

**** D R A F T **** Ron Smart REVISION: 11/16/82 Tue 16:24:56

[P4 #23 SIMPLE STATEMENT FROM WIN, JACK AND JACK]

To Marketing and Field Managers
Fm Win, Jack and Jack

Re The transformation of the OLD to the NEW DIGITAL

1. SEGMENTING BUSINESS OPERATIONS FROM MARKETING

The OLD Product Group role is being refocussed onto leading the company's world wide strategy for targeting and penetrating markets. The tactical business decision making is moving to the field, close to the customers for more efficient operations. The company's NOR budgets are set by the geographies/manufacturing.

2. SEGMENTATION OF MARKETING ROLES

Four different kinds of marketing have been identified (base product, applications, channels and industry) as a basis for ensuring we have strong focussed marketing which is done once only and thoroughly.

3. REDEPLOYMENT OF SOME P/G PEOPLE WITH THE ROLE CHANGES

The transformation will free up some people now distributed among the Product Groups and make them available for redeployment into higher priority marketing, into new market thrusts, into USA business operations and into selling etc.

4. RULES FOR REDEPLOYMENT WITHIN MARKETING FUNCTION

We want to continue to build on our marketing strength in the priority traditional segments (e.g. applications areas such as Engineering, Laboratory, Manufacturing, Education) where we already have a strong market position. Therefore the redistribution of marketing responsibility and people will be done so as to focus and strengthen our overall marketing capability as a corporation, not sacrifice the existing strengths for the new thrusts.

5. HOW TO EVALUATE POTENTIAL CHANGES

The NEW DIGITAL changes are intended to be done so as to develop marketing expertise more rapidly, to reduce cross functional negotiating and policing, and to concentrate responsibility for proposing plans in writing and for performing against them.

6. COMMUNICATING AND AGREEING ABOUT STRATEGY AND PLANS

Each marketing group is responsible for communicating directly with other marketing groups and with geographies to explain and test their strategies and plans. Serious disagreements are settled in front of the O/C.

7. CLARIFYING THE DETAILS AND INTERPRETATION OF THIS AGREEMENT

A set of working documents written to describe more details of the transformation are available from the Redeployment/Retraining task-force (Dick Farrahar chair). These documents are for the guidance of those planning and implementing the NEW DIGITAL. Residual questions of interpretation should be referred to this task-force for answers.

LIST OF CONTENTS

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- o P/G-FIELD ROLES
- o BASE PRODUCT MARKETING
- o ADVERTISING & LITERATURE STANDARDS (To Come)

ENG

FUNCTIONAL RESPONSIBILITIES CHARTING IN THE NEW DIGITAL

CORP ENGG | MKTG | GEOG | MFGG |

ADMINISTRATION AND BUSINESS MANAGEMENT

		X	X	Materials forecasting up to 9 months except new prod
X			X	<i>Product</i> " " over 9 months
X			X	" " new products
			X	Manufacturing inventory
		X	X	Order administration
		X	X	Setting the NOR plan ← <i>Making the booking plan</i>
		X	X	Making the NOR plan
		X		Pipeline inventory and receivables
		X		Credit checking
		X		Allowances and discount administration
		X		Account servicing (e.g. chasing customers cables)
		X		Revenue accounting
		X		Financial planning & accounting
		X		Distribution P&L
		X		MIS to support all the above

Supporting worldwide

PRODUCT/MARKET STRATEGY & MARKETING PLANNING

	X			Setting corporate market strategy
		X		Feedback to marketing on strategies and plans
X				Product strategy
X				Base product investment (ROI) business plan
				Base product multi year operating business plan
				BASE Base product marketing strategy and marketing plan
				BASE Base product USA pricing and terms
				APPL Applications product strategy and marketing plan
				APPL Applications unique product USA pricing and terms
				APPL Applications unique product engineering management
				APPL Applications product vendor support & management
				APPL Applications unique product investment (ROI) plan
				CHNL Channel strategy and marketing plan
				CHNL Channel Ts & Cs and business relationship planning
				IND Industry (major end-user) strategy & marketing plan
				IND Industry (major end-user) Ts & Cs and scheduling
		X		Local country variations on World Wide Ts & Cs

TECHNICAL AND PROMOTIONAL LITERATURE & ADVERTISING

	X			Basic product literature & product positioning
		BASE		Product promotion literature & marketing programs
		APPL		Applications literature & marketing programs
QC		X		Product & market segment advertising & promotion
			X	Local country (non-USA) advertising and promotion

SALES TRAINING AND SUPPORT

		X	X	Sales training materials
			X	Sales training
		BASE	X	Technical back-up sales support on products
		APPL	X	Technical back-up sales support on applications
		X	X	Tactical support for sales

NOTES: Strategy and marketing planning includes market sizing, competitive positioning, market share intelligence for the target market segmentation.

This is a working draft intended to tie together other documents relating to marketing in the NEW DIGITAL.

See Bill Long's draft "Marketing in the NEW DIGITAL" for a comprehensive description of what marketing is.

Also see the report from Bill Long's task-force on Measuring Marketing (the report has the status of a recommendation to the O/C).

The Marketing/Field relationships are described in an October WOODS appendix drafted by Ron Smart (this description has the status of unconfirmed O/C minutes).

Base Product Marketing and its interface with Engineering, with other marketing and the field is described in Rick Corben's "Product Marketing Roles."

Dick Berube and Peter Jaincourtz have a small group of P/GMs developing a proposal for TV and magazine advertising as well as for technical and promotional literature standards.

This present document simply describes the relationships among the different kinds of marketing and identifies the planning groups among whom the marketing is managed:

Base Product Marketing

The objective of Base Product marketing is to develop strategies and do the marketing for the products developed by Engineering. This is the product marketing which is generic, i.e. relevant to any Application, Channel and Industry.

Marketing success measures include the group's product situation relative to competitors and their share of the product and price-band market segment.

The planning groups are:

- * TERMINALS, video and printing
- * VAX WORKSTATIONS, graphic/computing workstations
- * RAINBOW & ROBIN, industry standard PCs
- * PROFESSIONALS, DEC architecture PCs
- * PDP-11, systems, boards and chips
- * MICROVAX, small VAX systems, boards and chips
- * VAX, large systems
- * 10s & 20s systems
- * NETWORKS & COMMUNICATIONS PRODUCTS, hardware and software
- * BUSINESS & OFFICE SYSTEMS including WORD PROCESSING
- * STORAGE, marketed through systems groups for now
- * TPL

Applications Marketing

The objective of an Applications group is to build DEC's position as pre-eminent supplier of computing to the group's target community. All our products and services and all our channels are focussed into their target market by the Applications group. Where it is advantageous to DEC's market position with the community, additional products are added by the group over and above the base products and services. These are developed and supplied by DEC or third parties as appropriate to our strategies.

The quantitative measures of marketing success include our total revenue penetration rate into the segment.

The marketing focus and expertise for a product in an application can be provided from either the Base Product or the Applications group but not both. The decision is an agreement between the relevant groups. Where the marketing of a product applies to several applications areas it would generally be done in the base product group. Any additional marketing required in an applications group is then funded only for its added value e.g., a supplementary brochure. Thus the marketing of the packages of products and services builds on the marketing already done by the Base Product Marketing groups.

The target applications groups are described in terms of broad communities of users:

- * Engineering departments; designer's and developer's applics
- * Laboratories; laboratory researcher's applications
- * Manufacturing departments; manufacturing applications
- * Medical centres and departments; medical applications
- * Business management offices; business and office applications
including high powered Word Processing
- * Small Businesses; Small business applications

Channel Marketing

The objective of channel marketing is to develop the world wide business strategy and plan for marketing appropriate products through target kinds of channels into applications segments. The added value of channel marketing includes the development of effective models for our business relationships with third parties who are adding value (technical, business) in moving our products into applications segments.

Quantitative measures of channel marketing success include our revenue share of the channel's purchases.

The channel planning units are:

- * OEM, technical value adding third parties (incl data services)
- * DISTRIBUTERS/DEALERS/WHOLESALEERS, for PCs and Terminals
- * DEC Business Product centres, (DEC stores)
- * Note: end user direct has no dedicated channel marketing unit.

Industry Marketing

The objective of industry or customer marketing is to develop the business strategy and plan for marketing our products through all channels and for all applications in the target industry or customer. The industry marketing builds on but does not repeat the product, applications and channel marketing described above.

Quantitative measures of industry marketing success include our total revenue penetration of the opportunity and our sales efficiency.

The Industry planning units are:

- * GOVERNMENT, country government business
- * TELECOMMUNICATIONS, telephone and data utilities and suppliers
- * Note, other industry segments (SICs) have a lower level of marketing need other than that done by account management in the field. This vestigial industry marketing is accomplished by consortia of applications and other marketing units. Examples:
 - Large industrials: Manufacturing, Engineering, Laboratory, Business & Office, and some Education applications plus PCs, Networks & communications base products.
 - University: Education, Laboratory applications plus 10s/20s, Networks & Communications, PCs base products.

* d i g i t a l *

H 10

TO: *RON SMART

DATE: WED 13 OCT 1982 3:23 PM EDT
FROM: BILL LONG
DEPT: LDP ADMIN
EXT: 231-5819
LOC/MAIL STOP: MRO2-4/T75

MESSAGE ID: 5178529711

SUBJECT: MARKETING IN THE NEW DIGITAL

BILL LONG, FIRST DRAFT:
WHAT MARKETING DOES IN THE NEW DIGITAL:

- + initiation, articulation, and presentation of a strategic approach to a particular segment of Digital's marketing activity. The thrust of the strategy would be along one of the designated dimensions: application, channel, base product or industry. Included as part of the original statement of strategy is a list of criteria against which the success of the plan will be calibrated.
- + collection and interpretation of the results of the execution of the approved strategy, and adjustments to the strategy as a consequence of those results.
- + in-depth technical support to the field, in the particular applications or products germane to the marketing responsibility of the group. This will include applications expertise, benchmarks, home-office demos, technical presentations, and other forms of sales support.
- + clear communication to Digital's internal organization of the product and service needs of the customers served by the group.
- + market segmentation and the gathering of data for the purpose of understanding who the potential customers are and what are their important buying influences.
- + effective promotion for the sake of creating demand and generating specific sales leads, by means of trade shows, media advertising, direct mail, sales brochures, etc.
- + for an Applications Group, the augmentation of our base product offerings with applications-oriented products specific to the market served. These added-value products can originate within Digital's own engineering groups, or from a collaboration with third-party vendors. The "product management" function for these applications-specific products will be performed from within the applications marketing group. Accompanying each project proposal should be a thorough business plan for the project.
- + routine communication to the field on matters relevant to the market space.

- + design and delivery of applications-specific training for the sales force and software support organizations, in conjunction with the so-called "success train".
- + the hosting of customer visits to headquarters as required by the sales situation.
- + active participation in support of the DECUS community.
- + the tracking of competition, for the purpose of defining competitive knock-offs, and for the general understanding of our relative product and pricing position. Our knowledge of the competition should be a significant factor in the definition of the strategic plan for the marketing group.
- + collaboration with other marketing groups in order to define a complete approach for Digital, directed at the institutions where those groups share marketing responsibility. The result of this joint effort will be a strategy for Digital towards the university, the factory, the bank, the government research laboratory, and so forth.
- + sharing of insights into product life cycles, and future demand, in order to add market intelligence to the planning of manufacturing mix and volume. Market groups will not own inventory, or be responsible for detailed forecasts by product, but will be expected to have and share some knowledge about the pattern of customer demand for our base and applications products.
- + the setting of prices. The base products groups will have the primary responsibility for pricing the base products, with market input from the other marketing groups. Applications groups will be responsible for setting prices on their applications-specific products, again in consideration of advice from other marketing groups.

13-OCT-82 20:34:08 S 04264 CLEM
CLEM MESSAGE ID: 5178527302

digital

INTEROFFICE MEMORANDUM

TO: Operations Committee

DATE: 10/4/82 Mon 10:14:23
FROM: Measuring Marketing
Task Force

(W. Long, R. Smart, P. Smith,
A. Campbell, G. Saviers,
H. Weiss & J. O'Keefe)

SUBJECT: COMMITTEE REPORT ON MEASURING MARKETING

ON MEASUREMENT IN GENERAL:

The textbooks on this subject have not really been much help. A measurement system is intrinsically related to the culture and style of a particular company. An appropriate measurement system takes into account not only what behavior should be encouraged, but how the preferred behavior is induced. These things are a function of how the organization really works. What we are seeking is a set of measures that satisfies the somewhat unusual character and inner workings of Digital.

No single measure does the trick. Various members of the Operations Committee have specified some combination of qualitative and quantitative yardsticks. As you can see from the attached Appendix I, almost every conceivable measure is given a mention in the recent literature on the subject of the New Digital. Also, there are several distinctly different kinds of marketing activity going on here that need to be measured. Consequently, we have attempted to define a collection of measures that suit the range of marketing entities that will exist in our future. Our thought is for each organization to choose, from our shopping list of measures, the appropriate set of measures for that particular group, and to include that choice in their strategic proposal to the operations Committee.

In all that we have read and heard, there have emerged several recurring themes: market penetration, obvious quality, productivity, customer satisfaction, ROI, performance versus competition. These are the things that we have chosen to measure.

OBVIOUS QUALITY:

The notion of "obvious quality" originates with Ken. The underlying assumption is that the Operations Committee and the Field managers recognize a good, executable strategy when they see one. That is, a quality strategy is one that is salable to the OC, to the functions and to the countries, on the basis of our ability to communicate the wisdom of the plan, and their judgment as to the doability of the plan. Regarding content, a quality plan demonstrates an intimate understanding of the chosen market, and a generous blend of

aggressiveness and imagination. By definition, this is an entirely qualitative measure, based on the overall feel of the strategy to the reviewers, and there is no quantitative dimension attached. However, we can assume that judgments of proposals will, over time, be colored by the results of previous plans.

PENETRATION:

On the quantitative side, Ron Smart and friends have developed a metric for market penetration by a Market Group in a particular country, a scheme that provides a reasonable proxy for market share. It quantifies market share and profitability relative to competitors in important markets, by calculating our revenue growth rate relative to opportunity growth rate. The approximation is a meaningful one, and has the benefit that the data for the computation is readily available. The details of the derivation and use of this measure are described in the second Appendix to this memo.

RETURN ON MARKETING PROJECT INVESTMENT:

ROI is the old standby, and still applies to most of the project investment decisions that we will be making in the New Digital. The technique is already applied routinely for the comparison of engineering projects. The same methods are used less often to calibrate the return from marketing projects, but can and should be. There is no new technology involved here, only a fresh commitment to exert the discipline on the marketing organizations.

MARKETING PRODUCTIVITY:

One test of marketing productivity is the simple ratio of marketing expense to bookings in that market. This figure is only meaningful in comparing similar businesses, since it does not take into account the whole cost of marketing, promoting and selling. It will also indicate the expense trend for a particular market, relative to previous years or managements. Although it is of limited application, it is easy to calculate, and therefore we continue to include it on our list.

RESULTS:

In the end, results are what count. We are offering three ways to look at results from our marketing efforts: performance versus plan, relative performance against chosen competitors, and survey results.

PERFORMANCE AGAINST PLAN:

The strategic plans presented by the marketing groups are intended to be specific, action-oriented statements. Each plan includes actions along with expected results. These may be very different from group to group, but in every case we should be able to check milestones, in order to adjust execution to changing conditions in the marketplace. For sure, we would look at NOR and bookings versus plan by market group, as well as results against some form of business model or pro forma statement of operations. The marketers do not simply put an annual plan in motion, and then walk away from it until next year. There is a continuing involvement of the marketers in the execution, and a reciprocal responsibility on the part of the functional organization to keep the marketers informed relative to the progress

of the plan. Clearly, the requirement for feedback should be designed so as to be adequate for the purpose without becoming an undue burden on the provider.

The final test of any strategy is whether or not it has accomplished the results intended. However, it is fair game for the Operations Committee to fault the plan after-the-fact, should they determine that the plan was inadequate for the size of the opportunity to begin with.

PERFORMANCE VERSUS COMPETITION:

To get another estimate of performance against competition, a market group may choose to stack itself up against a set of near competitors in some dimensions, say, growth rate and profitability. For example, LDP might agree to be out-perform the combined results of HP, Perkin-Elmer and Prime in those categories. This measure has the benefit of being easy to calculate, since the necessary data is publically available. Of course it is imprecise as applied to any one market group, but can be a useful comparison if the chosen competitors are reasonably representative of the market in general.

SURVEYS:

Finally, survey results are important as a measure of our effectiveness as marketers. There are many to choose from, both internal and external in origin. Through surveys we can measure the level and trend of such things as customer satisfaction, reputation, image, recognition, etc. The strategic plan for a market group should include mention of those surveys that are germane to that particular market group. Most surveys have the drawback of a very long time delay between an action and our ability to test the reaction, but even so, any surveys can be useful for our purposes.

Attachments:

- Appendix 1 - Quotations
- Appendix 2 - Market Penetration Metrics
- Appendix 3 - Pro-forma Design of Marketing Data Collection Format

APPENDIX I
SOME PERTINENT QUOTATIONS ON THE ISSUE OF MEASURING THE MARKETING
ORGANIZATIONS IN THE NEW DIGITAL

Ken: Marketers, stop doing all the selling. Put your energy into getting the salesmen equipped to do it.

OC Minutes 31Aug82

The worldwide P&L is done at Corporate.

OC Minutes 31Aug82

Measures- Jobs are measured, projects are measured. For example, of the three hundred applications you promised, how many were done? No complicated measures. No arbitrary formula which people can play yet lose the market. Sometimes the measure is different at the end from the beginning, like the world measures us.

OC Minutes 31Aug82

Ken: We owe it to every individual to be measured by the obvious common-sense measures of the quality of the job being done. Don't even define it in detail ahead of time. Don't measure everyone on profit numbers which have no relation to reality.

OC Minutes 31Aug82

Ken: Make measurements fun. Something that the manager will want to do for himself to know he is succeeding.

OC Minutes 31Aug82

Ed Schein: We need short term and long term measures; keep them sorted out. This is one way to avoid confusion. Be very careful to ensure measure induces interfunctional collaboration, not competition.

OC Minutes 31Aug82

Ken: The structural profitability (business model) of a Product Line strategy is a key thing. However, we can't collect detailed profitability data by every dimension; use averages where it makes sense.

OC Minutes 31Aug82

Since the day-to day business operations will not be a part of the marketing operation in the future, we need a set of measures that compare our marketing with competitors. Marketing groups should be measured on a long term basis as well as on the short term implementation.

Win Hindle 29Jun82

Measurement of marketing

Obvious quality of marketing

Based on marketing plans

To encourage cooperative behavior, NOR will be credited (multiple counted) according to the approved marketing plan.

OC Minutes 17Jun82

The company will become the sum of the geography, instead of the sum of the Product Lines.

OC Minutes 17Jun82

Applications marketing measured by:

Value-added applications [product] business plan (ROI)

Penetration of all products in target market

Channel marketing measured according to marketing plan:

Market penetration

Sales efficiency

Industry marketing measured according to marketing plan:

Market penetration

Sales efficiency

OC Minutes 17Jun82

In the future, the Manufacturing plans will be based on shipment plans proposed by the Field operation units of the Sales Department.

Win Hindle 18Jun82

The company will have three sets of budgets and plans, Engineering, Marketing and Field. The three budgets will not necessarily match.

Win Hindle 18Jun82

The Product Groups will budget all marketing activities. They will be primarily measured by the obvious quality of marketing and whether or not they accomplished all the things the budgeted, for the dollars and time they budgeted. They will also generate marketing plans which include the activities necessary to sell the unit. These plans will be measured by their obvious quality and they will also be measured by the orders received because of the value added by these marketing activities.

Win Hindle 18Jun82

The quality of marketing plans will be immediately obvious because the enthusiasm of the Field to order products as proposed by the various marketing groups.

Win Hindle 18Jun82

The Field will designate whether that order resulted from the product or marketing value-added by the various marketing groups, and will record it accordingly to help evaluate the marketing program.

Win Hindle 18Jun82

We are making it clear that we value marketing as a function in itself distinct from day-to-day business operations. Marketing performance will be measured by marketing measures (chiefly penetration into targeted segments).

Ancona etal 15Jun82

Marketing programs that leverage field efforts and develop customer demand in targeted segments will be evaluated in the market on their merits.

Ancona etal 15Jun82

Base product marketing groups (in either Engineering or Marketing)measured against product business/marketing plans (return on sales, return on assets, and market position)

Ancona etal 15Jun82

Applications product groupsmeasured against their approved plans which include:

- +rate of revenue penetration into targeted applications market segments (relative to opportunity and competition)
- +unique applications product business/marketing plans

Ancona etal 15Jun82

Channel market groups ...measured by rate of market penetration via targeted channel as well as sales efficiency through the channel.

Ancona etal 15Jun82

Industry marketing groupsmeasured by the rate of market penetration to targeted industry as well as sales efficiency to that industry.

Ancona etal 15Jun82

The marketing plan should specify the parameters which define the success of the plan. Marketing and the Field should both be measured by achieving the approved metrics for success.

Ward MacKenzie 29Jun82

I believe that we should be measured on the total penetration of Digital's products in a market space:

- across all products
- all channels
- all geographies

Peter Smith 9Jul82

A quantitative measure of marketing performance, both operational and strategic, over time, is the relationship of market penetration (as reflected by the revenue growth compared to competitors) and profitability (as compared to internal objectives and the market).

Bruce Wright July82

Actual performance data is recorded and made accessible to P/Gs and others for marketing and operational management purposes. Perhaps 1000 items are reported, all in a consistent format as a subset of the "4000 line item" country plans. For example:

PLANS	BUDGETS	REPORTS	MEASURES
4000 line items	15 line items	1000 line items	2 or 3 items

Jack Shields and Bill Thompson will propose the financial metrics for countries. Jack Shields' staff will propose the planning items (the 4000). Bill Long's task force will propose the reporting items required for marketing feedback (presumably a subset of what the country manager will need for his own management purposes).

Ron Smart 22Sept82

MARKETING GROUP MEASURES:

- Obvious quality of the Marketing Plan (all)
- Obvious quality of Business Plans
 - Base Product and Application only
- Product cost/performance (Base Product, Applications)
- Strategic performance
 - Base Product and Applications: Market Share, NOR, and ROA by year, ROI by product versus Long Range Plan
 - Channels: Market Share, NOR and ROA vs. Long Range Plan
 - Industry: Market Share (penetration), NOR versus Long Range Plan
- Tactical performance
 - Expense versus budget
 - Program schedules and quality

Corporate Operations Manual
28Sept82

APPENDIX II

MARKET PENETRATION METRICS

There are some limitations on using market share as a measure of marketing success. Although it can be adequate when looking backwards at known competition, its broader use requires answers to the basic questions: What is the trend? Who are the competitors? What are the important markets?

Our proposed solution is to measure the "Penetration Growth Rate" defined as: "Revenue growth rate relative to opportunity growth rate". This metric, together with "Profitability", provides a two-dimensional measure of marketing performance. There are several possible metrics depending on what is taken as the "opportunity growth rate":

(1) At the worldwide corporate level and in its simplest form, the metric can be taken as:

NOR Growth Rate vs. Profitability (PBT% or ROA)

In this form, the metric allows us to compare DEC's performance in total against a portfolio of vendors in the marketplace and financially. It is relative performance which is important, for example vendor revenue growth rates relative to one another and to the economy. Of course, a vendor with a higher growth rate is gaining in market position overall.

(2) At the country level, the metric can be taken as the "Country Penetration Growth Rate", defined as the growth rate of NOR/GDP where GDP is the country's Gross Domestic Product. For example, if NOR and GDP are growing at 18% and 10% annually respectively, the country penetration rate is approximately 8%. The advantage of this form is that the dimensionless ratio NOR/GDP is invariant to currency rates and inflation. This form is useful in the case of least market information, since a country can always evaluate itself in local currency on the basis of country GDP penetration.

(3) At a segment level, the metric can be taken as the "Market Segment Penetration Growth Rate", defined as the growth rate of the penetration NOR/GSP. Here GSP is the segment's "Gross Spending Potential", i.e. its total spending on everything (labor, materials, capital, etc). For instance, for an industry segment the GSP is approximated by the annual sales of the firms making up the segment. For example, if a P/G increased its NOR to a segment by 25% and the segment's annual sales grew 12%, then the P/G increased its penetration by approximately 13%. The relationship between this metric and the previous two can be described by the identity:

$$(NOR/GDP) = (NOR/REV) * (REV/GSP) * (GSP/GDP)$$

where REV is the EDP revenue of hardware vendors. Thus NOR/REV is the market share in the segment. The segment's "computerization" REV/GSP

can be interpreted as the percent of sales (GSP) spent on EDP. It is useful in market sizing. For instance this ratio can be estimated for a sample of companies; the size of the market segment can then be estimated by multiplying the ratio by the total segment GSP. In words, the above relationship can be expressed as:

$$\text{(Country Penetration)} = \text{(Market Share in segment)} * \text{(Segment's computerization)} * \text{(Segment's economic size relative to country)}$$

Denoting growth rates by apostrophes ('), we have the relationship:

$$\text{(NOR/GDP)}' = \text{(NOR/REV)}' + \text{(REV/GSP)}' + \text{(GSP/GDP)}'$$

In particular, the Market Segment Penetration Growth Rate (NOR/GSP)' is equal to the growth rate of the market share plus the growth rate of the computerization:

$$\text{(NOR/GSP)}' = \text{(NOR/REV)}' + \text{(REV/GSP)}'$$

The Market Penetration Metrics have the following advantages:

- "Value" to stockholders correlates with NOR growth rate as well as profitability.
- Focusing on growth rates allows us to identify threats and opportunities when they are still small, albeit fast growing.
- The use of the Penetration Growth Rate (NOR/GSP)' focuses the marketing task on the profitable penetration of a segment GSP.

Alex Rossolimo for
Ron Smart, 10/5/82

APPENDIX III

PRO-FORMA DESIGN OF MARKETING DATA COLLECTION FORMAT

<u>BASE PRODUCT MARKETING</u>	<u>APPLICATIONS PRODUCT MARKETING</u>	<u>CHANNEL MARKETING</u>	<u>INDUSTRY MARKETING</u>
TERMINALS	OFFICE PRODUCTS	OEM DATA SVS	GOVERNMENT
VAX WORKSTATIONS	ENGINEERING APPLICATIONS	DISTRIBUTORS & DEALERS	TELECOMM.
DECMATE	LABORATORY APPLICATIONS	DEC STORES	OTHERS
ROBIN/RAINBOW	FACTORY APPLICATIONS	DEC DIRECT	
PROFESSIONALS	EDUCATION APPLICATIONS	ETC.	
PDP-11 SYSTEMS	HOSPITAL APPLICATIONS		
CHIPS/BOARDS	SMALL BUSINESS APPL.		
STORAGE	ETC.		
NETWORKS & COMM.			
10S & 20S			
VAX SYSTEMS			
OFFICE VIA TP			
TPL			
ETC.			

NOTE: SALESPERSON TO CHECK ONE,
BUT NOT MORE THAN ONE, ENTRY
PER COLUMN.

(From October WOODS for O/C approval and general distribution)

MARKETING AND FIELD ROLES:

The Product/Market groups and the Geographies have both strategic and tactical responsibilities in the future DEC organization. Product/Marketing groups have primary responsibility for developing worldwide strategic programs for the direction of DIGITAL'S market penetration. Geographic units have primary responsibility for making strategic plans for their geography which take optimum advantage of their geographic market potential per the corporate marketing strategies and programs. Once corporate strategic directions are set and LRPs developed by both Product/Market groups and Geographies, tactical support plans are developed by both to ensure that adequate resources are in place at corporate and in the field to ensure effective implementation of the plans and budgets.

