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Small Business

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

TO: see "TO" DISTRIBUTION

cc: see "CC" DISTRIBUTION

DATE: WED 26 JUN 1985   1:42 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5277218506

SUBJECT: SMALL BUSINESS AND DEPARTMENTAL COMPUTING

I do not want to consider any organizational changes until we get
the product strategy organized for Small Business and
Departmental Computing.

I do not want to make an investment in developing a product line,
setting it up, proving it, and incurring all of the investments
and all of the costs, and then not be able to make money because
we are competing with our OEM's who do not incur these costs.

Before we accept a plan for formal organization, I want to be
assured that we will have separate products from our OEM's and
that we will not compete against them. If we cannot figure out
how, I would say let's drop Small Business forever.

We can sell a simplified All-in-1 system with skunk box and
MicroVAX for our direct group, and traditional packaging with
11's and A-Z for our OEM's, and end up with products that are
different and not competitive. However, I want to be assured
that we have the discipline not to immediately sell to OEM's
anything we develop for direct sales and lose our investment.

I would like to be assured that we have a simple, rational set of
products that our customer can understand, our Sales people can
understand, and our marketers can understand; that will cover
Small Business, Office, and Departmental Computing. For example,
we could sell the same machine with the same software, on a
server, and on Ethernet, but with no hook to Ethernet, the same
hardware and software would be a Small Business, standalone
computer.

I would like to be assured that we have a minimum hardware and
software staff, and we have a financial model that makes money
with expenses incurred.

The engineering probably should be in a product group with a
business plan that takes care of Departmental Computing and
business computing, and all industry groups would sell this
product along with the Stores Channel Group.

KO4:S10.49
(DICTATED 6/26/85 BUT NOT READ)

"TO" DISTRIBUTION:

JAY ATLAS   PETER CONKLIN   GERRY HORNIK
JACK MACKEEN   OLLIE STONE   JIM WILLIS

"CC" DISTRIBUTION:

*WIN HINDLE   JIM OSTERHOFF   JACK SHIELDS
JOHN SIMS   JACK SMITH

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TO: see "TO" DISTRIBUTION

cc: see "CC" DISTRIBUTION

Interoffice   Memo

DATE: THU 27 JUN 1985   10:25 AM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5277319309

SUBJECT: PLANS FOR SMALL BUSINESS/DEPARTMENT COMPUTING AND OFFICE

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Before we commit to any plans for Small Business, for
Departmental Computing, and for Office, I'd like to make some key
decisions.

The first key decision is:

1. I want our products to in no way compete with those
    products we sell to OEMs.

2. I want to be sure that the Office software used is
    optimum for the application. There is severe criticism
    of All-In-1. It is much too complicated for small
    business, probably too complicated for departmental
    computing, and many of the big company users are
    overwhelmed with the complexity, features, and details
    in the software. I'd like to raise and force the
    question immediately as to whether we should go with
    All-In-1, or should we use just A-Z for all our Office,
    Departmental, and Small Business applications. We can
    change the name of A-Z to All-In-1.

KHO:mt
KO4:SECT10.544
DICTATED 6/27/85 BUT NOT READ

"TO" DISTRIBUTION:

HENRY ANCONA   JAY ATLAS   BOB DALEY
BILL HEFFNER   GERALD HORNIK   BOB HUGHES
JACK SMITH   OLLIE STONE   BILL STRECKER

"CC" DISTRIBUTION:

*WIN HINDLE   JIM OSTERHOFF   JACK SHIELDS
JOHN SIMS   RON SMART

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TO: see "TO" DISTRIBUTION

DATE: FRI 31 MAY 1985   1:08 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5274600866

SUBJECT: SMALL BUSINESS

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We decided, sometime ago, and I believe I made a clear statement
that Dealers are under COEM, and we will not grow any more
Dealers and cut back when appropriate.

I would like to reiterate again that until we demonstrate that we
can do the complete job with direct selling, with or without the
Stores, we will not sell skunk boxes, with 11's or Micro VAXes,
to OEM's or Dealers.

I have told Jay Atlas that the major goal for now is to prove
that we can do a complete job and deliver a product that solves a
problem when it is plugged in and satisfies the customers need.
I do not want to talk about channels, or OEM's, or discounts, or
history until we learn to deliver a product that is truly a
product.

For years, we have talked about channels and so forth, and
applications, and so forth, but so far we have not got around to
making a product. We have spent many millions on applications,
many millions on channels, but with no organization to ever get a
product.

KO4:S10.12
(DICTATED 5/31/85 BUT NOT READ)

"TO" DISTRIBUTION:

*WIN HINDLE   JIM OSTERHOFF   JACK SHIELDS
JOHN SIMS   RON SMART   JACK SMITH
STRATEGY COMMITTEE:

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Keep 9/21/89

TO: *WIN HINDLE
    JACK SHIELDS
    JOHN SIMS
    JACK SMITH

DATE: THU 28 FEB 1985 11:51 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5265418205

SUBJECT: MY GOALS FOR THE NEW MIS MARKETING GROUP

I would like to form an MIS Marketing Group. In this group I
would like two new people: one who would be the world's best
expert in marketing MIS to medium-sized companies, and the other
to be the world's best expert in marketing large computers to
large organizations.

I would like to cover the range of applications with just two
computers:

1.   A Micro-VAX that goes from one small disk to a
       Micro-VAX that has several RA82's.

2.   Clustered VENUS computers, which should take care of
       the largest corporate needs.

       I would like to transfer software in both areas only
       on MAYA tape.

I want to sell systems that give solutions. I don't want to sell
components and I don't want to get into the position of having to
match each of our components with component sellers. We will
sell only complete systems and complete solutions, and our price
will be matched to the good we do the customer, and not the sum
of the physical components.

I want to do the whole job. One salesman will make one contract
for all the hardware and software, the installation, the serial
lines, and the terminals, (which include scales, data entry
devices, security devices, workstations, cash registers, optical
readers, etc.). Also included in the contract would be software
support and training. The customer will not have to negotiate
with several Digital groups.

By concentrating on just two systems, Micro-Vax and VENUS, and
advertising them as one architecture in two computers, to cover
the whole range of business, and, by selling large numbers of the
same thing, I propose that we will get outside software houses to
write specialized software for these machines the same way they
do today for the IBM PC.

The user manuals will be worked on to the point where they are so
good that customers will be willing to buy the systems
immediately after reading the them.

The number of configurations will be very small. The Micro-VAX
machine will not be suitable for OEM use, because it is not
designed to be expandable or designed to take miscellaneous
modules. For each configuration, each module is specifically
assigned to a certain slot, and all testing, specifications and
manuals are based on the exact configurations.

There are three systems for Micro-VAX. One has a single RD52
disk and a MAYA tape and that is called Model A. Model B has
three RD53 disks and a MAYA tape, and Model C has five RA82's and
a MAYA tape.

The many variables on a Micro-VAX business machine are: the
amount of memory, which comes in one megabyte chunks, and the
number of serial lines, which come in 24 or 32 line chunks. The
only options are: ETHERNET connection and built-in modem.

In VENUS, the disks are connected either through HSC, or directly
to the computer, but all peripherals are only tied in through
ETHERNET and no serial lines are allowed directly on VENUS.

My goal is that the offering in this area be so simple that every
employee, salesman, customer, and even every marketer and vice
president, understand exactly what the offerings are and what the
corresponding prices are. With the simplicity of the offering we
can then expect marketers, salespeople and customers to
understand the features that come with the VMS, and the quality
of the UNIX that we offer.

KHO:ml
KH4:S7.64

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

TO: Win Hindle
    John Sims

CC: Ron Smart

Date: 4 December 1984
From: Ken Olsen
Dept: Administration
  MS: ML010-2/A50   Ext: 223-2301

SUBJ: MANAGEMENT COMMITTEE

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The Management Committee is not showing true aggressiveness to straighten out poor management practices. They seem to be very passive and only worry about things that affect them.

We should have a much smaller committee that is truly aggressive in straightening out management problems within the Corporation. This should not be an educational meeting, or one which represents all interests of the Corporation. The Management Committee's only motivation should be to improve the management of the Corporation. (1)

At the Management Committee meeting today, please introduce the problem of measurements. The one we have today was largely proposed by a small number of marketing groups, and their interests have been taken care of by the measurement system, but things like terminals and office products do not get measured at all. Please test the Committee to see how aggressive, interested, and useful they are in discussing this problem.

Also, at today's meeting, please review with the Management Committee, (2) the two audits we have on the Conference Center and Lancaster, and the accounting within Barry Folsom's operation. Let's see how interested and useful they are in solving these problems. (b)

KHO:blk
KO4:S5.4
DICTATED ON 12/3/84 BUT NOT READ

a related note is attached

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

TO: STRATEGY COMMITTEE:

cc: *RON SMART
    JACK SMITH

DATE: MON 10 DEC 1984   1:27 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5257430835

SUBJECT: DECISION-MAKING AT DIGITAL

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****

Eighteen months ago, we decided that diskless workstations and
PC's were very important. We have made no progress on the
subject.

Soon, it will be two years that we started working on Digital 423
as a serial line system that would allow high-speeds and
compatibility with each of the other standards, and would allow
significant rejection of noise pick-up. It was studied for many
months, a year ago, by a committee chaired by Sam Fuller, and it
was approved by that committee. After that, it went round and
round and round, and was finally approved by the Strategy
Committee. Now, there are a thousand people who say, "I have not
been convinced yet and I will do what I want."

We allow absolute anarchy as far as picking circuits, connectors,
wire shielding and not shielding, speeds, but anyone, that is
absolutely anyone, can stop a standard by simply saying, "I
can't remember what the arguments for this were, or they never
took my vote." No one needs to propose a workable system; they
just have to say "no" to anyone who proposes a workable system.

For five years, I have proposed that we have a standard
specification for power supplies on the low-end, and that we have
a standard box for the low-end systems. No one dares face the
thousands of people who would slaughter them if they proposed a
standard, but absolute anarchy and many, many, many millions of
dollars filling the whim of every designer does not bother anyone
in the Finance group, or in Headquarters.

A year ago, we had a working model of an industry standard MS-DOS
machine that cost $600 to build. We were so sure that we had it,
that I proposed and put on a major effort to have a first batch
ready for last September to sell to the Harvard Business School
students when they came back to school. A year later, we are
farther and farther away from a small, simple, competitive
machine than we were at that time. Everybody walking by can add
to it; no one can say, "this is what we are going to build."
Some product lines have full-time staff advising Engineering what

features have to be added to each product. No one would dare
stand up to the thousands and say, "This is the machine we should
build and here are the features we are leaving out."

Sometime ago, I decided I would withdraw from the discussions of
the PC2X, because decisions might be made more quickly. Instead,
the machine has become bigger and more expensive, with more
features.

I would like to make this subject a major discussion at the
December Strategy Committee WOODS meeting. I would like to have
this discussion only with the Strategy Committee. I would like
Jack Smith to ask his staff to study how this is done
traditionally in other organizations in Western society. I would
also like Jack Smith to propose, with this wisdom, how we should
solve this problem.

How do we get simple, clear, competitive proposals approved,
scheduled, budgeted, and staffed, without one person out of
thousands, including Jack's own staff, stop it because they are
not completely convinced.

I believe most organizations, when decisions are made by the
senior committee of the Corporation, with departmental staff of
the affected organization, would be sure that those decisions are
carried out, the appropriate projects are scheduled, staffed, and
budgeted, and jobs are completed and brought back to the
committee for approval.

KHO:blk
KO4:S5.31

EMPLOYEE ATTITUDES AT DIGITAL - 1984

- OVERALL, EMPLOYEES REMAIN POSITIVE ABOUT THE COMPANY. THEY BELIEVE DIGITAL VALUES IT'S EMPLOYEES. WOULD RECOMMEND THE COMPANY TO A FRIEND.

