

EC

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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: 03-Aug-1992 04:18pm EDT
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TO: See Below
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Subject: POSITION OF MARKETING BUSINESS UNITS

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It seems clear to me that Marketing Business Units are the vehicle for tying the business together. They have responsibility for the customer, defining their needs, satisfying them with products, getting the products engineered, developed, marketed, sold, and delivered. As far as I can tell, there is no other vehicle for tying the Corporation together than doing each piece with the Marketing Business Unit.

However, in our organization, these people have the lowest of all possible status. They are several levels of management down from the top. Often management does not express in meetings their needs or desires, but more the opinions of the managers that come about from the years of experience.

To make the Company manageable, one has to organize the functions to serve only the needs of the Business Units and have their budgets be only the sum of their requests to the functions. However, there is more to it than that. Business Units have to have a say in the management of the Company. They are the heart of the Company. They know the products, marketing, and selling needs, and, above all, the customer needs.

There are forty of them today, but there should probably be sixty or more and the goal of the organization is to somehow have them be part of management.

This will take time because, first, for so long their whole existence is dependent on being nice to the functional managers who will only give them the things they need to survive, if they feel the desire to do so.

The Business Units have spent several years begging, humoring, teasing, and conniving in order to get the functions to supply the services and products they need. Changing their state of mind will not be done instantly, but it is important for survival.

In the "cut the fat budget", Business Units have been arbitrarily assigned cuts in their expenses without an analysis of their contribution to the future profit and growth of the Company and without evaluating which ones are most promising and which ones, from a business point of view, should spend more money.

If I understand correctly, the "cutting the fat budget" increases expenditures in engineering and cuts investments in Business Units. I think you should make this very clear to the Board of Directors.

If my understanding is correct, we are increasing investments in areas in which we have invested way beyond their point of pay off. In fact, to the level of destructiveness in cutting down those areas which have the promise of increasing the market.

KHO:dao
KO:7556
(DICTATED ON 8/1/92, BUT NOT READ)

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