

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

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TO: See Below

Subject: ROLES AND RESPONSIBILITIES DOCUMENT

This is the latest updated version. The measurements will change based on the final outcome of Jack Smith's committee's work. I did not attempt to change them because the outcome is not clear.

I've added a page called compensation at Pier Carlo's request. It will need more work, which I plan to attempt next week. You will get a revised page.

Please forward any updates/inputs to me.

Thanks,

Don

DZ:mo

Distribution:

TO: PIER CARLO FALOTTI	(PAPER MAIL)
TO: DAVE GRAINGER	(PAPER MAIL)
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WORK

- Get orders by Plan and contract by Business Unit
- Primary interface to customers
- Identifies and deploys resources in Sales and Support necessary to close the order
- Provides feedback to the appropriate DCC and the Service Groups on the competitiveness of Digital's offerings

MEASUREMENT

	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
REVENUE					
- Orders	X				
- Backlog		X			
- Net Revenue		X			
- 8 QVP			X		
- Revenue by Class of Customer			X		
- Return on Responsibility				X	X
- Account Plans				(Semi-Annual) X	
- Return on Sales Investment (people, capital, space)					X
RESOURCE UTILIZATION					
- Resources deployed (cost of sales, allowances)		X			
- Direct Field costs vs plan		X	X		
- Account market share				X	

WORK

- Deliver Service Products by Service Business Units
- ~~Achieve market share by Business Unit~~ *achieve Revenue Contribution Plan*
- Achieve market share by Business Unit
- Achieve customer satisfaction
- Implement total service delivery strategy as defined in the Business Unit Plan
- Provide demand/customer requested orders for Add-ons, Supplies, etc. (except Europe)

MEASUREMENT

	<u>Monthly</u>	<u>Forecast and Actual by Quarter</u>	<u>Full P&L Annually</u>
Service Revenue/Total	X	X	X
Service Expense/Total	X	X	X
Service Revenue/Line of Business	X	X	X
** Service Expense/Line of Business	X	X*	X
Direct Margin	X		
Customer Satisfaction/Account			X
Assets Performance to Plan (Capital, Inventory)		X	X

* Direct margin and budgeted levels for "non-controllable" costs except where exceptions ($\pm 5\%$) occur at the subsidiaries.

** Service expense monthly to direct margin line.

IMPLICATIONS

WORK

- Create the plans to target market/accounts to achieve the revenue, growth and contribution
- Orchestrate different functions (Sales, Customer Services, local Engineering, cross-functional Support) to achieve all Geography goals versus plan
- Manage common resources to meet plan
- Set country prices
- Report/escalate any major differences to plan (±5%)

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
FINANCIAL				
- Total Revenue and Contribution vs Plan	X			
- Revenue and Direct Margin by Business Unit	X	X		
- Progress toward long range goals			X	
- Return on Investments				X
MARKET				
- Revenue vs Plan	X			
- Revenue by Business Unit vs. Plan	X	X		
- Market share growth by customer group			X	
- Revenue mix (products, applications, and services)			X	
- Customer Satisfaction			X	
- Progress against plans to increase Digital's market presence			X	
- Progress against plans to implement new businesses				X

WORK

- Create, deliver competitive service products
- Initiate/manage start-up of new Lines of Business
- Achieve revenue, contribution plan for each line of business.
- Monitor Geography progress versus plan
- Take all action necessary to either make plan or approve modified plan

MEASUREMENT

	<u>Monthly</u>	Forecast and Actual <u>by Quarter</u>	<u>Annually</u>	<u>Periodically</u>
Service Revenue/Line of Business	X	X	X	
** Service Expense/Line of Business	X	X *	X	
Direct margin by LOB				
Customer Satisfaction			X	
Asset Performance to Plan (Capital, Inventory)		X	X	
<i>ie full P+L</i>		X		
Introduction/Success of New Line of Businesses				X

* *Direct margin and budgeted levels for "non-controllable" costs except where exceptions ($\pm 5\%$) occur at the subsidiaries.*

** *Service expense monthly to direct margin line.*

IMPLICATIONS

- Services would be directly involved in any business which involved multiple year commitments.

me
 ① Influence
 C/E 25%
 ② Create
 sales ties

WORK

- Create the plan for a particular class of customers
- Create/deliver marketing programs
- Applications acquisition and development
- Selection/management of partners (CMP's, SCMP's, etc.) ③
- Deliver applications according to Plan - (Time to Market)
- Provide appropriate training for the DCC's and Sales

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>
Get Field Plans in place			X
Help Field set CERTS Plans			X
Advice Package			X
DCC Metrics <i>- share - mg</i>		X	
Applications Development/Acquisition Including ISVs vs Plan			X
Number of Units <i>- licenses</i>		X	
Sales Support <i>- closer took them 1 yr.</i> (Number, Quality, Responses)			X
MARCOM			X
Market Share vs Plan		X	X <i>early</i>
Direct Expenses <i>- sales - mktg - support - mg</i>		X	X
CERTS / Revenue Actual	X	X	X

IMPLICATIONS

- More International focus, less on U.S. only
- No P&L *- wrong*
- Each account assigned to only one applications group -- order coding is unnecessary *- except mg*

LIST OF APPLICATIONS GROUPS

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SERVICES:

Steel

- Banking
- Insurance
- Media
- General Services

MANUFACTURING

- Electronics
- Industrial/Discrete
- Industrial/Process
- Consumer Products (SDS)

PUBLIC SECTOR / GOVERNMENT

- Education
- Medical
- State and Local Government
- U.S. Government - *Federal*
- LAB/Science

GENERAL BUSINESS

- Eichen

- Small Business
- Commodities
- Supplies

TELECOMMUNICATIONS

- BJ.

- Telecommunication Equipment Providers
- Telecommunication Suppliers

CROSS-CUSTOMER CLASS / SOFTWARE

- changing

- Information Systems
 - Office, Information Systems (OIS)
 - Electronic Publishing
 - Network Applications Services (NAS)
- Tools
 - Operating Systems
 - Languages
- Applications
 - Financial Accounting Business Systems (FABS)
 - Computer Aided Software Engineering (CASE)

image

me

WORK

- Develop competitive systems strategies and plans
- Market base systems as solution platforms
- Propose base systems pricing
- Organize Sales and Sales Support product training
- Deliver Products as per Plan / *cost / time*
- Deliver Products which are externally competitive

MEASUREMENT

	<u>Quarterly</u>	<u>Annually</u>	<u>As Appropriate</u>
Products			X
- Competitiveness			
Business Plan:			
- Revenue Growth		X	
- Marketshare		X	
- Direct Contribution \$		X	
Direct Expenses	X		
Quality of Field Training		X	

all PBU metrics as well

IMPLICATIONS

- No direct involvement in forecasting revenue
- CPU development viewed as a "component" activity
↳ false

me

WORK

- Deliver components according to the Plan
- Deliver components that are externally competitive

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
New Product Introduction Schedule vs Plan	X			
Major Product Success				
- Manufacturing Volume		X		
- Manufacturing Cost		X		
- Quality		X		
vs Plan				
Product Family				
- Business Performance				
- Market share			X	
- Component P/L			X	
- Competitive Benchmarks (functions, performance, cost, reliability, cost of ownership, etc.)			X	
Sales Assessment of Competitiveness of Product Family, and Quality of Product Training and Sales Support			X	
Direct Expenses		(X)		

IMPLICATIONS

- Increased focus on New Product introduction (monthly vs quarterly reviews)
- Retrospective analysis of PBU performance leads to elimination of quarterly PBU reporting. Facilitates annual PBU review before review of new PBU investment proposals
- No engineering involvement in volume planning therefore eliminates conflicting messages to manufacturing with reference to capacity, (except for new products)

WORK

- Competitively produce and deliver products to customers
- Meet quality and completeness standards

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
● Quality	X			
● Schedule Performance	X			X
● Benchmarked Productivity		X	X	
● Benchmarked Inventory Turns		X	X	
● Return on Investments				X
● Measure Long Term Quality at Customer Site		X	X	

IMPLICATIONS

- Major shift in focus from year to year improvement to meeting competitive benchmark to "best in class"
- Product competitiveness more focused on joint ownership by Manufacturing and Engineering



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Business Plan & Timeless Model	S	G	B.U.
● Unique Business Unit Methods and Procedures	S	S	B.U.
● Staffing Decisions	S	G	B.U.
● Training and Development Programs	S	S	B.U.
● Budget Approval & 8 Quarter P&L	S	G	B.U.
● Investments and Tradeoffs for the Geography by Business	S	G	B.U.

KEY:

B.U. = *Business Unit*

S = *Shared*

G = *Geography Management*



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Capital Spending	S	G	B.U.
● Assets	S	G	B.U.
● Product/Service Offerings	S	G	B.U.
● Pricing	S	G	G
● Business Practices	S	G	S
● Deal Making	G	G	G
● Account Management	G	G	G

KEY:

B.U. = *Business Unit*

S = *Shared*

G = *Geography Management*



Responsibility and Accountability to Manage Corporate and International Accounts

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Special Pricing	S *	3G	3G
● Business Practices	S	3G	3G
● Deal Making	S	3G	3G
● Communications	G	3G	G
● Account Management	G	3G	G
● Account Investments and Tradeoffs for LOB	G	3G	G

* For pricing which involves more than one Geography,
the Responsible Geography Managers must be involved.

KEY:

- G = Geography Manager
- 3G = the three Geography Managers
- S = Account Manager and Geography Managers



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Salary Review and Stock for ^{Service} Geography Manager _{Define}	S	S	B.U.

KEY:

B.U. = *Business Unit*

S = *Shared*

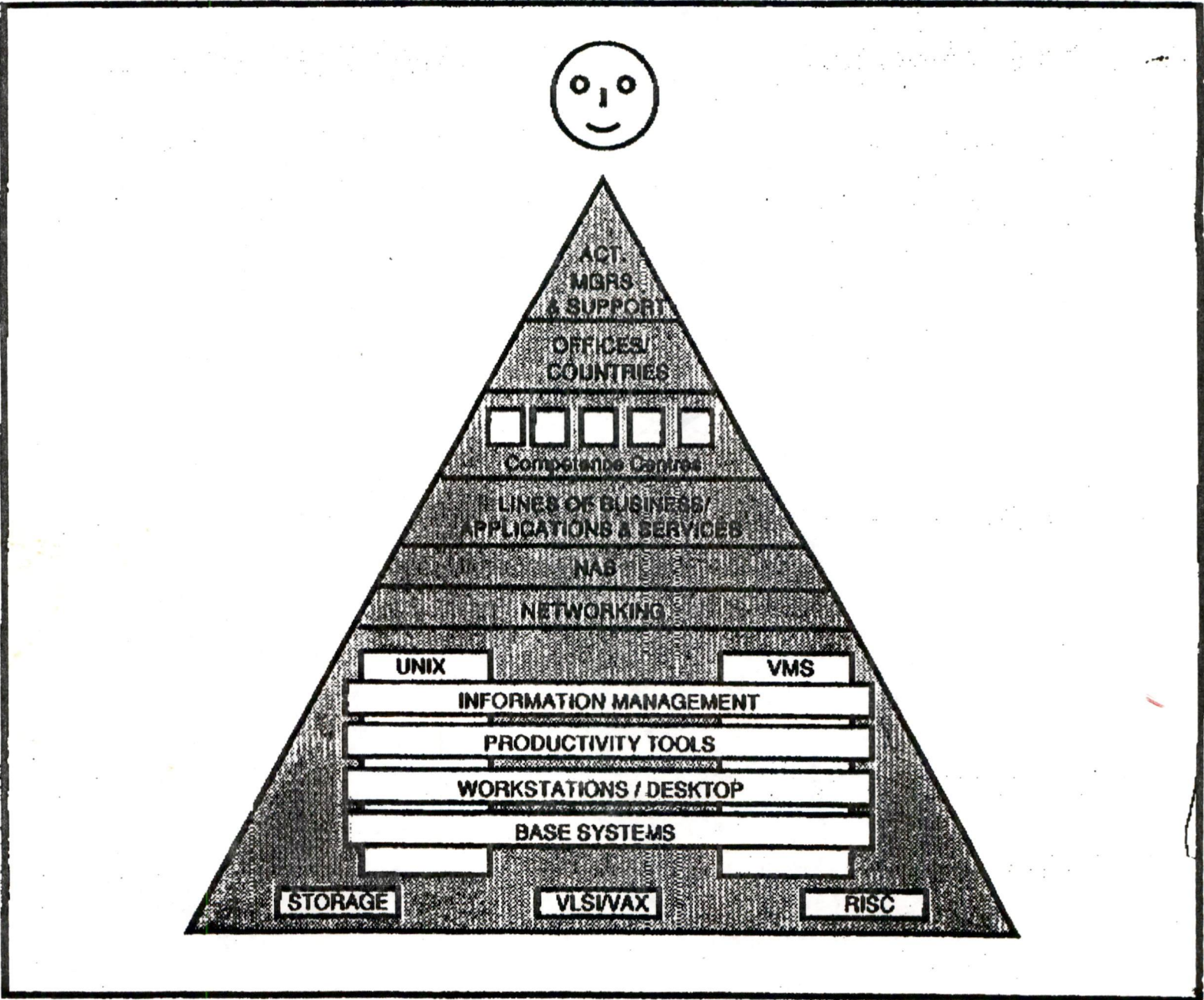
G = *Geography Management*



Integrating the Enterprise

DIGITAL EUROPE	QUALITY + INNOVATION + SIMPLIFICATION
	PRODUCTIVITY

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digital

SERVICES:

- Banking
- Insurance
- Media
- General Services

MANUFACTURING

- Electronics
- Industrial/Discrete
- Industrial/Process
- Consumer Products

PUBLIC SECTOR / GOVERNMENT

- Education
- Medical
- State and Local Government
- U.S. Government

GENERAL BUSINESS

- Small Business
- Commodities
- Supplies

TELECOMMUNICATIONS

- Telecommunication Equipment Providers
- Telecommunication Suppliers

CROSS-CUSTOMER CLASS / SOFTWARE

- Information Systems
 - Office, Information Systems (OIS)
 - Electronic Publishing
 - Network Applications Services (NAS)
- Tools
 - Operating Systems
 - Languages
- Applications
 - Financial Accounting Business Systems (FABS)
 - Computer Aided Software Engineering (CASE)

APPLICATION GROUPS

WORK

- Create the plan for a particular class of customers
- Create/deliver marketing programs
- Applications acquisition and development
- Selection/management of partners (CMP's, SCMP's, etc.)
- Deliver applications according to Plan - (Time to Market)
- Provide appropriate training for the DCC's and Sales

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>
Get Field Plans in place			X
Help Field set CERTS Plans			X
Advice Package			X
DCC Metrics		X	
Applications Development/Acquisition Including ISVs vs Plan Number of Units		X	X
Sales Support (Number, Quality, Responses)			X
MARCOM			X
Market Share vs Plan			X
Direct Expenses	X	X	
CERTS / Revenue Actual	X	X	X

IMPLICATIONS

- More International focus, less on U.S. only
- Each account assigned to only one Business Unit
-- order coding is unnecessary

WORK

- Develop competitive systems strategies and plans
- Market base systems as solution platforms
- Propose base systems pricing
- Organize Sales and Sales Support product training
- Deliver Products as per Plan
- Deliver Products which are externally competitive

MEASUREMENT

	<u>Quarterly</u>	<u>Annually</u>	<u>As Appropriate</u>
Products			X
- Competitiveness			
Business Plan:			
- Revenue Growth		X	
- Marketshare		X	
- Direct Contribution \$		X	
Direct Expenses	X		
Quality of Field Training		X	

IMPLICATIONS

- No direct involvement in forecasting revenue
- CPU development viewed as a "component" activity

WORK

- Deliver components according to the Plan
- Deliver components that are externally competitive

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
New Product Introduction Schedule vs Plan	X			
Major Product Success				
- Manufacturing Volume		X		
- Manufacturing Cost		X		
- Quality		X		
vs Plan				
Product Family				
- Business Performance				
- Market share			X	
- Component P/L			X	
- Competitive Benchmarks (functions, performance, cost, reliability, cost of ownership, etc.)			X	
Sales Assessment of Competitiveness of Product Family, and Quality of Product Training and Sales Support			X	
Direct Expenses		X		

IMPLICATIONS

- Increased focus on New Product introduction - (monthly vs quarterly reviews)
- Retrospective analysis of PBU performance leads to elimination of quarterly PBU reporting. Facilitates annual PBU review before review of new PBU investment proposals
- No engineering involvement in volume planning therefore eliminates conflicting messages to manufacturing with reference to capacity, (except for new products)



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Entity Team Members

All team members in an operational entity will be measured on the performance of the entity as a whole and on their business specialty. An entity can be a Country Group, a Subsidiary, a Region, a District, a Unit or an Account. The measurement will be weighted 50% on the performance of the entity as a whole and 50% on the performance of the team members specialty (e.g., Sales, Finance, Personnel, EIS, Customer Services, Legal, etc.).

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan and Stock Plan for an Entity Manager	S	GBT
● Salary Review Execution	S	GBT
● Stock Execution	S	GBT

KEY:

- S = Shared by Business Specialty Manager and next higher level team
- GBT = Geography Business Team at the next highest level
 - System Business Manager
 - EIS Business Manager
 - C.S. Business Manager



Responsibility and Accountability to Manage Corporate and International Accounts

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Special Pricing	S *	3G	3G
● Business Practices	S	3G	3G
● Deal Making	S	3G	3G
● Communications	G	3G	G
● Account Management	G	3G	G
● Account Investments and Tradeoffs for Business Units	G	3G	G

* For pricing which involves more than one Geography, the Responsible Geography Managers must be involved.

KEY:

- G = Geography Manager
- 3G = the three Geography Managers
- S = Account Manager and Geography Managers

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Operations Committee
April 25, 1990
Revision 4



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Capital Spending	S	G	B.U.
● Assets	S	G	B.U.
● Product/Service Offerings	S	G	B.U.
● Pricing	S	G	G
● Business Practices	S	G	S
● Deal Making	G	G	G
● Account Management	G	G	G

KEY:

- B.U. = *Business Unit*
- S = *Shared*
- G = *Geography Management*

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Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Business Plan & Timeless Model	S	G	B.U.
● Unique Business Unit Methods and Procedures	S	S	B.U.
● Staffing Decisions	S	G	B.U.
● Training and Development Programs	S	S	B.U.
● Budget Approval 8 Quarter P&L	S	G	B.U.
● Investments and Tradeoffs for the Geography by Business	S	G	B.U.

KEY:

B.U. = Business Unit

S = Shared

G = Geography Management *[Signature]*

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WORK

- Competitively produce and deliver products to customers
- Meet quality and completeness standards

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
● Quality	X			
● Schedule Performance	X			X
● Benchmarked Productivity		X	X	
● Benchmarked Inventory Turns		X	X	
● Return on Investments				X
● Measure Long Term Quality at Customer Site		X	X	
● Total Manufacturing Cost to Plan		X	X	

IMPLICATIONS

- Major shift in focus from year to year improvement to meeting competitive benchmark to "best in class"
- Product competitiveness more focused on joint ownership by Manufacturing and Engineering

WORK

- Get orders by Plan and contract by Business Unit
- Primary interface to customers
- Identifies and deploys resources in Sales and Support necessary to close the order
- Provides feedback to the appropriate DCC and the Service Groups on the competitiveness of Digital's offerings

MEASUREMENT

	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
REVENUE					
- Orders	X				
- Backlog		X			
- Net Revenue		X			
- 8 QVP			X		
- Revenue by Class of Customer			X		
- Return on Responsibility				X	X
- Account Plans **				(Semi-Annual) X	
- Return on Sales Investment (people, capital, space)					X
RESOURCE UTILIZATION					
- Resources deployed (cost of sales, allowances)		X			
- Direct Field costs vs plan		X	X		
- Account market share				X	

** For Corporate Accounts the plan will be Worldwide.

GEOGRAPHIES

WORK

- Create the plans to target market/accounts to achieve the revenue, growth and contribution
- Orchestrate different functions (Sales, Customer Services, local Engineering, cross-functional Support) to achieve all Geography goals versus plan
- Manage common resources to meet plan
- Set country prices
- Report/escalate any major differences to planned margin \$'s ($\pm 5\%$) quarterly by Business Unit.

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
FINANCIAL				
- Total Revenue and Contribution vs Plan	X			
- Revenue and Direct Margin by Business Unit	X	X		
- Progress toward long range goals			X	
- Return on Investments				X
MARKET				
- Revenue vs Plan	X			
- Revenue by Business Unit vs. Plan	X	X		
- Market share growth by customer group			X	
- Revenue mix (products, applications, and services)			X	
- Customer Satisfaction			X	
- Progress against plans to increase Digital's market presence			X	
- Progress against plans to implement new businesses				X

GEOGRAPHY SERVICE GROUPS (Geography = USA, Europe, GIA)

WORK

- Deliver Service Products by Service Business Units
- Achieve market share by Business Unit
- Achieve revenue and contribution plan by Business Unit
- Achieve customer satisfaction / *attain best in class status*
- Implement total service delivery strategy as defined in the Business Unit Plan
- Provide demand/customer requested orders for Add-ons, Supplies, etc. (except Europe)

Plan and develop Service employees per human resource plans

MEASUREMENT

	<u>Monthly</u>	<u>Forecast and Actual by Quarter</u>	<u>Full P&L Annually</u>
Service Revenue/Total	X	X	X
Service Expense/Total	X	X	X
Service Revenue/Business Unit	X	X	X
** Service Expense/Business Unit	X	X*	X
Direct Margin	X		
Customer Satisfaction/Account			X
Assets Performance to Plan (Capital, Inventory)		X	X
Human Resources		X	X

* Direct margin and budgeted levels for "non-controllable" costs except where exceptions ($\pm 5\%$) occur at the subsidiaries.

** Service expense monthly to direct margin line.

IMPLICATIONS

WORK

- Create, deliver competitive service products
- Initiate/manage start-up of new Business Units
- Achieve revenue, contribution plan for each Business Unit.
- Monitor Geography progress versus plan
- Take all action necessary to either make plan or approve modified plan

MEASUREMENT

	<u>Monthly</u>	<u>Forecast and Actual by Quarter</u>	<u>Annually</u>	<u>Periodically</u>
Service Revenue/Business Unit	X	X	X	
** Service Expense/Business Unit	X	X*	X	
Direct Margin by Business Unit				
Customer Satisfaction			X	
Asset Performance to Plan (Capital, Inventory)		X	X	
Human Resources		X	X	
Introduction/Success of New Business Units				X

* Direct margin and budgeted levels for "non-controllable" costs except where exceptions occur at the subsidiaries/countries \pm 5% profit margin

** Service expense monthly to direct margin line.

IMPLICATIONS

- Services would be directly involved in any business which involved multiple year commitments.

Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Country Group, Country, Subsidiary and Regional Managers

The Subsidiary, Regions, Country and Country Group Managers have the added responsibility of ensuring the total plan is achieved as well as the individual Business Unit Plans. The compensation and review process will therefore recognize the additional responsibility as outlined below. The measurement will reflect the performance to the total plan as well as the implementation of the Business Unit Plans.

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan	3GM	FCDC
● Salary Review Execution		GBT
● Stock Plan	3GM	
● Stock Execution		GBT

KEY:

- GBT = Geography Business Team - System Business Manager
EIS Business Manager
C.S. Business Manager
- 3GM = Geography Manager - US, GIA, Europe
- FCDC = Field Compensation and Development Committee

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Compensation Planning and Approval

The following section covers the planning and approval process for managers responsible to the Geography management teams. The Geographies are defined as the U.S., Europe and GIA. To ensure clarity there are three different pages that apply to different individuals on an Entity Team: the Entity Team Leader, the Business Unit managers (Systems, EIS, Customer Services) and Functional managers (Finance, Personnel, Legal, Administration, etc.). The Entity Team Leader is further defined as the Entity manager which may have different titles in each Geography. It is specifically defined as the individual that reports directly to a Geography manager representing one of the following: Country Group, Country, Subsidiary and Region.

The first page covers only the review of the Entity Team Leader and reflects the added responsibility to deliver the total Entity plan and the individual Business Unit plans $\pm 5\%$ of margin by quarter. Final approval for the Entity Team Leaders who report to the Europe, GIA or U.S. Geography managers rests with the Field Compensation and Development Committee (FCDC) which consists of the three Geography managers, the Corporate EIS manager, the Corporate Customer Services manager, the Corporate Field Finance manager and the Corporate Field Personnel manager.

The second page covers the approval process for the Business Unit managers within an Entity. The Business Unit managers are Systems, EIS and Customer Services.