- THERE ARE SOME SHORT TERM CONCERNS ABOUT THE COMPANY, BUT EMPLOYEES EXPRESS CONFIDENCE IN THE PROSPECT OF LONG TERM SUCCESS OF THE COMPANY.

- DIGITAL PRODUCES HIGH QUALITY PRODUCTS AND IS WELL ON IT'S WAY TOWARDS THE DEVELOPMENT OF A SUCCESSFUL, INTEGRATED, OVERALL PRODUCT STRATEGY.

- EMPLOYEES RATE THEIR BENEFITS AS EXCELLENT AND THEIR COMPENSATION AS COMPETITIVE WITH A CLEAR CORRELATION BETWEEN PAY AND PERFORMANCE ON THE JOB.

- EMPLOYEES BELIEVE THEIR WORKING CONDITIONS ARE GENERALLY GOOD, RESOURCES AVAILABLE TO THEM, PARTICULARLY COMPUTER SYSTEMS, EXCELLENT, AND THERE IS ADEQUATE TRAINING AVAILABLE SO THAT THEY CAN FUNCTION PROPERLY ON THE JOB.

- EMPLOYEES INDICATE THAT JOB SECURITY IS NOT AN ISSUE AS LONG AS THEY ARE PERFORMING ADEQUATELY ON THE JOB.

- PERSONNEL POLICIES ARE FAIR AND REASONABLE AND THESE POLICIES ARE BEING MORE CONSISTENTLY APPLIED TODAY THEN PREVIOUSLY.

- COMPANY DOES NOT ADDRESS POOR PERFORMANCE IN A TIMELY MANNER, POOR PERFORMANCE IS TOLERATED TOO LONG. THIS IS PARTICULARLY TRUE WITH REGARD TO LONG SERVICE EMPLOYEES.

- EMPLOYEES FEAR CHANGE AND THE IMPACT THE CHANGE WILL HAVE ON THEM PERSONALLY. THEY BELIEVE CHANGES ARE NECESSARY IN MOST CASES, BUT THE PROCESS IS FRIGHTENING.

- WHO YOU KNOW IS BECOMING MORE IMPORTANT THAN WHAT YOU KNOW WHEN SEEKING AN INTERNAL TRANSFER. THE BEST QUALIFIED PEOPLE DO NOT ALWAYS GET THE JOB.

- EMPLOYEES GENERALLY BELIEVE WE HAVE EXCESS PEOPLE AND IN MANY AREAS, THERE IS A POOR DISTRIBUTION OF WORK. SOME EMPLOYEES HAVE TOO MUCH WORK, OTHERS NOT ENOUGH.

- VERY LITTLE INCENTIVE FOR EMPLOYEES TO TAKE "RISKS". WHY SHOULD I? NO ONE ELSE DOES.

- THERE IS INCREASED RELUCTANCE ON THE PART OF EMPLOYEES TO USE THE "OPEN DOOR" PROCESS TO ADDRESS ISSUES BECAUSE OF THE FEAR OF REPRISAL. EMPLOYEES WOULD ONLY USE THIS PROCESS AS A LAST RESORT.

- MANAGEMENT ABILITY IS NOT VALUED AT DIGITAL. MANAGERS ARE GENERALLY HIGH LEVEL INDIVIDUAL CONTRIBUTORS WHO ARE REWARDED ON THE "DELIVERABLES" AND NOT FOR MANAGING.

- ORIENTATION FOR NEW EMPLOYEES IS POOR. AS A RESULT, NEW EMPLOYEES TAKE LONGER THAN THEY SHOULD TO BECOME PRODUCTIVE.

- EMPLOYEES ARE FRUSTRATED AT TIMES BECAUSE THERE IS NOT A CLEAR PROCESS IN PLACE TO MAKE DECISIONS. AS A RESULT, EMPLOYEES BELIEVE OBTAINING TIMELY DECISIONS IS MUCH MORE DIFFICULT.

- EMPLOYEES WANT MORE COMMUNICATIONS CONCERNING COMPANY OPERATIONS, PARTICULARLY MORE INFORMATION AS TO WHAT IS GOING ON IN OTHER ORGANIZATIONS.

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

TO: MANAGEMENT COMM:

cc: see "CC" DISTRIBUTION

DATE: FRI 14 DEC 1984   2:06 PM EST
FROM: RON SMART
DEPT: MC SECRETARY
EXT: 223-7011
LOC/MAIL STOP: ML10-1/F41

MESSAGE ID: 5257836925

SUBJECT: STRAW DESCRIPTION "MC ROLE IN HOW THE COMPANY WORKS"

This material is background for the 12/18/84 Management Committee discussion on the "Role of the Management Committee".

The concepts are a distillation of the original New DIGITAL thinking, of what Ken and other senior managers have said (or meant to), of the many discussions about Committees, and finally of the most recent discussions within and among the Corporate Committee Secretariates.

(See diagram at end for Function and Committee relationships)

COMMITTEE ROLES

Many committee charter discussions have tended towards making charter statements which are too inclusive. We tried to list the FEW things which each Committee MUST accomplish to help the company to succeed.

MANAGEMENT COMMITTEE

*   Transform the management capability of the company, from what it is to what will accomplish our business, market, quality, people etc. goals. Do this by reviewing and upgrading management development, quality, planning/budgeting/reviewing & program management systems.

*   Approve (actually done by a sub-committee) the operating plans and budgets which accomplish our agressive financial/market goals. Do this by deciding the final BOD recommendations and by deciding the performance improving/correcting adjustments which cannot be resolved directly within and between Functions and at lower levels.

*   Approve and review performance against corporate budgets, plans and standards. Approve recommendations to BOD of high financial impact business proposals and commitments.

STRATEGY COMMITTEE

*   Approve the Corporate Product and Market targeting and strategy. In doing this, the Market Group Manager members provide the necessary liaison with the Field Functions via MSSC.

*   Set the corporate goals for Product and Market segment penetration

(growth) rate versus profitability balance. Revise these goals when
the profit versus growth investment of the aggregated corporate
portfolio will not support this set of product and market plans.

* Review and recommended changes to Product and Market segment plans
  and market messages which are important to accomplishing our goals.

MARKETING AND SALES STRATEGY COMMITTEE (including PAC sub-committee)

* Review and approve Marketing and Sales implementation programs
  which are to accomplish the corporate Product and Market goals. To
  do this, the MSSC agenda includes geographic performance reviews of
  SALES & SERVICE PRODUCTIVITY by Market and Product segment.

* Decides the pricing, terms and introduction plans for all products
  and services, in order to achieve the corporate Product and Market
  segment goals (set by the Strategy Committee).

MANUFACTURING/ENGINEERING STAFF COMMITTEE (S/C feeder & admin channel)

* Integrates the Component and System product investment strategies
  to accomplish the Market and Product targeting goals set by S/C.

* Prepare recommendations and alternative product solutions for the
  Strategy Committee deliberations. Administer the implementation of
  the product strategy and product schedule and performance goals.

FIELD/MANUFACTURING "TUESDAY" MEETING

* Set, review and revise the Product Volume plans which make up the
  Corporate and Area revenue plans and budgets. Beyond the current
  year, Marketing intelligence is introduced into the decisions from
  both Product Management (Engineering) and Market Groups.
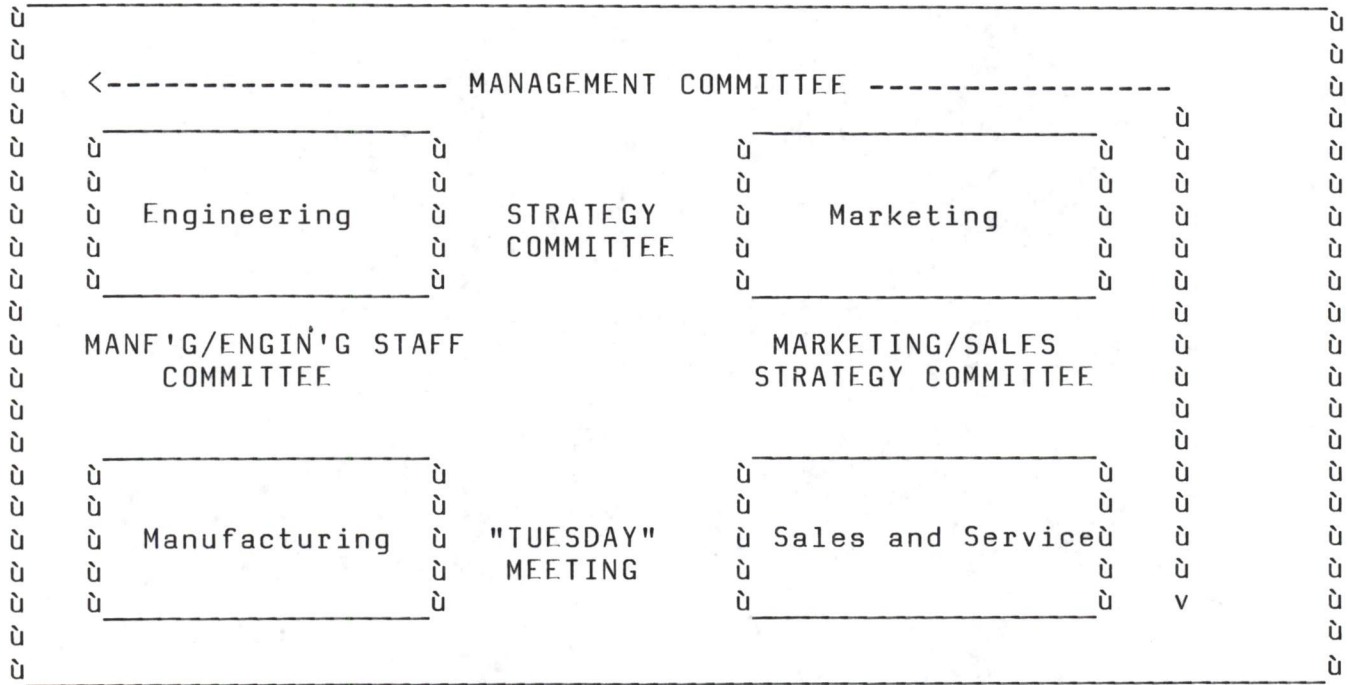

MANAGEMENT CONTROL REQUIREMENTS

Management control systems will assist managers:

* To plan, budget, review & correct departmental programs to improve
  Functional performance in Corporate Product and Market segments. To
  be able to do this bottoms-up by Product/Market segment, while the
  system maintains integrity BETWEEN the related Functional programs
  supporting each of our Corporate Product and Market segment goals.
  This is contrary to the expedient of budgeting Functions top-down,
  and then dividing the Functional pie among their programs/projects.

* Relate corporate goals to departmental goals, such that any changes
  of risk/opportunity at the departmental level, can easily be
  translated into their effects on Corporate goals performance.

* Provide Program and Project control which is explicit about results
  and milestones along the way, as well as about resource investment,
  and managers' responsibilities for performance issue resolution.

MANAGEMENT RESPONSIBILITY IN GOAL SETTING

Managers at all levels are evaluated on performance against their
goals. Managers participate in setting their goals. Managers are
responsible for making their goals consistent with the Corporate
goals, which means that any apparent goal conflict with others is
resolved as part of the manager's job of business-issue resolution.

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RGS PACH13 £2 "MATERIAL FOR 12/18/84 DISCUSSION OF MC ROLE"
12/14/84 Fri 12:15:19

✓ June Woods

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TO: OPERATIONS COMMITTEE   Date: 20 May 1982
CC: Ron Smart   From: Ken Olsen
                                  Dept: Administration
                                  MS: ML10-2/A50   Ext: 2301

SUBJ: June Woods - Review of Sacred Cow

I have been very discouraged at the number of times the Operations Committee members have used as an excuse for non-management, the rumor that their people heard, or thought they heard, or imagined, that Ken Olsen, or someone else, considered something a sacred cow.

Either I am going to have to leave, or the Operations Committee members are going to have to leave, if we use as an excuse for non-management, rumors or the imagining of sacred cows. A good manager will always raise a question when something is done less than perfectly, unwisely or stupidly, because someone thinks someone may think that they may want it one way or another.

