins playing, people will call the salesman and the salesman will somehow miraculously get them to buy without ever having to face the issues of specifications, data, and the real world.

This approach to marketing, of course, has a serious weakness because the salesman doesn't have any real data if marketers never get it organized, and we only sold to those people who were smart enough and brave enough to figure out what we had even if we weren't going to tell them or even figure it out ourselves.

The decision (maybe the most important decision in the history of the Company) was made in the Old Mill in Westminster at a WOODS meeting when we formally decided that we would write a book that would tell every single thing we knew about the PDP-8, every piece of software and every piece of data, and not imply things that weren't true, not leave unsaid things that were weak or negative and not make promises or glib statements at all just the simple facts. This revolutionized the Company.

Today we spend a fortune on glib, vague, heavenly marketing media which promise all sorts of wonderful things will happen to organizations if they use our computers but are very devoid of facts. I assume we leave out the facts because these would

include the software and the features we don't have. We also leave them out because things are changing and getting better, and, if you make a statement now, it will be obsolete very soon. I am also afraid we do it because it is a lot of work to understand everything we have and to write it down. Glib statements are so much easier than facts.

We also have the obvious problem that, if our wonderful claims catch the imagination of the customer, the salesman doesn't have any more facts than we gave the customer because the facts are not organized. It takes many experts from the Company to go out and help the customer if he is persistent.

Meanwhile, we are losing an enormous fraction of the market, not to IBM, but to a myriad of small companies who service those customers who want to get the simple facts from someone who understands his product. This is normally the smaller company who has a limited product line and a limited offering, but they understand it, know the facts, can talk immediately to the customer about those things they can solve and also tell immediately the things that they can't.

I'd like to immediately budget and plan a corporate-wide marketing plan which will basically be a traditional Digital handbook on every hardware offering we have and every application area we are interested in. I'd also like to have us clearly identify all those hardware areas and application areas which we are not interested in and which we will not have a handbook on.

These handbooks will contain no general, glib, glorious statements about the miracles that will happen to you if you use our equipment just the facts--here is how things work, here is what is needed in this area, here are the parts we offer, here are the things we get from third parties, and here are the services we offer.

I'd like Ken Swanton to head a team to organize our CPUs and the corresponding disks into one booklet that would present all the data and all the information necessary to understand our computer disk offering.

Because it's one book, there will not be competition between machines, they will all be put into perspective, and the reasons for more expensive machines will be presented clearly. The book will be dated and prices, costs and justification of the cost will be clear. This book should probably also include our story on SMP, clustering and local area clustering.

I'd like John Rose to present the book on office networks. Lay out the choices, the reasons, what we offer, what it costs and how easy it is to wire up a network by oneself or by hiring an expert. It should include terminals, PCs and workstations.

I'd like Bill Johnson to write the book on enterprise networking.

This group, traditionally, has a problem different from the rest. Instead of making glib, general promises, they try to impress people with how much technical knowledge they have and how complex the problem is. I would like them to try to make enterprise networking simple. The general approach should not be to put everything in front of the customer at one time, but to make the simple solution first and then with appendices add the technical solutions to more complex problems that might arise.

I'd like each of Pete Smith's groups to write the book on their area. For example, there should be a book on desktop publishing, all the things that desktop publishing can do, which of these things Digital offers, what it costs, and why one would use it.

The factory booklet should be something you give to a friend. If he read it, he should understand everything we offer and why you use factory computers on the floor and why you use factory for the management operation. He'll understand what Digital offers, what he has to go to a third party for, and what we don't offer that he should get somewhere else.

In the financial services area, there are probably several books. We may combine them all in one, but it might be worth it to make a separate book for trader workstations and money transfer and another book for remote office operations.

We should also have a general book on TP and mainframe computers that explains all we do and all we offer that every salesman could memorize and leave with his customer.

I'd like Pete and the other appropriate people to outline this whole series of books and include them in their budget but also include them as a corporate budget for this part of marketing.

KHO:dao
KO:2735
DICTATED ON 3/2/89, BUT NOT READ

Distribution:

TO: Jack Smith
TO: Bill Johnson
TO: Remote Addressee
TO: PETER SMITH
TO: KEN SWANTON

(SMITH.JACK)
(JOHNSON.BILL)
(JOHN ROSE @LJO)
(SMITH.PETER)
(SWANTON.KEN)

CC: Jim Osterhoff
CC: Win Hindle
CC: John Sims
CC: Jack Shields
CC: Abbott Weiss

(OSTERHOFF.JIM)
(HINDLE.WIN)
(SIMS.JOHN)
(SHIELDS.JACK)
(WEISS.ABBOTT)

File E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 2-Mar-1989 10:46am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: MISSING PART IN OUR NEW BUDGETS

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

I think the most critical part of our budgeting for next year is not the 3-year plans, not the 25-year plans, not even sensing where the market is going in the next two years, but it is traditional marketing. Every one of Jack Smith's groups is doing almost nothing in marketing other than advertising their message. Sometimes they say, "I hear Ken Olsen is against advertising". Some say there is so much red tape and so many people have to approve it that it is impossible to get it done. Some say that it's Pete Smith's job. Some say announcements are all that Digital does, and that is the policy.