The interface process is:

1. CORPORATE STRATEGIES:

Product/Market strategy statements and marketing plan summaries are reviewed by the O/C (Oct. Nov.) and when approved become corporate strategy.

2. LONG RANGE PLANS:

Geographic units develop their LRPs based on the corporate strategies as do the Product/Marketing groups. Geographic LRPs include NOR and implementation programs for their major Product/Market segments. First pass LRPs are due mid January.

3. COMMUNICATION ABOUT PLANS PRIOR TO BUDGETING IN THE FIELD:

The Geographies and Product/Market groups take the initiative to work together in developing mutually supporting plans. Significant disagreements are settled in front of the O/C if necessary, at or before the time that the LRPs are reviewed and approved (Mid March). Geographies and Product/Market groups with approved LRPs proceed to budgeting.

3. DEVELOPING GEOGRAPHIC BUDGETS:

Geographies prepare their budgets from standardised detailed budget worksheets (account plans, sales goal sheets etc). The budgets are substantially an automatic translation from the worksheets. If the budgets are wrong then the worksheets are corrected and the budgets recomputed to maintain implementation plan integrity. These budget worksheets are made available for management and marketing information concerning the Geography's account and Product/Market programs for strategy implementation.

4. GEOGRAPHIC BUDGET CONTENT:

While these worksheets contain considerable detail, the geographic budgets have relatively few items (e.g. NOR mix by

product, NOR plus expense and assets by channel, NOR for specially focussed businesses - PCs etc). The Geographic budgets set the corporate NOR budgets.

5. QUANTITATIVE GEOGRAPHIC PERFORMANCE MEASUREMENT:

Quantitative geographic performance is measured against the geography's budget. Only two or three measures are critical (e.g. total NOR, distribution expense and assets, product mix).

6. RECORDING AND COMMUNICATING ACTUAL GEOGRAPHIC RESULTS:

Actual performance data is recorded in a standard chart of accounts. It is made accessible as after-the-fact marketing feedback to Product/Market groups as well as being used for field management.

7. ON-GOING MARKETING-FIELD INTERACTION:

Product/Market groups continue to work with the geographies as partners in supporting the implementation of their mutual strategies and LRPs expressed in the Geography's business plans.

NOTE: The geography's budget worksheets and performance chart of accounts are designed for local management of the business plans which are implementing the corporate Product/Market strategies. Marketing feedback is a by-product of this local management data. The worksheets and performance feedback conform to a standard chart of accounts to facilitate quality management

PRODUCT/MARKET SEGMENTS FOR GEOGRAPHIC PLANNING

The Product/Market segment relevant to Geographic planning are a subset of the following corporate Product/Market segments. For example some of the Base Product marketing groups will be represented in other marketing strategies.

	BASE PRODUCT MARKETING	APPLICATIONS PRODUCT MARKETING	CHANNEL MARKETING	INDUSTRY MARKETING	
E	TERMINALS	ENGINEERING APPLICNS	TOEM/MICRO	GOVERNMENT	
N	VAX WORKSTNS	LABORATORY APPLICNS	COEM		S
G	DECMATE	MANUFACTURING APPLICNS	DATA SERV	TELECOM IND	
I	ROBIN/RAINBOW	EDUCATION APPLICATNS			A
N	PROFESSIONALS	HEALTH APPLICATIONS	DEC OUTLET		
E	PDP-11 SYSTM	OFFICE/BUSINESS APPLS	(BUS CNTR)		L
E	CHIPS/BOARDS	SMALL BUS. APPLICATNS			
R	STORAGE	WORD PROCESSNG APPLNS			E
I	NETS & COMM		PC RETAIL		
N	10s & 20s		-WHOLESALE		S
G	VAX SYSTEMS				
	OFFICE/BUSNSS				
	TPL				

The Geographic planning segments and their responsible managers are marked with an "*", those which need clarification have a "?"

APPLICATIONS ORIENTED GROUPS:

ENGINEERING APPLICATIONS	- Pete Smith	*
LABORATORY APPLICATIONS	- Bill Long	*
MANUFACTURING APPLICATIONS	- Roger Cady	*
EDUCATION APPLICATIONS	- Bob Trocchi	*
HOSPITAL APPLICATIONS	- Bob Rockwell	*
OFFICE AUTO/INFO PROCESSING APPLICATIONS (incl CSI)	- Henry Ancona	*?
SMALL BUSINESS APPLICATIONS	- John O'Keefe	*
WORD PROCESSING APPLICATIONS (STAND-ALONE)	- Dick Loveland	*?

CHANNEL ORIENTED GROUPS:

TVG	(INCL. DATA SERVICES)	- Ward Mackenzie	*
COEM (INCLUDED IN TVG)		- Jim Cudmore	*
SMALL BUSINESS CHANNEL (DEC BUSINESS CENTRES)		- Barry Cioffi	*
PC DEALERS/DISTRIBUTORS CHANNELS		- Joel Schwartz	* X

CUSTOMER/INDUSTRY ORIENTED GROUPS:

GOVERNMENT INDUSTRY	- Harvey Weiss	*
TELECOMMUNICATIONS INDUSTRY (incl PBI)	- Patrick Courtin	*

BASE PRODUCT GROUPS:

TERMINALS (VIDEO & PRINTING)	- Art Campbell/Bill Avery	*
VAX WORKSTATIONS	- Bryan Croxon	*
ROBIN & RAINBOW	- Barry Folsom	*
PROFESSIONALS	- Avram Miller/Joel Schwartz	*
PDP-11 SYSTEMS (incl OS & layered software)	- Mike Gutman	*
CHIPS & BOARDS	- Jack MacKeen	*
STORAGE	- Grant Saviers	*
NETS & COMM PRODUCTS	- John Adams/Bernie Lacroute	*
10s & 20s	- Rose Ann Giordano/Ulf Fagerquist	*
VAX SYSTEMS (incl OS & layered software)	- Bruce Ryan/Bill Demmer	*
BUSINESS & OFFICE SYSTEMS	- Julius Marcus	*
TPL	- Bob Nealon/Bill Long	*

SERVICE ORIENTED GROUPS:

A&SG (Channel & Product Marketing)	- John Alexanderson	*
SWS (Product Marketing + Engineering & Service)	- Don Busiek	*
CSS (Product Marketing + Engineering & Mfg)	- Jerry Butler	*
F/S (Product Marketing + Service & Eng/Mfg)	- Dick Poulson	*
ED/S (Product Marketing + Engineering & Service)	- Del Lippert	*

edited: 11/10/82 Wed 10:44:06

1. The Product/Market groups (see list attached) develop strategy statements and summary marketing plans for their respective business segments. These are reviewed by their augmented O/C BODs (October, November) and once approved become corporate strategies. The relevant ones are sent to Geographies by Corporate Planning.

2. The Geographies and Functions as well as the Product/Market groups develop their LRPs based on these corporate strategies. Each group takes the initiative to communicate with others who are critical to successful implementation of the group's strategy. Every one submits a first pass at their LRP mid January (see below for Geographic LRP content). These are distributed for review and information to other groups and functions.

3. Direct clarification and issue resolution of the documented strategy or implementation plans continues, with O/C help if necessary. Augmented O/C BODs review the summary LRPs (mid March) leading to approval of the LRPs for implementing the corporate strategies.

4. The budgeting process then develops the 8 quarter business plans based on the approved corporate portfolio of LRPs.

5. The content of the Geography's LRPs is as follows. January provides a first estimate with the final being ready for review in March.

a) First approximation at data for financial closure, e.g.: Geography's total NOR and margin components (to be specified).

b) Geography's qualitative response to all the Product/Market strategies sent by Corporate Planning.

c) Geography's planned NOR for their major Product/Market segments. These won't add up to any country total and include double counting, e.g. a Product NOR and an Application NOR.

d) Implementation programs, payoffs, resources etc for the major Product/Market and Geographic programs.

General notes on LRP approach:

a) Each group's LRP includes NOR plans for the important segments along other dimensions of market segmentation. This indicates the group's major dependencies and gives the context for discussion and agreements among groups about programs and resources. For example, a Base Product group's LRP include NOR plans for their major Applications, Channels, Industries and Geographies etc etc.

b) Each group's business model includes estimates of any unusual expenses to NOR ratios in the other functions, as a basis of discussion and agreement among the groups where significant deviations from the functional averages are planned.

c) All groups will include explicit plans for productivity gains, taking growth rates and investment-return delays into account.

d) Subsequent revisions to strategies, plans and budgets are done formally and in such a way that the integrity of the dependent programs is maintained. Complete programs are added, subtracted, advanced or delayed across all functions up and down stream to avoid useless investment with no planned NOR payoff.

BASE PRODUCT MARKETING
SUMMARY

Rich Corben
7/14/86

Ron Smart asked me to send a draft definition of Base Product Marketing contrasted with regular Engineering Planning activity. The following is a simple summary supplemented with a more detailed appendix. Note that there is no "official" definition so some people may be operating with different assumptions than mine.

ENGINEERING PLANNING & PRODUCT INFORMATION

Vision For Product Family and Individual Products

Product Specification

Life-cycle Business Plan For Product

Foundation (Technical) Product Literature

"Heavy Weight" Technical Support

Cross Organizational Coordination (Phase Review, Announcement Readiness)

BASE PRODUCT MARKETING (BPM)

Marketing Vision/Message for Product Family and Individual Products

Multi-Year Operating (Business) Plan for Product Family

Product Marketing Plan for Each Product

Pricing and Product Introduction

Post-Introduction Product Marketing

Product Promotional Literature and Services

Residual Sales Support

APPENDIX

ENGINEERING PLANNING & PRODUCT INFORMATION

Develop Vision For Each Product by Integrating

- Technology opportunity
- Competitive environment
- Market needs
- Service opportunities/needs
- Product family and corporate product strategies

Specify Product--Performance, Capabilities, Cost, Reliability, Serviceability

Produce Life-cycle Business Plan For Product

- Financial justification for total corporate investment in product
- Includes unit sales, market share, transfer cost, service cost, reliability, and other goals; also "planned" price
- Profitability metric probably is ROI

Provide Foundation (Technical) Product Literature and Support

- Handbooks, data sheets, product brochures, product family brochures, technical summaries, system and option summaries (i.e., "price list" and configuration info), technical part of sales/marketing guide, etc.
- "Heavy-weight" technical backup for non-disclosure presentations, regular customer presentations, demos, benchmarks, questions from field, etc.
- Competitive analysis and positioning
- Performance measurement and analysis for DEC product and sometimes competitors
- DECUS, NCC, and trade show support
- Education on the product for marketing groups, sales training, course developers, etc.
- Emphasis is on the accurate technical description of the product and its unique benefits compared to alternative computing tools

Cross Organizational Coordination

- "Traditional" Product Management at DEC
- Report development schedule status and provide product data necessary for forecasting
- Manage Phase Review Process
- Manage "PPC" Announcement and FCS Criteria

Develop Vision for Product Family

- Obtain market needs and trends from Marketing groups
- Articulate strategy
- Propose investment to OC

BASE PRODUCT MARKETING (BPM)

Articulate Marketing Vision/Message by integrating

- Product capabilities/strategy from engineering
- Market needs from application, industry, and channel marketing
- Business opportunities from sales
- Service considerations from service
- Manufacturing constraints (if any)

Produce Multi-Year Operating (Business) Plan

- By product and total for product family
- Justifies annual expenditures
- Equivalent to a PG BOD plan and LRP
- Profitability metric probably is ROA

Produce Product Marketing Plan for Each Product

- Market definition, competitive position, market share goal
- Addresses both new customers and installed base
- Pricing strategy
- Migration strategy
- Promotion plan/budget
- Metrics--to be defined; could be return on marketing expense (e.g., ratio of product contribution to marketing expense)
- Product knowledge objectives for sales force; tests to measure it
- Sales training/communication plans

Manage Product Introduction

- Decide MLP price and discount type (review with others)
- Obtain performance data from engineering
- Coordinate training, sales update articles, distribution of literature, promotion, etc.
- Write message for field including product message, positioning relative to other DEC products and versus competition, etc.

Manage Post-Introduction Product Marketing

- Manage product promotion
- Monitor status against business plan; report variances

- Evaluate impact of new competitive announcements
- Take corrective actions (e.g., change price, promotion plans, etc.)
- Plan mid-life kicker strategy/requirements with engineering

Provide Product Promotional Literature and Services

- Responsible for advertising, "non-technical" product literature (e.g., collected customer application stories, general brochures, etc.), sales/marketing guides, road shows, trade shows, etc.
- Responsible for sales aids such as slide shows and video tapes
- Emphasis on added-value beyond foundation technical literature; should address benefit of total DEC offering (e.g., service), not just product.

Residual Sales Support

- Most product-based account support should move to field; residual responsibility, especially during transition, stays with marketing
- Product presentations
- Benchmarks and demos
- Questions about product competitors from the field
- Technical questions from field
- Arrange direct contact between engineers and customers to ensure unfiltered, real-time feedback

DASE PRODUCT MARKETING

COMPLETE TASK FORCE REPORT

Rick Corban 7/14/82

Digital*

TO PMTF:

DATE: WED 14 JUL 1982 4:42 PM EDT
FROM: RICK CORBEN
DEPT: CORP PRODUCT MGMT
EXT: 223-3123
LOC/MAIL STOP: ML12-1/-T39

MESSAGE ID: 5169488652

SUBJECT: PMTF: STRAWHORSE--VER. I- PART I

CONTENTS:

Our Assignment.....This Memo
Review Process.....This Memo
Role/Responsibility Definitions...Part 2
Interface "Processes".....Part 3
Some Questions.....Part 3

OUR ASSIGNMENT FROM OC:

1. Starting from the outline approved at the June 16 17 OC Woods, clearly define the roles and responsibilities of "Basic Base Marketing" and "Base Product Marketing".
2. Define the interfaces among "Basic Base Marketing", "Base Product Marketing", and other Marketing.
3. Propose the role which Marketing groups play in the determination of Corporate Engineering Investment. What process, if any, is used?

PRODUCT MARKETING TASK FORCE (PMTF):

Patrick Courtin	Ulf Fagerquist
Jack MacKeen	Mike Gutman
Bob Rockwell	Bernie Lacroute

REVIEW PROCESS:

The next two parts of this memo contain a straw horse response to our OC assignment. Please review it. I shall discuss it with each of you one-on-one and distribute a second version based on the input. Then we can get together as a group to fix it up or brainstorm totally different approaches. [To share ideas in advance, you can sent EMS memos to PMTF:. If you use "PMTF:" as the first word in the subject line (e.g., "Subj: PMTF RE STRAW HORSE"), then it will be easy to find all the EMS memos on the topic.]

DISCLAIMER:

The "New Digital" is an evolving concept. Not everyone's picture is the same. In order to provide this straw horse, I tried to follow the intent of the OC as best I could. When in doubt, I filled in details. Some of my assumptions may be wrong so you should NOT assume that this document represents the official OC position. The Committee must develop its final proposal based on its own best judgement

* d i g i t a l *

TO: DANA LAJOIE -----

DATE: THU 29 JUL 1982 11:08 AM EDT
FROM: RICK CORBEN
DEPT: CORP PRODUCT MGMT
EXT: 223-3123
LOC/MAIL STOP ML12-1/-T39

MESSAGE ID: 5170910914

SUBJECT: PRODUCT MKTG ROLES--PART II

TO: PMTF: STRAWHORSE--VER. I--PART II

PHILOSOPHY:

Mutually Exclusive Responsibility and Accountability insofar as Possible

Marketing as Full-Time, Highly-Valued Leadership Role, Not a Part-Time Task Second to Operational Responsibilities and Function "Watching"

No Organization Structure or Set of Rules can Substitute for Intelligent Judgement and Cooperation; "Do the Right Thing" Remains the Essential DEC Philosophy

ROLES AND RESPONSIBILITIES:

ENGINEERING PLANNING & PRODUCT INFORMATION (AKA BASIC BASE MARKETING)

Develop Vision For Each Product by Integrating

- Technology opportunity
- Competitive environment
- Market needs
- Service opportunities/needs
- Product family and corporate product strategies

Specify Product--Performance, Capabilities, Cost, Reliability, Serviceability

Produce Life-cycle Business Plan For Product

- Financial justification for total corporate investment in product
- Includes unit sales, market share, transfer cost, service cost, reliability and other goals; also "planned" price

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- Manage Phase Review Process
- Manage "PPC" Announcement and FCS Criteria

Develop Vision for Product Family

- Obtain market needs and trends from Marketing groups
- Articulate strategy
- Propose investment to OC

BASE PRODUCT MARKETING (BPM)

Could Be Within Engineering/Manufacturing for Some Products; But Always Judged Separately by Marketing Metrics

Should Always Intimately Tie to Engineering (preferably co-located)

Produce Multi-Year Business Plan

- By product and total for product family
- Justifies annual expenditures
- Equivalent to a PG BOD plan and LRP
- Profitability metric probably is ROA

Articulate Marketing Vision/Message by integrating

- Product capabilities/strategy from engineering
- Market needs from application, industry, and channel marketing
- Business opportunities from sales
- Service considerations from service
- Manufacturing constraints (if any)

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- Product presentations
- Benchmarks and demos
- Questions about product competitors from the field
- Technical questions from field
- Arrange direct contact between engineers and customers to ensure unfiltered, real-time feedback

APPLICATION, CHANNEL, & INDUSTRY MARKETING (Background Assumptions)

Produce Multi-Year Plan (LRP)

- Base product opportunities/needs
- Service product opportunities/needs
- Sales program opportunities/needs
- Marketing strategy/budget/plan

Articulate Marketing Vision for Market

Develop and Implement Marketing Strategy/Plan

- Define market and relevant goals (e.g., share)
- Competitive analysis for market
- Other market research
- Define terms and conditions
- Set discount strategy
- Promotional and advertising plan
- Sales training/communication plan
- Sales support
- Metrics--to be defined; probably some form of added value return on marketing expense

May Develop or Acquire Added-Value Products

- Product business plans--same as base products
- Sum of base product revenue, added value product revenue, and service revenue should equal Corporate NOR (or discrepancies explained)

MANUFACTURING (Background Assumptions, Not OC Approved)

Manages Build Plan and Inventory

Goal Is To Satisfy Any Reasonable "Request" within Six Months

Field Forecasts Major Systems/Options for Six Months

Manufacturing Forecasts Minor Options

Engineering/Base Product Marketing Forecasts First Six Months
(Initial Product Ramp) of "Replacement Products" as Part of
Life-Cycle Product Business Plan

They Forecast First Twelve Months for "New Market" Products
(OC May Have to Approve Special Sales Budgets for Some Products
such as 11/780)

Sales Never Has to Forecast a Product Prior to FCS

* i g i t a l *

TO: DANA LAJOIE

DATE: THU 29 JUL 1982 11:09 AM EDT
FROM: RICK CORBEN
DEPT: CORP PRODUCT MGMT
EXT: 223-3123
LOC/MAIL STOP ML12-1/-T39

MESSAGE ID: 5170910928

SUBJECT: PRODUCT MKTG ROLES--PART III

TO: PMTF: STRAWHORSE--VER. I--PART III

INTERFACE "PROCESSES":

CORPORATE ENGINEERING STRATEGY AND INVESTMENT

Global Product Strategy and Allocation of Engineering Resources

- Each engineering program (e.g., 32-bit systems, storage, etc.) documents strategy and proposes investment (unconstrained by budget)
- Operations Committee reviews each group's proposals
- Afterwards, engineering management (Bell/Smith) develops proposal to fit within budget constraint
- Cross group meetings (described below) may influence Bell/Smith recommendation
- Operations Committee makes final decision
- No other forum to work this issue since its critical nature requires direct participation by the President and OC

PROGRAM-LEVEL STRATEGY AND BUSINESS PLAN

Review and Advisory Process

Not a Substitute for Individual Responsibility; No Voting

Objective is to Share Wisdom of Senior Management, Especially Marketing

Establish Business Advisory Committee for Each Program

- Chaired by program-level engineering manager (and BPM manager, when BPM is in separate organization)
- Membership composed of the senior responsible manager

from those Application, Industry, and Channel Marketing groups with the greatest "stake" in the product family (specifically those with the largest commitment of added-value marketing activity built on the product)

- Service and Manufacturing team managers also are members; perhaps, Sales and Finance, too
- No substitutes

Reviews/Advises on Engineering Product Strategy and Investment Proposal for OC

Reviews/Advises on BPM Multi-Year Plan (Especially Business Dependent on Added-Value Marketing for Application, Channel or Industry) -- Includes Annual Business Plan for Each Product in Program

High Level Review of Business Plans for Major Products under Development (within Program) at the End of Phase 0 and Phase 2A (Go/No Go Point)

INDIVIDUAL PRODUCT STRATEGY AND PLAN

Overall Management Under Phase Review Process (No Change from today)

- Wide dissemination of information to all interested parties in company
- Decision-making responsibility clearly assigned
- Focal point is cross-functional product team to achieve common goals across Engineering, Marketing, Manufacturing, Sales, and Service

Authorization to Enter Phase 0 from Operations Committee as a Part of Approving Strategy/Budget for Each Program

High-Level Business Plan Reviews Conducted by Business Advisory Committee at Phase 0, Phase 2A, and Annually for Shipping Products (See Above)

Optional Product Advisory Group Where Desired by Product Manager

MAINTAINING CORPORATE CONSISTANCY/STABILITY/IMAGE

PPC-Like Review Committee for Announcement of Products, Prices, T's & C's, Discount Curves, Product and Service Policies, etc.

- Reviews prices, policies, and practices to catch

problems such as inconsistencies which might upset customers, 'short-sighted' proposals which might damage Corporate image, significant disagreements by groups dependent on the price or policy, etc.

- Committee does not decide prices or overrule the responsible group; when it cannot achieve resolution through review and discussion, the committee forwards a recommendation to OC

ABOD-Like Review Committee for Advertising (and perhaps Certain Promotional Material)

- Review to ensure consistency and good taste (i.e., proper Corporate image)
- Forwards unresolvable problems to OC with a recommendation
- Single committee might handle both PPC and ABOD functions

FORMAL PLANNING CYCLE/DOCUMENT EXCHANGE

With DEC's Geographic and Organizational Decentralization, There Are Too Many Groups (Engineering, Marketing, Sales, Manufacturing, Service) Which Need to Exchange Too Much Information About Plans to Depend Solely on Dialogue Between Groups

Formal Planning Documents (Evolution from Current LRP Process) Must Be Exchanged on a Regular Schedule

- "Stand-alone" documents (i.e. not dependent on dialogue to be understandable)
- Lean documents--maximum size for basic content of 15 pages (appendices allowed)
- Part of document in rigid standard format (e.g., charts, tables) to assure completeness and easy reading; remainder of document unstructured to allow creativity and treatment of unique issues
- Corporate Planning Group (Portner) should be assigned responsibility for defining documents and calendar

JOINT CROSS-GROUP MEETINGS

Despite Importance of Communication by Formal Documents, DEC Must Maintain the Sensitivity/Awareness That Comes From Face-To-Face Dialogue

- Establish annual or semi-annual cross group meetings at senior management level to discuss issues, market trends, new technology, etc.

- For example, the Base Product Marketing and Engineering managers might meet semi-annually with the Application Marketing managers
- Similarly, the Base Product Marketing and Engineering managers might meet annually with the European Country managers
- The Senior OC-level manager for each group (e.g., Bell/Smith for Engineering) must attend so meetings can have an action-orientation
- One possible topic for these meetings is "Engineering Product Strategy and Budget" as background for Bell/Smith and some of the OC members

A FEW QUESTIONS/ISSUES FOR PMTF

1. Do we really need Business Advisory Committees? We do not assign overseers for other groups in the Company? If the Base Product people are responsible and accountable, could we leave them alone? Or are product decisions just too important to trust one group?
2. This straw horse proposal does not include any specific tasks for a PLMM type group (i.e., a group composed of the Base Product, Application, Industry, and Channel Marketing managers). Subsets of that group appear in all the interface processes. Is there a role for the entire group in product strategy? If so, could it replace something else in the straw horse?
3. Is the split between "Base Product Marketing" and "Engineering Planning and Product Information" too artificial? Could we fix the dividing line? Is the split itself a mistake?
4. Is the whole scheme just too damn complicated? What could we take out? Any ideas for a radically different approach?
5. Should we make a list of implementation suggestions/issues for the OC?

W. Woods
New project

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

I N T E R O F F I C E M E M O

TO: OPERATIONS COMMITTEE

Date: 4 JUNE 1982

cc: Ron Smart

From: Ken Olsen

Dept: Administration

MS: ML10-2/A50

Ext: 2301

SUBJ: ORGANIZATIONAL DISCUSSION FOR WOODS MEETING

I would like each one of you to prepare two things for the organizational discussion. First, I would like a list of those hang-ups you have or weaknesses you see in the organization, that you would like straightened out when we change the organization. Then I would like a simple statement as to how you think we should collect plans for the budgets and who should be responsible for them.

Here is the format for a simple chart that demonstrates how the numbers of the Company add up.

If we assume there will be 50 Districts (Subsidiaries and combinations of small countries), and 10 products (groupings of products), and 20 Product Lines (marketing/business units), there will be 10,000 intersections or numbers.

If each District orders, or reports, or processes, by product and by Product Line, they will each present 10 times 20, or 200 numbers, (50 Districts makes 10,000 pieces of information).

This would then be recast for each Product Line and each chart will show product by District, or 10 times 50, or 500 numbers.

For each product, the chart will show District by Product Line or 20 times 50, for 1,000 numbers.

The Corporate summary would be in 3 charts:

- a) District by product (for all Product Lines) - 50 times 10, or 500 numbers
- b) District by Product Line for all products which would be 50 times 20, or 1,000 numbers.
- c) Product Line by product for each District, or 20 times 10, or 200 numbers.

These three charts present all of the intersections for the Corporation. How we extract the numbers and use them to manage the Company is one of the major questions. We may have to summarize some of the numbers to make it manageable but we do not want to demotivate the people who are grouped.

My hang-ups and desires for an organization, breakdown into four pieces.

- 1) I do not want each District or Subsidiary to have eighteen Product Lines and many people within each Product Line telling them in detail what to do. I would like them to have the freedom to run their business in an optimum way, to develop strategy and optimize their facilities and people. I do not want to overwhelm them with reporting and accounting. I want to educate them to use data processing and model making to optimize their own organization and not send massive amounts of data back to eighteen Product Lines and infinite numbers of organizations within the Company. Each of them should think they are optimizing the District.
- 2) I would like the District or Subsidiary to say what products, what markets, and what applications they will sell. I do not want this dumped on them by the Product Lines or the Operations Committee. If a product is poor or the marketing is poor, I want to find out immediately because the District will not want to sell it.
- 3) I like the idea that someone suggested that we do our basic marketing only once, probably in Engineering, that way it is not reproduced in a half-hearted way in every Product Line so the Product Lines then have little resources to do the specialized marketing for their market.
- 4) I feel we have to avoid all the negotiations, lawyers and accountants involved in sorting out who gets credit for each order. We may want to keep track of orders by Channel and by application, to learn the effectiveness of our investments but, we should not argue about sales that are not a result of these activities. If it is a serious question, we should allocate the credit twice or not at all. Above all, we should not go through the enormous amount of cost involved in allocating and setting up boundaries between Product Lines, which leave vast gaps that we do not cover at all as a Company. We want to see results of marketing, not how much falls within arbitrary boundaries.