There are more and more people in the company who I will not have anything to do with, because they work so hard to figure out what I really mean rather than what I said. My only solution is to not talk with them.

Early in the life of the CT project, I continually asked for a budget and a plan. People so enjoyed having the power of a sacred cow that most of the project was done without an approved plan or an approved budget, and there was nothing I could do to get one.

I would like to spend the whole June Woods Meeting reviewing and approving or disapproving sacred cows. I would like Ron Smart to get from every member of the Operations Committee a list of every sacred cow he thinks he is hiding, saving, avoiding or not influencing the good management of, no matter who the sacred cow seems to belong to.

I would like to include all sacred cows, whether they be Engineering projects, products now being manufactured, product lines, marketing activity, reports, buildings or anything else.

In particular, I would like to review the 278. I never heard of a 15 million dollar budget. No one ever asked me about it, no one ever told me what was in it. I am sure it is not a sacred cow of mine. I would like to know what Engineering would really like to do in place of that product and I would like to hear all proposals for saving money by eliminating projects.

1

Managers and committees have to make decisions. People do not always get their point of view. Sometimes people have several points of view and are apt to lose on all but one of them. We can not afford to have managers, responsible for projects who feel, after they lose their point of view or many of their different points of view on an item, that they then have an excuse for not managing it, because it is someones sacred cow.

If Operations Committee members can not handle these so called sacred cows, I think we should take at least those issues if not all their responsibility away from them and give it to someone else.

If we have enough time, I would like to also consider golden calves. Golden calves are an example of idolatry. Idolatry is something you have blind faith in and do not like to criticize. Engineering projects and Marketing are both idolatries within the Operations Committee.

I no longer want to increase engineering expenses and marketing expenses because we have blind faith that these are the way to heaven. I would like to analyze each one to make sure they contribute to the company.

KHO:cc
KO1:S11.41

TO: OPERATIONS COMMITTEE

FROM: RON SMART

DATE: JUNE 15, 1982

RE: SACRED COWS ET AL

There are three classes of items which could benefit from some
committee time to ensure that concerns which O/C members feel are
of importance to the Company do get examined adequately in an
appropriate forum.

The classes of items in order of decreasing tangibility are:

1. Items (services) we spend money on but perhaps not wisely as
    situations change. Al Bertocchi has the most comprehensive
    list of these. You may want to add to the list (attached)
    then prioritize and assign responsibility to examine the item
    and recommend its disposition.

2. Product investments with uncertain payoffs because of
    inadequate marketing, poor management of the project, or
    suboptimum products.

    Examples of possible candidates:

    o Things we think we have to do forever, eg. machine
       specific applications development on older architectures
       12-bit, 16-bit ?

    o Jupitor, Venus, Nautilus - redundant developments?

    o Things we want to make rather than buy (we think we own
       computing and can do it all better than anyone else).

    Jack Smith's product investment/payoff study should get at
    this if we can follow all the way through to changing the
    investment mix.

3. A general class of behavior issues characterized in
    committees by:

    o Product Line Managers won't bring up contentious items in
       front of Ken.

    o You don't bother me, and I won't bother you.
       Keep quiet rather than irritate.
       Public agreement but private dissent.

Some myths and misinterpretations:

o   Freedom to propose means authority to execute

o   Freedom to be creative means sub-optimization and
    entitlements.

o   O/C members are good at communicating downwards.

Things I can do to get at this last kind of issue and at
philosophical/strategy issues:

1. Keep open most of the "short items" time on the agenda,
    specifically for airing nagging or unclear items which seem
    important to members; getting these items clarified and
    prioritized.

2. Maintain a formal list of important open items and unfinished
    business. See that their prioritization and disposition is
    visable.

3. We also need to clarify committee responsibilities and
    structure between O/C, PLMM, PPC . . . Bill Thompson and I
    have the responsibility to propose Product Review BODs. By
    and large, the New Digital will lead us to rethink the
    committee structure and role.

1. Eliminate Christmas turkey give-away. If some tangible token is still in order, give each employee a "symbolic turkey," i.e., a check for fifteen dollars.

2. Eliminate or curtail the Canobie Lake outings (and equivalents elsewhere).

3. Move payroll to biweekly (monthly for WC4) (questionable benefit).

4. Stop Tobin's coffee/donuts delivery service.

5. Eliminate 5-year anniversary luncheons; retain 10- and 20-year recognition.

6. Clean roof lines policy (the added cost we incur by building decks, pads, etc., for mechanical equipment that would normally go on the roof).

7. Periodically open the cafeteria and vending franchises to competition in the greater Maynard area.

8. Sharply curtail the early salary reviews.

9. Stop multiple moves/relocations of the one group.

10. Cut back helicopter and shuttle service.   — *AVIATION?*

11. Use internal mail for items to be mailed to employees' home.

12. Permitting ever expanding proliferation of small (dollars and headcount) centers.

13. Overly liberal tuition refund -- irrespective of relevance to Digital's needs.

14. *EMS: is it used effectively, cost effective, SECURITY?*

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TO: OPERATIONS COMMITTEE: DATE: FRI 11 JUN 1982   3:23 PM EDT
                                             FROM: WIN HINDLE
                                             DEPT: CORPORATE OPERATIONS
                                             EXT: 223-2338
                                             LOC/MAIL STOP: ML10-2/A53

SUBJECT: ORGANIZATION (RESPONSE TO KEN'S JUNE 4 MEMO)

The weaknesses of the current organization that I would like to
cure in any organization change are:

1. Marketing people must have a measure we all agree upon.
    Those who do well should be rewarded well in compensation
    and promotions.

2. Our organization structure should allow us to add up a spec-
    ified set of groups to arrive at the corporate NOR and pro-
    fit. It should be easy to see who is making plan and who is
    not.

3. Our marketing organization structure and measurements should
    eliminate internal hassles over credit for Bookings and NOR.

Plans for the company should be set in several ways.

1. All countries and districts should budget NOR for their area,
    which should total the Corporate NOR. Countries and dis-
    tricts should be measured on NOR and on "Distribution Profit"
    - a measure we still need to define.

2. Base Product Marketing Groups should plan NOR, which should
    also total the Corporate NOR. These Groups should be mea-
    sured on NOR and on "Product Profit" - a measure we still
    need to define. Also they should be measured on ROA.

3. Applications Marketing, Channel Marketing, and Industry Mar-
    keting should propose plans, but these will not equal Corpo-
    rate NOR. These three kinds of groups should be measured on
    total "Systems NOR" and total profit generated as a result of
    their marketing efforts.

WH1:S.1.9

Hang-ups - Reward good mktg.
- Keep a clean from in profit (broken into pieces)
- Let local managers set plans & optimize corp.

June Woods

JUN 7 1982

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TO: OPERATIONS COMMITTEE

cc: Ron Smart

Date: 4 JUNE 1982
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 develope 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 boundries.

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
KO1:S11.67

TO: OPERATIONS COMMITTEE   DATE: April 22, 1982
                                      FROM: Ed Schein

SUBJ: MY NOTES FROM APRIL WOODS

Sorry I had to leave early from a most interesting discussion on people. I think it is very important that you have these reviews and that you do it fairly often since you have very many people to go through.

I do think you should only do about two hours worth of this kind of people reviewing because attention span begins to wane after that, but if you did at least two hours worth at each WOODS Meeting that would provide you a pretty good overview.

I also want to underline that in thinking about future careers, you keep open the options that some of your people really want to become general managers (and have the potential), some of them want to become senior functional managers, and some of them want to be high level individual contributors.   Keep the options open for each of these groups.

Comment on DEC Product

As you know I have been listening to the low end discussions since last summer, and it is getting clearer to me that you believe that you have the best product set, but that it is not easy to state in simple non-technical terms why they are the best.   The fact that your secretaries also believe they are the best is not really helpful to someone who encounters a choice and wants to know why. I would propose the following questions to you for your "marketing training":

1.   Would it be to your advantage to learn how to talk about the low end products in a vocabulary that a "dumb" user would understand?

2.   Would it set a good example to your marketing people if you could talk in user, customer terms and be able to tell the layman exactly what is the advantage of DEC products over others, and one DEC product over another. If you can't do it, why should others in the company be able to do it.   If you have good marketing people who can do it, why not have them come in and train you. I would be happy to be a dumb consumer panel anytime you want to try out a communications pitch on me.   But so far I am still very confused and only know that you are convinced.   I do not know the reasons why you think your products are so great.

Comment on Individual Accountability

Every form of organizing has advantages and disadvantages.   The

pinpointing of accountability in individuals has the obvious
advantage of making it clear who is to do what, inducing high
levels of motivation, making it easy to measure, etc. Don't
forget the major disadvantage -- individual accountability
induces individual competitiveness.

If the product lines are pretty much independent in how they
operate this is a great way to organize. But the higher the
inter-dependence among product lines the more risk there is of
product line managers who should be pulling together and helping
each other becoming competitive and destructive. Especially if
many managers are fighting for scarce resources, be very careful
not to set up a situation where in order for one to succeed he
makes another fail (wittingly or unwittingly).

mr

TO: STRATEGY COMMITTEE:

cc: STRATCOM INTEREST:

DATE: THU 3 JAN 1985 9:40 AM EST
FROM: JIM CUDMORE
DEPT: PRODUCT OPERATIONS
EXT: 223-6923
LOC/MAIL STOP: ML01-5/U33

MESSAGE ID: 5259852553

SUBJECT: STRATEGY COMMITTEE 12/19-20/84 WOODS MINUTES

                 ***   COMPANY CONFIDENTIAL   ***

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*   AND RESTRICTED TO "NEED TO KNOW" DISTRIBUTION   *
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MEMBERS: Jim Cudmore, Bill Demmer, Sam Fuller, Bob Glorioso,
         Bill Heffner, Bob Huettner, Bob Hughes, Bill Johnson,
         Jeff Kalb, Ed Kramer, Ward MacKenzie, Ken Olsen,
         Grant Saviers, Peter Smith, Jack Smith, Bill Strecker

Other Attendees:
         George Chamberlain, Peter Conklin, Dom LaCava,
         Ken Senior, Ron Smart.

C - Please tell Eli Lipcon of this discussion and actions at the Dec. 20. WOODS. He should get a copy from Ward MacKenzie -

- OEM, End User discussion, Ward MacKenzie, Grant Saviers and
  Bill Demmer - general agreement on the need to clarify the true
  costs/benefits from our OEM channel and its impact/interaction
  with end-user business. Storage market share on our CPU's (chips,
  boards, kernel systems) through OEM channel much too low. Low-end
  storage volume (all channels) too low to justify continued invest-
  ment without significant volume increase.

  Action Items: Ward MacKenzie to prepare detailed analysis of
                   boards business; Grant Saviers to evaluate
                   alternatives for increasing our storage volume (at
                   system level especially) and to review storage only
                   OEM status and opportunities at future Strategy
                   Committee meetings (Jan/Feb).

- Orion (Unibus) Status, Dom LaCava - FRS is two quarters late and
  revenue, ROA are forecasted significantly lower than plan.

  Action Item: Dom LaCava/Ward MacKenzie to review latest field
                   forecast and propose to MSSC (in January) pricing,
                   bundling or expense action to significantly improve
                   financial performance (product is already
                   shipping).

- Microvax II Pricing Philosophy, Jesse Lipcon, presented the analysis of various price/volume elasticity relationships from the market groups and recommended a specific base system price.

  Action items: Jesse Lipcon, Dom LaCava, Ward MacKenzie to work with MSSC to get proposed base price (plus a bit) understood and accepted; revenue, unit, profit models for OEM channel and end user markets to be shown separately; next six months investments (expense, inventory) to be detailed; outline by customer and application where/how unit volume splits; "board" revenue, profit and volume to be shown separately; pricing/bundling alternatives to be explored - single user VMS license pricing for work stations/multi user for team, packaged WPS system of MVII, PC's (memo response on above to Strategy Committee by 1/15/85; proposal for WPS system to be presented to Strat Comm 1/28/85). Ken Senior to present to Strategy Committee the field plan for selling the planned volumes (after MSSC approval).

