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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

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TO: See Below

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

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

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

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

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

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

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

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

U.S. FIELD ORGANIZATION

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

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

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

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

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

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(DICTATED 9/1/89 BUT NOT READ)

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