I have come to believe that most business people believe in free trade and freedom to let the market make decisions. However, it is obvious that even though most of them personally want freedom from government, and or, from their immediate supervisors and freedom from all the regulators within their company and within the government, when you listen to them and watch them operate, it becomes clear that most of them, will give no freedom to optimize, improve or show judgement and strategy to those who work for them, or to those who supply them, or to those who sell for them.

I believe that if things are layed out right, individual managers and doers will optimized their tasks and do what is best for the Company. The system will automatically force the incompetent ones to disappear. If part of a Product Line's strategy is to assign so much for selling, and if the marketing and the documentation is done well, and if the product is good, the sales groups will enthusiastically and effectively sell this product.

There seems to be a natural inclination by all except the very best Product Lines, to be sure that the system will force the sales groups to sell their products whether they believe in them or not and to avoid the test of whether the Product Lines are effective marketers and planners. When sales goals are imposed on the sales group and it is a failure, the blame can then be placed on the sales group.

We should use the same computer and the same software in each District and in each of the other activities, and we should use them for collecting and distributing information. We should keep the information to a bare minimum. However, we should give them the knowledge and the details to use the computer in a uniform, consistent way to manage their own operations. This management data does not have to be passed on to the Corporation.

Jack Smith and Gordon Bell have contracted with two professors from the Tuck School to build a model of the engineering process and then use it to teach our managers how engineering works. They appear to be doing a magnificent job. May be we should contract with them to build a model of whatever we decide to run this part of the company, and have them teach our District Managers, Product Line Managers, and Product Managers, how the system works.

KHO:cc

K01:511.67

* d i g i t a l *

New project

Ken Olsen

TO: OPERATIONS COMMITTEE:
RON SMART
cc: DICK BERUBE
DICK LOVELAND

DATE: FRI 12 NOV 1982 3:30 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5181582915

SUBJECT: ORGANIZATION

As you know, I have been worried for a long time about the lack of initiative and clear aggressive thinking on the part of the Product Line managers. I am sure part of the problem is organization, and I am terrified with the thought that we are re-organizing to make it worse.

~~We originally set up product lines to have the responsibility to make a profit and to make the decisions and control expenses. This has degenerated into having so-called P&L responsibility which translates into the right to spend money rather than the obligation to control expenses to make a profit. Is it worse because all of the groups have claimed their rights to make decisions and often these decisions are compounded in the same area that the Product Line managers are supposed to be responsible.~~

I would like Dick Loveland to come to the Woods meeting next week and chart out for us all, the people who make decisions quite arbitrarily on their own that influence his Product Line.

Somebody in the Corporation, not in the Product Line, decides whether or not they will give sales literature to sales offices and dealers. They apparently have the perogative to make these decisions and the sales department or outside organizations have to know their place or they will never get any literature. The bill for photocopying literature in our sales department is very high but no Product Line manager has the overall responsibility for figuring out what is economical and then being held responsible for it.

I heard of a dealer who was visited by two people to evaluate whether they would give them three copies of a manual for the three stores this dealer had. After half a day, they decided one copy would be good enough, and so the dealer had to spend \$60 each to have the manual photocopied so that each of his stores could have one. The cost of that trip by two people is many, many times the cost of Xeroxing the literature, but also many, many times the cost of giving each dealer or each sales office sufficient literature.

The same thing is true with the software. We have DECmate customers who probably have machines for months without documentation. This is because someone decides when, who, and

how it will be printed, and whether or not, they will distribute it. When other companies, such as Nixdorf, do business with their dealers, they set it up to very graciously, generously, give literature.

There are many people doing engineering for this small Product Line and someone decides yes or no for DIBS, someone decides yes or no for this and for that, and just the decision-making alone is expensive. I have also heard of a team of four people spending a day visiting a dealer to decide whether to make a minor fix to some software for them. After a day, and a dinner, they finally decided that they would not do it. The dealer then went to a small software house and, for a hundred dollars, had it fixed. The cost of making the decision, making the trip, and having the dinner cost Digital many, many times the price of fixing the software.

A year ago when the dealer program started, one of our mid-Western sales people had to introduce each new dealer to the fifteen people they had to deal with, in order to be serviced by Digital. At Nixdorf, they claim you only deal with one person. They have a row of computers in their Waltham office, and a row of software people, expert in each of their packages, and piles of literature available. I would like Dick Loveland to tell us how many people today does a sales office, or a dealer, or a business center, or a Digital store, have to deal with in order to sell DECmates, and over how many areas does the Product Line manager have any authority.

I suspect we are making it worse rather than better. Since that time, we have introduced a channels manager who has all kinds of prerogatives and authorities beyond the Product Line manager. In addition, we now have one man who will soon have a monstrous organization of red tape and clerks that has to pass on every piece of literature, every piece of advertising, trade shows and the like. This could be very soon so much red tape that the Product Lines will not even try anymore.

I would like Dick Loveland to tell us who makes the decisions as to what is manufactured. If there is a question as to which personal computer gets the highest priority in manufacturing now that we are short of product, I would like to know who makes the decision.

We have a goal of bringing engineering and manufacturing closer together. Maybe we are isolating the Product Line by bringing everything away from the Product Line. Maybe we should bring things closer and closer to the Product Line rather than farther and farther away.

Sometime ago, I suggested that we should send out to local offices, business centers, and dealers a list of rules and algorithms for doing local advertising. I was told (not by a dealer) that all advertising had been stopped while someone was generating these rules. Meanwhile, none of our stores, or our business centers, or our dealers, can do any advertising. This, of course, does not affect those who are COEMs. They can go

ahead and do any advertising they want but meanwhile, the DECmate people will starve unless they also happen to be COEMs. Now, because, there are so many people involved in this, and everyone claiming a perogative, it will probably never get settled. DECmate people will never be able to advertise, and inconsistencies with COEMs will probably never be settled just because everybody is on their own, and there is no one in charge.

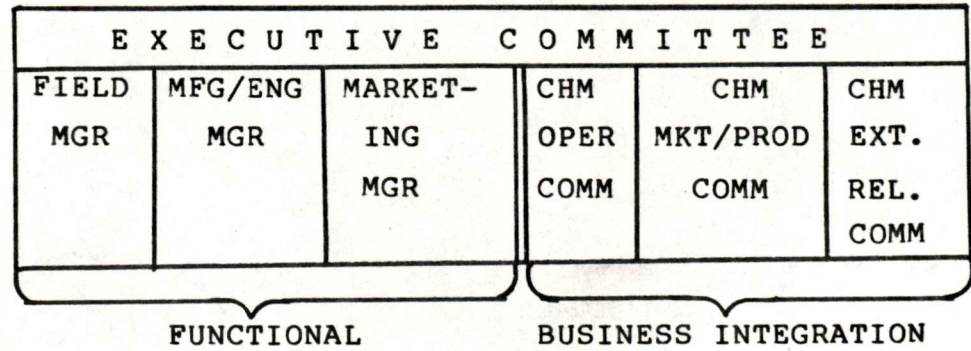
Now, please, please, do not try to find out what dealers or what stores are bringing up these complaints. I think, in the last year, we have made little progress in these areas because we try to pour more people, and then more people, into solving individual problems, and they just get in the way of each other, and there is no one in charge, or everybody in charge, and things get worse. We refuse to organize to settle these issues and if we have more and more people making more and more visits and spending more and more days talking to our customers, without anybody in charge, or any rules or algorithms, or documentation, the problems will get worse. Let's solve the problem by deciding how we run the business.

KHO:ep
K02:2.57

JACK SMITH
10/20/82

CORPORATE COMMITTEE STRUCTURE

CORPORATE COMMITTEE STRUCTURE



EXECUTIVE COMMITTEE RESPONSIBILITIES:

- o CORPORATE STRATEGIC DIRECTION
- o BUSINESS INTEGRATION
- o ORGANIZATION DEVELOPMENT
- o FUNCTIONAL LEADERSHIP

"NEW"
OPERATIONS
COMMITTEE

MARKET/PRODUCTS
STRATEGY
COMMITTEE

EXTERNAL
RELATIONS
COMMITTEE

- o CREATE AND IMPLEMENT THE TWO YEAR PLAN
- o ALL DECISIONS RELATING TO OPERATIONS
- o TACTICAL INTEGRATION
E.G. - HIRING & SALARY ACTIONS

- o DIRECTION SETTING FOR
 - MARKETING
 - PRODUCTS
 - TECHNOLOGY
- o LONG RANGE PLAN
- o STRATEGY INTEGRATION

- o STRATEGY AND IMPLEMENTATION OF:
 - FINANCING
 - TAX
- o LEGAL SUPPORT
- o INVESTOR RELATIONS
- o CUSTOMER RELATIONS
 - TRAINING
 - QUALITY
- o PROMOTION
- o GOVERNMENT RELATIONS

B. Thompson - PRODUCT ANNOUNCEMENTS
 G. Chamberlain
 B. Hanson - OPERATING PERFORMANCE REVIEWS
 E. Schwartz
 R. Puffer
 E. Kramer
 D. Poulsen
 D. Busiek
 etc

J. Marcus
 B. Hughes
 B. Johnson
 A. Knowles
 W. MacKenzie
 etc

COMMITTEE STRUCTURE: WHAT AND WHY

STRUCTURE:

- FOUR DISTINCT COMMITTEES
- THIS IS THE CORPORATE ORGANIZATION CHART
- CONSISTS OF THE CORPORATION'S SENIOR MGRS

MANAGEMENT AND DEVELOPMENT:

- THOSE CLOSEST TO THE BUSINESS MANAGE THE COMPANY
- DEVELOPS SR MGRS IN CROSS-FUNCTIONAL ASPECTS OF THE COMPANY
- BEST TALENT AT THE TOP MANAGING AND LEARNING

BUSINESS FOCUS:

- FLEXIBILITY — BROAD FUNCTIONAL REPRESENTATION, BUT CHANGABLE AS NEEDED
- CLARITY OF RESPONSIBILITY
- PROVIDES FOR "CHECKS AND BALANCES"
 - CONSTRUCTIVE CONFLICT AT EXEC COMMITTEE
 - INTEGRATED MGMT AT "NEW" OPERATIONS AND "MKT/PRODUCT" COMMITTEES
 - FUNCTIONAL ORGANIZATION PERSPECTIVES

POSITIONS US WELL FOR THE LONG TERM

MANUFACTURING - ENGINEERING STRUCTURE

PREFERRED ORGANIZATION:

- o **MERGE MFG AND ENG GROUPS FOR MAJOR PRODUCT SETS**
 - **FULL RESPONSIBILITY AND RESOURCES FOR ENGINEERING AND PRODUCING PRODUCTS**
 - **BASE PRODUCT MARKETING INCLUDED**

- o **OPERATIONS RESPONSIBILITY AT M/E PRODUCT GROUP LEVEL, DIRECTLY TO "NEW" OPERATIONS COMMITTEE**

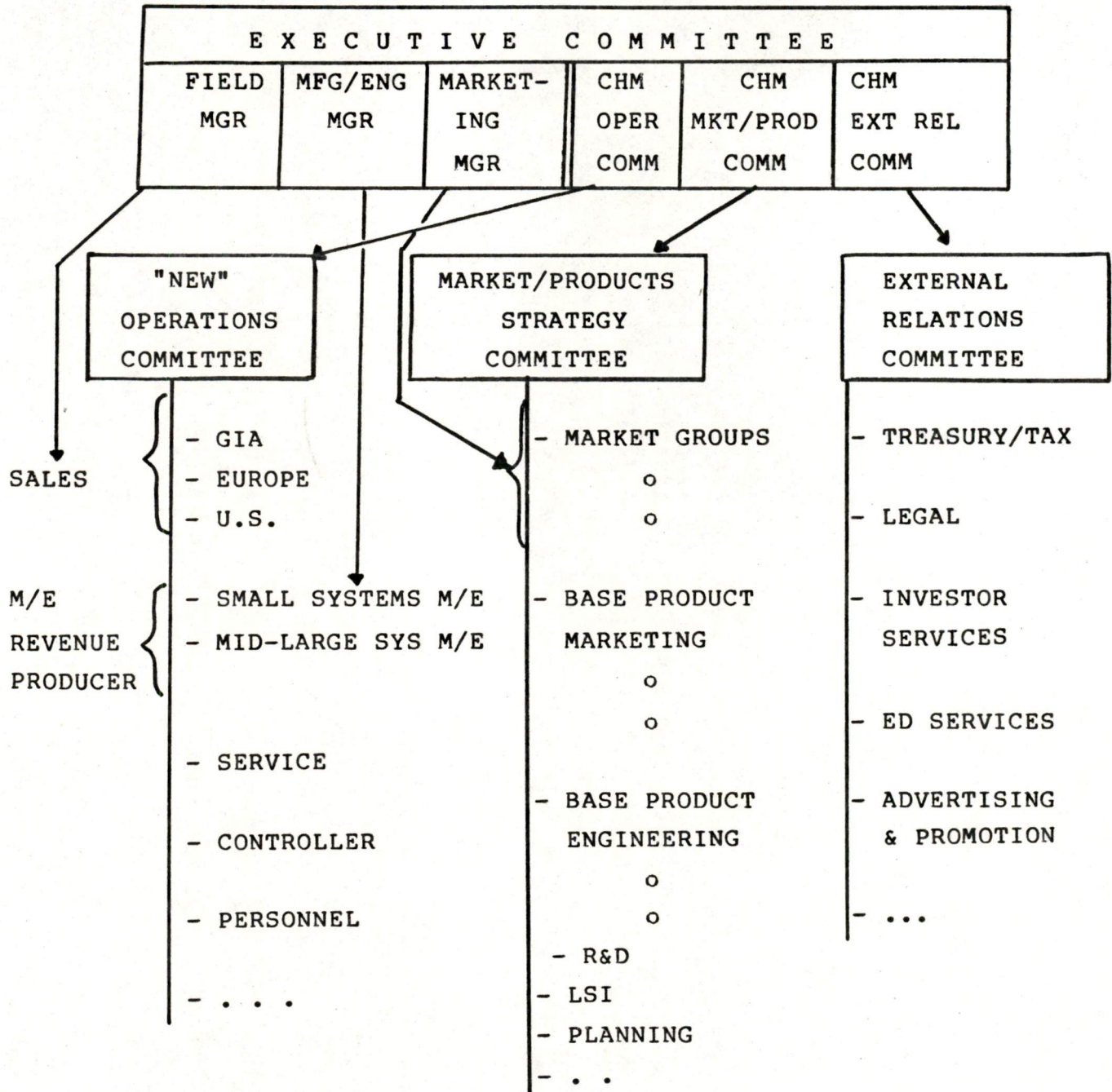
- o **PROVIDES FOR STRATEGIC INTEGRATION OF MFG/ENG, NOT CONSOLIDATION**

- o **CLEAR RESPONSIBILITY, FOCUS ON PRODUCTS AND EXTERNAL COMPETITIVE ENVIRONMENT**

COMMITTEE STRUCTURE:

- FUNCTIONAL CONTENT

- REPORTING



- NOTES:
- o THE FIELD MGR CANNOT BE THE "NEW" OPS COMMITTEE CHAIRMAN
 - o THE MFG/ENG MGR CANNOT BE THE MKT/PRODUCTS STRATEGY COMMITTEE CHAIRMAN
 - o ALL COMMITTEE MEMBERS REPORT TO A FUNCTIONAL MANAGER
 - o THE CHAIRMAN OF THE INTERNAL/EXTERNAL RELATIONS COMMITTEE COULD BE THE VP OF FINANCE

MANUFACTURING - ENGINEERING STRUCTURE

MFG-ENG
VP

- STORAGE ~~AND PRINTERS~~
- PRINTERS, TERMINALS, WORKSTATIONS
- SMALL SYSTEMS
 - o PC
 - o SOFTWARE
 - o TERMINALS/WORK STATIONS
- MID-LARGE SYSTEMS
 - o 16-32 BIT
 - o DIST SYS/NETS
 - o SOFTWARE
- LSI, BOARDS, CHIPS
- RESEARCH AND ENGINEERING
- MFG TECHNOLOGY/PROCESS AND DESIGN
- SUPPORT & ADMINISTRATION
 - o QUALITY
 - o EXT RESOURCES
 - o PLANNING
 - o MATERIALS
 - o PERSONNEL
 - o OTHER . . .
- CONTROLLER
- GENERAL MANUFACTURING

Saviers ⊗

Puffer *

Hanson ⊗

B. Johnson *

Kalb

Fuller

Metzger

Cudmore ⊗

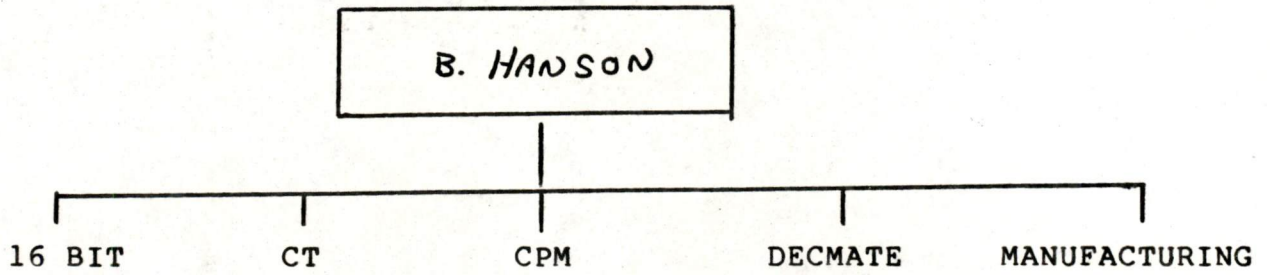
Infante

Hunt

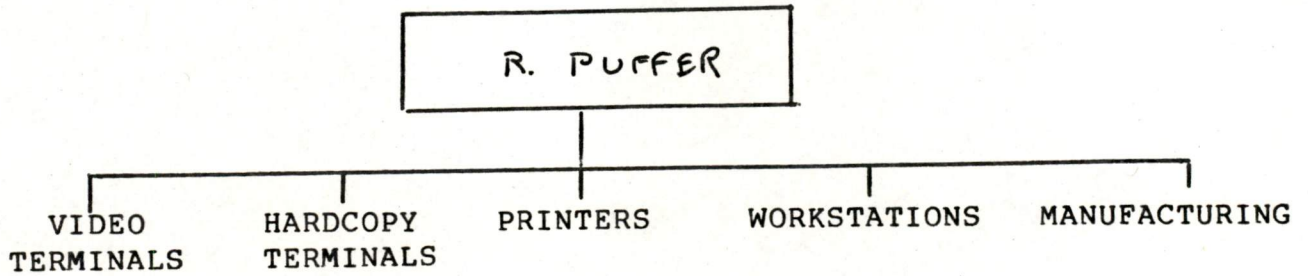
THE PREFERRED STRUCTURE AND BEST FIT FOR A REVISED
CORP COMMITTEE STRUCTURE

WILL NOT FIT WITH CURRENT CORPORATE STRUCTURE

LOW END MANUFACTURING/ENGINEERING STRUCTURE



PRINTER, TERMINALS & WORKSTATION MANUFACTURING/ENGINEERING STRUCTURE

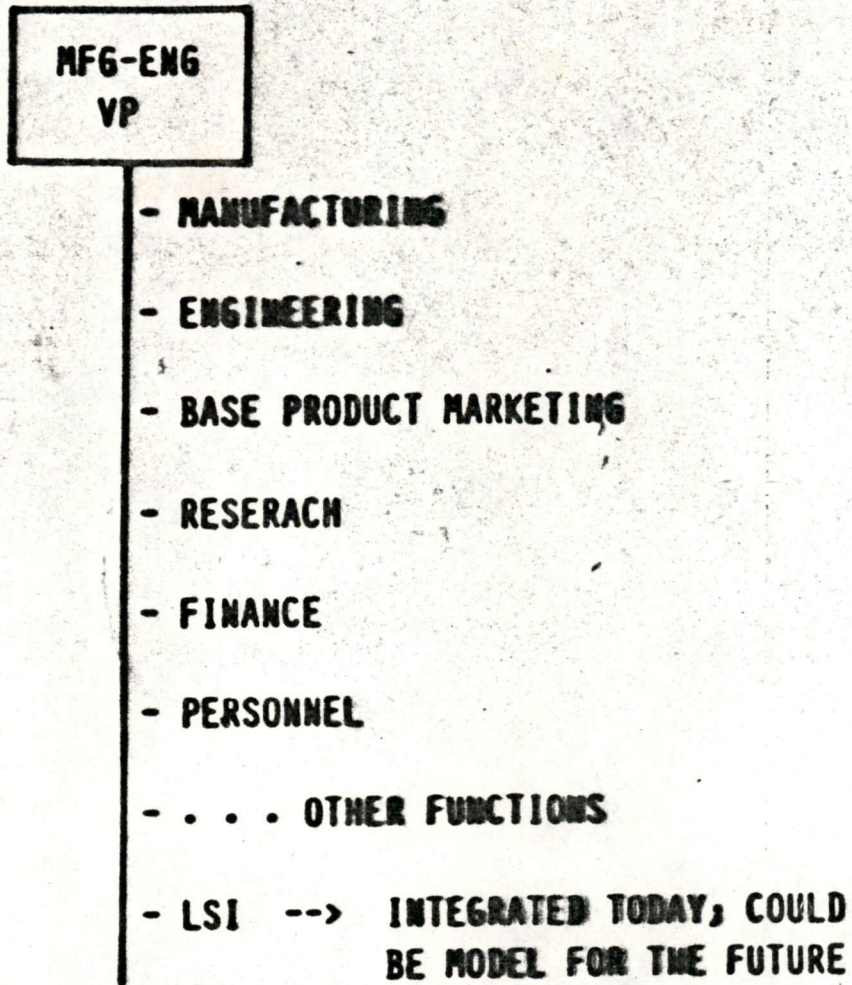


MANUFACTURING - ENGINEERING STRUCTURE

AN ALTERNATE ORGANIZATION

- **MAINTAINS THE FUNCTION FOCUS SEPARATELY FOR BOTH MANUFACTURING AND ENGINEERING**
- **OPTIMIZES FUNCTIONAL EXPERTISE**
- **ORGANIZATIONALLY MFG AND ENG FUNCTIONS ALIGNED TO FACILITATE STRATEGIC LINKAGE**
I.E. STORAGE MFG AND STORAGE ENG
- **OPERATIONS RESPONSIBILITY THROUGH THE MFG/ENG VP**
- **NOT FOCUSED AS WELL ON THE EXTERNAL COMPETITIVE ENVIRONMENT; MAY NOT BE AS QUICK TO REACT**

MANUFACTURING - ENGINEERING STRUCTURE



SECOND CHOICE, NOT FOCUSED AS WELL ON
PRODUCTS AND LONG TERM VISION

THE BEST FIT GIVEN TODAY'S CORP STRUCTURE

* d i g i t a l *

✓ 9 NOV 1982
10:30-11:30
ETH'S 5-100-100 Rm.

TO: *WIN HINDLE
KEN OLSEN
JACK SMITH

DATE: WED 3 NOV 1982 2:15 PM EST
FROM: JACK SHIELDS
DEPT: FIELD OPERATIONS
EXT: 276-9890
LOC/MAIL STOP: OG01-2/R12

MESSAGE ID: 5180665544

SUBJECT: EUROPEAN LEADERSHIP

I would like to discuss the attached memo from Jean-Claude Peterschmitt during our next strategy meeting.

While the organization issue in and of itself can be resolved, I would like to discuss leadership and decision-making in Europe and how we can insure that our European organization approaches problems with a management emphasis aligned with our philosophical approach to Digital in the Eighties.

1.136

ATTACHED: MEMO;218

* d i g i t a l *

TO: JACK SHIELDS

DATE: MON 1 NOV 1982 9:31 PM HEC
FROM: JEAN-CLAUDE PETERSCHMITT
DEPT: V.P. EUROPE
EXT: 2222
LOC/MAIL STOP: GE/C1301

MESSAGE ID: 5180461471

SUBJECT: TERRITORIAL GROUPING PROPOSAL AND AREA STAFF MANAGER ROLE

Following our telephone discussion on Sunday here is my current position and proposal relative to the European structure.

However, first let me address an issue which may affect your perspective of my conclusions.

I know that sometimes you have felt in the past that I am presenting a position or a set of conclusions resulting from the pressures which my reports have been putting on me. I am very conscious of this and I believe that my conclusions on this issue are not a result of such pressures.

I think it is important, if you still have these concerns, that we discuss them.

I COUNTRY GROUPINGS

I have reviewed the country groupings as follows:

- A. Giving driving priority to development of sales productivity, essentially addressing the parameters which impact sales organization structure and salesman specialization. These include critical mass of territory (customer potential), strong market position, critical mass of resources, channel structure, market strategy issues.

This has led through to the following major commonality between countries:

1. One major central focus with high mass (Paris, London), and
ise distributed customer base with medium
to high penetration:

UK, FR

2. Distributed customer base without critical mass,
central focus (i.e. no Paris or London):

GY, IT, SP,
CH, SW

3. Basically one office per country:

AU, BE, HL, DK,
NW, FN, IS, IR

B. Grouping by DEC size (1983 NOR), which would give the following:

1. Large countries: UK (264)
GY (161)
FR (133)
2. Medium countries: IT (66)
HL (61)
CH (53)
SW (52)
BE (49)
3. Small countries: NW (25)
FN (21)
IR (18)
AU (17)
SP (17)
IS (17)
DK (16)

C. The country grouping by "affinity" implied in our previous discussion was as follows:

1. UK, GY, IR, IS
2. FR, SW, NW, FN, DK
3. IT, HL, BE, CH, AU, SP

Summarizing the proposed alternative groupings:

	A	B	C
	PRODUCTIVITY	SIZE	AFFINITY
X 1	UK FR IS	UK GY FR	UK GY IS IR
X 2	CH GY IT SP	IT HL BE CH SW	FR SW NW FN DK
X 3	HL BE NW FN	NW FN DK SP	IT HL BE CH

DK
SW
AU
IR

IS
AU
IR

AU
SP

Note:

Under the productivity alternative, the following two compromises were made:

1. Sweden was grouped with the other Nordic countries for pragmatic reasons, (note: in effect Sweden is almost a one office country.)
2. Israel was put under X1 for balancing workload. This is debatable, although Israel is in effect a singular country.

My order of preference for the alternatives is:

1. C (Affinity)
2. A (Productivity)
3. B (Business size)

The arguments for this ranking are:

1. Sales productivity: in practice, the process under alternative C would be heavily based on 6 meetings a year where we would group subsidiary managers in an optimal fashion around common productivity criteria. The major difference with alternative A is that the chairman of those sessions would not necessarily be the day-to-day manager of the country groupings. Therefore the X managers would not be focusing all the year round on the same issues. Note that from my perspective, the productivity criteria themselves vary, depending on the productivity parameters involved (sales specialization, industry, market strategies, etc.).
2. Both approaches A and C allow for changes in groupings over time according to changes in need without any implications of gain or loss in status.
3. Alternatives A and C reduce the amount of travel involved, hence facilitating personal contact. All the time this does play a role.
4. Affinity: I recognize that this is a personality driven consideration, but I do believe that this plays a substantial role in the ability of a foreign or remote manager to impact a country, including in the productivity area. This, combined with the

meetings approach outlined above, will - in my estimate - maximize our performance.

II AREA STAFF MANAGER

There continues to be a very strong concern among managers from all functions that the lack of a manager of Geoff's or Bobby's calibre in that role could cause us some major problems, like:

- major gaps in "internationalism" of corporate product and market strategies
- gaps in corporate productivity projects
- gaps in field support processes relative to Europe
- etc.

I essentially stand alone on this one, and this gives me great concern. I do assume, however, that as we discussed, you will ensure the proper processes for identifying the needs and implementing the appropriate programs in the very near future, including appointment of the proper level individual. I continue to feel strongly that the proper transition would be to give Pier-Carlo the responsibility for temporarily overseeing this position as per my previous memo.

