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INTEROFFICE MEMORANDUM

TO: Win Hindle
Marty Hoffmann
John Sims
Jack Smith

DATE: 1 April 1992
FROM: Ken Olsen
DEPT: Corporate Administration
M/S: MLO12-1/A50
EXT: 223-2301

SUBJ: CHANGE

You often seem dismayed that I do not call on you to help make change. I may be wrong. I must admit I look at you as defenders of the past.

There is one simple analytical problem that one of you may want to volunteer to analyze, and from this, suggest change.

In the last four years, I figure we spent five billion dollars in engineering. The question is: did we break engineering into two modular pieces? Then, figure out how much we spent on each one, and measure the results.

We should look at every engineering group in the Company. We should look at every product group, architecture and organizational breakdown, and analyze the results.

We cannot make change unless we decide the problem. If we do not analyze what we have been getting out of Engineering, how can we make change?

Some of the questions we need to address are as follows:

- o Where have we shown leadership?
- o How much of this large budget are we committed to following?
- o Is ACE a technical contribution or a follower; is NT a technical contribution or a follower?
- o Of the things we have done, how many were concepts done from the top; how many were products; and how many of

them did we follow through and exploit? For example--NAS and Open Systems--did these make us a winning organization? Are these products the world knows us for? Are these grabbers?

- o We have had a few great products like nVAX and ALPHA. How much of the budget did they take, and did we then work out plans, strategies and budgets to exploit them? How successful has nVAX been?
- o Left to its own, what would be our future winning strategy? Is NT a winning strategy that will make a leader out of Digital?
- o In how many areas do we have multiple products--like four or six Office and LAN products that compete with each other? How many of them are famous in the world?
- o In those areas where we have been leaders, such as networking, why have we lost an enormous market share and continue to lose it to companies that do much less investment in engineering?
- o Have we had steady, constant, stable strategies for major investments like UNIX? The Board presentation pointed out that our investment in UNIX has been beyond many major military investments and our sales have been negligible. Is this because of a lack of a stable strategy?
- o How much of our product problems come about because of a lack of organization, which normally means commitments are not made and anyone can change their mind at anytime?
- o Of those products which are in trouble--like 9000--how many of their software projects were canceled during budget time or never completed, even though they are budgeted and paid for?
- o Are the products easy to sell? Does Engineering do random products and leave the systems engineering to the Sales department? Is the Sales department doing the bulk of the engineering? Is Sales expensive because the products are not finished to a point where they can be sold?

Is the Executive Committee committed to continue engineering in the way it has been done in the past? If this is true, and you extrapolate the last four years, where will we be two years from now?

If you want to be a force for change, grab hold of this problem, analyze it and propose solutions.

In our case, the difference between being a lost Company and a very profitable Company will be which products we can cancel, which products we can stop from going into production, and which organizations we can shut down that would make no difference to the Company anyway.

If we are truly interested in making profit, we would cancel products that are not going to make any difference, shut down labs that will not make any difference, and speed up some of the newer products such as the five products we will announce in July for VAX.

The money tied up in Engineering and the money they commit to the rest of the organization, such as manufacturing, is the keystone to survival. We are never going to save money in other areas to compensate for the unnecessary expenditures.

KHO:LP

KO:6872

(DICTATED ON 3/31/92, BUT NOT READ)