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I n t e r o f f i c e   M e m o

TO: ED KRAMER
    KEN OLSEN
    JACK SHIELDS
    JACK SMITH

DATE: WED 28 SEP 1983  10:20 AM EDT
FROM: WIN HINDLE
DEPT: CORPORATE OPERATIONS
EXT:  223-2338
LOC/MAIL STOP: ML10-2/A53

MESSAGE ID: 5213505963

SUBJECT: ORGANIZATION PACKAGE


For your convenience, the entire package is enclosed.


SUBJECT:  NOTES FROM WOODS - SEPTEMBER 22-23, 1983

Notes from WOODS - September 22-23, 1983
Attended by Win Hindle, Ed Kramer, Jack Shields, Jack Smith.


1.  Inputs from Ed Schein:

    A.  DEC Culture - his view

        1.  Individual is the source of ideas.
        2.  Buy-in, ideas must be sold and survive debate "Truth
            through Conflict", talk it out.
        3.  We are a family and take care of each other.
        4.  Keep things simple and clear (Ed commented we do not
            succeed on this one, though it remains a goal).
        5.  Authority (rank) has no intrinsic value.

    B.  New Environment and Growth Have Resulted in:

        1.  Complexity
        2.  Large size
        3.  Competition
        4.  New people who don't know the culture.

    C.  Needs:

        1.  More structure
        2.  Quicker decisions
        3.  Discipline and coordination.

2.  Order Processing/Delivery System:

    A.  What's Changed?

        1.  Customer assistance resources/responsibility
            transferred to field - NOT up to speed yet.
        2.  Resolution point for customers was Product Line

Manager, now it is Area Manager.
3. Point of Manufacture (POM) process not working well.
4. Old order and delivery process assumed process would not work, new process assumes process will work.

B. Resolution:

As the highest priority, Jack Smith and Jack Shields, along with their senior managers (Kalagher, Grainger, Hanson, Melia), will meet to understand personally the fixes we have for our current severe problems. Jack and Jack will assure themselves that we have the programs in place to achieve customer satisfaction as rapidly as is humanly possible.

3. Workstation Group:

(Please see Attachment A - sent under separate cover via EMS).

4. Financial Results for Q1:

Because the exact NOR is still in question, we will meet at 9 a.m. on Monday before the Board Meeting to agree on our Party Line.

5. Changes in Organization:

(See chart prepared for Board of Directors Presentation - being sent under separate cover).

6. Organization Plan for Digital:

(See EMS sent Friday, September 23, 1983 - entitled "Organization Plan for Digital").

7. Problems We Agree We Have to Solve:

A. Customer Satisfaction Problems

1. Delivery lead times inaccurate and in some cases too long.
2. Delivery status reporting to customers poor.
3. Accuracy of delivery dates poor.
4. Need for Management Report on Performance.

B. Reporting of results - Not done so far in Q1

1. By market group
2. By product.

C. Market Group Managers Feel Powerless

1. Our belief is that the Organization Plan for Digital that we are proposing will solve this.

WH:dc

WH1:1S5.22

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At our WOODS meeting, Ed, Jack, Jack, and I agreed there should
be a Workstation Group, and we recommend the group report to you,
as a second choice, it could report to Jack Smith.  The group
should include marketing and engineering but it does not have to
be called a division.  The group should have business responsib-
ilities for all workstations in order to get focus on this key
area.  The group manager will have to be sensitive to the work-
station needs of the other market groups and work very closely
with them.

Because workstations are a generic product, they should even-
tually (2-3 years) be marketed by all the groups.  Therefore, the
group manager should have as part of his plan to phase the
marketing over to the market groups at a specific point in time.

Jerry Butler is everyone's candidate to do this job.  We do not
want to impose our ideas on Jerry.  Therefore, you (or one of us
if you prefer) should ask Jerry to make a proposal very soon on
starting Workstations Group.  Our opinion is that if we ask Jerry
to take on only engineering, he will not want the job.  There-
fore, we should ask him to propose a group that includes
marketing.

WH:dc
WH1:1S5.23

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SUBJECT:   CHART FROM BOARD PRESENTATION

CHANGES IN ORGANIZATION

1.  MOVED OPERATIONS TO FIELD

    - REVENUE BUDGETS

    - SALES DEPLOYMENT

    - PRODUCT FORECAST TO MANUFACTURING

    - ORDER PROCESSING

    - CUSTOMER ASSISTANCE

- TECHNICAL SUPPORT

2. ORGANIZED SALES FORCE BY ACCOUNT AND APPLICATION

3. CREATED INSTALLED BASE MARKETING ORGANIZATION

    - ADD-ONS AND UPGRADES

4. REFORMED SEVERAL MARKET GROUPS

    - BUSINESS AND OFFICE SYSTEMS

    - PERSONAL COMPUTERS

    - ENGINEERING/MANUFACTURING

    - NOW CONSIDERING WORKSTATIONS GROUP

---

SUBJECT: ORGANIZATION PLAN FOR DIGITAL

This EMS is from Win Hindle, Ed Kramer, Jack Shields and Jack Smith. For discussion.

Organization Plan for Digital

1. Base Product Development Plans

    - Proposed by Engineering.

    - Reviewed and Approved by Steering Committees that have members from Market Groups, Field, and Senior Engineering Consultants.

2. Product Schedule Reviews

    - Held in each engineering group.

    - Slippages reported.

    - Major programs (i.e. VENUS) regularly reviewed by Senior Manager from outside Engineering plus a small group of Senior Consulting Engineers.

3. Business Plans for six Market Groups

   - Includes products, both base products and directly
     developed products.

   - Proposed to and approved by Strategy Committee.

4. Geography/Country/Plan/2-Year Budget

   - Includes NOR by six Market Groups.

   - One copy of original proposal sent to Strategy
     Committee.

   - Reviewed by a "New" Committee made up of six Market
     Group Managers and five Field Managers.

   - Final Budget Approved by Management Committee.

5. Geography/Country Reports

   - Bookings and NOR monthly by six Marketing Groups.

   - Bookings/data on products.

6. Geography/Country Forecasts Product Requirements to
   Manufacturing. Manufacturing commits to product availability
   schedule.

WH:dc

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TO: *WIN HINDLE                    DATE: TUE 27 SEP 1983   9:45 AM EDT
    ED KRAMER                      FROM: KEN OLSEN
    JACK SHIELDS                   DEPT: ADMINISTRATION
    JACK SMITH                     EXT:  223-2301
                                   LOC/MAIL STOP: ML10-2/A50

                                   MESSAGE ID: 5213403318

SUBJECT: STATUS OF MARKETING PLANS - 19 APRIL MEMO

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TO: CLIFF CLARKE                   DATE: TUE 19 APR 1983  10:40 AM EST
                                   FROM: KEN OLSEN
cc: see "CC" DISTRIBUTION          DEPT: ADMINISTRATION
                                   EXT:  223-2301
                                   LOC/MAIL STOP: ML10-2/A50

                                   MESSAGE ID: 5197337000

SUBJECT: STATUS OF MARKETING PLANS

We have lost an important part of the ideas we had when we
originally started the new Digital.  Product lines were to lay
out plans and were to keep track of how these plans were being
worked out in sales, manufacturing, and engineering.  We have
gone so far that some people think nothing is tied together and
everybody does their own thing with no integrated plan.

It is of utmost importance that the product lines lay out a plan,
that they keep track as to how these plans are going, and that
they solve or raise problems that are occurring.

The fact that we do not collect vast amounts of data and give it
to the product lines does not mean that they are not to keep
track of the status of their plans.  In fact, one of the reasons
for not collecting vast amounts of data is to be sure that they
find out what is really going on and not wait for the long delay
for data to be collected, and then to be dependent on the data
which is usually not very valid.

Our whole system falls apart if the product lines do not have
plans and if they are not in a position to find out how things
are working at all times.

I would like to see us at every meeting or every other meeting of
the Marketing/Sales Strategy Committee, a report from each of the
marketing groups as to the status of their plans in sales,
engineering, and manufacturing.  I would like to see us start

this at the meeting which has been re-scheduled for April 25th.
This should be done on short notice and will be very informal,
but will be a start on getting this discussion and reporting
going.

KHO:ep
KO2:S7.66

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INTEROFFICE   MEMO
•

TO:  Charlie                    Date: 21 September 1983
     Tom                        From: Sammy
     Dick                       Dept:
     Harry                       MS:          Ext:

CC:  Billy

SUBJ:  ORGANIZATION CHANGES AND THE NEW DIGITAL

*****************************CONFIDENTIAL*************************

The goals for a new Digital were to do what we did in Europe, in the
states, to the product lines and Sales groups. They would again have
their chance to plan and propose their segment of responsibility that
would not be edited or edicted by the bureaucracy. And, we would
simplify things so that they could understand, exactly, their
responsibilities.

We have so often lost track of what we are doing, and we are doing the
same thing while going on to the next step, which we call forming
divisions.

We seem to have a backlog of emotional and personal hangups with
people or things that have happened in the past and we insist on
making gross changes way beyond what we understand and can tolerate,
when our goals for the new Digital are relatively simple.

Our goals for forming divisions are very simple and we not only make
them impossible to obtain when we add changes that are gross in nature
and irrelevant to the subject, but we confuse ourselves and everyone
else involved.

The big features of the new Digital turned out to be de-specialization
of the field, completely redoing the centers of budget and profit
responsibility, completely redoing our reporting system, and running
headlong into all other changes that we could possibly think of, and
completely forgetting our goal, which was to give product lines the
feeling of responsibility.

As we ran ahead headlong, we rejected many of the things over the past
twenty-six years. Instead of assuming that we evolved into many
concepts and ideas that were wise because they were learned through
experience, we rejected them wholesale, simply because we didn't
understand them.

We are running headlong to further reject the things we have learned
in the past twenty-six years, in the name of divisionalization. It has
nothing to do with divisionalization. It is just that we want to

reject the subject at hand and the reason for why the meetings are called, and no matter what the meeting is called for, we use it as an excuse to make more changes.

We had learned how to have OEMs trust us. Very few companies have done this; in fact, it is almost unique in the industry. The OEM naturally distrusts the people who are competing with him. One of the things that has devastated massive parts of the Company is that this was so thoroughly understood, even by people like Stan, Jake, and Andy, and now there is no sensitivity to it at all. If we don't understand it, it can't be true.

We may never recover from the changes we made and the history that we rejected in the name of the new Digital, but that were really made in the name of ignorance and arrogance and we disposed of that whole infrastructure that used to take care of the customer. And sadly and inexplainably we have gone many steps backward away from the goals of the new Digital.

Most of this was done with the claim that it would relieve Ken Olsen from much work mediating between group. If it was all done in one group, Ken Olsen would not have to get involved. This too does not bear with history. If two groups have a problem I can normally have it worked out by my secretary. What I have to do myself is relatively easy. The thing which frustrates me and that wakes me up at four every morning, is when it is all under one person I have no access to it and the only answer to a problem is to fire him and start over again. Putting everything under one person is not one of the lessons we learned from history.

Another lesson we learned from history was that you had to talk over subjects for long periods of time, particularly subjects that involved changes, because it takes a long time for people to understand. This can be proven by the fact that it takes a Strategy Committee a long time to understand what we are talking about. Now the Strategy Committee wants to impose changes instantly, and without discussion. I think the foolishness of this is obvious because the changes they want to impose bear no relationship to the subject under consideration, and without regard to the lessons learned from history. This will soon be taken care of because there is no one around who remembers our history anyway.

To: Ken Olsen

Win Hindle

Jack Shields

Jack Smith

Geo. Chamberlain

Al Mullin

Bill Helm


I thought this might be of interest to you.

Al Bertocchi

A. M. BERTOCCHI

*Lehman Brothers Kuhn Loeb*
Incorporated

55 Water Street
New York, N.Y. 10041

September 7, 1983

Mr. Alfred M. Bertocchi
Vice President, Finance &
  Administration
Digital Equipment Corporation
146 Main Street
Maynard, MA  01754

Dear Al,

As follow-up to our recent conversation, we have studied the recent decline in Digital Equipment Corporation's stock price and have compared this decline to the behavior of various stock indices and stock prices of selected computer equipment manufacturers. As indicated in Table I, from 2/15/83 to 8/15/83 Digital's stock price fell 23%, while the Dow Jones Industrial Average rose 9%, the S&P 400 increased 11% and an index of selected computer equipment manufacturers fell 2%. Over this same period, the Moody's AAA Bond Yield increased a modest 34 basis points from 11.64% to 11.98% and the prime rate held steady at 11.00%.

The decline in Digital's stock price since February has been attributed largely to the fact that earnings and order levels were not up to earlier expectations. Whereas we do not mean to infer comparability in the following situations to Digital, it is interesting to note that Apple Computer, Prime Computer and Texas Instruments fell 24%, 48% and 36%, respectively (although each decline was associated with a specific business reason). It is also interesting to note that Digital's stock price declined significantly during the six months immediately following the Company's public offerings in 1970 and 1977 which did not prevent successful offerings in 1972 and 1980, respectively.

Historically, the market's perception has been that Digital has chosen to finance in anticipation of a period of strong growth (therefore a period requiring additional capital). Such growth has, in the past, in fact, occurred with a resultant increase in the stock price. In the current case, however, a decision to finance in February would not, as it has turned out, have been followed by a period of growth in the <u>near</u> term (six months). Thus, it is possible that some

P.S. D.G. STOCK INCREASED 32% ALBIET FROM A LOW POINT

WANG DECLINED 5%
IBM INCREASED 22%

amE.

institutional investors might have felt mislead because they may have
assumed that a financing decision in February was a signal by the
Company of an anticipated pickup in operations.  The result might
have been that in future financings the anticipation of growth, which
Digital offerings have typically triggered, might not be present in
the perception of certain investors.

Nevertheless, we do not believe the nature of the recent decline
is such that had Digital done an offering in February, it would have
had a measurable negative impact on Digital's ability to finance in
1984 or 1985 as earnings growth resumes.

Please give us a call if you have any questions.

Best regards.

Sincerely yours,

Alan R. Batkin

ARB/ddt
Enclosures

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Interoffice  Memo

TO: *WIN HINDLE
    ED KRAMER
    JACK SHIELDS
    JACK SMITH

DATE: MON 1 AUG 1983  12:06 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5207706813

SUBJECT: COMPANY PHILOSOPHY

E X T R A   C O N F I D E N T I A L

There are several bits of company philosophy I would like to have
worked out before the August Sales meeting, and I would like to
make a clear statement of our philosophy.

Will you get answers to the following questions before the next
Strategy Committee meeting?  I would like to go over the answers
to make sure that what is going on in reality matches what we
really want to happen.

1) Are we, by formal policy or by attitude, freezing out
   resellers by giving them poor service and by competing with
   them with lower prices and faster delivery?

   Have we lost the morality we used to have when Ted Johnson ran
   sales where we were exceedingly careful to protect an OEM or a
   reseller that we made a commitment to.

   Are our quotas are more important than moral commitments we
   have made to resellers?

2) Is our policy, not to mention to the sales people things that
   are yet to be made ready for sales, an excuse to have
   engineering projects go on forever without committed dates
   that would make us competitive?

3) What facelifts, new features, new exciting applications, or
   new exciting technology have we introduced into our three
   personal computers in the last seven months, or the last
   fifteen months since we announced them?

   Are we continuing our policy of neglecting a product as soon
   as it is in production to make production easier, and wait a
   few years until we have a new one to replace it?

4) Is our engineering philosophy and engineering program viable
   to keep us in the commercial business or should we plan to
   phase out of the business now?

5) Can we, with a clear conscience, say that we are leaders in
   interconnecting computers?

Do we have a list of products that we can tell our customers they can apply to small computers, medium size computers and large computers, and can we tell them we have a commitment to deliver in the next six months?

6) Are we, in this area, more interested in dabbling in every bit of technology but little interest in satisfying product needs?

7) Are we dilettantes in the area of commercial software and hardware?  We can brag about all the wonderful things we have done, all the wonderful things we will do but can we assure our sales people that we will have a product.

8) We have contracts with the major educational institutions and we have a contract with Trilogy.  What technology can we tell our sales people we have to offer today which is new or even current, and what can we say we will have in the next six months.

Is our investment in new technology, and in high technology organizations for academic satisfaction, or do we really expect to have products, and if so, when and what, and is there a commitment, or are these experiences going to just separate us more and more from products.

KHO:ep
KO2:S10.76

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TO: ED SCHEIN                    DATE: WED 4 MAY 1983   3:36 PM DST
                                 FROM: KEN OLSEN
cc: AL BERTOCCHI                 DEPT: ADMINISTRATION
    GEORGE CHAMBERLAIN           EXT:  223-2301
                                 LOC/MAIL STOP: ML10-2/A50
*BCC: ✓Win Hindle*
*Jack Smith*                     MESSAGE ID: 5198863088

SUBJECT: MANAGEMENT THEORY STUDY

*******************SENSITIVE AND CONFIDENTIAL*******************


I have asked you to visit with the product lines and see what has
been bothering them. Now, I think it would be more important to
visit with George Chamberlain and Al Bertocchi to see if you can
find out what their theory of management is.

For years I have had the feeling that they have considered me and
the rest of the technical people in the Company as unwashed,
uneducated, and unappreciative of the fine art of finance. As a
result, they have never been sensitive to, or listened to, or
understood, or believed in our theories of letting people propose
their goals and then hold them to it.

They seem to believe, and hold to an independent course of
bringing all questions to the top and let the top make decisions
because it is faster, easier, more efficient. Often the
preparation of the questions is very shallow and wise decisions
cannot be made.

I have been trying to maintain the tradition we have had since we
were a 14 million dollar company, of having people who know how
to do the work take part in setting the goals. When the key part
of the operation doesn't believe in this philosophy and is off
marching to a different drummer, it is a losing fight. We now
have a frustrating situation where the administrative and
financial people are trying to run an efficient, fast,
decision-making operation by raising ill-defined, ill-prepared
questions for immediate, fast, efficient answers. The people who
have the knowledge are frustrated because they are not taking
part in the decision and the decisions are made without the
necessary information, or without the motivation that comes from
participation by the people who are to carry out the plans.

When we were a fourteen million dollar company we were too big
for me to run things in an autocratic way. I would like you to
sit down with George and Al and try to find out how they think we

should run a six billion dollar company.

I often feel that they raise these ill-defined, ill-prepared questions to test me and the Operations Committee to see if we are brave and competent enough to make these decisions one at a time, without due preparation, without due information, and without a summary of how all these multitude of decisions fit together, and without a feeling of the consequences of making them one at a time, and without anyone responsible to make sure they all fit together.

The change we have largely accomplished in Europe has been to let individual groups take part in their own goals and then be responsible for them. I am not sure that Al and George have understood what we did there and have understood how it should apply in this country.

For many years I have been frustrated with the Accounting system. It has not been designed to help the individual managers make decisions. I think this is because the Finance Department feels that accounting is done for the top men and the top committee to make grand decisions. I am, of course, completely of the other mind, and believe the accounting is there to motivate and help the individual managers run their operation.

As you know, I have a theory that if managers run things well and all questions are prepared and formulated well, there are no serious questions to be answered from the top. The only time there are hard questions is when someone falls down on the job. Most of those questions are hard only if the preparation is poor. For a six billion dollar company, a small staff at Headquarters cannot know enough to formulate those questions in a useful way.

Because the finance people always look at the rest of us as though we are uneducated, I don't feel I get very far in discussing these matters with them. They just know I am a heathen and tolerate me. If you sit down with them for awhile, you may come away with a coherent understanding of what their theory is and share that information with me.


KHO:ml
KO2:S8.26

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TO: OPERATIONS COMMITTEE:                DATE: MON 11 APR 1983   1:44 PM EST
                                         FROM: KEN OLSEN
                                         DEPT: ADMINISTRATION
                                         EXT:   223-2301
                                         LOC/MAIL STOP: ML10-2/A50

                                         MESSAGE ID: 5196523892

SUBJECT: THE NEW DIGITAL

When we formed the new Digital, we had a number of goals that
were very critical.  We wanted to cut out unnecessary jobs,
unnecessary policing, unnecessary data collection and unnecessary
metrics.

When we instituted this we added a few other things which seemed
good ideas at the time but were not critical to the original
theory, like de-specialization in the field, removing the
customer from the product lines and having the field make all
discount agreements, and I am sure, more things.

Many of these peripheral decisions have devastated the marketing
people and some people have concluded that they are not wanted or
important.  It has been almost a year since we made the decision
and I would like to spend the June Woods, maybe far away and
maybe for 3 days, reviewing all the peripheral decisions and
planning how we can integrate marketing and selling.

We might have groups of people, or committees, work on this
question before the Woods meeting so that we have a good idea of
what we want to accomplish.

KHO:S7.35

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*Strategy Com.*

Interoffice   Memo

TO: ED KRAMER

cc: OPERATIONS COMMITTEE:

DATE: TUE 5 APR 1983    3:16 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5195914203

SUBJECT: P&L RESPONSIBILITY, ETC.

*********************************CONFIDENTIAL**********************

SUBJECT: P&L RESPONSIBILITY, ENTREPRENEURSHIP, MANAGEMENT,
LEADERSHIP, AND GROUP VICE PRESIDENTS

I enjoyed listening to your ideas for your group of product
lines. I think you have caught the sense of the new Digital and I
think you are planning to show the leadership needed. In the past
we have been confused as to what some of the words mean.
Management is not a goal, it is almost something we should take
for granted in the senior management of the Company. It is what
keeps the mechanisms going normally and the red tape smooth and
keeps the place going.

A group vice president should contribute leadership; like a
military leader, he has to know what the goals are, what the
resources are, and the strategy to use to accomplish the goals.

Management is done by the clerks of the army. The leader has to
know what the goals are and keep them in mind all the time. In
our case, the group vice president and the product line manager
should eat, sleep, dream, and have visions of products and
applications and customers and how we get them together. All the
management tasks are chores he has to take care of but they are
not the job he is hired to do.

We sometimes talk about entrepreneurship and P&L responsibility.
Entrepreneurship is hard to find even in the world of risk
capital today. An entrepreneur gambles everything on the success
of his idea. He is emotionally involved, almost to a morbid
degree, in his product, his marketing, and his customers. When
things go wrong he hangs on to a degree which is almost
devastating to him. This is hard to find in a big company because
when his ideas go wrong he just quits. It is even hard to find in
a risk capital organization because risk capital is pushed on him
in almost the same way it is at Digital and when things go wrong
he quits and does another job.

A manager who leads a set of ideas is emotionally committed to
them and sells those ideas, even though they may not be his
invention. He can get committed intellectually and sometimes
contrary to the tradition and ideas of the rest of the
organization, to the point where he has as much of the motivation

and the satisfaction and the danger and the learning experience that an entrepreneur can have in his own business. This may be the closest thing available to entrepreneurship in our modern high technology field.