I hope we can discuss these issues still today, as I have a heavy travel schedule for the rest of the week, complicated by bad weather conditions.

01-NOV-82 21:34:37 S 20070 GEMI

01-NOV-82 15:54:01 S 24016 RCSO

1-NOV-82 19:51:42 S 03321 GEMI
GEMI MESSAGE ID: 5180430915

New project

J.G. Staff
10/29

[d][i][g][i][t][a][l]

INTEROFFICE MEMORANDUM

TO: Operations Committee

DATE: 10/4/82 Mon 10:14:23
FROM: Measuring Marketing
Task Force

(W. Long, R. Smart, P. Smith,
A. Campbell, G. Saviers,
H. Weiss & J. O'Keefe)

SUBJECT: COMMITTEE REPORT ON MEASURING MARKETING

ON MEASUREMENT IN GENERAL:

The textbooks on this subject have not really been much help. A measurement system is intrinsically related to the culture and style of a particular company. An appropriate measurement system takes into account not only what behavior should be encouraged, but how the preferred behavior is induced. These things are a function of how the organization really works. What we are seeking is a set of measures that satisfies the somewhat unusual character and inner workings of Digital.

No single measure does the trick. Various members of the Operations Committee have specified some combination of qualitative and quantitative yardsticks. As you can see from the attached Appendix I, almost every conceivable measure is given a mention in the recent literature on the subject of the New Digital. Also, there are several distinctively different kinds of marketing activity going on here that need to be measured. Consequently, we have attempted to define a collection of measures that suit the range of marketing entities that will exist in our future. Our thought is for each organization to choose, from our shopping list of measures, the appropriate set of measures for that particular group, and to include that choice in their strategic proposal to the operations Committee.

In all that we have read and heard, there have emerged several recurring themes: market penetration, obvious quality, productivity, customer satisfaction, ROI, performance versus competition. These are the things that we have chosen to measure.

OBVIOUS QUALITY:

The notion of "obvious quality" originates with Ken. The underlying assumption is that the Operations Committee and the Field managers recognize a good, executable strategy when they see one. That is, a quality strategy is one that is salable to the OC, to the functions and to the countries, on the basis of our ability to communicate the wisdom of the plan, and their judgment as to the doability of the plan. Regarding content, a quality plan demonstrates an intimate understanding of the chosen market, and a generous blend of

aggressiveness and imagination. By definition, this is an entirely qualitative measure, based on the overall feel of the strategy to the reviewers, and there is no quantitative dimension attached. However, we can assume that judgments of proposals will, over time, be colored by the results of previous plans.

PENETRATION:

On the quantitative side, Ron Smart and friends have developed a metric for market penetration by a Market Group in a particular country, a scheme that provides a reasonable proxy for market share. It quantifies market share and profitability relative to competitors in important markets, by calculating our revenue growth rate relative to opportunity growth rate. The approximation is a meaningful one, and has the benefit that the data for the computation is readily available. The details of the derivation and use of this measure are described in the second Appendix to this memo.

RETURN ON MARKETING PROJECT INVESTMENT:

ROI is the old standby, and still applies to most of the project investment decisions that we will be making in the New Digital. The technique is already applied routinely for the comparison of engineering projects. The same methods are used less often to calibrate the return from marketing projects, but can and should be. There is no new technology involved here, only a fresh commitment to exert the discipline on the marketing organizations.

MARKETING PRODUCTIVITY:

One test of marketing productivity is the simple ratio of marketing expense to bookings in that market. This figure is only meaningful in comparing similar businesses, since it does not take into account the whole cost of marketing, promoting and selling. It will also indicate the expense trend for a particular market, relative to previous years or managements. Although it is of limited application, it is easy to calculate, and therefore we continue to include it on our list.

RESULTS:

In the end, results are what count. We are offering three ways to look at results from our marketing efforts: performance versus plan, relative performance against chosen competitors, and survey results.

PERFORMANCE AGAINST PLAN:

The strategic plans presented by the marketing groups are intended to be specific, action-oriented statements. Each plan includes actions along with expected results. These may be very different from group to group, but in every case we should be able to check milestones, in order to adjust execution to changing conditions in the marketplace. For sure, we would look at NOR and bookings versus plan by market group, as well as results against some form of business model or pro forma statement of operations. The marketers do not simply put an annual plan in motion, and then walk away from it until next year. There is a continuing involvement of the marketers in the execution, and a reciprocal responsibility on the part of the functional organization to keep the marketers informed relative to the progress

of the plan. Clearly, the requirement for feedback should be designed so as to be adequate for the purpose without becoming an undue burden on the provider.

The final test of any strategy is whether or not it has accomplished the results intended. However, it is fair game for the Operations Committee to fault the plan after-the-fact, should they determine that the plan was inadequate for the size of the opportunity to begin with.

PERFORMANCE VERSUS COMPETITION:

To get another estimate of performance against competition, a market group may choose to stack itself up against a set of near competitors in some dimensions, say, growth rate and profitability. For example, LDP might agree to be out-perform the combined results of HP, Perkin-Elmer and Prime in those categories. This measure has the benefit of being easy to calculate, since the necessary data is publically available. Of course it is imprecise as applied to any one market group, but can be a useful comparison if the chosen competitors are reasonably representative of the market in general.

SURVEYS:

Finally, survey results are important as a measure of our effectiveness as marketers. There are many to choose from, both internal and external in origin. Through surveys we can measure the level and trend of such things as customer satisfaction, reputation, image, recognition, etc. The strategic plan for a market group should include a mention of those surveys that are germane to that particular market group. Most surveys have the drawback of a very long time delay between an action and our ability to test the reaction, but even so, many surveys can be useful for our purposes.

Attachments:

- Appendix 1 - Quotations
- Appendix 2 - Market Penetration Metrics
- Appendix 3 - Pro-forma Design of Marketing Data Collection Format

APPENDIX I
SOME PERTINENT QUOTATIONS ON THE ISSUE OF MEASURING THE MARKETING
ORGANIZATIONS IN THE NEW DIGITAL

Ken: Marketers, stop doing all the selling. Put your energy into getting the salesmen equipped to do it.

OC Minutes 31Aug82

The worldwide P&L is done at Corporate.

OC Minutes 31Aug82

Measures- Jobs are measured, projects are measured. For example, of the three hundred applications you promised, how many were done? No complicated measures. No arbitrary formula which people can play yet lose the market. Sometimes the measure is different at the end from the beginning, like the world measures us.

OC Minutes 31Aug82

Ken: We owe it to every individual to be measured by the obvious common-sense measures of the quality of the job being done. Don't even define it in detail ahead of time. Don't measure everyone on profit numbers which have no relation to reality.

OC Minutes 31Aug82

Ken: Make measurements fun. Something that the manager will want to do for himself to know he is succeeding.

OC Minutes 31Aug82

Ed Schein: We need short term and long term measures; keep them sorted out. This is one way to avoid confusion. Be very careful to ensure measure induces interfunctional collaboration, not competition.

OC Minutes 31Aug82

Ken: The structural profitability (business model) of a Product Line strategy is a key thing. However, we can't collect detailed profitability data by every dimension; use averages where it makes sense.

OC Minutes 31Aug82

Since the day-to day business operations will not be a part of the marketing operation in the future, we need a set of measures that compare our marketing with competitors. Marketing groups should be measured on a long term basis as well as on the short term implementation.

Win Hindle 29Jun82

Measurement of marketing
Obvious quality of marketing
Based on marketing plans
To encourage cooperative behavior, NOR will be credited (multiple counted) according to the approved marketing plan.

OC Minutes 17Jun82

The company will become the sum of the geography, instead of the sum of the Product Lines.

OC Minutes 17Jun82

Applications marketing measured by:

Value-added applications [product] business plan (ROI)

Penetration of all products in target market

Channel marketing measured according to marketing plan:

Market penetration

Sales efficiency

Industry marketing measured according to marketing plan:

Market penetration

Sales efficiency

OC Minutes 17Jun82

In the future, the Manufacturing plans will be based on shipment plans proposed by the Field operation units of the Sales Department.

Win Hindle 18Jun82

The company will have three sets of budgets and plans, Engineering, Marketing and Field. The three budgets will not necessarily match.

Win Hindle 18Jun82

The Product Groups will budget all marketing activities. They will be primarily measured by the obvious quality of marketing and whether or not they accomplished all the things the budgeted, for the dollars and time they budgeted. They will also generate marketing plans which include the activities necessary to sell the unit. These plans will be measured by their obvious quality and they will also be measured by the orders received because of the value added by these marketing activities.

Win Hindle 18Jun82

The quality of marketing plans will be immediately obvious because the enthusiasm of the Field to order products as proposed by the various marketing groups.

Win Hindle 18Jun82

The Field will designate whether that order resulted from the product or marketing value-added by the various marketing groups, and will record it accordingly to help evaluate the marketing program.

Win Hindle 18Jun82

We are making it clear that we value marketing as a function in itself distinct from day-to-day business operations. Marketing performance will be measured by marketing measures (chiefly penetration into targeted segments).

Ancona etal 15Jun82

Marketing programs that leverage field efforts and develop customer demand in targeted segments will be evaluated in the market on their merits.

Ancona etal 15Jun82

Base product marketing groups (in either Engineering or Marketing)measured against product business/marketing plans (return on sales, return on assets, and market position)

Ancona etal 15Jun82

Applications product groupsmeasured against their approved plans which include:

- +rate of revenue penetration into targeted applications market segments (relative to opportunity and competition)
- +unique applications product business/marketing plans

Ancona etal 15Jun82

Channel market groups ...measured by rate of market penetration via targeted channel as well as sales efficiency through the channel.

Ancona etal 15Jun82

Industry marketing groupsmeasured by the rate of market penetration to targeted industry as well as sales efficiency to that industry.

Ancona etal 15Jun82

The marketing plan should specify the parameters which define the success of the plan. Marketing and the Field should both be measured by achieving the approved metrics for success.

Ward MacKenzie 29Jun82

I believe that we should be measured on the total penetration of Digital's products in a market space:

- across all products
- all channels
- all geographies

Peter Smith 9Jul82

A quantitative measure of marketing performance, both operational and strategic, over time, is the relationship of market penetration (as reflected by the revenue growth compared to competitors) and profitability (as compared to internal objectives and the market).

Bruce Wright July82

Actual performance data is recorded and made accessible to P/Gs and others for marketing and operational management purposes. Perhaps 1000 items are reported, all in a consistent format as a subset of the "4000 line item" country plans. For example:

PLANS	BUDGETS	REPORTS	MEASURES
4000 line items	15 line items	1000 line items	2 or 3 items

Jack Shields and Bill Thompson will propose the financial metrics for countries. Jack Shields' staff will propose the planning items (the 4000). Bill Long's task force will propose the reporting items required for marketing feedback (presumably a subset of what the country manager will need for his own management purposes).

Ron Smart 22Sept82

MARKETING GROUP MEASURES:

- Obvious quality of the Marketing Plan (all)
- Obvious quality of Business Plans
 - Base Product and Application only
- Product cost/performance (Base Product, Applications)
- Strategic performance
 - Base Product and Applications: Market Share, NOR, and ROA by year, ROI by product versus Long Range Plan
 - Channels: Market Share, NOR and ROA vs. Long Range Plan
 - Industry: Market Share (penetration), NOR versus Long Range Plan
- Tactical performance
 - Expense versus budget
 - Program schedules and quality

Corporate Operations Manual
28Sept82

APPENDIX II

MARKET PENETRATION METRICS

There are some limitations on using market share as a measure of marketing success. Although it can be adequate when looking backwards at known competition, its broader use requires answers to the basic questions: What is the trend? Who are the competitors? What are the important markets?

Our proposed solution is to measure the "Penetration Growth Rate" defined as: "Revenue growth rate relative to opportunity growth rate". This metric, together with "Profitability", provides a two-dimensional measure of marketing performance. There are several possible metrics depending on what is taken as the "opportunity growth rate":

(1) At the worldwide corporate level and in its simplest form, the metric can be taken as:

NOR Growth Rate vs. Profitability (PBT% or ROA)

In this form, the metric allows us to compare DEC's performance in total against a portfolio of vendors in the marketplace and financially. It is relative performance which is important, for example vendor revenue growth rates relative to one another and to the economy. Of course, a vendor with a higher growth rate is gaining in market position overall.

(2) At the country level, the metric can be taken as the "Country Penetration Growth Rate", defined as the growth rate of NOR/GDP where GDP is the country's Gross Domestic Product. For example, if NOR and GDP are growing at 18% and 10% annually respectively, the country penetration rate is approximately 8%. The advantage of this form is that the dimensionless ratio NOR/GDP is invariant to currency rates and inflation. This form is useful in the case of least market information, since a country can always evaluate itself in local currency on the basis of country GDP penetration.

(3) At a segment level, the metric can be taken as the "Market Segment Penetration Growth Rate", defined as the growth rate of the penetration NOR/GSP. Here GSP is the segment's "Gross Spending Potential", i.e. its total spending on everything (labor, materials, capital, etc). For instance, for an industry segment the GSP is approximated by the annual sales of the firms making up the segment. For example, if a P/G increased its NOR to a segment by 25% and the segment's annual sales grew 12%, then the P/G increased its penetration by approximately 13%. The relationship between this metric and the previous two can be described by the identity:

$$(NOR/GDP) = (NOR/REV) * (REV/GSP) * (GSP/GDP)$$

where REV is the EDP revenue of hardware vendors. Thus NOR/REV is the market share in the segment. The segment's "computerization" REV/GSP

can be interpreted as the percent of sales (GSP) spent on EDP. It is useful in market sizing. For instance this ratio can be estimated for a sample of companies; the size of the market segment can then be estimated by multiplying the ratio by the total segment GSP. In words, the above relationship can be expressed as:

$$\text{(Country Penetration)} = \text{(Market Share in segment)} * \text{(Segment's computerization)} * \text{(Segment's economic size relative to country)}$$

Denoting growth rates by apostrophes ('), we have the relationship:

$$\text{(NOR/GDP)}' = \text{(NOR/REV)}' + \text{(REV/GSP)}' + \text{(GSP/GDP)}'$$

In particular, the Market Segment Penetration Growth Rate (NOR/GSP)' is equal to the growth rate of the market share plus the growth rate of the computerization:

$$\text{(NOR/GSP)}' = \text{(NOR/REV)}' + \text{(REV/GSP)}'$$

The Market Penetration Metrics have the following advantages:

- "Value" to stockholders correlates with NOR growth rate as well as profitability.
- Focusing on growth rates allows us to identify threats and opportunities when they are still small, albeit fast growing.
- The use of the Penetration Growth Rate (NOR/GSP)' focuses the marketing task on the profitable penetration of a segment GSP.

Alex Rossolimo for
Ron Smart, 10/5/82

APPENDIX III

PRO-FORMA DESIGN OF MARKETING DATA COLLECTION FORMAT

<u>BASE PRODUCT MARKETING</u>	<u>APPLICATIONS PRODUCT MARKETING</u>	<u>CHANNEL MARKETING</u>	<u>INDUSTRY MARKETING</u>
TERMINALS	OFFICE PRODUCTS	OEM DATA SVS	GOVERNMENT
VAX WORKSTATIONS	ENGINEERING APPLICATIONS	DISTRIBUTORS & DEALERS	TELECOMM.
DECMATE	LABORATORY APPLICATIONS	DEC STORES	OTHERS
ROBIN/RAINBOW	FACTORY APPLICATIONS	DEC DIRECT	
PROFESSIONALS	EDUCATION APPLICATIONS	ETC.	
PDP-11 SYSTEMS	HOSPITAL APPLICATIONS		
CHIPS/BOARDS	SMALL BUSINESS APPL.		
STORAGE	ETC.		
NETWORKS & COMM.			
10S & 20S			
VAX SYSTEMS			
OFFICE VIA TP			
TPL			
ETC.			

NOTE: SALESPERSON TO CHECK ONE,
BUT NOT MORE THAN ONE, ENTRY
PER COLUMN.

BILL LONG, FIRST DRAFT:
WHAT MARKETING DOES IN THE NEW DIGITAL:

- + initiation, articulation, and presentation of a strategic approach to a particular segment of Digital's marketing activity. The thrust of the strategy would be along one of the designated dimensions: application, channel, base product or industry. Included as part of the original statement of strategy is a list of criteria against which the success of the plan will be calibrated.
- + collection and interpretation of the results of the execution of the approved strategy, and adjustments to the strategy as a consequence of those results.
- + in-depth technical support to the field, in the particular applications or products germane to the marketing responsibility of the group. This will include applications expertise, benchmarks, home-office demos, technical presentations, and other forms of sales support.
- + clear communication to Digital's internal organization of the product and service needs of the customers served by the group.
- + market segmentation and the gathering of data for the purpose of understanding who the potential customers are and what are their important buying influences.
- + effective promotion for the sake of creating demand and generating specific sales leads, by means of trade shows, media advertising, direct mail, sales brochures, etc.
- + for an Applications Group, the augmentation of our base product offerings with applications-oriented products specific to the market served. These added-value products can originate within Digital's own engineering groups, or from a collaboration with third-party vendors. The "product management" function for these applications-specific products will be performed from within the applications marketing group. Accompanying each project proposal should be a thorough business plan for the project.
- + routine communication to the field on matters relevant to the market space.
- + design and delivery of applications-specific training for the sales force and software support organizations, in conjunction with the so-called "success train".
- + the hosting of customer visits to headquarters as required by the sales situation.
- + active participation in support of the DECUS community.

- + the tracking of competition, for the purpose of defining competitive knock-offs, and for the general understanding of our relative product and pricing position. Our knowledge of the competition should be a significant factor in the definition of the strategic plan for the marketing group.
- + collaboration with other marketing groups in order to define a complete approach for Digital, directed at the institutions where those groups share marketing responsibility. The result of this joint effort will be a strategy for Digital towards the university, the factory, the bank, the government research laboratory, and so forth.
- + sharing of insights into product life cycles, and future demand, in order to add market intelligence to the planning of manufacturing mix and volume. Market groups will not own inventory, or be responsible for detailed forecasts by product, but will be expected to have and share some knowledge about the pattern of customer demand for our base and applications products.
- + the setting of prices. The base products groups will have the primary responsibility for pricing the base products, with market input from the other marketing groups. Applications groups will be responsible for setting prices on their applications-specific products, again in consideration of advice from other marketing groups.

digital

INTEROFFICE MEMORANDUM

TO: Operations Committee
CC: DEC Planning Task Force

DATE: 9/10/82 Fri 14:02:56
FROM: Dave Packer
DEPT: Corp. Financial Plng. & Analysis
EXTN: 223-7487
LOC: MS/G15

SUBJECT: REPORT OF PLANNING TASK FORCE

The attached documents comprise our report. They are:

1. Responsibilities and Measures

A one page summary for each organizational unit of activities, responsibilities, and measures.

2. Linkage Commitments

Descriptions of key organizational interface.

3. Financial Measurement Concepts

A set of concepts to be followed in the design of planning and measurement processes.

4. Subsidiary Financial Metrics

Specific recommendations for planning, budgeting, and measurement of subsidiaries.

/kd
Attachments

DP#28

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INTEROFFICE MEMORANDUM

TO: Operations Committee
CC: DEC Planning Task Force
Rick Corben
Ron Smart

DATE: 9/10/82 Fri 14:56:22
FROM: Dave Packer
DEPT: Corp. Financial Plng. & Analysis
EXTN: 223-7487
LOC: MSO/G15

SUBJECT: RESPONSIBILITIES AND MEASURES

The one page descriptions follow.

/kd
Attachment

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: Operations Committee

WHAT IT DOES:

- Approves proposed strategic direction and assures that strategies are integrated
- Resolves conflicts that cannot be worked at lower levels
- Approves plans and budgets
- Sets corporate policy
- Stays prepared for decision making
- Provides leadership for the Corporation.

RESPONSIBILITIES:

- Integrated strategies
- Approval/disapproval of proposals
- Health of the total company

MEASURES:

- Obvious quality of decisions
- Clarity and integration of strategies
- Health of the total company, in all dimensions
- Quality and quickness of conflict resolution

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: VP OPERATIONS

WHAT IT DOES:

- Assures that the company has integrated and acceptable Tactical Plans
- Resolves conflicts
- Identifies problem areas

RESPONSIBILITIES:

- Resolution of problems

MEASURES:

- Achievement of Operating Plan - Earnings per share
- Quality and quickness of conflict resolution
- Customer/stockholder satisfaction

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: VP MARKETING

WHAT IT DOES:

- Assures that the company has integrated Marketing Plans that make sense to the customer base
- Resolves Marketing conflicts
- Develops and leads the Marketing function for the company

RESPONSIBILITIES:

- Approval/disapproval of Marketing proposals
- Provides support services, such as Corporate Marketing, Public Relations, etc.
- Career development of Marketers

MEASURES:

- Obvious quality of Marketing organizations
- Clarity and integration of marketing plans
- Corporate Marketing Share
- Overall image of company
- Quality and quickness of conflict resolution

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: ENGINEERING

WHAT IT DOES:

- Develops a Long Range Plan
- Understands the technology, the use of our products, and competitive products and direction
- Proposes and develops products
- Produces the Phase 0 and Phase 1 Business Plan for all base products
- Works with Manufacturing to create efficient manufacturing processes and with Services to create proper levels of maintainability

RESPONSIBILITIES:

- A cohesive, competitive product strategy which encompasses both technical and architectural strategy
- The Engineering budget for base products

MEASURES:

- Competitiveness of Products, based on Quality, functionality, and cost
- Time to Market
- Performance against the business plan
- NOR, ROI, versus Long Range Plan (Strategic)
- Project schedules and expense versus Budget (Tactical)

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: Geography (Sales Business)

WHAT IT DOES:

- Develops a Long Range Plan to implement approved Strategic and Product plans
- Sell and manages selling budgets
- Feeds back sales needs and data to Marketing and Engineering on standard products
- Proposes local products and manages as geographic investments
- Establishes the Geography Marketing/Selling Plan
- Understands all Markets (Base, Applications, Industry, Indirect)
- Provides Sales support
- Does account management
- Establishes revenue plan
- Forecasts product requirements

RESPONSIBILITIES:

- Local price and T&Cs (non-US)
- Distribution Expense (including allowances)
- Manpower Deployment
- Selling programs
- Training levels and expenses
- Local product investment
- Local subsidiary management
- Management of the revenue plan

MEASURES:

- Customer satisfaction
- Forecast accuracy
- Local product and other investment return
- Market Share and penetration by account
- Strategic Performance
 - NOR by Market, SCM by Channel versus Long Range Plan
 - Inventory weeks/DSO versus Long Range Plan
 - NOR by Price Band versus Long Range Plan
- Tactical Performance
 - NOR, Contribution Margin by Channel versus Budget
 - Inventory weeks/DSO versus Budget

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: MARKETING GROUPS - BASE PRODUCT
- APPLICATIONS
- INDIRECT CHANNEL
- INDUSTRY

WHAT IT DOES:

- Develops a Long Range Plan
- Understands Market needs, opportunities, and competition
- Establishes the Marketing plan
- Each understands all other markets, including Geographic factors
- Determines advertising, literature, promotion and training content in conjunction with the Sales department
- Provides high level Sales support
- Communicates with other organizations
 - Base Product with Engineering
 - Applications with Base Product and Engineering
 - Indirect and Industry with Base Product and Applications
- Develops plans
 - Base Product - Phase 2 Business Plan
 - Applications - all phases of Business Plan
 - Indirect - Channels Business Plan
 - Industry - Very Large Account Business Plans
- Product Phase-in/Phase-out Forecasts
 - Base Product and Applications only

RESPONSIBILITIES:

- Marketing Expenses (some)
- Pricing:
 - Base Product - Sets the U.S. price
 - Applications - Sets the application increment to U.S. Price
 - Indirect - Sets Worldwide Discounts
 - Industry - Sets Industry specific T&Cs (e.g. GSA)
- Develops the Product Strategy and Engineering Budget
 - Applications only

MEASURES:

- Obvious quality of Marketing Plan (all)
- Obvious quality of Business Plans
 - Base Product and Application only
- Performance of Company versus Business Plan
(Eyes and ears of Operations Committee)
- Cost/performance (Base, Product, Applications)
- Strategic Performance
 - Base Product and Applications: Market Share, NOR/ROA by year, ROI by product versus Long Range Plan
 - Indirect: Market Share, NOR/ROA versus Long Range Plan
 - Industry: Market Share (Penetration), NOR versus Long Range Plan
- Tactical Performance
 - Expense versus budget
 - Program schedules and quality

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: SERVICES GROUP - FIELD SERVICE
- SOFTWARE SERVICES
- EDUCATION SERVICES

WHAT IT DOES:

- Develops a Long Range Plan
- Runs a business
 - Installs, Warrants and Maintains hardware (Field Service)
 - Installs, Warrants and supports software (Software Services)
 - Trains customers and internal people (Edu Services)
- Works with Marketing, Engineering, and Manufacturing
- Markets
 - Service programs to customers (Field Service, Software Services)
 - Applications (Software Services)
 - Education products (Edu Services)
- Develops products
 - Service products (all)
 - Applications products (Software Services, Edu Services)
(Note: Same responsibility as Applications Marketing for applications products)
 - Base Products (Edu Services)
- Responsible for development of Service and Educational technology

RESPONSIBILITIES:

- Sets worldwide prices
- Sets its own cost structure
- Controls its own assets
- Reliability and Maintainability Programs (RAMP)

MEASURES:

- Quality of service, products, and applications
- Customer satisfaction
- Comprehensiveness of service offerings
- Compatability of service offerings with Market and Product needs
- Market Share, NOR/ROA versus Long Range Plan (Strategic)
- NOR/Margin/Inventory Weeks/DSO versus Budget (Tactical).