The third page covers the approval process for the Functional managers within an Entity. The Functional managers are Finance, Personnel, Legal, Administration, etc.



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Country Group, Country, Subsidiary and Regional Managers

Each Geography (GIA, Europe, U.S.) is working to define a single individual responsible to ensure achievement of the total business plan as well as the individual Business Unit plans within an Entity. The Entities have different titles within each Geography. Most commonly used are Country Group, Country, Subsidiary and Region. The compensation and review process will therefore recognize total responsibility. The measurement will reflect the performance of the total plan as well as the implementation of the Business Unit plans. The process outlined below applies to any Entity Team Leaders. We have used as a specific example those Entity Team Leaders that report directly to one of the three Geography managers (3GM). It should be noted, though, that the model is intended to be generic.

	Responsibility to PLAN / EXECUTE	Responsibility for PLAN APPROVAL
● Salary Plan	3GM	GBT and FCDC
● Salary Review Execution	3GM	
● Stock Plan	3GM	GBT and FCDC
● Stock Execution	3GM	

KEY:

GBT = *Geography Business Team - System Business Manager
EIS Business Manager
C.S. Business Manager*

3GM = *Geography Manager - US, GIA, Europe*

FCDC = *Field Compensation and Development Committee*



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Entity Business Unit Team Members

All Business Unit managers in an operational Entity will be measured on the performance of the Entity as a whole and on their business specialty. An Entity can be a Country Group, a Subsidiary, a Region, a District, a Unit or an Account. The measurement will be weighted 50% on the performance of the Entity as a whole and 50% on the performance of the individual team member's Business specialty (e.g., Sales, EIS, Customer Services). An example would be the Customer Services Business manager in a large Subsidiary. The salary and stock for this individual would be planned and executed by the Entity Team Leader (Subsidiary Manager) for that geography and the Customer Services Business manager at the next highest level in the organization.

	<u>Responsibility to PLAN / EXECUTE</u>	<u>Responsibility for PLAN APPROVAL</u>	
● Salary Plan and Stock Plan for an Entity Business Unit Manager	S	-	GBT
● Salary Review Execution	S		GBT
● Stock Execution	S		GBT

KEY:

- S = Shared by Entity Team Leader and next highest level Business Manager
- GBT = Geography Business Team at the next highest level
 - Entity Team Leader
 - System Business Manager
 - EIS Business Manager
 - C.S. Business Manager



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Functional Entity Team Members

All Functional team members in an operational Entity will be measured on the performance of the Entity as a whole and on their Functional specialty. An Entity can be a Country Group, a Subsidiary, a Region, a District, a Unit or an Account. The measurement will be weighted 50% on the performance of the Entity as a whole and 50% on the performance to approved goals of the team member's specialty (e.g., Finance, Personnel, Legal, Administration, etc.).

	<u>Responsibility to PLAN / EXECUTE</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan and Stock Plan for an Entity Manager	S	GBT
● Salary Review Execution	S	GBT
● Stock Execution	S	GBT

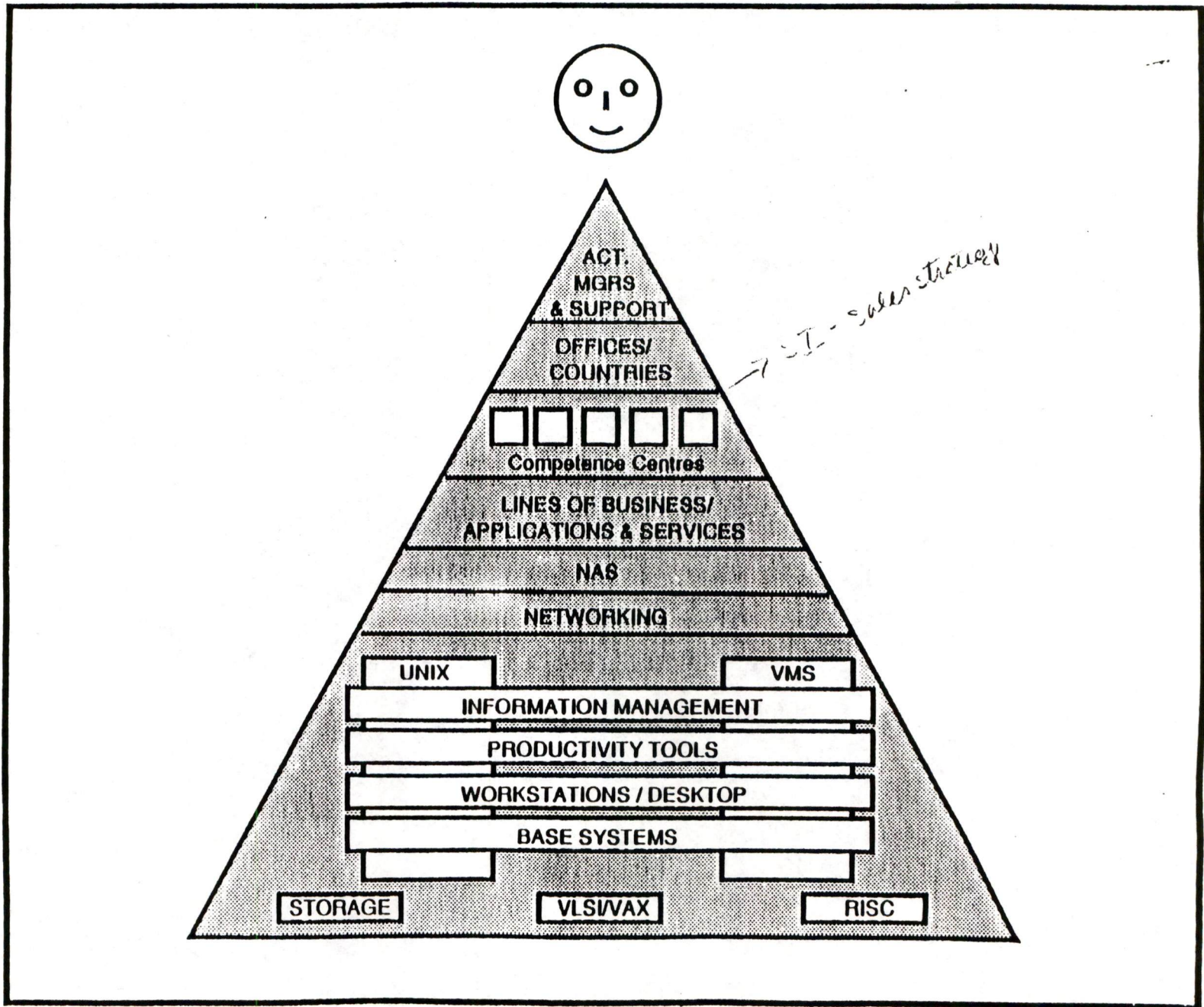
KEY:

- S = Shared by Entity Team Leader and next highest Functional Manager
- GBT = Geography Business Team at the next highest level
 - Entity Team Leader
 - System Business Manager
 - EIS Business Manager
 - C.S. Business Manager



Integrating
the
Enterprise

DIGITAL EUROPE QUALITY + INNOVATION + SIMPLIFICATION
= PRODUCTIVITY



digital

LIST OF APPLICATIONS GROUPS

SERVICES:

- Banking
- Insurance
- Media
- General Services

MANUFACTURING

- Electronics
- Industrial/Discrete
- Industrial/Process
- Consumer Products

PUBLIC SECTOR / GOVERNMENT

- Education
- Medical
- State and Local Government
- U.S. Government

GENERAL BUSINESS

- Small Business
- Commodities
- Supplies

TELECOMMUNICATIONS

- Telecommunication Equipment Providers
- Telecommunication Suppliers

CROSS-CUSTOMER CLASS / SOFTWARE

- Information Systems
 - Office, Information Systems (OIS)
 - Electronic Publishing
 - Network Applications Services (NAS)
- Tools
 - Operating Systems
 - Languages
- Applications
 - Financial Accounting Business Systems (FABS)
 - Computer Aided Software Engineering (CASE)

WORK

- Create the plan for a particular class of customers
- Create/deliver marketing programs
- Applications acquisition and development
- Selection/management of partners (CMP's, SCMP's, etc.)
- Deliver applications according to Plan - (Time to Market)
- Provide appropriate training for the DCC's and Sales

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>
Get Field Plans in place			X
Help Field set CERTS Plans			X
Advice Package			X
DCC Metrics		X	
Applications Development/Acquisition Including ISVs vs Plan			X
Number of Units		X	
Sales Support (Number, Quality, Responses)			X
MARCOM			X
Market Share vs Plan			X
Direct Expenses	X	X	
CERTS / Revenue Actual	X	X	X

IMPLICATIONS

- More International focus, less on U.S. only
- Each account assigned to only one Business Unit
-- order coding is unnecessary

WORK

- Develop competitive systems strategies and plans
- Market base systems as solution platforms
- Propose base systems pricing
- Organize Sales and Sales Support product training
- Deliver Products as per Plan
- Deliver Products which are externally competitive

MEASUREMENT

	<u>Quarterly</u>	<u>Annually</u>	<u>As Appropriate</u>
Products			X
- Competitiveness			
Business Plan:			
- Revenue Growth		X	
- Marketshare		X	
- Direct Contribution \$		X	
Direct Expenses	X		
Quality of Field Training		X	

IMPLICATIONS

- No direct involvement in forecasting revenue
- CPU development viewed as a "component" activity

WORK

- Deliver components according to the Plan
- Deliver components that are externally competitive

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
New Product Introduction Schedule vs Plan	X			
Major Product Success				
- Manufacturing Volume		X		
- Manufacturing Cost		X		
- Quality		X		
vs Plan				
Product Family				
- Business Performance				
- Market share			X	
- Component P/L			X	
- Competitive Benchmarks			X	
(functions, performance, cost, reliability, cost of ownership, etc.)				
Sales Assessment of Competitiveness of Product Family, and Quality of Product Training and Sales Support			X	
Direct Expenses		X		

IMPLICATIONS

- Increased focus on New Product introduction - (monthly vs quarterly reviews)
- Retrospective analysis of PBU performance leads to elimination of quarterly PBU reporting. Facilitates annual PBU review before review of new PBU investment proposals
- No engineering involvement in volume planning therefore eliminates conflicting messages to manufacturing with reference to capacity, (except for new products)

initial

WORK

- Create, deliver competitive service products
- Initiate/manage start-up of new Business Units
- Achieve revenue, contribution plan for each Business Unit.
- Monitor Geography progress versus plan
- Take all action necessary to either make plan or approve modified plan

MEASUREMENT

	<u>Monthly</u>	<u>Forecast and Actual by Quarter</u>	<u>Annually</u>	<u>Periodically</u>
Service Revenue/Business Unit	X	X	X	
** Service Expense/Business Unit	X	X *	X	
Direct Margin by Business Unit				
Customer Satisfaction			X	
Asset Performance to Plan (Capital, Inventory)		X	X	
Human Resources		X	X	
Introduction/Success of New Business Units				X

* *Direct margin and budgeted levels for "non-controllable" costs except where exceptions occur at the subsidiaries/countries ± 5% profit margin*

** *Service expense monthly to direct margin line.*

IMPLICATIONS

- Services would be directly involved in any business which involved multiple year commitments.

GEOGRAPHY SERVICE GROUPS
(Geography = USA, Europe, GIA)

WORK

- Deliver Service Products by Service Business Units
- Achieve market share by Business Unit
- Achieve revenue and contribution plan by Business Unit
- Achieve customer satisfaction
- Implement total service delivery strategy as defined in the Business Unit Plan
- Provide demand/customer requested orders for Add-ons, Supplies, etc. (except Europe)

MEASUREMENT

	<u>Monthly</u>	<u>Forecast and Actual by Quarter</u>	<u>Full P&L Annually</u>
Service Revenue/Total	X	X	X
Service Expense/Total	X	X	X
Service Revenue/Business Unit	X	X	X
** Service Expense/Business Unit	X	X	X
Direct Margin	X		
Customer Satisfaction/Account			X
Assets Performance to Plan (Capital, Inventory)		X	X
Human Resources		X	X

* Direct margin and budgeted levels for "non-controllable" costs except where exceptions ($\pm 5\%$) occur at the subsidiaries.

** Service expense monthly to direct margin line.

IMPLICATIONS

WORK

- Create the plans to target market/accounts to achieve the revenue, growth and contribution
- Orchestrate different functions (Sales, Customer Services, local Engineering, cross-functional Support) to achieve all Geography goals versus plan
- Manage common resources to meet plan
- Set country prices
- Report/escalate any major differences to planned margin \$'s (±5%) quarterly by Business Unit.

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
FINANCIAL				
- Total Revenue and Contribution vs Plan	X			
- Revenue and Direct Margin by Business Unit	X	X		
- Progress toward long range goals			X	
- Return on Investments				X
MARKET				
- Revenue vs Plan	X			
- Revenue by Business Unit vs. Plan	X	X		
- Market share growth by customer group			X	
- Revenue mix (products, applications, and services)			X	
- Customer Satisfaction			X	
- Progress against plans to increase Digital's market presence			X	
- Progress against plans to implement new businesses				X

WORK

- Get orders by Plan and contract by Business Unit
- Primary interface to customers
- Identifies and deploys resources in Sales and Support necessary to close the order
- Provides feedback to the appropriate DCC and the Service Groups on the competitiveness of Digital's offerings

MEASUREMENT

	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
REVENUE					
- Orders	X				
- Backlog		X			
- Net Revenue		X			
- 8 QVP			X		
- Revenue by Class of Customer			X		
- Return on Responsibility				X	X
- Account Plans **				(Semi-Annual) X	
- Return on Sales Investment (people, capital, space)					X
RESOURCE UTILIZATION					
- Resources deployed (cost of sales, allowances)		X			
- Direct Field costs vs plan		X	X		
- Account market share				X	

** For Corporate Accounts the plan will be Worldwide.

WORK

- Competitively produce and deliver products to customers
- Meet quality and completeness standards

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
● Quality	X			
● Schedule Performance	X			X
● Benchmarked Productivity		X	X	
● Benchmarked Inventory Turns		X	X	
● Return on Investments				X
● Measure Long Term Quality at Customer Site		X	X	
● Total Manufacturing Cost to Plan		X	X	

IMPLICATIONS

- Major shift in focus from year to year improvement to meeting competitive benchmark to "best in class"
- Product competitiveness more focused on joint ownership by Manufacturing and Engineering



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Business Plan & Timeless Model	S	G	B.U.
● Unique Business Unit Methods and Procedures	S	S	B.U.
● Staffing Decisions	S	G	B.U.
● Training and Development Programs	S	S	B.U.
● Budget Approval 8 Quarter P&L	S	G	B.U.
● Investments and Tradeoffs for the Geography by Business	S	G	B.U.

KEY:

- B.U. = *Business Unit*
- S = *Shared*
- G = *Geography Management*



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Capital Spending <i>(Case Tool, not B.U.)</i>	S	G	B.U.
● Assets	S	G	B.U.
● Product/Service Offerings	S	G	B.U.
● Pricing <i>profit?</i>	S	G	G <i>? not clear</i>
● Business Practices	S	G	S
● Deal Making	G	G	G <i>- what's the plan?</i>
● Account Management	G	G	G

KEY:

B.U. = Business Unit

S = Shared

G = Geography Management



Responsibility and Accountability to Manage Corporate and International Accounts

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Special Pricing	S *	3G	3G
● Business Practices	S	3G	3G
● Deal Making	S	3G	3G
● Communications	G	3G	G
● Account Management	G	3G	G
● Account Investments and Tradeoffs for Business Units	G	3G	G

* For pricing which involves more than one Geography, the Responsible Geography Managers must be involved.

KEY:

- G = Geography Manager
- 3G = the three Geography Managers
- S = Account Manager and Geography Managers



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Entity Team Members

All team members in an operational entity will be measured on the performance of the entity as a whole and on their business specialty. An entity can be a Country Group, a Subsidiary, a Region, a District, a Unit or an Account. The measurement will be weighted 50% on the performance of the entity as a whole and 50% on the performance of the team members specialty (e.g., Sales, Finance, Personnel, EIS, Customer Services, Legal, etc.).

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan and Stock Plan for an Entity Manager	S	GBT
● Salary Review Execution	S	GBT
● Stock Execution	S	GBT

KEY:

- S = Shared by Business Specialty Manager and next higher level team
- GBT = Geography Business Team at the next highest level
 - System Business Manager
 - EIS Business Manager
 - C.S. Business Manager



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Country Group, Country, Subsidiary and Regional Managers

The Subsidiary, Regions, Country and Country Group Managers have the added responsibility of ensuring the total plan is achieved as well as the individual Business Unit Plans. The compensation and review process will therefore recognize the additional responsibility as outlined below. The measurement will reflect the performance to the total plan as well as the implementation of the Business Unit Plans.

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan	3GM	FCDC - <i>ADD</i>
● Salary Review Execution		GBT
● Stock Plan	3GM	
● Stock Execution		GBT

KEY:

GBT = Geography Business Team - System Business Manager
EIS Business Manager
C.S. Business Manager

3GM = Geography Manager - US, GIA, Europe

FCDC = Field Compensation and Development Committee



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Capital Spending	S	G	B.U.
● Assets	S	G	B.U.
● Product/Service Offerings	S	G	B.U.
● Pricing	S	G	G
● Business Practices	S	G	S
● Deal Making	G	G	G
● Account Management	G	G	G

KEY:

B.U. = *Business Unit*

S = *Shared*

G = *Geography Management*



Responsibility and Accountability to Manage Corporate and International Accounts

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Special Pricing	S *	3G	3G
● Business Practices	S	3G	3G
● Deal Making	S	3G	3G
● Communications	G	3G	G
● Account Management	G	3G	G
● Account Investments and Tradeoffs for Business Units	G	3G	G

* For pricing which involves more than one Geography, the Responsible Geography Managers must be involved.

KEY:

- G = Geography Manager
- 3G = the three Geography Managers
- S = Account Manager and Geography Managers

LIST OF APPLICATIONS GROUPS

SERVICES:

- Banking
- Insurance
- Media
- General Services

MANUFACTURING

- Electronics
- Industrial/Discrete
- Industrial/Process
- Consumer Products

PUBLIC SECTOR / GOVERNMENT

- Education
- Medical
- State and Local Government
- U.S. Government

GENERAL BUSINESS

- Small Business
- Commodities
- Supplies

TELECOMMUNICATIONS

- Telecommunication Equipment Providers
- Telecommunication Suppliers

CROSS-CUSTOMER CLASS / SOFTWARE

- Information Systems
 - Office, Information Systems (OIS)
 - Electronic Publishing
 - Network Applications Services (NAS)
- Tools
 - Operating Systems
 - Languages
- Applications
 - Financial Accounting Business Systems (FABS)
 - Computer Aided Software Engineering (CASE)

APPLICATION GROUPS

WORK

- Create the plan for a particular class of customers
- Create/deliver marketing programs
- Applications acquisition and development
- Selection/management of partners (CMP's, SCMP's, etc.)
- Deliver applications according to Plan - (Time to Market)
- Provide appropriate training for the DCC's and Sales

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>
Get Field Plans in place			X
Help Field set CERTS Plans			X
Advice Package			X
DCC Metrics		X	
Applications Development/Acquisition Including ISVs vs Plan Number of Units		X	X
Sales Support (Number, Quality, Responses)			X
MARCOM			X
Market Share vs Plan			X
Direct Expenses	X	X	
CERTS / Revenue Actual	X	X	X

IMPLICATIONS

- More International focus, less on U.S. only
- Each account assigned to only one Business Unit
-- order coding is unnecessary

WORK

- Develop competitive systems strategies and plans
- Market base systems as solution platforms
- Propose base systems pricing
- Organize Sales and Sales Support product training
- Deliver Products as per Plan
- Deliver Products which are externally competitive

MEASUREMENT

	<u>Quarterly</u>	<u>Annually</u>	<u>As Appropriate</u>
Products			X
- Competitiveness			
Business Plan:			
- Revenue Growth		X	
- Marketshare		X	
- Direct Contribution \$		X	
Direct Expenses	X		
Quality of Field Training		X	

IMPLICATIONS

- No direct involvement in forecasting revenue
- CPU development viewed as a "component" activity

WORK

- Deliver components according to the Plan
- Deliver components that are externally competitive

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
New Product Introduction Schedule vs Plan	X			
Major Product Success				
- Manufacturing Volume		X		
- Manufacturing Cost		X		
- Quality		X		
vs Plan				
Product Family				
- Business Performance				
- Market share			X	
- Component P/L			X	
- Competitive Benchmarks (functions, performance, cost, reliability, cost of ownership, etc.)			X	
Sales Assessment of Competitiveness of Product Family, and Quality of Product Training and Sales Support			X	
Direct Expenses		X		

IMPLICATIONS

- Increased focus on New Product introduction (monthly vs quarterly reviews)
- Retrospective analysis of PBU performance leads to elimination of quarterly PBU reporting. Facilitates annual PBU review before review of new PBU investment proposals
- No engineering involvement in volume planning therefore eliminates conflicting messages to manufacturing with reference to capacity, (except for new products)

WORK

- Create, deliver competitive service products
- Initiate/manage start-up of new Business Units
- Achieve revenue, contribution plan for each Business Unit.
- Monitor Geography progress versus plan
- Take all action necessary to either make plan or approve modified plan

MEASUREMENT

	<u>Monthly</u>	Forecast and Actual by Quarter	<u>Annually</u>	<u>Periodically</u>
Service Revenue/Business Unit	X	X	X	
** Service Expense/Business Unit	X	X *	X	
Direct Margin by Business Unit				
Customer Satisfaction			X	
Asset Performance to Plan (Capital, Inventory)		X	X	
Human Resources		X	X	
Introduction/Success of New Business Units				X

* *Direct margin and budgeted levels for "non-controllable" costs except where exceptions occur at the subsidiaries/countries ± 5% profit margin*

** *Service expense monthly to direct margin line.*

IMPLICATIONS

- Services would be directly involved in any business which involved multiple year commitments.

GEOGRAPHY SERVICE GROUPS
(Geography = USA, Europe, GIA)

WORK

- Deliver Service Products by Service Business Units
- Achieve market share by Business Unit
- Achieve revenue and contribution plan by Business Unit
- Achieve customer satisfaction
- Implement total service delivery strategy as defined in the Business Unit Plan
- Provide demand/customer requested orders for Add-ons, Supplies, etc. (except Europe)

MEASUREMENT

	<u>Monthly</u>	<u>Forecast and Actual by Quarter</u>	<u>Full P&L Annually</u>
Service Revenue/Total	X	X	X
Service Expense/Total	X	X	X
Service Revenue/Business Unit	X	X	X
** Service Expense/Business Unit	X	X*	X
Direct Margin	X		
Customer Satisfaction/Account			X
Assets Performance to Plan (Capital, Inventory)		X	X
Human Resources		X	X

* *Direct margin and budgeted levels for "non-controllable" costs except where exceptions (±5%) occur at the subsidiaries.*

** *Service expense monthly to direct margin line.*

IMPLICATIONS

WORK

- Create the plans to target market/accounts to achieve the revenue, growth and contribution
- Orchestrate different functions (Sales, Customer Services, local Engineering, cross-functional Support) to achieve all Geography goals versus plan
- Manage common resources to meet plan
- Set country prices
- Report/escalate any major differences to planned margin \$'s (±5%) quarterly by Business Unit.

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
FINANCIAL				
- Total Revenue and Contribution vs Plan	X			
- Revenue and Direct Margin by Business Unit	X	X		
- Progress toward long range goals			X	
- Return on Investments				X
MARKET				
- Revenue vs Plan	X			
- Revenue by Business Unit vs. Plan	X	X		
- Market share growth by customer group			X	
- Revenue mix (products, applications, and services)			X	
- Customer Satisfaction			X	
- Progress against plans to increase Digital's market presence			X	
- Progress against plans to implement new businesses				X

WORK

- Get orders by Plan and contract by Business Unit
- Primary interface to customers
- Identifies and deploys resources in Sales and Support necessary to close the order
- Provides feedback to the appropriate DCC and the Service Groups on the competitiveness of Digital's offerings

MEASUREMENT

	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Periodically</u>
REVENUE					
- Orders	X				
- Backlog		X			
- Net Revenue		X			
- 8 QVP			X		
- Revenue by Class of Customer			X		
- Return on Responsibility				X	X
- Account Plans **				(Semi-Annual) X	
- Return on Sales Investment (people, capital, space)					X
RESOURCE UTILIZATION					
- Resources deployed (cost of sales, allowances)		X			
- Direct Field costs vs plan		X	X		
- Account market share				X	

** For Corporate Accounts the plan will be Worldwide.

WORK

- Competitively produce and deliver products to customers
- Meet quality and completeness standards

MEASUREMENT

	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Other</u>
● Quality	X			
● Schedule Performance	X			X
● Benchmarked Productivity		X	X	
● Benchmarked Inventory Turns		X	X	
● Return on Investments				X
● Measure Long Term Quality at Customer Site		X	X	
● Total Manufacturing Cost to Plan		X	X	

IMPLICATIONS

- Major shift in focus from year to year improvement to meeting competitive benchmark to "best in class"
- Product competitiveness more focused on joint ownership by Manufacturing and Engineering



Responsibility and Accountability to Manage a Geography by Business Unit

	<u>Responsibility to PLAN</u>	<u>Responsibility Accountability to EXECUTE PLAN</u>	<u>Responsibility for PLAN APPROVAL and PLAN MODIFICATION APPROVAL</u>
● Business Plan & Timeless Model	S	G	B.U.
● Unique Business Unit Methods and Procedures	S	S	B.U.
● Staffing Decisions	S	G	B.U.
● Training and Development Programs	S	S	B.U.
● Budget Approval & 8 Quarter P&L	S	G	B.U.
● Investments and Tradeoffs for the Geography by Business	S	G	B.U.

