

F.C

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

*TO: Pat Spratt + Albert Weis
Copy to Exec. Comm.*

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

TO: See Below

Subject: BUDGETING OVERHEAD

CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY

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

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

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

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

KHO:lt
KO:2705

Distribution:

TO: Remote Addressee (PAT SPRATT @MLO)
TO: Abbott Weiss (WEISS.ABBOTT)

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