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: MANUFACTURING

WHAT IT DOES:

- Develops a Long Range Plan
- Builds products at competitive costs and lead times to meet customer needs
- Manages inventory and direct assets
- Supports the revenue plan
- Works with Engineering to create effective Manufacturing process

RESPONSIBILITIES:

- All aspects of Manufacturing

MEASURES:

- Product quality
- Product availability
- Competitiveness of product cost
- Ability to meet delivery commitments
- Achievements versus Long Range Plan (Strategic)
- Budget performance and Asset Utilization (tactical)

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: CORPORATE F&A

WHAT IT DOES:

- Develops a Long Range Plan
- Provides scorekeeping for internal control (performance vs plan)
- Provides external reporting
- Provides corporate Treasury Functions
 - Management of liquid assets
 - Taxes
- Provides Legal services
- Provides Audit services
- Provides Corporate MIS functions
- Leads the F&A function throughout the organization

RESPONSIBILITIES:

- Consistent Chart of Accounts for all accounting functions
- Investment of Cash
- A clear Financial Strategy
- A clear MIS Strategy
- Career Development of F&A people throughout the organization
- Manages its own direct employees

MEASURES:

- Obvious quality of the F&A organization
- No financial surprises
- Competitive cost of the F&A function
- Return on the company's liquid assets
- Expense vs Budget (tactical)

CORPORATE OPERATIONS MANUAL

ORGANIZATIONAL UNIT: CORPORATE PERSONNEL

WHAT IT DOES:

- Develops a Long Range Plan
- Establishes Personnel Policies
- Guides Organization and Employee Development processes
- Is the employee's advocate
- Provides compensation and benefit expertise and services
- Assures compliance with the relevant laws
- Guides processes for recruiting and hiring
- Provides guidance and expertise for Employee and Community Relations
- Is concerned about effective communications throughout the organization

RESPONSIBILITIES:

- Keeps the Corporate Personnel Policy
- Career development of Personnel people throughout the organization
- Manages its own direct expense

MEASURES:

- Obvious Quality of the Personnel organization
- No employee surprises
- Competitive cost of the Personnel function
- Expenses versus Budget (tactical)

*5/21/09
New project*

	OC	VP OPERATIONS	VP MARKETING	ENGR	BASE PROD MKT	APPLIC MKT	INDIRECT CHANNEL MKT	INDUSTRY MKT	GEOGRAPHY (SALES BUS)	FIELD SERVICE	SOFTWARE SERVICE	EDUCATION SERVICE	MFG	CORPORATE F&A	CORPORATE PERSONNEL
WHAT DOES IT DO	<ul style="list-style-type: none"> APPROVE PROPOSED STRATEGIC DIRECTION INTEGRATE APPROVED STRATEGIES CONFLICT RESOLUTION APPROVES PLANS/BUDGETS SETS POLICY BE PREPARED FOR DECISION MAKING 	<ul style="list-style-type: none"> ASSURES THAT COMPANY HAS INTEGRATED AND ACCEPTABLE TACTICAL PLANS CONFLICT RESOLUTION IDENTIFY PROBLEM AREAS 	<ul style="list-style-type: none"> ASSURE COMPANY HAS INTEGRATED MARKETING PLANS THAT MAKE SENSE TO CUSTOMER RESOLVE MKT CONFLICTS DEVELOPS AND LEADS MKT FUNCTION FOR COMPANY 	<ul style="list-style-type: none"> DO A LRP UNDERSTANDS TECHNOLOGY USE OF PROD COMPETITION PROPOSE AND DEVELOP PRODUCTS WORK WITH MFG TO CREATE MFG PROCESSES WORK WITH SERVICES ADV, PROMO, LIT, TRAINING CONTENT TECHNICAL SALES SUPPORT PHASE 0,1 BUS PLAN 	<ul style="list-style-type: none"> UNDERSTAND MKT REQTS, OPPORTUNITY, & COMPETITION COMMUNICATE W/ ENGR ESTABLISH MARKETING PLAN PRODUCT AND SEGMENT UNDERSTAND OTHER MKTS AM/CM/IM/GM SALES SUPPORT PHASE 2 BUS PLAN PHASE IN/OUT FORECASTS 	<ul style="list-style-type: none"> PROPOSE AND DEVELOP APPLIC PRODUCTS BPM/CM/IM/GM BPM/AM/IM/GM BUS PLAN ALL PHASES PHASE IN/OUT FORECASTS 	<ul style="list-style-type: none"> PLANNING CHANNEL BUS RELATIONSHIP BPM/AM/IM/GM 	<ul style="list-style-type: none"> W/ BPM, AM W/ BPM, AM W/ MGT, ENGR (STD ONLY) PROPOSE (OR REQUEST) LOCAL PRODUCT DEVELOP SERVICES PRODUCTS ACCOUNT MANAGEMENT ESTABLISH REVENUE PLAN FORECAST PRODUCT 	<ul style="list-style-type: none"> SELL, SELL, SELL INSTALL AND MAINTAINS HARDWARE MARKET SERV PROGRAMS TO CUSTOMER DEVELOP SERVICES PRODUCTS RUN A BUSINESS PROVIDE SERVICE AT COST WORK WITH MKT, ENGR, MFG 	<ul style="list-style-type: none"> INSTALL AND MAINTAIN SOFTWARE MARKET SERV AND APPLICATIONS DEVELOP SERVICE AND APPLICATIONS PRODUCTS 	<ul style="list-style-type: none"> TRAIN CUSTOMERS AND INTERNAL PEOPLE DEVELOP SERVICES, BASE PRODUCTS AND APPLICATIONS 	<ul style="list-style-type: none"> BUILD PRODUCT COMPETITIVE COST, LEAD TIME MEET CUSTOMER NEEDS MANAGE INVENTORY SUPPORT REVENUE PLAN WORK W/ ENGR TO CREATE MFG PROCESS 	<ul style="list-style-type: none"> PROVIDE SCOREKEEPING (CONTROL) TREASURY LIQUID ASSETS TAXES LEGAL EXTERNAL REPORTING ACCOUNTING COMPLIANCE MANAGEMENT AUDIT LEADS THE FUNCTION MIS 	<ul style="list-style-type: none"> ESTABLISH PERSONNEL POLICY OD/EMPLOYEE DEVELOPMENT EMPLOYEE ADVOCATE COMP&BENEFITS COMPLIANCE WITH LAWS RECRUIT, HIRING, EMPLOYEES COMMUNICATION EMPLOYEE RELATIONS COMMUNITY RELATIONS 	
WHAT DOES IT CONTROL = RESPONSIBILITY	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF PROPOSALS HEALTH OF TOTAL COMPANY HAVE CLEAR SET OF INTEGRATED STRATEGIES 	<ul style="list-style-type: none"> RESOLUTION OF PROBLEMS 	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF MKT PROPOSALS PROVIDE SUPPORT SERVICES RESPONSIBLE FOR CAREER OF MARKETTERS 	<ul style="list-style-type: none"> PROD STRATEGY (CHOOSE PROD) TECH STRAT ARCHITECTURE BASE PRODUCT ENGR BUDGET 	<ul style="list-style-type: none"> MKT EXPENSE (SOME) BUS PRICE-BP 	<ul style="list-style-type: none"> INCREMENTAL US PRICE FOR APPLIC APPLIC ENGR BUDGET APPLIC PROD STRATEGY 	<ul style="list-style-type: none"> WW-DISCOUNTS 	<ul style="list-style-type: none"> INDUSTRY T&C'S? (E.G., GSA CONTRACT) 	<ul style="list-style-type: none"> LOCAL PRICE & TERM'S DISTRIBUTION EXPENSE INCL ALLOWANCES MANPOWER DEPLOYMENT SELLING PROGRAMS TRAIN LEVEL? EXPENSE LOCAL PROD INVESTMENT(?) LOCAL AUTH LINKAGE LOCAL SUBSID MGMT MANAGE REVENUE PLAN 	<ul style="list-style-type: none"> SET PRICES WW SET COST STRUCTURE CONTROL ASSETS 			<ul style="list-style-type: none"> ALL ASPECTS OF MFG 	<ul style="list-style-type: none"> INVEST CASH CHART OF ACCOUNTS CAREER DEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE 	<ul style="list-style-type: none"> KEEPER OF PERSONNEL POLICY DEVELOPMENT OF PEOPLE
HOW IS IT MEASURED = ACCOUNTABILITY	<ul style="list-style-type: none"> OBVIOUS QUALITY OF DECISIONS HEALTH OF TOTAL COMPANY IN ALL DIMENSIONS HAVE CLEAR SET OF INTEGRATED STRATEGIES QUICK RESOLUTION OF CONFLICT 	<ul style="list-style-type: none"> ACHIEVEMENT OF OPER PLAN EARNINGS PER SHARE QUICK RESOLUTION OF CONFLICT CUSTOMER/STOCKHOLDER SATISFACTION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF MKT ORG OVERALL IMAGE OF COMPANY CORP MKT SHARE HAVE CLEAR INTEGRATED MKT PLANS 	<ul style="list-style-type: none"> COMPETITIVE PRODUCTS COST, FUNCTION, QUALITY TIME TO MKT PERF AGAINST THEIR PIECE OF BUS PLAN PERF OF COMPANY IN CHARTER MKT 	<ul style="list-style-type: none"> OBVIOUS QUAL OF MKT PLAN & BUSINESS PLAN Rate of mkt. penetration PERF OF COMPANY VERSUS BUSINESS PLAN ("EYES AND EARS OF OC") MKT SHARE COST/PERF 	<ul style="list-style-type: none"> MKT SHARE COST/PERF PENETRATION 	<ul style="list-style-type: none"> MKT SHARE COST/PERF PENETRATION 	<ul style="list-style-type: none"> MKT SHARE PENETRATION LOCAL PRODUCT PERFORMANCE NOR VS LRP 	<ul style="list-style-type: none"> CUSTOMER SATISFACTION FORECAST ACCURACY LOCAL PRODUCT PERFORMANCE NOR/ROA VS LRP NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> QUALITY SERVICE AND PRODUCTS CUSTOMER SATISFACTION COMPREHENSIVE SERVICE OFFERING PENETRATION SAME AS APPLICATION MARKET 	<ul style="list-style-type: none"> SERVICE AND APPLICATIONS SERVICE, BASE PRODUCT, APPLICATIONS SAME AS APPLICATION MARKET 	<ul style="list-style-type: none"> SERVICE, BASE PRODUCTS AND APPLICATIONS 	<ul style="list-style-type: none"> MFG QUALITY AVAILABILITY OF PRODUCT COMPETITIVE COST DELIVERY COMMITMENT MEET LRP BUDGET, ASSET UTILIZATION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF ORG NO FINANCIAL SURPRISES COMPETITIVE COST OF FUNCTION RETURN ON LIQUID ASSETS 	<ul style="list-style-type: none"> NO EMPLOYEE SURPRISES
STRATEGIC TACTICAL				<ul style="list-style-type: none"> NOR, ROI VS LRP SCHEDULE, EXP VS BOD 	<ul style="list-style-type: none"> NOR/ROI/ROA VS LRP EXP VS BOD, PROGRAM QUALITY 	<ul style="list-style-type: none"> NOR/ROI/ROA VS LRP INDUSTRY PENETRATION 	<ul style="list-style-type: none"> NOR/ROA VS LRP 	<ul style="list-style-type: none"> NOR VS LRP NOR/ROA VS LRP NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> NOR/MARGIN/WKS/DSO VS BOD 			<ul style="list-style-type: none"> EXPENSE VS BOD 		

New project

New project

	OC	VP OPERATIONS	VP MARKETING	ENGR	BASE PROD MKT	APPLIC MKT	INDIRECT CHANNEL MKT	INDUSTRY MKT	GEOGRAPHY (SALES BUS)	FIELD SERVICE	SOFTWARE SERVICE	EDUCATION SERVICE	MFG	CORPORATE F&A	CORPORATE PERSONNEL
WHAT DOES IT DO?	<ul style="list-style-type: none"> APPROVE PROPOSED STRATEGIC DIRECTION INTEGRATE APPROVED STRATEGIES CONFLICT RESOLUTION APPROVES PLANS/BUDGETS SETS POLICY BE PREPARED FOR DECISION MAKING 	<ul style="list-style-type: none"> ASSURES THAT COMPANY HAS INTEGRATED AND ACCEPTABLE TACTICAL PLANS CONFLICT RESOLUTION IDENTIFY PROBLEM AREAS 	<ul style="list-style-type: none"> ASSURE COMPANY HAS INTEGRATED MARKETING PLANS THAT MAKE SENSE TO CUSTOMER RESOLVE MKT CONFLICTS DEVELOPS AND LEADS MKT FUNCTION FOR COMPANY 	<ul style="list-style-type: none"> DO A LRP UNDERSTANDS TECHNOLOGY USE OF PROD COMPETITION PROPOSE AND DEVELOP PRODUCTS WORK WITH MFG TO CREATE MFG PROCESSES WORK WITH SERVICES ADV, PROMO, LIT, TRAINING CONTENT TECHNICAL SALES SUPPORT PHASE 0, 1 BUS PLAN 	<ul style="list-style-type: none"> UNDERSTAND MKT REQTS, OPPORTUNITY, & COMPETITION COMMUNICATE W/ ENGR ESTABLISH MARKETING PLAN PRODUCT AND SEGMENT UNDERSTAND OTHER MKTS AM/CM/IM/GM PHASE 2 BUS PLAN PHASE IN/OUT FORECASTS 	<ul style="list-style-type: none"> W/ ENGR, BPM PROPOSE AND DEVELOP APPLIC PRODUCTS BPM/CM/IM/GM BUS PLAN ALL PHASES PHASE IN/OUT FORECASTS 	<ul style="list-style-type: none"> W/ BPM, AM PLANNING CHANNEL BUS RELATIONSHIP 	<ul style="list-style-type: none"> W/ BPM, AM PLANNING VERY LARGE ACCOUNT BUS 	<ul style="list-style-type: none"> W/ MKT, ENGR (STD ONLY) PROPOSE (OR REQUEST) LOCAL PRODUCT ACCOUNT MANAGEMENT ESTABLISH REVENUE PLAN FORECAST PRODUCT 	<ul style="list-style-type: none"> INSTALL AND MAINTAIN HARDWARE MARKET SERV PROGRAMS TO CUSTOMER DEVELOP SERVICES PRODUCTS RUN A BUSINESS PROVIDE SERVICE AT COST WORK WITH MKT, ENGR, MFG SAME RESPON AS APPLIC MKT FOR APPLIC PRODUCTS 	<ul style="list-style-type: none"> INSTALL AND MAINTAIN SOFTWARE MARKET SERV AND APPLICATIONS DEVELOP SERVICE AND APPLICATIONS PRODUCTS DEVELOP SERVICES, BASE PRODUCTS AND APPLICATIONS 	<ul style="list-style-type: none"> TRAIN CUSTOMERS AND INTERNAL PEOPLE MEET CUSTOMER NEEDS MANAGE INVENTORY SUPPORT REVENUE PLAN WORK W/ ENGR TO CREATE MFG PROCESS 	<ul style="list-style-type: none"> BUILD PRODUCT COMPETITIVE COST, LEAD TIME MEET CUSTOMER NEEDS MANAGE INVENTORY SUPPORT REVENUE PLAN WORK W/ ENGR TO CREATE MFG PROCESS 	<ul style="list-style-type: none"> PROVIDE SCOREKEEPING (CONTROL) TREASURY LIQUID ASSETS TAXES LEGAL EXTERNAL REPORTING ACCOUNTING COMPLIANCE MANAGEMENT AUDIT LEADS THE FUNCTION MIS 	<ul style="list-style-type: none"> ESTABLISH PERSONNEL POLICY OD/EMPLOYEE DEVELOPMENT EMPLOYEE ADVOCATE COMP&BENEFITS COMPLIANCE WITH LAWS RECRUIT, HIRING, EMPLOYEES COMMUNICATION EMPLOYEE RELATIONS COMMUNITY RELATIONS
WHY DOES IT CONTROL = RESPONSIBILITY	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF PROPOSALS HEALTH OF TOTAL COMPANY HAVE CLEAR SET OF INTEGRATED STRATEGIES 	<ul style="list-style-type: none"> RESOLUTION OF PROBLEMS 	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF MKT PROPOSALS PROVIDE SUPPORT SERVICES RESPONSIBLE FOR CAREER OF MARKETEERS 	<ul style="list-style-type: none"> PROD STRATEGY (CHOOSE PROD) TECH STRAT ARCHITECTURE BASE PRODUCT ENGR BUDGET 	<ul style="list-style-type: none"> MKT EXPENSE (SOME) US PRICE-BP INCREMENTAL US PRICE FOR APPLIC APPLIC ENGR BUDGET APPLIC PROD STRATEGY 	<ul style="list-style-type: none"> DISCOUNTS 	<ul style="list-style-type: none"> INDUSTRY T&C'S? (E.G., (SA CONTRACT) 	<ul style="list-style-type: none"> LOCAL PRICE & TERM'S DISTRIBUTION EXPENSE INCL ALLOWANCES MANPOWER DEPLOYMENT SELLING PROGRAMS TRAIN LEVEL 7 EXPENSE LOCAL PROD INVESTMENT LOCAL AUTH LINKAGE LOCAL SUBSID MGMT MANAGE REVENUE PLAN 	<ul style="list-style-type: none"> SET PRICES W/ SET COST STRUCTURE CONTROL ASSETS 	<ul style="list-style-type: none"> CALL ASPECTS OF MFG 	<ul style="list-style-type: none"> INVEST CASH CHART OF ACCOUNTS CAREER LEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE 	<ul style="list-style-type: none"> KEEPER OF PERSONNEL POLICY CAREER LEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE 			
HOW IS IT MEASURED == ACCOUNTABILITY	<ul style="list-style-type: none"> OBVIOUS QUALITY OF DECISIONS HEALTH OF TOTAL COMPANY HAVE CLEAR SET OF INTEGRATED STRATEGIES QUICK RESOLUTION OF CONFLICT 	<ul style="list-style-type: none"> ACHIEVEMENT OF OPER PLAN EARNINGS PER SHARE QUICK RESOLUTION OF CONFLICT CUSTOMER/STOCKHOLDER SATISFACTION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF MKT ORG OVERALL IMAGE OF COMPANY CORP MKT SHARE HAVE CLEAR INTEGRATED MKT PLANS 	<ul style="list-style-type: none"> COMPETITIVE PRODUCTS COST, FUNCTION, QUALITY TIME TO MKT PERF AGAINST THEIR PIECE OF BUS PLAN PERF OF COMPANY IN CHARTER MKT 	<ul style="list-style-type: none"> OBVIOUS QUAL OF MKT PLAN & BUSINESS PLAN Rate of market penetration PERF OF COMPANY VERSUS BUSINESS PLAN ("EYES AND EARS OF OC") MKT SHARE COST/PERF NOR, ROI VS LRP SCHEDULE, EXP VS BOD HEALTH OF LOCAL ORGANIZATION 	<ul style="list-style-type: none"> MKT SHARE COST/PERF PERF VS LRP EXP VS BOD, PROGRAM QUALITY & COMPLETION INDUSTRY PENETRATION 	<ul style="list-style-type: none"> MKT SHARE PERF VS LRP VS LRP VS LRP VS LRP VS LRP VS LRP 	<ul style="list-style-type: none"> MKT SHARE PERF VS LRP VS LRP VS LRP VS LRP VS LRP VS LRP 	<ul style="list-style-type: none"> CUSTOMER SATISFACTION FORECAST ACCURACY LOCAL PRODUCT PERFORMANCE PERF VS LRP MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> QUALITY SERVICE AND PRODUCTS SERVICE AND APPLICATIONS CUSTOMER SATISFACTION COMPREHENSIVE SERVICE OFFERING PENETRATION SAME AS APPLICATION MARKET NOR/MARGIN/WKS/DSO VS BOD 	<ul style="list-style-type: none"> MFG QUALITY AVAILABILITY OF PRODUCT COMPETITIVE COST DELIVERY COMMITMENT MEET LRP BUDGET, ASSET UTILIZATION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF ORG NO FINANCIAL SURPRISES COMPETITIVE COST OF FUNCTION RETURN ON LIQUID ASSETS EXPENSE VS BOD 			
STRATEGIC TACTICAL				<ul style="list-style-type: none"> NOR, ROI VS LRP SCHEDULE, EXP VS BOD 	<ul style="list-style-type: none"> NOR, ROI/ROA VS LRP EXP VS BOD, PROGRAM QUALITY & COMPLETION INDUSTRY PENETRATION 	<ul style="list-style-type: none"> NOR, ROI/ROA VS LRP VS LRP VS LRP VS LRP 	<ul style="list-style-type: none"> NOR, ROI/ROA VS LRP VS LRP VS LRP VS LRP 	<ul style="list-style-type: none"> NOR VS LRP MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> NOR/MARGIN/WKS/DSO VS BOD 	<ul style="list-style-type: none"> EXPENSE VS BOD 					

New project

	OC	VP OPERATIONS	VP MARKETING	ENGR	BASE PROD MKT	APPLIC MKT	INDIRECT CHANNEL MKT	INDUSTRY MKT	GEOGRAPHY (SALES BUS)	FIELD SERVICE	SOFTWARE SERVICE	EDUCATION SERVICE	MFG	CORPORATE F&A	CORPORATE PERSONNEL
WHAT DOES IT DO	<ul style="list-style-type: none"> APPROVE PROPOSED STRATEGIC DIRECTION INTEGRATE APPROVED STRATEGIES CONFLICT RESOLUTION APPROVES PLANS/BUDGETS SETS POLICY BE PREPARED FOR DECISION MAKING 	<ul style="list-style-type: none"> ASSURES THAT COMPANY HAS INTEGRATED AND ACCEPTABLE TACTICAL PLANS CONFLICT RESOLUTION IDENTIFY PROBLEM AREAS 	<ul style="list-style-type: none"> ASSURE COMPANY HAS INTEGRATED MARKETING PLANS THAT MAKE SENSE TO CUSTOMER RESOLVE MKT CONFLICTS DEVELOPS AND LEADS MKT FUNCTION FOR COMPANY 	<ul style="list-style-type: none"> DO A LRP UNDERSTANDS TECHNOLOGY USE OF PROD COMPETITION PROPOSE AND DEVELOP PRODUCTS WORK WITH MFG TO CREATE MFG PROCESSES WORK WITH SERVICES ADV, PROMO, LIT, TRAINING CONTENT TECHNICAL SALES SUPPORT PHASE 0,1 BUS PLAN 	<ul style="list-style-type: none"> UNDERSTAND MKT REQTS, OPPORTUNITY, & COMPETITION COMMUNICATE W/ ENGR W/ ENGR, BPM W/ ENGR, BPM W/ ENGR, BPM, AM W/ ENGR, BPM, AM, CM/GM W/ ENGR, BPM, AM, CM/GM W/ ENGR, BPM, AM, CM/GM W/ ENGR, BPM, AM, CM/GM W/ ENGR, BPM, AM, CM/GM W/ ENGR, BPM, AM, CM/GM 	<ul style="list-style-type: none"> SELL, SELL, SELL ENGR (STD ONLY) PROPOSE (OR REQUEST) LOCAL PRODUCT 	<ul style="list-style-type: none"> INSTALL AND MAINTAIN HARDWARE MARKET SERV PROGRAMS TO CUSTOMER DEVELOP SERVICES PRODUCTS RUN A BUSINESS PROVIDE SERVICE AT COST WORK WITH MKT ENGR, MFG SAME RESPON AS APPLIC MKT FOR APPLIC PRODUCTS 	<ul style="list-style-type: none"> TRAIN CUSTOMERS AND INTERNAL PEOPLE MEET CUSTOMER NEEDS MANAGE INVENTORY SUPPORT REVENUE PLAN DEVELOP SERVICES, BASE PRODUCTS AND APPLICATIONS WORK W/ ENGR TO CREATE MFG PROCESS 	<ul style="list-style-type: none"> BUILD PRODUCT COMPETITIVE COST, LEAD TIME MEET CUSTOMER NEEDS EXTERNAL REPORTING ACCOUNTING COMPLIANCE MANAGEMENT AUDIT LEADS THE FUNCTION MIS 	<ul style="list-style-type: none"> PROVIDE SCOREKEEPING (CONTROL) TREASURY LIQUID ASSETS TAXES LEGAL EXTERNAL REPORTING ACCOUNTING COMPLIANCE MANAGEMENT AUDIT LEADS THE FUNCTION MIS 	<ul style="list-style-type: none"> ESTABLISH PERSONNEL POLICY OD/EMPLOYEE DEVELOPMENT EMPLOYEE ADVOCATE COMP & BENEFITS COMPLIANCE WITH LAWS RECRUIT, HIRING, EMPLOYEES COMMUNICATION RELATIONS COMMUNITY RELATIONS 				
WHAT DOES IT CONTROL = RESPONSIBILITY	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF PROPOSALS HEALTH OF TOTAL COMPANY HAVE CLEAR SET OF INTEGRATED STRATEGIES 	<ul style="list-style-type: none"> RESOLUTION OF PROBLEMS 	<ul style="list-style-type: none"> APPROVAL/ ? DISAPPROVAL OF MKT PROPOSALS PROVIDE SUPPORT SERVICES RESPONSIBLE FOR CAREER OF MARKETTERS 	<ul style="list-style-type: none"> PROD STRATEGY (CHOOSE PROD) TECH STRAT ARCHITECTURE BASE PRODUCT ENGR BUDGET 	<ul style="list-style-type: none"> MKT EXPENSE (SOME) US PRICE-BP 	<ul style="list-style-type: none"> INCREMENTAL US PRICE FOR APPLIC APPLIC ENGR BUDGET APPLIC PROD STRATEGY 	<ul style="list-style-type: none"> DISCOUNTS 	<ul style="list-style-type: none"> INDUSTRY T&C'S? (E.G., (ISA CONTRACT)) 	<ul style="list-style-type: none"> LOCAL PRICE & TERM'S DISTRIBUTION EXPENSE INCL ALLOWANCES MANPOWER DEPLOYMENT SELLING PROGRAMS TRAIN LEVEL 7 EXPENSE LOCAL PROD INVESTMENT (C) LOCAL AUTH LINKAGE LOCAL SUBSID MGMT MANAGE REVENUE PLAN 	<ul style="list-style-type: none"> SET PRICES WW SET COST STRUCTURE CONTROL ASSETS 	<ul style="list-style-type: none"> ALL ASPECTS OF MFG 	<ul style="list-style-type: none"> INVEST CASH CHART OF ACCOUNTS CAREER DEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE 	<ul style="list-style-type: none"> KEEPER OF PERSONNEL POLICY OF PEOPLE 		
HOW IS IT MEASURED = ACCOUNTABILITY	<ul style="list-style-type: none"> OBVIOUS QUALITY OF DECISIONS HEALTH OF TOTAL COMPANY IN ALL DIMENSIONS HAVE CLEAR SET OF INTEGRATED STRATEGIES QUICK RESOLUTION OF CONFLICT 	<ul style="list-style-type: none"> ACHIEVEMENT OF OPER PLAN EARNINGS PER SHARE QUICK RESOLUTION OF CONFLICT CUSTOMER/ STOCKHOLDER SATISFACTION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF MKT ORG OVERALL IMAGE OF COMPANY CORP MKT SHARE HAVE CLEAR INTEGRATED MKT PLANS 	<ul style="list-style-type: none"> COMPETITIVE PRODUCTS COST, FUNCTION, QUALITY TIME TO MKT PERF AGAINST THEIR PIECE OF BUS PLAN PERF OF COMPANY IN CHARTER MKT 	<ul style="list-style-type: none"> OBVIOUS QUAL OF MKT PLAN & BUSINESS PLAN Rate of mkt. penetration PERF OF COMPANY VERSUS BUSINESS PLAN ("EYES AND EARS OF OC") MKT SHARE COST/PERF 	<ul style="list-style-type: none"> MKT SHARE COST/PERF PENETRATION 	<ul style="list-style-type: none"> MKT SHARE 	<ul style="list-style-type: none"> MKT SHARE PENETRATION LOCAL PRODUCT PERFORMANCE NOR VS LRP NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> CUSTOMER SATISFACTION FORECAST ACCURACY LOCAL PRODUCT PERFORMANCE NOR VS LRP NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> QUALITY SERVICE AND PRODUCTS SERVICE AND APPLICATIONS CUSTOMER SATISFACTION COMPREHENSIVE SERVICE OFFERING PENETRATION SAME AS APPLICATION MARKET 	<ul style="list-style-type: none"> MFG QUALITY AVAILABILITY OF PRODUCT COMPETITIVE COST DELIVERY COMMITMENT MEET LRP BUDGET, ASSET UTILIZATION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF ORG NO FINANCIAL SURPRISES NO EMPLOYEE SURPRISES COMPETITIVE COST OF FUNCTION RETURN ON LIQUID ASSETS 	<ul style="list-style-type: none"> EXPENSE VS BOD 		
STRATEGIC TACTICAL				<ul style="list-style-type: none"> NOR, ROI VS LRP SCHEDULE, EXP VS BOD HEALTH OF LOCAL ORGANIZATION 	<ul style="list-style-type: none"> NOR/ROI/ROA VS LRP EXP VS BOD, PROGRAM QUALITY & COMPLETION 	<ul style="list-style-type: none"> NOR/ROI/ROA VS LRP INDUSTRY PENETRATION 	<ul style="list-style-type: none"> NOR/ROA VS LRP 	<ul style="list-style-type: none"> NOR VS LRP NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> NOR/ROA VS LRP NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> NOR/MARGIN WKS/DSO VS BOD 	<ul style="list-style-type: none"> EXPENSE VS BOD 				