KEY:

B.U. = *Business Unit*

S = *Shared*

G = *Geography Management*

digital

INTEROFFICE MEMORANDUM

TO: Distribution List

DATE: May 10, 1990
FROM: Jack Smith
DEPT: ENG/MFG/PROD MKT ADM
EXT: 223-2231
LOC: MLO10-2/A54

SUBJECT: ROLES & RESPONSIBILITIES

Enclosed please find the final documents describing the Roles and Responsibilities of the Geographies and the Service organizations. The documents include similar definitions for Sales, Manufacturing and the Applications Business Units which are in a preliminary state. We will re-issue the complete set of documents as soon as we have finalized our work in these areas.

The objective of these documents is to facilitate the communication of our discussions and agreements to those individuals and groups responsible for the planning and execution of the One Integrated Plan. It represents the evolutionary process envisioned when the One Integrated Plan began almost two years ago in Europe. The detailed prose in the document highlights a few specific areas which refer to the European Geography only. Clearly other unique requirements will be discovered for the US and GIA and will be incorporated as the process continues to evolve.

I would like each Geography Manager to review these documents in detail with their entire team. In the case of the US and GIA you may modify the prose of the "One Integrated Plan" to clarify any organizational abnormalities re: Country Group, Subsidiary, etc. to better

fit your Geography. There should be no modifications to the Roles and Responsibility matrix without further discussion with the complete SSMI team.

Once you have completed the review with your teams, please define a formal communication plan to at least the next two levels in your organization. It would be helpful if you would share your communication plans with SSMI after they are completed. The distribution of these documents must be an integral part of the communication plan.

Similarly, I would like each Service Manager to review the complete set of documents with their respective teams. In addition they should prepare a communication plan to the appropriate levels of their internal (non-Field) organizations and share it with SSMI. The Service Groups should take the necessary steps to ensure there is no direct communications to the Field. We want the Geography teams as outlined to have the time necessary to do the Field communication without being pre-empted.

In summary I feel there has been a tremendous progress, understanding and long term benefit obtained by this process. Our ability to use the "One Integrated Plan" process as modified will allow further evolution as our business changes. We should strive to complete our work with the application Business Units and incorporate the final details into these documents.

Above all we must all strive to operate and cooperate based upon not only the word but the spirit in which these agreements were reached!

"Trust men and they will be true to you; treat them greatly and they will show themselves great" Ralph Waldo Emerson

SUBJECT: BUSINESS UNITS and ONE INTEGRATED PLAN

The rapidly changing business environment, coupled with the substantial restructuring of our industry, requires further clarification and simplification of the business decision-making process, along with substantial decentralization of this process closer to the customer. A number of changes introduced during the past twelve months were designed to accomplish the goal of decentralized decision making.

The complexity of Digital's worldwide business continues to grow, requiring a different approach to the way the company plans, invests and executes its business. A number of new opportunities will spawn Digital Businesses that were not in existence last year and we expect more in the future. We are going to take our existing business segments and add a number of new focused businesses called Business Units. Business Units can be made up of Products, Applications, Components, Services or Customer groups such as the newly formed Telecom group. Digital's entire business portfolio will be based upon individual "Business Units". The Business Units will be measured on their growth, market share, value added and profit contribution. Each Business has a unique business model that must be managed carefully if we are to ensure the success of the individual business and more importantly, Digital in total! A complete description of the Business Units, their charter, timeless business model, etc. will be communicated to you in the near future.

Effective immediately, the planning process, the budget and the execution of the business plan will be one integrated process across all Business Units. Although the process will be integrated, with the goal of maximizing total Digital business in an account, in a set of accounts or a subsidiary, each Business Unit will have a complete plan which will be executed and measured in the subsidiaries and Country Groups.

The integration inside the subsidiary will reinforce the need for all common support groups to provide cost effective services to their internal customers. The integration process will also involve other groups outside the subsidiaries such as Manufacturing, DCC's, etc.

The purpose of this rather detailed memo is to clarify the roles and responsibilities at all levels of the organization in the planning, budgeting and execution phases of our business plans.

(only Europe) The overall responsibilities to manage the business on a day to day basis, is being delegated from the subsidiaries to the next appropriate level (Regional management in Europe).

BUSINESS UNITS and ONE INTEGRATED PLAN
From: Corp. Operations Committee

Rev. 27-Apr-90
Page 2

The Country Manager and the Regional Managers (for the multi-region countries) will be held responsible to present their detailed Business Unit plans and the total integrated plan, and then manage their execution so that we maximize the total business, quarter by quarter, while optimizing each Business Unit, in line with the approved plans.

(only Europe) Expanding the Systems Business approach which began in FY86, these managers will, in the new context, have the responsibility for final business decisions on behalf of Digital for initial sales of systems and projects, including the related initial services. The level of the approvals will be in line with the existing approval levels used in the High-Impact Project Organization (HIPO) process and the equivalent one at the Country/Regional level.

The Integrated Plans will be composed of the three major Groups of Business Units :

- Systems, Components and Applications
- EIS (CSS, PSS, Ed Svces, Systems Integration)
- Customer Services

The Product/Applications and the EIS Business Units constitute the Systems Business segment. However, the Systems Integration line of business is an "overlay" of the entire company and represents EIS' responsibility to manage systems integration efforts on behalf of all other Business Units.

Each Business Unit will have a specific business model with primary and secondary measurement to ensure that for each line of business the delivery method, the cost incurred and the relative measurements are the most appropriate to foster the right business behavior and decisions. For example:

- some Business Units like Personal Computers, Projects, Network Management Services, Management Training, etc. will have as their primary goal Volume, and as primary measurement Earnings-Per-Share / ROA, with a relative low profit as % of NOR.
- other Business Units will have as their primary goal high profit as % of NOR, etc.

Small subsidiaries will not be required to have a plan with all of the separate Business Units identified in a plan. Each subsidiary management team will define the extent of their plan segmentation with their Country Group Manager. In all cases, the key parameter has to be simplicity, while doing what is needed to understand and make the right business decisions.

The sum of all Business Units will be the total goal for each subsidiary or Regional entity, however each will be measured quarterly against the specific business plans. If the approved plans are not achieved on a quarterly basis, appropriate action will be required as outlined later in this document.

Business Units will be providing the subsidiary and Regional teams with advice packages and other support such as seminars, timeless business models, etc., to help in the development of the detailed business plans.

The Steps:

Critical to the success of the integrated plan is the involvement of the subsidiary and regional teams in their planning process, budget process and execution of the plan.

The Planning SMP - Process:

- The integrated business planning process starts in November each year and continues through February, concluding with a very clear Strategic Market Plan (SMP) in each subsidiary/Region to ensure complete synchronization of the main direction of the Subsidiary. The SMP is the fundamental document for the development of integrated plans.
- The output of this plan is documented in the Market Mapping Chart which shows the multiple dimension of the plan on one page, including Markets, Accounts, Applications, Industries, Channel Industries, Third-Party Products, and the Services.

The participants in the planning process will be expanded to include all current Business Unit groups, (Product/Applications, EIS, Customer Services) and others as added by the corporation. The marketing manager will lead the process on behalf of all Business Units and will ensure the results are the foundation of all plans.

The Resource Plan:

- Once the SMP has been defined in its broad context, the Resource Plan starts in parallel with the budgeting process. This process expands the Industry/Applications/Account dimension of the SMP to the Sales organization, for all the accounts covered by a specific Office, Region or Country and the International Corporate Accounts, the last one having first priority.
- For both the Sales and EIS organizations, the product, application and project dimension is to be complete enough to allow the appropriate training plan for the resources and the definition of new resources required to implement the plan.

- The output of this process will be each office having a plan agreed between Sales, EIS and Customer Services, covering the detailed requirements of the account plans, the CERTS goals and also the manpower required from the support functions.

These elements will form the base for the bottom-up plan in line with the opportunities of the market in the specific entity, and in line with the overall marketing directions of the Corporation and the Business Unit plans.

The Budget Process

- With both the SMP and Resource Plan in place, it is then possible to add the various elements of the plans and develop an integrated Regional and Subsidiary plan matching the local opportunities and desires with the Corporate guidelines.
- The Corporate business model for each Business Unit constitutes the frame of reference for each level in the organization to build the appropriate local detailed tactical plan across all elements of the organization which are inter-dependent for both plan preparation and implementation.
- The new Integrated Plans along with the specific Business Unit plans will be presented as such to the Subsidiary, European and Corporate management. This is part of the empowering process for the Regional Management Team while ensuring we have fully exercised all opportunities by Business Unit.
- World-wide account plans will require coordination and approval by the World-wide Account Manager. Once approved, the decision will be implemented by the District and Regions/Countries. No deviation from the approved Account plan can be made without the full involvement of the Account Manager and the agreement of the relevant managers involved. This is part of the empowering process for Account Managers and applies to all levels of account management and eventually to all accounts. The documentation on decisions which deviate from the standard business models will be sent to the cross-functional account team and the senior management members involved for review.
- If the guidelines provided by Management put a clear constraint on the opportunities available, these limitations should be identified, supported or disagreed with by the local Team, and elevated for appropriate review and consideration to the next level of management.
- The ownership of the Budget (Systems, Services, EIS, and the total plan) is clearly with the local Team, led by the respective Regional or Country Manager. The team and Regional or Country manager will be measured and held accountable for the execution of the budget by Business Unit.

- The effort of the Team and the leadership of the Regional/ Subsidiary managers should be focused on those activities where added value is created by their involvement and common planning. In other areas, like renewal of services contracts or on-going business, we must let the respective responsible manager conduct his/her business and avoid everybody getting involved in everything in a clumsy, time-consuming, non-entrepreneurial process.

Operational Process - Upside/Downside Plans.

Any number of factors may require a formal modification to an approved plan either positive or negative. If the market opportunity strengthens during a quarter and is likely to continue an upside plan requiring more resources or investment maybe desirable. It is the operating entity's responsibility to request a formal "upside Re-Plan" as opposed to taking equally vital existing resources from another business. On the other hand if a Business Unit is not making plans and opportunities exist elsewhere, a move of resources might be warranted. In either case, communication to the appropriate business managers and perhaps a re-plan is appropriate.

Deviations to any approved Business Unit plan in excess of +/- 5% profit in local currency in a given quarter requires explanation to the Unit effected. If the deviation is expected to continue, then replanning is required. The replanning should include a detailed remedial action plan. Should the action plan fail to deliver the required results to achieve the total plan then the subsidiary management team or country group team must look for other opportunities or risk the possible failure to achieve the total plan.

The Escalation Process:

One process which is essential in managing interdependencies is the escalation process. We need to greatly improve our understanding and use of it.

The desired escalation process is:

- Do not come to the "boss" by yourself with a problem with a colleague! You can and should come together when you cannot resolve something.
- Then, first - jointly - state precisely your areas of agreement; then identify the areas of disagreement and the alternatives you have identified and those alternatives each of you favor.

- Then, together, (those escalating and the appropriate "boss") will solve the problem. We should concentrate on building on the areas of agreement to see if we can create a solution that is satisfactory to each of you, always keeping as first priority the interest of Digital and the needs of the customer.

This is a process used as an exception, and not as a rule. However, escalating is not "badness" and should be done to avoid procrastination of decisions, especially when it involves customers or employee related actions. Escalation should not be used as a way to win an argument vis-a-vis a colleague.

To Summarize:

- With the completion of SMP and the Resources Synergy Plan, preparation of the budget will be facilitated. The primary goal of each Subsidiary/Country Group/Regional team is to deliver 100% or more of the total approved plan, quarter by quarter. Each operational entity will be measured and held accountable for the optimization of the plan by Business Unit, quarter by quarter. Deviations of greater than +/- 5% of profit by Business Unit in a given quarter will require explanation. If the deviation is expected to continue into the subsequent quarters a formal plan modification must be requested.

The Definition of the Plan:

- Once the plans are proposed it is the Business Unit Manager's responsibility to approve them.

The Execution of the Plan:

- The overall intent of these changes is to make Digital more responsive to customers with an individual empowered to speak on behalf of the company (the Account Manager in the first line, and the Regional/Subsidiary Manager as representative of all Digital resources).
- The changing market will require different levels of investment and focus that will vary by Business Unit. The modifications will ensure appropriate focused investment and resources, Business Unit by Business Unit allowing Digital to meet our customers requirements and grow in new areas of opportunity.
- Another intent is to ensure we maximize the Digital business and understand and maintain the profit models for each line of business, to allow us to make the proper future investment decisions.

- Therefore, the Account Manager and the Regional Manager have the final decision-making power and the responsibilities to execute the plan and to maximize the total on a day to day basis. However, they will have the added responsibility to ensure all Business Unit plans are achieved. Quarterly measurements and reviews will allow better understanding of progress to plan at every level of the organization, improving our success in total.
- Documenting, reviewing and understanding the execution of the plan versus the budget is key to ensure we develop the right management behavior, learn as we evolve and improve our business models to become more innovative and competitive.
- As usual, with responsibility and authority comes the duty of performing against the plan and of developing further as individuals and as a team.
If the plan is in danger of not being implemented, it is the responsibility of the Geography to raise it with the Business Unit Manager, propose an alternative or ask (early) for help/suggestions on how to improve the actual business situation.
- The detailed map of roles and responsibilities as well as the business measurement reporting requirements will be sent as an attachment to this announcement later.

We are sure that this new delegation of decision-making power and the improved processes will contribute towards making us more flexible and proactive by creating more empowered people (and Business Units) closer to the customer and make us able to react faster and winning even more often.

We are also sure these changes will play a key role in our effort to maintain the excitement and enthusiasm of the winning D.E.C. (the most Dynamic, Exciting Company to work for).

Let's make it happen.
Regards.

Attachments:
mailed later

List of the Business Units for FY91
Map of roles and responsibilities.
Business measurement reporting requirements.

QUESTIONS

- Will every Business Unit have a focused and dedicated manager at the European level?
- How will the Subsidiary and Regional teams be measured, rewarded?
- What is an acceptable deviation to plan by quarter?
- What must I do if I miss my plan and expect to continue to miss it?
- Will the human resources be tied to the plan by Business Unit?
- Will new ventures be treated differently from existing businesses?
- Can a subsidiary choose not to implement a Business Unit in total?

Compensation Planning and Approval

The following section covers the planning and approval process for managers responsible to the Geography management teams. The Geographies are defined as the U.S., Europe and GIA. To ensure clarity there are three different pages that apply to different individuals on an Entity Team; the team leader, the Business Unit team defined as the System business manager, the EIS business manager and the Customer Services manager; the Functional managers; Finance, Personnel, Legal. The Team Leader is further defined as the Entity manager which may have different titles in each Geography. It is specifically defined as the individual that reports directly to a Geography manager representing one of the following:

- Country Group
- Country
- Subsidiary
- Region

The first page covers only the review of the Entity manager and reflects the added responsibility to deliver the total entity plan and the individual Business Unit plans $\pm 5\%$ of margin by quarter. Final approval for the entity managers rests with the Field Compensation and Development Committee (FCDC) which consists of the three Geography managers, the Corporate EIS manager, the Corporate Field Finance manager and the Corporate Field Personnel manager.

The second page covers the approval process for the Business Unit managers at an Entity. The three Business Unit managers are called the Business Unit Team or Geography Business Team.

The third page covers the approval process for the functional managers that are part of the Entity team. These are defined as the Finance manager, the Personnel manager and the Legal manager.



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Country Group, Country, Subsidiary and Regional Managers

Each Geography (U.S., Europe, GIA) is working to define a single individual responsible to ensure achievement of the total business plan as well as the individual business unit plans within an entity. The entities have different titles within each Geography. Most commonly used are Country Group, Country and Region. The process outlined applies to those individuals that report directly to one of the three Geographies (U.S., Europe, GIA). The compensation and review process will therefore recognize the additional responsibility as outlined below. The measurement will reflect the performance of the total plan as well as the implementation of the business unit plans.

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan	3GM	GBT and FCDC
● Salary Review Execution		GBT
● Stock Plan	3GM	
● Stock Execution		GBT and FCDC

KEY:

GBT = *Geography Business Team - System Business Manager
EIS Business Manager
C.S. Business Manager*

3GM = *Geography Manager - US, GIA, Europe*

FCDC = *Field Compensation and Development Committee*



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Entity Business Unit Team Members

All business unit members in an operational entity will be measured on the performance of the entity as a whole and on their business specialty. An entity can be a Country Group, a Subsidiary, a Region, a District, a Unit or an Account. The measurement will be weighted 50% on the performance of the entity as a whole and 50% on the performance of the individual team members business specialty (e.g., Sales, EIS, Customer Services).

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Salary Plan and Stock Plan for an Entity Business Unit Manager	S	GBT
● Salary Review Execution	S	GBT
● Stock Execution	S	GBT

KEY:

- S = Shared by Business Unit Manager and next higher level business team
- GBT = Geography Business Team at the next highest level
 - System Business Manager
 - EIS Business Manager
 - C.S. Business Manager



Responsibility and Accountability to Manage a Geography by Business Unit

Compensation - Functional Entity Team Members

All functional team members in an operational entity will be measured on the performance of the entity as a whole and on their functional specialty. An entity can be a Country Group, a Subsidiary, a Region, a District, a Unit or an Account. The measurement will be weighted 50% on the performance of the entity as a whole and 50% on the performance to approved goals of the team members specialty (e.g., Finance, Personnel, Legal, etc.).

	<u>Responsibility to PLAN</u>	<u>Responsibility for PLAN APPROVAL</u>
● Annual Functional Goal Approval	S	GBT and FM
● Salary Plan and Stock Plan for an Entity Manager	S	GBT and FM
● Salary Review Execution	S	GBT and FM
● Stock Execution	S	GBT and FM

KEY:

- FM = Functional Manager at the same level as the Geography Business Team
- S = Shared by Functional Manager and next higher Functional Manager
- GBT = Geography Business Team at the next highest level
 - System Business Manager
 - EIS Business Manager
 - C.S. Business Manager

Cham
5 copies

INTEROFFICE MEMORANDUM

Doc. No: 020659
Date: 29-May-1990 12:13pm EDT
From: George Chamberlain
CHAMBERLAIN.GEORGE
Dept: FINANCE - MLO12-2/U48
Tel No: 223-5305

TO: EXECUTIVE COMMITTEE (PAPER MAIL)
TO: FINANCE STAFF (PAPER MAIL)
TO: JACK SMITH STAFF (PAPER MAIL)

Subject: OPERATIONS COMMITTEE PRESENTATION

Several people have asked for copies of the attached presentation.

Note the updated integrated model which is the straw for what the Contribution Margin needs to be on average from each of the Business Units in order for the company to have satisfactory financial performance.

Attachment

CC:
Carol Reid
FYI

BUSINESS MANAGEMENT ARCHITECTURE

GOAL:

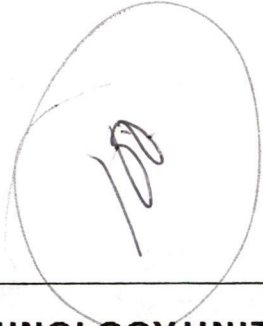
A MANAGEMENT SYSTEM WHICH ENCOURAGES CAPITALISM

BUSINESS MANAGEMENT ARCHITECTURE

REQUIREMENTS:

- **COMPANY PLAN IS ROLLUP OF BUSINESS PLANS**
- **COMPANY IS MANAGED BY BUSINESS, NOT FUNCTION**
- **MANAGERS ARE ACCOUNTABLE FOR RESULTS vs. PLAN**
- **BUDGETS ARE FUNCTION OF APPROVED PLANS**
- **NO OVERLAP OF REVENUE BETWEEN LIKE BUSINESSES**
 - BETWEEN APPLICATION BUSINESS UNITS**
 - BETWEEN PRODUCT BUSINESS UNITS**
 - BETWEEN SERVICE BUSINESS UNITS**
- **COMPETITIVE MODELS EXIST FOR ALL UNITS**

BUSINESS MANAGEMENT ARCHITECTURE



TECHNOLOGY UNITS

PBUs

SVCBUs



STRATEGIC UNITS

ABUs

**INCLUDES
PRODUCTS &
SERVICES**

**REVENUE
PLANS OF
RECORD,
DETERMINE
B O D**



DISTRIBUTION UNITS

GEOGRAPHY

**INCLUDES
PRODUCTS &
SERVICES**

*only integration
point for Dec??*

BUSINESS MANAGEMENT ARCHITECTURE

CORPORATE	ABU STATEMENT (PRODUCT BUSINESS)	PBU STATEMENT (PRODUCT BUSINESS)
MLP DISCOUNTS ALLOWANCES UPLIFTS	MLP DISCOUNTS ALLOWANCES UPLIFTS	MLP DISCOUNTS ALLOWANCES UPLIFTS
NOR	NOR	NOR
TRANSFER COST FREIGHT	TRANSFER COST FREIGHT	TRANSFER COST FREIGHT
VARIABLE MARGIN	VARIABLE MARGIN	VARIABLE MARGIN
MARKETING FIELD-DIRECT	MARKETING SYSTEM ENG FIELD-DIR SELLING FIELD-DCC/SUPPORT FIELD-TRAINING	BASE PROD MKTG FIELD-DCC/SUPPORT FIELD-TRAINING PRODUCT ENG
ENGINEERING MANUFACTURING		E97 NPSU MANUFACT O/H
CONTRIBUTION MARGIN	CONTRIBUTION MARGIN	CONTRIBUTION MARGIN
	ENGINEERING MANUFACTURING	MARKETING FIELD-DIRECT
FIELD O/H G & A OTHER	FIELD O/H G & A OTHER	FIELD O/H G & A OTHER
OPERATING PROFIT	OPERATING PROFIT	OPERATING PROFIT

REVENUES ARE BASED ON ABU BUSINESS PLAN (PLAN OF RECORD FOR COMPANY)

COST CATEGORIES

- A DETERMINED BY ABU BUSINESS PLAN, ABU CONTRIBUTION MARGIN GOAL
- B DETERMINED BY PBU BUSINESS PLAN, PBU CONTRIBUTION MARGIN GOAL
- C DETERMINED BY JFS / EXECUTIVE COMMITTEE / GEOGRAPHY MODEL

