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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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Subject: TWO VIEWS ON INDEPENDENT BUSINESS UNITS

Companies break their organizations into independent business
units, so that each group has the information to manage the group
in a profitable way. This gives the Business Units a broad view
and a certain amount of power, but also a lot of responsibility.

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The goal is to give them the information, motivation and tools to
do their job.

There is always the danger of another view creeping in that says:
An independent business unit is like the small business person
who uses their power to make arbitrary decisions and to follow
their own whims and wishes. The danger in being a business
person or an independent business unit is that decision-making
implies power over other people, and this power grows and
sometimes becomes the most important part of the business unit
leader's life.

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These people, of course, fail. They do a lot of damage because
their view of being blessed with power and not saddled with
responsibility, distorts the reason why they are there and
encourages all the things that end up destroying a business.

At one time, parts of manufacturing said: We decide what
products Digital will make in our facilities and therefore, you
better treat us well, you better do things the way we want, you
better use the standards we arbitrarily assign and you better be
good or your product will never be manufactured.

At one time we had functional marketing which decided this gave

them the arbitrary power to decide what would and would not be marketed. Needless to say, many very good products never saw the light of day because the functional marketers said it was for them to decide, and they decided not to market them.

At times, the Sales department said, we are Business Units, we are measured, therefore, we will spend whatever time it takes to continuously review all the products available in the world, in a certain category, and in the meantime, we will decide which meet our conditions and those are the ones we will sell. This, of course, is foolishness and often a catastrophe because when a Corporation decides to make a product, they make enormous investments in it. The transfer cost, as seen from the sales persons point of view, is not the full cost to the Corporation. If it is not sold, all of those set-up and start-up fixed costs are there forever and are lost to the Corporation. It also means the service, training, education, maintenance, and literature have to be reproduced many times. It also has a very serious affect, in that the Sales department falls in love with visiting suppliers, being wined and dined and all the things that do not directly add to a sales persons job and end up as overhead.

It is very important all people involved take part in product decisions, but it is absolutely impossible for an organization to have all the functions decide which products they will or will not go along with. The Corporation makes the decision and all the functions go along.

Today we have too much overhead in the Field. We have to cut way back and in order to do this, we have to cut down the number of products we sell. Those we sell, we have to sell very efficiently, with very good and concise information. We have to cut out those that are not good enough, those that are too difficult to sell, and those that do not fit into the systems we want to build. We should do this as a Corporation with input from Sales, Marketing and Manufacturing.

In summary, the way a manufacturing company operates is to make very formal decisions as to what products they will build. This is a major and very expensive decision, and should have the participation of Sales, Marketing and Manufacturing, etc. However, when the Corporation makes a decision, it is assumed that Marketing and Sales will be heartily behind it and support it.

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