- Mayflower/Aurora/Scorpio Product Positioning - Bill Demmer - presented the relationship of these products in price, performance, timing and impact on BI Strategy; considerable discussion on the multiplicity and potential overlapping of these systems.

  Action Items: Bill Demmer to present to Strategy Committee Jan 7 the impact on mid-range VAX's of dropping Aurora completely or offering a Scorpio in the Aurora package; at Jan 28th Strategy Committee review the business plan in detail showing board/business portion, pedestal package investment, investment and consequence of changes since original plan (BI clusters, volumes etc).

- PC25 Strategy/Status - Jeff Kalb, Barry Folsom - reviewed the PC25 product status, marketing demand, and business plans, and Jeff proposed redirecting/refocusing the effort in two directions, two products 1) PCXX (MS/DOS) bounded/desk-top unit as part of a multi-user system for office and small business and 2) PC32, a VAX/VMS technical professional user system as part of a distributed computing environment. Henry Ancona stressed the need to address (1) our position on IBM PC as part of our systems, (2) the plans for the expected next level of human interface beyond MS/DOS (Topview, MS windows etc), and (3) the need for multi-tasking capability (?)

  Action item: Jeff Kalb to present next level of plans for PCXX, PC32 at Strategy Committee Woods Jan. 16-17 1985.

December 20th

MEMBERS: Jim Cudmore, Bill Demmer, Sam Fuller, Bob Glorioso, Bill Heffner, Bob Huettner, Bob Hughes, Bill Johnson, Jeff Kalb, Ed Kramer, Ward MacKenzie, Ken Olsen,

Grant Saviers, Peter Smith, Jack Smith, Bill Strecker

Other Attendees:
George Chamberlain, Rose Ann Giordano, Win Hindle,
John Sims, Ron Smart

- Frenetic Management - Ken Olsen - described this as management in
a permanent state of frenzy with no time to plan, execute, follow-
up, learn, thoroughly evaluate results of too many efforts with
resources too thin to do any one thing well, and puts the company
at great risk. Strong agreement on the need to significantly
sharpen business focus on a products dimension (with different
company business models) and significantly clarify the product
industry and applications marketing roles/responsibilities between
Eng., Mkt'g and Field.

    Action Items: Jack Smith, Win Hindle to investigate with
                    Jack Shields the ease of establishing specific
                    product (systems) plans, revenue and expense
                    commitments/measures; George Chamberlain to spell
                    out the specific changes necessary to "run" the
                    business by products; Jim Cudmore to chair a task-
                    force of Ken Senior, Ken Swanton, Jerry Paxton,
                    Ron Smart to structure the product/application/
                    industry marketing questions and models to guide a   _when?_
                    discussion at Strategy Committee.

- Swat Teams Update - Rose Ann Giordano (IBM), Steve Teicher
(Apollo), Jack Gilmore (Wang), John O'Keefe (Small Business) -
status reports delivered, and clear direction given to presenters
to return for major review on January 28th with specific steps
necessary to make real progress.

- Communication Sub-System Task Force - Bill Picott - status
presented and specific recommendations expected on January 28th.

COPIES OF ALL VIEWGRAPHS USED AVAILABLE IN THE FILE.

JGC:mm
SC1.33

3-JAN-85 11:06:08 S 01512 CLEM
CLEM MESSAGE ID: 5259862424

E 52-583

Massachusetts Institute of Technology
Alfred P. Sloan School of Management
50 Memorial Drive
Cambridge, Massachusetts 02139

Edgar H. Schein
Sloan Fellows Professor of Management
Chairman, Organization Studies Group

TO: Operations Committee

FROM: Ed Schein

SUBJECT: October Woods Meeting

DATE: October 21, 1981

I had a few thoughts during the October Woods which I wanted to share with you. They might be labelled "what I have learned during these meetings."

1. Members of the Operations Committee have always had to wear two hats: 1) Functional or Product Line Manager, and 2) Member of the corporation's top strategy and management group. As agenda items come up which require difficult resource allocation issues or choices between strategic options one can see the role conflict between the two roles very clearly.

    The scenario which I have often seen develop in these situations is that it is very difficult to say "no" to a proposal because it implies saying "no" to too many people. There is no face-saving rational process for the group to meet its responsibility as corporate managers to allocate the resources of the company in a sound way and to involve others in owning the decision, even if it means not doing certain things.

2. When the group becomes silent, paralyzed, and tempted to run away from the problem, what is needed is managerial leadership. Someone must come forward with a broad solution and help the group to reach some kind of a decision, even if the decision is to table the issue until more information is available. But the act of tabling must be done positively and with clear reasons and with a clear plan for how to get the information and resolve the issue.

    One of the most difficult managerial skills is to move a group toward resolution of an issue where scarce financial, human, or other resources have to be allocated among various projects. But running away from the issue, lobbying outside the group, power games behind the scenes, and other tactics which imply that the manager is wearing his hat no. 1 end up being destructive in the long run.

3. Difficult strategy questions pertaining to products, markets, and organization do not have enough time on the agenda given the size of the group and the complexity of the issues.

4. Visitors, outside presenters, and guests inhibit discussion. If outsiders are needed to present information, then the agenda should include some time for discussion of the issue after the outsiders are gone. Having them present "waiting for a decision" puts the group into a tough situation in which real feelings may not come out because members don't want to be stereotyped or labelled as "bad guys" or whatever.

5. If an agenda item takes too long, the group loses coherence, members wander off to start side conversations, and in other ways signal that they are not any longer involved. When that happens the issue needs to be restated in a way that reinvolves everyone. On the other hand, the group should impose more discipline on itself to remain involved or else someone should propose that the item is not important enough to be on the agenda.

6. New items for which people are not prepared are dangerous to put onto the agenda unless there is enough time to work them. Supposedly "quick" items invariably have hidden elements which blow up into major issues, e.g. what should advertising copy on TV look like. If such items have to be brought up because of time deadlines, be prepared to give them an hour or so, but don't rush into hasty decisions simply for lack of time.

7. Issues of finance, control, organization, and inter-product competition are not new. The enclosed memos were written by me during Woods Meetings in the late 1960's. Are they still relevant today?

8. The discussions of new products, especially the low end, make me wonder whether the "deep" problem is that these products require a different engineering, sales, marketing, and maybe even manufacturing philosophy, a set of values and skills which are not highly developed within DEC and which might make many people uncomfortable.

   For example, the idea that the selling of these products might require more discipline, more reliance on checklists, more intensive sales training (McDonald's style), more customer concern, more of a "commodity" selling orientation might go against some deeply held DEC assumptions and values. Just a thought, but there is now a growing body of thought that suggests that the real and important constraints on strategy are the cultural elements in the organization, elements which are often subconscious and just taken for granted.

   The DEC "culture" has interested me for some time and I am willing to talk about it at some Woods Meeting in the future.

9. The enclosed paper on Face-to-face skills seems very relevant to me in the DEC context. Following Ken's line that managers need to learn simple, traditional managerial skills, I would add that managers also need to learn the face-to-face skills which permit them to implement the formal management procedures without turning people off.

10. Finally, on the matter of management training, could we find out
what the content was of the supervisory training program which was
run for years (and probably still is running). I feel out of touch
with what is currently being taught in the different parts of the
company. Can this be pulled together and examined by the Operations
Committee as a step toward designing the kind of management training
which Ken has in mind?

It has been my observation over the years that parts of DEC are
doing things which other parts don't know about. Maybe it is time
to pull things together more and bring the O.C. up-to-date. Then
we can find out at what level and in which parts of the company the
management training is missing or misdirected.

WOODS

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

TO: Operations Committee

Date: 15 January 1982
From: Ken Olsen
Dept: Administration
MS: ML10-2/A50   Ext: 2301

SUBJ: Ken Olsen's Offhand Message to the Engineering Management
      Committee - January 15, 1982

I have a new concept of Corporate management. I don't know the name
for it yet, but I think it will make a radical change in the way we
operate the Company.

I think it's easier to explain it than it is to give it a name.
Simply, it is: engineers will engineer, marketers will market, sales
people will sell, and manufacturing will manufacture.

Digital got to where it is by working out goals for everyone and
measuring them often and regularly. We've lost this with the
development of matrix management where everybody is boss and no one
has goals, and no one is measured. This new radical way of managing
allows us to measure everyone again.

Engineers will be measured, every day of every year, on how well they
have all the products necessary in their area to take care of the
customer's needs at competitive prices, and with the flair to make
them sell.

Note: He will not be measured by the beautiful graphs they make
showing how things will be in the future. They will not be measured
by the thickness of their reports, or the details of their budgets,
nor will they be measured by the complex methods they have of working
out conflicts between groups three or four years from now. They will
be measured at each period of time by the quality of the products, and
the need that they have at that particular time. All these other
things are helps, to be sure that at every point of measurement, we
have the right products.

There will not be any of the usual excuses. We can't blame it on
marketing because they didn't see the need for products; we can't
blame it on marketing because they said something wouldn't sell, or
wasn't needed. We can't blame it on manufacturing because the
products they didn't manufacture, and it's clear whose responsibility
it is.

We will also avoid the problem we have in Engineering in the last few years. Very often, Engineering is working on a product way off in the future, and when we ask for a product immediately, they say, we didn't know you wanted one NOW, and that will cost you extra. All the money we invest in Engineering is for the future, and products need extra money, and that is to be allocated by the Operations Committee.

If we don't have the disks we need or if the Japanese competition has them, better or less expensive, it's clear whose responsibility it is. If we have 11/23's packaged and assembled like they were fifteen years ago, and we have to charge $30,000 for them, and that it's possible to charge $15,000 by eliminating FA&T, and if instead, we only have the promise of better machines way off in the future, it's clear whose responsibility it is.

When people now say, RL02's are too big, and it hurts their professional pride, that may sound like a good reason for not doing things, but if at any one period of time, someone else does better with RL02's because that's what people in business want, it's very clear that our Engineering made a mistake by not putting our RL02's on our computers.

When we avoid using fiber optics for inter-connection between disks and pieces of computers, Engineering might be right in saying that the way we did it twenty-five years ago is still best. However, if the Japanese walk away with our market by having all of the glamour and ease and simplification of fiber optics, it's clear who made the mistake, and it can't be blamed on marketing.

People ask what do we do when people fail to use measurements. I say, don't worry about it at all. First of all, people practically never fail. When there are measurements that are first of all clear to the team doing the work, secondly to their peers, and thirdly to their boss, they make sure they never fail. When they do, it's so clear to everybody why, and it's so clear to them what they did wrong, and it's so clear that they thoroughly learned what was wrong, that the boss doesn't really have to do anything.

KHO/ep
KO1:S8.51

Why Do Some People Outperform Others? Psychologist Picks Out Six Characteristics

By Erik Larson
Staff Reporter of The Wall Street Journal

BERKELEY, Calif.—There are big differences between individuals who outperform their colleagues and those who don't—differences a Berkeley performance psychologist has boiled down to a six-characteristic profile.

High-performers "are a different group in terms of skills, how they work, how they manage their stress, their risks," says Charles A. Garfield, president of the Peak Performance Center in Berkeley and a clinical professor at the University of California at San Francisco medical school. "They are different folks."

Mr. Garfield, 37 years old, has spent about 15 years interviewing about 1,200 of the top performers in business, education, sports, health care and the arts. He has found that chief executives who are considered top performers set their goals, solve their problems and take their risks using very different techniques than those used by less effective executives. What is more, he says, these techniques can be taught "in the same way you can teach people to play golf," although he concedes he couldn't completely transform a poor performer into a top performer.