BUSINESS MANAGEMENT ARCHITECTURE

CORPORATE		PBU STATEMENT PRODUCTS ONLY		SVC STATEMENT SERVICES ONLY		ABU STATEMENT PRODUCTS & SERVICES		GEOG STATEMENT PRODUCTS & SERVICES	
MLP		MLP		MLP		MLP		MLP	
DISCOUNTS		DISCOUNTS		DISCOUNTS		DISCOUNTS		DISCOUNTS	
ALLOWANCES		ALLOWANCES		ALLOWANCES		ALLOWANCES		ALLOWANCES	
UPLIFTS		UPLIFTS		UPLIFTS		UPLIFTS		UPLIFTS	
SERVICE INCOME				SERVICE INCOME		SERVICE INCOME		SERVICE INCOME	
NOR	100%	NOR	100%	NOR	100%	NOR	100%	NOR	100%
TRANSFER COST	17%	TRANSFER COST	25%	TRANSFER COST		TRANSFER COST	17%	TRANSFER COST	17%
FREIGHT	1%	FREIGHT	2%	FREIGHT		FREIGHT	1%	FREIGHT	1%
COST OF SVC DELV	16%			COST OF SVC DELV	51%	COST OF SVC DELV	16%	COST OF SVC DELV	16%
VARIABLE MARGIN	66%	VARIABLE MARGIN	73%	VARIABLE MARGIN	49%	VARIABLE MARGIN	66%	VARIABLE MARGIN	66%
MARKETING	4%	BASE PROD MKTG	1%			MARKETING	2%	FIELD MARKETING	1%
FIELD-DIRECT	10%	FIELD-DCC/SUPPORT	1%			FIELD-DIR SELLING	5%	FIELD-DIR SELLING	5%
		FIELD-TRAINING				FIELD-DCC/SUPPORT	4%	FIELD-DCC/SUPPORT	4%
FIELD OVERHEAD	11%					FIELD-TRAINING	1%	FIELD-TRAINING	1%
SERVICE EXPENSE	8%			SERVICE EXPENSE	26%	SERVICE EXPENSE	8%	FIELD OVERHEAD	11%
ENGINEERING	10%	PRODUCT ENG	13%			SYSTEM ENG	1%	SERVICE EXPENSE	8%
		E97	4%						
MANUFACTURING	8%	NPSU	2%						
		MANUFACT O/H	6%						
		CONTRIBUTION MAR	46%	CONTRIBUTION MAR	23%	CONTRIBUTION MAR	45%	CONTRIBUTION MAR	36%
		MARKETING	3%			MARKETING	2%	MARKETING	3%
		ENGINEERING	1%			ENGINEERING	9%	ENGINEERING	10%
		FIELD-DIR SELLING	12%			MANUFACTURING	8%	MANUFACTURING	8%
		FIELD O/H	17%			FIELD O/H	11%		
G & A	1%	G & A	1%	G & A	1%	G & A	1%	G & A	1%
OTHER		OTHER		OTHER		OTHER		OTHER	
OPERATING PROFIT	14%	OPERATING PROFIT	12%	OPERATING PROFIT	22%	OPERATING PROFIT	14%	OPERATING PROFIT	14%

Based on "Chart of Accounts" View

PROPOSAL:

- **GO TO ONE LEVEL PBU REPORTING**
- **BUSINESS UNIT DETERMINED BY WHAT CUSTOMER BUYS**

EXAMPLE:

ESB = BASE MICROVAX SYSTEM (CPU, O/S, MEMORY, DISKS, etc)
IF CUSTOMER BUYS MORE COMPONENTS, NOR TO COMPONENT
COMPONENT SUPPLIER MUST BE COMPETITIVE WITH EXT'L ALT
SYSTEM PBU GETS COMPONENT AT COST

- **RESULT: PBU PLANS ADD UP TO 100% OF PRODUCT PLANS**
- **WITH COMPETITIVE MODELS, GOODNESS IS CLEAR**
- **IF UNITS DO WELL, COMPANY DOES WELL**
- **IF COMPANY IN TROUBLE, SOURCE OF PROBLEM IS CLEAR**

BUSINESS MANAGEMENT ARCHITECTURE

LIST OF BUSINESS UNITS

PBU	Svc BU	ABU
SYSTEMS:	HPS	BANKING
VAX/VMS	SPS	INSURANCE
RISC / UNIX	NWSS	MEDIA
PDP-11	DAS	TRAVEL, UTILITY, RETAIL
PC	DTS	ENGINEERING
INTEL / SCO	DCSS	MANUFACTURING
NON-IMBEDDED COMPONENTS	FMS	SALES, DIST, SERVICE
DISKS	SWS <i>PS</i>	LABORATORY
TAPES	EDU <i>CT</i>	EDUCATION
MEMORY	<i>CS projects</i>	STATE & LOCAL GOV'T
SOFTWARE (NO O/S)		FEDERAL GOVERNMENT
TERMINALS		SCIENCE
NETWORKS		HEALTH CARE
		TELECOMMUNICATIONS
		SMALL BUSINESS
		COMMODITY DISTRIB'RS

WITHIN ANY BUSINESS UNIT, THERE IS VISIBILITY TO PRODUCT LEVEL DETAIL

SI as well but sufficient reporting } **FABS
OIS
EPS
ADSG
IS
IMAGE**

BUSINESS MANAGEMENT ARCHITECTURE

INTEGRATING MECHANISMS REQUIRED

- **PRODUCT STRATEGY**
- **MARKETING**
 - MESSAGES**
 - CONNECTION WITH FIELD**
- **SUPPORT SPECIALIZATION AND TRAINING**

DIGITAL CONFIDENTIAL Document

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

Doc. No: 000606
Date: 08-May-1990 03:54pm EDT
From: RON SMART
SMART.RON
Dept:
Tel No: 223-7011

TO: See Below

Subject: NEW MANAGEMENT SYSTEMS

TO: NO-NAME TF (Jack Smith, Abbott Weiss, Bruce Ryan, Mick Prokopis, George Chamberlain, Dick Poulsen, Pete Smith, Russ Gullotti, Grant Saviers, Bill Strecker, Dick Fishburn, Ron Smart.)

CC: Other Group VPs
FR: Ron Smart/Abbott Weiss

RE: WORKING DRAFT OF OUR MANAGEMENT SYSTEMS - for REVIEW & CLARIFICATION

This document summarizes what we've collected on the agreements and remaining issues as developed by the Management Systems Task Force A (also known as the "No-Name TF"), following meeting on 4/17/90 and subsequent resolutions of outstanding issues. Please review and confirm agreements or question for clarity.

CONTENT:

1. INTRODUCTION
2. RESPONSIBILITY/ACCOUNTABILITY CHARTING (including PRICING)
3. BUSINESS MANAGEMENT REPORTS SUMMARY
4. RESOLVED ISSUES & ISSUES STILL TO BE RESOLVED
5. TESTS FOR WHETHER NEW BUSINESS MANAGEMENT SYSTEMS ARE POWERFUL ENOUGH

APPENDIX:

6. DEVELOPMENT & DELIVERY COSTS IN P&Ls - M. Prokopis
(not included, see separate document LAPZ14#25 from Ron Smart)
7. FULL FORMAT VERSION OF BUSINESS MANAGEMENT REPORTS
(not included, details still being worked out)
8. DETAILED EXPLANATION OF OUR BUSINESS MANAGEMENT PRINCIPLES

(not included, see document LAPZ14#10 from Ron Smart)
The purpose of this more detailed explanation of Business Management Principles is to insure we all have the same understanding of these principles summarized in section 1.1 below.

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.0

1. INTRODUCTION TO NEW MANAGEMENT SYSTEMS - WORKING DRAFT FOR REVIEW

1.1 SUMMARY OF BUSINESS MANAGEMENT PRINCIPLES: (for detail see LAPZ14#10)

- * PLANNING AND MANAGING BY BUSINESS UNIT:
BUSINESS UNITS ARE OUR FUNDAMENTAL BUSINESS MANAGEMENT SEGMENTS:
 - RESPONSIBILITY: ESTABLISH SEGMENT STRATEGY, BUSINESS MODEL & PLAN CONSISTENT WITH OUR CORPORATE STRATEGY & PLAN.
 - ACCOUNTABILITY: ACHIEVE PLANNED BUSINESS RESULTS FOR CORPORATION.
 - EXPLOIT OPPORTUNITIES FOR LEVERAGE BETWEEN THE BUSINESS UNITS.

- * ASSUMPTIONS ABOUT PERFORMING TO PLAN:
WE MANAGE THE COMPANY BY ASSUMING THAT EACH GROUP WILL PERFORM TO PLAN. WE MANAGE BY EXCEPTION, CHANGING THE PLAN IF INTENTIONS CHANGE.

- * KINDS OF BUSINESS UNITS:
WE HAVE GEOGRAPHIC, INDUSTRY/APPLICATION, PRODUCT & SERVICE UNITS, AND INTERNAL PRODUCT UNITS (SEMICONDUCTORS).(see roles in chart 1.3)

- * ACHIEVING THE CORPORATE PLAN:
GEOGRAPHY'S PRIORITY IS TO ACHIEVE TOTAL REVENUE PLAN BY QUARTER, THEN TO ACHIEVE PLANS BY APPLICATION, PRODUCT & SERVICE SEGMENTS.

ACHIEVEMENT OF PROFIT OBJECTIVES IS DONE BY ACHIEVING REVENUE PLAN BECAUSE EVERY ORGANIZATION MANAGES ITS ASSET/EXPENSE LEVELS TO PLAN.

WITHIN A QUARTER:
 - GEOGRAPHIES SOLVE THE CERTS, PROFIT OR OTHER OPERATIONS PROBLEMS,
 - MANAGE BUILD/SHIP PLAN WITH LOGISTICS, BASED ON CUSTOMER DEMAND.

- * BUSINESS MODELS, PLANS AND REPORTING FOR BUSINESS UNITS:
 - FULL P&LS ARE USED TO ESTABLISH VIABLE BUSINESS MODELS AND PLANS.
 - REVENUES AND EXPENSES ARE ADDED TO 100% IN GEOGRAPHIC, APPLICATION AND PRODUCT/SERVICE DIMENSIONS TO VERIFY CORPORATE MODEL AND PLAN.
 - MANAGEMENT REPORTING IS ACCORDING TO WHAT A UNIT DIRECTLY CONTROLS.

- * DECISION MAKING & INTER-DEPENDENCE:
 - DECISIONS ARE MADE BY BRINGING TOGETHER BEST AVAILABLE KNOWLEDGE, NOT BY DIFFERENT GROUPS TELLING OTHERS WHAT TO DO.
 - INTERDEPENDENT GROUPS COMMUNICATE TO IMPROVE THEIR EFFECTIVENESS IN SATISFYING CUSTOMERS AND ACHIEVING CORPORATE BUSINESS RESULTS.
 - PROCESSES WILL BE ESTABLISHED FOR UNITS TO PLAN & MANAGE NECESSARY RESOURCES THAT ARE NOT UNDER DIRECT CONTROL OF THE BUSINESS UNIT.
 - ANNUAL BUDGETS ESTABLISH RESOURCE CONTRACTS BETWEEN BUSINESS UNITS.

- * APPROVAL CRITERIA FOR BUSINESS PROPOSALS:
BUSINESS PROPOSALS ARE APPROVED ON THE BASIS OF THEIR CONTRIBUTION TO CORPORATE PERFORMANCE IN STRATEGICALLY IMPORTANT BUSINESS SEGMENTS AND THE QUALITY OF THE PLAN FOR MAKING THIS CONTRIBUTION. A QUALITY PLAN HAS ALL THE DETAILS NECESSARY FOR PLAN SUCCESS, INCLUDING A MANAGEMENT PLAN FOR ALL THE CRITICAL INTER-DEPENDENCIES.

*** DIGITAL CONFIDENTIAL ***

1. INTRODUCTION TO NEW MANAGEMENT SYSTEMS (cont) - DRAFT FOR TASK FORCES

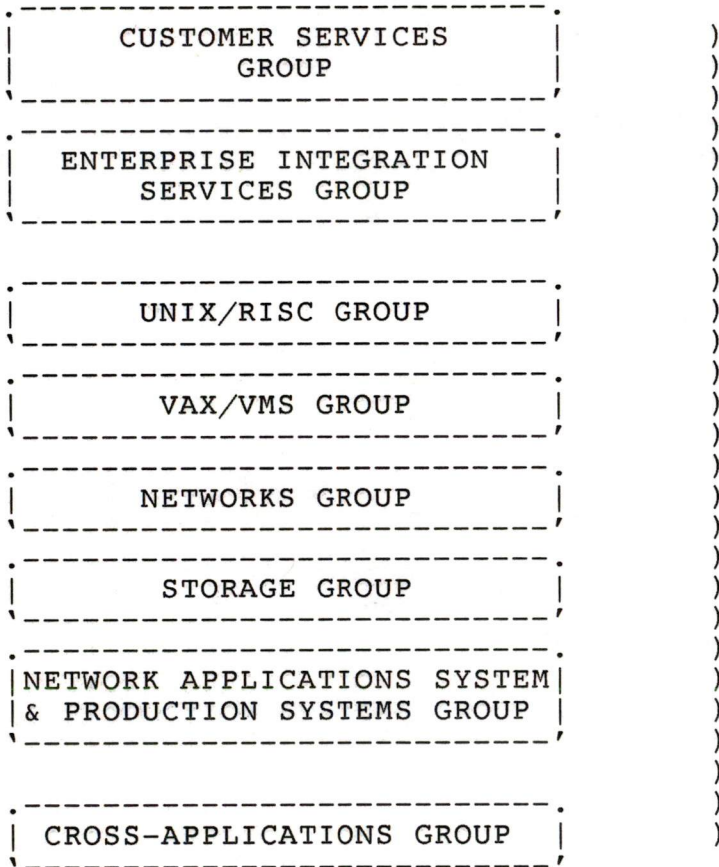
1.2 EXAMPLES OF BUSINESS UNIT GROUPS:

CUSTOMER ACCOUNTS

Revenues add to 100%

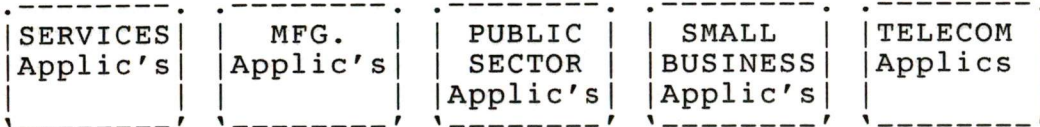


Revenues add to 100%



Product & Service Revenues don't add to 100%

NO PROBLEM!



Revenues add to 100%

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1.3 PRIMARY VALUE-ADDED ROLES OF EACH KIND OF BUSINESS UNIT:

APPLICATIONS BUSINESS UNIT:

- * DEFINE STRATEGIC BUSINESS OPPORTUNITIES
- * SPECIFY WHAT SOLUTIONS & PRODUCTS THE CUSTOMERS NEED
- * GAIN MARKET SHARE & ACHIEVE PLANNED NOR & PROFIT
- * INSURE THAT DIGITAL CAN DO THE WHOLE JOB
- * INSURE QUANTITY & COMPETENCY OF APPLICATIONS SALES SUPPORT RESOURCES
- * INSURE TECHNICAL COMPETENCE OF SALES RESOURCES VIA TRAINING TOOLS
- * PROVIDE MARKET SPECIFIC APPLICATIONS PRODUCTS & PARTNERS

PRODUCT, SERVICE & CROSS-APPLICATIONS BUSINESS UNITS:

- * PROVIDE EXCELLENT & COMPETITIVE PRODUCTS, SERVICES
- * INSURE QUANTITY & COMPETENCY OF SALES SUPPORT RESOURCES
- * INSURE TECHNICAL COMPETENCE OF SALES RESOURCES VIA TRAINING TOOLS
- * PROVIDE PRODUCT/SERVICE MARKETING, ADVERTISING & MARKETING TRAINING
- * PROVIDE COMMON APPLICATIONS & PARTNERS FOR USE ACROSS BUSINESS UNITS

GEOGRAPHIC BUSINESS UNITS:

- * MAKE THIS QUARTER & THE NEXT IN PRODUCT/SERVICE REVENUES
- * SATISFY THE CUSTOMERS & PROVIDE ACCOUNT MANAGEMENT
- * INTEGRATE ALL WE DO AT THE POINT OF DELIVERY
- * SPECIFY & INSURE WE MEET LOCAL PRODUCT REQUIREMENTS
- * ACHIEVE COMPETITIVE COST OF SALES

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING

2.1 RESPONSIBILITY/ACCOUNTABILITY OF APPLIC. BUSINESS UNITS & GEOGRAPHY:

	RESPONSIBILITY TO PLAN	PLAN EXECUTION	APPROVAL AND EXCEPTION APPROVAL
BUSINESS PLAN & TIMELESS MODEL	S	G	B.U.
GEOGRAPHY LRP	INPUT TO BU PLAN	G	G
UNIQUE BUSINESS UNIT METHODS & PROCEDURES	S	S	B.U.
STAFFING DECISIONS	S	G	B.U.
TRAINING & DEVELOPMENT PROGRAMS	S	G	B.U.
BUDGET APPROVAL 8 QUARTER P&L	S	G	B.U.
INVESTMENT & TRADEOFFS FOR THE GEOGRAPHY BY BUSINESS	S	G	B.U.
SALARY REVIEWS & STOCK FOR DCC MANAGER	S	S	B.U.
SALARY REVIEWS & STOCK FOR COUNTRY MANAGER	S	S	G

KEY: B.U. = Business Unit (Application Business Units)
 S = Shared
 G = Geography Management

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.2 RESPONSIBILITY/ACCOUNTABILITY TO MANAGE A GEOGRAPHY BY BUSINESS UNIT:

	RESPONSIBILITY TO PLAN	PLAN EXECUTION	APPROVAL AND EXCEPTION APPROVAL
CAPITAL SPENDING (Unique to B.U.)	S	G	B.U.
ASSETS (Unique to B.U.)	S	G	B.U.
PRODUCT/SERVICE OFFERINGS	S	G	B.U.
BUSINESS PRACTICES	S	G	S
ACCOUNT MANAGEMENT	G	G	G
PRODUCT VOLUME PLAN	← See Fig 1. Section 2.3 →		B.U.

KEY: B.U. = Business Unit (Applications, Product &/or Service BUs)
 S = Shared
 G = Geography Management

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

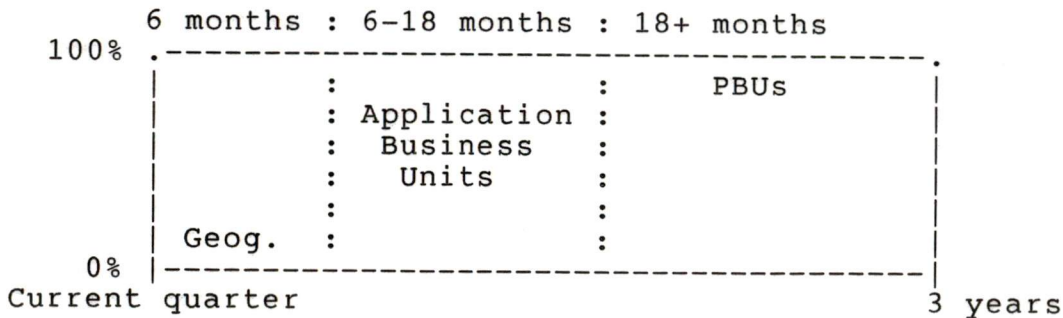
2.3 RESPONSIBILITIES BETWEEN APPLICATION BUSINESS UNITS & FUNCTIONS:

	MANUFACTURING	PBU	GEOGRAPHY	APPL BUS UNITS
2Q QTD PLAN	I	I (New Products)	R	
CAPACITY PLAN (also see 2.5)		I	I	R (????)
NEW PRODUCT RAMPS	I	R	I	
FUNCTION LRP	R	R		
- COMPETITIVENESS				
- TIME TO MARKET				
PRODUCT REQUIREMENTS INPUTS:		S		S
- WHAT PRODUCTS?				
- FUNCTIONALITY?				
- TIMING SCHEDULE?				
PRODUCT PLAN PROPOSAL		R *		

* to STF + Marketing/Sales Committee --> Ken & friends

KEY: R = Responsible S = Shared I = Input

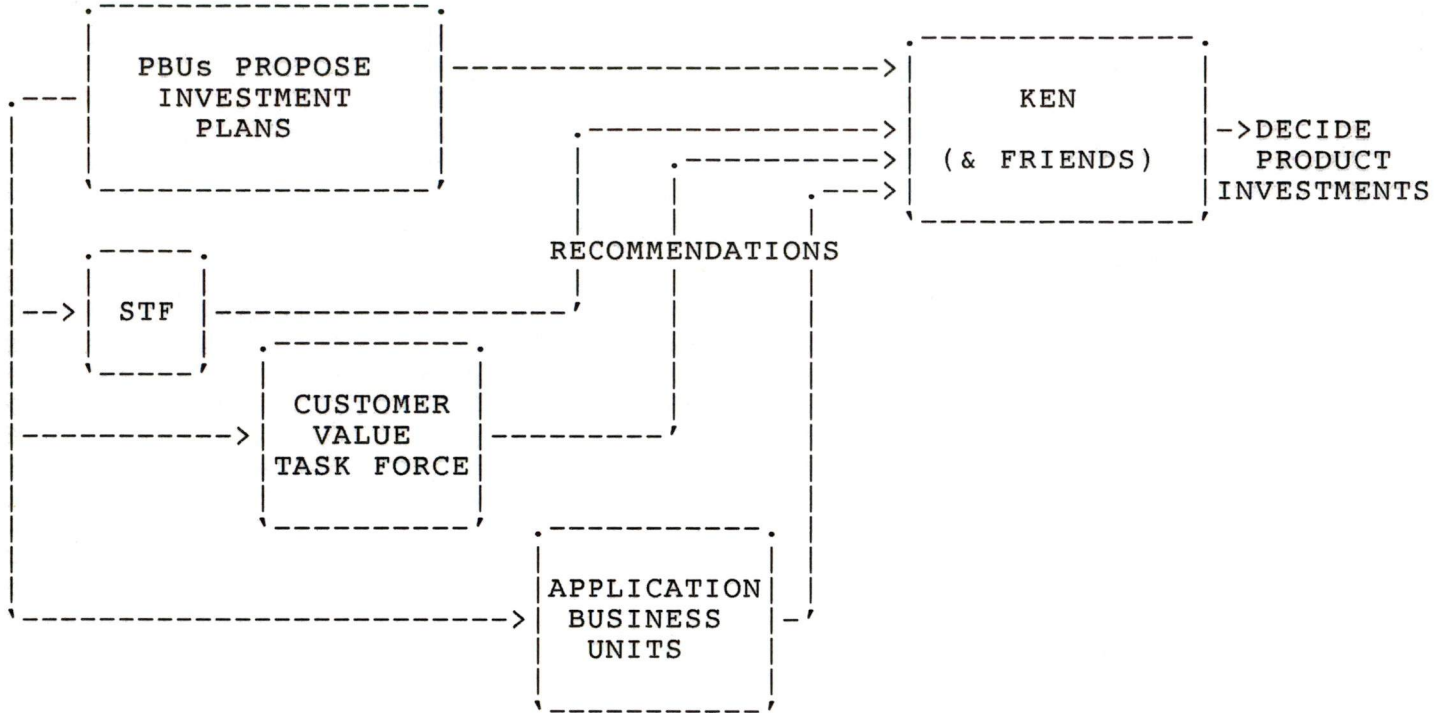
Fig 1. DEGREE OF INFLUENCE OVER MANUFACTURING BUILD PLAN



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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.4 HOW DO WE DECIDE ON PRODUCT INVESTMENTS:



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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.5 PBU:

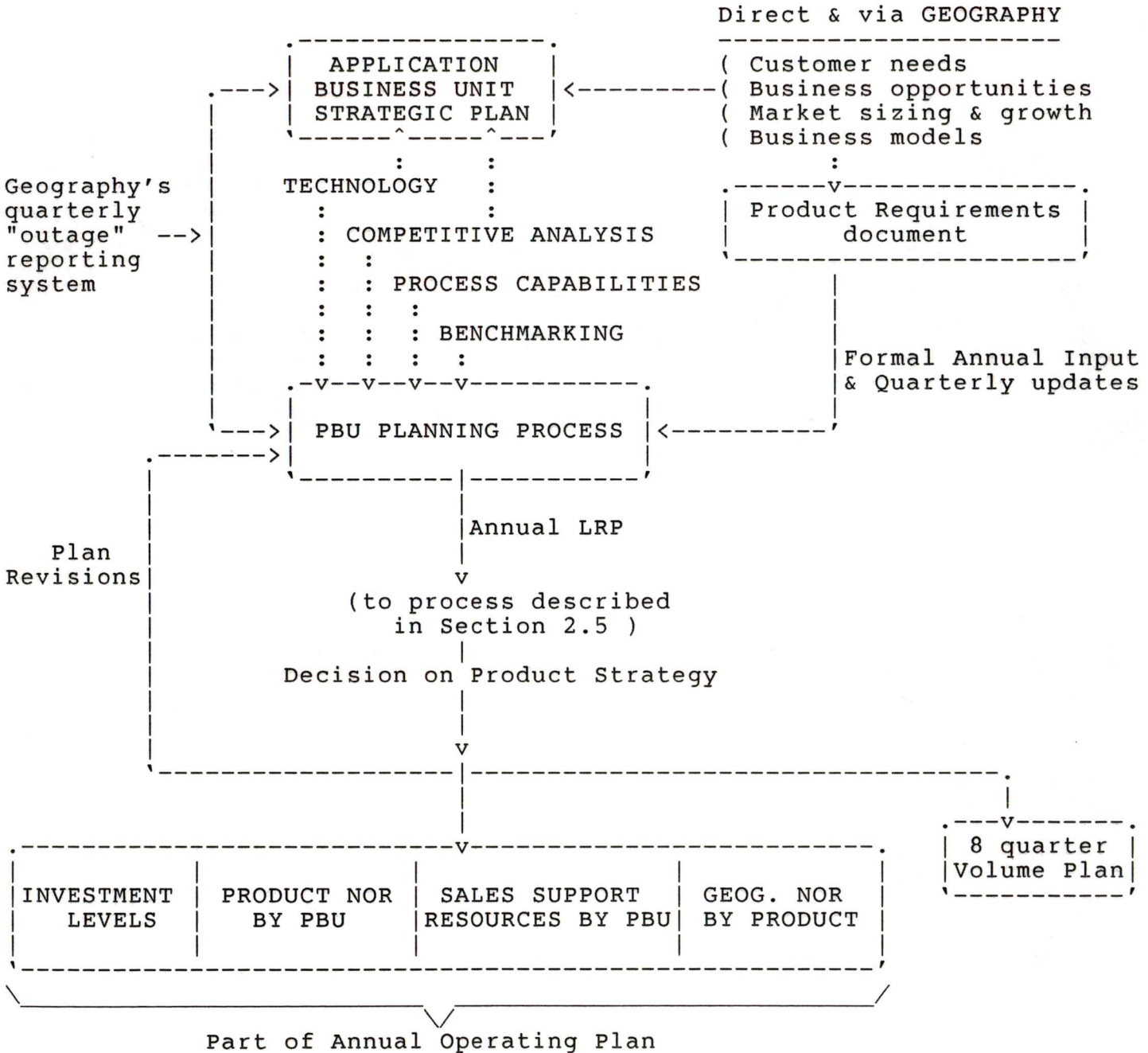
	RESPONSIBILITY TO PLAN -----	PLAN EXECUTION -----	APPROVAL AND EXCEPTION APPROVAL -----
INVESTMENT	PBU	PBU	Ken & friends
LIFETIME REVENUE PLAN	PBU	ALL	Ken & friends
CAPACITY PLAN (also see 2.3)	PBU input	PBU + MFG.	Ken & friends
8 QTR NOR & PRODUCT VOLUME BY ABU & GEOG.	PBU (Inputs from ABU & GEOG)	ALL	Ken & friends
BUSINESS MODEL & BUSINESS PLAN	PBU	PBU	EC with inputs from Ken & friends
PRODUCT SALES SUPPORT	S (PBU & GEOG)	GEOG	PBU
PRICING	<--- see Pricing Responsibility Section 2.8 --->		

Note: PBU means Engineering and assorted Product Management plus Marketing and Manufacturing.

