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Date: 08-May-1992 04:19pm EDT
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TO: See Below

Subject: 21 MAY 1992 BOD BUDGET & STRATEGY PLAN PRESENTATION

Below is a draft of a note I plan to send to the Board.

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A couple of years ago, or so, we started to strongly emphasize a switch from a technology emphasis, where we made many things and left it to the sales person to figure out how to make solutions for the customers, to an industry approach, where for every industry there was a marketing group to ensure complete products were available for our customers. This approach was slower coming than I thought it would be, because it was the way we were traditionally organized. Over a period of time, we took most of the money away from Industry Marketing and put it into making more and more computers, and it was very hard to make the change.

As we made the change there was strong reaction against it, and transferring money to Industry Marketing was not as easy as it should have been. However, DECworld, which was an enormous success way beyond our fondest dreams, was a demonstration of the results of this change. In general, people read into DECworld that we were no longer selling CPUs, but selling solutions, and they were thrilled with the results. Many more came than we had expected. Many came when they heard about what we had to offer, and the excitement was contagious.

This month as we present our strategic plans which are represented in our budgets, they too will demonstrate a change from making as many computers as we can to making as few computers as we need to provide the solutions our customers need.

We redefined the organization the first of the year, but last year, we talked about how we were going to change the organization to emphasize solutions, and about the first of the year, we changed the organization into several groups that would be oriented towards customer solutions.

Besides manufacturing, Bob Palmer will make PCs and printers at a very low cost. Charlie Christ will deliver solutions needed for the Office, Small Business and Departmental Computing. Frank McCabe is responsible for what we traditionally called Mainframe Computing, and we now call Global Information Systems. Bill Johnson is responsible for the long list of industries for which we have marketing groups specifically assigned. David Stone will do the software needed by everyone else. Russ Gullotti is responsible for our Services Business and our Systems Integration. In addition, we have three Sales Areas that are part of the budget.

Budgeting, goals and strategies were clearly assigned to these groups. They had responsibility for defining what they needed and building those groups which were not strong or did not exist, and adjusting those groups who were no longer needed. I think there was no ambiguity in their task and I think they understood it.

However, they were slow getting the budgets because many of the assets they needed were distributed widely within Central Engineering and coordinating them caused much discussion and delay. Several weeks ago we simply took all of those groups which worked only for one of the six and put them directly inside the group. This immediately made goal setting and strategic orienting and making clean, crisp budgets possible.

For each one of the areas we are in, it is our plan to present to the Board a statement of the market each group serves, what part we will go after, what products we will develop and what market share we are looking for. We will justify why we are choosing that percentage, what it would take to get a larger percentage of the market share, and all the steps we are going to do to get as much as we can.

This is a major break from tradition where, as you remember, we argued for major technical investments because of the technical specifications of what we did, and we never included as part of the plan all the things necessary to sell them, nor did we commit to do all the things necessary to get a specified market share. Most of our Engineering budget was done on the assumption that someone else would take these things, finish them and do something with them in the market, but we never specified who, and we did not get a commitment from them at the time of the budget commitment. Now, the people who make the proposal will make the commitment and ensure that all the things necessary to get the market share are part of the commitment they make when they request the budget.

It is also our plan to present all related or apparently competing projects as part of one plan so that several groups are not claiming the same portion of the same market.

All these goals are simple and easy to understand, but when it comes to working them out in detail, it takes more time and effort than we expect, and so, even though we will do this in general terms, we do not claim we will have enough detail to answer all questions.

KHO:lp
KO:7108
(DICTATED ON 5/7/92, BUT NOT READ)

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