Interviews Questioned

An achiever himself, Mr. Garfield holds doctorates in mathematics and psychology. In 1964, he lifted weights at trials for the U.S. Olympic team; in 1967, as a mathematician and computer analyst, he helped design the first lunar module and plot its course to the moon. During his three years with the Apollo mission, he interviewed its top engineers and technicians. "I wanted to know how the pieces came together for such high performance," he says. He has held seminars on peak performance for corporations such as International Business Machines Corp., Tandem Computers Corp. and Hewlett-Packard Co. and he has a contract to produce a book on the subject later this year.

Research into peak performance isn't unique to Mr. Garfield. There is a growing body of psychological study aimed at finding out why some individuals so far outperform others, a field the Soviets call "anthropomaximology." Society isn't satisfied anymore with plain old success, says Thomas Tutko, a San Jose State University psychology professor who has studied high performance in sports. "Now millionaires are a dime a dozen," he says. "We're looking for people who go beyond that." Mr. Garfield's

work, he says, "is as legitimate as you'll find in the popular literature."

Nevertheless, some researchers question the scientific rigor of research based on interviews. For example, Richard M. Suinn, head of the psychology department of Colo-

Charles A. Garfield

rado State University, says he is cautious about drawing conclusions from interviews. In his work with Olympic athletes he prefers to rely on standardized tests rather than interviews. There is a risk, he says, that an interviewer can influence the outcome of an interview.

Not Workaholics

"He's quite right. That 'experimenter variable' can exist," says Mr. Garfield. But, he says, he uses interviewers trained to exhibit as little bias as possible. Also, they ask questions designed to test a subject's earlier answers.

Six characteristics mark optimal performers, says Mr. Garfield: They are able to transcend their previous levels of accomplishment. They avoid the so-called comfort zone, that no-man's land where an employe feels too much at home. They do what they do for the art of it and are guided by compelling, internal goals. They solve problems rather than place blame. They confidently take risks after laying out the worst consequences beforehand, and they are able to rehearse coming actions or events mentally.

Mr. Garfield is careful to stress that optimal performers aren't workaholics and don't exhibit so-called Type A behavior patterns, identified as leading to heart disease. They take their vacations, know when to stop working, manage stress well and don't get bogged down in details. "They are masters of delegation," he says. The workaholic,

meanwhile, brags about never taking a vacation and wears his latest heart attack as a badge of honor.

Mr. Garfield says he was most surprised by the trait of mental rehearsal, now a popular concept in sports. Top chief executives imagined every facet and feeling of what would have to happen to make a presentation a success, practicing a kind of purposeful daydreaming. A less effective executive, he says, would prepare his facts and agendas but not his psyche. Mr. Garfield wouldn't disclose the name of any of the executives in his sample.

High-performing executives also worked out "catastrophic expectations reports" either in their minds or in writing before taking a major risk. They set out the worst that could possibly happen and decided whether they could live with that outcome, he says. If they could, they moved ahead confidently. Other executives didn't go through the process and when taking a risk tended to be hampered by a sense of impending doom.

High performers were also driven in their work by goals they set themselves. The best salesmen were good team players who met their sales quotas, but also worked to develop their skills. "Quotas didn't meet their sense of themselves as artists," he says. Less effective salesmen got their rewards primarily from meeting the company's requirements. "They didn't necessarily enjoy the process itself," he says.

These skills, and skills evident in the other traits, can be taught, Mr. Garfield maintains. For example, people can be shown how to write out their own worst-case reports. And, he says, they can be encouraged to "blue-sky," or imagine what it would be like to surpass their current limits. At his seminars, he teaches people to challenge limiting or absolute words like "never" or "always."

Colorado's Mr. Suinn argues that seminars can't accomplish the kind of behavior modification needed to make these techniques stick. But Mr. Garfield counters that whether the techniques are adopted or not depends on whether they are tried. To help ensure that they are, he breaks his audience into two-person teams that later serve to encourage each other's use of the techniques. Also, he says, he follows up his seminars with four one-day seminars over 12 months.

"What he has done is put (his research) in a framework that is quite practical and usable," says Herb Koch, West Coast marketing manager of Control Data Corp.'s seminar division.

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Interoffice Memo

TO: see "TO" DISTRIBUTION

cc: KEN OLSEN

DATE: TUE 13 SEP 1983   12:09 PM EDT
FROM: WIN HINDLE
DEPT: CORPORATE OPERATIONS
EXT: 223-2338
LOC/MAIL STOP: ML10-2/A53

MESSAGE ID: 5212076925

SUBJECT: DIVISIONS

Ken has asked me to organize a Task Force to make recommenda-
tions on forming divisions. His memo on this issue will be sent
along to you later today with his ideas on how we should proceed.
I am asking each of you to be members of that group. We will
have three days of meetings, next Friday (Sept. 16) in Maynard
(Little Brown House on Parker St.) and the following Thursday and
Friday (Sept. 22 and 23) at Ken's camp at Heald Pond in Northern
Maine.

If you cannot be at all three days of meetings, we would prefer
to ask someone else. Please let me know right away. The conti-
nuity of the three days will be essential in coming to an agree-
ment at the end.

WH:dc
WH1:S5.5

"TO" DISTRIBUTION:

GEORGE CHAMBERLAIN   AL CRAWFORD   JIM CUDMORE
BILL HANSON   BOB HUGHES   ED KRAMER
WARD MACKENZIE   IVAN POLLACK   JACK SHIELDS
PETER SMITH   JACK SMITH   KEN SWANTON

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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
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TO: see "TO" DISTRIBUTION   DATE: TUE 13 SEP 1983   1:08 PM EDT
                                         FROM: WIN HINDLE
cc: KEN OLSEN   DEPT: CORPORATE OPERATIONS
                                         EXT: 223-2338
                                         LOC/MAIL STOP: ML10-2/A53

                                         MESSAGE ID: 5212077098

SUBJECT: DIVISIONS

Attached is a copy of Ken's memo on the above subject.

"TO" DISTRIBUTION:

GEORGE CHAMBERLAIN   AL CRAWFORD   JIM CUDMORE
BILL HANSON   BOB HUGHES   ED KRAMER
WARD MACKENZIE   IVAN POLLACK   JACK SHIELDS
PETER SMITH   JACK SMITH   KEN SWANTON

ATTACHED: MEMO;125

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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: WIN HINDLE   DATE: TUE 13 SEP 1983 12:37 PM EDT
                                         FROM: KEN OLSEN
                                         DEPT: ADMINISTRATION
                                         EXT: 223-2301
                                         LOC/MAIL STOP: ML10-2/A50

                                         MESSAGE ID: 5212077020

SUBJECT: COMMITTEE TO DISCUSS DIVISIONS AT SEPTEMBER WOODS

Please pick a group of people to form a one-time committee to make
recommendations on how we might form divisions. Pick approximately
twelve people who represent the appropriate parts of the Company, and
those who have been especially interested in divisons. It is not
important that any particular people be there and so if it is
inconvenient for someone, just pick someone else.

I would like the first meeting to be this coming Friday in the little
brown house, and then the second meeting for Thursday and Friday,
September 22 and 23, at Heald Pond, in Maine.

I am afraid that everyone has different views as to what forming
divisions will mean. I am afraid that they all feel it will take care
of all the problems and hang-ups they have had with the rest of the
organization. When it has been proposed in the past, it seemed clear
that those who wanted to form divisions felt that this way they could
be left alone to run things the way they wanted without cooperation or
coordination with anyone else in the Company and there would never be
any need to cooperate or compromise.

On the other hand, Bruce Henderson in his book, "On Corporate
Strategy", says that divisionalization is deadly to creativity and is
only suitable when a company is in a stable business and no new
activities and ideas are needed. He claims that corporate staff
completely and utterly stifle all creativity, originality and
boldness.

The difference between the dream people have in forming a division,
and Henderson's observation of what happens in a division, is reason
enough to get together for three days. Our original setting up of
product lines was very close to being divisionalized and we did things
very closely to the way Henderson suggests. We had a very simple
accounting that was presented each month that showed how each
"division" was doing. Even though the accounting was not absolutely
fair, and people were responsible for things they had no control over,
it was simple, quick, and everyone understood it.

The "division managers" were very economical, (and sometimes painfully
so), because they saw how every penny fit into their budget. They were
reasonably humble because they saw the results of every decision they
made and the Company was exceedingly profitable and fast-growing. It

was easy for me to show strong leadership because everyone saw how things fit together and each one thought they had control over their own destiny.

Without Bruce Henderson's help, I knew that it was important to stay in constant contact, and so we met once a week at the Operations Committee meeting, and for two days once a month at the WOODS meetings. The policies, attitudes, ethics, goals and long range plans were continuously transmitted this way.

In time the financial reporting became exceedingly complicated in an attempt to be fair. People didn't understand what they had. They didn't understand how the financial results tied with the decisions they made, and what happened when someone who was in complete control disappeared and the staff tried to institute controls to develop economies.

The humility that came with seeing the results of your work disappeared and a number of "division managers" developed a confidence in their own management skills. Many of them became very critical of the management skills of all the other managers. The value of the Operations Committee meetings and the WOODS meetings deteriorated seriously because so many members thought that they were the only smart ones, and that they alone were responsible for the Company's success. As individuals, it became clearer and clearer to them that cooperating with the less competent people in the Company, (which often included all their peers), was a serious affront to their position in the world of management. The result was that the Operations Committee meetings became quite unpleasant, as people sat through meetings, but refused to interchange or cooperate with others.

Most of these people have left, because I wasn't bright enough to see their genius, and because I was so unappreciative, (I expected them to cooperate with others in the Company.)

I will try to get copies of Henderson's book before the meeting.

I am convinced that clear, simple, (even though somewhat unfair because of its simplicity), accounting is the key to success. I am also convinced that Henderson is correct when he says that constant meeting and exchanging of goals, ethics, and ideas of the Company are important. It is also important that we consider all the factors and come to a common agreement before we set up divisions. If we don't, we will have people who do not cooperate with the rest of the Company, or, we will have a staff that destroys all creativity. Out of these meetings I would like to have a simple proposed list of statements of what our goals and methods of organization will be.

When we redid Europe a short time ago, I insisted, (I have probably lost it already), that the proposal from each country go right to Maynard without being edited, influenced or controlled by the staff in Geneva. This is absolutely inconceivable to staff members, but it is probably one of the secrets of making a division feel like a company. We might insist that each division give its yearly proposal, unedited and uncontrolled by the staff, directly to the Board of Directors, or, if we do edit, control or influence it, that the Board of Directors be given two versions. One reworked by the staff, and controlled with

wisdom and by all the things that staff does, and the original, as requested by the division. This way the original request of the division is always available, and particularly available to the Corporate Board of Directors as they look at the budget and plans for the coming year.

KHO:ml
KO2:S12.39

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TO: OPERATIONS COMMITTEE

cc: Ron Smart

Date: 4 JUNE 1982
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 develope 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 boundries.

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
KO1:S11.67

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

TO: AL BERTOCCHI   DATE: FRI 15 JUL 1983 12:55 PM EDT
                               FROM: KEN OLSEN
                               DEPT: ADMINISTRATION
                               EXT: 223-2301
                               LOC/MAIL STOP: ML10-2/A50

                               MESSAGE ID: 5206082060

SUBJECT: COMPANY DIVISIONS

                    C O N F I D E N T I A L

I am planning to have most of the Company reporting to six or so
divisions. In these divisions, accounting will be done for the
groups themselves and will be done locally. The only numbers
necessary for the central finance department will be very small
and will be mailed once a month or once a quarter. The
accounting will be done for the sake of the division with a few
of the by-product numbers available to the Corporation.

This is clear and I think it will orient our accounting and make
it very useful; however, it can easily be misunderstood. The
accounting is done, by and for, each division; however, it is
clear they all should do their accounting on the same computer
with the same software and all the accounts should be numbered
the same way and all the reports should look the same.