New project

	OC	VP OPERATIONS	VP MARKETING	ENGR	BASE PROD MKT	APPLIC MKT	INDIRECT CHANNEL MKT	INDUSTRY MKT	GEOGRAPHY (SALES BUS)	FIELD SERVICE	SOFTWARE SERVICE	EDUCATION SERVICE	MFG	CORPORATE F&A	CORPORATE PERSONNEL
WHAT DOES IT DO	<ul style="list-style-type: none"> APPROVE PROPOSED STRATEGIC DIRECTION INTEGRATE APPROVED STRATEGIES CONFLICT RESOLUTION APPROVES PLANS/BUDGETS SETS POLICY BE PREPARED FOR DECISION MAKING 	<ul style="list-style-type: none"> ASSURES THAT COMPANY HAS INTEGRATED AND ACCEPTABLE TACTICAL PLANS CONFLICT RESOLUTION IDENTIFY PROBLEM AREAS 	<ul style="list-style-type: none"> ASSURE COMPANY HAS INTEGRATED MARKETING PLANS THAT MAKE SENSE TO CUSTOMER RESOLVE MKT CONFLICTS DEVELOPS AND LEADS MKT FUNCTION FOR COMPANY 	<ul style="list-style-type: none"> DO A LRP UNDERSTANDS TECHNOLOGY USE OF PROD COMPETITION PROPOSE AND DEVELOP PRODUCTS WORK WITH MFG TO CREATE MFG PROCESSES WORK WITH SERVICES ADV, PROMO, LIT, TRAINING CONTENT TECHNICAL SALES SUPPORT PHASE 0, 1 BUS PLAN 	<ul style="list-style-type: none"> UNDERSTAND MKT REQTS, OPPORTUNITY, & COMPETITION COMMUNICATE W/ ENGR PROPOSE AND DEVELOP APPLIC PRODUCTS ESTABLISH MARKETING PLAN PRODUCT AND SEGMENT UNDERSTAND OTHER MKTS AM/CM/IM/GM BUS PLAN ALL PHASES PHASE IN/OUT FORECASTS 	<ul style="list-style-type: none"> PROPOSE AND DEVELOP APPLIC PRODUCTS ESTABLISH MARKETING PLAN PRODUCT AND SEGMENT UNDERSTAND OTHER MKTS AM/CM/IM/GM BUS PLAN ALL PHASES PHASE IN/OUT FORECASTS PLANNING CHANNEL BUS RELATIONSHIP 	<ul style="list-style-type: none"> W/ ENGR, BPM W/ ENGR, BPM, AM 	<ul style="list-style-type: none"> W/ BPM, AM ENGR (STD ONLY) PROPOSE (OR REQUEST) LOCAL PRODUCT PLANNING VERY LARGE ACCOUNT BUS 	<ul style="list-style-type: none"> SELL, SELL, SELL W/ MKT ENGR (STD ONLY) PROPOSE (OR REQUEST) LOCAL PRODUCT ACCOUNT MANAGEMENT ESTABLISH REVENUE PLAN FORECAST PRODUCT 	<ul style="list-style-type: none"> INSTALL AND MAINTAIN HARDWARE MARKET SERV PROGRAMS TO CUSTOMER DEVELOP SERVICES PRODUCTS RUN A BUSINESS PROVIDE SERVICE AT COST ENGR, MFG WORK WITH MKT 	<ul style="list-style-type: none"> INSTALL AND MAINTAIN SOFTWARE MARKET SERV AND APPLICATIONS DEVELOP SERVICE AND APPLICATIONS PRODUCTS SAME RESOUR AS APPLIC MKT FOR APPLIC PRODUCTS 	<ul style="list-style-type: none"> TRAIN CUSTOMERS AND INTERNAL PEOPLE DEVELOP SERVICES, BASE PRODUCTS AND APPLICATIONS WORK W/ ENGR TO CREATE MFG PROCESS 	<ul style="list-style-type: none"> BUILD PRODUCT COMPETITIVE COST, LEAD TIME MEET CUSTOMER NEEDS MANAGE INVENTORY SUPPORT REVENUE PLAN WORK W/ ENGR TO CREATE MFG PROCESS 	<ul style="list-style-type: none"> PROVIDE SCOREKEEPING (CONTROL) TREASURY LIQUID ASSETS TAXES LEGAL EXTERNAL REPORTING ACCOUNTING COMPLIANCE MANAGEMENT AUDIT LEADS THE FUNCTION MIS 	<ul style="list-style-type: none"> ESTABLISH PERSONNEL POLICY OD/EMPLOYEE DEVELOPMENT EMPLOYEE ADVOCATE COMPLIANCE WITH LAWS RECRUIT, HIRING, EMPLOYEES COMMUNICATION EMPLOYEE RELATIONS COMMUNITY RELATIONS
WHAT DOES IT CONTROL RESPONSIBILITY	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF PROPOSALS HEALTH OF TOTAL COMPANY HAVE CLEAR SET OF INTEGRATED STRATEGIES 	<ul style="list-style-type: none"> RESOLUTION OF PROBLEMS 	<ul style="list-style-type: none"> APPROVAL/DISAPPROVAL OF MKT PROPOSALS PROVIDE SUPPORT SERVICES RESPONSIBLE FOR CAREER OF MARKETTERS 	<ul style="list-style-type: none"> PROD STRATEGY (CHOOSE PROD) TECH STRAT ARCHITECTURE BASE PRODUCT ENGR BUDGET 	<ul style="list-style-type: none"> MKT EXPENSE (SOME) US PRICE-BP 	<ul style="list-style-type: none"> INCREMENTAL US PRICE FOR APPLIC ENGR BUDGET APPLIC PROD STRATEGY 	<ul style="list-style-type: none"> WWW-DISCOUNTS 	<ul style="list-style-type: none"> INDUSTRY T&C'S? (E.G., (SA CONTRACT) 	<ul style="list-style-type: none"> LOCAL PRICE & TERM'S DISTRIBUTION EXPENSE INCL ALLOWANCES MANPOWER DEPLOYMENT SELLING PROGRAMS TRAIN LEVEL 7 EXPENSE LOCAL PROD INVESTMENT LOCAL AUTH LINKAGE LOCAL SUBSID MGMT MANAGE REVENUE PLAN 	<ul style="list-style-type: none"> SET PRICES WW SET COST STRUCTURE CONTROL ASSETS 	<ul style="list-style-type: none"> MANAGE REVENUE PLAN 	<ul style="list-style-type: none"> ALL ASPECTS OF MFG 	<ul style="list-style-type: none"> INVEST CASH CHART OF ACCOUNTS CAREER LEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE 	<ul style="list-style-type: none"> KEEPER OF PERSONNEL POLICY CAREER LEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE 	
HOW IS IT MEASURED ACCOUNTABILITY	<ul style="list-style-type: none"> OBVIOUS QUALITY OF DECISIONS HEALTH OF TOTAL COMPANY HAVE CLEAR SET OF INTEGRATED STRATEGIES QUICK RESOLUTION OF CONFLICT 	<ul style="list-style-type: none"> ACHIEVEMENT OF OPER PLAN EARNINGS PER SHARE QUICK RESOLUTION OF CONFLICT CUSTOMER/STOCKHOLDER SATISFACTION 	<ul style="list-style-type: none"> OBVIOUS QUALITY OF MKT ORG OVERALL IMAGE OF COMPANY CORP MKT SHARE HAVE CLEAR INTEGRATED MKT PLANS 	<ul style="list-style-type: none"> COMPETITIVE PRODUCTS COST, FUNCTION, QUALITY TIME TO MKT PERF AGAINST THEIR PIECE OF BUS PLAN PERF OF COMPANY IN CHARTER MKT 	<ul style="list-style-type: none"> OBVIOUS QUAL OF MKT PLAN & BUSINESS PLAN Rate of mkt. penetration PERF OF COMPANY VERSUS BUSINESS PLAN ("EYES AND EARS OF OC") MKT SHARE COST/PERF 	<ul style="list-style-type: none"> INCREMENTAL US PRICE FOR APPLIC ENGR BUDGET APPLIC PROD STRATEGY MKT SHARE COST/PERF PENETRATION 	<ul style="list-style-type: none"> WWW-DISCOUNTS MKT SHARE 	<ul style="list-style-type: none"> INDUSTRY T&C'S? (E.G., (SA CONTRACT) MKT SHARE PENETRATION 	<ul style="list-style-type: none"> LOCAL PRICE & TERM'S DISTRIBUTION EXPENSE INCL ALLOWANCES MANPOWER DEPLOYMENT SELLING PROGRAMS TRAIN LEVEL 7 EXPENSE LOCAL PROD INVESTMENT LOCAL AUTH LINKAGE LOCAL SUBSID MGMT MANAGE REVENUE PLAN MKT SHARE PENETRATION LOCAL PRODUCT PERFORMANCE NOR/ROA VS LRP 	<ul style="list-style-type: none"> SET PRICES WW SET COST STRUCTURE CONTROL ASSETS CUSTOMER SATISFACTION COMPREHENSIVE SERVICE OFFERING PENETRATION SAME AS APPLICATIONS MARKET 	<ul style="list-style-type: none"> MANAGE REVENUE PLAN PERF OF COMPANY VERSUS BUSINESS PLAN ("EYES AND EARS OF OC") MKT SHARE COST/PERF PENETRATION LOCAL PRODUCT PERFORMANCE NOR/ROA VS LRP 	<ul style="list-style-type: none"> ALL ASPECTS OF MFG MFG QUALITY AVAILABILITY OF PRODUCT COMPETITIVE COST DELIVERY COMMITMENT MEET LRP BUDGET, ASSET UTILIZATION 	<ul style="list-style-type: none"> INVEST CASH CHART OF ACCOUNTS CAREER LEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE OBVIOUS QUALITY OF ORG NO FINANCIAL SURPRISES NO EMPLOYEE SURPRISES COMPETITIVE COST OF FUNCTION RETURN ON LIQUID ASSETS EXPENSE VS BOD 	<ul style="list-style-type: none"> KEEPER OF PERSONNEL POLICY CAREER LEVEL OF PEOPLE FINANCIAL STRATEGY MIS STRATEGY OWN DIRECT EXPENSE OBVIOUS QUALITY OF ORG NO FINANCIAL SURPRISES NO EMPLOYEE SURPRISES COMPETITIVE COST OF FUNCTION RETURN ON LIQUID ASSETS 	
STRATEGIC TACTICAL		<ul style="list-style-type: none"> HEALTH OF LOCAL ORGANIZATION 		<ul style="list-style-type: none"> NOR, ROI VS LRP SCHEDULE, EXP VS BOD 	<ul style="list-style-type: none"> NOR/ROI/ROA VS LRP EXP VS BOD, PROGRAM QUALITY INDUSTRY PENETRATION 	<ul style="list-style-type: none"> NOR/ROI/ROA VS LRP INDUSTRY PENETRATION 	<ul style="list-style-type: none"> NOR/ROA VS LRP COMPLETION 	<ul style="list-style-type: none"> NOR VS LRP MKT SHARE PENETRATION 	<ul style="list-style-type: none"> NOR/ROA VS LRP MKT SHARE PENETRATION LOCAL PRODUCT PERFORMANCE NOR/ROA VS LRP 	<ul style="list-style-type: none"> NOR/MARGIN/WKS/DSO VS BOD 	<ul style="list-style-type: none"> NOR/MARGIN/WKS/DSO VS BOD 	<ul style="list-style-type: none"> MEET LRP BUDGET, ASSET UTILIZATION 	<ul style="list-style-type: none"> EXPENSE VS BOD 		

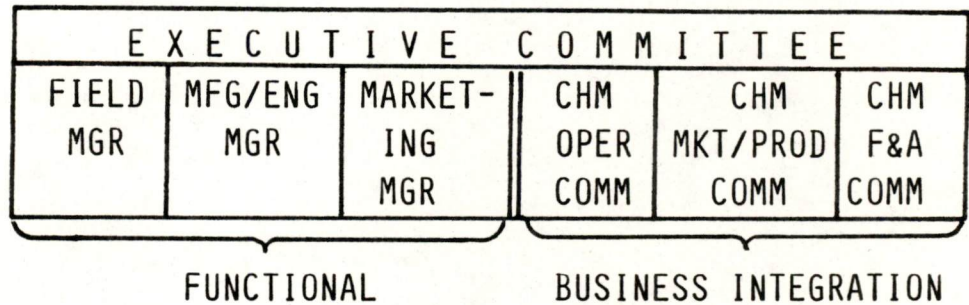
Marketing

Strategy Com.
Products

CORPORATE COMMITTEE STRUCTURE

JACK SMITH
10/20/82

CORPORATE COMMITTEE STRUCTURE



EXECUTIVE COMMITTEE RESPONSIBILITIES:

- o CORPORATE STRATEGIC DIRECTION
- o BUSINESS INTEGRATION
- o ORGANIZATION DEVELOPMENT
- o FUNCTIONAL LEADERSHIP

"NEW"
OPERATIONS
COMMITTEE

MARKET/PRODUCTS
STRATEGY
COMMITTEE

F&A
COMMITTEE
Financial Strategy Com

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> o CREATE AND IMPLEMENT THE TWO YEAR PLAN ✓✓ o ALL DECISIONS RELATING TO OPERATIONS ✓✓ o TACTICAL INTEGRATION
E.G. - HIRING & SALARY ACTIONS ✓
- PRODUCT ANNOUNCEMENTS ✓
- OPERATING PERFORMANCE REVIEWS ✓✓ | <ul style="list-style-type: none"> o DIRECTION SETTING FOR <ul style="list-style-type: none"> - MARKETING ✓ - PRODUCTS ✓ - TECHNOLOGY ✓ o LONG RANGE PLAN o STRATEGY INTEGRATION | <ul style="list-style-type: none"> o STRATEGY AND IMPLEMENTATION OF: <ul style="list-style-type: none"> - FINANCING - TAX o LEGAL SUPPORT o INVESTOR RELATIONS |
|--|---|--|

Pricing decisions

*1 group/mtg
1 hr. Every group reviewed once a yr.*

Approval of product & mkt plans

COMMITTEE STRUCTURE: WHAT AND WHY

STRUCTURE:

- o FOUR DISTINCT COMMITTEES
- o THIS IS THE CORPORATE ORGANIZATION CHART
- o CONSISTS OF THE CORPORATION'S SENIOR MGRS

MANAGEMENT AND DEVELOPMENT:

- o THOSE CLOSEST TO THE BUSINESS MANAGE THE COMPANY
- o DEVELOPS SR MGRS IN CROSS-FUNCTIONAL ASPECTS OF THE COMPANY
- o BEST TALENT AT THE TOP MANAGING AND LEARNING

BUSINESS FOCUS:

- o FLEXIBILITY -- BROAD FUNCTIONAL REPRESENTATION, BUT CHANGABLE AS NEEDED
- o CLARITY OF RESPONSIBILITY
- o PROVIDES FOR "CHECKS AND BALANCES"
 - CONSTRUCTIVE CONFLICT AT EXEC COMMITTEE
 - INTEGRATED MGMT AT "NEW" OPERATIONS AND "MKT/PRODUCT" COMMITTEES
 - FUNCTIONAL ORGANIZATION PERSPECTIVES

POSITIONS US WELL FOR THE LONG TERM

- Committees meet at same hour every week - except WOODS weeks -
 - Suggest 2-5 every Monday -
 Don't that OPNS Com
 ends WOODS -

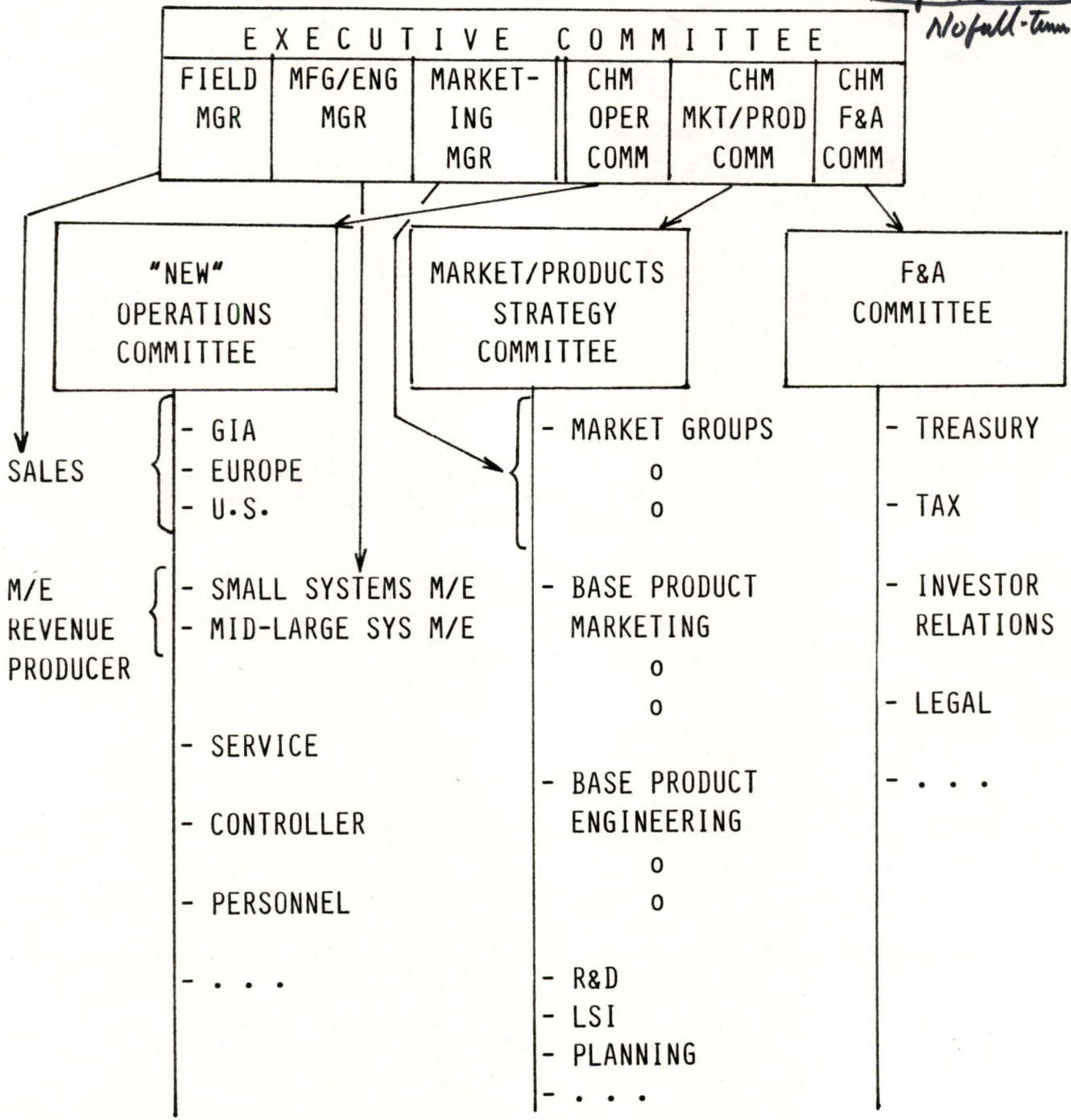
Both? Mkt Mgr
 & Chm, Mkt Com.

No F&A Com.
 Maybe FSC

COMMITTEE STRUCTURE:

- FUNCTIONAL CONTENT
- REPORTING

No full-time Chair



- NOTES:
- o THE FIELD MGR CANNOT BE THE "NEW" OPS COMMITTEE CHAIRMAN
 - o THE MFG/ENG MGR CANNOT BE THE MKT/PRODUCTS STRATEGY COMMITTEE CHAIRMAN
 - o ALL COMMITTEE MEMBERS REPORT TO A FUNCTIONAL MANAGER

MANUFACTURING - ENGINEERING STRUCTURE

PREFERRED ORGANIZATION:

- o MERGE MFG AND ENG GROUPS FOR MAJOR PRODUCT SETS
 - FULL RESPONSIBILITY AND RESOURCES FOR ENGINEERING AND PRODUCING PRODUCTS
 - BASE PRODUCT MARKETING INCLUDED

- o OPERATIONS RESPONSIBILITY AT M/E PRODUCT GROUP LEVEL; DIRECTLY TO "NEW" OPERATIONS COMMITTEE

- o PROVIDES FOR STRATEGIC INTEGRATION OF MFG/ENG; NOT CONSOLIDATION

- o CLEAR RESPONSIBILITY; FOCUS ON PRODUCTS AND EXTERNAL COMPETITIVE ENVIRONMENT

MANUFACTURING - ENGINEERING STRUCTURE

MFG-ENG
VP

- STORAGE AND PRINTERS
- SMALL SYSTEMS
 - o PC
 - o SOFTWARE
 - o TERMINALS/WORK STATIONS
- MID-LARGE SYSTEMS
 - o 16-32 BIT
 - o DIST SYS/NETS
 - o SOFTWARE
- LSI, BOARDS, CHIPS
- RESEARCH AND ENGINEERING
- MFG TECHNOLOGY/PROCESS AND DESIGN
- SUPPORT & ADMINISTRATION
 - o QUALITY
 - o PLANNING
 - o FINANCE
 - o EXT RESOURCES
 - o MATERIALS
 - o OTHER . . .
- PERSONNEL

THE PREFERRED STRUCTURE AND BEST FIT FOR A REVISED
CORP COMMITTEE STRUCTURE

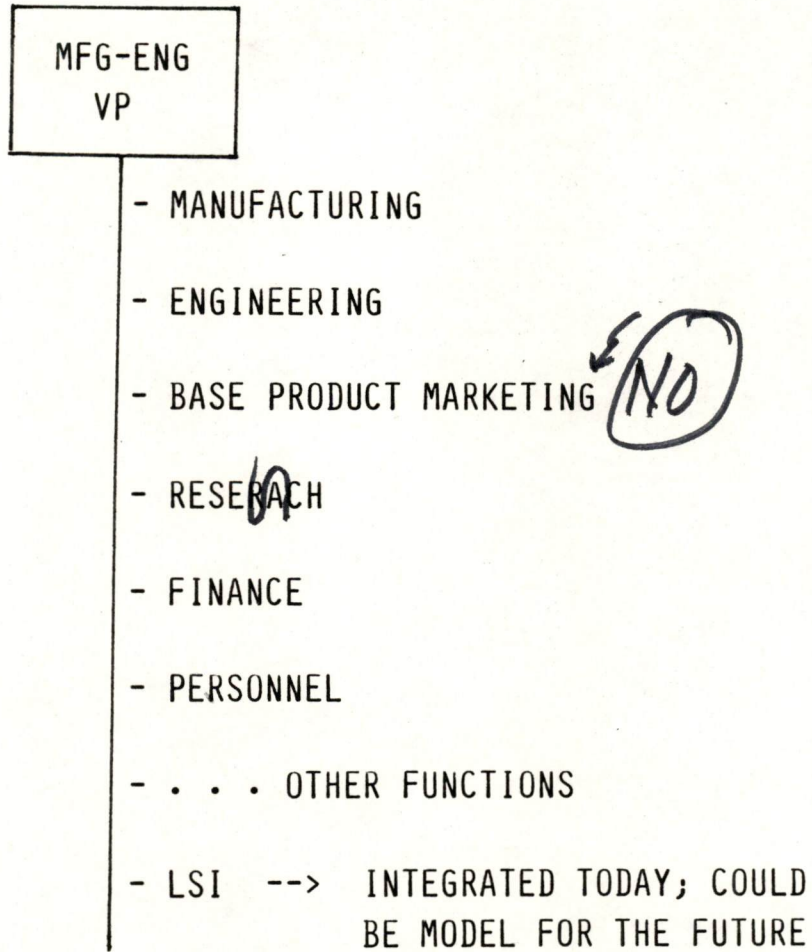
WILL NOT FIT WITH CURRENT CORPORATE STRUCTURE

MANUFACTURING - ENGINEERING STRUCTURE

AN ALTERNATE ORGANIZATION

- o MAINTAINS THE FUNCTION FOCUS SEPARATELY FOR BOTH
MANUFACTURING AND ENGINEERING
- o OPTIMIZES FUNCTIONAL EXPERTISE
- o ORGANIZATIONALLY MFG AND ENG FUNCTIONS ALIGNED TO
FACILITATE STRATEGIC LINKAGE
I.E. STORAGE MFG AND STORAGE ENG
- o OPERATIONS RESPONSIBILITY THROUGH THE MFG/ENG VP
- o NOT FOCUSED AS WELL ON THE EXTERNAL COMPETITIVE
ENVIRONMENT; MAY NOT BE AS QUICK TO REACT

MANUFACTURING - ENGINEERING STRUCTURE



SECOND CHOICE; NOT FOCUSED AS WELL ON PRODUCTS AND LONG TERM VISION

THE BEST FIT GIVEN TODAY'S CORP STRUCTURE

Operations Strategy Committee

Organization

Current O. C.

Ken
Smith
Shields
Godwin
Wini
Al B.
Bill T
Hughes
Geoff
Ward
Andy

<u>Mkt.</u>	<u>Eng.</u>	<u>Mfg.</u>	<u>Field</u>	<u>F&A</u>
Hindle	Bell	Smith	Shields	Butochi
Hughes	Marcus			Thompson
Knowles				
MacKenzie				

Marcus
T & D

13
B J

14
Kramer
Bill H.
Dick Poulson

JCP
Bursick — 19
Puffer
Sims — 21

Puffer
Hanson
E. Schwartz
B.J.
Grant
Kramer
Poulson
JCP
Sims
Bursick

MEMORANDUM

TO: OPERATIONS COMMITTEE

FROM: HENRY ANCONA
BRUCE DELAGI
RON SMART

Attached please find a Summary of the Product Line Statements of their current responsibilities and activities.

It is organized as follows:

- o Marketing
- o Business Planning
- o Business Operations
- o Engineering
- o Other

MARKETING

- Product introductions: positioning, migration, and promotion ~~B~~
- Answer product/technical questions ~~B, A~~
- ^S Customer/product migration strategies ~~B~~
- Application product management ~~A~~
- Benchmarking & performance analysis ~~B~~
- Demo development ~~B~~
- Presentations, (field) demonstrations (w/kits) ~~B, A~~
- Geographic seminars ~~B, A~~
- Customer visit coordination/follow up: DEC ties to hi-level decision makers, long term customer relationships and knowledge of market structure ~~B, A, I, C~~
- Monitor (and influence) large customer procurement policy ~~B~~ S
- Trade show support ~~B, A, I, C.~~
- Participation in industry/trade associations ~~I~~
- Market strategy, research, and needs (establish project business targets and approach) ~~B, A~~
- Advertising, sales promotion, sales training and communication aids ~~B, A~~
- Competitive analysis ~~B~~
- Develop/implement merchandising plans ~~B~~

BUSINESS PLANNING

- Annual operating plan (budgeting, business plan, short term, long term)
- Discounts and allowances planning
- Long term capacity allocation
- Redbook forecast
- Materials forecast
- Customer finance programs
- Planning the marketing mix (sales, marketing, A & SP)

BUSINESS OPERATIONS

- Contract negotiation (licenses, discount/allowance management)
- RFP analysis
- Credit/collection
- Sales service
 - customer satisfaction issues, RA's
- Making the ship plan:
 - UOFs
 - end-of-quarter closings
 - load management and control
- Backlog evaluation
- Order administration
- Revenue accounting
- Inventory & receivables management

ENGINEERING

- Applications product development/maintenance
- (Buyout) evaluation and engineering for field release
- Technical evaluation (competitive products and potential buyouts)
- Technology forecast and presentation

OTHER

- MIS development and support
- Account sales strategies
- Booking goals by region
- Coordinating U.S. sales plan
- Influence central engineering/convey product needs
- Measuring functions against plans
- Interface with other functional groups to assure compliance with marketing plans
- Controlling the marketing mix (sales, mktg., A & SP)
- Product quality assurance
- Participate in corporate pricing and policies
- Train sales force (?)
- Coordinate total corporate resources on all aspects of the business from strategic planning to day-to-day sales support

New Projects File

Copy to: *Ken Olsen
Jack Smith
Jack Shields
Gordon Bell*

CC: *Rm Smart
Bruce Relagi
Henry Ancora
Bill Thompson
Mitch Kurr*

D I G I T A L

*Here's our Product
Group Manager who
really understands
the new thrust.
Wmi*

INTEROFFICE MEMORANDUM

TO: MSG

DATE: 4th June 1982
FROM: Bob Rockwell
DEPT: Medical Systems Group
EXT: 225-4300
LOC/MAIL STOP: HU

CC: Win Hindle

SUBJECT: ORGANIZATIONAL AND RESPONSIBILITY CHANGES

A little over a year ago we conceived and implemented our current Operations and Marketing organizations based upon the needs we had at that time. We believed we needed to (1) define our strategic plans and (2) build strong communications paths to Field Sales. These objectives have been realized for some time and I am proud of our efforts in these areas. Our strategic plans have been well received by the Corporation and we are viewed by Sales as an "easy to do business with" and responsive organization. But, we have been struggling with matching our current organization to a totally new set of needs.

