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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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Date: 14-Jul-1992 01:08pm EDT
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TO: See Below

Subject: ACQUISITIONS AND MERGERS AND STOCK PRICE

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When we buy an interest, or part of a Company, it should be considered part of our product development budget.

When we make these investments it should be very clear why, and there should be check points, at which time we promise results, in the format of our twenty-four month budget with reviews on returns every three months.

When we acquire product development, marketing and selling groups such as Phillips and Kienzle, they should be proposed by the appropriate Business Unit. It is not rational to say what the Sales department should sell. If we desire to take portions of a group we could make it a formal Business Unit reporting to the Business Unit structure, but it should never be part of the Sales department.

We are bleeding to death with the costs in the Field. We have to cut out costs not directly related or needed for selling. Things that should not be done in Business Units, Marketing, Manufacturing and Logistics should be done in those groups, and the concentration should be on those functions that are called selling. They should be lean, effective and easy to understand.

KHO:lp
KO:7453
(DICTATED ON 7/13/92, BUT NOT READ)

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