They run their own show, and they do it for their own use, but
they will be more closely watched by central finance than ever
before. They are not working for central finance and they are
not working to generate numbers for them, only to generate
numbers for their own use plus a little extra for headquarters
but there is going to be no prejudicing the numbers to make
things look good. They will be audited more carefully than ever.

Everything they do will be for their own sake; however,
everything they do will be an open book to the Corporation. I
have asked Pete Smith to prepare a proposal for a division. He
is motivated because he has the business potential and just does
not have the resources allocated to accomplish the things he
needs to do. I think he will do a good job and I think it is one
place in which the division will work out very well. However,
they do need help in this financial area. I think it would be a
good idea if you would personally get involved and help Pete. I
think this is the time when your personal leadership, in this
area, would be most effective because the pattern we set in
Pete's group will probably set the pattern for all future
divisions.

KHO:ep
KO2:S10.52

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: d : i : g : i : t : a : l :  INTEROFFICE  MEMORANDUM
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TO: WIN HINDLE   DATE: 12 SEPTEMBER 1983
                                     FROM: PETER SMITH
                                     DEPT: CAEM
                                     EXT.: 231-5160
                                     LOC/MAIL STOP: MR03-1/E8

SUBJECT: DIVISION PROPOSAL

The attached for your information is a proposal which I recently
gave to Ken and I would like to discuss with you sometime soon.

Regards.

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INTEROFFICE MEMORANDUM

TO: Ken Olsen

DATE: 11 August 1983
FROM: Peter Smith
DEPT: CAEM
DTN : 231-5160
LOC : MRO3-1/E8

RESTRICTED DISTRIBUTION

SUBJ: Division Proposal

Background:

The recent realignment of our Product Group and Area responsibilities
provided much-needed efficiencies in terms of geographic consolidation
of our operational activities and strategic focus on our key markets.
However, the process resulted in weakened linkages between marketing
and field implementation and left a significant gap in our strategic
investment decision process. Further, the realignment has not helped
us address the deteriorating linkages between the product development
and marketing functions.

Proposal:

It is now necessary to take the next step and, without sacrificing the
operational efficiencies we've gained, rebuild these important linkages
and drive our investment decision process. We propose a two-phased
"divisionalization" approach in order to accomplish this and assure:

   1. Strategic focus on investment allocation, with clear
       visibility of the return from that investment.

   2. Quick response (both in a marketing and product availability
       sense) to market and competitive change.

   3. Improved integration of market strategy with implementation
       programs.

   4. The proper external image in our key market segments.

The CAEM group proposes to provide leadership in this divisionalization
approach, as we believe that we offer an excellent testbed because:

   .   All of the above factors - our need to justify strategic
       investment, quick product response requirements, CAD/CAM
       Center implementation plans and our image of market commitment

for our customers and partners - are clearly critical to our continued progress.

.   A unique mix of high business potential and proven Corporate track record and strategy exists in this marketplace.

Phase I:

The "Phase I CAEM Division" (Attachment A) provides a vertical cut of Digital (along CAEM market lines) which:

.   Can orchestrate all functional activity required to meet goals.

.   Is measured in the same terms as you are.

Phase I does not require CAEM line reporting of all functional organizations but does assume measurement modifications to assure strong partnership relationships with key Central Engineering and Sales/ Service activities. Specifically:

1. Sales/Service

    Establish a partnership relationship where we would share the same goal set and:

    .   CAEM and the field would contract for hardware, software and service revenue.

    .   Agree on support services to be provided by marketing and the field.

    .   Selling costs, although not contracted for, would be reported after the fact for business model comparison purposes.

2. Engineering:

    Align the Distributed Systems and Workstations Central Engineering activity with CAEM, as these are the "most strategically important" to us because:

    1. Integration of applications, in very large part through our distributed computing philosophy, is the cornerstone of the CAEM strategy, and

    2. A leadership workstation product strategy must be inherently linked to our network/LAN capability.

CAEM would assume dual responsibility for:

A. Building a much more effective alignment between the CAEM marketplace and the product direction of these groups.

B. Corporate Base Product Marketing for these groups. ?

3. Manufacturing:

Through CAEM base product marketing activity, build partner-ship relationships between Distributed Systems and Workstation Engineering and Manufacturing as a function of new product cost/functionality requirements. Retain the recently established Field-to-Manufacturing operational link.

4. Measurement:

Measure CAEM effectiveness on TWO dimensions:

1. CAEM market penetration (volume of business) and business model return, including product and implementation costs and asset utilization.

2. Distributed Systems and Workstations product market share and return. ?

Phase II:

The "Phase II CAEM Division" (Attachment B) assumes Phase I implementation by other Marketing Divisions (Attachment D suggests some potential Central Engineering alignments) and:

. Directly organizes the Distributed Sytems and Workstations Engineering and Manufacturing activity around one strategic business plan and one reporting structure.

. Specializes the Field Sales and Services activity for the CAEM marketplace.

. Establishes a clear contractual relationship with the Sales/Service organization, and

. Assumes a stand-alone division measured as a separate entity:

    - By CAEM market volume and return which includes:

        . Product costs established through transfer pricing mechanism (including Manufacturing and amortized Engineering costs) between the "Marketing Divisions".

        . Direct marketing (application and base product) costs.

        . Field costs as contractually agreed.

Advantages:

Advantages of the phased approach include:

1. Could be implemented immediately without another major organizational disruption.

2. Allows us to rebuild important linkages with the Sales organization.

3. Provides a good counterbalance between market parochial and Corporate cross-market product direction priorities.

4. Provides flexibility if we decide Phase II emphasis should be product focused (not my recommendation), rather than market focused.

Implementation Issues:

- CAEM business plan proposal for Phase I and Phase II (in progress)

- Goal realignment for Sales/Services for CAEM

- Organization of true Workstation Engineering function.

- Organizational development of Distributed Systems and Workstation Base Product Marketing function

- Timing:
    - Other Marketing Divisions
    - Phase II

- Financial reporting system
    - CAEM market direction
    - Product return direction

I would look forward to your feedback and to further discussions.

lm
att.

ATTACHMENTS

A. Phase I CAEM Division

B. Phase II CAEM Division

C. Phase I - Phase II

D. Potential Marketing Divisions/Engineering Partners

PHASE I CAEM DIVISION

Manufacturing

Engineering
Dist. Syst.
Workstation

Partnership

Corporate
Base Product
Marketing

Other

Marketing

Divisions

Partnership

CAEM Strategy

CAEM "Division"

CAD/CAM
Centers

Agree on:
. Volume
. COB
  for CAEM

Services

Support

Support

Sales

Measurement:
. CAEM Market Share
. CAEM Return

Measurement

. Product Set
  Market Share
  Goals

. ROA of Product
  Set across
  Markets

PHASE II CAEM DIVISION

Engineering
Distributed Systems ←→ Manufacturing   Corporate   Sell   Other
Workstations   ←→   Base   ─────────────→
                                                  Product   Product   Marketing
                                                               at
           CAEM Strategy   CAEM "Division"   Transfer   Divisions
                                                               Price
                                                   ↕
 Service (CAEM Specific)   Buy
                                                  CAD/CAM ←─────────────
 Sales (CAEM Specific)   Centers

Measurement:
   .   CAEM Market Share
   .   CAEM Return

Attachment C

CAEM DIVISION DEFINITION

Function	Activity	Current Situation	Phase I	Phase II
Marketing	. CAEM Direction	Own	Own	Own
	. Base Product Marketing for:			
	. Dist. Systems	No	Own	Own
	. Workstations	Influence	Own	Own
Engineering	. CAEM Specific	Partnership	Own	Own
	. Distributed Systems	No	Partnership	Own ?
	. Workstations	Influence (VAXstation)	Partnership	Own ?
	. Corp. Research	No	Influence	Influence
Manufacturing	. New Product	No	Partnership	Own ?
	. Standard Product	No	No	Own for Dist. Systems & Worksta.
Sales	. CAEM Focus	No	Partnership	Partnership
Services	. SWS	Influence	Partnership	Contract ?
	. CSS	Influence	Influence	Contract
	. Ed Services	No	Partnership	Contract
	. Specialized CAD/CAM Centers	Partnership	Own	Own

Definitions:

o **Own:** Manage the people and resources - have full discretionary control.

o **Contract:** Agree annually on specific "intersection metrics", which become key measurement variables for both divisional and functional management. No direct control over people management or resource allocation within the function.

o **Influence:** Work with function on an idea-exchange basis; however, the function retains total discretion.

o **Partnership:** Essentially a combination of **Contract** and two-way **Influence**; i.e., there is a contract around quantitative metrics, but also joint problem-solving around key qualitative issues.

o **No:** Essentially no linkage.

Attachment D

POTENTIAL MARKETING DIVISIONS/ENGINEERING PARTNERSHIPS

CAEM   . Distributed Systems
                        . Workstations

OEM   . Semiconductor Engineering
                        . PDP-11

Large Sytems   . Large VAX/Clusters

Technical Group   . Small-Medium VAX

BOS   . Marcus Activity
                        . Human Engineering
                        . DECmate Development

PCG   . Low-End Development

Add-On Group   . Storage Systems

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TO: see "TO" DISTRIBUTION

cc: KEN OLSEN

Interoffice   Memo

DATE: TUE 13 SEP 1983 12:09 PM EDT
FROM: WIN HINDLE
DEPT: CORPORATE OPERATIONS
EXT: 223-2338
LOC/MAIL STOP: ML10-2/A53

MESSAGE ID: 5212076925

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WH:dc
WH1:S5.5

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PETER SMITH   JACK SMITH   KEN SWANTON

Jerry Butler
Bruce Osterberg

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Interoffice Memo

TO: see "TO" DISTRIBUTION

cc: KEN OLSEN

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DEPT: CORPORATE OPERATIONS
EXT: 223-2338
LOC/MAIL STOP: ML10-2/A53

MESSAGE ID: 5212077098

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Attached is a copy of Ken's memo on the above subject.

"TO" DISTRIBUTION:

GEORGE CHAMBERLAIN   AL CRAWFORD   JIM CUDMORE
BILL HANSON   ~~BOB HUGHES~~   ED KRAMER
WARD MACKENZIE   ~~IVAN POLLACK~~   JACK SHIELDS
PETER SMITH   JACK SMITH   KEN SWANTON

Jerry Butler
Bruce Osterling
ATTACHED: MEMO;125

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TO: WIN HINDLE   DATE: TUE 13 SEP 1983 12:37 PM EDT
                                  FROM: KEN OLSEN
                                  DEPT: ADMINISTRATION
                                  EXT: 223-2301
                                  LOC/MAIL STOP: ML10-2/A50

                                  MESSAGE ID: 5212077020

SUBJECT: COMMITTEE TO DISCUSS DIVISIONS AT SEPTEMBER WOODS

Please pick a group of people to form a one-time committee to make
recommendations on how we might foe parts of the Company, and
those who have been especially interested in divisons. It is not
important that any particular people be there and so if it is
inconvenient for someone, just pick someone else.

I would like the first meeting to be this coming Friday in the little
brown house, and then the second meeting for Thursday and Friday,
September 22 and 23, at Heald Pond, in Maine.

I am afraid that everyone has different views as to what forming
divisions will mean. I am afraid that they all feel it will take care
of all the problems and hang-ups they have had with the rest of the
organization. When it has been proposed in the past, it seemed clear
that those who wanted to form divisions felt that this way they could
be left alone to run things the way they wanted without cooperation or
coordination with anyone else in the Company and there would never be
any need to cooperate or compromise.

On the other hand, Bruce Henderson in his book, "On Corporate
Strategy", says that divisionalization is deadly to creativity and is
only suitable when a company is in a stable business and no new
activities and ideas are needed. He claims that corporate staff
completely and utterly stifle all creativity, originality and
boldness.

The difference between the dream people have in forming a division,
and Henderson's observation of what happens in a division, is reason
enough to get together for three days. Our original setting up of
product lines was very close to being divisionalized and we did things
very closely to the way Henderson suggests. We had a very simple
accounting that was presented each month that showed how each
"division" was doing. Even though the accounting was not absolutely
fair, and people were responsible for things they had no contrderstood it.