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.6 HOW APPLICATIONS BUSINESS UNITS AFFECT PRODUCT INVESTMENT:



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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.7 CROSS APPLICATION UNITS - essentially the same as PBUs:

See PBU charts

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.10

2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.8 PRICING RESPONSIBILITIES (per Dick Fishburn 4/24/90)

	Responsibility to PLAN	Execution	Approval & Exception Approval
	-----	-----	-----
* PRICING ARCHITECTURE (How DIGITAL products are differentiated vis-a-vis one another: including VAX/UNIX; Processors/Peripherals; discount strategy)	BU, (Coordinated by VP Mktg)	G	EC or designated body
* PRICING STRATEGY (How DIGITAL products are differentiated vis-a-vis competition, including competitive positioning; value-added pricing; and Application/System/Component pricing strategy)	BU	G	BU
* GEOGRAPHY UPLIFT/DOWNLIFT PLAN (Within individual countries, how products are priced consistent with pricing architecture and strategy)	G	G (At introduction US CLP must equal MLP)	BU (Differences from strategy)
* NEW PRODUCTS (Introduction price consistent with strategy)	PBU (unless BU specific)	G	BU
* RESPONSE TO COMPETITIVE PRICE CHANGE	All (Emphasis on short reaction time)	G	BU (if response changes the competitive positioning)
* INDIVIDUAL CUSTOMER PROJECT (Deal Making)	S (Allowance budget)	G	BU (If Mega deals affect budget)

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3.0 SUMMARY OF REPORTING (per Dick Fishburn composite chart):

REPORTING OF ACTUALS AND FORECASTING

	<u>Application Business Units</u>	<u>Service Business Units</u>	<u>Total of Customer Service, Software Services, Edu. Services</u>
ACTUALS:			
Orders	W, M, Q, FY	Service Only	Service Only
Revenue-Product	M, Q, FY	-	-
-Service	Q, FY (actual where possible, others by algorithm based on Budget)	M, Q, FY	M, Q, FY
Direct Expenses	M, Q, FY	M, Q, FY	M, Q, FY
Full P&L	Q, FY	Q, FY	Q, FY
BUDGET:			
Orders	Q, FY	Service Only	Service Only
Revenue-Product	Q, FY	-	-
-Service	See Above	Q, FY	Q, FY
Direct Expenses	Q, FY	Q, FY	Q, FY
Full P&L	Q, FY	Q, FY	Q, FY
FORECAST: by Q & FY			
Orders	Once a Quarter	?	?
Revenue-Product	No	-	-
-Service	No	BQ	BQ
Direct			
expenses-Week 5	No	Yes	Yes
-Week 11	No	No	Yes
Full P&L-Week 5	No	Yes	Yes
-Week 11	No	No	Yes

W = Weekly
M = Monthly
BQ = Twice a Quarter
Q = Quarterly
FY = Full Year

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4. BUSINESS MANAGEMENT REPORTS - OPEN ISSUES RE: BUSINESS UNIT REPORTS

- a) WEEKLY CERTS - Is there a problem with order coding?
Resolution assignment: Pete Smith and Geography managers.
(Make it simple)
- b) MONTHLY, DIRECT EXPENSE - Selling & Sales Support effort by B.U.
(Model established with budget, but how will Geographies report actual effort? Quarterly study or other? Poulsen, PCF and Grainger describe the process they will use. Dick Fishburn pulls it together. Fishburn understands that Geographies will get it done some how)
- c) Customer Service Revenues to Applics. RESOLVED (D. Fishburn describe)
- d) FORECASTING CERTS BY APPLICATIONS BUSINESS UNITS - RESOLVED:
- once per quarter for periods which are being forecasted
- e) OTHER ISSUES which aren't show stoppers will be worked on by priority
- f) HOW TO BUILD LINKAGES BETWEEN BUSINESS UNITS - SALES & SUPPORT PEOPLE
(Affiliation relationships to Sales & Support people in Geographies)
- g) APPLICATIONS BUSINESS UNIT IMPACT ON ENGINEERING INVESTMENT (say 25%)
- h) APPLICATION BUSINESS UNITS INFLUENCE ON PRICING - SOLUTION LEVEL ()
- i) HOW TO DEAL WITH SYSTEMS INTEGRATION BUSINESS INVESTMENTS WITHIN EIS?
(Dick has solution involving analytical estimations - ok Russ?)
- j) HOW TO REFORMULATE OTHER EIS BUSINESSES BETWEEN PRODUCTS & SERVICES?
(not a show stopper for now, Russ & Dick to resolve)

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.13

- Accts change for USA?
- CS/ERS 1 group?

5. TESTS FOR WHETHER NEW BUSINESS MANAGEMENT SYSTEMS ARE POWERFUL ENOUGH?

- a) How do we price PELE?
- b) How do we decide on the Japanese investment plan?
- c) How do we decide how many:
 - Sales people to plan?
 - Support people to plan?
- d) How do we decide whether to invest \$25m for equity in XY organization?
- e) How do we decide whether or not to invest \$300m in CMOS-27?
- f) How do we decide about putting a factory in Brazil, Spain, India etc.
- g) How do we decide whether to accept a major customer program (Systems Integration project) that cuts across all three Geographies?
- h) How do we decide whether to "commit to win" on a Dupont opportunity initially based in USA with revenue potential of \$150m but with probable bid cost of \$10m?

WHAT ARE SOME OTHER TEST QUESTIONS?

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.14

APPENDIX

6. DEVELOPMENT & DELIVERY COSTS IN P&Ls - Mick Prokopis
(not included, see separate document LAPZ14#15 from Ron Smart)

7. FULL FORMAT VERSION OF BUSINESS MANAGEMENT REPORTS (not yet included)

8. DETAILED DESCRIPTION OF BUSINESS MANAGEMENT PRINCIPLES
(not included, see Document LAPZ14#10 from Ron Smart)

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.15

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

Date: 16-May-1990 08:18am EDT
From: ALBERTO COSTALES @MLO
COSTALES.ALBERTO
Dept: Corporate Planning
Tel No: 223-5880

TO: See Below

Subject: BUSINESS UNIT REVIEW TASK FORCE - MAY 15, 1990 SUMMARY

- COMPANY CONFIDENTIAL -

On May 15, the Business Unit Review Task Force (BURTF) held its first meeting to discuss the proposed Application Business Unit (ABU) Plans. Dick Poulsen indicated that the principal role of the group was to review viability of the proposed ABU plans, recommend investment/disinvestments regarding these plans, discuss/resolve distribution of resources and finally, to propose NOR/expense growth for FY91.

Pete Smith proceeded to provide a summary of the 15 ABU plans. The group then proceeded to discuss the following information regarding each ABU:

- A. o FY90 NOR Forecast
- o FY91 Proposed ABU NOR, Growth Rate

*Resend
Dick S
FY I
Return
✓
5-22-90*

o FY91/90 Contribution Margin/Operating Profit

B. Marketing proposed expense growth

C. Management Strength/Track Record of each ABU

The BURTF was then asked to evaluate each ABU along the following dimensions:

- a. Market Importance
- b. Competitive Advantage
- c. Profitable Growth Potential
- d. Investment Recommendation
- e. "Credibility" of NOR growth

In addition, each person was asked to identify the "Top 5" ABUs that should be considered as the best investment opportunities. Also, all participants were asked to project NOR growth for each ABU.

Pete Smith then provided a view of the relative investment priorities for the 15 ABUs as well as recommendations as to which ABUs NOR plans could be recalibrated for NOR growth.

The above information was subsequently analyzed and summarized as follows:

- o Attachment I provides a recommended restatement of the proposed ABU NOR growth based on the collective "wisdom" of the BURTF. This form also compares the FY89 NOR actuals, the FY90 forecast and the previously proposed ABU NOR plan.
- o Attachment II provides a summary of the various parameters the BURTF was asked to analyze for each ABU.

Major Conclusions:

1. A restatement of ABU FY91 NOR based on the BURTF input shows a 12.3% growth versus the originally proposed plan of 17.8% growth.
2. The BURTF recommendation for NOR growth changes on each ABU tracks very well with Pete Smiths' recommendation on which ABU should be recalibrated for NOR growth.
3. The following ABUs received the highest votes for investment recommendation:
 - I. Banking (This was a unanimous choice)
 - II. Medical
CIM
 - IV. Engineering
Insurance

VI. Telecommunications

4. The greatest divergence of opinion existed around the Engineering and Insurance ABUs, where both these groups received as many "Top 5" Investment votes as "Low" Investment priorities.

5. The following ABUs received fairly consistent scores across most parameters:

High - Banking

CIM

Medical

Low - Industrial Research/Lab

Education

State and Local Government

Science

Next Steps:

- o Field Input, both FY91 NOR and Expenses, by ABU, is expected to be received on Monday, May 21, 1990. This information will be analyzed and compared to the BURTF recommendations and will also be provided to the ABUs.

- o Major disconnects will be identified and the BURTF will meet during the May 28, 1990 week to address them, leading to recommendations to the EXCOM on June 1st, regarding FY91 NOR and expense as well as investment/disinvestments.

- o Given the level of direct customer knowledge and understanding heavy emphasis will be given to the Field generated plans throughout this process.

Regards,

/rf

Attachment I

NET OPERATING REVENUE (\$ Millions)	PROPOSED ABU PLANS							REVISED ABU PLANS			P. Smith
	ACT	ACT	89-90	--Growth--			--Growth--			Invest	
	FY89	FY90	GRWTH	FY91	\$\$	%	FY91	\$\$	%	Recomm	
Services											
1) Banking	1,000	1,295	30%	1,693	398	31%	1,580	285	22%	INCREASE	
2) Insurance	155	194	25%	257	63	32%	229	35	18%	INCREASE	
3) Media	351	351	0%	387	36	10%	386	35	10%	INCREASE	
4) Trav/Util/Svcs	1,114	1,300	17%	1,565	265	20%	1,430	130	10%	-	
Manufacturing											
5) Engineering	1,893	1,889	0%	2,104	215	11%	2,002	113	6%	DECREASE	
6) Manufacturing	1,771	1,883	6%	2,123	240	13%	2,128	245	13%	-	
7) LAB	788	711	-10%	808	97	14%	768	57	8%	DECREASE	
8) Sales/Distr	794	673	-15%	791	118	18%	740	.67	10%	INCREASE	
Public											
9) Science	1,058	988	-7%	1,084	96	10%	1,067	79	8%	DECREASE	
10) Educ	747	603	-19%	690	87	14%	651	48	8%	-	
11) State & Local	422	561	33%	698	137	24%	617	56	10%	DECREASE	
12) Medical	537	402	-25%	464	62	15%	462	60	15%	INCREASE	
13) Fed Govn't	2,057	1,685	-18%	1,850	165	10%	1,853	168	10%	DECREASE	
14) Small Business	-	-	-	229	229	-	200	200	-	INCREASE	

15) Telecomm	914	1,064	16%	1,339	275	26%	1,224	160	15%	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
Sub-Total	13,601	13,599	0%	16,082	2,483	18%	15,337	1,738	13%	
Adjustment	-859	-699		-886			-844			
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
TOTAL NOR	12,742	12,900	1%	15,196	2,296	18%	14,493	1,593	12%	

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Attachment II

APPLICATIONS BUSINESS UNITS

RECOMMENDATIONS

	Track Rec	Mgmt Strength	Mrkt Importance	Compet Advtge	Profit Growth Potential	Invest Recomm	Credi- bility of NOR Growth	Top 5 Invest	90/91 Growth Summa
Services									
1) Banking	H	H	H		H	H		(1)	22
2) Insurance				L	L		L	(4)	18
3) Media	H	H	L						10
4) Travel/ Utility/ Services			H				L		10
Manufacturing									
5) Engineering	L	L	H				L	(4)	6

6) CIM	H	H	H	H	H	H	H	(2)	13
7) Sales & Dist. Systems						L	L		10
8) Industrial Research/ Laboratory	L	L				L	L		8
Public Sector									
9) Science	L	L				L	L		8
10) Education	L		H		L	L	L		8
11) State & Local		L			L	L	L		10
12) Medical	H			H	H	H	H	(2)	15
13) Government Sys Business									10
14) General Sys Business			H	L	L		L		200
15) Telecomm	L						L	(6)	15

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To: Russ
I asked Walt to draft a memo for you & I to send to Chamberlain, Fishburn, & Ryan on our proposal for the EIS business unit structure. OK with you?
Carol

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

Date: 18-May-1990 01:08pm EDT
From: Walt Wirtanen @BTH
WIRTANEN
Dept: HQ FP&A
Tel No: DTN 8264-8577

TO: Remote Addressee (WALTER WIRTANEN@BTH)

Subject: ^{EIS Business Unit} ~~eis reporting~~ proposal

reunite -
yes -

IN ADDITION TO THE EXISTING BUSINESS UNITS OF PSS AND ES, WE PROPOSE THE FOLLOWING AS BUSINESS UNITS WITHIN THE CORPORATE BUSINESS UNIT STRUCTURE;

1. CSS PRODUCTS AS A COMPONENT PBU-
INVESTMENT FUNDING THROUGH CORPORATE ENGINEERING PLANNING PROCESS.
REPORTING CONFORMING TO THE PBU REQUIREMENTS AS DESIGNED BY CORPORATE REPORTING COMMITTEE.
2. CSS PROJECTS AS A SERVICES BUSINESS UNIT WITHIN EIS-
INVESTMENT FUNDING THROUGH THE EIS SERVICES PROFIT MARGINS.
REPORTING CONFORMING TO SERVICES BUSINESS UNITS REQUIREMENTS AS DESIGNED BY CORPORATE REPORTING COMMITTEE.
3. SYSTEMS INTEGRATION AS A BUSINESS UNIT, OVERLAYED ACROSS THE ABU/PBU/GBU REPORTING DIMENSIONS.
INVESTMENT FUNDING THROUGH CORPORATE EXECUTIVE COMMITTEE BUDGETING PROCESS.

KEY CONSIDERATIONS OF PROPOSAL:

- ENABLE VISIBILITY OF EIS MANAGEMENT'S VOLUME AND PROFIT CONTRIBUTION TO DIGITAL.
- FIT EXISTING EIS OPERATING STRUCTURE INTO CORPORATE BUSINESS UNIT STRUCTURE, ALLOWING FOR EXPECTED CHANGES IN EIS BUSINESS UNIT ALIGNMENT.
- ENABLE CLEAR INVESTMENT FUNDING MECHANISM.
- ENABLE COMPLIMENTARY BUSINESS EFFORTS AMONG THE EIS BUSINESS

UNITS, THE APPLICATION BUSINESS UNITS, THE PRODUCT BUSINESS UNITS, AND THE GEOGRAPHIES.

-ENABLE CLEAR UNDERSTANDING OF THE EIS FIT INTO THE CORPORATE BUSINESS UNIT STRUCTURE.

To: Carol Reid
Russ Gullotti ✓

From: Walt Wirtanen

RE: EIS INTEGRATION INTO CORPORATE BUSINESS UNIT STRUCTURE

The attached proposal is intended for submission to key financial management decision-makers, Dick Fishburn, Bruce Ryan, George Chamberlain.

You must assume that the fit into the financial structure equates to fitting the EIS business units into the Corporate business management processes (i.e, CSS Products business is managed like a component PBU, CSS projects is managed like a service business unit). Thus there are business issues that would need to be addressed following decisions made on top level structure.

I have added an addendum to this, for your eyes only, explaining alternatives to this proposal. Each is given with the attendant implications on reporting and business management.

Also, I would like to present this, as current EIS thinking, to the Corporate Reporting Task force (Parker, Cohen committee) next Wednesday.

Is this OK?

EIS FIT INTO THE CORPORATE BUSINESS UNIT STRUCTURE

Proposal:

Establish the CSS group as two business units under EIS

CSS Products within the component PBU structure

CSS Projects as a service business within EIS

Manage Systems Integration as a business unit, overlayed across the ABU, PBU, Geography structure

PSS and ES Business Units remain as is

Proposal Implications:

Reporting - CSS Products Business Unit conforms to PBU reporting conventions using corporate PFR system (part number data consolidation). Direct costs = Engineering and Manufacturing only

- CSS Projects Business Unit classified as service income, and conforming to services reporting conventions using segment codes. Direct costs = Engineering, Manufacturing and Direct SSI

- Systems Integration Business Unit managed as an overlay to ABU/PBU/GEO dimensions using independent coding mechanism on orders to capture program volume. Direct costs = Engineering Design and Operational Development Costs, plus "Direct" SSI.

(Understanding is that the ABU/PBU/GBU dimensions are "primary" and SI is a subject of each; focusing on SI within the ABU/GBU dimension for reporting/analysis)

Investment Funding

- CSS Products - Engineering development funding through corporate engineering planning process

- CSS Projects - platform (Eng) development through corporate budget process under EIS revenue umbrella

- Systems Integration - design and development costs funded through Corporate Executive Committee

*** Investments in delivery to be funded in all cases through Geographies**

PROPOSAL FOR EIS FIT INTO THE CORPORATE BUSINESS UNIT STRUCTURE

Key Considerations:

Fit existing EIS Business Unit Structure into Corporate Business Unit structure, so that minimal changes would occur given expected changes in EIS Business Unit alignment.

Enable visibility of Russ Gullotti, EIS volume, and profit contribution to Digital

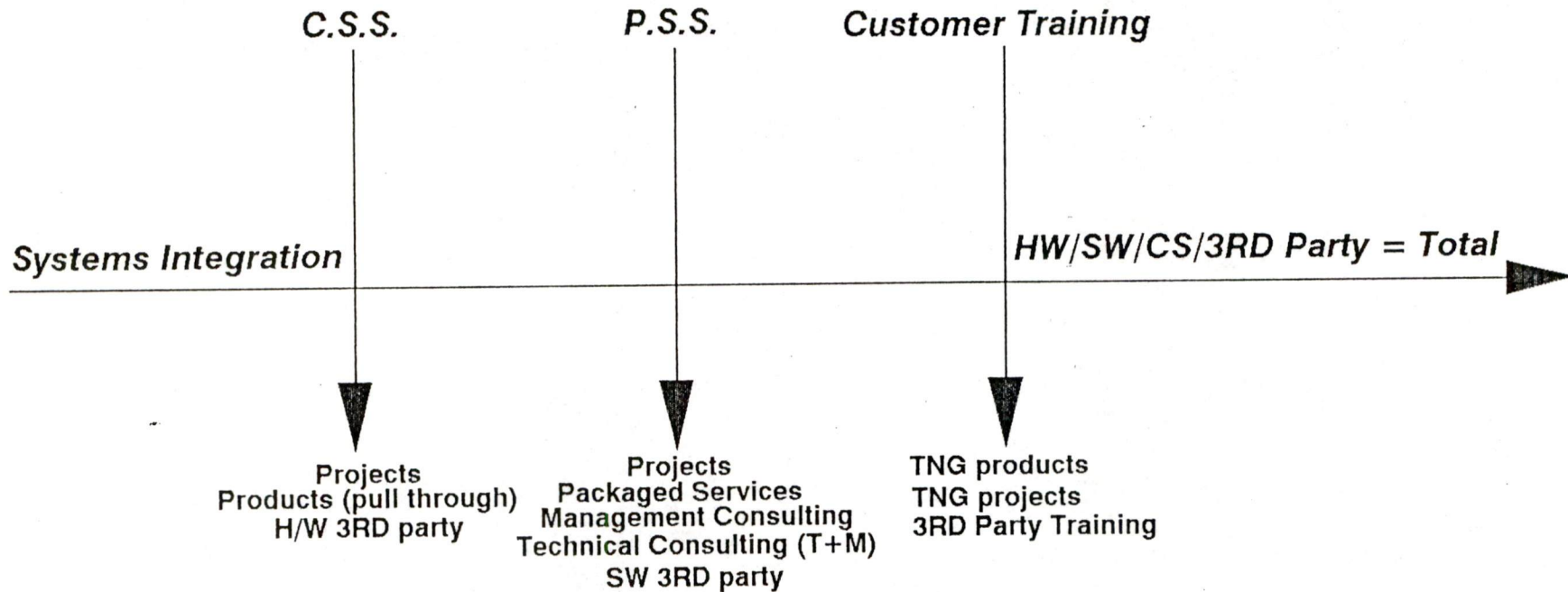
Enable clear investment funding mechanism

Enable complimentary business efforts among the EIS Business Units, the Application Business Units, the Product Business Units, and the Geographies.

