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FROM John Minck

DATE September 22, 1983

TO Dick Anderson

SUBJECT

Upon your return from the SCD-AMD-DSD wars, and even though you didn't ask, I thought I would offer my view from the trenches on SPD operations, strategies, and budgets. It ranges between these two words - pride and frustration.

I would observe that there seems to be a lot more MBO in the division than at the Group level. I think Group does too much micro-management. I don't know if Rod and Marc or Ray even feel that way, but I think it needs to be said.

What I don't think we need is a lot of 20B ratio managers in cushy offices looking over our shoulders nitpicking our ratios. How can they even know the travail Rod and his managers went through when Spokane left and Rod had to outpace 600 excess people at the height of the recent HP recession? Imagine the management time consumed!

Now for doing that job well, he and his managers got the next project to shoe-horn Division 03 back into 04 and to find places for another excess of 100-200 people. How can any 20B ratio manager even presume to know what those ratios should be? Rod and his people got little or no credit for a truly back-breaking job with outstanding results.

Next, imagine the non-personnel remnants left behind in the shops, computers, and assembly. It's much Korean war vintage stuff. It was batch processed inventory control. Our swell leaders didn't give us enough money to modernize the remnants. Post-war Japan and Europe got a better deal than SPD.

Stanford Park is really the "residue" division. Not only have dozens, if not hundreds, of "hotshot" folks moved out since 1960 to "greener" fields, leaving most of us "residue" people, but in general, we have been left with residue machinery and assets too.

Yet, I prefer to think of we "residue" people as valuable professionals who chose to stay in Palo Alto because we love this division. But, in fact, because of the group's experience, maybe we get the job done in 2/3 the time.

But you can't say the same for 30-year old milling machines trying to turn out critical parts for our terribly-backlogged attenuator line. Our SPD capital budgets are scandalous considering that were our division to be moved out every 10 years, we'd probably get someone to recognize we needed a factory full of new stuff. SPD is a convenient target because it runs so well on sawdust food. (From the old story of putting increasing amounts of sawdust in cattle feed.)

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Our MTE product line is a wonder. A magnificent cash flow machine that looks free. But in our catalogs it is a group resource - gluing systems together from a half-dozen divisions. The customer doesn't know this, of course. The F.E. doesn't sell \$100 - \$1,000 items one by one. Yet, we must spend money to merchandize it. The MTE catalog every two years has now fallen to every four years. Virtually no media money.

Support for MTE from the Fab Shops to instruction manuals for each item is probably more than the high profit indicates. Every new F.E. has to call an R.S.E. to ask if an X281A can handle 5 kw peak power. And there are a lot of new F.E.'s.

Our R.S.E.'s back up two sales forces. That means an extra set of seminars, dinners, tours, questions, customer visits, etc. It squanders precious mid-management time and attention.

Make no mistake. Running with our engineering and marketing ratios, I contend we are already liquidating SPD and I only hope Rod and Marc would project that into their IRP's - since I think it is true. If management wants that and has better use for funds - fine. They should just recognize it and tell us they expect us to deliver the covered retreat, with high profits as long as they last.

SPD has a magnificent product strategy. I follow the military systems game in considerable detail and I am extremely pleased with how Ray Shannon has pulled together a really coherent strategy. He has become a fine cheerleader. The new high-sophistication comm. systems and LPI radars are right in our product targets. It is outstanding.

And at the same time it is devastating to see other divisions almost spill more engineering than we spend. How can management allow an 8340 and 8673 to collide as late as product introduction time? Think of the wasted resources!

It hurts to see our marketing kids working their hearts out till late at night and weekends because we don't have enough PME's, or even secretaries. Marc himself works twice as hard as I did in my prime and I worked hard. How is it that QTD has three P.M.M.'s?

It's that damnable marketing ceiling of 3.2% or some other remnant from the past. And this division can't get rid of the past. We are still picking up the pieces of the Young-Ely-Bodway-Rechtin company flyer into microcircuits. Would you believe we still support the PMR-4 Receiver for A.T.T. at considerable expense of part inventory, a special test setup in the microcircuits shop, and my time to wind it down? No other division would be crazy enough to take it but because A.T.T. was such an important customer and these 200 repeaters are unique in support of the TD-3, we had no choice but to agree to extend the 5-year support life for 3 years. We are again trying to kill it October 30.

Industrial companies in our business spend 0.8 to 1% on paid media. My '83 budget was 0.05%. It is absolutely dispiriting to hear Lee Bonds tell that Computer Group will spend \$35 million on advertising and sales promotion this year. Even if it includes a world of shows, it is over 1.5%. I guess, I don't mind if they spend that amount, but some of it doesn't seem well-spent. And at least some of it comes from SPD taxes. I agree that even during the prime years of MW division in 1969, our ratio was .15%, still too low. But our present 0.05% (1983) going to 0.1% in '84 doesn't do justice to the line and doesn't match other MW divisions.

On the people front, Walt Skowron and his staff of promo and show people turn out magnificent material and impressive booths. But Abramson, Armstrong, and I even have trouble scheduling our vacations because we have zero backup. We grind out the show materials, brochures, planning and schedules on the edges of doing division promotion and writing a few tech articles. It hurts a lot to see other divisions with considerably higher marketing budgets yet lower profits with no better product strategies.

I know I could vote with my feet and find another "hot" division. But I already tried it twice - OED and AMD. Because I like this division and its people. I like its product line and customers. I like what I do.

Except for one thing. I hate being tourmaster for the corporation and having SPD be host for every obscure Far-East visitor or Italian reporter who wants to see Silicon Valley or who wants to buy an HP computer but can't find Cupertino. I think if I charge \$150 per hour/tour, it won't stop the requests but it will make me feel better while I catch up with my normal work after hours. SPD and all our R.S.E.'s get an unusual amount of off-the-wall phone calls and tour requests. It's simply not fair to require that of our people on these bare-bones budgets.

SPD's marketing group is an exceptionally hard-working and professional group. We regularly staff RF & MW symposia with three to four people while Network Div. or Signal Div. sends 6-8. But these division discrepancies show, and when the only reward we get for a year of high profit is to get the profit taken away and be asked to do it again. With the R&D budget to stay below 7%, all we have to look forward to is slow liquidation.

Here is how I think you could help us:

1. Let us cut our profit back to a defensible and conscionable 11%. Put 1% of the saving into engineering and 0.5% into factory marketing. If Steiner or Parzybok need more engineering, take it from the 1.5% tax we send to HPL which is where new ventures should come from.
2. Get the field to spend what we're paying them for microwave instead of that swell digital stuff.

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3. Give the field more demo stock budgets and have them spend the fair share on SPD products. We almost can't find equipment any more to borrow for local shows.
4. Get Europe to spend their promo budgets in some honest ratio to shipments vs. divisions.
5. Let Marc and Rod deploy the resources. There's no one who understands the operation of order processing, forecasting and shipping 6,000 items a month better than Marc. Marc may still not give me enough media but he appreciates the tradeoffs. And I know MTE will get a fair shake.
6. Just let us keep our profits here at home a couple of years for a change. Our 8970A NFM (10 million a year) has head-on competition and there is zero lab work on that. MTE should get some sustaining engineering at least - on the matrix switch.
7. The nice thing about the agile stuff and the digital receiver is that there will be zero Japanese competition for quite a while. That deserves money too.

Well, Dick, that's off my chest. I hope you read it in the spirit intended?

Good luck in your new post.

A handwritten signature in cursive script, appearing to read 'John'.

JM:sm