The "division managers" were very economical, (and sometimes painfully
so), because they saw how every penny fit into their budget. They were
reasonably humble because they saw the results of every decision they
made and the Company was exceedingly profitable and fast-growing. It

- 2 -

was easy for me to show strong leadership because everyone saw how things fit together and each one thought they had control over their own destiny.

Without Bruce Henderson's help, I knew that it was important to stay in constant contact, and so we met once a week at the Operations Committee meeting, and for two days once a month at the WOODS meetings. The policies, attitudes, ethics, goals and long range plans were continuously transmitted this way.

In time the financial reporting became exceedingly complicated in an attempt to be fair. People didn't understand what they had. They didn't understand how the financial results tied with the decisions they made, and what happened when someone who was in complete control disappeared and the staff tried to institute controls to develop economies.

The humility that came with seeing the results of your work disappeared and a number of "division managers" developed a confidence in their own management skills. Many of them became very critical of the management skills of all the other managers. The value of the Operations Committee meetings and the WOODS meetings deteriorated seriously because so many members thought that they were the only smart ones, and that they alone were responsible for the Company's success. As individuals, it became clearer and clearer to them that cooperating with the less competent people in the Company, (which often included all their peers), was a serious affront to their position in the world of management. The result was that the Operations Committee meetings became quite unpleasant, as people sat through meetings, but refused to interchange or cooperate with others.

Most of these people have left, because I wasn't bright enough to see their genius, and because I was so unappreciative, (I expected them to cooperate with others in the Company.)

I will try to get copies of Henderson's book before the meeting.

I am convinced that clear, simple, (even though somewhat unfair because of its simplicity), accounting is the key to success. I am also convinced that Henderson is correct when he says that constant meeting and exchanging of goals, ethics, and ideas of the Company are important. It is also important that we consider all the factors and come to a common agreement before we set up divisions. If we don't, we will have people who do not cooperate with the rest of the Company, or, we will have a staff that destroys all creativity. Out of these meetings I would like to have a simple proposed list of statements of what our goals and methods of organization will be.

When we redid Europe a short time ago, I insisted, (I have probably lost it already), that the proposal from each country go right to Maynard without being edited, influenced or controlled by the staff in Geneva. This is absolutely inconceivable to staff members, but it is probably one of the secrets of making a division feel like a company. We might insist that each division give its yearly proposal, unedited and uncontrolled by the staff, directly to the Board of Directors, or, if we do edit, control or influence it, that the Board of Directors be given two versions. One reworked by the staff, and controlled with

wisdom and by all the things that staff does, and the original, as requested by the division. This way the original request of the division is always available, and particularly available to the Corporate Board of Directors as they look at the budget and plans for the coming year.

KHO:ml
KO2:S12.39

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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
+----------------+
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TO: OPERATIONS COMMITTEE

cc: Ron Smart

Date: 4 JUNE 1982
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 develope 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 boundries.

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
KO1:S11.67

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

TO: PMC:

DATE: TUE 13 SEP 1983 11:58 AM EDT
FROM: DICK FARRAHAR
DEPT: MKTG/F&A PERSONNEL
EXT: 251-1336
LOC/MAIL STOP: CF02-3/C21

MESSAGE ID: 5212077777

SUBJECT: DIVISIONAL PERSONNEL MANAGER

Could I have any inputs to this draft of Divisional Personnel Manager.

**** RESTRICTED DISTRIBUTION ****

**** D R A F T ****

Role of Divisional Personnel Manager

o   Divisional Personnel Manager should understand and
    actively participate in the management of the total
    business that includes understanding products, channels,
    markets, P&L structure, competition etc.

o   Divisional Personnel Manager will provide the Corporation
    as a whole with periodic reports on the state of the
    business from a people and organizational perspective.

o   Divisional Personnel Manager will provide the division
    with a bridge to the rest of the Corporation on people
    and organizational issues through the Personnel function.

o   Divisional Personnel Manager will translate business
    directions and needs into a human resource plan, so that
    appropriate people and organizational needs will be
    planned and provided. This includes assuring that all
    Personnel activity will be provided for either directly
    or through the Site Personnel Organization.

o   Divisional Personnel Manager will provide consulting on
    individual and group issues.

o   The Divisional Personnel Manager will report to the
    Divisional V.P. and through the Personnel Management
    Committee.

    Divisional Personnel Manager --- Level 15

13-SEP-83 17:28:07 S 05815 CLEM
CLEM MESSAGE ID: 5212013734

TO: OPERATIONS COMMITTEE:

DATE: WED 1 DEC 1982 5:55 PM EDT
FROM: JACK SHIELDS
DEPT: FIELD OPERATIONS
EXT: 276-9890
LOC/MAIL STOP: OG01-2/R12

MESSAGE ID: 5183409922

SUBJECT: MARKETING IN THE NEW DIGITAL

I'd like to make a few observations about marketing in The New
Digital. I'll start with the disclaimers that I may suffer from
Miles' Law, and my comments are meant to be constructive.

We have a dilemma. We want better, higher quality marketing. We
feel we spend too much for what we get. In order to get better
focus on marketing, we needed to restructure. As we restructure,
a power loss is perceived as Profit and Loss moves. In order to
keep people motivated (to do good marketing) we have an inherent
resistance to change. (We need to keep the old marketing groups
intact). If we keep all the old marketing groups intact, we
don't have funds to create new groups and exploit the growth
opportunities in markets we can clearly identify. Therefore, the
structure change didn't really get us anything. So why did we
change anyway?

The results are clear. Confusion, frustration, and perceived
power loss without compensating new opportunities. We need to
break the cycle! We started in Maine, and Bob Hughes' new group
clearly addresses a major growth opportunity. Andy's well on his
way.

We've taken major steps in the rationalization of value-added and
non-value-added resellers. We have great people, full of energy,
working in areas where I question the payback. This is not meant
to demean any group, but rather to make the observation that a
smaller group of people might be able to provide our marketing
needs in some of our more industry-oriented marketing areas while
we could create new opportunities by the formation of new groups
in both the industry-oriented and applications-oriented market
segments. We have enormous needs and opportunities, and I fear
we'll miss the chance if we don't break the cycle soon. This
week we created an add-on product group, and we're generally
receptive to the creation of an after-market product group (a $1
billion opportunity and a number of big, important jobs).

We need an AI focus; we need a network focus; we need a banking
focus; we need a telecommunication focus. We need factory
applications, education applications, etc.

I fear that if we ask the field to input along the old market
group lines, we'll just continue to reinforce what we have. I
sense a fear to ask the value added question and exploit the base
product marketing concept. We still tend to slide back to our

older, more comfortable structure rather than redirect our
valuable marketing resources. Yet each of us knows that
marketing groups must change and evolve, and create new and drop
old focii. (The buggy whip analogy).

Can we talk about this at the next WOODS.

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Divisions

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

TO: DON GAUBATZ
    MANAGEMENT COMM:
    JOEL SCHWARTZ

DATE: WED 27 APR 1983   9:45 AM DST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5198151003

SUBJECT: RATIONALIZING THE COMPANY

****CONFIDENTIAL****

We cannot have everyone selling everything, everywhere and expect salesmen and customers to understand. In Europe they begged me to sort things out for them. They said, "Do not make any more products but help us market what we have and give us a party line that separates our products and our market groups." The parting shot at almost each country was, "Stay out of product development and get some marketing for us."

I would like to break the company into three pieces, and I would like to decide this soon so that we can take it into account at the May Woods meeting, and simplify the P&L of each product group.

I - MARKETING GROUPS

   a.   The OEM group would include TOEM and COEM which are like TOEM's. They would sell 11's and VAX's to OEM's that do not compete with our end user strategies.

   b.   End-users would stake out certain applications and certain markets and have a simple straight forward product line that would offer solutions to specific markets. These would be our end user strategies.

   c.   Resellers, which would include non-Digital Stores, Distributors, Micro Dealers, and COEM's who are just resellers, competing directly with our end user strategies. We would sell them industry standard products.

II - PRODUCTS

   a.   OEM group would sell LCP5, LCP8 with Micro VAX and Aztec, and LCP boxes, and 19" racks.

   b.   End users still sell everything but the sales thrust and the solutions will be offered on 11's and VAX's and a

Q-Box.

When we offer our products to OEM's they will have
priority higher than our end users (this is one of the
reasons for not selling disks to OEM's). We probably
will have to give our resellers and OEM's the highest
priority for the AZTEC, and make do with whatever we can
for the end user. This might mean buying out an 8"
Winchester and an 8" streamer tape.

c.   Resellers will sell Rainbows and Crossbows. The Crossbow
     is a machine that plays Rainbow software, UNIX software,
     and takes care of multi-user UNIX, and maybe multi-user
     CPM, and uses AZTEC disks. Crossbow probably should be
     on Q-bus.

III - ENGINEERING

a.   Micro's and products for OEM's will be done in the
     present group doing the work.

b.   Engineering for the end user will be done in a new group
     specializing in just those pieces needed for end users
     solutions.

c.   The Rainbow group will do the engineering for the
     resellers.

To simplify the decision, I propose, that for this approximation,
we do not discuss the status of the Professional, DECmate,
Terminals and the full size VAX.

KO2:S8.6

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TO: KEN OLSEN　　　　　　　DATE: FRI 10 JUN 1983 9:38 AM DST
    JACK SHIELDS　　　　　　FROM: WIN HINDLE
    *JACK SMITH　　　　　　　DEPT: CORPORATE OPERATIONS
　　　　　　　　　　　　　　　EXT: 223-2338
　　　　　　　　　　　　　　　LOC/MAIL STOP: ML10-2/A53

　　　　　　　　　　　　　　　MESSAGE ID: 5202570663

SUBJECT: DIVISIONS - SOME THOUGHTS

　　　　　R E S T R I C T E D   D I S T R I B U T I O N

1. Terminals

        Objective: Sell all the IBM ports.

        Terminals Division Manager - Hanson, Esten, ? *Puffer -*

            Marketing - Art Campbell

            Engineering - Bill Avery

            Manufacturing - ?

        Comments: Easy to do.

*Win
Where would you ?
see Bob Puffer

Jack*

2. Resellers

        Objective: Get all the industry standard personal
                    computer business.

        Division Manager - Jim Cudmore

            Marketing - Joel Schwartz

            Engineering - Barry James Folsom

            Manufacturing - Paul McGaunn

        Comments: Engineering Group must design industry standard
                   personal computers for sale direct to end-users
                   as well as for sale through resellers.

3. Business and Office Systems Division

        Objective: Get Significant market share:

            a) in office systems.

            b) in business systems for small and medium
                sized companies.

Division Manager - ?

    Office Marketing - Henry Ancona

    Business Marketing - Bob Hughes

    Engineering - Julius Marcus

    No Manufacturing

Comments: An alternative would be two separate divisions, one for office and one for business, but then we would have to split engineering. The advantage in a division is that we will have one plan that is integrated and one person responsible. It may be possible for us to have one plan without creating a division. The June WOODS should be a good indication of whether this is happening.

4. OEM Division

Objective: Stay number one in the computer OEM business.

Division Manager - Ward MacKenzie

    Marketing - Jack MacKeen

    Engineering - Mike Gutman

    No Manufacturing.

Comments: VAX will become more and more important to the OEM business, but will not be part of the Division.

My Summary: Do 1 and 2 soon, hold on others while we learn how to do it well.

WH:dc

WH1:S4.37

10-JUN-83 12:39:00 S 03443 CORE
CORE MESSAGE ID: 5202524415

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INTEROFFICE MEMORANDUM

SEP 21 1983

TO: Bill Steul

CC: Al Bertocchi
      Win Hindle

DATE: 9/21/83 Wed 14:14:22
FROM: Dave Packer
DEPT: Corp. Financial Plng. & Analysis
EXTN: 223-7487
LOC: MSO/L16

SUBJECT: DIVISION COMMENTS

Here, as you requested, are a set of comments relating to our "divisionalization." They reflect my biases.