Enable Corporation's understanding of EIS fit into Corporate Structure

ENTERPRISE INTEGRATION SERVICES

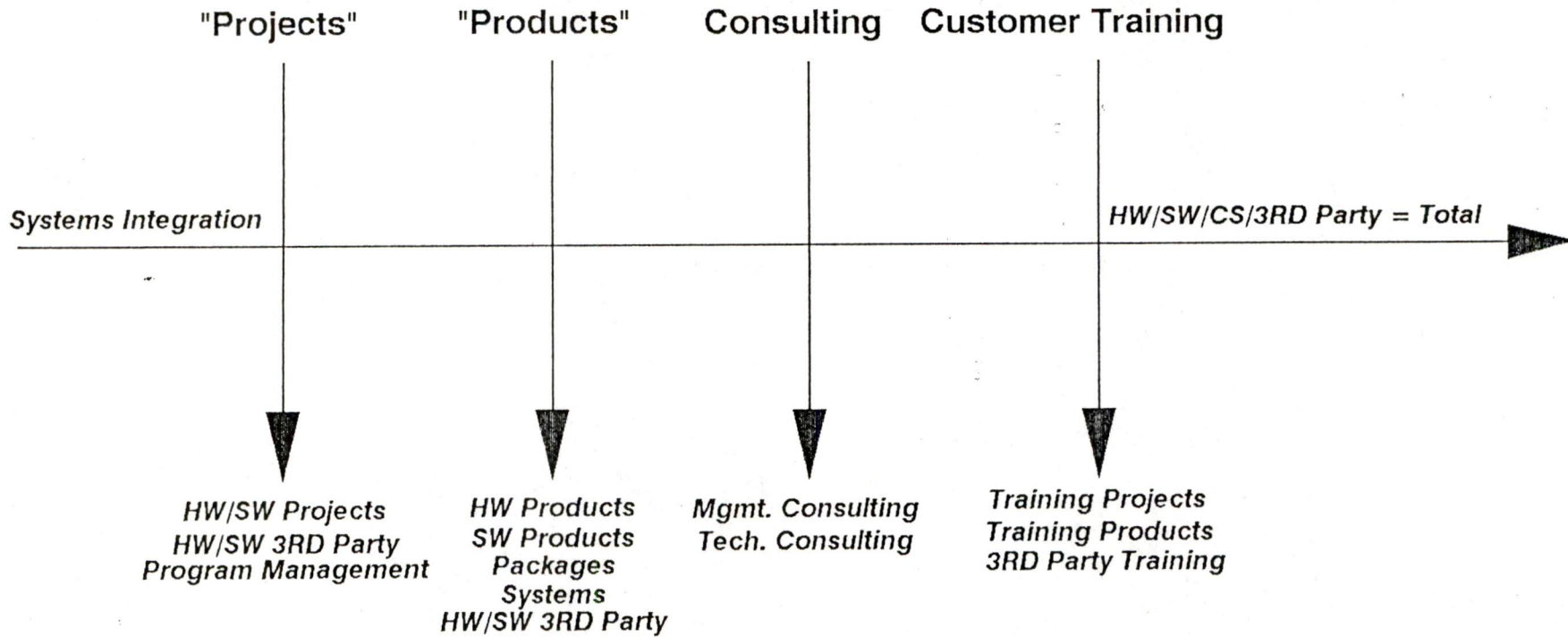
Current Business Units



- Problems**
- No sharing of similar resources - organization boundaries
 - Redundant management structures
 - Not the way customers buy today
 - SI Must "Tin Cup" all investment

ENTERPRISE INTEGRATION SERVICES

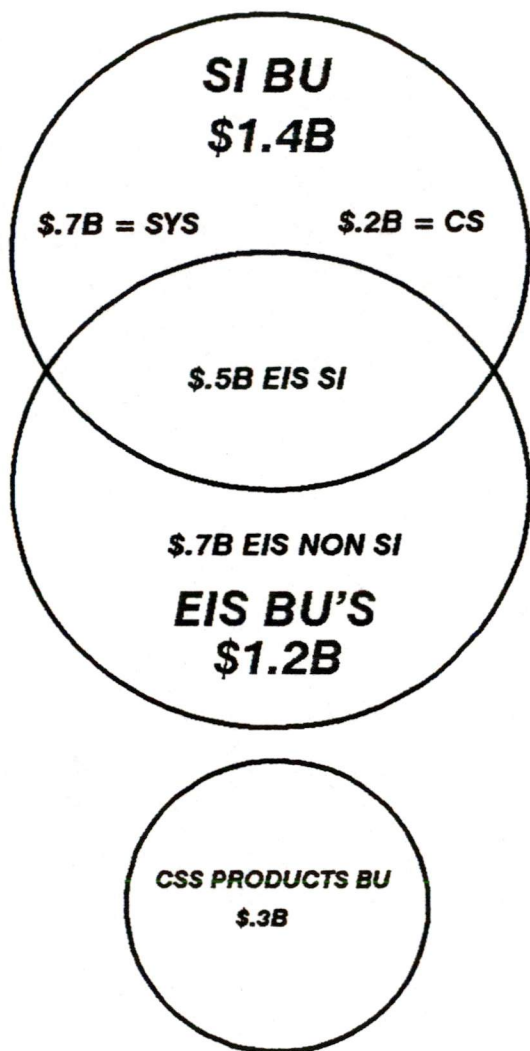
"Straw Horse"



ENTERPRISE INTEGRATION SERVICES

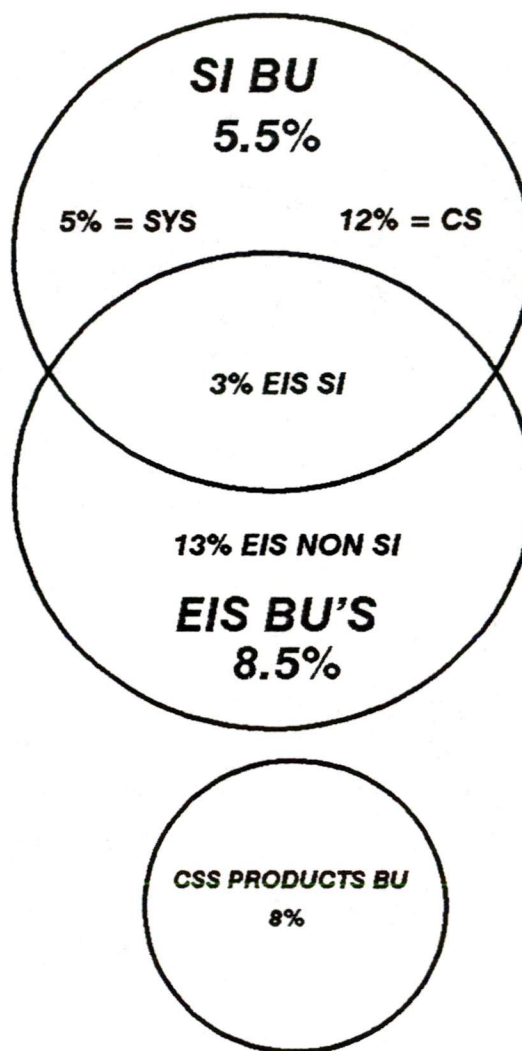
FY91

NOR VOLUME



TOTAL = \$2.4B

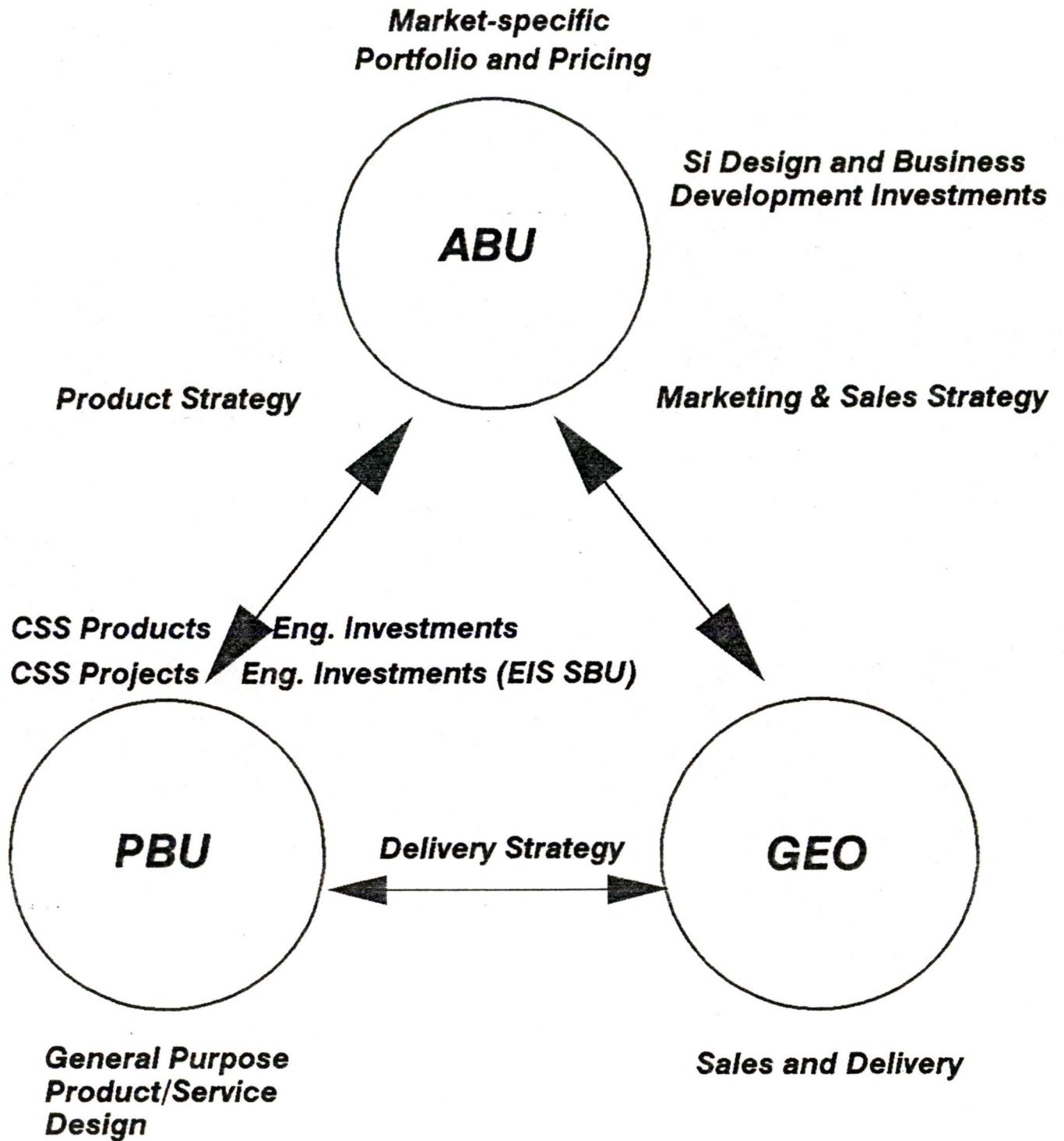
PROFIT



TOTAL = 8.1%

EIS BU'S = PSS, E.S., CSS PROJECTS

EIS BUSINESS UNIT STRUCTURE INVESTMENT FUNDING "FIT"



CORPORATE BUSINESS UNITS COST STRUCTURE

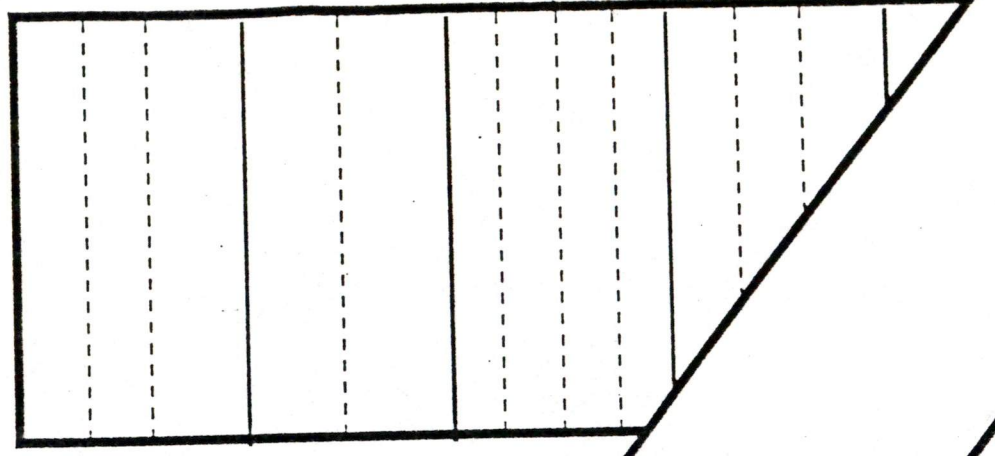
NOR	SVS BU	PBU (CSS Prod)	(SI)	ABU	GBU
<i>Varies with volume</i>	SAME IN ALL DIMENSIONS * TFR Cost * Service COD * Freight/Duty				
Variable Margin	<i>"Direct" SI</i>	<i>Cent. Eng. Mfg.</i>	<i>Prod/Ind Mktg "Direct" SI</i>	<i>Prod/Ind Mktg "Direct" SI</i>	<i>SSI - US - Europe - GIA - HQ</i>
Contribution Margin	<i>PIM Cent. Eng. Mfg.</i>	<i>PIM SSI</i>	<i>SSI "OVHD" PIM Cent. Eng. Mfg.</i>	<i>Cent. Eng. Mfg. SSI Overhead</i>	<i>Cent. Eng. Mfg. PIM</i>
Operating Profit	<i>G&A</i>	<i>G&A</i>	<i>G&A</i>	<i>G&A</i>	<i>G&A</i>

*"Controllable"
By Dimension*

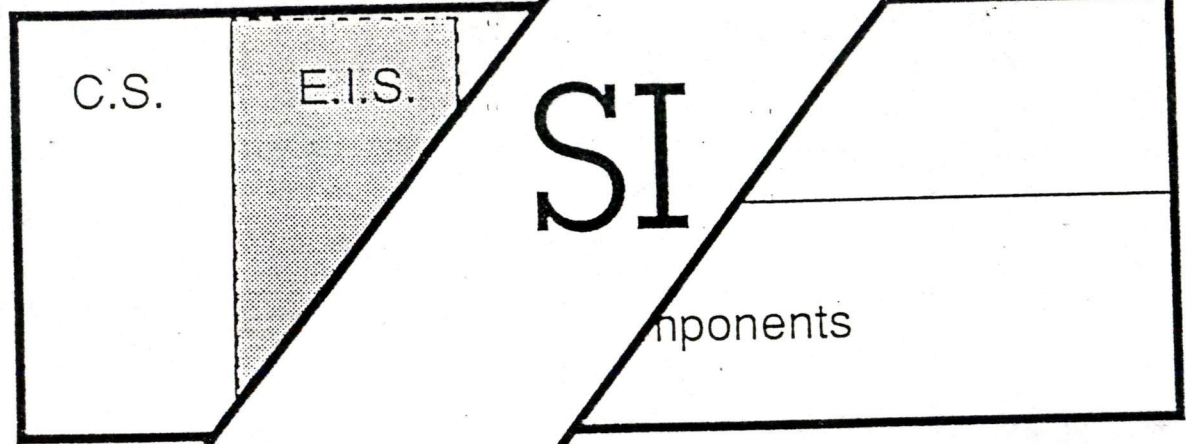
*Corporate
Burdens*

EIS Business Unit Structure

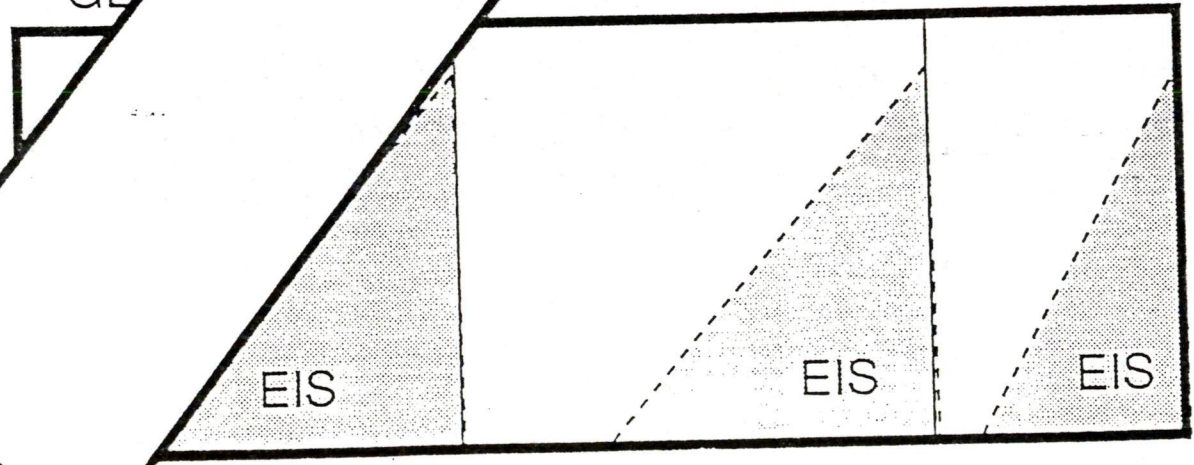
APPLICATION BUSINESS UNITS



PRODUCT/SERVICE B...



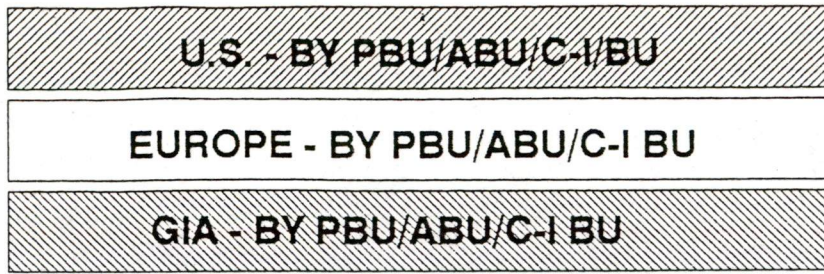
GE...



GEOGRAPHIES

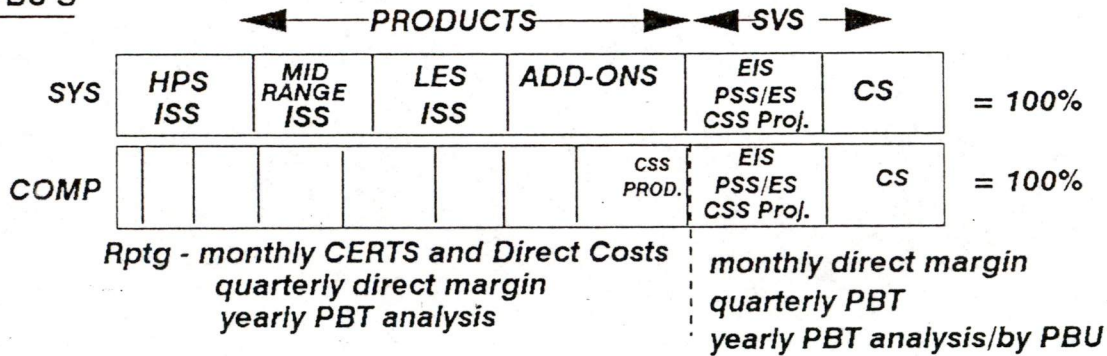
Corporate Reporting
EIS Integration

CORP REVENUES
+ DIRECT COSTS:

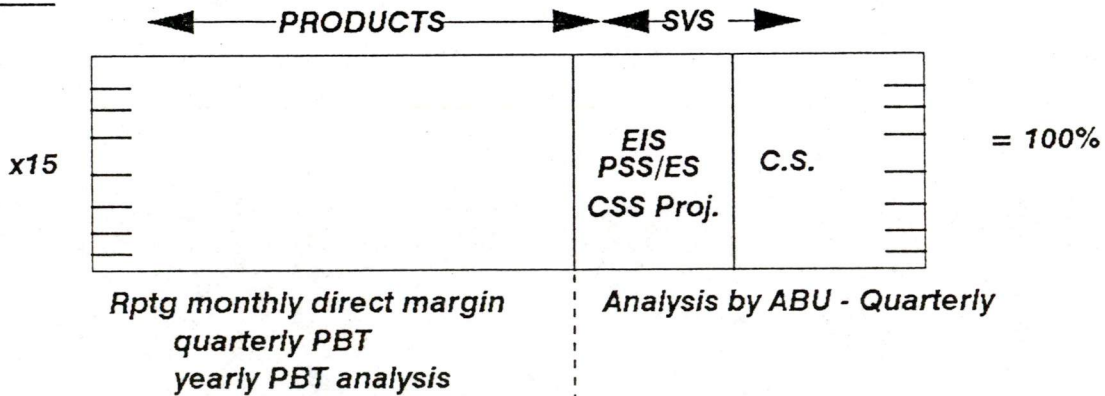


* Report by PBU/ABU/Cross Industry BU as follows:

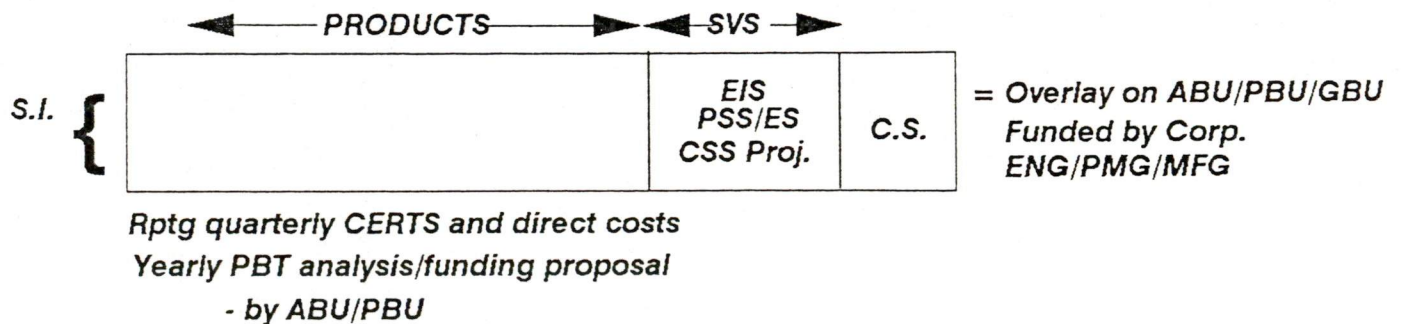
PBU'S



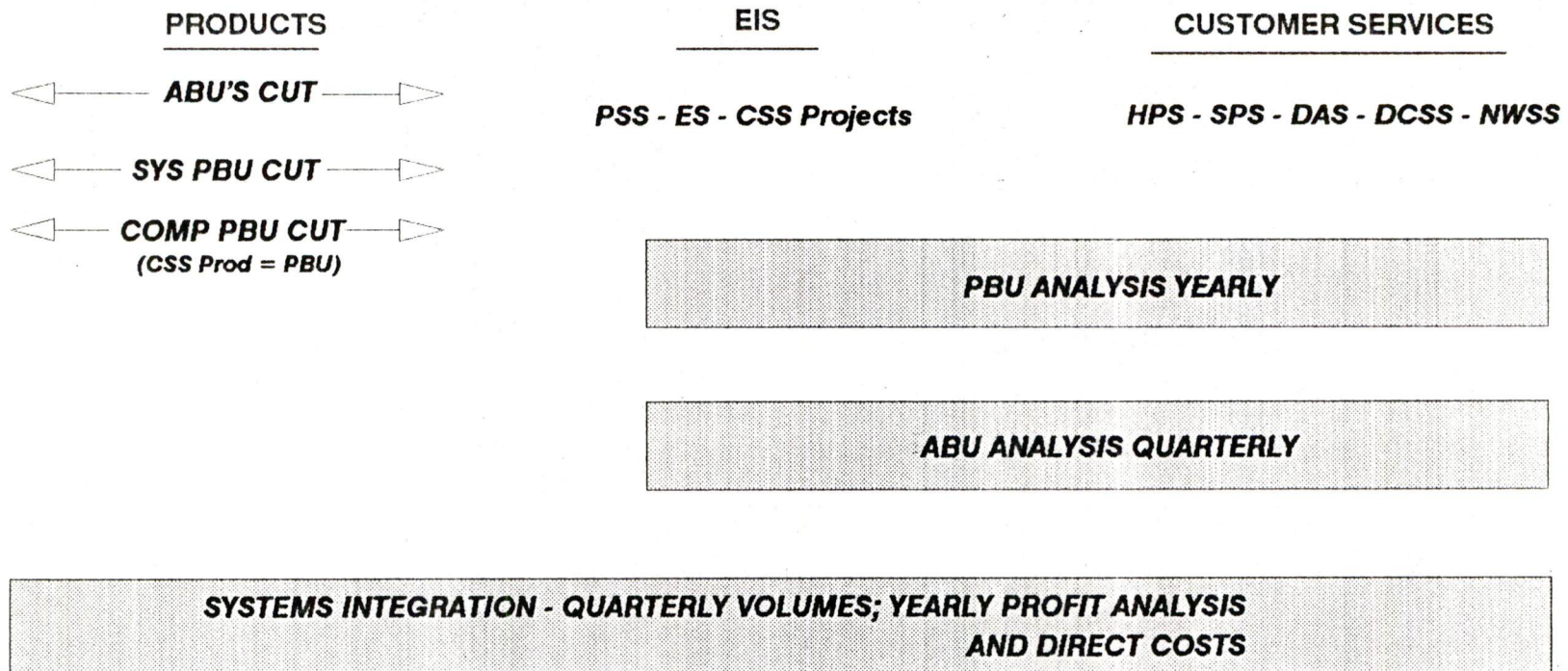
ABU'S



SYSTEMS INTEGRATION BUSINESS UNIT



EIS
REPORTING REQUIREMENTS PROPOSAL
Resulting Corporate Structure



For Russ and Carol only

Potential risks and alternatives

1. CSS Projects doesn't fit into "Service" Business Unit category due to predominance of products revenues.

Alt. 1 - Manage projects business in two pieces

Products Volumes
Added Value (Services) Volumes
 - * Requires change in business practices
 - * Lose visibility of products volumes in corporate "structure"
 - * "Services" portion becomes real and combinable with PSS projects, and results in EIS-SI Business Unit (Products + EIS SVS + C.S.)
Alt. 2 - Combine CSS Projects with CSS products as a component PBU
 - * Requires another change to corporate structure when EIS "projects" business is put in place
 - * May force the separation of CSS projects added value to allow combination with expected EIS "Projects" Business Unit

2. CSS projects as a SVS business unit would have different reporting requirements than as a subject of SI - and it would be part of BOTH!

