

THE CORPORATE OBJECTIVE



Preface

Analog Devices is an association of people^{3/4} primarily our employees, our customers and our stockholders, but also our suppliers, our banks and our local community^{3/4} who share a common long-term interest in the success and achievements of the firm. Our success can be measured by the degree to which we satisfy the needs and aspirations of these various people.

Our achievements depend on having a clearly stated purpose and a set of goals that are realistic and understood by all concerned. The Corporate Objective is a statement of our purpose and our goals. We accept the fact that our goals are difficult to achieve. They are meant to create a challenging environment for people who want to make above average contributions and who expect to receive above average rewards.



Ray Stata
President

Corporate Purpose and Scope of Business

Our purpose is to search continuously for opportunities where we can make unique or valuable contributions to the development and application of **real world¹** signal processing technology. In so doing, we strive to offer our customers products that improve the performance, quality and reliability of their products, and thereby increase the productivity of human and capital resources, and contribute generally to upgrading the quality of life and the advancement of society.

The scope of our business includes components, subsystems and systems used for laboratory automation, industrial automation, defense and avionics, health care, energy conservation and development, and telecommunications. We pursue business in these areas both within the United States and around the world².

Our Employees

Our employees' personal motivation and interests are primarily related to ascending needs for security, safety, purpose, recognition, identity and the realization of one's full potential. Our corporate goals are thus best achieved in an environment that encourages and assists employees in the achievement of their personal goals while helping Analog Devices achieve its goals. We therefore seek to offer our employees a challenging and stable work environment where they can earn above average compensation for above average performance and contribution to the Company. It is our policy to offer unrestricted opportunity for personal advancement irrespective of race, creed, color, sex, or national origin³.

Our objective is to build mutual respect, confidence and trust in our personal relationships based upon commitments to integrity, honesty, openness and competence. Our policy is to share Analog Devices' success with the people who make it possible.

Our Customers

Satisfying our customers' needs is fundamental to our survival and our prosperity. These needs can best be understood in terms of the support we lend our customers in helping them meet their objectives with the minimum use of their resources. Thus, our goal must be to provide superior, easy to use, reliable products that conform to specifications and offer innovative solutions to our customers' problems. We must back up these products with excellent product

literature and strong customer service that includes highly effective applications assistance, quick response to inquiries and dependable delivery. We must work hard at understanding our customers' businesses so that we may anticipate *their* needs and enhance *their* effectiveness. We wish to be major suppliers to our key customers and to establish long lasting business relationships based on quality, performance and integrity.

Our Stockholders

Our responsibility to our stockholders is to satisfy their desire for a secure and liquid investment that provides an attractive rate of return. Our objective is to consistently earn a return on invested capital that is well above average for all manufacturing companies and comparable to the most successful companies in our industry. By achieving consistent growth with a high return on capital we can offer our stockholders an attractive opportunity for capital appreciation.

Our Suppliers

Our suppliers are partners in our efforts to develop market share by fulfilling our customers' needs. This requires that we be open and frank about our plans and requirements as they would affect **them**⁴. It also requires that we seek to understand the constraints placed upon our suppliers by their technology, cost structure and financial resources. We place strong emphasis on associating with suppliers who are financially stable, competent and honest, and who are consistent in meeting their delivery and quality commitments to us.

Our Community

Our goal is to be an asset to every community in which we operate by offering stable employment and by lending effort and support to worthy causes. We encourage our employees to take an active interest in their communities and contribute their efforts toward making their communities better places to live and work. We make a special effort to aid and support those universities and colleges that are an important source of scarce resources.

Growth

Growth is an important means by which we satisfy the interests of our employees, our stockholders and our customers. High caliber people look for opportunities for personal development and advancement which can be best achieved in a growth environment. Our stockholders look for an above average return, which is much more likely to be achieved by a growth company.

Our growth objective is the achievement of an average annual sales growth rate of at least 25% per year. Our strategy to do this is based in part on the penetration of worldwide served market segments that are themselves growing at an average annual rate of 15% or more. Thus for us, no growth means extinction, while growth in excess of the growth of our served markets is a requirement for increased market strength. We accomplish this growth primarily by continuously broadening the range of our product line through internal development, but also through venture

investments in new companies and through selected acquisitions that fall within the scope of our business definition⁵.

Profit

Profit generated by our business is the primary source of the funds required to finance our growth. Without growth and profits we cannot achieve our corporate objectives. Our financial goals include earning 19% on invested capital, 17.5% operating profit before tax and 8.6% profit after tax (net income). With this level of financial performance we can, without taking unreasonable risks, finance our growth while offering our stockholders an attractive opportunity for capital appreciation⁶.

Market Leadership

Our goal is to obtain the largest share of each market segment we serve. We believe the key to achieving market share is to enter growth markets early with superior, innovative products, and to provide a high level of quality and customer service. Our markets are worldwide in scope, and our objective is to achieve comparable penetration in every major geographical market.

Quality

Customer satisfaction, and thus our success, is critically dependent on dependable delivery of high quality products and services. A high quality product or service is one that is delivered when promised and performs as specified under all intended operating conditions throughout its intended life.

The achievement of high quality begins with product planning, but it must also be an integral part of product design and the design and implementation of manufacturing processes. High quality depends upon the commitment of all employees to the on-time production of defect free products and services.

High quality is not a static condition. It is susceptible to continuous improvement through systematic identification and elimination of causes of errors and variances, through development of improved designs and processes and through education and training. Continuous improvement of quality leads not only to greater customer satisfaction, but also to higher productivity and lower costs.

The concept of quality improvement is applicable to every area of the Company, including marketing,

customer service, finance and human resources, as well as manufacturing and engineering. Every employee should be committed to quality improvement and should be determined to "do it right the first time and do it better the next time."

Summary

Achieving our goals for growth, profits, market share and quality creates the environment and economic means to satisfy the interests and needs of our employees, stockholders, customers and others associated with the firm. Our success depends on people who understand the interdependence and congruence of their personal goals with those of the Company, and who are thus motivated to contribute toward the achievement of these goals.

AMS ANNOTATION (October, 1999)

The Analog Devices Corporate Objective was created in the mid-1970's by Ray Stata and was heavily influenced by a similar document developed earlier at Hewlett-Packard Company. It underwent periodic "fine tuning" at Analog, usually after completion of a new five-year strategic plan. The version shown above was published in May of 1985. The highlighted text was modified in October of 1989, based on the 1987-1992 Strategic Plan. Taken together, they describe Analog's Corporate Objective during the 1986 to 1992 period. The changes reflect refinements in Analog's strategy, uncertainty as to future financial goals, and some minor updating in the wording and are shown below:

¹ Changed to "analog and digital."

² Changed to "Our primary product focus is on monolithic integrated circuits manufactured on semiconductor processes developed by and proprietary to Analog Devices. We also manufacture hybrid circuits and assembled products, including components and board-level subsystems and systems.

Our customers consist primarily of original equipment manufacturers (OEMs) who incorporate Analog's products into a wide variety of instruments and systems. The Company's served markets include laboratory and industrial automation, defense/avionics, telecommunications, transportation, computer peripherals and selected high-end consumer products.

We pursue business in these markets on a worldwide basis."

³ Added "age or disability."

⁴ Changed to "our suppliers."

⁵ Changed to "To achieve growth we continuously search out and focus on applications for our products and technology that have above average long-term potential. We also continuously broaden the range of our products and technology, mostly through internal development."

⁶ Changed to: "Our financial goals are to generate profit after tax and return on capital comparable to the best performing companies in our industry and without taking unreasonable risks self fund our growth."