

The rise and fall of Digital Equipment Corporation



Project Leader(s)

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Project Details

Self funded

Project start Oct 2007

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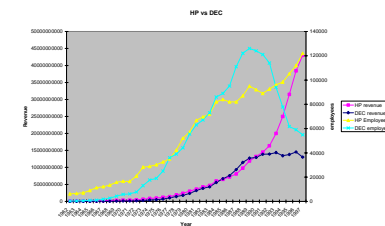
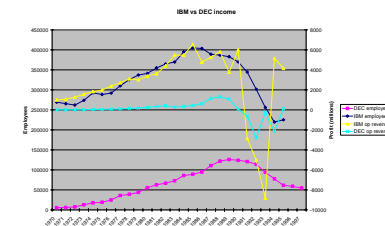
Project Aims

Digital Equipment Corporation was founded in 1957 by Ken Olsen and Harlan Andersen with a loan of \$70,000 from American Research and Development led by General Georges Doriot. It built on experience gained from the Whirlwind project and particularly the TX-2 work that Ken Olsen led at MIT. Digital Equipment Corporation started by building DEC LAB Modules based on the TX-2 concepts. Ken Olsen himself was born in Stratford, Connecticut in 1926 and held Christian fundamentalist beliefs which were to influence the Digital Equipment Corporation values that Ken held dear. In 1986 Ken Olsen was named "Americas most successful entrepreneur" by Fortune marking the pinnacle in his long career at Digital. Digital Equipment Corporation enjoyed strong growth year on year peaking in 1988 when they had their best year, but their growth was not without issues. There were a number of trying times as they switched product sets in the 70's and they were unprepared for the worldwide recession in the late 80's. There was also a slow recognition of the shift in the computer industry as Digital Equipment Corporation set their sights on IBM. This chasing of IBM resulted in the hiring of a large number of personnel in the 80's which in turn resulted in the earnings per man being 30% less that HP. This coupled with management difficulties and missing some key technological opportunities left the company in difficulties from 1988 onwards. In a mere 10 years from its peak, Digital Equipment disappeared completely and is now known only to older IT professionals. This research aims to understand what went wrong and asks could it have been avoided and if so, how?

Comparisons will be made with IBM and HP in the high tech area, both of whom went through an equivalent phase but

survived. All three companies were quoted as exemplars in the IT field in the early 80's in the classic book "In Search of Excellence". Technology advantage and redundancies as well as the management will be analysed. Extensive use will be made of personal testimony alongside evidence from the company archives.

Income, revenue and employee comparisons DEC, HP and IBM and pictures of the PDP-1 and the VAX 11/780



Key publications

A paper has been accepted for presentation to the Association of Business Historians conference in July 2008. The theme of which is "Digital Equipment Corporation – Downsizing – cause or cure"