Therefore part of SI would be managed differently than SI as a business unit.

3. Systems Integration as an "overlay" business unit, fails to receive geography and corporate management mind share.

Alt. 1 - structure EIS as a service and products business entity.

The SI business unit, within EIS would include CSS Products and the HDWC/SW/CS volumes attributable to SI business as the primary cut.

SI volumes/costs would then be apportioned to ABU's/PBU's/CS on a quarterly basis analytically.

Other Implications:

CSS PROJECTS AS A SERVICE BUSINESS UNITS:

- o Will allow ease of transition to EIS "Projects" Business Unit Structure combining PSS and CSS projects into one service business unit.

- o Corporate reclassification of \$300M of revenues from products to services

SYSTEMS INTEGRATION AS AN OVERLAY BUSINESS UNIT

- o Primary reporting ABU/PBU/GBU; with SI as a subset of Products/EIS/CS

- o Need to influence Corporate Finance/Admin to establish coding mechanism for reporting SI

- o Need to establish an SI cost structure that maps into Corporate structure, but may still be perceived as different

CSS PRODUCTS AS A PBU:

- o Becomes more strategic in orientation

- o Investment management process would be part of Corporate engineering process

INTEROFFICE MEMORANDUM

Date: 10-May-1990 11:51am EDT
From: George Chamberlain
CHAMBERLAIN.GEORGE AT A1 at CORA
Dept: FINANCE - MLO12-2/U48
Tel No: 223-5305

@ CORE

TO: See Below

Subject: NEW MANAGEMENT SYSTEMS

3

This is the work we have been doing with Jack. Please give your feedback (or questions) to Pete or me.

Distribution:

TO: PETER ZOTTO @CORE
TO: BILL STEUL @CORE
TO: PETER SMITH @CORE
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TO: RUSS GULLOTTI @BTH
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TO: DIANE BROWN @MRO
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CC: BOB FOGLIETTA @TTB
CC: GEORGE CHAMBERLAIN @CORE
CC: CANNAN @CSGDEC@VMSMAIL

*Resend Carol Reed
Please have this
critiqued carefully
for implications to EOs.
get me some feedback.
I have not yet
read it carefully yet.*

*5-17-90
JK*

*A
Return*

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

Date: 08-May-1990 03:54pm EDT
From: RON SMART
SMART.RON AT A1 at CORA @ CORE
Dept:
Tel No: 223-7011

TO: See Below

Subject: NEW MANAGEMENT SYSTEMS

3

TO: NO-NAME TF (Jack Smith, Abbott Weiss, Bruce Ryan, Mick Prokopis, George Chamberlain, Dick Poulsen, Pete Smith, Russ Gullotti, Grant Saviers, Bill Strecker, Dick Fishburn, Ron Smart.)

CC: Other Group VPs
FR: Ron Smart/Abbott Weiss

RE: WORKING DRAFT OF OUR MANAGEMENT SYSTEMS - for REVIEW & CLARIFICATION

This document summarizes what we've collected on the agreements and remaining issues as developed by the Management Systems Task Force A (also known as the "No-Name TF"), following meeting on 4/17/90 and subsequent resolutions of outstanding issues. Please review and confirm agreements or question for clarity.

CONTENT:

1. INTRODUCTION
2. RESPONSIBILITY/ACCOUNTABILITY CHARTING (including PRICING)
3. BUSINESS MANAGEMENT REPORTS SUMMARY
4. RESOLVED ISSUES & ISSUES STILL TO BE RESOLVED
5. TESTS FOR WHETHER NEW BUSINESS MANAGEMENT SYSTEMS ARE POWERFUL ENOUGH

APPENDIX:

6. DEVELOPMENT & DELIVERY COSTS IN P&Ls - M. Prokopis
(not included, see separate document LAPZ14#25 from Ron Smart)
7. FULL FORMAT VERSION OF BUSINESS MANAGEMENT REPORTS
(not included, details still being worked out)
8. DETAILED EXPLANATION OF OUR BUSINESS MANAGEMENT PRINCIPLES
(not included, see document LAPZ14#10 from Ron Smart)
The purpose of this more detailed explanation of Business Management Principles is to insure we all have the same understanding of these

principles summarized in section 1.1 below.

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.0

1. INTRODUCTION TO NEW MANAGEMENT SYSTEMS - WORKING DRAFT FOR REVIEW

1.1 SUMMARY OF BUSINESS MANAGEMENT PRINCIPLES: (for detail see LAPZ14#10)

* **PLANNING AND MANAGING BY BUSINESS UNIT:**

- BUSINESS UNITS ARE OUR FUNDAMENTAL BUSINESS MANAGEMENT SEGMENTS:
- RESPONSIBILITY: ESTABLISH SEGMENT STRATEGY, BUSINESS MODEL & PLAN CONSISTENT WITH OUR CORPORATE STRATEGY & PLAN.
 - ACCOUNTABILITY: ACHIEVE PLANNED BUSINESS RESULTS FOR CORPORATION.
 - EXPLOIT OPPORTUNITIES FOR LEVERAGE BETWEEN THE BUSINESS UNITS.

* **ASSUMPTIONS ABOUT PERFORMING TO PLAN:**

WE MANAGE THE COMPANY BY ASSUMING THAT EACH GROUP WILL PERFORM TO PLAN. WE MANAGE BY EXCEPTION, CHANGING THE PLAN IF INTENTIONS CHANGE.

* **KINDS OF BUSINESS UNITS:**

WE HAVE GEOGRAPHIC, INDUSTRY/APPLICATION, PRODUCT & SERVICE UNITS, AND INTERNAL PRODUCT UNITS (SEMICONDUCTORS).(see roles in chart 1.3)

* **ACHIEVING THE CORPORATE PLAN:**

GEOGRAPHY'S PRIORITY IS TO ACHIEVE TOTAL REVENUE PLAN BY QUARTER, THEN TO ACHIEVE PLANS BY APPLICATION, PRODUCT & SERVICE SEGMENTS.

ACHIEVEMENT OF PROFIT OBJECTIVES IS DONE BY ACHIEVING REVENUE PLAN BECAUSE EVERY ORGANIZATION MANAGES ITS ASSET/EXPENSE LEVELS TO PLAN.

WITHIN A QUARTER:

- GEOGRAPHIES SOLVE THE CERTS, PROFIT OR OTHER OPERATIONS PROBLEMS,
- MANAGE BUILD/SHIP PLAN WITH LOGISTICS, BASED ON CUSTOMER DEMAND.

* **BUSINESS MODELS, PLANS AND REPORTING FOR BUSINESS UNITS:**

- FULL P&LS ARE USED TO ESTABLISH VIABLE BUSINESS MODELS AND PLANS.
- REVENUES AND EXPENSES ARE ADDED TO 100% IN GEOGRAPHIC, APPLICATION AND PRODUCT/SERVICE DIMENSIONS TO VERIFY CORPORATE MODEL AND PLAN.
- MANAGEMENT REPORTING IS ACCORDING TO WHAT A UNIT DIRECTLY CONTROLS.

* **DECISION MAKING & INTER-DEPENDENCE:**

- DECISIONS ARE MADE BY BRINGING TOGETHER BEST AVAILABLE KNOWLEDGE, NOT BY DIFFERENT GROUPS TELLING OTHERS WHAT TO DO.
- INTERDEPENDENT GROUPS COMMUNICATE TO IMPROVE THEIR EFFECTIVENESS IN SATISFYING CUSTOMERS AND ACHIEVING CORPORATE BUSINESS RESULTS.
- PROCESSES WILL BE ESTABLISHED FOR UNITS TO PLAN & MANAGE NECESSARY RESOURCES THAT ARE NOT UNDER DIRECT CONTROL OF THE BUSINESS UNIT.
- ANNUAL BUDGETS ESTABLISH RESOURCE CONTRACTS BETWEEN BUSINESS UNITS.

* **APPROVAL CRITERIA FOR BUSINESS PROPOSALS:**

BUSINESS PROPOSALS ARE APPROVED ON THE BASIS OF THEIR CONTRIBUTION TO CORPORATE PERFORMANCE IN STRATEGICALLY IMPORTANT BUSINESS SEGMENTS AND THE QUALITY OF THE PLAN FOR MAKING THIS CONTRIBUTION. A QUALITY PLAN HAS ALL THE DETAILS NECESSARY FOR PLAN SUCCESS, INCLUDING A MANAGEMENT PLAN FOR ALL THE CRITICAL INTER-DEPENDENCIES.

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1. INTRODUCTION TO NEW MANAGEMENT SYSTEMS (cont) - DRAFT FOR TASK FORCES

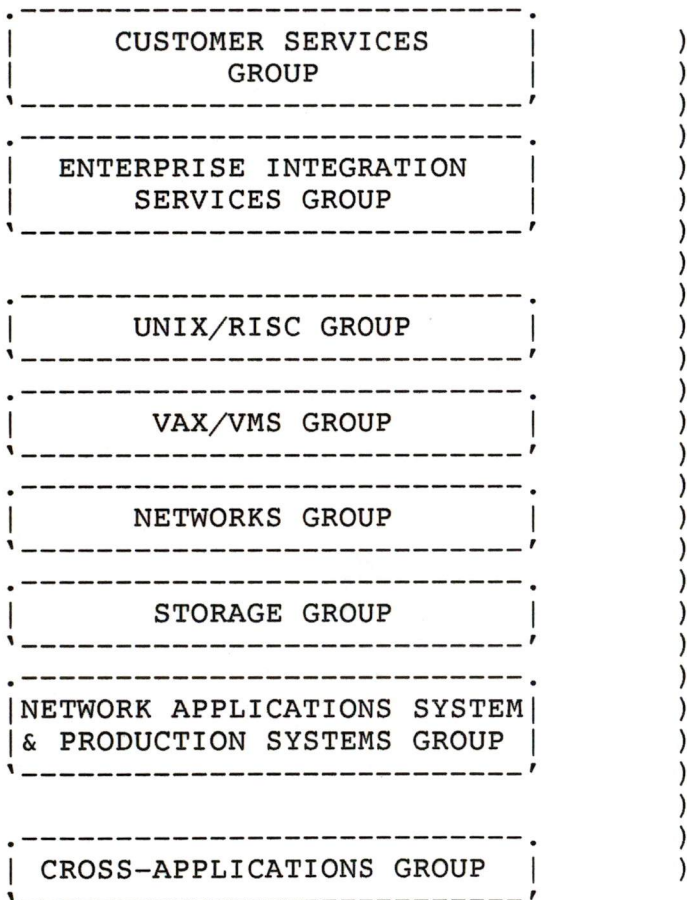
1.2 EXAMPLES OF BUSINESS UNIT GROUPS:

CUSTOMER ACCOUNTS

Revenues add to 100%

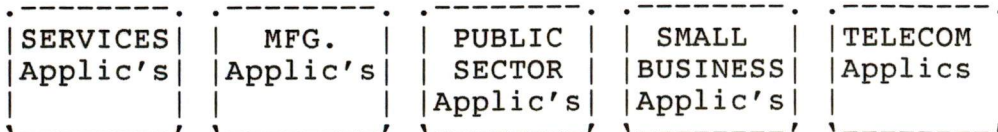


Revenues add to 100%



Product & Service Revenues don't add to 100%

NO PROBLEM!



Revenues add to 100%

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1.3 PRIMARY VALUE-ADDED ROLES OF EACH KIND OF BUSINESS UNIT:

APPLICATIONS BUSINESS UNIT:

- * DEFINE STRATEGIC BUSINESS OPPORTUNITIES
- * SPECIFY WHAT SOLUTIONS & PRODUCTS THE CUSTOMERS NEED
- * GAIN MARKET SHARE & ACHIEVE PLANNED NOR & PROFIT
- * INSURE THAT DIGITAL CAN DO THE WHOLE JOB
- * INSURE QUANTITY & COMPETENCY OF APPLICATIONS SALES SUPPORT RESOURCES
- * INSURE TECHNICAL COMPETENCE OF SALES RESOURCES VIA TRAINING TOOLS
- * PROVIDE MARKET SPECIFIC APPLICATIONS PRODUCTS & PARTNERS

PRODUCT, SERVICE & CROSS-APPLICATIONS BUSINESS UNITS:

- * PROVIDE EXCELLENT & COMPETITIVE PRODUCTS, SERVICES
- * INSURE QUANTITY & COMPETENCY OF SALES SUPPORT RESOURCES
- * INSURE TECHNICAL COMPETENCE OF SALES RESOURCES VIA TRAINING TOOLS
- * PROVIDE PRODUCT/SERVICE MARKETING, ADVERTISING & MARKETING TRAINING
- * PROVIDE COMMON APPLICATIONS & PARTNERS FOR USE ACROSS BUSINESS UNITS

GEOGRAPHIC BUSINESS UNITS:

- * MAKE THIS QUARTER & THE NEXT IN PRODUCT/SERVICE REVENUES
- * SATISFY THE CUSTOMERS & PROVIDE ACCOUNT MANAGEMENT
- * INTEGRATE ALL WE DO AT THE POINT OF DELIVERY
- * SPECIFY & INSURE WE MEET LOCAL PRODUCT REQUIREMENTS
- * ACHIEVE COMPETITIVE COST OF SALES

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING

2.1 RESPONSIBILITY/ACCOUNTABILITY OF APPLIC. BUSINESS UNITS & GEOGRAPHY:

	RESPONSIBILITY TO PLAN	PLAN EXECUTION	APPROVAL AND EXCEPTION APPROVAL
BUSINESS PLAN & TIMELESS MODEL	S	G	B.U.
GEOGRAPHY LRP	INPUT TO BU PLAN	G	G
UNIQUE BUSINESS UNIT METHODS & PROCEDURES	S	S	B.U.
STAFFING DECISIONS	S	G	B.U.
TRAINING & DEVELOPMENT PROGRAMS	S	G	B.U.
BUDGET APPROVAL 8 QUARTER P&L	S	G	B.U.
INVESTMENT & TRADEOFFS FOR THE GEOGRAPHY BY BUSINESS	S	G	B.U.
SALARY REVIEWS & STOCK FOR DCC MANAGER	S	S	B.U.
SALARY REVIEWS & STOCK FOR COUNTRY MANAGER	S	S	G

KEY: B.U. = Business Unit (Application Business Units)
 S = Shared
 G = Geography Management

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.2 RESPONSIBILITY/ACCOUNTABILITY TO MANAGE A GEOGRAPHY BY BUSINESS UNIT:

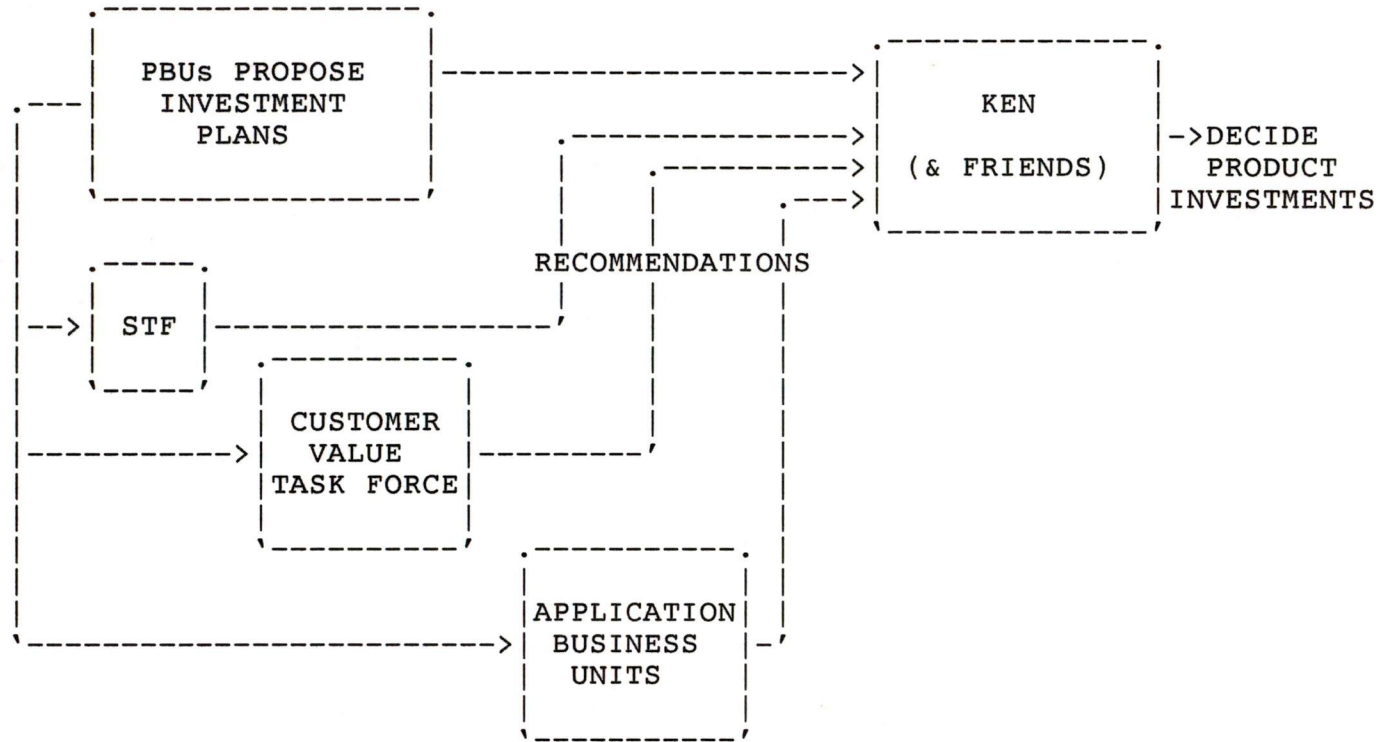
	RESPONSIBILITY TO PLAN	PLAN EXECUTION	APPROVAL AND EXCEPTION APPROVAL
CAPITAL SPENDING (Unique to B.U.)	S	G	B.U.
ASSETS (Unique to B.U.)	S	G	B.U.
PRODUCT/SERVICE OFFERINGS	S	G	B.U.
BUSINESS PRACTICES	S	G	S
ACCOUNT MANAGEMENT	G	G	G
PRODUCT VOLUME PLAN	<- See Fig 1. Section 2.3 ->		B.U.

KEY: B.U. = Business Unit (Applications, Product &/or Service BUs)
 S = Shared
 G = Geography Management

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.4 HOW DO WE DECIDE ON PRODUCT INVESTMENTS:



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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.5 PBU:

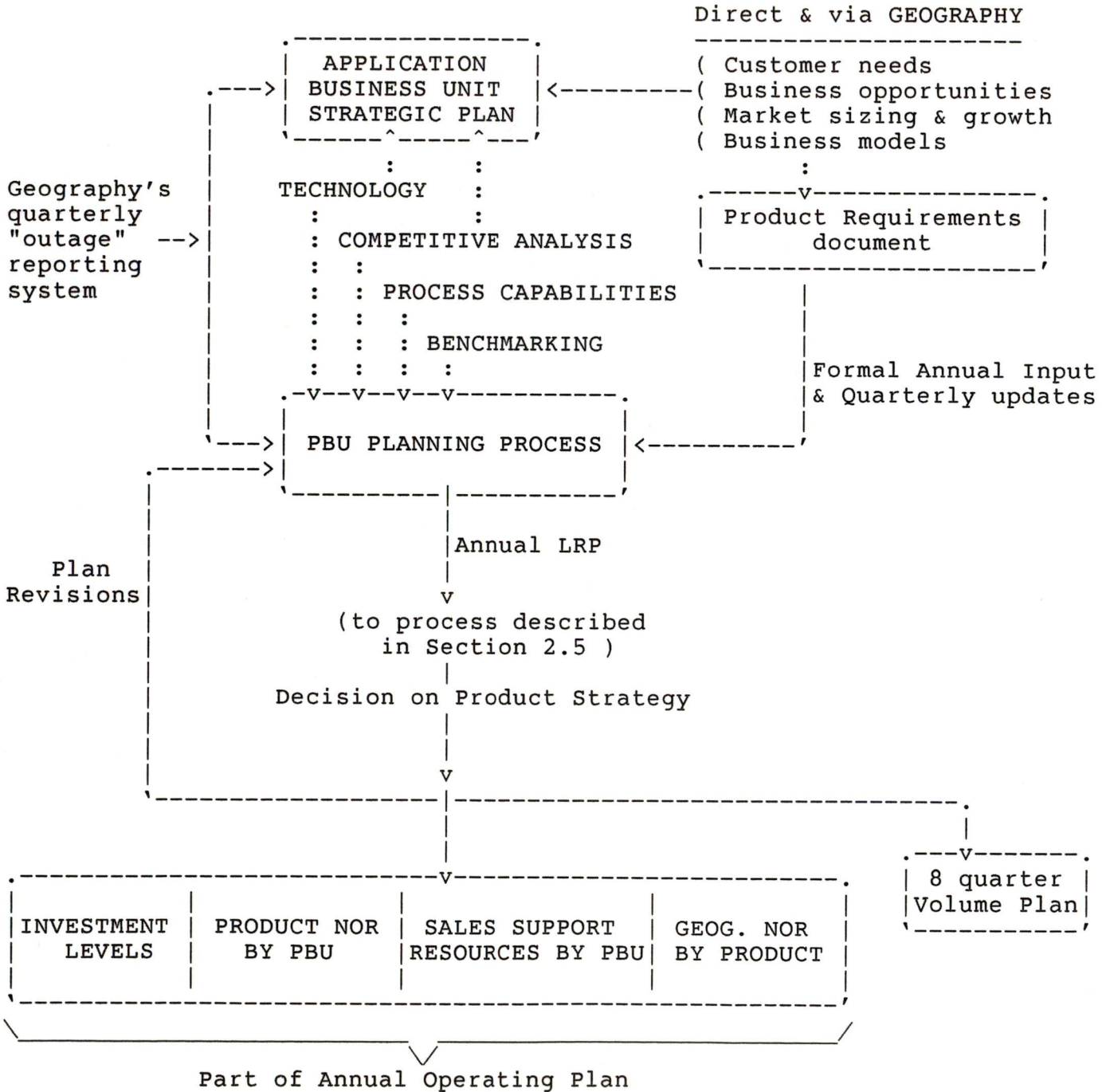
	RESPONSIBILITY TO PLAN	PLAN EXECUTION	APPROVAL AND EXCEPTION APPROVAL
	-----	-----	-----
INVESTMENT	PBU	PBU	Ken & friends
LIFETIME REVENUE PLAN	PBU	ALL	Ken & friends
CAPACITY PLAN (also see 2.3)	PBU input	PBU + MFG.	Ken & friends
8 QTR NOR & PRODUCT VOLUME BY ABU & GEOG.	PBU (Inputs from ABU & GEOG)	ALL	Ken & friends
BUSINESS MODEL & BUSINESS PLAN	PBU	PBU	EC with inputs from Ken & friends
PRODUCT SALES SUPPORT	S (PBU & GEOG)	GEOG	PBU
PRICING	<--- see Pricing Responsibility Section 2.8 --->		

Note: PBU means Engineering and assorted Product Management plus Marketing and Manufacturing.

