

Hewlett Packard

Stage I. Orientation

The founders and their compatible roles

Like many technology companies, Hewlett Packard began when two friends from university decided to start a business and “make a run for it” themselves. **(purpose)** During the early 1930s, William (Bill) Hewlett and David (Dave) Packard were undergraduate classmates in electrical engineering at Stanford University. They graduated in 1934. Bill undertook graduate studies at the Massachusetts Institute of Technology (MIT) and Stanford while Dave joined General Electric. Four years later, Bill rented the garage behind the Hewlett household and began working part-time with Dave to develop some electronic products. **(tactical)** In 1939, they started their company with \$538 in working capital. **(tactical)** During the next five decades, Mr. Packard, the expert administrator, and Mr. Hewlett, the source of many technical innovations, worked together to create and grow one of the world’s foremost technology-based companies.

Between 1947 and 1964, David Packard served as President of Hewlett Packard. In 1947, shortly after he returned from military service, Bill Hewlett became actively involved in the management of the company. He was named Vice President and served in that capacity for ten years. Starting in 1957, he made a rapid progression in senior management. That year he was elected executive vice president. In 1964, he became President and was also named Chief Executive Officer in 1969. With Mr. Hewlett becoming President, Mr. Packard was elevated to Chief Executive Officer and Chairman of the Board. He served in those capacities from 1964 through 1968. In 1969, he was appointed U. S. Deputy Secretary of Defense and served until 1971. The following year, David Packard returned to HP as the Chairman of the Board. In the late 1970s, Bill Hewlett started to phase out of his active role in HP. In 1977, he retired as President but remained as Chief Executive Officer. During the following year he retired from that position and became Vice Chairman of the Board. From the early 1980s until his death on March 26, 1996, Mr. Packard devoted much of his time and money to philanthropic endeavors. In 1987, Mr. Hewlett retired as Vice Chairman and was named Director Emeritus. He passed away on January 12, 2001.

HP management philosophy and practices – *the HP Way*

Very early in the history of HP, its **orientation** became clear. Shortly after completing their first year in business, Bill and Dave agreed that all employees should share directly in the future success of the company. **(vision, mission, policies)** In 1940, the young company made its first charitable donation - \$5 to local charities. The same year, the company paid its first bonus to employees, a \$5 Christmas bonus, and adopted a production bonus. **(tactical)** These programs became the basis for the company-wide profit-sharing **plan** that commenced in 1962. **(emergent strategy)** Subsequently, Mr. Packard and Mr. Hewlett decided to provide catastrophic medical insurance, host regular parties and picnics for the employees and use first names to address employees, including

themselves. In 1948, HP implements an insured pension **plan** for all employees with a minimum of five years service with the company. That year, Dave began what would become nine years of service on the Palo Alto school board. The founders believe that HP had a responsibility to be a good corporate citizen.

As HP grew, its founders created a management style that formed the basis of the company's progressive "open corporate culture". HP established its "open door" **policy** that was physically manifested in open cubicles and executive offices without doors. After being in business for three years, management realized that the company's opportunities and growth (**search for intelligence, information**) necessitated larger facilities in which to perform its research and development, production, marketing, administration and other business activities. (**situational assessment**) In 1942, HP started construction on its own building, a 10,000 square foot office, laboratory and factory at 395 Page Mill Road in Palo Alto. (**tactical, strategic**) Ever practical, Bill and Dave prepared a **contingency plan** before the building was constructed. It was designed and built so that it could be readily converted into a grocery store if their electronic business failed. The building has an open floor **plan**. HP's intentions (**purpose**) were to enable its employees to share ideas as well as create an atmosphere of mutual understanding and trust. (**vision, mission**) The open door **policy** encouraged employees to discuss problems and communicate with management without reprisals or adverse consequences.

As managers, Bill and Dave applied principles that subsequently became known as "management by **objectives**". They communicated overall company **objectives** clearly and gave employees the flexibility to work toward those aims (**objectives, goals**) in ways that they personally determined were best for their own areas of responsibility and authority. To encourage communications by employees, Dave practiced "management by walking around" which relied on personal involvement, effective listening skills and the recognition that "everyone in an organization wants to do a good job."