We urgently need to (1) bring our new products to market (2) define and implement our tactical marketing plans, along with (3) refining our strategic plans and (4) continue our relationship with Field Sales.

In summary, I believe we know where we want to go, we've chosen our travel companions but we haven't been able to draw up a map from here to there and we'll be too old to go before our current organization produces one. We have a winning strategy and an excellent sales support organization but no tactical marketing plans to achieve our FY'83 operating goals and strategic plans. This logical evolution of needs and the many changes occurring within Digital have necessitated that we reexamine our organizational structure and specific individual responsibilities.

Possibly the most significant changes, external to MSG, have been the realignment of Europe and the advent of the "New Digital". Many of you have heard the expression the "New Digital" which is typically defined by a lot of conjecture and hearsay. Very simply stated, the "New Digital" is a vision of our Company where the overhead, unnecessary complexity, bureaucracy and redundancy are eliminated. This all translates to productivity which is mandatory to ensure the perpetuation of the success we have enjoyed in the face of any and all competitors.

The cost structure of the old Digital allows us to compete very effectively with Data General, Prime, Perkin Elmer and all of the other historical competitors. The new Digital will enable us to compete with IBM and the Japanese companies and win. If this makes sense to you, you can soon conclude that the "New Digital" concept is not a pipe dream but a long term survival issue.

Today, Product Groups are responsible for a whole host of things which include general management, budgeting, technical support, marketing, bill collecting, and everything else that doesn't fit conveniently elsewhere along with being the police force of all of the other functions. If we are to be successful against tomorrow's competitors, we will have to do more and better marketing, hence another aspect of the "New Digital" is to unburden the Product Groups from many of their other duties and let them get on with the job of marketing. If you spend every moment of your working day worrying and thinking about how to market and sell our products and little or no time worrying about what some other function is doing or not doing, MSG will win, Digital will win and you will have a good solid position in the "New Digital."

It is within the framework of these Corporate changes and the assessment of our current needs that lead us to a reorganization of our Marketing and Operations groups. Peter Drucker states: "an organization structure will not just evolve. The only things that evolve in an organization are disorder, friction and malperformance." We've seen some symptoms of the evolution of these undesirable characteristics because our current organization doesn't clearly address the needs of the Group, the projects or the individuals.

The fundamental considerations of our new structure are to ensure that all tasks get done and that someone is personally accountable for each and every task. We've tried to band-aid our current structure by forming committees. Committees and task forces are good ways to communicate, debate issues or critique plans but can seldom be held accountable for anything. We have very ambitious plans for the coming year and everyone will have to play their part for us to be successful as a Group or as individuals. The purpose of an organizational structure is to provide an environment for the individual to function. But remember, organizations don't do anything, people do. Organizational change will not solve any of the problems we have, only enable solutions to unfold.

Because of the Product Group's changing relationship with Europe we no longer require that the business management responsibilities of the Product Group be divided up into geographically focused

product lines. Therefore, effective today, we will dissolve the US & GIA Product Line as a function within MSG. The Operations Units of the US & GIA Product Line are to be combined with our Marketing Program teams under a single Manager. Wendy Vittori will assume this additional responsibility as the Marketing Operations Manager reporting to me. Dave Berry will be returning to Sales Management within the near future and will continue with MSG as an Assistant to me during this interim period.

The attachments to this memo address the specific organization, and reporting relationships along with functional descriptions of each subfunction of this new organization.

Attachments

pc

MEMORANDUM

D I G I T A L

TO: OPERATIONS COMMITTEE

DATE: JUNE 15, 1982

FROM: HENRY ANCONA
BRUCE DELAGI
RON SMART

RE: BACKUP MATERIAL TO MARKETING IN THE NEW DIGITAL

Attachments:

1. Marketing Responsibilities (base, applications, channel, industry, country)
2. Proposed marketing groups
3. Proposed applications groups
4. Proposed base product groups
5. Base product marketing responsibilities

MARKETING RESPONSIBILITIES

<u>BASE PRODUCT GROUPS</u>	<u>APPLICATIONS PROD. GRPS.</u>	<u>INDUSTRY MARKETING</u>	<u>CHANNEL MARKETING</u>	<u>COUNTRY</u>
	<ul style="list-style-type: none"> o SELECT, DEVELOP OR BROKER & PROMOTE NEW APPLIC. (PRIMARYLY ON STANDARD PRODUCTS) 	<ul style="list-style-type: none"> o ASSIST COUNTRY ORG. IN ACCOUNT MNGT. & PENETRATION 	<ul style="list-style-type: none"> o SET T'S & C'S (W/DISCOUNTING STRATEGY) 	<ul style="list-style-type: none"> o MANAGE COUNTRY ASSETS
<ul style="list-style-type: none"> o DEVELOP BASE PRODUCT MARKETING PLAN 	<ul style="list-style-type: none"> o DEVELOP & COMMUNICATE MKTG. PLAN FOR TARGET APPLICATIONS SEGMENTS 	<ul style="list-style-type: none"> o GENERATE SALES TOOLS & PROVIDE SALES SUPPORT 	<ul style="list-style-type: none"> o DEVELOP NEW CHANNELS 	<ul style="list-style-type: none"> o SELL TO & SERVICE ACCOUNTS o AFTERMARKET
<ul style="list-style-type: none"> o DEVELOP BASE PROD. BUSINESS PLAN 	<ul style="list-style-type: none"> o DEVELOP APPLICATIONS PRODUCT BUSINESS PLAN <ul style="list-style-type: none"> - VOLUMES - COSTS & INVESTMENTS - PROFITABILITY 	<ul style="list-style-type: none"> o PROVIDE HQ CUSTOMER LIAISON 	<ul style="list-style-type: none"> o PROVIDE HQ CUSTOMER LIAISON 	<ul style="list-style-type: none"> o SELECT, SPECIFY & DEVELOP LOCAL PRODS. & ADAPTATIONS o SET COUNTRY PRICES
<ul style="list-style-type: none"> o DECIDE BASE PROD. USA LIST PRICE 	<ul style="list-style-type: none"> o SET APPLICATIONS PRODUCT USA PRICING 	<ul style="list-style-type: none"> o ASSIST SALES BY UNDERSTANDING IND. STRUCTURE & NEEDS 	<ul style="list-style-type: none"> o ASSIST SALES BY UNDERSTANDING CHANNEL STRUCTURE AND NEEDS 	<ul style="list-style-type: none"> o FORECAST & ORDER CURRENT PRODUCTS FROM MFG. (SHORT TERM)
<ul style="list-style-type: none"> o GENERATE BASE PRODUCT PROMOTION AND PRICE LIST 	<ul style="list-style-type: none"> o GENERATE APPLICATIONS PRODUCT PROMOTION AND PRICE LIST 			
<ul style="list-style-type: none"> o COMPETES WITH HIGH VOLUME LOW COST MFGRS. (EG. NEC, FUJITSU, IBM PRODUCTS) 	<ul style="list-style-type: none"> o COMPETES WITH (FAST RESPONSE) SOFTWARE AND SYSTEMS HOUSES AND WITH APPLICATIONS FOCUSED COMPUTER SYSTEMS MFGRS. (EG. HP) 		<ul style="list-style-type: none"> o COMPETES WITH OTHER VENDORS TO CHANNELS (EG. HP, DG TO OEMS) 	<ul style="list-style-type: none"> o COMPETES WITH LOCAL COUNTRY COMPETITORS & ACCOUNT FOCUSED COMPUTER SYSTEMS MFR.

COMPANY
 CONFIDENTIAL

PROPOSED MARKETING GROUPS

<u>Base Products</u>	<u>Application Products</u>	<u>Industries</u>	<u>Channels</u>
- VAX	- Education	- Universities (?)	- OEMs
- PDP-11	- Laboratory	- Government	- Distributers
- 10s/20s	- Medical (?)	- Hospitals (?)	- Dealers
- Networks & Communication	- Office	- Finance (and Insurance)	- Retailers
- Personal Computers	- Factory	- Manufacturing (?)	
- Technical Workstations	- Engineering	- Communications	
- Terminals (video & printing)	- Small Business	- Service Bureaus	
- Chips & Boards			
- Storage Systems			

Application Groups provide value added products for particular work environments. These products are intended for use by specific category of persons.

<u>APPLICATIONS GROUP</u>	<u>PERSON</u>	<u>WORK ENVIRONMENT</u>	<u>TYPICAL PRODUCTS</u>
Education	Educators/ Students	Classroom	-CAI
Laboratory	Resrchrs	Laboratory	-Real time data collection and preprocessing
Small Business	Proprietor	Small Bus.	-Payroll, A/R, A/P, Inventory Management, -Equipment Utilization
Office	Manager,	Management Office	-Business modelling Mail, Calendar Phone Management
Engineering	Engineer/ Developer	Design Office	-Engineering modelling report writing, process planning design data base management
Factory	Factory Mgt.	Factory	-Plant Asset & General Business Mgt. (Order Processing & Invoicing) -Production Planning Control, & Execution (scheduling & process control)

NOTES ON APPLICATION PLM

1. Responsibility for penetrating their chartered market segment.
2. Central Applications Competency Group which does the engineering and make/buy decision on WW applications products.
3. Responsibility for managing the product/business standards and policy for in-field and third party products.
4. In-field technical experts providing technical and contractual sales support to the account representative. (Physically in software services).

OPTION: Medical Application Group or Health Service Industry Group.

BASE PRODUCT GROUP SEGMENTATION

BASE PG MARKETING

"NATURAL" COMPETITOR

DEC 10/20

- o same as now

PDP 11

- o all PDP11 systems (boxes +)
- o all PDP11 "generic" SW

COMPUTER SYSTEMS MFRS.

VAX

- o all VAX systems (boxes +)
- o all VAX "generic" SW

NETWORKS AND COMM. HW/SW

- o Decnet
- o Ethernet
- o HW/SW products

SEMI MFRS.

CHIPS + BOARDS

- o VAX
- o PDP11
- o Internal options
- o Memory

STORAGE SYSTEMS MFRS.

STORAGE SYSTEMS

- o disks
- o tapes

COMMERCIAL WORKSTATIONS

- o both 16 and 32 bit
- o XT
- o DM
- o Rainbow

PERSONAL COMPUTER MFRS.

TECHNICAL WORKSTATIONS

- o VAX W/S
- o both 16 and 32 bit

WORKSTATION MFRS.

TERMINALS

- o LA
- o VT

TERMINAL MFRS.

BASE PRODUCT MARKETING RESPONSIBILITIES

1. DEVELOP PRODUCT MARKETING PLAN

- o Positioning
 - against competitive products
 - relative to other DEC products
- o Market Share
 - by market, applications, etc.
- o Competitive Product Features/Benefits
 - performance analysis
 - competitive knock-offs
- o Selling Strategies (for field)
 - channels
 - sales and customer messages
 - how and to whom the product is useful
- o Product Migration
 - phase in/phase out
 - product volume shifts

2. DEVELOP PRODUCT BUSINESS PLAN

- o For approval at OC
- o Volumes and forecasts
- o Costs
- o Profitability
- o Integrative role

3. DECIDES U.S. LIST PRICE

- o Based on business plan
- o Listen to applications PG inputs
- o Profit vs market share
- o Competitive data
- o Re-pricing based on profit or market data

4. GENERATE BASE PRODUCT PROMOTION AND PRICE LIST
(Detailed technical literature done in engineering)

- o Price book for sales
- o Price book for customers
- o Generic:
 - slide shows
 - brochures
 - ads
 - systems and options summaries
 - sales guides

unread win

CONFIDENTIAL TO OPERATIONS COMMITTEE

DO NOT DISTRIBUTE

D i g i t a l

INTEROFFICE MEMO

TO: OPERATIONS COMMITTEE

DATE: 15 June 1982
FROM: Ancona/Delagi/Smart
LOC: OG 1/2-R12
EXT: 6-9897/3-4887/3-7011

SUB: MARKETING IN THE NEW DIGITAL

THE PURPOSE OF THE CHANGE

- More attention to and clearer definition of the marketing responsibility at Digital;
- Substantial increases in the quality of base product marketing (e.g. VAX & PDP-11 processors and systems);
- An effective set of application products for targeted professions and customer work environments;
- Making sure that we help the customers we can help today
- Focused industry and channel marketing to improve market penetration and sales efficiency.

THE NATURE OF THE CHANGE

- We are making it clear that we value marketing as a function in itself distinct from day to day business operations. Marketing performance will be measured by marketing measures (chiefly penetration into targeted segments).
- The field will order products directly from the factory and will manage their operations to committed revenue and distribution expense goals.
- Marketing programs that leverage field efforts and develop customer demand in targeted segments will be evaluated in the market on their merits.
- There is a premium for marketing expertise in the "New Digital".

SEGMENTATION OF MARKETING RESPONSIBILITY

BASE PRODUCT ENGINEERING GROUPS

- o Responsible for conceiving, designing products
- o Responsible for product descriptions, and detailed technical promotional tools and literature
- o Input to base product marketers in the development of the product business plan

BASE PRODUCT MARKETING GROUPS (in either Engineering or Marketing)

- Responsible for:
 - o proposal, development and implementation of product marketing and sales support; ~~_____~~
 - market share and forecast
 - competitive analysis
 - field selling messages & product positioning
 - data for sales training
 - o proposal of product business plan to Operations Committee
 - o USA list prices proposals
 - o generic promotional tools (price book, slide shows, ads, sales guides)
- Input to base product engineers in conceiving products
- Measured against product business/marketing plans (return on sales and return on assets)

APPLICATIONS PRODUCT MARKETING GROUPS

- Responsible for:
 - o development and implementation of applications marketing and sales support plans to their targeted applications segment. This includes specially commissioned _____ applications unique products as well as third party buyouts or referrals.
 - o specification and development (engineering) of applications unique products
 - o USA prices proposals for unique products
- Credited with all NOR which Sales identifies with their application, if it includes unique or third party referrals (See Option)
- Measured by:
 - o rate of market penetration into targeted applications market segments
 - o unique applications product business/marketing plans. (Option)

CHANNEL MARKETING GROUPS

- Responsible for development and implementation of marketing and sales support strategies for sales of any products, based on approved marketing plans through their targeted indirect channels, building on the above marketing tools.
- Credited with all NOR which Sales identifies with their channel.
- Measured by rate of market penetration via targeted channel as well as sales efficiency through the channel.

INDUSTRY MARKETING GROUPS

Responsible for development and implementation of marketing *sales support* strategies for sales of any products, based on approved marketing plans to targeted industries, building on the above marketing tools.

- Credited with all NOR which Sales identifies with their industry.
- Measured by rate of market penetration to targeted industry as well as sales efficiency to that industry.

8-QUARTER BUDGETING

Geographies are responsible to the Operations Committee for proposing 8-quarter operating plans by channel as well as for performance against it. These budgets include NOR targets for use as feedback to marketing along the corporate target market segments (product, application, channel, industry). Actuals will also be fed back by these target segments.

~~Base product marketers are responsible to Operations Committee~~ for proposing 8-quarter operating plans by Base product class and for performance against it. (A task force will decide specific options i.e. fully loaded P&L, two tier, product + distribution margins.)

Base product + geographic operating plans need not match. The company's plan will use the geographic NOR.

Expense plans will be proposed to Operations Committee by the responsible functions: Sales, Engineering, Manufacturing, Marketing, etc.

ISSUES FOR FURTHER RESOLUTION BY RESPONSIBLE EXPERTS

Process: Partial resolution at Woods then assignment to task forces of responsible experts (including PLMs).

1. The choice of Base Product Marketing units.
2. The choice of organizational home (Engineering or Marketing) for each unit.
3. Getting a full description of Base Product Marketing and the interface between Engineering and Marketing group activity to avoid duplication of effort.
4. The choice of Applications Product Marketing units.
5. Getting a full description of Applications Product Marketing and the interfaces to Base Product, Channel and Applications Marketing and its interaction with resources in the field (e.g. application engineers, competency centers, prototypical/leadership accounts).
6. Choice of Channel and Industry marketing units.
7. Getting full descriptions of Channel and Industry Marketing.
8. Developing and managing the process and schedule for separating operational business responsibility from existing Product Groups and transferring to USA and GIA while maintaining budget control and business drive.
9. The choice of Groupings for Base, Applications, Channel and Industry Marketing/Business units in the Marketing organization and the transition of existing units into new Marketing organization.
10. Definition of the essential content of the 8 quarter budgets submitted by Geographies and Base product groups.

CC: OPERATIONS COMMITTEE

*Spuch**N.A. [Signature]*

FROM: WIN HINDLE, VP OF OPERATIONS

18 JUNE 1982

SUBJ: NEW BUDGETING SYSTEM FOR DIGITAL

The Operations Committee has decided to make a significant change in the way Corporate plans and budgeting is done. At this time, the Corporate Manufacturing plan is based on the shipment plans proposed by the Marketing groups. In the future, the Manufacturing plans will be based on shipment plans proposed by the Field operation units of the Sales Department.

The Company will have three sets of budgets and plans, Engineering, Marketing and Field. The three budgets will not necessarily match.

The individual Engineering new product budgets will identify the cost and make possible the measurements of each of the steps in an Engineering project. These will include the conceiving, the defining of the product, its competitive positioning, its cost, its price, the assets used, the method of manufacturing, and the methods of inventory, and all other related activities. The basic technical literature should be budgeted, planned and done once for the whole Corporation within the group that did the Engineering. In some cases, this will include the basic promotional messages, literature, and other marketing activities which are best done within that Engineering Group. The budgets and plans will be reviewed regularly and often.

The Product Groups will budget all marketing activities. They will be primarily measured by the obvious quality of marketing and whether or not they accomplished all the things they budgeted, for the dollars and time they budgeted. They will also generate marketing plans which include the activities necessary to sell the unit. These plans will be measured by their obvious quality and they will also be measured by the orders received because of the value added by these marketing activities.

The Field operations will individually forecast the equipment that they will ship in the next periods of time. This will be used for the Manufacturing plan and the final profit and loss budget for the Corporation. They will order equipment and software, and their success and failure will become immediately obvious when one sees whether or not they get the orders they budgeted. The Field will designate whether that order resulted from the product or marketing value added by various marketing groups and will record it accordingly to help evaluate the marketing program.

The quality of marketing plans will be immediately obvious because the enthusiasm of the Field to order products as proposed by the various marketing groups.

RM
X

TO: CORPORATE OPERATIONS MANUAL

FM: Ron Smart for Bill Long's task-force

RE: MARKETING/FIELD

Summary of P/L's Expectations of Field

A Field commitment to execute the corporate marketing strategies as selected and agreed to by the respective Geography. A stream of feedback on the actual successes and difficulties with the strategy implementation.

* Geographies review and discuss the documented strategies and marketing plans, then formally propose and discuss their volumes and implementation programs for each segment. (Exceptional disagreements discussed in front of the O/C)

* Implementation programs include the identification of particular target customers and the resource plan (people and training in sales and software). Marketing commitments include the provision of training materials and expert backup support, promotional materials and messages, plus advertising in USA.

* Geographies provide feedback including program implementation status versus plan and opportunities/difficulties with customers and competitors, as well as providing access to order information.

* Order information includes sales person's coding by Application (out of several) and by Channel (out of a few), as well as the automatically available information by product (line item) and Industry (from customer code). See attached diagram.

MARKETING AND RELATED MANAGEMENT STRUCTURE

	<u>BASE PRODUCT MARKETING</u>	<u>APPLICATIONS PRODUCT MARKETING</u>	<u>CHANNEL MARKETING</u>	<u>INDUSTRY MARKETING</u>	
E	TERMINALS	OFFICE (MGMT)/INFO PRO	OEM	GOVERNMENT	
N	VAX WORKSTNS	ENGINEERING APPLICNS.	DATA SVS.		S
G	DECIMATE	LABORATORY APPLICNS.		TELECOM IND	
I	ROBIN/RAINBOW	FACTORY APPLICATIONS	DISTRIBS.		A
N	PROFESSIONALS	EDUCATION APPLICATNS.	& DEALERS	OTHERS	
E	PDP-11 SYSTEMS	HOSPITAL APPLICATIONS			L
E	CHIPS/BOARDS	SMALL BUS. APPLICATNS	DEC STORES		
R	STORAGE	ETC			E
I	NETS & COMM		ETC		
N	10s & 20s				S
G	VAX SYSTEMS				
	OFFICE/VIA/TP				
	TPL				
	ETC				
11	13+	7+	2+	3+	60
(APPROXIMATE NUMBERS OF MANAGERS IN ENGG, MKTG, FIELD OPS)					

LINE ITEM	CHECK-A-BOX BY SALES	CHECK-A-BOX	FROM THE
ON ORDER	RIGHT ON THE MOF	BY SALES	CUSTOMER
AUTOMATICALLY		ON THE MOF	DATA BASE
			AUTOMATICALLY

METHOD OF CAPTURE OF MARKETING PROGRAM FEEDBACK BASED ON BOOKS/NOR

nd then, type <CR>

* d i g i t a l *

New project

~~O.E.~~
~~Special~~

TO: see "TO" DISTRIBUTION

DATE: MON 21 JUN 1982 11:58 AM EDT

cc: OPERATIONS COMMITTEE:

FROM: KEN OLSEN

DEPT: ADMINISTRATION

EXT: 223-2301

LOC/MAIL STOP: ML10-2/A50

SUBJECT: JUNE WOODS REVIEW

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

I was pleased with the results of the WOODS meeting last week. I think we came to the conclusions that we were looking for and in a form that was simple enough for people to understand.

However, I didn't organize the meeting in an optimum way and I am sure that I could have avoided some misunderstandings if I approached it a little differently.

I purposely, (and I thought openly), did not draw conclusions ahead of time and I did not encourage people to present ideas that were mine. I tried to have a completely open meeting. I am afraid, however, that it might have appeared that all the ideas were an accumulation of my ideas, which, if we had studied all of them, I am sure we wouldn't have a Company left. I should have pointed out that we were going to throw all the ideas on the table and only adopt those which were simple and clear and that could be communicated, and keep the changes and the rules to a bare minimum.

If I had been thinking clearly, I would not have allowed two separate issues to be discussed at the same time, which were: How we do budget and planning and, a quite separate question that is of a smaller magnitude: How we group product lines. In addition, there were a lot of ideas to straighten out, i.e.: other problems which have bothered individuals for some time, which also can be taken care of in the usual sense, one at a time, slowly, when the decisions become clear.

As the meeting progressed it seemed that we could only take care of, in this one meeting, the defining of a new system of budgeting and planning. I think this is the important change and it is the one I have been talking about to various groups for many months.

This leaves the grouping and staffing of product line groups to be done. Win is temporarily supervising a group and some of us think Julie should have more freedom to concentrate on OFIS. We are all sure that there are better ways of grouping, and we have to work on it.

Now that we have made the budgeting decisions, I suggest that we spend the first day of the next WOODS meeting discussing alternate ways of combining product lines into groups and defining their tasks. If we can impose on you as a group, for a

little longer, will you try to continue to sort out the groups in a rational way to help us make these decisions?

On the second day of the next WOODS meeting, I would like to discuss the format for the new budgeting system. The organization, and indeed often the vice presidents, think the budgeting is done for the sake of the Company and they assign it to the most red-tapeish guy they have, who generates the most amount of red tape possible so that the Company will be happy. I would like to spend this time to define and outline the budget system, but above all, make sure that it is done for the help of the people doing the budgeting. I would like to make sure that all jobs are assigned, measured, and appreciated.

You might work with Bill Thompson and his crew because they will do a good part of it. I have asked Al Bertocchi to make a first pass for those unusual expenses that we are incurring this year. When we discuss the budget with the Board of Directors next Monday, we have to explain why the profit is low in spite of all our economy moves. It largely boils down to one, two, or three major new projects. We have to explain to the Board what these projects are and why we spend this money. This will be a great opportunity to use the new budgeting format to explain what we get for these increased expenditures.

KHO:m1
KH01:S11.84

"TO" DISTRIBUTION:

HENRY ANCONA

BRUCE DELAGI

RON SMART

* d i g i t a l *

Handwritten signatures and scribbles at the top of the page.

TO: OPERATIONS COMMITTEE:

DATE: MON 21 JUN 1982 1:10 PM EDT
FROM: RON SMART
DEPT: CORPORATE PLANNING
EXT: 223-7011
LOC/MAIL STOP: ML10-1/F41

X

SUBJECT: JUNE WOODS MINUTES

*** D R A F T ***

COMPANY CONFIDENTIAL

MINUTES
JUNE WOODS O/C MEETING
JUNE 16 - 17, 1982
DANIEL WEBSTER INN

Present: Ken Olsen, Win Hindle, Andy Knowles, Julius Marcus,
Ward MacKenzie, Gordon Bell, Jack Smith, Jack Shields,
Bill Thompson, Shel Davis, Al Bertocchi, Ron Smart,
Henry Ancona

Recorder: Ron Smart

Henry Ancona presented the Ancona/Delagi/Smart proposal for the NEW DIGITAL. The deliberations produced a summary statement (attached) which was delivered to O/CMs by Friday, June 18, 1982. This summary statement leaves a number of details to be tied down. The assignments for clarifying these open issues and bringing option proposals to the O/C are:

1. Budgeting and Reporting system,
and moving operational
responsibility to USA and GIA
under clear budget control. Bill Thompson
2. Measuring marketing Win
3. Product marketing roles and
interface between
engineering and marketing groups. Gordon Bell/
Rick Corben
4. Small System (P.C. etc.)
Product marketing responsibilities
and interface between
Engineering and Marketing Groups. Gordon Bell/
Andy Knowles/
Jack Smith
5. Channel marketing responsibilities
and policy for small system. Andy Knowles/
Jack Shields
6. Rationalized base product marketing
organization around "components" Ward MacKenzie/
Gordon Bell/

(chips and boards, etc.)

