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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: EXRC COMM. + OTHERS
TO: See Below

Subject: FIVE-YEAR BUSINESS PLAN

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We tend to manage the Company by business segments which are very large. We do our business planning around these segments and because of their size, a huge percentage of their plans are allocated expenses. We tend to solve all problems by saying, it's up to them to solve.

We tend to solve problems by dumping them on these segments and saying they are responsible, and they have to find the answer. But because the planning and reporting is done in large chunks, and most of it is allocated, they have little data around which to make decisions or to improve efficiency.

This January, we will set about to lay out a five-year plan for a small business unit or a small overhead group. Each group will state their tasks, their goals, and their unique capabilities. The business groups will state their unfair competitive advantage, their sales pitch, and how they will market.

The overhead functions will state their goals, who they are working for, who they get directions from, how they will measure themselves, and how those that work for them will measure them.

We will plan to cover only the U.S. to start with, but we will cover every unit from two people to several hundred people. From this, we will be able to see where there is duplication, lack of clarity and goal, and what their contribution will be.

If this program is done successfully, we will get every unit to see if its goals are clear, if it is needed for the Company and if it is successful. Then we can add up all the costs to see how they contribute to the customer.

We will be able to take this data and recast it several ways. Today, because overhead is allocated in arbitrary and large gloms, the success and failure of projects are largely dependent upon the allocations, and business decisions are made, not on the individual merit of the product and whether it contributes incrementally, but on the arbitrary allocation of overhead.

KHO:dao
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