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.6 HOW APPLICATIONS BUSINESS UNITS AFFECT PRODUCT INVESTMENT:



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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.7 CROSS APPLICATION UNITS - essentially the same as PBUs:

See PBU charts

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2. RESPONSIBILITY & ACCOUNTABILITY CHARTING (cont)

2.8 PRICING RESPONSIBILITIES (per Dick Fishburn 4/24/90)

	Responsibility to PLAN	Execution	Approval & Exception Approval
	-----	-----	-----
* PRICING ARCHITECTURE (How DIGITAL products are differentiated vis-a-vis one another: including VAX/UNIX; Processors/Peripherals; discount strategy)	BU, (Coordinated by VP Mktg)	G	EC or designated body
* PRICING STRATEGY (How DIGITAL products are differentiated vis-a-vis competition, including competitive positioning; value-added pricing; and Application/System/Component pricing strategy)	BU	G	BU
* GEOGRAPHY UPLIFT/DOWNLIFT PLAN (Within individual countries, how products are priced consistent with pricing architecture and strategy)	G	G (At introduction US CLP must equal MLP)	BU (Differences from strategy)
* NEW PRODUCTS (Introduction price consistent with strategy)	PBU (unless BU specific)	G	BU
* RESPONSE TO COMPETITIVE PRICE CHANGE	All (Emphasis on short reaction time)	G	BU (if response changes the competitive positioning)
* INDIVIDUAL CUSTOMER PROJECT (Deal Making)	S (Allowance budget)	G	BU (If Mega deals affect budget)

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3.0 SUMMARY OF REPORTING (per Dick Fishburn composite chart):

REPORTING OF ACTUALS AND FORECASTING

	<u>Application Business Units</u>	<u>Service Business Units</u>	<u>Total of Customer Service, Software Services, Edu. Services</u>
ACTUALS:			
Orders	W, M, Q, FY	Service Only	Service Only
Revenue-Product	M, Q, FY	-	-
-Service	Q, FY (actual where possible, others by algorithm based on Budget)	M, Q, FY	M, Q, FY
Direct Expenses	M, Q, FY	M, Q, FY	M, Q, FY
Full P&L	Q, FY	Q, FY	Q, FY
BUDGET:			
Orders	Q, FY	Service Only	Service Only
Revenue-Product	Q, FY	-	-
-Service	See Above	Q, FY	Q, FY
Direct Expenses	Q, FY	Q, FY	Q, FY
Full P&L	Q, FY	Q, FY	Q, FY
FORECAST: by Q & FY			
Orders	Once a Quarter	?	?
Revenue-Product	No	-	-
-Service	No	BQ	BQ
Direct			
expenses-Week 5	No	Yes	Yes
-Week 11	No	No	Yes
Full P&L-Week 5	No	Yes	Yes
-Week 11	No	No	Yes

W = Weekly
M = Monthly
BQ = Twice a Quarter
Q = Quarterly
FY = Full Year

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4. BUSINESS MANAGEMENT REPORTS - OPEN ISSUES RE: BUSINESS UNIT REPORTS

- a) WEEKLY CERTS - Is there a problem with order coding?
Resolution assignment: Pete Smith and Geography managers.
(Make it simple)
- b) MONTHLY, DIRECT EXPENSE - Selling & Sales Support effort by B.U.
(Model established with budget, but how will Geographies report actual effort? Quarterly study or other? Poulsen, PCF and Grainger describe the process they will use. Dick Fishburn pulls it together. Fishburn understands that Geographies will get it done some how)
- c) Customer Service Revenues to Applics. **RESOLVED** (D. Fishburn describe)
- d) FORECASTING CERTS BY APPLICATIONS BUSINESS UNITS - **RESOLVED**:
- once per quarter for periods which are being forecasted
- e) OTHER ISSUES which aren't show stoppers will be worked on by priority
- f) HOW TO BUILD LINKAGES BETWEEN BUSINESS UNITS - SALES & SUPPORT PEOPLE
(Affiliation relationships to Sales & Support people in Geographies)
- g) APPLICATIONS BUSINESS UNIT IMPACT ON ENGINEERING INVESTMENT (say 25%)
- h) APPLICATION BUSINESS UNITS INFLUENCE ON PRICING - SOLUTION LEVEL ()
- i) HOW TO DEAL WITH SYSTEMS INTEGRATION BUSINESS INVESTMENTS WITHIN EIS?
(Dick has solution involving analytical estimations - ok Russ?)
- j) HOW TO REFORMULATE OTHER EIS BUSINESSES BETWEEN PRODUCTS & SERVICES?
(not a show stopper for now, Russ & Dick to resolve)

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5. TESTS FOR WHETHER NEW BUSINESS MANAGEMENT SYSTEMS ARE POWERFUL ENOUGH?

- a) How do we price PELE?
- b) How do we decide on the Japanese investment plan?
- c) How do we decide how many:
 - Sales people to plan?
 - Support people to plan?
- d) How do we decide whether to invest \$25m for equity in XY organization?
- e) How do we decide whether or not to invest \$300m in CMOS-27?
- f) How do we decide about putting a factory in Brazil, Spain, India etc.
- g) How do we decide whether to accept a major customer program (Systems Integration project) that cuts across all three Geographies?
- h) How do we decide whether to "commit to win" on a Dupont opportunity initially based in USA with revenue potential of \$150m but with probable bid cost of \$10m?

WHAT ARE SOME OTHER TEST QUESTIONS?

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.14

APPENDIX

6. DEVELOPMENT & DELIVERY COSTS IN P&Ls - Mick Prokopis
(not included, see separate document LAPZ14#15 from Ron Smart)

7. FULL FORMAT VERSION OF BUSINESS MANAGEMENT REPORTS (not yet included)

8. DETAILED DESCRIPTION OF BUSINESS MANAGEMENT PRINCIPLES
(not included, see Document LAPZ14#10 from Ron Smart)

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BUSINESS MANAGEMENT SYSTEMS - DRAFT ed:RSmart 5/8/90 doc:LAPZ14#14.15

Distribution:

TO: Dick Fishburn (FISHBURN.DICK AT A1 at CORA @
TO: BILL STRECKER (STRECKER.BILL AT A1 at CORA @
TO: Grant Saviers (SAVIERS.GRANT AT A1 at CORA @
TO: Russ Gullotti @ CORE (GULLOTTI.RUSS AT A1 at CORA @
TO: PETER SMITH (SMITH.PETER AT A1 at CORA @ C
TO: DICK POULSEN (POULSEN.DICK AT A1 at CORA @
TO: George Chamberlain (CHAMBERLAIN.GEORGE AT A1 at C
TO: Mick Prokopis @ CORE (PROKOPIS.MICK AT A1 at CORA @
TO: BRUCE J RYAN @CORE (RYAN.BRUCE J AT A1 at CORA @
TO: Abbott Weiss (WEISS.ABBOTT AT A1 at CORA @
TO: Jack Smith (SMITH.JACK AT A1 at CORA @ CO

CC: Win Hindle (HINDLE.WIN AT A1 at CORA @ CO
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CC: Pier Carlo Falotti (FALOTTI.PIER CARLO AT A1 at C
CC: Dave Grainger (GRAINGER.DAVE AT A1 at CORA @

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

GEO

Date: 18-May-1990 05:59am EDT
From: Marie-Jose HAUZENBERGER @GEO
HAUZENBERGER AT AMISA1 @EHQMTS @
Dept: MGMT EUROPE
Tel No: 821-4962, 41/22 7094962

TO: DON ZERESKI @CORE
TO: DICK FISHBURN @CORE
TO: RUSS GULLOTTI @CORE

Subject: BU, EXTRACT MINUTES EMT Mtg 25/26 April

Attached for your records and info extract of the Minutes of the last EMT meeting, point 4. BUSINESS UNITS.

Best regards.
Marie-Jose

Resend Pete Smith 4/20
Minutes of our recent EMT
meeting FYI.
5-21-90
J

*Return
AK file*

4. BUSINESS UNITS (revised name for announced 'Lines of Business')

In attendance: Don Zereski, Russ Gullotti, D. Fishburn, T. Wallace

Don Zereski and Russ Gullotti, representing not only their Business Units, have - on behalf of Corporate - formalized the responsibilities in writing. Jack Smith had been planning to attend our EMT meeting as well, but could finally not make it.

As mentioned in Pier Carlo's cover-note to the LOB announcement from Ken Olsen, forwarded to EMT/CMS on 2-Apr-90, this EMT session was set up to give detailed explanations on the Business Unit organization and ensure there is complete understanding and clarity on the respective responsibilities. The Business Unit concept must be implemented better than any change done before. Goal is to start operating by B.U. in FY91. Pier Carlo underlined that for Europe the Business Unit concept is an evolution of the One Integrated Plan, not a change to it.

In his introduction, Don Zereski pointed out that EMT feedback to him would be key, since Europe was the first Area group the B.U. organization was presented to, and it would help him in the next presentations to the USA and GIA mgmt teams. Don introduced Tony Wallace, CS Finance, who was present to help with any questions on the measurement issue, although not all details have been worked yet.

Russ Gullotti explained the 15 Application and Service Business Units, with 6 B.U. clusters: CS, Manufacturing, Public Sector, General Business, Telecom, Cross-Customer Calls/Software.

B.U. - Questions/Comments/Clarifications :

"Application Groups" -- comment: bottom to read "Each account assigned to only one B.U. (not "to one application").

Data requests made by P. Smith's group to the DCCs: Bruno stated his concern about extensive data being requested with minimum deadline. With today's people optimization operated in both Mktg and Finance, we cannot respond to those demands.
==> B. d'Avanzo to ask P. Smith to define a process for data requests to the field.

It was felt that to prove how serious Corp. Mgmt is about the B.U. concept, it will have to set some signs with managers who do not meet their plan.

In line with the Report Simplification program at Corp., Geographies (USA/EUR/GIA) will not be requested to provide forecast by Application.

Who will control world-wide MFG population - we have too many people?
Whereas in the past, MFG had to build as per Segment Mgrs' plans,
which were much higher than Geography plans, the B.U. concept will
now put much more pressure on MFG to react to unreasonable plans.

Cross-Customer Class of Business: M. Ferreboeuf suggested to add
CAD/CAM (as we distribute EUCLID).
==> Action: B. d'Avanzo.

Can we continue to use our SMP matrix 'Industries/Applications'?
The country will organize to satisfy the customer's needs. The
role-up of the country sum will be done through the information
system only. This means, that it will be absolutely mandatory for
the sales-person to use the correct Application coding which will
be used to to this reconciliation.
B. d'Avanzo has confirmed that the present 70+ Application codes
will be reduced to 35 max. (see also point 10. of Minutes).

Measurements : EMT thinks that responsibility for Total MFG cost
should not be with Engineering Components, but with Manufacturing.
==> D.Fishburn/R. Gullotti will work this at Corp.

FY91 Budget: Pier Carlo stated that before the Application BUs (ABU)
are clarified, we will budget by segment. All applications
continue according to the Country Marketing plans - we proceed
with our plan and we will re-classify as soon as possible.

B.U. - EUROPEAN COMMUNICATION PLAN to COUNTRIES/REGIONS

EMT members received ADVANCE copy of the Corp. Announcement memo with
relevant attachments (List/Description of Business Units, Roles &
Responsibilities, Measurement (not finalized). The ADVANCE
documentation distributed is NOT for further distribution.

DECISION: meanwhile Corporate announcement is being finalized,
(expected approx. by mid-May) M. Ewing and L. Megson will
prepare a training package to address questions on how the
Business Unit concept integrates into the One I.P. and
account-based management, with a Question & Answer paper,
which will be part of the European announcement.

REPORTING OF ACTUALS AND FORECASTING

SI

*ES
PSS
CSS?
+ 7 Services
C.S.*

Total
(Customer Service,
Software Services,
Educational Services)
CSS *16.5*

Actuals	Application Business Units	Service Business Units	Total
Orders	W, M, Q, FY	Service Only	Service Only
Revenue-Product	M, Q, FY	-	-
-Service	Q, FY By Algorithm Based on Budget	M, Q, FY	M, Q, FY
Direct Expenses	M, Q, FY	M, Q, FY	M, Q, FY
Full P&L	Q, FY	Q, FY	Q, FY
Budget			
Orders	Q, FY	Service Only	Service Only
Revenue-Product	Q, FY	-	-
-Service	By Algorithm	Q, FY	Q, FY
Direct Expenses	Q, FY	Q, FY	Q, FY
Full P&L	Q, FY	Q, FY	Q, FY
Forecast			
Orders	Once a Quarter		?
Revenue-Product	No	-	-
-Service	No	BQ	BQ
Direct Expenses-W5	No	Yes for (FY)	Yes
-W11	No	No	Yes
Full P&L (W5)	No	Yes for FY	Yes
(-W11)	No	No	Yes

*BY G...
TO BL.*

In full year

*Training
2 ony efforts
- prog. negs.*

- W = Weekly
- M = Monthly
- BQ = Bi-Quarterly
- Q = Quarterly
- FY = Full Year

GAC

Please let me know
if this does not
represent what you
think me paid
for

George A. Chamberlain, 3d

PROPOSED MANAGEMENT REPORTING-CONCEPTUAL OVERVIEW

PRODUCT/SERVICE BUSINESS UNITS						CORPORATE		APPLICATION BUSINESS UNITS						GEOGRAPHY						
SYS	MEM	DISK	PROD	ALL	SVC	EDU	SWS	ACCOUNT	TOTAL	BANK	INS	MEDIA	ELEC	DISC	PROC	etc	X-IND	US	EUR	GIA
			X	O				CERTS (weekly)	O							O	X		X	O
			X	O				MLP	O							O	X		X	O
			X	O				UPLIFT	O							O	X		X	O
			X	O				DISCOUNT	O							O	X		X	O
			X	O				ALLOWANCE	O							O	X		X	O
				O			X	SERVICE INCOME	O							O	X		X	O
			X	O			X	NOR	O							O	X		X	O
			X	O			X	ACT PROD COST	O							O	X		X	O
			X	O				MFG	O							O				O
			X	O				ENG	O							O				O
				O				MKTG	O				X			O				O
				O				FIELD	O					Cost of Selling		O	X		X	O
				O			X	SVC COST	O							O	X		X	O
				O				OTHER	O							O				O
			X				X	CONTR MARGIN									X		X	
								Variance to Plan												
				O				OPER PROFIT	O							O				O

SEE COMPLETE LIST OF BUSINESS UNITS

SEE COMPLETE LIST OF BUSINESS UNITS

I can't do this on PJJ ES

for sheet

X Not monthly

FREQUENCY: QTR ANN QTR MONTHLY ANN ANN QTR QTR ANN

qtrly
 LONG TERM COST VIEW
 MAY BE USED BY ANY DIMENSION
 BASIS FOR PRICING
 STRATEGIC DECISIONS
 CORPORATE BUSINESS MODEL
 CORPORATE ANNUAL PLAN

monthly
 CONTRIBUTION MARGIN ('NON-ALLOCATED') VIEW
 BASIS FOR TACTICAL EXECUTION OF THE PLAN
 SHORT TERM OPTIMIZATION

MARKETING USES QTRLY GEOGRAPHY STATEMENTS

APPLICATION INFO SAME AS TODAY

GEOGRAPHY STATEMENTS ROLL UP BY ACCT GROUPS

ACCOUNTS classified by Acct Groups

PROPOSED MANAGEMENT REPORTING

CORPORATE		PRODUCT / SERVICE BUSINESS UNITS																					
		SYSTEMS					COMPONENT PRODUCTS					SERVICES											
ACCOUNT	TOTAL	HPS	MSB	ESB	W/S	MEM	DISK	TOPS	DB	SW	TERM	NAC	APPL	HPS	SPS	CSS	EDU	SWS					
CERTS (Weekly for Top 100, by Channel)										0	X					0	X						
MLP										0	X												
UPLIFT										0	X												
DISCOUNT										0	X												
ALLOWANCE										0	X												
SERVICE INCOME										0						0	X						
NOR										0	X												
ACTUAL PRODUCT COST										0	X												
SERVICE EXPENSE										0						0	X						
VARIABLE MARGIN-\$										0	X												
-%										0	X												
MFG-PRODUCT DIRECT (NPSU, E97, OBSO)										0	X												
ENG-PRODUCT DIRECT(PROJECT COST)										0	X												
CONTR MARGIN-\$										0	X					0	X						
-%										0	X					0	X						
MFG-INDIRECT(O/H, BUS CTR. . .)										0													
ENG-INDIRECT(CRA, INTL, CEN. . .)										0													
FIELD-DIRECT AND OVERHEAD										0						0							
G & A										0						0							
OTHER										0						0							
OPER PROFIT-\$										0						0							
-%										0						0							
										ANN		QTR											
										ANN		QTR											

yes. but ~~some~~ double counting today.
 Can double count with PDU's shown as "services" monthly.

-PBU AND SERVICE ORG AGREE ON OPERATIONAL DATA TO BE SUPPLIED QUARTERLY

PROPOSED MANAGEMENT REPORTING

CORPORATE		APPLICATION BUSINESS UNITS													TSG	GSB
		SERVICE				MANUFACTURING				PUBLIC						
ACCOUNT	TOTAL	BANK	INS	MEDIA	GSVC	ESG	CMP	CLD	DPM	SDS	EDU	SLOC	MED	FED	LDPP	
CERTS (Weekly)										0	X					
MLP										0	X					
UPLIFT										0	X					
DISCOUNT										0	X					
ALLOWANCE										0	X					
SERVICE INCOME										0	X					
NOR										0	X					
ACTUAL PRODUCT COST										0	X					
SERVICE EXPENSE										0	X					
VARIABLE MARGIN-\$										0	X					
-%										0	X					
MARKETING-DIRECT										0	X					
-INDIRECT										0	X					
FIELD -DIRECT SALES										0	X					
-DCC/SUPPORT										0	X					
-TRAINING										0	X					
CONTR MARGIN-\$										0	X					
-%										0	X					
ENG										0						
MFG										0						
FIELD OVERHEAD										0						
G & A										0						
OTHER										0						
OPER PROFIT-\$										0						
-%										0						
										ANN	QTR					

QUARTERLY
 P & L
 INFORMATION
 AVAILABLE
 FROM
 GEOGRAPHY
 STATEMENTS

CROSS APPLICATION BUSINESS UNITS

Systems Integration

	FABS	EPS	OIS	IS	IMGE
CERTS (Weekly)		0	X		
MLP		0	X		
UPLIFT		0	X		
DISCOUNT		0	X		
ALLOWANCE		0	X		
SERVICE INCOME		0	X		
NOR		0	X		
ACTUAL PRODUCT COST		0	X		
SERVICE EXPENSE		0	X		
VARIABLE MARGIN-\$		0	X		
-%		0	0		
MARKETING-DIRECT		0	X		
-INDIRECT		0	X		
FIELD -DIRECT SALES		0	X		
-DCC/SUPPORT		0	X		
-TRAINING		0	X		
CONTR MARGIN-\$		0			
-%		0			
		ANN	QTR		

CROSS-APPLICATION BUSINESS UNITS OPERATE AS FOLLOWS:

- ANNUAL BUSINESS PLAN TO CONTR MARGIN USED TO CONVINCE ABU TO INVEST
- LIKE PBU IN TERMS OF SUPPORT PLANS
- QUARTERLY INFO ON CERTS, DIR EXPENSES

REPORTING OF ACTUALS AND FORECASTING

SI

*ES
PSS
CSS??
+ 7 services
C.S.*

Total
(Customer Service,
Software Services,
Educational Services)
CSS

Actuals

Orders
Revenue-Product
-Service

W, M, Q, FY
M, Q, FY
Q, FY By Algorithm
Based on Budget

Service Only
-
M, Q, FY

Service Only
-
M, Q, FY

Direct Expenses

M, Q, FY

M, Q, FY

M, Q, FY

Full P&L

Q, FY

Q, FY

Q, FY

Budget

Orders
Revenue-Product
-Service

Q, FY
Q, FY
By Algorithm

Service Only
-
Q, FY

Service Only
-
Q, FY

Direct Expenses

Q, FY

Q, FY

Q, FY

Full P&L

Q, FY

Q, FY

Q, FY

*BY GOS
TO BL.*

Forecast by Q and FY

Orders
Revenue-Product
-Service

Once a Quarter
No
No

*- Training
- 50% efforts
- prog. reqs.*

BQ

?
-
BQ

Direct Expenses-W5
-W11

No
No

Yes for FY
No

Yes
Yes

Full P&L W5
-W11

No
No

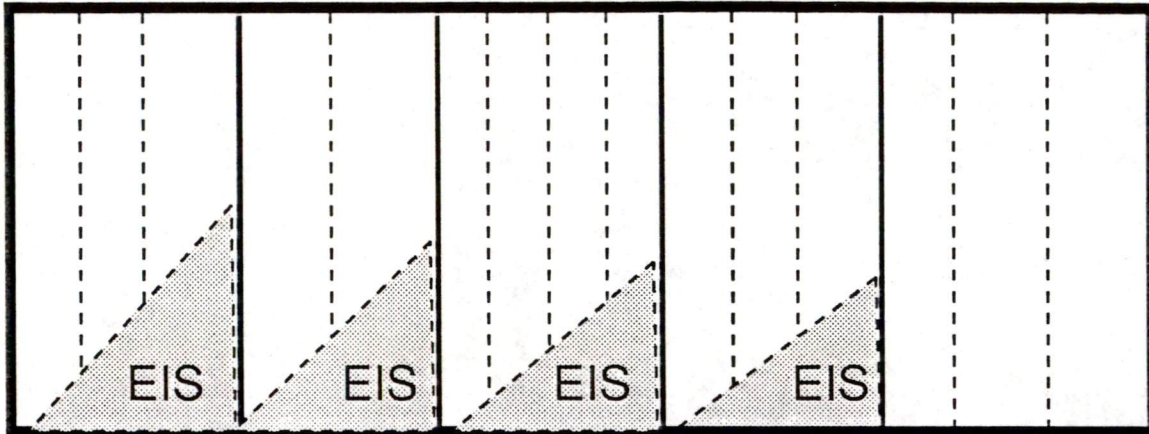
Yes for FY
No

Yes
Yes

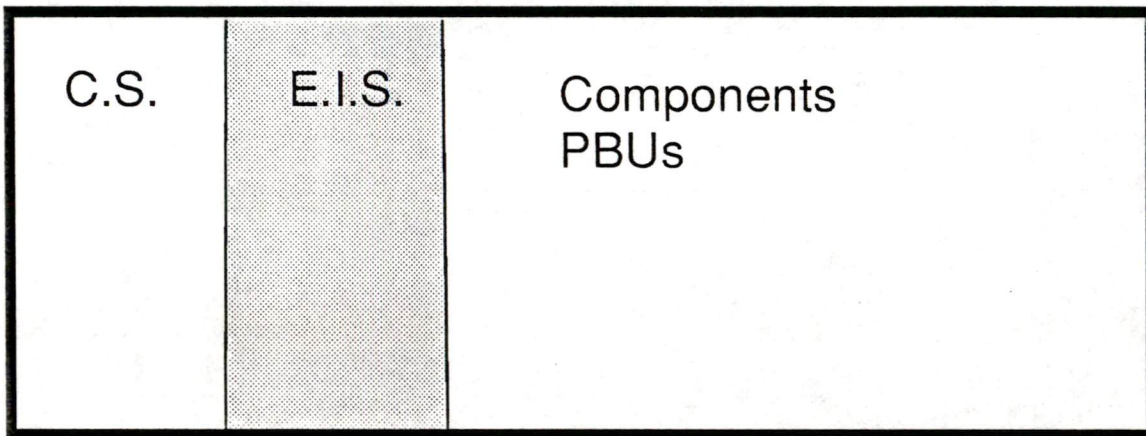
- W = Weekly
- M = Monthly
- BQ = Bi-Quarterly
- Q = Quarterly
- FY = Full Year

EIS Business Unit Structure

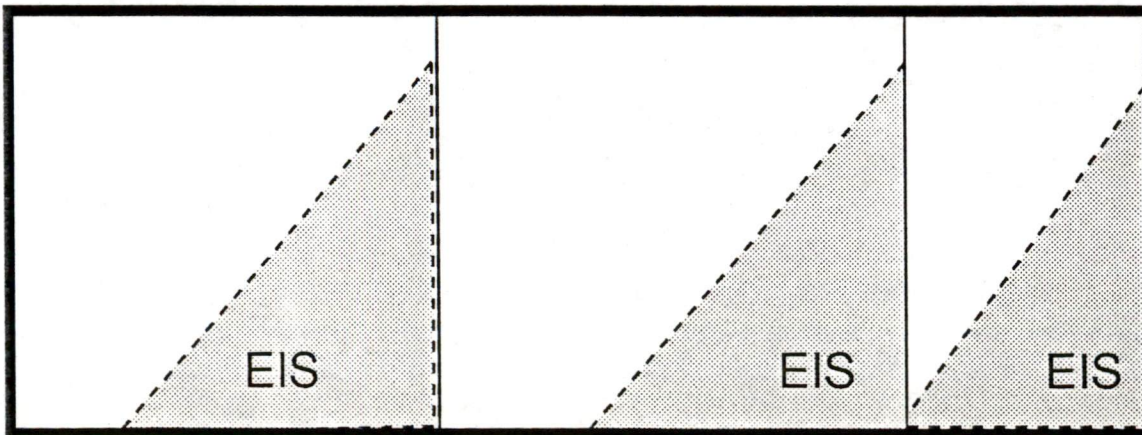
APPLICATIONS BUSINESS UNITS



PRODUCT/SERVICES BUSINESS UNITS



GEOGRAPHIES



ENTERPRISE INTEGRATION SERVICES

"Strawhorse"

"Projects"

"Products"

Consulting

Customer Training

Systems Integration
Overlay

HW/SW/CS/3RD Party=Total

HW/SW Projects
HW/SW 3RD Party
Program Mgmt

HW Products
SW Products
Packaged Svcs
HW/SW 3RD Party

Mgmt. Consulting
Tech. Consulting

Training Projects
Training Products
3RD Party Training

EIS Business Unit Structure