Profit and loss responsibility is also spoken of as a goal. However, most people don't understand what this means. Profit and loss responsibility means that you go to bed scared and you wake up early scared because your expenditures may be outgrowing your income. P&L responsibility means constant worry, constant concern, and always looking out for every extra penny that has been expended. Sometimes onlookers think that P&L responsibility means the freedom to spend money without telling someone. They don't see the worry and concern that goes with it. Having P&L responsibility and the overwhelming feeling of economy that goes with it is hard to simulate in a big company. However, a leader who lays out a plan and gathers people behind him and the resources to carry his plan out does make an intellectual commitment to certain costs and certain income and it does give him much of the satisfaction and the feeling of P&L responsibility.

We, in our Company and in our modern society, are often afraid of leaders. We sometimes think of leaders as people who do not listen to others, and who do not get information and suggestions and inputs from the levels of society or the organization where the knowledge is to be found. Or, we equate leadership with people who carry on their own ideas without taking advantage of modern management techniques or traditional ways of finding the right solution to problems. Or, we feel that leadership means propagating ones own invention, idea or theory, regardless of what the results indicate. Indeed, leadership in the wrong direction is bad, but that does not mean that we don't need leadership.

In the product line area we, at times, have had people who felt that they were great leaders and managers because they had their organization broken down into many pieces and each piece was staffed and they just made sure the organization held together. There was a group who told Engineering what to do, there was a group who told Manufacturing what to do, and there was a group who told each part of the Sales force what to do. This did not make them leaders. This is an army in which each piece had authority but didn't know how to share a common goal.

I think the group vice president should be overwhelmingly and emotionally involved in product, software, applications, fields and customers. He should know which way each field is going with regard to hardware and software systems and he should know what they need beyond the direction that the rest of the world is already heading.

He should also be completely involved in the techniques of formulating our message and getting it across, and always worrying whether advertising or other techniques are the way to accomplish this.

I don't think he can do the job by having a dozen young engineers
in each product line telling Engineering what they should do and
telling Advertising what they should do. I don't think leadership
is that easy.

In order to have leadership a corporation must address questions.
We cannot afford to wait for answers to come from heaven.  Some
of the questions are: How do we differentiate between end user
and OEM products?  How do we have a simple, understandable, easy
to remember set of re-seller terms and conditions, rules and
regulations? How do we reconcile the future of the 10/20 business
with the technological realities?


KHO:ml
KO2:S7.15

DICTATED MONDAY, 4 APRIL 1983

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**I n t e r o f f i c e   M e m o**

TO: JIM CUDMORE
    *JACK SMITH
cc: GORDON BELL
    OPERATIONS COMMITTEE

*to*

*From Smith 4/5/83*

DATE: TUE 5 APR 1983  3:02 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5195974093

SUBJECT: INVENTION, MANAGEMENT AND LEADERSHIP

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*CONFIDENTIAL\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

The business press lately has been discussing the difference
between management and leadership. Naval Captain Grace Hopper
spoke to our people in New Hampshire last week and ridiculed
management and emphasized the need for leadership. She said, "You
don't manage your troops into a battle, you lead them into a
battle."

I think it is critical that you show leadership at the April
WOODS meeting, when Engineering plans are being decided.

*} a given*

We sometimes confuse invention with leadership. Leadership is not
inventing a product and then selling it as the greatest thing
since sliced bread.

It is almost as foolish to bring all the eager Engineering groups
before a large committee to list all of the wonderful projects
they want to carry on with huge funds and huge staffs over long
periods of time, with no reference to what the competition is
going to do and what the customer wants and what problems we are
going to solve for the customer. This may seem like good
management, but we know what happens. Committees almost always
say yes to everything and when they say no it is based on
personality, not on technical or competitive reasons. They don't
even take into account the group's past history.

*} don't know where this came from. Not what we will do at the April woods (see below)*

I don't think an Engineering committee should make these
decisions either. They are even less interested in the
competition and the business reasons for a product.

I suggest that you make a very careful statement of the Company
strategy for the low end. This would include what markets we are
going into, what pricing level, what quality level and whether or
not we want to go into the consumer business at all.

*} The second day of the EMC was for EMC to develop this not only at the low end but all ends*

Then, I suggest you use committees to help you formulate two or
three alternate product strategies. *→ yes, the products committee is scheduled to do this mid-may*

One strategy would be that each group has the right to do
everything themselves. This would include the packaging, the
power supplies, the disk controllers, the display controllers,
the CPU's and the software. They would be required to justify

their motivation to propagate their invention, and for the ideas that they put forward several years ago.

The second alternative would be to say everyone will use the same hardware and the same bus structure and the only differences would be those parts which allow us to use different software and different operating systems.

It is natural for any leader to feel that he has to predict exactly what is going to happen in the future and then plan accordingly, but this is foolishness. A manager in an automobile company may feel that if he is a good leader he must predict whether the public is going to demand small cars or big cars, front wheel drive or rear wheel drive and his plans have to be 100% committed to whatever he has predicted. Then, he must justify his belief, and, because of his leadership the world will go that way; of course it never does. A military leader cannot tell from which direction the enemy will come and what is going to happen to the environment. He has to lead and yet prepare for all possible alternatives. His leadership is not dependent upon his predicting exactly what will happen.

Our strategy has been, and probably should be, to say we don't know whether the world is going to go to DOS, UNIX, VMS, CP/M, IBM CP/M or any other. It seems to me that a little leadership will make us independent of which way the world goes and we will not have to convince the world that what we said was going to happen is what will happen.

I think it is clear to everyone outside of Digital that the very small computer software is going the way of the IBM personal computer. Our individual product lines are so committed to proving that what they planned years ago is the only way that we should go, that they are usually blind to this fact. Leadership should be above the emotional commitment which groups may have to the ideas they have been pushing for years, and should face the reality that IBM has set a standard for low end software that we all have to be at least able to use.

*good idea. Let's get on it.*

I think Jack and Jim should come before the group and probably later on, the Board of Directors, and say, "Here is the strategy we propose." Or, "Here are the two strategies that we can pick between; here is the way we see the competitive world going, and here are the needs we plan to fill, and the competitive niches which the rest of the world is not planning to fill, and here is how we can do it with the minimum cost, in the minimum length of time, with the minimum risk."

*scheduled for Products Committee mid-May. Board would be OK anytime after this*

I think it is ridiculous and unfair to have four groups parade before the committee and propose their own favorite projects and go in with huge financial and emotional investments and long schedules that the competition will not wait for.

*→ Agree*

It may seem <u>unfair</u> to ask the leaders to take on such a complicated and hard to understand task, but I think the answer to that is clear. If it is too complicated for someone to explain to a senior committee of the Company and to the Board of

*what we get paid for.*

- 2 -

Directors, it is too complicated a strategy for the Corporation to carry on and for the sales and marketing people to sell.

*Right On*
*" "*

Leadership is not calling large meetings and waiting to see if unanimity is achieved to solve a problem. Leadership is finding the answer and leading it through to success.

Participatory management does not mean everybody participating in everybody elses project. Participatory management means being allowed to participate in the setting of your own goals and not someone elses.

*" "*

We, in our Company and in our modern society, are often afraid of leaders. We sometimes think of leaders as people who do not listen to others, and who do not get information, suggestions and inputs from the levels of society or the organization where the knowledge is to be found. Or, we equate leadership with people who carry on their own ideas without taking advantage of modern management techniques or traditional ways of finding the right solution to problems. Or, we feel that leadership means propagating ones own invention, idea or theory, regardless of what the results indicate. Indeed, leadership in the wrong direction is bad, but that does not mean that we don't need leadership.

*Super*

KHO:ml
KO2:S7.14

5-APR-83  15:35:13  S 04563  CORE
CORE MESSAGE ID: 5195914177

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Interoffice Memo

TO: OPERATIONS COMMITTEE:
    LARRY PORTNER
    JACK SMITH

DATE: TUE 1 MAR 1983    3:49 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5192453629

SUBJECT: ENGINEERING REVIEW

I have a few suggestions for our Engineering Review in two weeks.
I suggest first, that we request that we get a head start by
having summary data written for us for next Monday's Operations
Committee. I suggest that we request a summary budget for the
last two years and a summary budget for what is asked for this
next year. The sum of these budgets should approximately add up
to the total Engineering budget for the year and it should
include product lines, Manufacturing Engineering, and all the
services and maintenance projects going on in Central
Engineering.

Then, I suggest we ask each Engineering Manager for a copy of his
organization chart and a listing of who is in charge for each
project and a statement of his organizational philosophy. Does he
make all the decisions and does he represent all the projects at
meetings and is he the one that all inquiries from the rest of
the Company have to go through?  Are the individuals, whose names
are in front of each project, the ones who feel responsible for
the generation and the maintenance of the schedule and is he then
in a position to review them very often and regularly?  We also
ought to have for next Monday a statement as to what he
understands is base marketing and how he plans to accomplish
this.

My understanding of base marketing is that it is simply the
generation of technical sales literature, which we have gotten
very little of from a bureaucracy who are not technically
inclined. If the Engineering Manager plans to set up another
bureaucracy staff by non-technical writers, I think we have added
to the total cost to the Company and received nothing. I thought
the technical team and engineers who did the work were going to
finish their job, which is to write down what they had generated.
We could readily have a centralized group or contract with
someone outside to put it in reasonable order and edit it for
grammar and spelling for publication. It is the generation of the
technical material for the sake of the customer and the salesman
that we have been lacking and we want done in the product line.

Another part of the job which we have started to define, which I
don't call technical marketing, is that we want the engineer on
the project to be responsible for filling the needs of the
customers in each market group and we expect the Engineering
Manager to make sure that all those pieces fulfill all the needs

of the customer areas.  I think it would be very helpful if we
insist on a clear statement for next Monday's meeting before the
major review from each Engineering Manger.

The second idea I have is that we ask every person taking part in
the Engineering Review to answer a written questionnaire on each
engineering project he reviews. I don't think it is right to ask
these participants to listen to a sales pitch on the budget and
then ask for a voice vote. And, I don't think it is right for
them to take two days of their time and get nothing more out of
it. The questionnaire should be fairly simple and largely yes and
no answers and it should outline what we think should be there. I
would like Jack Smith and Larry Portner and their crews present a
questionnaire like this for review next Monday. The questionnaire
should ask questions like: How are they organized? Does the boss
do everything? Do the people feel responsible? Do the people feel
that they have to leave the Company in order to get responsi
bility? Is the boss the only one who speaks for the project? When
the Engineering Project Leader speaks does he speak like it was
his schedule and his responsibility? Is it run like an American
company or a Japanese company or like the old Digital?

Do we have reason to believe that they will make the project
based on the history of that group? Have they looked over the
alternatives, like buying the unit outside and buying most of the
parts outside and getting by without the product altogether?

Have they looked at alternative ways of doing the project? We
took two and one half years to make our personal computers and we
planned every single detail all to show up at the thirty month
period and then instantly go into a massive production schedule.
IBM did theirs in thirteen months and then started production on
a low scale, learned about their problems, fixed them and grew
into massive production in about thirty months. I don't think
there is any rule of thumb that says which is the best way, but I
do think that people who see only one way are usually too narrow.

As we look over the large maintenance parts of the budgets are
there alternative ways of carrying on these things and is it all
necessary?

Do the engineers show interest and do they spend the time and
show the sensitivity necessary to know what the customer and
product lines need? I don't mean that they change their plans
every day, depending upon who talks to them last, but rather are
they confident that when this project is done it will be better
than what is then available?

Another question we should ask is: in these new gadget and new
technology areas, do we believe that they wind up being useful or
do we believe that in the tradition that we started in the last
years that we have to invest a certain amount of money in every
technology and every idea, even though we don't really believe
that it will ever be important?

Of the eighty-five projects coming out next year, what was the
decision process to put them into production? When we agree on a

budget at this time of year, does that mean that no matter how long it takes Engineering to finish the project that we have already committed the many, many millions of dollars necessary to produce the item and to sell the item? If we are, at this time, making the commitment not only to invest but to continue investing until the project is done, no matter what has happened in the competitive field, and if this decision also implies a commitment to manufacture the product when it finally comes out, we should take a particularly serious view of what we decide on.

Do the engineers understand the importance of the costs involved in manufacturing a new product? Do they understand the cost of tooling, the cost of inventory during manufacturing, the cost of inventory and preparing for selling after a product is introduced? Do they understand the cost of disbanding the tooling for the old product and do they compare the cost of improving things in the old product, as compared to starting from scratch?


KHO:ml
KO2:S6.3

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I n t e r o f f i c e   M e m o

TO: *WIN HINDLE

cc: see "CC" DISTRIBUTION

DATE: THU 31 MAR 1983    8:36 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5195405906

SUBJECT: CORPORATE STRATEGY

When we decided to build three separate computers in the same
plastic box as our approach to personal computers, I think it was
a good strategy. With relatively little cost we are able to hedge
our bets and wait and see which one plays the best.

It is assumed that Ken Olsen, or the Operations Committee, has
the obligation to prove to each one of these groups that anything
they want to do is beyond the financial capability of the
Company, (or else they have a right to do it.) I would like to
change this and say that we must have a Corporate strategy which
says there is a simple, consistent, easy-to-understand hardware
plan and that each of our software approaches fit into that plan
and with great detail, prove that there is good reason for them
not to share the same hardware.

I propose that after a machine grows beyond its original
definition as a personal computer that went into the original
plastic box, that every small computer system be based on the
Q-BUS.

We have, for years, been building pieces for the Q-BUS and now we
have all the pieces for a Q-BUS 11 going into production in the
LCP5. We have an ETHERNET module which will be in production, we
have the Seahorse, which will be here in August, and we have a
Q-BUS MICRO-VAX coming soon after.  We are also ready to make a
built-in modem on a dual board and a telephone controller on
another dual board. We also have ideas for making multiple-user
connections straightforward and easy for business applications.
When you add these to the huge number of Q-BUS modules that we
already have, it seems clear that the Corporate strategy should
be: All personal computers will be Q-BUS when we get into
multi-user and larger systems. The Rainbow and the Professional
will use Q-BUS for machines bigger than todays personal computer.

A personal computer normally is less expensive than a mini
computer because it is designed with a limited growth potential.
Each of the future options is designed into the unit so that a
price is not paid for future expansion. When you get beyond that
initial set of options, growth gets to be more expensive than the
general, tradition, minicomputer. For this reason I suggest we
keep our present personal computers and keep a major program to
make them better and less expensive. We should keep them in their

initial boxes and continue to set about to make them the world's
leader in industrial, commercial, and personal computing.
However, for larger and multiple-user machines, I would suggest
we have a Q-BUS Professional, and a Q-BUS Rainbow, and that we
never grow the DECmate beyond the single-user personal computer
that it is today and that we concentrate on making it the world's
standard standalone word processing machine.

I also suggest that we start with this assumption and that people
who want to duplicate things already done in Q-BUS prove that the
investment is worthwhile.


KHO:ml
KO2:S7.2

"CC" DISTRIBUTION:

RICK CORBEN              JIM CUDMORE                MIKE GUTMAN
OPERATIONS COMMITTEE:    RON SMART

d i g i t a l                    INTEROFFICE MEMORANDUM


TO:     Bob Hughes              DATE:   30 March 1983
        Andy Knowles            FROM:   Win Hindle
        Ed Kramer               DEPT:   Corporate Operations
        Ward MacKenzie          EXT:    223-2338
        Chick Shue              LOC:    ML10-2/A53
        Harvey Weiss

SUBJ:   Marketing Tasks in FY84


In working through the transfer of operations responsibility from
the Market Groups to the Field, Owen Brown and the Transition
Task Force developed a good list of marketing responsibilities.
At a meeting on March 4, the list was refined by the Market Group
Managers.  That list is attached.

Now that we are in the position of having to decide on marketing
expenses for FY84, it seems wise to use that list to develop
appropriate expense budgets.  I am concerned that marketing
groups will be budgeting functions that are no longer done by
them.

I suggest that you ask each marketing group to lay out its FY84
budget by showing how much is budgeted for each kind of activity
in FY84.  This list may help review that.

WH:hb

WH1:S3.119

Attachment

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interoffice
memorandum

TO:     Ron Smart

DATE: 31 MAR 1983
FROM: WARD DAVIDSON
DEPT: WACS-OPS
EXT:  231-5657
LOC/MAIL STOP: MR03-3/J19

SUBJECT:   RESPONSIBILITY CHART

Attached you will find an updated responsibility chart and detail
support statements for the relationship between Operations and the
Marketing groups.   During Woods A, one of the subgroups received a
list of support activities that the Marketing groups wanted from
the AMC OPS (see attached).   Since this was an ad-hoc list created
that moment and not based on marketing responsibility chart - the
Marketing groups were asked to provide a more specific support
description for each task.

Although not complete - it might serve as a starting point for the
Marketing groups.

The process is not complete until the Area Management Teams
receive and responds to written support statements from the
Marketing groups on what support they need from AMC OPS.


WD:dm

Attachments

<u>Crisis management</u> - number four, the first sentence was stricken. Section number four now reads there must be management support for the priority nature of crisis response, etc. This was done in order to clarify the fact that Operations was not expecting SMUs to staff specifically for crisis management.

The next discussion centered around the functional descriptions of the operations jobs. The first change was under the geographic team, page 14, F was added to read "Input to the Redbook Process".

No changes were made to technical projects function.

Under technical support function was the addition of F. Provides support to OPS.

The final segment was devoted toward getting inputs from the marketing groups as to what support they wanted from the AMCs. The following tasks were listed:

<u>Feedback of marketing plans</u>

o   Page eight of the minutes of February 16th, 17th Woods meeting numbers five and six.

o   Access to technical support

o   Equipment-(Resources) placement

    . seeds
    . demos
    . benchmarks

o   Account Info

o   Sales Skill Info

o   Account Portfolio

o   Territory Strategy

o   Competitive - loss sales reports/competitive activity reports

o   Steering Committee Representatives

o   Successful installations

o   Customer accesss with or without sales involvement/Marketing research

o   OEM/End User, applications

| TASK | AREA OPERATIONS | MARKETING GROUPS | SHARED RESPONSIBILITY |
|------|-----------------|------------------|-----------------------|
| PROPOSE NOR | R | S | |
| MAKE NOR | R | | |
| BUSINESS PLANNING | R | S | |
| TACTICAL SUPPORT "DEALS" | R | | |
| DISCOUNT ADMIN | R | | |
| CREDIT LIMITS | R | | |
| ALLOWANCES | R | | |
| GEOGRAPHIC PROMOTION | R | S | |
| PRODUCT FORECASTING | R | S | MFG. |
| CUSTOMER SER INTERFACE | R | | |
| MIS SYS DEF | R | S | |
| OA SYS DEF | R | | U.S. F&A |
| TECH PRODUCT SUPPORT | R | S | |
| TECH APPLICATION SUPPORT | R | S | |
| MARKETING DIRECTION | R | S | PROGRAMS (AMC) |
| COLLECTIONS | R | | REGIONAL SALES MGR |
| CRISIS MGMT | R | S | |
| INDUSTRY/CHANN. TRAINING | S | R | |
| 3RD PARTY APPLICATION | S | R | |
| CUSTOMER VISITS | R | S | |
| STRATEGIC ORDER DELIV | R | R | |
| LOCAL ADVERTISEMENT | R | | PROGRAMS (AMC) |
| STANDARD T&C | R | S | AMC MANAGER |

THIS TASK LIST:

    IS:      INTERACTION BETWEEN AMC OPERATIONS AND MARKETING ONLY.

    IS NOT:  - ALL OPS TASK (RESPONSIBILITY) RELATIVE TO OTHER GROUPS
            - ALL TASK FROM OTHER GROUP REQUIRING (SUPPORT) FROM OPS

AMC OPERATIONS NEEDS TASK LIST FROM MARKETING SHOWING REQUIRED SUPPORT
FROM OPERATIONS.

<u>PROPOSE NOR</u>

Support needed from Marketing:

o   Ensure that strategic marketing plans are understood by selling
    centers for development of bookings plans.

o   Participate in an iterative process to develop the NOR plan
    utilizing bookings plans, strategic marketing plans and
    manufacturing opportunities and constraints.

o   Provide information on marketing, opportunity, competition,
    product focus, application focus and risk.

<u>BUSINESS PLANNING</u>

Support need from Marketing:

This responsibility describes the planning associated with the
receiving and shipping of orders up to and including the payment
of invoices across all time dimensions assigned to the MC's (i.e.,
monthly, quarterly, annual, LRP).  Also included is the expense
planning associated with the doing of these tasks.

<u>Primary Responsibility</u> to see that it is done:  OPS

<u>Supporting</u> - As follows:

    Programs -- Anticipated results and costs of programs to
    stimulate business.

    Regional Manager -- Investment plans and costs to achieve
    expected results and evaluation of trade-offs between
    alternative solutions.  Control of allowances and expenses to
    achieve the margin goals of AM.

    GSG/TIG -- Expense planning and justification as well as longer
    range planning of revenues and investment justification.

    Market Groups -- Provide marketing plan and describe needed
    support from the geographies.  Describe the support that
    marketing groups provide to the selling function.
    Additionally, MG's will be asked primarily in the annual and
    LRP time slices to provide anticipated results of the product
    and marketing programs as one input to the revenue and margin
    planning broken down by geography.  They will also be expected
    to give the information on any geographic specific investments,
    particularly where the geography will be expected to pick up
    the expense later on such as the Application Support Centers.

-1-

## GEOGRAPHIC PROMOTION

Marketing groups will propose promotional programs where appropriate and support the field activities. AMC program is not a filter for marketing group ads or promotions. Local ads and promotions driven by AMC would be supplemental to any programs developed by the marketing groups.

## PRODUCT FORECASTING

Suppport needed from Marketing (for Market specific products only):

o   To provide clear and comprehensive product information.

o   To communicate a clear strategy for announcing new products and phasing out old products. To recommend a back-up product strategy in the event of delayed product announcements or product availability.

o   To provide competitive cost performance data in advance of new product announcement or price changes.

o   To assist in sizing market demand (opportunity) by geography and/or industry based on market knowledge.

o   To propose geographic or account allocation strategy for new product/market introduction.

## MIS SYS DEF

Market groups will provide listing of their data needs. Special MIS tools used by the product groups today should be provided to the OPS managers.

## TECHNICAL PRODUCT SUPPORT

Support needed:

o   Futures information on a non-disclosure basis to key customers at request of sales. Product bulletins and spec sheets (detailed and promotional quality).

o   Provide information for training of sales and field support personnel.

o   Technically oriented people available to meet with customers either on site or in headquarters.

