

**DEC Connection**  
**About Digital**  
**So what went wrong?**  
**The "Macro Topic" on What went wrong?**

« [previous](#) [next](#) »

Pages: [1] [GO DOWN](#)



Author

Topic: The "Macro Topic" on What went wrong? (Read 603 times)

**jackm1.1**

Board  
Newbie



Posts: 2

**The "Macro Topic" on What went wrong?**

« on: January 22, 2008, 07:04:35 PM »



Dave Goodwin,

I do have a theory about the demise of DEC. DEC owned a "franchise" (mini-computers). IBM owned "mainframes", Microsoft "PC operating systems".

When the franchise is in full tilt, it's almost impossible to replace it.

However, all franchises decay with time and are usually replaced with a succeeding franchise (e.g. the rise of the PC, Internet, etc.). The succeeding franchise is almost never invented by the existing franchise owner.

Why?

1.) The owner of the existing franchise has too much a stake in its business model, culture, and resulting constraints on its innovation. Even if they do invent a new franchise (e.g. IBM with its commodity PC), the new franchise is economically too small to invest a significant amount of management attention to fully develop its full potential.

2.) Even the largest of enterprises have too few people to compete against the universe of individual and other company's innovative talent. Most new succeeding franchise holders are invented by individuals or very small companies with a "clean sheet of paper" to bring the innovation to market. There are so many innovative people in the world, how can any one company compete against all of them?

3.) How many franchise holders invented a succeeding line of new franchise products? Almost none. Exceptions are with Apple (from MAC to iPod). Most continue to exist with basically line extensions of the existing franchise (IBM, Xerox, etc). DEC went from the PDP8 to PDP11 to VAX.

3.) Owners of existing franchises usually last a long time after their franchise is headed down the maturity curve if they adapt their businesses properly (but never at the heady share and profits of the past). Examples are IBM, Microsoft. If the business is not adapted properly, the franchise holder will sell out (DEC), slowly disappear, or go bankrupt.

4.) The Bottom Line: No matter what DEC did internally, its franchise reached maturity. Perhaps internal mistakes hastened the sale to Compaq. But, this is a matter of the evolution of all franchises and companies - they have a life cycle.

So, good luck in your thesis on the demise of DEC. But, while you look for the internal causes (the micro view), don't ignore the more macro root cause (the life cycle of franchises and companies) in your analysis.