GOALS

o Main goal is to subdivide company into a set of business entities that can be viewed separately and for which the top manager can feel he is responsible for overall performance.

o Then business entities should focus on non-overlapping areas of major strategic significance to our -future, broadly enough defined to encourage innovation and adaptation to technological or market change (Transportation business vs Railroad business).

o Each entity should be measurable by basic measures, be as independent as possible (but not necessarily totally independent) and directly manage as many resources as makes sense (but certainly not all resources).

PRIMARY UNITS

o Without going into detail, I think most or all divisions should be market based — Ward's list is probably close to right and is also in tune with our historic development. Several specifics:

  - OEM should be a division, serving this significant customer base with a unique cost structure, etc.
  - Reseller and distributor probably should be a division, but this is more questionable for non-value added channels. Needs discussion!
  - Customer services should be a division — it is so cohesive and strong that dividing just doesn't seem reasonable now. However, we must be able to understand its profit contribution to other markets for proper goal setting of market-oriented divisions.

CONTENT OF DIVISIONS/CORPORATION

o Division content should, initially, consist of the following:

- Division Management
- Marketing
- Direct Advertising & Sales Promotion
- Market-driven engineering
  Engineering activities primarily driven by customer wants and needs, unique and vital to capturing the market. Specifics: Applications software, unique hardware
- Manufacturing unique to the division (if any)

Initially some divisions may have no engineering or manufacturing, but we would expect movement in this direction over time.

o Engineering, particularly, should be given to Divisions <u>wherever possible</u>.

Divisions would contract with Corporate functions to provide shared resources.

o Corporate Content

- Corporate Management
- Research and Engineering, technology-driven R&D
- Field Operations - Geographic management
- Sales function, contracted out to divisions (Volumes/Cost)
- Manufacturing; Worldwide, low cost, high quality producer
- Corporate Advertising; Image advertising, initially reviews and coordinates to Division campaigns

o General. I think it's most important to have a clear concept that says "We want to split things up so as to have a clear set of self-motivated businesses, with an increasing amount of direct control over time, and to retain vital coordination activities where critical." Set up a spirit where people's creativity is focused on making <u>this</u> happen, and we might be surprised how much change occurs.

o Create an environment where functions will be motivated to align with divisions wherever possible.

SIZE

o My bias (stemming from living through DEC's growth) is that 300-500M is the right <u>maximum</u> size. The trade off here is size vs too narrow segmentation. I assume we would end up with a variety of sizes, and get some experience about the trade offs.

RESPONSIBILITIES

o Basic concept must be that Divisions have complete business responsibility. A little compromise on this probably hurts a whole lot.

o I think this should encompass both short term "tactical" and long term "strategic." (The split just won't work, and certainly isn't like "running your own company.")

o Functions have complete goal congruence, and are measured on their achievement of plan, which is the sum of division plans.

o Order administration, credit and collections, short-term manufacturing interface remains with field -- customer-account focus.

o This looks a lot like the Consumer Product Management function, so we know it can work well!

PLANNING PROCESSES

o Given that Field, much Engineering, and much Manufacturing remains functional, need planning process to tie everything together.

o Basic planning process should singlemindedly focus on division plans to capture markets and with strategies necessary to do so. Top management focuses on proposed Division strategies and plans, and makes major resource allocation decisions from this perspective.

o Output is marching orders for functions. Given a smaller number of Divisions, this is doable, although in early stages functional/Division interface processes will be difficult.

o Technology-driven engineering might be only other focus, since by definition this is a separable item. (From Divisions point of view this is like basic R&D.) Maybe a separate process - Divisions plan based on known 3-5 year Product Strategies; the R&D plan focuses on 5-10 year strategies. (This interface is the most difficult to reconcile with independent divisions).

MEASUREMENT

o Divisions are measured on all aspects of overall business performance, centering on:

- Achievement of Strategic objectives
- Market Share
- ROA

o Goal Setting incorporates impact of Service profitability; while maintaining Service as a division, we must be able to understand its impact on other market-oriented divisions so that

- the right profit/ROA goals can be set
- meaningful competitive comparisions can be done

o Division measurement focus should encourage and reward longer term (2-5 year) performance and somehow strongly encourage "strategic" results.

o Functional measurement focus is on meeting goals, productivity, quality, and effectiveness.

GOALS OF THE NEW ORGANIZATION

1. ## COMPATIBILITY

       MAINTAIN EXISTING CUSTOMERS

       RECEIVE FEEDBACK FROM USERS

       UNDERSTAND TRADE-OFFS BETWEEN:

           COMPATIBILITY - (INTERCONNECT, NETWORKS, AND O/S)

            AND

           TIME TO MARKET

GOALS OF NEW ORGANIZATION

2. ## RISK TAKING AND ACCOUNTABILITY

    ENCOURAGE RADICAL NEW PRODUCT AND MARKET SOLUTIONS

    HAVE ONE INDIVIDUAL RESPONSIBLE FOR EVERY INVESTMENT

    RESPONSIBILITY AND ROI GO TOGETHER

    BUSINESS PLANS AS MEASUREMENTS

GOALS OF NEW ORGANIZATION

3. ## PRODUCT AND MARKET FOCUS

   PRODUCT AND MARKET FOCUS EQUALLY IMPORTANT

   BUSINESS PLAN FOR EACH DIMENSION

   PRODUCTS ARE ACCOUNTED FOR BY ULTIMATE USE REGARDLESS OF CHANNEL

LONG TERM GOALS - - NINE DIVISIONS (DIVISION = BUSINESS PLAN)

FIVE PRODUCT DIVISIONS

    O TWO SYSTEMS DIVISIONS (TOTALING 100%) (INCLUDES MARKETING)

        LARGE SYSTEMS

        SMALL SYSTEMS

    O THREE COMPONENTS DIVISIONS (INCLUDES MANUFACTURING)

        STORAGE

        SEMICONDUCTORS

        TERMINALS

FOUR MARKET DIVISIONS (TOTALING 100%) (INCLUDES APPLICATIONS
ENGINEERING)

    O CAD/CAM

    O EDUCATION AND RESEARCH

    O SMALL BUSINESS AND INDEPENDENT PROFESSIONAL

    O COMMERCIAL

        DATA PROCESSING, WORD PROCESSING,

        TRANSACTION PROCESSING, OFFICE AUTOMATION

THE FIELD

1. MARKET AND PRODUCT DIVISIONS DO NOT INCLUDE FIELD OPERATIONS

2. FIELD SHOULD MANAGE -

   OEM CHANNEL MARKETING

   INDUSTRY MARKETING (INCLUDING GOVERNMENT DIVISION)

   SERVICE BUREAU MARKETING

   DISTRIBUTION CHANNELS MARKETING (INCLUDING RESELLERS)

NON ALIGNED FUNCTIONS

1. IMPORTANT BUT HARD TO QUANTIFY BUSINESS PLAN

   ENGINEERING - NETWORKS

   CLUSTERING

   SYSTEMS SOFTWARE

   INTERCONNECT

   MARKETING - ARTIFICIAL INTELLIGENCE

   COMMUNICATIONS

2. ORGANIZE WITH MOST RELEVANT DIVISIONS (I.E. CLUSTERING WITH
   LARGE SYSTEMS DIVISION)

GOALS OF THE NEW ORGANIZATION

TECHNICAL COMPATIBILITY

TECHNICAL COMPATIBILITY IS IMPORTANT. CUSTOMERS SHOULD BE ABLE
TO MODERNIZE (NETWORKING).

EXISTING CUSTOMERS MUST BE MAINTAINED.

FEEDBACK FROM THE USERS (E.G. DECUS) IS IMPORTANT.

IF THERE IS A TRADE OFF BETWEEN COMPATIBILITY AND TIME TO MARKET,
THE BUSINESS PLAN SHOULD PRESENT THE OPTIONS AND A CONSCIOUS
DECISION SHOULD BE MADE.

THE MAJORITY OF DEC'S REVENUES WILL CONTINUE TO COME FROM
EXISTING CUSTOMERS.

GOALS OF THE NEW ORGANIZATION

RISK TAKING AND ACCOUNTABILITY

INDIVIDUALS SHOULD BE ENCOURAGED TO PROPOSE RADICAL NEW SOLUTIONS FOR BOTH PRODUCTS AND MARKETS.

SOMEONE SHOULD WORRY ABOUT WHETHER OR NOT AN INVESTMENT MAKES MONEY. WE MUST GET PEOPLE TO FEEL RESPONSIBLE FOR CERTAIN SECTIONS OF A STRATEGY AND ALSO THE ENTIRE STRATEGY.

RESPONSIBILITY SHOULD RELATE TO ROI. INDIVIDUALS SHOULD "THINK OF THE COMPANY". THERE SHOULD BE A WILLINGNESS TO TAKE RISKS IF PEOPLE HAVE CONTROL OVER A SITUATION.

CORPORATE, INSTEAD OF FUNCTIONAL TRADE-OFFS SHOULD BE ENCOURAGED.

WHOEVER PROPOSES THE BUSINESS PLAN SHOULD BE MEASURED ON IT.

GOALS OF THE NEW ORGANIZATION

PRODUCT AND MARKET FOCUS

A PRODUCT FOCUS IS IMPORTANT. PRODUCTS SHOULD BE CONSIDERED IN TERMS OF ROI AND IN TERMS OF THE ENTIRE CORPORATION.

A PRODUCT FOCUS IS EQUALLY AS IMPORTANT AS A MARKET FOCUS. EACH SHOULD ADD UP TO 100%. THE END USE OF THE PRODUCTS SHOULD BE ACCOUNTED FOR.

DETAIL ON MARKET DIVISIONS

CAD/CAM

      MANUFACTURING AND ENGINEERING

      PRODUCTION/DESIGN

      TECHNICAL (BACK OFFICE)

      MAKES MONEY

COMMERCIAL

      FRONT OFFICE

      OFFICE

      ORDER PROCESSING

      WORD PRCESSING

      TRANSACTIONS

      DATA PROCESSING

      FINANCE

      PERSONNEL

      BANKING

      COUNTS MONEY

EDUCATION

      INSTRUCTION

      RESEARCH

SMALL BUSINESS AND INDEPENDENT PROFESSIONALS

      'NEW' ACCOUNTS/BUSINESS

DETAIL-PRODUCT DIVISIONS

SYSTEMS

LARGE SYSTEMS

    VENUS

    NAUTILUS

    DEC-20

SMALL SYSTEMS

    RAINBOW

    DECMATE II

    11'S

    MICROVAX FAMILY

    WORKSTATIONS AND THE PRO

COMPONENTS

STORAGE

    DISKS

    TAPES

    MEMORIES

SEMICONDUCTORS

    CHIPS

TERMINALS

    LA220 ETC.

SKILLS

DIVISION MANAGERS AS GENERAL MANAGERS

MARKET DIVISIONS SET STRATEGY

THEREFORE

TOTAL CHANNEL MANAGEMENT IN THE FIELD

EXPENSES MUST BE MANAGED WITHIN PROFIT PLANS

SLIDES

SIX SUMMARY SLIDES

    1-3   GOALS OF THE NEW ORGANIZATIONS

       1   TECHNICAL COMPATIBILITY

       2   RISK TAKING AND ACCOUNTABILITY

       3   PRODUCT AND MARKET FOCUSES

    4 LONG TERM GOAL--NINE DIVISIONS

    5 THE FIELD

    6 NON ALIGNED FUNCTIONS

SIX BACKUP SLIDES

    1-3   DETAIL ON GOALS OF THE NEW ORGANIZATION

       1 TECHNICAL COMPATIBILITY

       2 RISK TAKING AND ACCOUNTABILITY

       3 PRODUCT AND MARKET FOCUSES

    4 DETAIL-MARKET DIVISIONS

    5 DETAIL-PRODUCT DIVISIONS

    6 SKILLS

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