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D- (I think you also sent this to me in Denver - if or only keep 1 copy)

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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: 027271  
Date: 03-Mar-1992 04:46pm EST  
From: Ken Olsen  
OLSEN.KEN  
Dept: Administration  
Tel No: 223-2301

TO: Win Hindle ( HINDLE.WIN )  
TO: Martin Hoffmann @CORE ( HOFFMANN.MARTIN )  
TO: Ken Senior @ CORE ( SENIOR.KEN )  
TO: John Sims ( SIMS.JOHN )  
TO: Jack Smith ( SMITH.JACK )

Subject: LOST KEY COMPETENCIES

When we started Digital, and for many years afterward, we had particular competence in the design of high-speed transistor circuits, the design of simple, high-speed modular computers, and the development of high-speed interactive systems.

We have maintained these competencies and developed them quite well as shown by our development of the nVAX and ALPHA chips.

However, we had two overwhelmingly important competencies in our early history that we have lost. First of all, we were able to discern or divine (sometimes only by guessing) what the customer needed, even when they had no idea themselves. Sometimes, we did this in a systematic, organized way, and sometimes, just by sensitivity to, and experience with, the problems. The second competency which we have lost, except in a few places, came from the first one. We did things no one else did, and they were unusual and exciting. We were often laughed at and ridiculed by the press, the academics and the competition. However, great esprit de corps, great enthusiasm and team work was developed. We were out to solve the customers problem with a passion in the way we knew only Digital could. Digital could do it because we first understood the problems, and, secondly, we were willing to do them and solve them, even though the solution was different.

When we knew the business, we did well. We once ran a newspaper during a strike. We knew everyone and everything in the medical field. We knew everyone doing physics. We knew our customers

problems, frustrations, fears and ambitions. Those fields we did not know, we did not sell to.

We have lost the competence to understand the customer's needs, fears and problems. Sometimes, we document that we have surveyed them, but we obviously have not found out their needs.

Secondly, because we make decisions at the top level and do not allow those who should make decisions to get out and be close to the customer and use that knowledge to make decisions, there is little enthusiasm for the work. No one works on Saturday, and there is none of the old Digital pride and esprit de corps. Today, we only do those things which the top of the company feels fits in with their history of computers and which after reading literature they have decided the world has accepted and the direction in which the world is going, and we have better follow.

KO:6690  
(DICTATED 3/2/92 BUT NOT READ)

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