I also ask how they get their message across to the salesmen and to the customer, and they look at me with a blank stare.

I'd like a very distinct, clear section of the budget with the highest emphasis put on the part which asks how we get our message across to the salesmen and the customers. What is the detailed plan by week or by month? How do we measure the results of the plan? How do we test every week or month whether the customer and the salesmen understand our strategy and whether they are enthusiastic about the pitch?

We should ask if they are selling products and, if so, how they budget getting the details of their product across. If they are selling broad, general, vague concepts such as worldwide integration, how do they measure results from it?

If we press this issue now, it might even influence this quarter.

KHO:lt
KO:2732
(DICTATED 3/2/89 BUT NOT READ)

Distribution:

TO: Remote Addressee	(PAT SPRATT @MLO)
TO: Win Hindle	(HINDLE.WIN)
TO: Jim Osterhoff	(OSTERHOFF.JIM)
TO: Jack Shields	(SHIELDS.JACK)
TO: John Sims	(SIMS.JOHN)
TO: Jack Smith	(SMITH.JACK)
CC: Abbott Weiss	(WEISS.ABBOTT)

KO

file E.C.

I N T E R O F F I C E M E M O R A N D U M
C O R M T S A L L - I N - 1 S Y S T E M

Date: 2-Mar-1989 10:39am EST
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

George Chomelouan

TO: See Below
cc - wj handle
Subject: ADVERTISING

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

I think product releases this last year have been very good, and the announcements have been very well done; but the order rate, with a few exceptions, has been very very disappointing.

I have been receiving complaints from stockholders (very few) that they see no product advertising from Digital. I'd like to see if we can get a feeling of whether there is a relationship between our lack of advertising and our lack of sales.

Could you prepare a chart for next week's Executive Committee meeting in which, for each of the groups, or, when appropriate, for each of the products in each of the groups, you identify the total marketing expense, the number of people doing marketing and list the concrete results of the marketing, which would be advertising and messages that have been received and understood by the field, etc.

Also, answer the question: Do the marketing groups believe that their product message is covered by the corporate worldwide enterprise message?

Put on the chart what their advertising plans are for the next six months and ask them if they believe that it is their responsibility under the product marketing category to do the product advertising or if they think Pete Smith is supposed to do it all.

Have they sampled the salesmen to find out if they have received and understood their product messages?

An unrelated question that has been brought up to the Executive Committee that you might answer at the same time is: For each of

the groups, how many dollars and how many people are in the finance function?

KHO:lt
KO:2731
(DICTATED 3/2/89 BUT NOT READ)

Distribution:

TO: George Chamberlain	(CHAMBERLAIN.GEORGE)
CC: Jack Smith	(SMITH.JACK)
CC: Win Hindle	(HINDLE.WIN)
CC: Jim Osterhoff	(OSTERHOFF.JIM)
CC: Jack Shields	(SHIELDS.JACK)
CC: John Sims	(SIMS.JOHN)
CC: Abbott Weiss	(WEISS.ABBOTT)
CC: George Chamberlain	(CHAMBERLAIN.GEORGE)
CC: Henry Crouse	(CROUSE.HENRY)
CC: Jim Cudmore	(CUDMORE.JIM)
CC: Bill Demmer	(DEMMER.BILL)
CC: Dick Farrahar	(FARRAHAR.DICK)
CC: Sam Fuller	(FULLER.SAM)
CC: Bob Glorioso	(GLORIOSO.BOB)
CC: BILL HANSON	(HANSON.BILL)
CC: Bill Heffner	(HEFFNER.BILL)
CC: Bill Johnson	(JOHNSON.BILL)
CC: William Koteff	(KOTEFF.WILLIAM)
CC: Dom LaCava	(LACAVA.DOM)
CC: Frank McCabe	(MCCABE.FRANK)
CC: Don Metzger	(METZGER.DON)
CC: BOB PALMER	(PALMER.BOB)
CC: GRANT SAVIERS	(SAVIERS.GRANT)
CC: Jack Smith	(SMITH.JACK)
CC: PETER SMITH	(SMITH.PETER)
CC: BILL STRECKER	(STRECKER.BILL)
CC: Remote Addressee	(DAVID STONE @GEO)
CC: Remote Addressee	(RICHARD YEN @TAO)