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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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Copy to BOD

TO: See Below

Subject: THE NEW ORGANIZATION

The new organization is the vehicle by which each marketing group assures the Board of Directors that they have a formal, documented, approved set of contracts with the various engineering groups in the Corporation. This then assures the marketing group that they, at all times, will have a complete set of products necessary to satisfy their market plans. Committees, senior executives or engineering groups do not change these commitments and contracts. Contracts are only changed by a formal, documented, signed, contract change.

Changes are not made by:

- (1) "I told Ken and he said it was okay."
- (2) "We had a better idea."
- (3) "When you approved the long range approach to strategy, it, of course, implied we drop all our previous commitments."
- (4) "Oh, I thought the consensus of the Committee last week was to change that."

The new organization also means marketing groups are not limited to the desires, traditions and wishes of Central Engineering. Central Engineering is one of several independent engineering groups, each of which has their own overhead, and each of which (we hope) has their own area of speciality.

It is expected that each marketing group will limit the hardware and software offerings. At all times, they will have a complete set of hardware and software from which we can satisfy sixty to

eighty percent of our customers' needs. We will guarantee the solutions will work, because we have concentrated all our investments on fewer things and have done complete systems engineering and have completely tested all standard configurations and solutions.

No longer will we drop a product because "there is a better way." We will only drop a product if the marketing group says they do not need it.

We will not accept a buy out as part of the plan, unless there is someone with a contract to take on the obligation to guarantee the results of the buy out. Buy out products are not run by "the overhead structure." Just like internal development, someone has to take responsibility for everything involved in the buy out, including final results and integration into the product line.

Contracts and deals with outside companies that involve product plans or strategy plans will be managed by the marketing groups.

The three main marketing groups are: Frank McCabe, who is responsible for Global Information Systems, which includes mainframe computing and production computing; Charlie Christ who is responsible for departmental, small business, laboratory and factory computing; and Bill Johnson who is responsible for the Industry Marketing groups. In addition, each of the areas has a catalog marketing function which has responsibility for the contracts for all products.

Each marketing group is responsible for the product plan and the business model for each of their products and each of their product groupings. They set the prices.

Each month, they will report to the Board of Directors the profitability for each of their business models which shows their cost, overhead and profit.

Implied in this organization is a definition of a manager's job. The traditional definition of "to manage" is: "to get a job done, usually with other people." Defining strategy and product plans, and changing them arbitrarily or otherwise, is not normally part of the definition of a manager's job.

KHO:eh
KO:6754
(DICTATED ON 3/10/92, BUT NOT READ)

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