## TECHNICAL PRODUCT SUPPORT (CONT'D.)

o  To provide backup to first line technical product support resident in geography.

o  Base Product Marketing to provide for STD corp. product.

o  Marketing groups to provide backup support for any applications specific products.  Note that these are different levels of product support; yet to be defined by the AMC's.

## TECHNICAL APPLICATIONS SUPPORT

Support needed:

o  Futures information re:  application direction at request of sales.

o  Applications notes and promotional information.

o  Provide information for training of sales and field support personnel.

o  Leading edge applications expertise available for sales use on an exception basis.

o  Applications oriented demo and benchmark development and plans.

o  Competitive information.

o  Referral catalogs.

## MARKETING DIRECTION

Support needed:

1.  Marketing strategy statements must clearly describe:

   A.  The specific marketing target.

   B.  The hardware, software and application products to be provided to attack the target.

   C.  The skills and training necessary to implement the strategy and how the sales people will get these skills and training.

   D.  The type and quantiity of ongoing support the Marketing group will provide to the Field units.

## MARKETING DIRECTION (CONT'D.)

2.  The Marketing groups should describe the actions and support they expect from the Field to implement the strategy.

3.  The Marketing groups should provide the quantitative and qualitative measures of success of the strategy.

4.  The AMC Operations groups will implement the strategies that are appropriate to each geography. We will tell them our implementation plan, and we want people in their groups to help us to understand whether or not we are on track.

5.  Working with the Programs group and the Regional Managers, we will be proposing new opportunities which we will want the Market groups to consider in their strategies.

6.  Feedback to Operations on the implementation of marketing programs.

## CRISIS MANAGEMENT

Support needed:

1.  Since the nature of a crisis is that it is unplanned and unexpected, we want the Marketing groups to react quickly and responsively when the crisis occurs.

2.  The Marketing groups should provide the names and roles of the people to be contacted in the event of a crisis.

3.  The AMC Operations groups will be attempting to minimize these situations. We request that the Market groups provide early warning to us of any problem situations that may be known to be brewing.

4.  There must be management support for the priority nature of crisis response. We will want people who are customer-oriented and able to "put on a corporate hat" in these situations.

5.  We want them to provide the technical product or applications resources that are unique to their groups.

## CUSTOMER VISITS

AMC owns the process and qualification of corporate visits. Marketing groups participate for content purposes as requested. AMC's owns the process as of July 1.

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Interoffice Memo

TO: JIM CUDMORE

cc: DON GAUBATZ
    OPERATIONS COMMITTEE:

DATE: MON 28 MAR 1983    9:26 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5195198892

SUBJECT: WHAT I KNOW ABOUT MICRO AND MINICOMPUTERS

I am not sure anybody in our industry knows everything about what
our industry builds. But, I would like to pass on to you what I
have learned about mini and microcomputers. I am sure this is not
complete and I am very sure it is general in nature. In addition,
for every statement you make on a subject like this, someone will
prove there is an exception.

Minicomputers, as defined by Digital over a period of many years,
is not defined by the size of the computer, but rather by the
resources built into the computer that allow it to be put
together in an infinite number of combinations and sizes to
accomplish all sorts of tasks.  There is a price to be paid for
this generality, but it allows a very small number of machines to
do a very large number of tasks.

Miniframes were designed to handle, in an efficient way, large
amounts of data in minidisks or drums and in large memory. But,
they usually lack the freedom to make up special combinations and
to be hooked up to special equipment.

Microcomputers, or personal computers, on the other hand, were
designed to be a very limited minicomputer. In order to save
money and space, we sacrificed generality and freedom to expand
and to add large numbers of options. Most of the machine is put
on one board and, in general, all options are thought of at the
design time so that they are very easy to install, with very
little extra equipment involved. They are, therefore, cheaper
but, of course, they are more difficult to make into large
systems and to inter-connect.

Personal computers are usually optimized to have a fast response
between the keyboard and the display. Because they are personal
computers, the personal interaction is optimized. In any
computer, the general applications are optimized and often
several or many terminals are used, with some sacrifice in
reaction time.  Some of the software has been magnificent in its
cleverness and efficiency. Personal computers don't have large
amounts of storage and often the people who write it are one or
two men companies without the money to use the large computer to
help them. The result is that most of the very good software for
personal computers has been written in machine language directly
in the computer memory by very bright, clever, hardworking people
and they, at times, have done a magnificent job in generating

efficient programs. Word processing on the DECmate is an example
of very efficient, very clever, very well-developed and polished
and improved and detailed program that can be run on a machine
with just floppy disk storage.

Most of the software for mini and larger computers are written
with the aid and automation of large computers. This makes it
easy and efficient to write quite complex programs. In addition,
the programs are often written in a high-level language so that
they can be used on different machines. The wonderful things that
we see computers do today have been made possible by the aid and
automation computers make possible in the generation of software.
However, software generated this way usually takes large amounts
of disk storage and central computer storage.

Because personal computers are normally optimized for one
individual's use, they are not basically optimum for business
applications where there is a need for several users or input
devices. Because most minicomputers have been designed for many
users, it is normally better suited for business. It is sometimes
argued that personal computers clustered in a network would make
an efficient multi-user system, and while the cost of each
terminal isn't high, the cost of most networks is high. And, the
software to accomplish all this has not yet been demonstrated.
The advantages of clustering many personal computers might also
be obtained by putting several one-board computers in a Q-BUS so
the communication is done through the Q-BUS, and each one-board
computer talks directly to its own set of terminals.

Life is not as simple as I have stated, but one thing becomes
clear, and that is that no one machine organization is optimum
for all applications.


KHO:ml
KO2:S6.62
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Interoffice   Memo

TO: OPERATIONS COMMITTEE:

DATE: TUE 15 MAR 1983    9:17 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:   223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5193877499

SUBJECT: GENEVA ORGANIZATION


With the limited sample of people I talked to yesterday, two
problems were clear.

When we dismantled much of the Geneva organization we got rid of
not only the policemen but the technical experts, who were expert
in markets and in products.  People believe we need these experts
centralized somewhere in Europe.

People now pick their budgets from listening to enthusiastic
Group Vice Presidents giving their pitch but, they badly need
direction from the U.S. as to how much to count on these pitches
and how to allocate resources between them.


KO2:S6.39

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Interoffice Memo

TO: OPERATIONS COMMITTEE:

cc: DON GAUBATZ
    JIM WALLS

DATE: MON 14 MAR 1983    2:10 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5193775939

SUBJECT: Q-BUS COMPUTER ALIAS GAUBATZ

*********************************CONFIDENTIAL*******************

The team proposing a Q Box computer is close to finishing its
four week study and soon will have a proposal.

The workstation strategy and the business strategy have evolved
to a hodgepodge of different computers.

This one box is a low, floor-mounted with casters machine that is
the width of an AZTEC. There are probably two other boxes that
will be built. Someday we will want one with more than sixteen
slots and we will wait until we need it before we work on that
one. The other box we will probably make right away because it is
so easy and that is the one that fits in the present Professional
table top box. This is easily done because we can use the same
power supply, the same Winchester, the same sheet metal and the
same plastic. It holds three quad boards and three dual boards.
It would contain a single board 11/23 with memory and four or
eight users. The second quad slot would be a controller for the
Winchester and the floppy. One of the dual slots would be a
built-in modem and the other would be a telephone controller.
This leaves a spare quad and a spare dual. One of the quads could
be used for an extender, which would extend the unit to either an
additional sixteen or an additional twenty-four users.

This box would make a nice small workstation, particularly when
it has a MICRO-VAX or a sea horse built in. However, when we sell
it for business, we would like to have it on the floor and we
would like to convince the customer that it will grow as his
needs grow. We could then put several processors or a J-11 or a
sea horse, or a MICRO-VAX, or any combination, or multiples of
the above.

The one in the PRO box we could call the Q-BUS Professional. We
could sell this in the Professional marketing group and use it
for direct sales.  I wouldn't sell it to outside stores, in fact
I would use this machine only for direct sales. It would be
particularly useful for those customers who want to grow or want
to have a machine which has the freedom of the Q-BUS. If this
worked out, and if we are luckly with the software, we could
offer two PRO's that run the same software. One would be
appropriate for some applications and the other one would be
appropriate for other applications. This one is different from

the original PRO because it won't have a display generator and
instead of a simple monitor it will use a VT-220 as its monitor.
That is the reason why it will be so easy to make this simple
machine.

I would also like this machine to accomplish what we have dreamed
of doing for many years, in having a separate line of computers
that support direct sales and for end users and resellers. I'd
make the differentiation by using Standard 422 for communications
between terminals and our direct sales system for workstations
and business. This is a better system, much nicer from an
electrical engineering point of view, but it is rather
drastically different from the twenty-five pin connector that
everyone else is using in their small computers. We would have a
terrible time trying to convince our OEM's to use 422 and it
would just fit in nicely if we never tried, and converted all our
own direct sales machines to 422. We then could have different
pricing, different discount schedules, and we wouldn't have
terminal dealers underpricing the terminals we want to use in our
systems.

In order to accomplish this we would immediately take our VT-220
and make a special model of it that would take 422 signals. This
wouldn't be very hard to do and probably would make the unit so
much cheaper than the traditional twenty-five pin connector. The
other big advantage of this system, using the 422, is that it
would be a lot easier to hook up many terminals. This is designed
assuming that, for business applications, there are many
terminals not to be hooked up in a local area network, but tied
in a traditional sense of the computer. These could be hooked up
with 422 in a very easy, simple way, just like hooking up
telephones.

This one computer, that grows from very small to very large, will
exploit the advantage we have over almost everybody else, in that
we have, or we ought to have, a very simple 11 up to a fairly
good sized VAX on single boards. This gives us a tremendous spand
that very few other people can accomplish and we should exploit
this as one of our big competitive advantages.


KHO:ml
KO2:S6.37
DICTATED BUT NOT READ BY K. H. OLSEN

## CUSTOMER VISITS (CONT'D.)

MG's believe that Operations will need to have dedicated resources to execute professional customer visits. Many visits with Product Groups in the past involved business decisions and commitments, hence, AMC management presentation must accompany future customer visits. The Operations Managers will need to spend more time defining their role versus the Sales Managers role in corporate customer visits.

## STANDARD Ts AND Cs FOR MARKETING

AIC Marketing groups will be expected to participate in the standard Ts and Cs for selling most efficiently to their own market. Exception to Ts and Cs will be the responsibility of the Area Managers/OPS. Ts and Cs are implemented by Operations. Changes to standard Ts and Cs will be made by a corporate process with both Marketing groups and AMC's participating.

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* d i g i t a l *            INTEROFFICE MEMORANDUM
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TO:  Larry Portner                       DATE:  April 13, 1983
     Dave Knoll                          FROM:  Ron Smart
CC:  Win HIndle                          DEPT:  OC Secretary
                                         LOC:   ML010-1/F41
                                         EXT:   223-7011

SUBJ: RECOVERING MARKETING'S STRENGTH

Win believes that Marketing managers in general do understand their
role in the New DEC but that they feel blocked in the following three
areas.  Ken has asked for the June WOODS to focus on this problem (see
attached).

Problems

1.  The overlapping marketing is hurting, not helping.

2.  They perceive real difficulty in communicating with the field to
    get their jobs done.

3.  They perceive difficulties in getting the products they need.

Some Solutions in the Works

(a) The customer segment teams meeting (e.g Hughes 4/19) could help
    solve (1), particularly if the marketing expense budgets are tied
    to team effectiveness (How to do that?)

(b) Some actions are clearing away obstacles to (2), some remain.

    - The mapping of after-the-fact NOR back to the P/Gs is almost
      settled so as to give better market information than in the old
      DEC. (*)

    - The field's budgeting categories which map back to P/Gs in the
      New DEC, giving before-the-fact focus and field expertise
      centers for groups of P/Gs is also almost settled (*Ron, Paxton,
      Management Sciences, etc., the problem is OFFICE).

    - It remains for Jack Shields and field managers to convince
      Marketing that they are wanted and valued by them. (June WOODS?)

(c) Marketing will be much more effective at influencing product
    investments if the customer segment teams pre-process their
    prioritization (as planned) and if we can come up with a corporate
    market strategy (how to do that?)

mr

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Interoffice Memo

TO: OPERATIONS COMMITTEE:

cc: RON SMART

DATE: WED 9 FEB 1983  10:29 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5190418675

SUBJECT: WOODS:MANAGEMENT

At the WOODS meeting I would like to have a thorough discussion
of how we manage. I would like us to define what we believe in:
delegation, goals, budgets, and reviews.

Let's try a few specific cases.  Let's ask the person who is
responsible and has the authority for the engineering, and the
person with the authority and responsibility for the marketing,
and the person who has the authority and the responsibility for
the manufacturing of the LA-100 to come and tell us how
delegation, budgeting and reporting works at Digital.  Let's do
the same thing with the group of three who have the same
responsibilities for the LA-12.

It would be good to review the last two years of these projects
because they were a long time getting into good production and
now that they are about to run well there is concern that we
won't market them anyway.

There is concern that with modern management theory, or lack of
theory, all our managers try to take all of this responsibility
themselves, and therefore, the authority and responsibility are
not delegated. We suffer when one person is responsible for
several things, because they can't all receive his complete and
full attention.


KHO:ml
KO2:S5.41

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TO: GEORGE CHAMBERLAIN          DATE: TUE 8 FEB 1983   2:00 PM EST
    *WIN HINDLE                 FROM: KEN OLSEN
    LARRY PORTNER               DEPT: ADMINISTRATION
    RON SMART                   EXT:  223-2301
                                LOC/MAIL STOP: ML10-2/A50

                                MESSAGE ID: 5190316959

SUBJECT: ANNUAL BUDGET MEETING

I gather we are having our annual budget meeting in March. I am
often disappointed with this meeting because it seems to have
little influence on our corporate planning. We have people
propose numbers that get ground and processed so much that when
we go over the budgets there is really very little of interest,
and very little we can influence. The goals and markets and
channels and investments expressed in those budgets seem to have
little influence on what is done through the year.

I would like to spend much of the WOODS meeting identifying, in
general terms, and then documenting very clearly, what space each
product line is working in and what engineering projects are
being done to service them.  I want to make very clear which
areas the four small computers are going into. I also want to
make very clear the separation between business and personal
computing and all the other applications, and I want to make sure
that we use our resources wisely.

I would also like to, in general terms, tie our major enineering
projects into these. I get the impression that the Professional
350 has lost interest in the personal computing market, for which
it is priced and aimed toward, and which would be competing with
LISA and APOLLO and is going after the low end business
applications, like everybody else.  If this is true, we should
analyze the engineering expenditures we are making for that high
end, such as the very expensive cathode ray tubes.  I think all
projects like the expensive cathode ray tube should be looked at
relative to what market they are going after. Too often they are
ends in themselves, or they are going after some goal which was
stated a long time ago for a product line, but which the product
line has long sinced dropped, and the project keeps going on.  It
would be nice if, in that informal presentation, we could chart
out expenditures, goals, and gambles in such a way that we all
can understand and then leave the meeting and all work together
without conflicts and fears and jealousies.

Please present at the WOODS meeting, a simple statement as to
what the budget has been in Advertising, Engineering, Marketing,
etc. for each of the groups during Q3 and Q4 of '83, and what it
looks like it will be for FY '84.

KHO:ml
KO2:S5.34

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INTEROFFICE MEMO

TO: George Chamberlain

CC: Win Hindle

Date: 4 February 1983
From: Ken Olsen
Dept: Administration
MS: ML10-2/A50      Ext: 2301

SUBJ: <u>RESOURCE PROBLEM</u>

**********************VERY CONFIDENTIAL-DO NOT COPY*******************

The Operations Committee and myself have often made the mistake of
assigning someone a job and then not making sure that he had the
resources to accomplish it. Often even old timers are reluctant to
stir up any conflict with some of the other senior people in the
Company and don't set about to request the resources they need to
succeed.  This was probably the source of Stan's problem and it is
probably the key to a number of problems that we have had in the last
year, and right now is a serious problem with Bob Hughes.

We gave Bob Hughes the job but left his advertising budget under the
control of Andy. It is like leaving the chickens guarded by the fox.
We gave him the responsibility for a whole new product line, but his
engineering had to be done by Bill Avery and Mike Gutman, who are too
busy satisfying the traditional product lines and he has to wait weeks
to get a short appointment with them.  Bob was left with only those
people who were left over after others picked over the group.

I asked him why mechanical engineering were working on a very
expensive approach to the equivalent to the DECmate III, but for the
Rainbow, after the Rainbow received such enthusiastic response and was
relatively easy to get, and was almost unanimously approved even
though maybe not officially budgeted. His answer was that the Rainbow
has money and the DECmate doesn't.  It is just so commonly believed
that any of Andy's projects have top-priority, have money and the
Rainbow and Bob Hughes' operation has none, rates way down on the
priority list, and by influence and intimidation all priority first
goes to the 350 and way down the list comes Rainbow and if any
resources are left over they can go to the business group.

It is even believed, sincerely, by many people, that Dick Berube has
been bought by Andy and that all the advertising goes to him because
he is treated so well by Andy.

All our financial controls and budgeting have no influence on the
running of the Company. We do these only for tradition's sake and as
part of our full employment policy and it in no way influences the way
we run the business. Even Jack Smith's elaborate planning system has
only a gross approach to how things are done.

I probably make things worse, because as I try to add a little rationality to it all and a little fairness, it appears that I am playing favorites in the other project. This probably polarizes matters. Of course all of this should readily be taken care of by budgeting, by financial controls, and by financial review of plans. However, no one expects anything useful from our financial and budgetin system. We do all of this because it is one of the burdens of a big company, and it never dawns on our people that these are useful tools to help us keep control.

You may, in your new job, solve these problems. I think you should try to immediately solve some of the gross problems and in the long run you may get us to, in both the product line area because of its close relationship to engineering and, in engineering, add some rationality and wisdom and true financial controls.

I would recommend that you immediately visit with some of the people who work for Bob Hughes. He is such a salesman that he will never complain himself, and most of the people below him have worked so long in the system that they take it for granted and probably won't trust you because you are part of Andy's operation, but if you spend the time, eventually you might be able to help and you might solve some of our most serious problems.

I understand that Bill Avery has been working on a $400 computer for educational use. This should go through a very serious scrutiny. I haven't heard the proposal myself yet, but it sounds like it is an APPLE computer eight years after everyone else has decided to copy APPLE and a year or two after IBM has set out to do exactly the same thing. It is approaching the market in a way that is opposite from the way we said we would.

The rumors also say that they are going to demand almost all of our resources to get this thing out before Summer. This, of course, should be reviewed from many points of view. Will it once more wipe out our approach to business and any possibility of getting some business computers? Is there any wisdom in going headlong after those people whose speciality is sweatshops and lost cost of manufacturing, and whose skill of marketing we could never match and whose distribution systems are efficient and high-pressured?

We also should look at Texas Instrument and see what happened to them when they decided to go from the commercial, industrial, and military market into the consumer market. They have had no end of trouble since then, and it took them a while to realize that from their tradition it took them longer to generate a product than what was the normal product life in the consumer market. The traditions in that market were such that they were just about incompatible with the market TI, (and Digital) understand.


KHO:ml
KO2:S5.27

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TO: OPERATIONS COMMITTEE:

cc: RON SMART

DATE: THU 3 FEB 1983    4:48 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5189810485

SUBJECT: HOW TO PROPAGATE PERPETUAL WAGE INCREASE DELAY

*****************EXTRA CONFIDENTIAL - DO NOT COPY*****************

Years ago, when product lines were operating, the Product Line
Manager kept in mind the products and activities of the
competition, the technology available, and above all, made sure
that as we changed products there was a smooth transition for our
customers as new products were introduced.  We never abandoned or
forgot about customers as new products were developed.

Over the last few years we have lost this. It is believed, by
some people, that we lost it two years ago when a major goal of
the Corporation was only to raise the profits of each product
line.

Unfortunately, the New Digital hasn't helped this. We no longer
have marketing groups to tie the business plan together to make
sure that we use the technology, and that we do not ruin the
customers as we change products.  I have been hearing for three
years, and still hear today, "Why hurry, Ken, with a new
product?" or, "Why make it consistent with what we had before?"
or, "If we start all over again, do everything differently, and
take advantage of the new disks in California, in two or three
years we will be able to do a much better job than we have
today."  No one cares about the customer, and no one cares about
the wage freeze, and no one takes an overall view.

Unfortunately, with the New Digital, I am afraid that the new
marketing groups, who should be worrying full-time about this as
a key part of their marketing job, tend to look at T.V.
advertising and colored literature generation as the goal of
their marketing group.

Two and one half years ago we were going to build a CT in nine
months. It was decided to make it a two and one half year
project without raising the question within the Corporation, and
without bringing it to the Operations Committee, or the Board of
Directors.  It was also decided to change all the software and
all the modules and all the designs, so that none of it was
compatible with the 11's we have been making. Therefore, it was
not compatible with anything that our customers had been doing
and added many, many, millions of dollars to the delay. In
addition, we did not have a product during the recession; at a

time when we could have taken a large chunk of the personal
computer market. Now the recession is ebbing and we won't be able
to make enough product, (hopefully), and we have lost our chance.

Even today there is little worry about getting new products as
soon as possible, with as little change as possible, that are as
easily adapted to as possible by the customer and our
manufacturing. It is always, if we wait two, three, four, five,
years we can do things better and that, of course, is the best
course of action for any individual without any overall view.

I would like to see the Operations Committee put down on paper
who has responsibility for looking out for the customer, and
looking out to make sure that we have competitive products as
soon as we need them, and who will make sure that all these
people that want to do their own job differently than has ever
been done before, without cooperating with anyone else,
particularly our customers, don't get away with this method of
operation.


KHO:ml
KO2:S5.5

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+------------------------------+  -----VERY CONFIDENTIAL--------------
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   TO: Jack Smith                Date: 31 January 1983
                                 From: Ken Olsen
   CC: Julius Marcus             Dept: Administration
       Bob Hughes                MS: ML10-2/A50     Ext: 2301


SUBJ: COMPUTER PRICE RANGES

I think that the goal of having a computer in each price range is a
naive goal for engineering.  Someone has to have a logical, systematic
approach that shows we have an answer to the problems we want to solve
and an answer to each of the competition in the area we are entering.
I don't know who that is, or who it has been in the DECmate, and I
think we have suffered with it for many years and we are worst off
today than we have ever been. We have so much red tape and so many
managers and no one with responsibility, that it is no surprise that
no one can explain to me where we are going.