Jack Smith

7. Corporate operations and marketing
management

Win

Emy - B.J.
Fauld - E.K.
Fmann - B.T.
Mht - Ward

8. Some existing Product Lines may need transforming in the context of the New Digital. These changes will be proposed to the O/C by the respective Group Marketing V.P., for example:

- Office and Information Processing Applications Group (Julius Marcus will propose)
- Network and Communications Products Group

9. Other Issues Raised During the WOODS Discussion

- a) Ken's concept of business applications marketing includes small departmental (personal) computers for use by engineering, sales, marketing, etc. manager in a large company. By using machines in this way in DEC, we will learn to market to business persons. Then we will perhaps understand how to get all the commercial business.
- b) Ken wants help in getting his corporate management responsibility largely carried out automatically by the management organization/system.
- c) The marketing organization should go for all the targeted business. Get out of segments we are only playing with in a half-hearted way.
- d) Since the channels will continue in the Marketing organization for now, Jack Shields wants managers in there who will work very collaboratively with the field. We want order and synergy across the channel, but we don't want to stifle the marketer's planning for their products which are channel sensitive.
- e) Ward suggests we may need a "Business Policy review Committee" for example to handle the synergy across channels and for products sold at multiple levels of integration.
- f) How do we market low cost products (eg. LSI) to labs in an aggressive way rather than simply be at the mercy of a distributor. How does the New Digital solve this small quantity but strategically important market segment?

- g) As the Marketing groups propose their plans in the New Digital, any group proposals for a mixture of Product, Application, Channel, or Industry Marketing must include separated plans and measurement.
- h) Since the PC market is so dynamic, for now don't force it into the standard mold of separate Base Product and Applications Product Marketing. Different kinds of marketing can be combined in the same group if this makes sense at the time.
- i) Our Base Product Marketing gets us some level of business. The idea of targeting particular applications is to expand our total NOR by gaining a strong position in these focussed market segment.

10. Enclosures

- a. A summary of the New Digital
(See also Win's EMS to All Managers)
- b. A proposed set of Market Groups in the New Digital

TO: Operations Committee

FROM: June WOODS per Ron Smart 6/17/82

CHANGES IN THE NEW DIGITAL

The Company will become the sum of the geography, instead of the sum of the Product Lines.

1. Budgeting

- o 3 plans
 - Engineering)
 - Marketing) (they need not match)
 - Field)
- o Field plan is the company operating plan
- o Plans are used
 - to approve investments
 - for performance measurement
- o There will be regular frequent reviews
- o No changes yet until the transition plan is approved

2. Measurement of Marketing

- o Obvious quality of marketing
- o Based on marketing plans
- o To encourage cooperative behavior, NOR will be credited (multiple counted) according to the approved marketing plan.

3. Measurement of Engineering

- o Based on product business plans including ROI, penetration, time to market, etc.

DEFINITIONS BEING DEVELOPED

Basic Base Marketing (What engineers should do)

- conceiving products
- product business plan (including price at project proposal time)
- competitive positioning
- technical literature and promotional messages
- etc.

Base Product Marketing (What marketers should do)

Develop and implement marketing strategy

- product marketing plans
- sales support plans
- pricing proposal at announcement time
- promotion
- etc.

Applications Marketing (What applications marketers should do)

- o Propose plans to
 - develop value-added applications
 - market base products to target market
- o Measured by
 - value-added applications business plan (ROI)
 - penetration of all products in target market

Channel Marketing

- o Develop and implement marketing strategies (incl. discounting)
 - sales support
- o Measured according to marketing plan
 - market penetration
 - sales efficiency

Industry Marketing

- o Develop and implement marketing strategies
 - sales support
- o Measured according to marketing plan
 - market penetration
 - sales efficiency

A PROPOSED SET OF MARKETING GROUPS

IN THE NEW DIGITAL 6/18/82

BASE PRODUCT MKTG.
IN ENGINEERING

APPLICATIONS PRODUCT
MARKETING

CHANNEL MARKETING

PCs and Terminals

Education Application

Dealers

Workstations

Laboratory
Applications

Distributors

Wholesale/Retail

16-Bit Systems

Hospital Info Systems
Application

Chips & Boards

Engineering
Applications

DEC Stores

Storage Systems

Factory Applications

OEM

Networks &
Communications
Products

Office and Information
System Applications

Service Bureaus

Small Business
Applications

SEPARATE BASE
PRODUCT MKTG.

INDUSTRY MARKETING

Large Systems

Government

11/780, 750, 730

Communications
Industry

Nautilus & Scorpio
Systems

C5

* d i g i t a l *

TOO DETAILED PRELIMINARY DRAFT

Not ^{yet} reviewed by Rick in the context of the Corp. Ops. Manual

TO: *BILL LONG

DATE: MON 19 JUL 1982 9:23 AM EDT
FROM: RICK CORBEN
DEPT: CORP PRODUCT MGMT
EXT: 223-3123
LOC/MAIL STOP: ML12-1/-T39

Ron Smart
9/13/82

MESSAGE ID: 5169920658

SUBJECT: PRODUCT MKTG ROLES--PART III

TO: PMTF: STRAWHORSE--VER. I-PART III

INTERFACE "PROCESSES":

CORPORATE ENGINEERING STRATEGY AND INVESTMENT

Global Product Strategy and Allocation of Engineering Resources

- Each engineering program (e.g., 32-bit systems, storage, etc.) documents strategy and proposes investment (unconstrained by budget)
- Operations Committee reviews each group's proposals
- Afterwards, engineering management (Bell/Smith) develops proposal to fit within budget constraint
- Cross group meetings (described below) may influence Bell/Smith recommendation
- Operations Committee makes final decision
- No other forum to work this issue since its critical nature requires direct participation by the President and OC

PROGRAM-LEVEL STRATEGY AND BUSINESS PLAN

Review and Advisory Process

Not a Substitute for Individual Responsibility; No Voting

Objective is to Share Wisdom of Senior Management, Especially Marketing

Establish Business Advisory Committee for Each Program

- Chaired by program-level engineering manager (and BPM manager, when BPM is in separate organization)
- Membership composed of the senior responsible manager from those Application, Industry, and Channel Marketing groups with the greatest "stake" in the product family (specifically those with the largest

commitment of added-value marketing activity built on the product)

- Service and Manufacturing team managers also are members; perhaps, Sales and Finance, too
- No substitutes

Reviews/Advises on Engineering Product Strategy and Investment Proposal for OC

Reviews/Advises on BPM Multi-Year Plan (Especially Business Dependent on Added-Value Marketing for Application, Channel or Industry) -- Includes Annual Business Plan for Each Product in Program

High Level Review of Business Plans for Major Products under Development (within Program) at the End of Phase 0 and Phase 2A (Go/No Go Point)

INDIVIDUAL PRODUCT STRATEGY AND PLAN

Overall Management Under Phase Review Process (No Change from today)

- Wide dissemination of information to all interested parties in company
- Decision-making responsibility clearly assigned
- Focal point is cross-functional product team to achieve common goals across Engineering, Marketing, Manufacturing, Sales, and Service

Authorization to Enter Phase 0 from Operations Committee as a Part of Approving Strategy/Budget for Each Program

High-Level Business Plan Reviews Conducted by Business Advisory Committee at Phase 0, Phase 2A, and Annually for Shipping Products (See Above)

Optional Product Advisory Group Where Desired by Product Manager

MAINTAINING CORPORATE CONSISTANCY/STABILITY/IMAGE

PPC-Like Review Committee for Announcement of Products, Prices, T's & C's, Discount Curves, Product and Service Policies, etc.

- Reviews prices, policies, and practices to catch problems such as inconsistencies which might upset customers, 'short-sighted' proposals which might damage Corporate image, significant disagreements by groups dependent on the price or policy, etc.
- Committee does not decide prices or overrule the responsible group; when it cannot achieve resolution

through review and discussion, the committee forwards a recommendation to OC

ABOD-Like Review Committee for Advertising (and perhaps Certain Promotional Material)

- Review to ensure consistency and good taste (i.e., proper Corporate image)
- Forwards unresolvable problems to OC with a recommendation
- Single committee might handle both PPC and ABOD functions

FORMAL PLANNING CYCLE/DOCUMENT EXCHANGE

With DEC's Geographic and Organizational Decentralization, There Are Too Many Groups (Engineering, Marketing, Sales, Manufacturing, Service) Which Need to Exchange Too Much Information About Plans to Depend Solely on Dialogue Between Groups

Formal Planning Documents (Evolution from Current LRP Process) Must Be Exchanged on a Regular Schedule

- "Stand-alone" documents (i.e., not dependent on dialogue to be understandable)
- Lean documents--maximum size for basic content of 15 pages (appendices allowed)
- Part of document in rigid standard format (e.g., charts, tables) to assure completeness and easy reading; remainder of document unstructured to allow creativity and treatment of unique issues
- Corporate Planning Group (Portner) should be assigned responsibility for defining documents and calendar

JOINT CROSS-GROUP MEETINGS

Despite Importance of Communication by Formal Documents, DEC Must Maintain the Sensitivity/Awareness That Comes From Face-To-Face Dialogue

- Establish annual or semi-annual cross group meetings at senior management level to discuss issues, market trends, new technology, etc.
- For example, the Base Product Marketing and Engineering managers might meet semi-annually with the Application Marketing managers
- Similarly, the Base Product Marketing and Engineering managers might meet annually with the European Country managers
- The Senior OC-level manager for each group (e.g., Bell/Smith for Engineering) must attend so meetings can have an action-orientation

- One possible topic for these meetings is "Engineering Product Strategy and Budget" as background for Bell/Smith and some of the OC members

A FEW QUESTIONS/ISSUES FOR PMTF

1. Do we really need Business Advisory Committees? We do not assign overseers for other groups in the Company? If the Base Product people are responsible and accountable, could we leave them alone? Or are product decisions just too important to trust one group?
2. This straw horse proposal does not include any specific tasks for a PLMM type group (i.e., a group composed of the Base Product, Application, Industry, and Channel Marketing managers). Subsets of that group appear in all the interface processes. Is there a role for the entire group in product strategy? If so, could it replace something else in the straw horse?
3. Is the split between "Base Product Marketing" and "Engineering Planning and Product Information" too artificial? Could we fix the dividing line? Is the split itself a mistake?
4. Is the whole scheme just too damn complicated? What could we take out? Any ideas for a radically different approach?
5. Should we make a list of implementation suggestions/issues for the OC?

19-JUL-82 10:00:22 S 00770 CORE
CORE MESSAGE ID: 5169994472

New project - Organization

* d i g i t a l *

TO: see "TO" DISTRIBUTION
cc: OPERATIONS COMMITTEE:

DATE: FRI 2 JUL 1982 10:50 AM EDT
FROM: WIN HINDLE
DEPT: CORPORATE OPERATIONS
EXT: 223-2338
LOC/MAIL STOP: ML10-2/A53

SUBJECT: OPERATING PROCEDURES FOR FY83

**** THIS MESSAGE IS FROM JACK SHIELDS AND MYSELF ****

We want to be sure that everyone is clear on how we operate in FY83.

1. In general, FY83 will be run the same way we ran in FY82 in the U.S. and GIA. Budgets and plans have already been made by the Product Lines for FY83, and the Product Lines will be held responsible and measured for these plans in the same way they have been in FY82. In the U.S. in FY83, Bookings are budgeted at the area level only, and Ed Kramer has the responsibility to meet the budget for each Product Group. The re-specialization of sales representatives in the field should produce much greater productivity, but it in no way diminishes the area bookings commitment to each Product Group.
2. In Europe the FY83 business plans for the company are the country plans. Where there are world-wide marketing plans operating (i.e. Small Systems, Large Computers, and Engineering applications) the responsible Product Groups will provide the marketing plans and sales support.
3. During FY83 in the U.S. we will plan how to move day-to-day operating tasks such as Order Administration, Credit and Collections, etc. to other groups where we can achieve significant productivity and customer satisfaction gains. Many of you will be asked to help with these transitions.
4. All of these moves are being made in order to focus the Product Groups totally on marketing. Marketing is the key role in the company for preparing plans that integrate company resources to achieve a significant share of given markets. There are several Task Forces being put in place to work on definitions of various types of marketing and on marketing measurements. Product Group Managers will be directly involved in these Task Forces.
5. Engineering groups will be held responsible in a very professional, careful way, always having plans and products that are needed by the Marketing groups, and the best possible products the Company can get. It is their responsibility to know what the marketers need, and this will, therefore, relieve the marketers from trying to keep track of engineering and maintaining a staff to keep tell-

ing engineers what they think the changes are and what is needed for the future.

Transitions cause confusion and turmoil. We are counting on all of you to understand the thrust of these changes and communicate them to your organizations. If you have any questions, please bring them up quickly to clear up any misunderstandings.

WH:gp

WH1:S.1.44

"TO" DISTRIBUTION:

AREA MANAGERS:

DISTRICT MANAGERS:

PROD GROUP MGRS:

REGIONAL MANAGERS:

CS

New Project

d i g i t a l

INTEROFFICE MEMORANDUM

TO: Bill Long
Harvey Weiss
John O'Keefe
Ron Smart
Grant Saviers
Pete Smith
Art Campbell
cc: Operations Committee

DATE: 29 June 1982
FROM: Win Hindle
DEPT: Corporate Operations
EXT: 223-2338
LOC: ML10-2/A53

SUBJ: Marketing Measures Task Force

In the new Digital, we expect to have several kinds of marketing: base product marketing, applications marketing, channel marketing, and industry marketing. The Operations Committee, with the help of three internal consultants (Bruce Delagi, Ron Smart, Henry Ancona), has developed some ideas about these types of marketing, in addition to how to measure them. The memos attached provide some background.

I would like you to act as a Task Force to make a more detailed proposal on how to measure marketing in the new Digital. Since the day-to-day business operations will not be a part of the marketing operation in the future, we need a set of measures that compare our marketing with competitors. Marketing groups should be measured on a long term basis as well as on short term implementation. Your study should look at both the long and short term.

Would you please work on this over the next 4-6 weeks, even though I know some members may have to miss a meeting due to vacation. I have named a slightly larger than normal Task Force in order to accommodate this short schedule. I would like Bill Long to be the chairman. I have a vital interest in your report and would like to attend your first meeting and several others, as my schedule allows.

Many people at Digital have heard about the new Digital, and they have asked how marketing will be managed and measured. It is vital that we have answers to the measurement questions very soon, and I am counting on the output of your group to help. Please plan to report at the Operations Committee Woods meeting on August 18th.

WH:gp

Attachments

WH1:S.1.41

FIELD EXPECTATIONS OF MARKETING

General Expectations from all groups

- Clearly articulated strategies which address territory needs through an iterative strategy development process.
- Plans which specify the programs they will implement to accomplish the strategies, and completion of programs on schedule.
- Ongoing interaction to update territories on program status.

Base Products

- Clear, concise new product planning information which includes anticipated impact on existing products and planned pricing strategies.
- New Product introductions which ensure product saleability criteria are met.
- Commitment to provide "World Products" which require minimal local adaptation.
- High level technical sales support for new products.

Applications

- Marketing programs and high-level technical backup resource on current applications (should include third party applications, planned extensions to existing applications, etc.)
- Clear future applications development and acquisition plans (especially important where local applications may be used to fill in some gaps).
- Clear indication of unfulfilled applications needs (territories may be able to provide).

Industries

- Focus on the differences in ways of doing business required by a few industry segments.
- Map customer programs far in the future.

Channels

- Develop clear channel strategies by product/market which are well segmented/non-competitive.
- Define the optimum discount strategy relative to the channel business model.

"TO" DISTRIBUTION:

DAVE PACKER
ABBOTT WEISS

*RON SMART

Henry Ancona
9/9/82

BILL THOMPSON

- o Marketing groups submit 3-page marketing strategy documents to Operations Committee. When formally approved, they become Corporate strategy.
- o A dialogue takes place between Marketing and the Field. This dialogue should enhance the Marketing group's understanding of market opportunities and needs, as well as the country's understanding of the corporate strategy.
- o Countries submit their 3-year long-range plans, including commentary on approved corporate strategies. Country plans might be different from the marketing groups' plan, and will be based on local market needs and opportunities.
- o Each country's long-range plan will include yearly NOR targets by application, industry and channel Marketing group, and by price band for base products. These will be used as a measure of the applicability of the marketing strategy in the country. There may be multiple counting.
- o Based on their 3-year long range plan, the countries will develop their total volume, expense and margin budgets. The Company's NOR volume will be the sum of the country budgets.
- o The countries will be primarily measured on meeting their total volume, expense and margin budgets. Another important measure will be their success in implementing the 3-year plan.
- o The field will provide whatever actual sales data reporting the marketing groups require, balanced by the need to minimize overhead.
- o New focus businesses will require much closer communication between countries and marketing.

Henry Ancona
9 September 1982

"TO" DISTRIBUTION:

DAVE PACKER
ABBOTT WEISS

*RON SMART

BILL THOMPSON

* digital *

DRAFT.

C-1-4

TO: ED KRAMER

DATE: FRI 10 SEP 1982 5:19 PM EDT
FROM: JERRY PAXTON
DEPT: U.S. SALES OPERATIONS
EXT: 275-6046
LOC/MAIL STOP: HUDSON, MASS./US 1-2 B09

MESSAGE ID: 5175285302

SUBJECT: US AREA SALES LINKAGES TO THE PRODUCT GROUPS-FY83

There are many formal and informal linkages with the P/G's that we will seek to establish and/or maintain for FY83, to help insure the achievement of both the Sales and Product Group plans.

Specifically:

Budgets - There is in place an Area budget by Product Group, the roll of which has been passed into the field (separated into volume or end user categories). The Area - P/G budgets are targets which we feel are achievable based on continued coverage and penetration of our current customer base, adherence when possible to the P/G Tactical Implementation Plans (TIPs) and continued training in Product Group specific applications/markets.

Forecasting - The Sales Organization will provide four (4) quarter forecast by P/G beginning with the October Redbook forecast. These P/G forecasts, when totalled, will be the basis of the Redbook End-user and volume forecast. We will provide the P/G forecast until such time as the DAOF (Detailed Account Order Forecast) is fully implemented and meeting the needs of the Product Groups (estimated 4-6 months). The DAOF database will support inquiries regarding activity by P/G, Product, Account, Geography, Software System, status, Competition, etc. and should more than meet the needs for a time-frame ranging up to 6 months.

Training - Product, Market, Application and Channel training will be primarily offered in the field through a program called "Success Train". This training is scheduled to take place quarterly with stops ranging from 9 - 25 cities depending on need and P/G participation. The P/G sessions are designed to discuss products, strategy, applications, etc. and therefore, should preclude the need for P/G sponsored Sales Meetings.

Information Flow - Formal Product Group to Field communications should occur when possible, through documents such as Sales Update.

However, if special mailings, Flashes, etc. are required, the Sales Programs contact will assist in and be responsible for the communication. It is our intent to provide the P/G's through Sales Programs, a listing of Account Representatives for those accounts deemed strategic for that P/G. Field to P/G communications will occur as in the past for things such as allowance request, Technical/Sales support, delivery estimates, business decisions, etc.

New Product Introduction - A more formal New Product introduction process is recognized as needed and being studied. The requirement for a tight formal linkage between Sales and the P/G (as well as Engineering, Product Management, Training, Advertising, Promotion, etc.) in this process is understood.

10-SEP-82 20:40:10 S 06158 CLEM
CLEM MESSAGE ID: 5175285442

FIELD/MANUFACTURING LINKAGE

- o Countries submit 3-year plans and 2-year budgets. When approved by Operations Committee these become the Corporate NOR targets. As such they are a primary input to Manufacturing for anticipated business volumes.
- o Manufacturing's job is to deliver what customers are buying. It depends on the Field to pass on clean orders with desired delivery dates immediately upon receipt. Manufacturing will schedule those orders for shipment quickly, sending acknowledgements to customers and the Field.
- o Manufacturing will rely on the field to directly provide a signal of real customer demand in the near term (6-9 months).

This signal will consist of:

1. Clean, firm orders, and
 2. Product requirements forecasts
 - for approximately 50 top products
 - incorporating a range of uncertainty
 - with qualitative interpretation
- o When product supply and demand are out of balance, Manufacturing will look to the Field to (1) move excess inventory, and (2) allocate current products that are in short supply.
 - o Manufacturing has responsibility to assure reasonable lead times in the market. Unique problem product situations will be communicated quickly to Field to minimize customer impact.
 - o Manufacturing is responsible for inventory management.

Abbott Weiss
10 September 1982

* d i g i t a l *

Ken Olsen
Sept Woods

TO: ED SCHEIN
cc: OPERATIONS COMMITTEE:
RON SMART

DATE: TUE 31 AUG 1982 8:34 AM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

X

MESSAGE ID: 5174258324

SUBJECT: SEPTEMBER WOODS MEETING

When I realized we did not have time to hire a consultant to teach management to us at the September Woods meeting, I dropped the idea and suggested that we use that time to write an Operations Manual for the Company which would describe how each of the major parts of the Company interact with each other. You asked why we did not try teaching management to ourselves. I wanted to avoid lecturing and arguing with each other, and thought we would do a somewhat easier job.

However, if you can spend some time with us as individuals before the Woods meeting, we might accomplish a review of management principles, while preparing for the Woods meeting. We may find that we understand all the principles already but feel limited in carrying them out.

If you review with each person, and have them write down on paper what they know, it might be that during this meeting, we will be able to consolidate what we know on management, and work out ways in which we operate the Company so that everyone can apply them.

For example, we, in this highly technical business, need managers who understand their part of the Company, and can take part in making decisions, and can also take part in the review of what's going on. Have we, by implication, forced people into believing that they also had to do all the selling, and all the work, and make all the major decisions? If we review this, can we get everyone to break down the jobs under them, in ways in which they are defined both by the person to do the work and the boss, and are they reviewed regularly. Does everyone working for us believe his job is clear and that he is measured and rewarded accordingly.

In addition to defining jobs and interrelationships, let's also have people make a list of "those questions which people have always wanted to know but were afraid to ask". Here are a few that have come up just in the last week or two. If we answer the list of those that we can think of during those three days, it might be that we cover 99% of those that will come up during the next year.

What is our philosophy on span of control, and layers of management? If we had managers to decrease span control, does he have to develop a staff to also add one more step in the chain of

decision-making. Do we add the layer of management to accomplish one thing, and spend most of the effort doing something which was not necessary. You remember a couple of years ago, Israel had to go through seven layers and seven committees and seven managers in order to get a decision to make a building. The layers of management were there to help span of control problem. Did they help by having seven separate groups listen to proposal and arguments.

The Digital Store and the Digital Dealers program has people from many parts of the Company involved in the decisions in carrying out the operation so they all feel part of it and will not sabotage it. This means it takes years to make decisions, and it is believed that our overhead costs us more than our direct labor. Do we believe that a part of every organization has to have a staff involved in every activity, or could we possibly do business like a Japanese company does, or even a DEC dealer.

Now that we have cut out many of the staff trips to Europe, they all seem to be going to Canada. There are hundreds of trips each year going to Canada where people impose their worldwide authority for this and that on the Canadians. The Canadians now asked to have these trips done by appointment only. My question is, who is responsible for being sure that this much staff has a reason for existence, and that these trips are worthwhile, and that the Canadians need this much help. Is it Ken Olsen's job to find these things, and the Operations Committee member's job to hide them?

KHO/ep
K01:S13.2

Ward MacKenzie - July 22 1982
Ward MacKenzie

X

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

INTEROFFICE MEMORANDUM

To: Win Hindle
Jack Shields
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Subj: IMPLEMENTATION OF "NEW DIGITAL"

The organizational objectives of the "New Digital" are well on the way to being specified. The new organizational concepts provide a framework for increasing our future corporate effectiveness and competitive position. Implementation of the new structure will require the shifting of significant responsibilities between the Marketing, Field, Engineering and Manufacturing functions.

Digital is a large and complex organization. As we move to restructure responsibilities between the functions, it is critical that each function's new responsibilities and interfunctional dependancies be clearly defined. Agreement on functional responsibilities as we move through the transition to the new organization will minimize unnecessary conflict between functions and will accelerate achieving the advantages expected with the new structure.

The most effective technique to address the definition of responsibilities in the new structure would be to work on the definitional process for an actual organization. I recommend that we work together to define the functional responsibilities, interfunctional relationships and the organizational transition process for moving the Technical Volume Group into a new alignment with the Field, Manufacturing and Engineering functions consistent with the new structure. The Technical Volume Group is prepared to invest resources in this organizational design process. The result of this project should lead to a smooth transition to the new organization and ease the transition of other marketing organizations which would have access to the documentation for this project.

To get this project in motion, I suggest that we define several cross functional task groups to outline the changing responsibilities and interrelationships resulting from the new functional definitions. Brief descriptions for possible task group projects are attached to this memo as a starting point. I suggest that you review the areas of responsibility which you believe need to be clearly defined. Once we have an agreed set of projects, we should assign members of our staffs to drive these task groups to a set of recommendations for our review and approval.

The time is right to begin to focus on the most effective way to transition from our current organizations to the new definition of functional responsibilities. The task groups will be able to benefit from the work of the "Task Forces" assigned by the Operations Committee. These "Task Forces" were chartered to define the various types of marketing and marketing measurements in the "New Digital". The task groups which are proposed in this memo are intended to take corporately developed organizational direction and philosophy and develop plans for the Technical Volume Group and the functions to implement an organizational design which meets the objectives of the "New Digital".

This program is aimed at starting us moving toward a planned transition where cross functional linkages are defined and mutually reinforcing. The Technical Volume Group is anxious to pursue laying out these organizational plans. I suggest that we get together and discuss this project during our Woods meeting this week.

MARKETING PLANS

- o What forms of strategic direction and marketing data does the Field require?
- o What linkage is there between Marketing plans and Field budgets?
- o What responsibility should the Product Group and Field assume in establishing the business model and the translation of the business model to operational plans?
- o Who is responsible for competitive data in the TVG space?
- o Definition of marketing data required by Marketing from Field
- o Engineering requirements for market/product need
- o Process of synchronizing Market plans with Engineering product plans
- o Engineering data required by Marketing in formulating plan
- o Market plan data required by Manufacturing in structuring it's long range plans
- o Business Policy/Terms
- o Definition of Special Programs (i.e., Horizon)

Recommended Participants

- o TVG
- o Sales
 - Customer Services
- o Engineering
- o Manufacturing

SELLING SUPPORT

- o Corporate level Sales support (Corporate visits)
- o Sales training
- o Content and control of Futures presentations to OEM accounts
- o Technical support required by Field
- o Special contracts requiring significant interfunctional process (i.e., Xerox Rainbow)
- o Special programs development for TVG business, such as Horizon account planning process
- o Sales tools required
- o Market oriented seminars

Recommended Participants

- o Sales
- o TVG
- o Engineering

BUSINESS POLICY CONSISTENCY

- o What forms of business policy are required by Field in treating OEM's consistently?
- o What support is required for dealing with multilocal/multinational accounts?
- o Terms and Conditions in support of Market requirements and support TVG business model

Recommended Participants

- o TVG
- o Sales

CAPACITY PLANNING

- o Capacity planning required for 2+ years
- o Data required by Field to manage product migrations as related to market plan
- o Planning for product retirement
- o Inventory and asset management planning support linked to market strategy

Recommended Participants

- o TVG
- o Sales
- o Manufacturing
- o Engineering

ADMINISTRATION

- o Invoicing
- o Backlog management
- o Discount Administration
- o Credit/Collection
- o Data base requirements/operating data
- o Order Administration

Recommended Participants

- o Sales
- o TVG
- o Manufacturing
- o F&A

COMPONENTS BASE PRODUCT MARKETING/ENGINEERING

- o Role of TVG in base product marketing for component level products
- o Relationship between TVG Engineering and Central
- o The best Engineering structure for low end added value/components products
- o Investment decision making process for component products
- o Sales Support/Training for component products
- o Product planning for Microvax boards/systems

Recommended Participants

- o TVG
- o Engineering
- o Sales