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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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Subject: 1990 KEN OLSEN

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attached

In yesterday's New York Times' business section, there was an article by a young reporter telling IBM what they should do to survive. In summary, he said that they should get out of the mainframe business and the minicomputer business and concentrate on big sellers like laptop computers. This is, of course, foolishness. Large companies have to do something more complex, esoteric, and unique to survive. They cannot compete with small companies doing things that small companies could do better.

However, this does raise a question: Can a large company survive by doing only esoteric, complex things that are only appreciated by the competition in the trade? Does a large company also have to sell large quantities of the big selling items in order to survive?

In particular, the question is: Can Digital survive with selling "multivendor network systems" without making major financial and emotional investments in those things which the mainstream industry is interested in? Originally, we set up the Corporate Operations Committee to be a small, thoughtful, interactive group to discuss Corporate strategy. It has gotten now that so many people have insisted on coming that it has the same problems as the traditional large groups have. I would like the Corporate Operations Committee to do a fun job which means cooperation, consultation, meditation and thoughtfulness on the part of the actual committee members themselves. I would like them to come to the January Board of Directors meeting and tell what they think, from their experience, are the four to six largest, most significant markets to Digital starting January 1, 1990, and then identify what we are doing to get our share in that market. For example, are they PC LANS, PC themselves, workstations, servers for PCs and

workstations.

Then, let's identify how much we are investing in each of these major opportunities. How much are we investing in R&D, manufacturing inventory, selling, advertising, and marketing. How do these investments compare with the other major players? Are we investing to win? Then, later in January, I'd like to have an updated School of Marketing. I'd like to divide the senior executives into six groups and give each one a problem to solve like we did last time.

Each group would have two or three weeks to order the equipment and then in one day, in an open factory area, they will have delivered, in cardboard boxes, all the pieces they ordered, and their task for the day would be to assemble the system, get it to work and demonstrate it.

The School of Marketing emphasizes that part of marketing which says that, in order to sell a product, you have to have it well thought out and packaged in a way that can be ordered easily and quickly without any hassle, and then it can be put together by the customer if he wanted to.

Too often technical managers feel that the challenge is to get a system that works and then think that mysteriously someone has to make it easy to buy, easy to sell, easy to order and easy to assemble. Then in March, I'd like to report to the Directors how competent we are doing in those areas which we think are most important to Digital.

KHO:mg
KO:3604
(DICTATED 12/11/89 BUT NOT READ)

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