Andy's group, who has no particular enthusiasm for the DECmate, sets
the price and they set it higher than the Rainbow. Bill Avery's
organization, who has no particular love for the DECmate, make the
hardware decisions and it appears that the software hobby shop in New
Hampshire makes the software decisions to meet their artistic desires.

Within Engineering, under Bill Avery, there was Dick Loveland, and
under Dick Loveland there was John Clark, and under John Clark there
was John Kirk, and under John Kirk were the engineers who did the
work.  Needless to say, John Kirk is frustrated because of the lack of
influence he has on decisions.

We made Dick Loveland Marketing Manager and he decided he didn't like
the job. I don't blame him because the hodgepodge we have there is
untenable, but there is nobody who worries about it because everybody
has a job and a good salary and a secure position and no one has to
make a logical argument or presentation.

Our marketing groups have blind faith in engineering and software and
feel their duty is only to sell whatever is made.

DECmate I has fine business softare but we, for some mysterious
reason, decided to do it all over again for DECmate II, and did it in
CP/M.  This means those who have been selling DECmate have a terrible
time taking care of the customers who have they sold on the advantages
of DECmate I.  What do they do? And then, if they tell them the
wonderful advantages of CP/M they have no argument for DECmate I, in
fact the Company has no argument for DECmate I.  We charge extra for a
DECmate over a Rainbow when the Rainbow has many features and

significantly lower price than the DECmate. How can anyone with a clear conscious sell a DECmate to do a CP/M job when they can get the lower price, (indeed not at a Digital Store), a Rainbow that does much more.

I am sure that nobody has an overall plan to kill the DECmate, but I am also sure that no one has a plan from the 278 to DECmate I to DECmate II to make it a successful product. Each decision is made by separate groups for their own artistic reason and no one has a plan, and I don't expect the people have a plan today.

Maybe we should cancel the DECmate II and say that the organization has killed it and it might be wrong to sell it to anybody to do business applications.

Will you and Julie come to the Operations Committee on Monday, February 7th and propose that we either keep going with DECmate II or we cancel it. Maybe we should stop all DECmate II's and just wind up as many DECmate I's as we can. All our advertising is in pushing the Rainbow and Professional and it may die anyway. Again, people in the Company may feel that Rainbow and Professional and even 11 software for word processing is better than DECmate. Whether or not this is true is irrelevant.

It was Engineering and Software who made the decisions and should have had a plan so I think you two have to make a proposal as to what we do with his machine in the future.


KHO:ml
KO2:S4.88

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**TO:** Bob Hughes

**CC:** Julius Marcus
     Barry Cioffi
     John Clark
     Jack Smith

**Date:** 31 January 1983
**From:** Ken Olsen
**Dept:** Administration
**MS:** ML10-2/A50      **Ext:** 2301

SUBJ: <u>HAVE WE KILLED THE DECMATE?</u>

Have we killed the DECmate by not having a Marketing Manager and not
having a simple, easy to understand plan that covers the general
principles?

It seems that someone from the software hobby shop has decided that
they will drop all the good business software we have in the DECmate I
and change everything over to CP/M.  The small computer group decided
to charge more for DECmate than for the equivalent Rainbow. This means
that for two CP/M machines one is significantly better because it has
many CP/M features that DECmate doesn't have, but is quite a bit lower
in cost. It is commonly stated within the Company that the Rainbow
software on CP/M is better than DECmate.

Is it your plan to slowly abolish the DECmate?  If so, I think we owe
it to our dealers, who have no other business, and we should plan to
phase out our Stores.

It appears that the group that is most aggressive in their marketing
plans in the Company wins hands down.

Marketing is not advertising and techniques in selling alone.
Marketing, aboveall, is a simple strategy, which includes factors of
pricing and product content and evaluation of how it fits with the
competition.


KHO:ml
KO2:S4.87

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Interoffice   Memo

TO:  see "TO" DISTRIBUTION

cc:  BOB HUGHES
     JULIUS MARCUS
     OPERATIONS COMMITTEE:

DATE: FRI 28 JAN 1983  12:54 PM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5189200237

SUBJECT: PRELIMINARY REPORT TO OPERATIONS COMMITTEE

Here is a copy of a note I sent to the PC people asking for a
preliminary discussion that might lead to a swat team on PC's.

I think it would be a good idea if you did the same thing and
quickly gathered the information you have about all the
significant competitors in word processing, small business, and
the office and chart them out for us in the same way. Please show
us which areas we are aiming for and where we are making our
investments.

I know this doesn't give you much notice, so don't spend much
time in the preparation of the slides. Any handmade chart will
do, and remember this is just a preliminary introduction to a
more serious effort on the subject.


KHO:ml
KO2:S4.82

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Interoffice   Memo

TO:  see "TO" DISTRIBUTION

cc:  ANDY KNOWLES
     OPERATIONS COMMITTEE:

DATE: FRI 28 JAN 1983  11:53 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5189200007

SUBJECT: PROUCT FIT AND THE COMPETITION

When the Company feels somewhat confused as to how our products
fit relative to the competition, and when we need a list of
advantages that we have relative to the competition, and we need
a list of the disadvantages they have, and when we have to
identify those specific areas in which we have developed
strengths in, the Operations Committee has called for a swat team
to accomplish this job.

I'd like you to make a preliminary presentation to the Operations Committee that may be the first step in the development of a swat team.

I'd like Bill Avery to chart out all of the competition for the personal computer area and identify their strengths and then show which markets each of our three personal computers are aimed at and in which areas our future developments reach the three personal computers or are aimed at.

Then, I'd like Joel Schwartz to do this in detail for the Professional.

I'd also like Joel to identify each of the people who are competing with us for the high-quality, high-performance, personal computer and workstation. Then I would like him to identify where we sit relative to each one of these competitors and explain where we are investing our software and hardware development funds. I would like him to tell us where he expects the competition to be in the future and where he expects us to be.

I would like to do this during the Operations Committee Meeting on February 7th. I realize this doesn't give you much time. However, I think because this is really a preliminary session to help lay out plans for future analysis, it would be worthwhile to take whatever information you have readily available and present it.

I am told that preparing material for this type of presentation, is particularly well done on a personal computer, and that these kinds of charts can be done graphically and in full color by locating the various components on the screen, (where you want them), and adjusting them until you are happy with them. They are then photographed, and result in the viewgraphs needed for the meeting.  If the mechanics are not yet fully developed, just do it by hand, with what you have.


KHO:ml
KO2:S4.81

"TO" DISTRIBUTION:

BILL AVERY            AVRAM MILLER           JOEL SCHWARTZ


"TO" DISTRIBUTION:

HENRY ANCONA          BARRY CIOFFI           JOHN O'KEEFE

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! d ! i ! g ! i ! t ! a ! l !          I n t e r o f f i c e     M e m o
!_!_!_!_!_!_!_!
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TO: see "TO" DISTRIBUTION                    DATE: FRI 28 JAN 1983  11:53 AM EST
                                             FROM: KEN OLSEN
cc: ANDY KNOWLES                             DEPT: ADMINISTRATION
    OPERATIONS COMMITTEE:                    EXT:  223-2301
                                             LOC/MAIL STOP: ML10-2/A50

                                             MESSAGE ID: 5189200007

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KHO:ml
KO2:S4.81

"TO" DISTRIBUTION:

BILL AVERY              AVRAM MILLER              JOEL SCHWARTZ

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Interoffice   Memo

TO: JACK SMITH

cc: OPERATIONS COMMITTEE:

DATE: MON 17 JAN 1983  11:23 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5188180000

SUBJECT: BUSINESS COMPUTERS

I am afraid we'll never be able to compete with WANG and small companies who specialize in business computers.  We have such trememdous overhead when we have to be able to sell all our computers to both business and OEM's and everything else.

There is, of course, a certain advantage in selling the same machine in many places.  We believe this, and have therefore done all the engineering in one place and tried to sell exactly the same product in all of our product lines.  In general this is a good idea, but I am now convinced that there is so much overhead that we won't survive doing business this way.

Mike Gutman is overworked and his people are overworked.  They have so much to do that they are terrified at the idea of a new project or new idea.  I think this is because every time they have a new product they have to adapt all of that infinite number of modules and ways of doing things that we have for all the various product lines and this just overwhelms them.

Will you consider for me the possibility of a completely separate business hardware engineering group?  This group would have a very small number of options and would be designed for easy connection within the office and would not have the enormous overhead involved in moving machines adaptable to all our other product lines. I believe a separate product line could take an 11 and make a beautiful machine for the office quickly and economically and one that would be easy to connect by the people in the office.  I don't think it is ever going to be possible, if we have to do it with a group that has the burden of adapting every product idea to every product line in the Company.

If we do this, we also could have separate accounting. The business group shouldn't be charged for all the engineering that goes into making the 11 general for everyone else.  If the business group sells a large number of their machines their engineering should be divided proportionately.


KHO:ml
KO2:S4.35

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TO: *WIN HINDLE                    DATE: WED 12 JAN 1983    2:22 PM EST
    JACK SHIELDS                   FROM: KEN OLSEN
    JACK SMITH                     DEPT: ADMINISTRATION
                                   EXT:  223-2301
                                   LOC/MAIL STOP: ML10-2/A50

                                   MESSAGE ID: 5187672763


SUBJECT: POWER, SUCCESS, AND OBSOLESCENCE

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**************************RESTRICTED DISTRIBUTION*****************
**************************CONFIDENTIAL***************************
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One of the sad things in my life is to meet with some of my old
friends, who at one time made significant, noteable contributions
to Engineering or Marketing and other fields, but have since
become obsolete.  I meet with some of these people every several
years, and others I see every day.

We often read and hear about technical obsolescence in engineers,
and hear proposals that they be retread.  The ones I have seen
didn't become obsolete because they were busy doing engineering,
but because they lost interest in engineering. They became
interested in power, status, influence, and being boss.

People who become obsolete spend all their time reminiscing and
complaining about limitations today and about the limitations of
red tape.

They become obsolete because after success and a taste of power
they stop learning.  Instead of realizing that maybe their
immediate success was partly the result of happenstance, partly
the result of other people's work, and perhaps because everything
was easier then and there was so little competition. Also, partly

because the competitors would take poor marketing and poor documentation and often mediocre engineering. If they wanted to stay useful they would have to work every day and every hour to get better and better.

Instead, too often my friends have seized on the need for power and influence and status. I have concluded that those who are interested in power and status are running away from technical competence. How can someone use power and influence and status when he has stopped learning years ago and doesn't read everything, including current literature, or understand what is going on in his area today and know everything about the resources available to him?

With your new job I would suggest that you immediately set about to take inventory of the management technical marketing skills of the people you inherit. I would immediately worry about those who are interested in power and concentrate on those who want to accomplish the job. They are willing to do the work to find out what resources are available in the form of products and technology and manufacturing and selling and laying out plans to make a significant contribution using all these resources.

We stopped measuring group vice presidents and product line managers years ago. We now define profit and loss responsibility as the power to make arbitrary decisions with no measurements. The manager, through Profit and loss responsibility tells others what to do and nobody measures him. I would be very suspect of anyone who laments the loss of P&L responsibility because to me that means he wants arbitrary power and to be in the position of complaining and criticizing and never being measured.

Some people feel they need a product which is half the price of anyone else's and has twice the capability, with every kind of software and they feel they have made a contribution by requesting this. This of course is not marketing. Marketing is taking what you have or can get and selling it.

Four years ago we had a PDT-150. It was one of our nicest computers and one which is very well liked by those who use it. At that time, if we had marketers who analyzed the resources available and understood the market and had some technical knowledge, we could have dominated the educational personal computer market, the business personal computer market and supplied all the stores with the best machine available. However, our marketers were so caught up with power and complaining they didn't have the time to be an expert on what we had or expert on what the market needed.

The outside world looks at Digital and says that we are now in a new era and we have to learn to market. We have never acknowledged this publicly, but it is true. Our old ways of marketing, where we often spent money on useless literature on one thing and sold something else and claimed we did great marketing has to come to an end and it is your responsibility in these new areas to make sure that we do.

When it is said about someone, he did great things ten, twenty, twenty-five years ago, be very suspicious because this too often means he retired on his laurels and hasn't done anything lately and hasn't kept up, however we owe him power because of what he did many, years ago.  This, of course, is very unfair to the people who work for him and unfair to the stockholders and the customers.


KHO:ml
KO2:S4.2

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!_!_!_!_!_!_!_!
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TO: DAVID STONE

cc: see "CC" DISTRIBUTION

DATE: MON 3 JAN 1983  1:47 PM EDT
FROM: AVRAM MILLER
DEPT: CT PROGRAM OFFICE
EXT:  223-9441
LOC/MAIL STOP: ML5-2/T53

MESSAGE ID: 5186756069

SUBJECT: YOUR MEMO ON HUMAN ENGINEERING INTERFACE OF 10 DEC 82

Dave, I would like to address two issues which you raised in the above memo.  First of all, I agree in principle with the philosophical statements as outlined by you.  During the recent Engineering LRP Woods meeting attention was given to various elements you discussed.  I will forward you copies of the action items which were generated (by Rick Corben).  You will notice there are a number of items on the question of menu interfaces, compatibility for application software across our various products, etc.  I suggest you interact with the individuals who have been given the assignments to close the action items.

The other area that I want to address is Visicorp.  I am extremely distressed at your behavior with respect to Visicorp.  We have entered into an important business relationship with that corporation.  This relationship has had support at the highest levels within our corporation.  You seem through various memos to call to question our business relationship with Visicorp.  I do not recall any serious attempt on your part to discuss these issues with me. Visicorp is not our enemy, Apple (with Lisa) is.  We have a business relationship with that corporation which I expect you to respect.

I would like to have a meeting with you within the next month to cover Visicorp.  If you are coming to the United States for the Sales Meeting on the week of the 23rd, I would like to set up some time then.  If not than I suggest we schedule a phone conference this week or next week.  In the meantime, may I ask you to desist from sending memos throughout the company which call to question our business relationship with Visicorp.  You can do us and them serious damage with this behavior.

I would appreciate your letting me know by return, if you will be in the United States or if not when the best time would be for me to reach you.

Action Items from Stow II Woods are being forwarded separately.

3-JAN-83  18:12:17  S 03262  MLEM
MLEM MESSAGE ID: 5186760232

"CC" DISTRIBUTION:

DON BUSIEK          *WIN HINDLE          BOB HUGHES
ANDY KNOWLES        JULIUS MARCUS        JACK SHIELDS
JACK SMITH

Interoffice    Memorandum

To: see "TO" DISTRIBUTION

cc: see "CC" DISTRIBUTION

Memo: 5313853348COR43
Date: Fri 27 Jun 1986 10:53 AM EDT
From: KEN OLSEN
Dept: ADMINISTRATION
Tel:  223-2301
Adr:  MLO12-1/A50*

Subject: COMPLETE BUDGETING OF PROJECTS


*****************************************************************
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*****************************************************************

We had a small meeting in the Little Brown House in which we
talked about a number of engineering projects.  It was quite
clear that the attitude of most engineers is that we should
engineer as many products as we have engineering money for.
There is little responsibility felt by the engineers to finish
the projects to the point where they are documented enough for
marketing, and almost no feeling for the cost of introducing,
marketing and training a sales force on new products.

For example, Jeff Kalb was quiet but showed some irritation over
the fact that the engineering budget did not allow him to
engineer a number of Q-Bus modules to interface factory or
laboratory devices.  The Executive Committee properly shut this
off because they knew we couldn't go into new businesses without
a massive investment in training and developing a whole new sales
force.  This is particularly true in an area where there are
already many smaller companies.

However, we owe it to our managers to have them lay out a
complete business plan when they propose new products, so that
they are in a position to learn that it is impractical, much too
difficult or it takes too much energy to engineer, tool up,
manufacture, market, sell and service a new set of products.
Most of the time, when people lay out a complete plan for a new
product, they will probably realize that the Corporation just
can't take on the obligation, but we also owe it to them to have
the techniques representing the whole business plan so they can
argue when they believe it is a wise thing for the Corporation.
When the Strecker Committee makes decisions, they are probably
right and wise most of the time, but if it appears arbitrary,
we're developing managers who we've never given the opportunity
to learn.

KHO:ld
KO:135
DICTATED 6/26/86 BUT NOT READ


"TO" DISTRIBUTION:

GEORGE CHAMBERLAIN              JIM OSTERHOFF
JACK SMITH                      PETER SMITH

"CC" DISTRIBUTION:

WIN HINDLE*                          IVAN POLLACK
JACK SHIELDS                         JOHN SIMS
RON SMART                            BILL STRECKER

# Interoffice Memorandum

To: WIN HINDLE*          Memo: 5309552804COR84
   INK::BUREK          Date: Thu 15 May 1986 10:00 AM EDT
   ANNE KREIDLER          From: BUREK
   DONNA MICHAEL          Dept:
   KEN OLSEN          Tel:
   MARK STEINKRAUSS          Adr:

Subject: IEEE COMPUTER SOCIETY AWARD


The following release will be issued to all local, business and trade press on Tuesday, May 20.

Mary Ann Burek
617/264-1549

### IEEE COMPUTER SOCIETY PRESENTS FIRST
### COMPUTER ENTREPRENEUR AWARD TO KENNETH H. OLSEN
### OF DIGITAL EQUIPMENT CORPORATION

CAMBRIDGE, MA -- MAY 20, 1986 -- The Institute of Electrical and Electronics Engineers (IEEE) Computer Society today presented the 1986 Computer Entrepreneur Award to Kenneth H. Olsen, President, Digital Equipment Corporation.

The presentation was made by Dr. Ming T. Liu, Vice President, IEEE Computer Society, at the International Conference on Distributed Computer Systems, held in Cambridge, Massachusetts.

The prestigious award, presented this year for the first time, was established to "recognize and honor technical managers whose outstanding leadership developed the growth of some segment of the computer industry."

Kenneth H. Olsen was chosen to be the recipient of the first Computer Entrepreneur Award for "having pioneered the development of small computers, and for his foresight in the founding of Digital Equipment Corporation, which began with three individuals in 1957, and has grown to become the world's leading manufacturer of networked computer systems."

# # # #

CORP - 351

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Interoffice   Memorandum    Op. Com. [handwritten signature]
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To: KEN SWANTON                          Memo: 5302370663COR63
                                         Date: Tue  4 Mar 1986  2:39 PM EST
                                         From: KEN OLSEN
cc: see "CC" DISTRIBUTION                Dept: ADMINISTRATION
                                         Tel:  223-2301
                                         Adr:  MLO10-2/A50*


Subject: LONG RANGE PLANNING


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I believe long range planning shouldn't be a wish list of all the
things we would like the company to be in the future.  Instead,
it should be a model of the company at each step that shows the
weaknesses, stupidities and inconsistencies of our dreams.

I would like the long range plan to be based on the salesmen.  We
should decide how many different categories of products we'll
sell and assume we'll have a separate sales force for each one.
Then for each year we should spell out what we think should be in
his bag of products.  We should then decide how many months of
the twelve he should spend in school so he is able to sell those
products and do all that is necessary to take care of the
customer.  We should also decide how big his bag has to be to
take along all the catalogs and how much help, or how simple the
product lines will be so he can quickly, easily and efficiently
make the sales.

We should add up how many salespeople it is going to take and the
sales cost for the dollar volume we expect on each piece.

Then we can go backward and figure out what it will cost to
engineer that bag of products, what it will cost to manufacture
them and all the other costs of supplying the salesmen.

I think we are way beyond just wishing for products or paying
engineers to develop them and just assuming that the sales and
marketing will take care of itself.  Our Long Range Plan should
assume that salesmen and marketing are the leading factors in
growth.  We should plan these in detail and the other factors in
the plan will then fall into place.

KHO:ld
KO5:S4.63
DICTATED 3/3/86 BUT NOT READ


"CC" DISTRIBUTION:

WIN HINDLE*                              JIM OSTERHOFF
IVAN POLLACK                             JACK SHIELDS
JOHN SIMS                                RON SMART
JACK SMITH

I n t e r o f f i c e   M e m o r a n d u m

To: see "TO" DISTRIBUTION

cc: JEFF KALB

Memo: 5308769882COR74
Date: Wed  7 May 1986   3:35 PM EDT
From: KEN OLSEN
Dept: ADMINISTRATION
Tel:  223-2301
Adr:  MLO10-2/A50*

Subject: SEPARATE TERMINAL BUSINESS


*******************************************************************
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*******************************************************************

In a closed session, before we meet on the budget, I'd
like to give a test to the Executive Committee and ask how
today's budget breaks down compared to the budget ten years ago.
If we put all marketing together, all engineering together, and
all manufacturing together, we could try to determine the trend
of the ratios.

Then I'd like to ask, now that we are selling more directly and
we are giving a lot less discounts to the people who build the
systems and finish the products, what should the model of our
business be?  I assume that those jobs which we used to pay the
OEM's to finish that we now pay ourselves and that the marketing
and selling the OEM's used to do that we now pay for ourselves
are somewhere.  I also assume that we have to, very carefully,
separate the OEM part of our business from the end user part to
make sure we use the appropriate model in each.

I'd also like someone to discuss the possibility of a separate
terminal business.  This would only be on paper, but we would
allocate only the cost to one very high-production, simple
terminal and run it as if it made no contributions to VAX
development, VAX inventory, large disk development, or clustering
development.   This way we would have a business that could
compete directly with the terminal manufacturers on the terminal
manufacturers terms.  This company could have mail a order
business that, at a very low price, could mail for next day
delivery, terminals anywhere in the United States that could just
be plugged in and used.  I believe this could make a very good
profit.

Some people argue that the Terminal group should pay their share
of VAX development.  The result is that we loose the terminal
business and we get nothing.  By claiming you made a commodity
you have to run it like a commodity business.

This further means that the Terminal group will not have 10
percent of their NOR to spend on hobbies, but they will have to
concentrate just on the engineering for one product, and because
it's made in a large quantity the engineering cost should be low.
They also can't spend their marketing dollars on many hobbies
because the marketing cost will also be concentrated on one
terminal, and because the number is large, the marketing cost
should be low.

KHO:ld
DICTATED 5/7/86 BUT NOT READ


"TO" DISTRIBUTION:

WIN HINDLE*                    JIM OSTERHOFF
IVAN POLLACK                   JACK SHIELDS
JOHN SIMS                      RON SMART
JACK SMITH

O.C

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Interoffice Memo

TO: JIM OSTERHOFF
    JACK SMITH
cc: see "CC" DISTRIBUTION

DATE: TUE 12 NOV 1985  10:24 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5291180374

SUBJECT: OVERHEAD STRUCTURING IN MANUFACTURING

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Our engineers are frustrated by the overhead structure we have in
Manufacturing.  It seems that, regardless of what we do for
design, there is nothing we can do to become more competitive in
our manufacturing.  The only hope seems to be to have our
products manufactured outside, where we don't have the terrible
overhead structure.

Before the Board of Directors asks us about our manufacturing
overhead, (which they may do at any time), please come to the
Executive Committee and explain exactly what is going on in this
area.

The Skunkbox backplane, which is to be made in Kanata has an
overhead of one-hundred dollars per hour.  This is a project that
we worked awfully hard on to make straightforward, and
inexpensive.  It seems that all the effort (and I put in quite a
bit of my own time on this project), was in vain.  If we had made
a very complicated, and very expensive backplane that we couldn't
make at Digital at all, it would have been cheaper than making a
very simple unit that we want to make in Kanata.

If we want to have our engineers work effectively, we are going
to have to give them some rules, and some overhead figures which
are meaningfull.

KHO:mt
KO5:S2.21
DICTATED 11/12/85 BUT NOT READ

"CC" DISTRIBUTION:

WIN HINDLE          IVAN POLLACK          JACK SHIELDS
JOHN SIMS           RON SMART

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TO: JIM OSTERHOFF                        DATE: MON 14 OCT 1985  10:09 AM EDT
                                         FROM: KEN OLSEN
cc: see "CC" DISTRIBUTION                DEPT: ADMINISTRATION
                                         EXT:  223-2301
                                         LOC/MAIL STOP: ML10-2/A50

                                         MESSAGE ID: 5288271467

SUBJECT: SAVING MONEY AND MAKING MONEY

**********************************************************************
        VERY CONFIDENTIAL - DESTROY AFTER READING -

**********************************************************************

We have an infinite number of areas to save money in, but the
Financial people only tend to concentrate on the big projects that are
important to the Company. I would like to concentrate on the
unimportant ones to save money on, because constantly trying on the
important ones I don't believe we are investing in marketing as we
should.

Our key products are Networking, MicroVAX and 8600. Please prepare,
for the next Executive Committee discussion, a chart showing how much
we invest in marketing, training, and advertising these key products.

I am afraid we are in a situation of hurting badly because we do
almost no marketing for the key projects; we have concluded we won't
spend money there because it will hurt profits. We are piling up cash
and starving for marketing and not making good products because we
don't market.

In our fight to drive to save money, IBM may overwhelm us in a matter
of months, and we will have to explain that we lost the fight because
we were saving money to help profits.


KHO:ml
KO5:S1.44
DICTATED BUT NOT READ

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GEORGE CHAMBERLAIN       *WIN HINDLE              IVAN POLLACK
BRUCE RYAN               JACK SHIELDS             JOHN SIMS
RON SMART                JACK SMITH

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TO: CORP PROJECT STAFF:              DATE: MON 23 SEP 1985   9:17 AM EDT
    JACK SMITH                       FROM: KEN OLSEN
cc: see "CC" DISTRIBUTION            DEPT: ADMINISTRATION
                                     EXT:  223-2301
                                     LOC/MAIL STOP: ML10-2/A50

                                     MESSAGE ID: 5286162816

SUBJECT: REVIEW OF PLANS AT EXECUTIVE COMMITTEE MEETINGS

*********************************************************************
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*********************************************************************

A number of months ago I asked that plans be reviewed at every
Executive Committee meeting so that each plan is reviewed at
least once each quarter, and, therefore, once a month.

I also asked that people propose what incremental income they
could get for incremental expenditures.  I believe I asked that
these decisions be made by the Executive Committee, and these
incremental plans be reviewed each month.

At tomorrow's Executive Committee meeting I would like the first
agenda item to be a review of my requests, and an explanation as
to what happened to them.

I would feel very offended if the staff felt that they had to
agree on decisions before they let me, and the Executive
Committee, consider them.

KHO:mt
KO4:S12.85
DICTATED 9/23/85 BUT NOT READ

"CC" DISTRIBUTION:

*WIN HINDLE          JIM OSTERHOFF          JACK SHIELDS
JOHN SIMS

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!—!—!—!—!—!—!
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!_!_!_!_!_!_!_!
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TO: PETER SMITH                  DATE: WED 4 SEP 1985    8:52 AM EDT
                                 FROM: KEN OLSEN
cc: see "CC" DISTRIBUTION        DEPT: ADMINISTRATION
                                 EXT:  223-2301
                                 LOC/MAIL STOP: ML10-2/A50

                                 MESSAGE ID: 5284253583

SUBJECT: TROUBLE IN THE SALES DEPARTMENT

**********************************************************************
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**********************************************************************

We are now experiencing a high rate of complaints.  Our salesmen
are not answering inquiries, and they don't spend the time that
the potential customer expects.  I would like you to make a brief
study of the situation.

We can say "Salesmen should be better trained, and they should be
better organized to cover all inquiries."  However, it may not be
that easy.  The salemen and sales managers have two comflicting
pieces of advice.  The first is: concentrate your effort on those
customers who will pay off the quickest, and the most easily.
The second is: be sure that you contact everybody who is
interested in our equipment.

Please come to the Strategy Committee meeting on September 9th
and outline the questions, and then come on September 30th with
tentative answers.   The questions are:

   1. If we limit the size of our catalogue from 80,000 items to
      a few dozen, how much business would we lose because we
      didn't try to sell all 80,000?  How much would we gain
      because a salesman would thoroughly understand, feel at
      ease, and feel confident with the few dozen that we do
      leave in the catalogue?

   2. If we give the Sales Department a list of those
      applications for which we have competitive solutions, and
      recommend that they graciously turn away customers who
      should go elsewhere, how many more orders would we get
      because the salesmen will have time to spend on customers
      with problems that we can solve?

   3. How many pieces of literature does a field office have
      today?  How many would a saleman have to carry in order to
      sell our product line?

   4. How much business would we lose, and how much business
      would we gain, if we concentrated our whole product line
      in one set of literature that a salesman could carry
      easily in his briefcase?

5. If we concentrated our sales pitch on a tutorial non-sales video cassette for each of our major product pitches, how many cassettes would it take? How would this ease the salesman's load?

6. Do we have something like a decision tree for each salesman for each type of application? Does a salesman spend more time dancing around the problems we can't solve, or can't solve efficiently, than he does some of the problems we can solve? Are we reluctant to lay out exactly what we can do in a decision tree format, because we would have to identify the things we cannot do well?

On September 30th, please have someone like Henry Ancona make a presentation on what a decision tree would be like for Electronic Mail. Suppose there were 4-6 questions like:

1. Number of users: 10, 100, 1,000, 10,000, 100,000

2. Does the customer want the following application package:

   a. Electronic Mail or Word Processing
   b. a plus common budgeting
   c. a and b plus controlled redistribution of total budget
   d. a,b,c plus controlled access to various databases
   e. Mail lists
   f. Data entry

3. Will the customer use:

   a. All DECmates
   b. All PC's
   c. Combination of PC's and DECmates
   d. A motley collection of whatever happens to be in the organization

4. Are all stations:

   a. In the same building
   b. In the same campus
   c. In the same country
   d. On the same planet

Please don't obtain this information by asking the salepeople. Their professional pride makes it impossible for them to answer. They dislike having to admit that they can't sell something even though they don't understand it. They are always very conscious of the order they lost because we didn't have a fast FORTRAN engine, and some of them are proud of a few obscure items in our catalogue that they know about that no one else knows about.

Instead, analyze it from a more direct common sense point of view. Just what is the workload of the job we impose upon the

salesmen, and can it be done?  What is the optimum workload to
get optimum results?

If you ask the salespeople they will say more training or less
training will help.  But, a common sense engineering approach
would say that zero weeks of training is not enough, and
fifty-two weeks is too much.  We know, without interviewing, that
zero and one-hundred percent are the minima, and we have to find
the approximation of where, in between, the maxima lies.

KHO:mt
KO4:SECT12.34
DICTATED 9/3/85 BUT NOT READ

"CC" DISTRIBUTION:

| HENRY ANCONA | *WIN HINDLE | JIM OSTERHOFF |
| IVAN POLLACK | JACK SHIELDS | JOHN SIMS |
| RON SMART | JACK SMITH | STRATEGY COMMITTEE: |

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TO: see "TO" DISTRIBUTION

DATE: TUE 3 SEP 1985  12:47 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5284153119

SUBJECT: INTEGRATING MARKETING INTO "THE ONE COMPANY"

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I am so pleased at how the cooperative spirit of the Company has developed in the last few years.  We are, to a large degree, one Company with one strategy and one message, except in Marketing.

This long weekend I cleaned and started to ~~through~~ *throw* away many expensive, heavy glossy magazines, generalized vague pieces of literature, and proposals made by marketing groups.  In doing so, I got the very distinct and clear feeling that each of the marketing groups feels that they are independent of the Company, and definitely in competition with the other marketers, and that they measure themselves on their ability to make more expensive magazines than anyone else in the Company.  The content of the literature and magazines is inversely proportional to the expense of the paper, and the quality of the printing job.

The party line I expound for the Corporation is that we sell the same hardware, the same software, and the same integrated networking approach to the Office, the Department, the Small Business, the Factory, and the Laboratory.  One surely doesn't get that feeling from the magazines and literature marketing produces.

We pronounce the theory that marketing's job is to make selling and purchasing easy, efficient, and interesting.  The vague, glib promises made in our literature surely doesn't contribute to that goal.

At the November Woods meeting I would like each of the marketers there.  We should set as a goal that we will have one integrated marketing pitch that we can present to all customers, and also, in an organized way, a separate pitch that we can have for each application.

Please start now organizing people to work the problem so that at that November Woods meeting we will have one pitch and one magazine (and catalogue).  At that time, we should also have the detailed sales information for each application in a form that will be easy and efficient for the purchaser and the salesperson, and that will be fun and exciting.

If at all possible, I'd like to make the theme of the Annual
Report "One Company, One Message, One Strategy", and present all
of our marketing pitches in this context.

KHO:mt
KO4:SECT12.33
DICTATED 9/3/85 BUT NOT READ

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| JACK SHIELDS | JOHN SIMS | RON SMART |
| PETER SMITH | JACK SMITH | STRATEGY COMMITTEE: |

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TO: JIM OSTERHOFF                   DATE: FRI 23 AUG 1985   3:45 PM EDT
                                    FROM: KEN OLSEN
cc: see "CC" DISTRIBUTION           DEPT: ADMINISTRATION
                                    EXT:  223-2301
                                    LOC/MAIL STOP: ML10-2/A50

                                    MESSAGE ID: 5283049225

SUBJECT: OVERHEAD AT DIGITAL

*******************************************************************
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I don't want to announce that we will cut out 10,000 overhead
jobs, as Ford has just done. However, I would like to concentrate
our cost savings in overhead areas and in project and production
areas.

For years, our Accounting has concentrated on systems that added
up correctly and the systems that helped manage groups. We
averaged overhead so that managers felt no obligation to be
economical with facilities and equipment. For this reason, they
quite commonly turned in old furniture, terminals, and computers
for the latest models because it had no affect on their budgets.
The Financial Department seemed to feel that it was my job to
teach people, "to do right," even though there was no motivation
from Accounting. I only know how to do this by using Accounting.

I would like to re-do our Accounting system so that all the
motivation to be economical and to make profit are available to
each manager, at all levels.

I would like a committee of Senior Controllers to lay out a plan
so that each manager will have available to him the overhead data
he needs to manage his operation. When he has this information,
and it is available to his superiors, the pressure to be
economical will be very clear.

Once a month, I would like this committee to report to the
Executive Committee on how they are doing. Then, I would like to
spend a whole WOODS day deciding just what we should institute.


KHO:ml
KO4:S12.10
DICTATED BUT NOT READ

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RON SMART             JACK SMITH           KEN SWANTON

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O.C.  *[handwritten signature]* 4/Aug/1944
BOD

Interoffice Memo

TO: see "TO" DISTRIBUTION

cc: see "CC" DISTRIBUTION

DATE: MON 29 JUL 1985  11:03 AM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5280535273

SUBJECT: ENGINEERING PRESENTATION TO AUGUST 19TH BOD MEETING

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For some time now, we have planned to take the whole August Board
of Directors' meeting for the Engineering budget, the approval of
Engineering plans, the approval of those things which we are
doing, but never brought to the Board of Directors before, and a
general review of Engineering.

The first presentation should be a detailed organizational chart
showing how things fit together, how much money we put into each
group in the last five years, what products we have gotten out,
and what profit we made on them, with some indication of how well
we feel each group has managed.

We should also make a presentation showing what products we have
put into production the last six to twelve months, and those we
plan to get into production the next six to twelve months.  We
should indicate how much went into research, how much went into
getting ready to manufacture, what the total cost will be for
each project, and what the approval status is for each product.
There should be some indication as to how the cost of engineering
for these products, and the other costs add up to the total
budget.  Hopefully, the engineering going into our products in
any one year add up to a reasonable percentage of the total
Engineering budget in that year.

It might be very worthwhile if we make a plot for the past five
years, and two to five years ahead, and show what the Engineering
budget was, how much of that went into products that went into
production that year, how much went into supporting old products,
and how much went into the future investments.  I think all
budgets should be for several years in the past and several in
the future, and they should all be in the same format.

I'd like to recast the Engineering budget as if each of these
groups were a division or a separate company, into the following
categories:

   1.  "ETHERNET and other Networking" - These two should be
       separated so that we see how much we are investing in the
       general ETHERNET, and how much for the somewhat specialized

things for specialized customers. I'd like these numbers presented as if each of these groups were a division, or a separate company.

2. "VAX/VMS products", which includes the hardware and the software.

3. "Other computers", which are 11'S, PPA, Real Time, maybe a UNIX, maybe a LISP, maybe a super computer in the future. This category is separated from the others so that decisions are made on incremental return for incremental investment. Each computer in this category should be considered a separate business. The cost of its hardware development, peripherals, software development, documentation, and everything else so we can evaluate the decisions and justify them to ourselves, and to the Board of Directors individually.

For the "other computers" let's present the figures two ways. Let's present them assuming that all the disks, storage, packaging, and other services done for VAX/VMS are free to a new computer because this is the way we can evaluate the decision to make one more computer or not. Let's also present the figures assuming they pay their fair share of these other machines, because this is the way we evaluate the quality of results afterward. It might be very good business to do one more additional computer because it cost the Company very little additional money to do it, and the additional profits may overwhelm the additional resources invested.

4. All the common products such as disks, memories, etc.

5. We also should make a pass at our research projects. We should be particularly careful in identifying how much we invested in each group, and what results have come out of the groups that have been of use to the Company. There are probably projects outside the research group that should be included in this category. We should include in this group, work done on the "architecture of the future".

We then should present the Engineering budget for next year to the Board of Directors in quite a bit of detail.

KHO:mt
KO4:SECT11.62
DICTATED 7/29/85 BUT NOT READ

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Interoffice Memo

TO: see "TO" DISTRIBUTION

cc: see "CC" DISTRIBUTION

DATE: FRI 26 JUL 1985    4:55 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5280234964

SUBJECT: INDEPENDENT BUSINESS UNITS/NEW BUSINESS OPPORTUNITIES

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I believe that we do not have the growth potential in the
traditional Digital business.

I would like to break the Company into two pieces.  One would be
the independent business units that run VMS products and
components for Ethernet.  The rest of the Company I would like to
call New Business, which would not be limited by the engineering
budget for the mainline part of the Company.  In general, these
new businesses should be products that can be integrated into
Ethernet, but will not be limited to our usual way to computing.

Some parts of the independent business units should be UNIX
machines, LISP, super computers, fast data rate computers, and
machines optimized for certain types of problems.

Each of these machines and products should have their own
business plan, balance their investments in research, software,
marketing, literature, education, and so forth, with the profit
that they will make.  Sometimes, they will make a hardware
product, and sometimes, they will show how someone elses products
can be hooked to Ethernet.

KO4:S11.61
(DICTATED 7/26/85 BUT NOT READ)

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| HARVEY WEISS | | |

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I n t e r o f f i c e    M e m o

TO: see "TO" DISTRIBUTION

DATE: MON 22 JUL 1985    2:23 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5279831898

SUBJECT: ONE COMPANY, ETC.


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When we say "One Company, One Strategy, One Message", people have
come to believe that this means that all we do is VMS, and we
have to have every possible CPU unit that one could chart out to
do VMS.

It, of course, doesn't mean this.  It simply means one strategy.

The "One Company Strategy" could say that, in addition to all VMS
type applications, we want 70% of all terminals, 60% of all UNIX
machines, 70% of all network to PC's.

One example of inconsistant strategies that seems to bother no
one is shown in the Networks group.  They have set a strategy
which seems right to them, because they always did set the
strategy, which says that the highest priority is to make all our
products industry standard.  They think I'm an absolute heretic
because I'd like to use all our R and D effort to give us a
competitive advantage.  I think it's obvious that if we do well
there will only be ourselves, American Telephone, and IBM.  If we
don't do well there will just be American Telephone, and IBM, and
it's clear they will not pick our R and D results as industry
standard.  If we wait to make our products industry standard, or
wait until it is an industry standard, we will delay any
advantage we have with respect to these two, and give all of our
advantages away to Data General, Prime, and Hewlett-Packard.

However, talking to the Newtworks group is like talking to a
Shi'ite who believes that dying for his country is the highest
calling, and he will do anything to die for his country.

Now, I belive that dying for ones country can be useful, and it
is sometimes the duty of a person to do so, but I'd like to make
sure, before I die for my country, that it has a possibility of
being useful, and that it isn't an end in itself.

At times, making our products industry standard is useful, and
sometimes we should do it for the good of the world, or for our
good, but, like dying for ones country, it is not, in itself, an

absolute goal.

Right now the Networks group, if not as a whole, at least in parts believe just the opposite from the strategy I have been propagating for the Corporation.  I believe the results of our R and D should be used as a competitive advantage and for the good of the Company.  They believe we should wait until we can make it an industry standard, and I feel this is an example of not having one strategy.

If we set about to get a large fraction of the terminal business, not all of which is doing VMS, I don't think that is an example of inconsistant strategy as long as we make it the Corporate strategy.

KHO:mt
KO4:SECT11.33
DICTATED 7/22/85 BUT NOT READ

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TO: JACK SMITH                    DATE: FRI 19 JUL 1985  12:23 PM EDT
                                  FROM: KEN OLSEN
cc: see "CC" DISTRIBUTION         DEPT: ADMINISTRATION
                                  EXT:  223-2301
                                  LOC/MAIL STOP: ML10-2/A50

                                  MESSAGE ID: 5279530837

SUBJECT: ENGINEERING BUDGET PRESENTATION TO THE BOD

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The Engineering Budget is a concise statement of the Corporate
strategy for the next several years.  I'd like to take the whole
Board of Directors meeting in August to present this budget.  I
would take the whole Executive Committee meeting on the 30th of
July as the first pass of this presentation, and save a good part
of the meeting on the 6th of August for the parts we want to
redo.

I'd like to break this into several parts which we will define as
we go along, and probably will redefine after the July 30
meeting.

First of all, I'd like to lay out all the machines that we are
planning to go into production on a timescale with the
engineering investment, the capital inventory investment, and the
number of units, the volume, and profit we propose to get from
these.  The same chart should also include the income from memory
storage, terminals, service, ect., in order to be complete.  We
can't wait to make a thorough, detailed, and precise presentation
on this, but what we had in our heads when we picked the budget,
in quite rough approximation, would give the general picture of
what we're proposing.

Next, we should breakdown the market for computers by size each
of the next five years, and indicate how much of each size
computer is available to VMS type machines so that we can
indicate how successful the Corporation will be in the next five
years.

We should then breakdown the budget by component, for example:
How much is going into research, and what do we expect out of the
research?   How can we report to the Board of Directors on its
results?  What has been the investment and the results from
research in the last five years?

We can indicate how much of engineering does have goals that can
be measured.

We, in particular, should propose measurement for our investments
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in things like networking.  We've been accused in the past of
measuring our success in how difficult a job we can accomplish,
and showed little interest in competitive attitudes such as:
What percentage of the market would we get?  How much money would
we make?  Do we concentrate first on getting the easiest part of
the market?

I don't think that the Budget Committee had precise estimates for
these questions during the budgeting process.  But, they did have
ideas in their heads, and I think that we have to put numbers on
these ideas before we present them to the Board of Directors.

"One Company, etc", does not mean one software system, it means
one strategy, and one business plan which is integrated across
all parts of the Company, in which all parts of the Company know
their part and do their part.

KHO:mt
KO4:SECT11.29
DICTATED 7/20/85 BUT NOT READ

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*O.C. (signature)*

SUBJECT: ENGINEERING BUDGET AS KEY FACTOR IN CORPORATE STRATEGY

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I don't seem to do very well in explaining why I don't think that squeezing the engineering budget into an arbitrary number is the business-like way of fixing the strategy of a large corporation. Corporate strategy should be an Executive Committee issue and a Board of Directors issue.  It should be much broader than how many central processors we can squeeze into the Engineering Budget, and what other products have to be left out in order to accomplish this.

We probably should look at all the central processors we are building, and put what the total market is for these in the next five years.  Then, assuming that we will get a significant share of each of these markets, we should decide if the NOR and profit is going to be big enough to support the Company we think we should be.

I think this is a real problem today, and I don't think we are facing this as we make these key future strategy decisions.

I believe that today, with MicroVAX, Digital alone can make all the super mini-computers that the world needs, and that in a short period of time with C-VAX, Digital alone can take care of most of the computing the world needs, and we won't get very much money for it.

This means that we have to look into other areas which we are or should be expert in.  If this is limited by the view of the zelots for CPU's, we may be getting into very serious problems in the future.

The traditional approach to this problem is to ask each of the business units in the Corporation to propose to senior management and the Board of Directors when businesses, or expansion of present businesses can give the Company the growth it desires.

I propose that we look at our planning from a much broader point of view and say that our problem is getting new products that will make the Company grow, and is not eliminating products so that we can get more and more of the same kind of central

processor.

KHO:mt
KO4:SECT11.28
DICTATED 7/19/85 BUT NOT READ

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TO: see "TO" DISTRIBUTION                    DATE: FRI 12 JUL 1985    3:49 PM EDT
                                             FROM: KEN OLSEN
cc: EDWARD A. SCHWARTZ                        DEPT: ADMINISTRATION
                                             EXT:  223-2301
                                             LOC/MAIL STOP: ML10-2/A50

                                             MESSAGE ID: 5278827503

SUBJECT: ENGINEERING BUDGET AND THE BOARD OF DIRECTORS

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We have not yet had the Engineering budget approved by the
Executive Committee and the Board of Directors.  I'd like to plan
the August Board of Directors' meeting on being largely a product
plan for the next two or three years, and we'll present this in
the form of the Engineering budget.

I'd like to prepare for this in three steps.  First of all, I'd
like the Engineering budget presented in the next week, or so, to
the Executive Committee, showing what each group spent last year,
and what the new proposed budget is, and then chart this out
relative to what products are making money this fiscal year, and
what products we expect to make money the following fiscal year.
It is feared that the budgeting process cut out the best
organized products because they were easy to handle, and left in
that large number of tiny things and research projects which were
hard to get a handle on.  It is, therefore, important that we
prove to ourselves that the Engineering budget is aiming toward
the products we need, and not all that large number of things
which we can't get a handle on.

The next step would be , I'd like to have the Engineering staff
and the Marketing staff get together and organize a chart for the
Executive Committee which we will then present to the Board of
Directors, that will show those products which marketing plans
say are important next year, the year after, and maybe the year
after that.  What marketing group needs, what specialized CPU,
what specialized networks, what kind of terminals, and what kind
of software are needed?  How does this map into our Engineering
plans?

For those areas which we spend on "research", let's spell out
what we expect to get, how much we expect to pay for it, and
justify investing in some of the groups by seeing what we've
gotten in the past.

KHO:mt
KO4:SECT11.6
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*O.C.*

I n t e r o f f i c e    M e m o

TO: *WIN HINDLE

DATE: MON 1 JUL 1985    5:56 PM EDT
FROM: TOM STOCKEBRAND
DEPT: SOUTHWEST ENG
EXT:  552-2551
LOC/MAIL STOP: ABO/A1

MESSAGE ID: 5277722430

SUBJECT: "MANDATE" NOTE        (LATEST EDIT)

There is a big problem with "Mandate Memos" (such as "No outside hiring", "Wage freeze" etc.) now that the means to communicate them is instantaneous.  They hurt the people who are running a tight ship and relatively help those who have been out of control. We have come away from our trust relationship with our people.

These memos are written out of frustration by upper management with some intractable condition that exists with the expectation that the underlying problem will surface and be worked properly. But most of the time the mandate is NOT accompanied with a statement of that problem. Often the mandate memo is forwarded company wide by subordinates and becomes absolute immediately even though it usually says, "...unless exceptions cleared thru me". Policies promulgated like this are don't get rescinded and after awhile become a joke.

--One should state the problem, not the solution, in the expectation the solution is different in different areas:

TRUST            (NO TRUST) ─────────────────────➤

"We need to cut the budget 10%"        "Hiring Freeze"
"We are 35% over in headcount"         "No Travel"

I recognize the frustration that leads to these mandates but blanket prohibitions, retransmitted verbatim, hurt only those that have been doing a good job because they are already operating tightly. If a blanket prohibition seems necessary, then it should apply to ones the DIRECT REPORTS only and not be forwarded down by them to their subordinates except over their own signature, not as a note from the big boss.

The place to establish controls with ones own direct reports, not with those below them.

CONCLUSION:

State in all "Mandate type" memos that if they are to be forwarded they must be rewritten over the signature of the recipient. However, the ISSUE or the problem CAN/SHOULD be transmited onward. The obvious thing to do is not write Mandate memos in the first place but rather "Problem statement" memos and make the mandates verbally to the direct reports, along with statements of the consequences of non-compliance. Then the people lower down can forward the memos without comment all *THEY WISH.*

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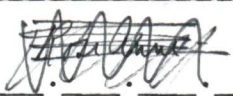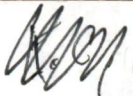        !   !   !   !   !   !
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TO: JIM OSTERHOFF

cc: see "CC" DISTRIBUTION

DATE: THU 27 JUN 1985  10:19 AM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5277319305

SUBJECT: DISCOUNT POLICIES AS A PROFIT DRAIN

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            CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY
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We've dealt with discount policies in which we gave the discounts
at the beginning of the year based on what the customer promises
he will buy.  If he doesn't take this, we often don't claim the
discount which belongs to us.  This was not part of the plan, and
it is not presented when the discount policies are proposed.

I believe it is the responsibility of the Finance Department to
enforce these discount policies.  It is ridiculous to leave up to
the individual salesman, sales manager, marketing manager, or
marketing vice president the decision to forgive discounts.  I
think the controller's function should make sure that, if our
policy says, people get a certain discount for a certain
quantity, it should be enforced, or a written, public stated
policy should be presented which says, we forgive all discounts
not earned.

The first of this fiscal year, I'd like you to be sure that all
new contracts, or renewed contracts are done with the
understanding that discounts will be given as they are earned.
People must have a clear understanding that unearned discounts
will be returned to the Corporation at the end of the year.  If
there is any other policy, I think it should be formally
presented to the Executive Committee, and formally approved.

Marketers, sales people, and sales managers love the opportunity
to negotiate, and talk, and earn their keep by spending time with
the customer over an infinite amount of detail.  This is what
makes our sales expensive and difficult, and this is what ties up
our senior people who are able to talk with customers.  When I
say I want automated sales, I mean that sales contracts and
discounts are so straightforward that there are no negotiations,
and no "control of the situation".

The policy should be clear, approved by the Executive Committee,
andd enforced by the Finance Department.  This should not be left
to MSSC, Jack Shields, or Ward MacKenzie.

KHO:mt
KO4:SECT10.53

DICTATED 6/27/85 BUT NOT READ

"CC" DISTRIBUTION:

*WIN HINDLE          JACK SHIELDS          JOHN SIMS
RON SMART            JACK SMITH

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TO: WIN HINDLE
    JIM OSTERHOFF
cc: see "CC" DISTRIBUTION

Interoffice Memo

DATE: MON 13 MAY 1985    2:55 PM EDT
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5272885610

SUBJECT: BUDGETS

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The budgeting process has always been the vehicle for assuring
that we have a consistent, rational organization and business
plan.  This is the only vehicle which ties everything together.
The people who run the budget have an enormous obligation,
because it is through the budget that we have a check on all the
pieces of the Company, and identify weaknesses that have to be
taken care of.

Over a period of time, the people doing the budgeting took on
much too much authority.  The result was that the people who had
business responsibility left that with the budgeters to take care
of and they did not know what was going on in the areas they were
responsible for.

I am afraid we have gone too far in the other direction.  Now,
the controller's function believes:  I have control of everything
that is going on in the Company and they budget without
critically looking at the organization.  Or, if they are
critical, they won't tell me.

I have no other way of looking at the Company except through the
budget.  Projects that are not budgeted, consistent, wise, or
that are duplicated, I am unable to see unless the budgeting
system points them out.

At the Executive Committee meeting please review the question,
"What parts have the budgeting system pointed out that should be
taken care of, and, are all parts of the budgeting system playing
the part that is necessary to tie the Company together?"

There is one weakness in our budgeting system as identified with
some marketing and engineering groups.  Those who have their
major projects approved have alot of freedom in how they spend
money on side issues, experiments, explorations, etc.  Those
whose major budget does not get approved, even though it might be

much more important than the experiments and probes done by the
approved groups, get nothing.  There are large areas of the
Company that do not work very hard, and who do not see that they
have particular goals and who go home early, whose budgets get approved,
while other areas can not get money.  The budgeting
system should identify these areas rather than hide them.

KHO:mt
KO4:SECT9.57
DICTATED BUT NOT READ

"CC" DISTRIBUTION:

JACK SHIELDS          JOHN SIMS              RON SMART
JACK SMITH

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Interoffice Memo

TO: see "TO" DISTRIBUTION

cc: EDWARD A. SCHWARTZ

DATE: FRI 12 APR 1985  11:24 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT:  223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5269761364

SUBJECT: BURDEN ON PROFITS

The biggest burden on our profits comes from inefficiencies in
Sales with our:

    1.    complex discount policies

    2.    complex legal contracts

    3.    complex products

    4.    complex order processing

I want you to explain to the Board what we are doing about this.


KHO:ml
KO4:S9.4
DICTATED BUT NOT READ

"TO" DISTRIBUTION:

*WIN HINDLE          JIM OSTERHOFF          JACK SHIELDS
JACK SMITH

O.C.

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Interoffice   Memo

TO: JACK SHIELDS

cc: see "CC" DISTRIBUTION

DATE: THU 21 MAR 1985  11:13 AM EST
FROM: KEN OLSEN
DEPT: ADMINISTRATION
EXT: 223-2301
LOC/MAIL STOP: ML10-2/A50

MESSAGE ID: 5267539680

SUBJECT: ORGANIZATION OF SALES DEPARTMENT

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I'd like to simplify the Sales organization.  The Area Managers
are overworked and there is too much for them to do.  I don't
think having fewer Area Managers solves the problem.  I believe
that there are too many levels of management below the Area
Managers and that they are involved in all the planning and
decision-making, but don't have much to contribute.  For
instance, I suspect that all levels pass off on every budget,
which makes no sense.

I propose a simplified organization for the U.S: three Area
Managers, thirty districts, three-hundred offices, and
three-thousand Sales Representatives.

It won't work out this neatly, because we don't have
three-hundred offices, and some of the larger offices need layers
of management.  However, from a Corporate point of view, this
model has a simplicity that is easy to remember.

I would then set up two separate industry marketing groups that
would service all the present Sales organizations.  I would
designate one man for every one of the lines in Bob Hughes' chart
or, maybe, one man to handle two or three lines.  We would
probably have twenty or twenty-five high-level people each
managing the marketing of a particular industry.

The industry marketers perform a service.  They do not have
rights or authority, and they will not tell the Field what to do.
They serve by identifying for each office what companies they
should sell to that fall within their particular industry.  They
will supply all the helps and aid, and, if they are successful,
each office will take care of each company that they identify.

KHO:mt
KO4:S8.36
DICTATED BUT NOT READ

"CC" DISTRIBUTION:

*WIN HINDLE                KEN SENIOR                JOHN SIMS

JACK SMITH

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TO: JIM FLANAGAN                        DATE: THU 21 MAR 1985  11:07 AM EST
    WIN HINDLE                          FROM: KEN OLSEN
    DAVE PACKER                         DEPT: ADMINISTRATION
                                        EXT:  223-2301
                                        LOC/MAIL STOP: ML10-2/A50

                                        MESSAGE ID: 5267539663

SUBJECT: BOD PRODUCT INFORMATION

*********************************************************************
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*********************************************************************

Please re-cast your figures and your studies so that we can
answer the questions that the Board asked. They are: "Why are we
going to make money on our new products when we didn't on our old
products?" And, "Why will we make money on the new PC we are
doing next year?" Also: "Why will we make money on the long list
of VAXes we will have next year?"

How much extra money will we make with each of the new VAXes we
introduce next year, and what is the investment and extra return
we will get from that investment?

Of the hundreds of products we introduce next year, of the worst
30%, what return will we get on: inventory, training, Sales time,
etc.?

The Board will undoubtedly ask: Do we have one person responsible
for each major product, or, do we have parts of each product's
responsibility spread around on the lists of very busy people?
They will also want to know if half-interested committees, with
no responsibility, run the products.

If we break the Company by business, such as: Dealers, Stores,
TOEM, COEM, Small Business, Office, how much did they make last
year? Why will they make a lot more this next year?

Are we pricing our products by component, each one competitive
with the component supplier? If so, can we get our software and
system investments back?

What percentage of a system that we sell because of our software
do we lose to component suppliers? How often do our OEM's force
us to lower our prices because they compete with us?

Will our salesmen, marketers, customers, and vice presidents feel
the product lines are simpler to sell and easier to understand at

the end of next year? Will selling be easier? Will we have fewer
magazines, fewer pieces of literature, and less red tape?

Etc.

*O.C. [signature]*

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TO: STEVE TEICHER                   Date: 3/12/85 Tue 8:56
                                    From: Ken Olsen
CC: <mark>WIN HINDLE</mark>         Dept: Administration
    JIM OSTERHOFF                     MS: ML010-2/A50    Ext: 223-2301
    JACK SHIELDS
    JOHN SIMS
    JACK SMITH

SUBJ: COMMITTEE UPDATE/REVIEWING SYSTEM FOR 2 MAJOR PARTS CORP.

*********************************************************************
            VERY CONFIDENTIAL - DO NOT DISTRIBUTE OR COPY
*********************************************************************

I've asked Win Hindle and Jim Osterhoff to co-chair a committee to
build a model and a budgeting and reviewing system for the two major
parts of the Corporation. These parts are OEM and related products and
MIS products.  If you have ideas on a model that will make financial
sense by selling large numbers of Micro-VAX chips, I'm sure they'd
like to hear it.

We are now about a six billion dollar company and growing at 25%-30% a
year.  We are spending about 16% of our hardware, and software NOR on
engineering.  Most of this is going into developing, testing, and
organizing those VAX systems that will do MIS for medium and large
companies.  A good part of our Marketing and Sales costs are aimed at
these markets.  Because of the effort and success we've had in these
areas, and because of the enormous investment by Digital in these
markets, they are particularly attractive to OEM's, who would like to
buy just the CPU or chip, and bid against us, using our systems and
software.  They like to price against us, using foreign components
with no cost on their part for the software and system development.

I cannot see how we can survive if we absorb all the systems and
software costs and bid against OEM's, who get them free.

What is worse, is that we often make the sale, with all the costs
incurred, and an OEM then bids, and he does not have to pay any
selling, marketing, systems, or software costs.  Our own accounting
charges all the lost selling cost towards those few sales we do get
and from our accounting it appears that the OEM orders come with very
little selling cost on our part.

We are then forced into pricing our systems units by component cost in
order to match the OEM's.  We cannot charge by component the costs we
incur in developing and selling systems or we will always be a
low-profit, high-cost operation.

The only solution I can see to this dilemma is to sell OEM computers and chips only to those people who truly incorporate them into their product. Examples of this would be: an X-ray machine, a Chevrolet, or a blood testing device; we will not sell them to those people who are getting our systems investments for free.

It is no longer a question as to whether we make MIS a major market for the Corporation. We decided that a long time ago when we went to ETHERNET and clustering and large machines. We already made that decision when we decided to build four or five thousand VENUS computers next year. We already made the decision when we decided that Micro-VAX was the computer for MIS applications in departments and medium sized companies. The question now is: "How do we return a resonable profit on the enormous gamble and risks that we have already taken?"


KHO/mt
KO4:S8.16
DICTATED BUT NOT READ

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TO: KITCHEN CABINET                    Date: 25 FEBRUARY 1985
                                       From: Ken Olsen
cc: RON SMART                          Dept: Administration
                                       MS: ML010-2/A50    Ext: 223-2301


SUBJ:  MARKETING PLANS

*********************************************************************
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*********************************************************************

It is apparently believed by the Kitchen Cabinet that we can have no
influence on Business Plans and that all we can do is remove a person
if we completely lose confidence in him. This does not make sense. It
is ridiculous to, every time we change managers, have to wait for a
new plan and to know ahead of time that that plan is going to take two
or three years to make money, with major investments.

It is also believed that to discuss hardware is "un-elegant" from a
computer science point of view and from a business school point of
view. The inventory, capital equipment, accounts receivable, training,
documentation are a major part of our expenses.

At Ford they would not tolerate someone who had an idea for an new
automobile, but talked only with spread sheets. They would want to
know what the product looks like, what features it will have and how
much capital would be tied up in getting it to market.

I suggest that we lay out what we think should be done with hardware,
software and marketing plans and then listen to the managers'
suggestions. In general, however, he takes a contract from the Kitchen
Cabinet.


KHO:ml
KO4:S7.46

TO: see "TO" DISTRIBUTION                DATE: WED 13 FEB 1985   4:40 PM EST
                                         FROM: KEN OLSEN
cc: OFFICERS:                            DEPT: ADMINISTRATION
                                         EXT:  223-2301
                                         LOC/MAIL STOP: ML10-2/A50

                                         MESSAGE ID: 5263903013


SUBJECT: RECENT RAINBOW PRESS COMMENTS


The following statements will be released to the press in
response to Monday's New York Times article regarding the Rainbow
product:

1.  We are NOT abandoning Personal Computers:

    In the wake of recent speculation that it is abandoning the
    personal computer market and, in particular, its RAINBOW
    microcomputer, Digital Equipment Corporation signaled that it
    would announce, next month, significant enhancements to its
    RAINBOW and DECMATE personal computers which, according to
    Digital president, Ken Olsen, "will set new standards of
    versatility and functionality for personal computers".  Olsen
    did not provide specific details on the announcement, but
    said that the planned enhancements and options would combine
    the best features of personal computing, word processing and
    office automation.  He said the new offerings would deliver
    important price/performance improvements in environments
    where interconnected personal computers are used as the user
    interface to larger systems.

    Olsen stressed that the enhanced capabilities would also be
    available as upgrades to current RAINBOW/DECMATE users.

2.  VENUS is doing well .... but:

    As the business activity in the electronics industry softens,
    our orders from this segment are softening.

3.  We are NOT planning to have a layoff:

    We are improving manufacturing efficiencies through major new
    technologies like LSI, reduced overhead costs by simplifying
    our organization and structure, improved inventory management
    techniques and continued increases in the quality and
    reliability of our products.

    Our success in these areas has allowed us over three years to
    nearly double our sales without increasing our manufacturing
    population.

Our competitiveness demands that we accelerate and expand on these programs to improve productivity. Therefore, over the next several years, we plan to be able to support increasing sales levels with a reduced manufacturing population.


KHO:ml
K04:S7.37

"TO" DISTRIBUTION:

| | | |
|---|---|---|
| VERNON ALDEN | PHILIP CALDWELL | ARNAUD DE VITRY |
| GEN. GEORGES DORIOT | WILLIAM MCLEAN | DOROTHY ROWE |

*Forward to Hindle Staff*  K.C.

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TO: FOMC:                              DATE: WED 13 FEB 1985  2:10 PM EST
    MANAGEMENT COMM:                   FROM: JERRY PAXTON
    JOE NAHIL                          DEPT: CORPORATE SALES
    STRATEGY COMMITTEE:                EXT:  276-8990
                                       LOC/MAIL STOP: STOW, MASS./OGO1-1 MO2

                                       MESSAGE ID: 5263902815

SUBJECT: ATTACHED MESSAGE FROM JACK SHIELDS

TO:          Worldwide Subscribers    DATE:  13 February 1985
                                       FROM:  Jack Shields
                                       DEPT:  V.P. Field Operations
                                       EXT:   276-9890
                                       LOC/MAIL STOP:  OGO1-1/MO2

SUBJECT:   RESPONSE TO NEW YORK TIMES ARTICLE


The New York Times published an article in their February 12,
1985 edition entitled "Product Abandoned by Digital" and
subtitled "Rainbow Plant Being Refitted".

This article has been the basis for articles in various other
publications addressing the same topic.  The misleading
impressions which the article gives require clarification which
we are currently addressing with the press.  However, to benefit
you in discussions with our customers, the facts surrounding
those issues are as follows:

WESTFIELD FACILITY

Digital has been planning for some time to build up a large
inventory of Rainbow computers so that it could shut down the
production line and refit it for another computer product.  By
producing in volume to meet both our current sales and inventory
requirements, we have been able to take advantage of
manufacturing efficiencies so necessary to stay competitive.  If
our inventory is not sufficient to meet our projected needs, then
Manufacturing capability is available to provide systems as
required.

MANUFACTURING IN GENERAL

Digital has publicly stated its ongoing goal to reduce its
manufacturing costs.  This involves a continuing effort to make
more effective use of our facilities and people each time we
refit a facility for new product manufacture.  In fact, because
of the number of new products soon to be announced, you may hear
of more situations where plants are converted from current
product manufacture to new products.  Each conversion offers us

the opportunity to make efficiencies in the manufacturing process.

## PC STRATEGY

We have stated publicly, and will continue to reinforce, the importance of personal computing to Digital's overall corporate product strategy. We are making significant investments in Rainbow enhancements, which will be announced in the very near term, as well as a new personal computer-class system, which will be announced in the future. You can, with confidence, ensure your customers that DEC's current products, soon-to-be announced enhancements, and follow-on products will provide them the same competitive advantages that Digital products have always provided.

In summary, what has been billed as "news" is inaccurate in assuming that we are moving out of the Rainbow PC business and misleading in representing our commitment to continued manufacturing efficiencies. Our Rainbow PC Strategy and commitment to manufacturing efficiencies are both positive positions which, unfortunately, came out negatively.

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13-FEB-85  15:00:08  S 04220  CLEM
CLEM MESSAGE ID: 5263907641

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TO: *WIN HINDLE                    DATE: THU 31 JAN 1985  10:37 AM EST
    KEN OLSEN                      FROM: JACK SMITH
    JIM OSTERHOFF                  DEPT: ENG & MFG ADMIN.
    JACK SHIELDS                   EXT:  223-2231
    JOHN SIMS                      LOC/MAIL STOP: ML01-4/A54

                                   MESSAGE ID: 5262687459

SUBJECT: MARKETING AND MANAGEMENT AT DEC

       ****** C O N F I D E N T I A L ******


Well, it has finally happened -- the legendary 'Jack Smith tolerance level for
ambiguity and nonsense' has been reached.  The blank stares and seemingly
unknowledgeable questions by our Marketing VP's when discussing our product
strategy at Monday's Strategy Committee did the trick.  Bill Strecker said it
well, and I quote, "I am abhorred after all the work Engineering has done
with Marketing; the lack of willingness on the part of Marketing to understand
our products and formulate comprehensive Marketing plans based on application
requirements in the field".  We have a problem when the attitude of our
Marketing folks is, 'aha, but the product doesn't do this; don't have this
application?; no good to me; you mean you forgot this application?'  This
after-the-fact attitude on their part is intolerable.  Remember we reorganized
the Company so that our Marketing people would have the time to give the
Engineering community this kind of direction as one of their key
responsibilities.  They should actually feel they have failed when we find a
hole in the Engineering Strategy that effects their application/market base.
Instead, the attitude is, 'well, Engineering did it to me again'.  Nonsense.
And then, when I'm asked, "Jack, can you tell us what a comprehensive
Marketing plan would look like"?  Patience my foot -- I would like to stomp on
someone.

Ken, you contribute to the nonsense by letting our Marketing VP's off the
hook; they do work for you.  Ken, out of frustration, has given up on our
Marketing VP's and ever getting anything meaningful from them.  His approach
is therefore to push the problem onto Engineering.  "The Engineering isn't
complete until the Marketing is done".  Well Ken, there are 3,000 people in
Marketing in this Corporation.  I think it is relevant that you understand
that I don't have that many folks walking around in Engineering waiting for
some Marketing work to do.  3,000 folks in Marketing.  That number is close to
half the total number of folks we have in Engineering.  Does that feel right
to you?

Now all us "senior" folks based on our Harvard and other lofty institution
experiences, have rationalized most of our domestic problems are basically
externally driven, economic in nature.  I suspect most of this is nonsense and
our problems are basically internal to DEC; the result of how we are managing
or, more appropriate, not managing.

But everyone else is having problems I hear, so it must be the economy; HP,
Wang, Honeywell, etc., etc.  Another piece of nonsense.  We (Engineering)

pointed out in many of our Product Strategy reviews many months back that companies with good products would continue to do well; DEC, DG, Prime, IBM, Apollo, etc., etc.   In turn, certain companies would run out of "product steam"; HP, Wang, Honeywell, Sperry, etc., etc.  The majority of our problem is not economic in nature.  If you have the products, you should be doing well and continue to do well for some time.

Now we are doing well in Europe.  I suggest for the following reasons:

o  "Our product strategies are too complex, we can't understand them".
   This is unacceptable to European management.  The direction to their
   Marketing and Sales management folks is clear -- you will understand
   our products and, based on this, you will formulate comprehensive
   Marketing/Sales plans driven by an understanding of the application
   requirements of our customers.  Somehow it happens and they are 3000
   miles distant from Engineering.  Somehow they understand because they
   are expected and managed to understand.

o  Marketing and Sales formulate their plans together in
   close positive  working relationships.  No such nonsense
   as -- we can't clean up an  OEM/End User co-existent
   situation because we can't get Marketing and  Sales
   together.

o  The identified field segments (countries) understand, to the line
   items, what products they will sell.  Selling what hasn't been ordered
   or what we don't have is completely foreign to them, pardon the pun.

o  All the individual segments are managed within a well planned
   integrating management process directed by Pier-Carlo personally just
   about in real time.  Trade off between the segments are therefore
   timely, constant and consistent.  They all know, at any point in time,
   exactly where they are and what must be traded off resulting in clear
   real time direction.

o  The bag-carrying Sales folk know the products - the result of good,
   comprehensive Marketing plans focused on application, a somewhat more
   focused approach to selling and a relatively lower turnover rate.

Now Win and Sims insist we must work with the Marketing VP's in such a way as to not hurt their fragile feelings.  Well at this point I could care less.  I want comprehensive Marketing/Sales plans that will move my product and we don't have them.  We are investing a ton of money to get this done and I want it done without all the excuses of structure, lack of data, lack of power, etc., etc.

Instead of these all day - all evening woods meetings between the Marketing VP's to solve the "Company problems", I would suggest they work on comprehensive Marketing/Sales plans based on an understanding of the application needs of our customers.  Plans that will help our Sales folks be better prepared to sell our products.  Plans that give direction to our Engineering folks for the development of the right system applications.  Don't invite me to anymore meetings until I have these plans.  I will be busy, doing the best I can, formulating Marketing/Sales plans that I can't get from the 3,000 folks who have the responsibility.

Now I hope in some way I have offended each of you.  If I somehow missed

someone, it certainly wasn't intentional.  We are screwed up, (sorry John, you can't completely take the street out of the man), we are not managing, we are not leading, we are missing enormous opportunities because of our internal confusion and blaming it on external conditions.  The problem lies with us folks "at the top of the house".  We are not getting the job done, pure and simple.  We are not structuring ourselves through either process and/or organization to format data, understand, review and give direction based on an integrated view of any meaningful segment of our business.  At this point I could care less if the segments be geography, product, application, industry or whatever.  Just so that we can understand cause and effect across the Company and the influences or lack of influences on our customers.

As the unofficial, illegitimate senior group operating within some ill-defined management process, we should be helping Ken (the ONLY integrating, monitoring point in the Corporation) run the Company.  WE HAVE SOME WORK TO DO - what should we look at? - what content? - who? - how? - when?  Set direction, follow up, initiate action! - get out there (in the field, inside DEC), understand, influence, push, shove, stomp, stroke.  This is lots of work (and takes losts of time) but it MUST be done.  The options are clear - if one can't do it all then one must choose to be part of the senior management team helping Ken run the Company, or choose to manage a function.  BOTH jobs must be done.  The one choice we do not have is to allow opportunity to slip away because we haven't postured outselves to manage it.

We are on the threshold of unprecedented Corporate success - if we blow it we have no one to blame but ourselves.


31-JAN-85  11:31:45  S 02293  CLEM
CLEM MESSAGE ID: 5262693869

Interoffice Memorandum                                    *OC*
                                                         *History*

To: see "TO" DISTRIBUTION            Memo: 5348861126COR94
                                     Date: Fri 12 Jun 1987  1:00 PM EDT
                                     From: KEN OLSEN
                                     Dept: ADMINISTRATION
                                     Tel:  223-2301
                                     Adr:  MLO12-1/A50*

Subject: JULY OR AUGUST WOODS MEETING FOR EXECUTIVE COMMITTEE


******************************************************************
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******************************************************************

I would like to spend a full two days in Maine in July or August
going over the heart of Digital's business.

In detail, I would like to review every product in which we have
invested in the last four years to see what we can learn from
them.  I would like to organize what we have learned and see if
we can from that pass judgment on this years engineering and
product plans.  Why do some products succeed and others fail?  Is
it generally true that only those which have high concentration
of interest from the top ever succeed?  Why do some of those such
as PC All-In-1, for which there is enormous demand and from which
we expected the highest return, end up doing almost nothing?

I would also like to evaluate how broad a product line can the
sales department handle.  Is it necessary to have every single
possible variation of size and capability of computers, or is it
impossible for the salesman to handle so many?  Would we do
better having a very small number of computers with large gaps
between them?

Then I would also like to go over our Engineering/Manufacturing
costs.  Is our overhead and our red tape too expensive?  Why does
it cost a million and a half dollars just to make a simple
module?  Why does it cost $300K just to change connectors in a
simple modem product?  Why is our overhead in small products so
high that it really doesn't pay to improve the products?  Why do
the engineers feel they are measured on things that obviously are
not valid?

Other big companies are buying small companies so that they can
separate out small jobs that don't need a large company system.
Should we do this or should we just not do small jobs and only do
the large jobs?

I would also like to measure the efficiency of our sales
department.  It appears that we don't have a simple pitch and a
simple party line for the bulk of our products and that a
salesman has to bring in an expert who has to bring in an expert,
who then often has to bring in one more expert.  Could we
concentrate on a set of products for which every salesman can be
expert, and then sell the complicated ones from a separate
organization at a much higher cost?

I would like George Chamberlain and Ivan to propose an outline
and then I would like to divide the work up between the Executive
Committee.


KHO:mc
KO:1034
DICTATED ON 6/12/87, BUT NOT READ


"TO" DISTRIBUTION:

| | |
|---|---|
| GEORGE CHAMBERLAIN | WIN HINDLE* |
| JIM OSTERHOFF | IVAN POLLACK |
| JACK SHIELDS | JOHN SIMS |
| RON SMART | JACK SMITH |

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**INTEROFFICE MEMORANDUM**

TO: DISTRIBUTION

CC: IVAN POLLACK
    ED SCHWARTZ

DATE: 19 JUNE 1987
FROM: KEN OLSEN
DEPT: CORPORATE ADMINISTRATION
M/S: MLO12-1/A50
EXT: 223-2301

SUBJ:  DESK TOP STRATEGY

We had a good desk top Woods meeting.  We clarified a lot but raised a lot of questions.  I'd like now to organize all we know, all we plan and all we have under consideration into one chart that I'd like presented to the Executive Committee in July and the Board of Directors on the 17th of August.

For this chart, I'd like to assume that we are committed to supporting VMS, UNIX, MS-DOS, OS-2 and Mac.  Let's assume that this chart will be a vehicle in helping us decide which of these we will include in our product line.  For the sake of the chart, we will assume we also make an MS-DOS machine with no slots but with a floppy in the PVAX box.

The chart will have five columns.  The first column is VMS, second UNIX, third MS-DOS, fourth OS-2, fifth Mac, and the sixth is a commentary on management.

Gorden Bell took joy in pointing out that all projects not supervised directly by his inner circle consistently failed.  WPS was one of his particular joys.  No one has this negative attitude today, but we have yet to prove that projects ignored by the inner circle have a high rate of success.  Therefore, in the sixth column I'd like comments on whether or not this part of the project is of burning interest to the engineering management inner circle, or is it in the boonies of no particular interest and no likelihood of success.

Today I am afraid that our strategy in this area looks to the sales department and to the Executive Committee like a bunch of half done things delegated to various parts of the Company without any force to integrate.  I'd like you to prove that, at this time, we do have a thought-out, easy-to-understand strategy that we can pull off because it's simple and people understand what they are driving toward.

From history, you can conclude that only the things done by the inner circle of the engineering staff succeed.  But you also could conclude that the inner circle only does things which are easy to define with clear cut goals and that they delegate those things for which they don't want to work out the myriad of detail and in which they don't want to rationalize into a simple set of goals.

Right now I don't want to find out.  I want to rationalize the goals,
simplify them, make sure we succeed and have the inner circle show
enthusiasm and interest in management for the whole project.

KHO:ld
KO:1057


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JACK SHIELDS                          JOHN SIMS
JACK SMITH                            PETE SMITH
BILL STRECKER

| | VMS | UNIX | MS-DOS | OS-2 | MAC | COMMENTS ON MANAGEMENT |
|---|---|---|---|---|---|---|
| Diskless CPU | PVAX | PVAX | P32 w/floppy | P32 w/floppy | | |
| CPU with Disk | PVAX or any VAX ----------------------- | | | IBM or Clone ----------- | | |
| Network - diskless | Cheapernet | Cheapernet | Cheapernet | Cheapernet | Cheapernet | |
| Network w/disk | | | | | | |
| Office Devices on Network<br>1) printer<br>2) printer<br>3) printer | | | | | | |
| 1) scanner<br>2) scanner | | | | | | |
| Word Processing<br>1) poor<br>2) good<br>3) better<br>4) best | | | | | | |
| CAD Department<br>1) printer<br>2) printer<br>3) printer | | | | | | |
| 1) plotter<br>2) plotter<br>3) plotter | | | | | | |
| 1) scanner<br>2) scanner | | | | | | |
| Server Software | | | | | | |
| Special Software | | | | | | |
| Applications Software | | | | | | |
| DEC Software | | | | | | |
| Third Party Software | | | | | | |

I n t e r o f f i c e   M e m o r a n d u m

To: see "TO" DISTRIBUTION

cc: TOM SIEKMAN

Memo: 5346554974COR84
Date: Wed 20 May 1987 11:21 AM EDT
From: KEN OLSEN
Dept: ADMINISTRATION
Tel:  223-2301
Adr:  MLO12-1/A50*

Subject: DESK TOP PRESENTATION TO THE BOARD OF DIRECTORS


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There are three major questions involved with the desk top (some
stand on the floor) products.  Each of these questions are
exceedingly important and should be raised at the highest level
of the Corporation.  The questions are tearing people apart.  The
obvious answer is to raise them to the highest level, present the
arguments in an organized, systematic way and look for a
decision.

UNIX

We have to redo our policy on UNIX.  The suggestions go all the
way from dropping UNIX altogether and with all haste and all
useful investment, get all the UNIX functions on our VMS
workstations.  The suggestions then go all the way to making UNIX
as complete a software system as VMS and competing with VMS.

There are many points of view, and depending on where you stand,
the answer is obvious; however, we have to take into account
every one of the points of view and we will do it in a
systematic, organized way and work on it for several months.  The
schedule I'd like to follow is:


   I.   On May 27, we will have presented an outline of all the
        points of view and all the alternatives and what the
        costs, advantages and risks are for each.

        We will then present that chart on the 15th of June to the
        Board of Directors, and on the 17th of June, we will spend
        a full day again working the problem.  Then on the 29th of
        July, we will have a Woods meeting at Heald Pond and grind
        away at it until we make the decision.

   II.  The pricing question is also tearing the Company apart.
        We have to sell inexpensive PC's and workstations, with
        the same CPU with which we make very complex, powerful,
        multi-user systems.  One we get little money for, one we
        have to get a lot of money for and regardless of what we
        do, they are interrelated.  Of course the questions raise
        the question of corporate strategy on looking for market
        share or making as much money as possible in the immediate
        future.  On the 27th or 28th of May, we will outline the
        questions and the alternatives and the advantages and

disadvantages of each in an outline of what marketing plans we would pursue with each alternative.

We will then make this the major presentation to the Board of Directors on the 15th of June and we will make the decision at the Executive Committee Woods meeting on the 18th of June.

III. The next question is, how many desk top CVAX machines do we have to make in order to accomplish all our goals. It is felt by some that we have to make four or five different versions in order to get four or five different sets of prices. Others claim we are making four versions because we have four groups of engineers to keep busy.

For the Woods meeting the 27th and 28th of May, we'll present a chart showing all the CVAX CPU boards we are laying out. In that chart, we will lay out the cost of each one and evaluate alternative combinations. We will evaluate the cost of tooling, engineering, inventory, and field service. Bill Heffner will present the cost of adapting VMS for three, four or five new machines as compared to one, and George Chamberlain will evaluate the cost of time to market several machines as compared to getting a less optimized machine to market with a higher manufacturing cost.

We'll also ask to have presented a list of ways in which we can accomplish different pricing and evaluate the cost of each one, both in time for marketing, engineering, tooling, delay, inventory risk, training, field service and software.

KHO:ld
KO:979
DICTATED 5/20/87 BUT NOT READ

"TO" DISTRIBUTION:

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Interoffice Memorandum

To: DSM:

cc: see "CC" DISTRIBUTION

Memo: 53368790520GO29
Date: Thu 12 Feb 1987  1:06 PM EST
From: CHICK SHUE
Dept: US SALES
Tel: 297-6067
Adr: MRO3-3/B13

Subject: FIVE CLEAR AND POWERFUL MESSAGES

"DIGITAL HAS IT NOW!" REMAINS OUR MOST POTENT OFFENSIVE STRATEGY
AGAINST IBM. IBM WILL CONTINUE TO SPEND MILLIONS OF DOLLARS TO CLOUD
OUR MESSAGE, TO BUY TIME, AND TO CAUSE CUSTOMERS TO WAIT UNTIL "IBM
HAS IT!
--

YOU AND YOUR SALES PEOPLE ARE DOING AN OUTSTANDING JOB BEATING IBM.
WE MUST CONTINUE TO PRESS OUR ADVANTAGE AND HELP OUR CUSTOMERS TO ACT
NOW.

WORDS MAY NO LONGER SEPARATE THE DEC STRATEGY FROM THE IBM STRATEGY,
BUT THE FACTS DO! HERE ARE FIVE CLEAR AND POWERFUL MESSAGES:


*******************************************************************
PLEASE MAKE CERTAIN THAT EVERYONE IN YOUR ORGANIZATION GETS THIS
INFORMATION.
*******************************************************************


1. DIGITAL PROVIDES OUR CUSTOMERS A COMPETITIVE EDGE
-----------------------------------------------------

   BACKUP:

   OUR CUSTOMERS' BUSINESS STRATEGY COMES FIRST. OUR PRODUCT STRATEGY
   IS COMPLIMENTARY, SUBORDINATE, AND TRANSPARENT TO OUR CUSTOMERS'
   BUSINESS STRATEGY. (IBM'S PRODUCT STRATEGY IS OBSTRUSIVE, AND OFTEN
   FORCES THE CUSTOMER TO CHANGE HIS BUSINESS STRATEGY TO CONFORM WITH
   IBM'S STRATEGY. EVEN NOW, IBM HAS THE NERVE TO TELL THEIR CUSTOMERS
   TO WAIT FOR BETTER PRODUCTS FROM IBM WHEN WORLDWIDE COMPETITIVENESS
   IS A SURVIVAL ISSUE FOR MANY OF THEIR CUSTOMERS.)

   THE SUCCESSFUL ENTERPRISE IS BOTH OPPORTUNISTIC AND STRATEGIC. OUR
   PRODUCTS ARE EASY TO USE, GRANULAR AND COMPETITIVE IN THE SHORT
   RUN, YET, DESIGNED TO A SET OF STANDARDS WHICH ASSURES COMPATIBILITY
   AND PROTECTS OUR CUSTOMERS INVESTMENT IN THE LONG RUN.(CONTRAST
   THIS WITH YOUR CUSTOMER'S HUGE SUNK COST INVESTMENTS IN IBM'S OLD
   "STANDARDS" WHICH HAVE NOT MET THE TEST OF TIME)

   DEC PRODUCTS WORK THE WAY SUCCESSFUL PEOPLE WORK.....WITH EACH
   OTHER. OUR CUSTOMERS NEED FAR FEWER PEOPLE TO UNDERSTAND, OPERATE,
   AND SUPPORT DIGITAL PRODUCTS. OUR COMMITMENT TO INDUSTRY STANDARDS
   AND SIMPLICITY PROVIDES OUR CUSTOMERS A  MEASURE OF AUTONOMY
   FROM DIGITAL. YET, FOR A FAIR PRICE, DEC WILL SUPPLY WHATEVER
   SUPPORT OUR CUSTOMERS' NEED. (THIS DEFUSES IBM'S STRATEGY OF
   GIVING AWAY LARGE NUMBERS OF "FREE" SUPPORT PEOPLE TO THEIR

FEB 13 1987

CUSTOMERS. WHO PAYS FOR THESE PEOPLE WHEN THE CUSTOMER BECOMES
DEPENDENT ON IBM?)

2. DIGITAL IS THE INDUSTRY'S LEADING SUPPLIER OF COMPUTER NETWORKS
--------------------------------------------------------------

BACKUP:

DIGITAL IS THE UNDISPUTED INDUSTRY CHAMPION OF COMPUTER NETWORKS.
AS A LEADER OF END USER AND DISTRIBUTED COMPUTING IN THE MID
SIXTIES, DIGITAL WAS NATURALLY COMPELLED TO TAKE A POSITION OF
LEADERSHIP IN COMPUTER NETWORK TECHNOLOGY. TODAY, WE SHIP THOUSANDS
 OF WIDE AREA AND LOCAL AREA NETWORKS A MONTH, AND WE LEAD THE
INDUSTRY IN COMPUTER SYSTEM NETWORK SHIPMENTS.

WE ARE COMMITTED TO SETTING AND OR SUPPORTING INDUSTRY STANDARDS.
WE HAVE A TRACK RECORD OF CHOOSING AND SUPPORTING PROVEN NETWORK
PROTOCOLS. FOR EXAMPLE, OUR DIGITAL NETWORK ARCHITECTURE (DNA) IS
BASED ON THE SUCCESSFUL U.S. GOVERNMENT ARPANET PROTOCOL. OUR
LOCAL AREA NETWORK PROTOCOL IS BASED ON THE PROVEN XEROX DEVELOPED
ETHERNET. (CONTRAST OUR CLEAR, OPEN, DELIVERABLE NETWORK STRATEGY
WITH IBM'S SNA AND TOKEN RING STRATEGIES. OR DOES IBM NOW TOUT
ETHERNET SUPPORT? CONFUSING? YOU BET.)

DIGITAL IS LEADING THE INDUSTRY IN OUR SUPPORT OF INTERNATIONAL
NETWORK STANDARDS. WE ARE COMMITTED TO BEING OUR CUSTOMERS MULTI
VENDOR NETWORK SYSTEMS INTEGRATOR (MVNSI). IN SHORT, WE OFFER OUR
CUSTOMERS THE FREEDOM TO CHOOSE THE BEST COMPUTER SYSTEM REGARDLESS
OF VENDOR. (IBM IS COMMITTED TO IBM STANDARDS. THEY TOO SUPPORT
THEIR CUSTOMER'S FREEDOM TO CHOOSE AS LONG AS THE CUSTOMER'S CHOICE
IS IBM)

.........AND SPEAKING OF INDUSTRY STANDARDS...............

3. DIGITAL PRODUCES VAX/VMS, A SINGLE HARDWARE, SINGLE SOFTWARE
--------------------------------------------------------------
ARCHITECTURE , WHICH OFFERS THE BROADEST RANGE OF TOTALLY
---------------------------------------------------------
COMPATIBLE COMPUTER SYSTEMS.
----------------------------

        BACKUP:

        --EXPLOIT IBM'S MULTIPLE HARDWARE ARCHITECTURES IN THE MIDRANGE
        --EXPLOIT IBM'S MULTIPLE SOFTWARE SYSTEMS
        --UNDERSTAND THAT IBM'S 9370 COMMITMENT DOES NOT SOLVE THE
          HDWR PROBLEM UNTIL LATE FALL AT THE EARLIEST. ***ALSO, TO
          DATE, THERE IS NO COMMITMENT TO SOLVE THE SOFTWARE PROBLEM!

***CAUTION*** IBM IS AGGRESSIVELY FUTURE PRICING THE 9370 IN MANY
LARGE PROJECT BIDS WITH LONG DELIVERY LEAD TIMES. MAKE SURE YOUR
CUSTOMERS ARE MAKING APPLES TO APPLES COMPARISONS ON PRICE AND
DELIVERY. KNOW THAT OUR FUTURE PRODUCT PERFORMANCE AND PRICING
STRATEGY WILL BE EQUAL TO OR BETTER THAN IBM. GET YOUR DISTRICT
SALES AND OPERATIONS MANAGEMENT INVOLVED IN LARGE PROJECTS TO
ASSURE THAT YOU HAVE THE FUTURE PRICE PERFORMANCE INFORMATION
AND COMMITMENTS YOU NEED. NATURALLY, YOUR STRATEGY SHOULD EMPHA-
SIZE NOW! (TODAY'S PRODUCTS AND PRICES)

DIGITAL'S SERVICES ARE RATED NUMBER ONE OR TWO BY THE MAJOR
----------------------------------------------------------------
INDEPENDENT CUSTOMER SURVEYS
-------------------------------

   BACKUP:

     --RECENTLY RATED NUMBER ONE IN THE FORTUNE SERVICE SURVEY
     --WE ARE COMMITTED TO OUR CUSTOMERS'S SUCCESS. THIS COMMITMENT
       EXTENDS TO OUR UNDERSTANDING OF THEIR TRUE BUSINESS PURPOSE
       FOR WHICH OUR SYSTEMS ARE PURCHASED.
     --WE UNDERSTAND THE NEED TO CONNECT OUR CUSTOMERS' PREVIOUS AND
       FUTURE IBM SYSTEM INVESTMENTS. WE WELCOME THE PRIVILEGE AND
       OPPORTUNITY TO INTEGRATE AND SUPPORT THESE INVESTMENTS AS A
       DIGITAL RESPONSIBILITY TO ADD VALUE TO OUR CUSTOMERS' INFOR-
       MATION SYSTEM STRATEGY.
     --IBM'S REDUCED PROFIT MARGIN'S ARE FORCING THOUSANDS OF PEOPLE
       TO BE REDEPLOYED FROM HEADQUARTERS. THEY ARE SURE TO PACKAGE
       THIS AS INCREASED "SUPPORT". HELP YOUR CUSTOMER SEE THROUGH
       THIS. ENCOURAGE THEM NOT TO MEASURE SUPPORT BY THE "BODY COUNT".
       DEC WILL PROVIDE SKILLED PEOPLE TO GET THE JOB DONE AT A FAIR
       PRICE. (OUR SYSTEMS AND SUPPORT ARE PRICED FOR SUCCESS)

5. DIGITAL HAS IT NOW!
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*****************************************************************************

IN SUMMARY NO AMOUNT OF ADVERTISING DOLLARS AND RELATED PROPAGANDA
FROM IBM CAN OVERCOME THE FIVE DIGITAL ADVANTAGES EXPRESSED ABOVE.
IBM MUST FIRST FIX THEIR DELIVERABLE PRODUCT STRATEGY.THIS WILL TAKE TIME.
DON'T LET IBM BUY TIME AT YOUR CUSTOMER'S EXPENSE. TAKE THE POSITIVE
SALES APPROACH, AND STAY CURRENT WITH YOUR COMPETITIVE INFORMATION.
PRESS YOUR ADVANTAGE.

"CC" DISTRIBUTION:

ASM:                                          FOMC:
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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
```

To: see "TO" DISTRIBUTION

Memo: 5346067296COR02
Date: Fri 15 May 1987  2:46 PM EDT
From: KEN OLSEN
Dept: ADMINISTRATION
Tel:  223-2301
Adr:  MLO12-1/A50*

Subject: WHY WE LOST FACTORY NETWORKING AT FORD

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**********************************************************************
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I spent a couple of hours this week with the Ford staff that
decides what the standards shall be for Ford factories.  I think
I won every point on every argument, but they still want to use
broad band and token bus.  I think maybe I would do the same if I
were in their shoes.

They have a simple, elegant system, some of which they've had a
lot of experience with and the rest of which they can visualize
in their head.  We present a complex, almost infinite collection
of different gadgets, concepts, things, and ways of doing things.
Each one of us presents a story in a different way; each one of
us has different answers to each problem.

LET'S MAKE AN ELEGANT, SIMPLE PITCH FOR ETHERNET.

Let's try, for the State of the Company meeting, to show how
simple and easy to understand a "BASEWAY + Ethernet" system is to
conceive of, build and operate.  Let's include this in "the
book", and let's print the same thing in the booklet.

LET'S PICK A NAME FOR OUR FACTORY SYSTEM SUCH AS "NON-STOP
MANUFACTURING".

We have the software systems from us or our third parties for
what's needed to keep a factory going to introduce products
quickly, to make changes quickly and to avoid stoppage.

We have the equipment to build networks of the highest
reliability and ways of making redundant networks so that they
should never fail.

SOFTWARE

We have the software that makes networking easy and that makes
cell controllers or work groups easy to manage and easy to work
with the rest of the organization.  We have partners that supply
a wide range of software to do planning, control inventory, help
product introduction, and help make changes.

NETWORKING

Ford has a system for laying out a factory ahead of time with
broad band which brings a jack out at every position in the

factory. I'm going to ask them for a description of how this is done. I believe it is like wiring an apartment house for closed circuit television. At any apartment you can plug in a television set and you don't have to worry about clamping a device on a cable and doing special stringing. You just freely, at any time, plug anything into the cable and it's all worked out ahead of time.

John Adams and crew should lay out a plan showing how this can be done and showing how this is even better with thin-wire Ethernet. It should show how easy it is to hook up a cell at each jack. We could show how every column in a factory has a BNC connector on it (or two) and how from that every CPU in a cell can be daisy-chained at one jack. Parts of the same cell could be under another column and could even be some distance away on different jacks.

## THE ELEGANT TOKEN BUS SYSTEM

Token bus, as presented by GM, is indeed elegant. Everything plugs onto the bus in the same simple way. We point out how foolish it is to plug in tediously low speed things at a high speed bus and we point out how difficult it is to manage and maintain a bus with a lot of random things on it. But I can see how people fall in love with the simplicity of the concept and they hold on to that simple concept even when things like sub-buses are introduced.

## THE ELEGANT BASEWAY-ETHERNET SYSTEM

The DEC system is even more elegant, but we never put down on paper a simple system. We have an answer to any problem that is brought up, and by the time we finish a conversation, their heads are swimming in all kinds of concepts and none of it sounds fixed or standard and, above all, not at all elegant.

The factory is broken down into cells which can be very tiny or very large and very complex depending on how it is desired to organize the factory. A cell can consist of just one machine or it can consist of a number of machines, measuring devices, transfer devices, and a number of people. The cell is best made with a BASEWAY computer or Ethernet but could be token bus or any other network system.

## ETHERNET BACKBONE

Each cell or work group is then hooked directly to Ethernet, usually by way of the MicroVAX or VAX used to manage the cell or work group. For highest reliability, a redundant network is accomplished by each cell or work group hooking into two separate network backbones so that if one is damaged, the system will still operate.

## THE PITCH

The pitch boils down into the simple story that there are two components in the factory, Ethernet, which is indeed trivially simple and can be wired up ahead of time as easily as the television circuits in an apartment house, and cell controllers

(or work groups) which tie each sub-group of the factory together.

Digital has built tens of thousands of Ethernet networks; many are in the factory.  They are by far the most standard and most reliable, high speed networks.  Besides the factory, they are used in the laboratory, the CAD system, engineering, office, warehousing, inventory control, etc.

Digital minicomputers have been used for many years to tie together random protocols and interfaces in the factory with software called BASEWAY.  It is difficult to write the software for devices with poorly defined protocol interfaces.  As standards are developed for interfaces and protocols this will get easier.  There is software written for BASEWAY for many devices that are today used in the factory.

The same BASEWAY computers can be the cell controllers.  They can also supply human interfaces and cell management.

Digital offers rugged packaging for its cell controllers for use in the severe atmosphere of a factory.

MAP OUT MARKETED US

MAP won the hearts of the world with a simple, elegant message.  They may never deliver but they won the hearts of the people.

Our message terrifies people.  We say, tell us your problem and 12 people at Digital can tell you 12 different ways of hooking up an infinite number of pieces of equipment, each with their own code name.  Our message is so complex that we can't write it down, and it's so complex that two people at Digital can't give the same story.

THE COMPETITION'S MARKETING PITCH

Let's remember the competition's pitch is simply, you already have a grid of broad band; if we all work together, and standardize on the interfaces, all you have to do is plug any device directly into your grid.

We know that won't work, but it sounds great and ours sounds inconsistent, complicated and, as a result, quite dubious.

Let's publish and maintain a list of all factory devices for which we have BASEWAY software, and let's maintain a description of all the successful Ethernet factories we have delivered.

KHO:ld
KO:967

"TO" DISTRIBUTION:

DAVE COPELAND                                   WIN HINDLE*

| | |
|---|---|
| JENKINS | BILL JOHNSON |
| J ADAMS | JIM LIU |
| JIM OSTERHOFF | JACK SHIELDS |
| JOHN SIMS | JACK SMITH |
| PETER SMITH | BILL STRECKER |

*Win*

*Pete's letter attached*

# DIGITAL EQUIPMENT CORPORATION

MAYNARD, MASSACHUSETTS 01754

KENNETH H. OLSEN
PRESIDENT

23 September 1982

Mr. Peter J. Kaufmann
P. O. Box 152
Machias, Maine 04654

Dear Pete:

It was good to hear from you again.  I am glad to hear
you are still worried about us.

Next time you are in the area, please stop in and
visit.  Meanwhile, don't worry about us becoming a
marketing organization.  It may appear that we spend
more time helping the marketing area, but that is
because the so-called creative groups have trouble in
doing traditional management and therefore, generating
new leaders and so they take more time.  I figure it is
price that sells the product and not any one component
of price.  Our immediate goal is to cut out so-called
marketing costs because that is the biggest
contribution to cutting prices, but I am still a
manufacturer at heart.

We are making enormous improvements and gaining
tremendous efficiencies in overhead.  If we can keep
this recession going for another year or two, the
Japanese will never be able to touch us.

With best wishes.

Sincerely yours,

KHO:ep

OC Scratch file

September 1982

Dear Ken,

I had the opportunity to work eleven years of my life at digital

and no matter how my life has changed since then, I will always feel a

part of the company.  Though, I myself, could never return to

american industry, in any capacity, I wanted to give you my views from

afar.....of your struggles today.

In the late sixties and early seventies, when digital focussed on

marketing for its growth I had misgivings.....for my trip to Japan

had convinced me that ultimately it was the Japanesse not IBM, as Nick

Mazzeresse felt, who would end up as the most formidable competitors.

A joint venture in Japan that  Ted Johnson, Ed Schwartz and I proposed

was turned down flatly by the Operations Committee, as they were fearful

of the transfer of technology that might occur.

In both decisions....you were obviously correct.....for the results of the

last ten years show.

But once again, I am called upon to suggest to you that your struggles

 today stem from your success in building a marketing oriented copporation.

The manufacturing organization was also built to service that focus.

Somehow, Ken, it still seems to me that the company that can compete with

Japan in cost, and quality and simplicity is the company that will live.

If it is impossible to turn around the monolith we created then please take

as many resources as you can muster and go after an engineering, manufacturing

and sales organization that is lean enough to compete. (I left out marketing

(Where is Tom Stockebrand?....)  → because I have always felt marketing was

immoral.) (Where is Tom Stockebrand ?...)

The U.S. has lost its consumer electronics industry to the Japanesse.

The U.S. has lost its automobile industry to the Japanesse.

Please let us not lose the computer industry to the Japanesse and become

another Chrysler corporation.  You are too smart for that.

With great love and humility.      Peter J. Kaufmann  alias Chip

January 1978

Dear Win., et al;

By some quirk of fate, your Christmas card actually reached me, though
I am no longer picking up my mail at my post office box........and
it was nice to hear that someone misses my falling asleep at meetings.

As for me, I am alive and well. As you know, I had purchased a piece of
land in the country. Spent the summer in the area......worked as a
carpenter for two months.......wanted to learn how to build a building;
pumped gas at night and an assortment of odd jobs. In the fall, I started
a business consulting firm which specializes in assisting and developing
small, local, privately held companies. (You always did say I would
be a lousy consultant!!) But, as you might have guessed, I operate completely
differently than the normal consultant. I actually tell the owner
what to do, if he agrees, he does it and if he is satisfied with the
results, he pays me for my service. It really is fun, and so far, think,
I am reallying helping some folks.

Recently, I have received an advance from a publisher for me to continue
writing my book. (I remember deciding to write it at the first Operations
Committee meeting in Bermuda, years ago............it is not about Digital,
so no one should get paranoid.) Have found that it takes intense concentration
and discipline to so some worthwhile writing, but so far am really pleased
with my work.

I am presently living on the land I purchased. Over the years, I hope to
deve-lop this piece of land back into farming, as it was used that way,
years ago. Contrary to popular belief, I am not married, nor at the moment
am I living with anyone. As you know, my Irish ex-schoolteacher had the
great foresight to turn down my proposal and is still living in Dublin.
Marriage is probably marvelous for those that are successful at it, but,
I am one of those that has found it to be much too dibilitating and unless
I should soften again, suspect I will go it alone for a while longer.
(Of course, a relationship from time to time......that is different.)

The girls are fine. Karen is on tour, this month, with a professional
dance group and should graduate this June from Hampshire College. She
plans to do consulting work in creative movement.......which I do not
understand, except that it has nothing to do with sex. Jan is at
Marlboro College in Vermont, hopes to be a veterinarian, but may
end up in forsestry or agriculture because the competition is fierce
for veterinarian school.

Shortly after I left Digital, I gave away all the money that I received
from the sale of my dec stock..........that should keep a few lawyers
and accountants busy for years. It feels so nice to be out of retirement
and back to work again, for the past five years have proved that I am not
one who is happy in retirement. Have so many fine memories of Digital
.......so many fine people......and I often think about how much I learned
from chunky Ken Olsen. In retrospect, he is the sweetest, kindess,
most brilliant, manipulative, one dimensional, huckster I have ever met,
and I love him dearly. Hope he is well and happy.

I promised Ed Shein and others that I would keep in touch, so please feel
free to show this letter to the  Operations Committee, the Manufacturing
Staff  and anyone else you think interested.

I am happy, contented and at peace with myself and the world.......a state
that few people have seen me in......and hope this letter finds you the
same.  Am certain that someday, probably soon, my whereabouts will be
discovered and become public knowledge, but until then, my very best
love to you and the family..........

Kaufmann

June 1978

Dear Win,

My personal situation has been cleared up and I thought
that I should write to you and tell you my whereabouts.

I am living in Machiasport, Maine....Jay Peter Chipmann,
P.O. Box 152, Machias, Maine 04654.....telephone number,
(207) 255-3052.

Things have gone well for me.  Had a quiet winter....
accomplished alot of writing....learned how to plow snow,
until it got ahead of  me, as it did for you f olks,...
...then was skiing  (1 1/2 miles) in here with groceries..
.....chopped wood and heated by a woodstove.

Since the spring have been outdoors....clearing land and
finishing the house and barn.  Am going to spend the
summer also clearing land (15 acres) and f encing.  Have
decided to start with goats as they eat alder roots and
hardack....then on to the blueberries, (have options on
an additional 600 acres, 100 of which, are blueberries.)

Have developed just enough of a consulting business to
pay for the truck, taxes, etc. but hope, someday, this
place i s self sufficient.....the consulting has been fun.

Congratulations on your new job.... hope all is well with
you and your family.....my best regards to everyone.

P.S.  You might tell "chunky" Ken Olsen that if  he is in
      the area canoeing this summer that I'd love to show
him what I am doing......Machias has a small airport...
....when it isn't fogged in.

TO: Ken Olsen
     Win Hindle

FROM: Peter Kaufmann

SUBJECT: Stock Options

March 21, 1977

On May 1 of each year I am required to pay to my ex-wife a substantial capital payment, as well as the usual monthly alimony payments. Each year I have sold stock to make this payment.

My personal lawyer has advised me that SEC Rule 16b will apply to me for six months after my July 1, 1977 resignation, (see attached letter). Therefore if I sell stock at this time, I will be unable to purchase the options available to me in June. They are as follows:

| Date | | # | | | |
|------|--|------|------|---|---|
| 6/11/73 | @ | 4.667 | 2400 | R | 4 yrs worth |
| 7/2/73 | @ | 27.479 | 4500 | Q | why not 6000? |
| 2/24/75 | @ | 24.146 | 3750 | Q | |
| 6/23/76 | @ | 11.00 | 450 | R | |
| | | | 2850 | R | |
| | | | 8250 | Q | |
| total # of shares | | | 11,100 | | |

I would like to make the following proposal. In exchange for turning back to Digital all of the above excerciseable stock options, would you exchange them and release the restrictions on the "equivalent" number of options which I have previously excercised? They are as follows:

| Release Date | | # | | |
|---|---|---|---|---|
| 1/3/78 | @ | 2.667 | 1500 | R |
| 6/26/78 | @ | 1.667 | 2250 | R |
| 6/26/78 | @ | 1.333 | 3870 | R |
| 1/3/79 | @ | 2.667 | 1500 | R |
| 6/26/79 | | 1.667 | 2250 | R |
| 6/26/79 | | 1.333 | 3870 | R |
| 1/3/80 | @ | 2.667 | 1500 | R |
| 1/3/81 | @ | 2.667 | 1500 | R |
| 1/3/82 | @ | 2.667 | 1500 | R |
| | | | 19,740 | R |

Whatever you decide is the "equivalent" number of shares will be satisfactory to me and all the remaining previously exercised shares will be returned to Digital.

It would be helpful to me if the "equivalent" number of shares could be released prior to May 1, but if not, then by July 1, 1977.

The above proposal would relieve me of borrowing money, as well as waiting for six months after I leave inorder to sell the shares I need to sell. For Digital, it will relieve the unstated precedent (which I feel strongly should be discontinued) of giving two years worth of stock options to a person leaving the company.

If I could get an indication of your thinking by April 15, I would appreciate it, as if I need to borrow the funds I can make the necessary arrangements by May 1.

Thanks.

PR

Messages — Pete — Don't say yes so easily
 — Make more time for company-wide involvement
 — Watch your overhead.
— Stan — Be more aggressive in new areas (Point of sale)
   where you are strongest —
— Andy — Be clearer on your ideas, keep them in front
   of us — we don't remember what you said in 1970.
— Al B. — Focus finance on fundamental business — prog, etc
 — More control in overhead — incl. sales & mfg as well
   as Corp & PL.
— Gordon — Spend more time in mfg & understand mfg problems —

— Ted — Be flexible on sales/service org. of the future —
 — Watch your overhead.
 — Be clearer in your ideas
— Win — Get Personnel to set mechanics straight
 — Get PLM to focus on key market issues, set
   down plans & needs —

February 11, 1983


Mr. Kenneth H. Olsen
President
Digital Equipment Corporation
Weston Road
Lincoln, Massachusetts  01773

Dear Ken:

There comes a time in everyone's life and career when you must
assess where you are and going. Frankly, this past year has been
a very difficult one for me in that there has been lots of stress
and pressure, and really it's no fun being here anymore. I can
take the pressure if I feel what I am doing is fun. Given it
isn't, I would like to resign from the Company effective
July 1, 1983. As of now, I have no definite plans other than to
maybe take some time off.

It has been a rewarding 13+ years for me at Digital. I will
fondly remember my days with the PDP-11, the Small Computer
Group, the Components Group, and the Technical Group!

Your continued success is certainly my wish. Digital, as the
seventh most respected company in the U.S., certainly has a
bright future and you and your colleagues should be complimented
for the kind of Company and business you have made happen.


Regards,

Andrew C. Knowles

*Prepared on Digital's wordprocessor, the world's best.*

ACK

nahroylt { 13,314 today
'712 mone 2/1/83

owned   1200 will lapse between
        now + 2/1/83

12/15/76
12/14/76
10/9/
11/12  12/14/76 + 11/26
12/7

Secret file O.C.

**digital**

17 September 1982

Mr. Stanley C. Olsen
5 French Drive
Bedford, New Hampshire 03102

Dear Stan:

I am sorry I have not responded to you sooner on the subject of your retaining certain shares purchased by you under the original Restricted Stock Option Plan; however, as you do know, this was a much discussed issue by the Board of Directors.

I am pleased to state, on behalf of the Company, that the Compensation and Stock Option Committee has elected not to repurchase the 1500 shares of stock which you presently own and purchased under a grant dated 21 June 1981, which would have vested on 4 August 1982. This election withdraws the letter from us dated 9 July 1982 which requested the shares.

We are all pleased with this result and believe that the mutual good will between you and the Company has been preserved.

Sincerely,

DIGITAL EQUIPMENT CORPORATION

Edward A. Schwartz
Vice President & General Counsel

EAS/jp

cc: Win Hindle

SEP 17 1982

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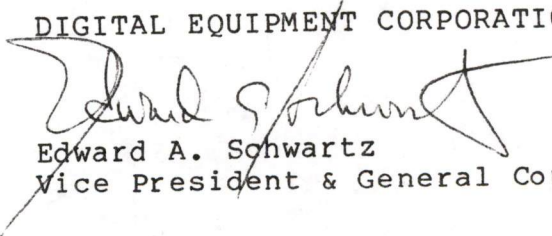|  |  |  |  |  |  |  |  |
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INTEROFFICE MEMORANDUM

DATE: 9/13/82
FROM: Darman Wing
DEPT: Law
EXT: 223-2206
MS: MSO/M6

TO: Ed Schwartz

CC: Win Hindle
    Bob Steinbach

SUBJ: Stan Olsen

On Friday, September 10, Win called to pose a question raised by Arnaud deVitry: In electing not to repurchase Stan's 1,500 shares, are we establishing any legal precedence which would obligate us to do the same for others in the future?

In response, I pointed out that while the election not to repurchase Stan's 1,500 shares is in fact a "first", it will not create any future duty to act similarly. I explained that repurchases are wholly discretionary on a case by case basis and will continue to be, that our review of past actions involving other officers who have left show that no fixed standard is applied, and that past treatment of others was unique to each situation. Thus, Stan's treatment would be but another example of treatment fashioned to fit the circumstances: to maintain good will with a founder, a 25 year employee, a significant contribution to the business, etc.

DAW/jp

**digital**

April 18, 1969

Mr. W. Brewster Kopp
134 Coolidge Hill Road
Cambridge, Massachusetts

Dear Brewster:

We are all very enthusiastic about having you become a member of the management team of Digital Equipment Corporation. We wish to offer you the position of Vice-President, Finance.

During this period of time when we have not had the position filled, we have been able to see the weaknesses in our financial organization, and have developed some ideas as to what we desire to have in the future. As we review these ideas, we are convinced that you are just the one we want to fill the position.

We would like you to take on all the financial responsibilities, which include stock-holder relations, contact with financial analysts, banking, selling of stock, raising of funds, all the functions of controllership, EDP, and budgeting. In addition, we feel an important part of this position is teaching and helping our product line people to understand their operations, carry on their budgeting, prepare their pricing, and, in general, operate in a profitable, businesslike way. We feel that the legal activities should also come under this title, and, in addition, those chores which you might be better suited to run than anyone else in the management team.

*3 for 1 split made this 15,000* ←

We would like to offer you a salary of $60,000 (sixty thousand dollars) a year, and options for 5,000 (five thousand) shares of DEC stock. Enclosed is a brochure describing our stock option plans. We would like to give you the choice as to how you would like the 5,000 shares divided between the two plans, up to half in the Restricted Plan. I believe the price in the Restricted Plan will be half the market price.

I will be out of town all next week, but Win Hindle and the other Vice-Presidents will be here and will be happy to answer any questions you might have.

Sincerely yours,

Kenneth H. Olsen
President

KHO:ecc

May 6, 1969

Mr. W. Brewster Kopp
393 Fifth Avenue, N. W.
Boca Raton, Florida 33432

Dear Brewster:

We reviewed the points that came up in our discussion last Wednesday
night, and I think we have some answers that should please you.

We feel we have to hold the salary offer firm, but I would like to lower
the price of stock in the Restricted Plan.  Next Monday, I plan to go
to our Board of Directors and ask that it be fixed at $20.00 per share $15
for the Restricted Plan.  I think this would make it quite attractive.

We would very much like to have you take on the responsibilities for
planning and operations research (if we find use for it).  Later, if it
still seems worthwhile, Win Hindle would like to be relieved of his
responsibilities of Personnel.

We feel that we cannot offer a title beyond vice-president, nor can we
offer a directorship.

We do hope that you will see your way clear to join our team.  The
financial department has to be completely rebuilt, and we have tremendous
challenges ahead in the dramatic growth we're planning for next year.

We are confident that you can be the one to complete and share in the
excitement of growth we see before us.

Sincerely yours,

Kenneth H. Olsen

KHO:ecc