Through the 1940s and 1950s, Hewlett-Packard experienced a growing and maturing process, (**development**) learning greatly about and contributing to the "new technology" of electronics, politics, government, economics and about the nature of business growth. (**search for intelligence, information; environment**) During that period of **orientation** and **development**, debates went on about "how" and "how much" the company should grow. (**planning**) In 1956, Bill Hewlett, Dave Packard and several other HP executives met at the Mission Inn in Sonoma, California to define a set of values, beliefs and principles which would help to shape a new kind of company, one that would be known for its character as well as its creativity, for its people as well as its products. From such discussions, the co-founders were responsible for the corporation's first set of **objectives** and the basis for its evolving management **philosophy** and **policies**. Over time, the original **objectives** and their underlying **beliefs** were expanded and revised as follows.

1. **Profits** - *To achieve sufficient profit to finance our company growth, create value for our shareholders and provide the resources we need to achieve our other corporate **objectives***

The beliefs supporting this objective:

- b. balance of **long-term** and **short-term objectives** is key to profitability;
- c. profit allows us to reinvest in new and emerging business opportunities;

- d. profit is highly correlated to generating cash, which brings more flexibility to the business at a lower cost; and
- e. profit enable the achievement of our corporate objectives.
- a. profit is the responsibility of all;

2. **Customer loyalty** - *To provide products, services and solutions of the highest quality and deliver more value to our customers that earns their respect and loyalty.*

The beliefs underlying this objective:

- a. our continued success is dependent on increasing the loyalty of our customers;
- b. listening attentively to customers to truly understand their needs, then delivering solutions that translate into customer success is essential to earn customer loyalty; and
- c. competitive total cost of ownership, quality, inventiveness and the way we do business drives customer loyalty.

3. **Growth** - *To view change in the market as an opportunity to grow; to use our profits and our ability to develop and produce innovative products, services and solutions that satisfy emerging customer needs.*

This objective is founded upon the beliefs that:

- a. growth comes from taking smart risks, based on the state of the industry that requires both a conviction in studying the trends, but also in inducing change in our industry; and
- b. our size (and diversity of businesses) gives us an ability to weather economic cycles and turn them to our favor.

4. **Employee commitment** - *To help HP employees share the company's success that they make possible; to provide people with employment opportunities based on performance; to create with them a safe, exciting and inclusive work environment that values their diversity and recognizes individual contributions and to help them gain a sense of satisfaction and accomplishment from their work.*

The underlying beliefs supportive of this objective:

- a. HP's performance starts with motivated employees; their loyalty is key;
- b. we trust our employees to do the right thing and make a difference;
- c. everyone has something to contribute; it's not about title, level or tenure;
- d. an exciting, stimulating work environment is critical to invention;
- e. a diverse workforce gives us a competitive advantage; and
- f. employees are responsible for lifelong learning.

5. **Market leadership** - *To grow by continually providing useful and significant products, services and solutions to markets we already serve and to expand into new areas that build on our technologies, competencies and customer interest.*

Supporting this objective were the following beliefs:

- a. there are more places we can contribute than we will be capable of contributing; We must focus;
- b. to be average in the marketplace is not good enough; we play to win;
- c. we must be no. 1 or no. 2 in our chosen fields.

6. Leadership capability – *To develop leaders at every level who are accountable for achieving business results and exemplifying our values.*

The underlying beliefs supporting this objective:

- a. leaders inspire, foster collaboration and turn **vision** and **strategies** into **action** - with focused, clear **goals**;
- b. effective leaders coach, relay good news and bad, and give feedback that works;
- c. leaders demonstrate self-awareness and a willingness to accept feedback and continuously develop;
- d. leaders speak with one voice and act to eliminate busy work; and
- e. it is important to measure people on the results they achieve against **goals** they helped to create.

7. Global citizenship – *Good citizenship is good business. We live up to our responsibility in society by being an **economic**, **intellectual** and **social** asset to each country and community in which we do business.*

The beliefs underlying this objective:

- a. the highest standards of honesty and integrity are critical to developing customer and stakeholder loyalty;
- b. the betterment of our society is not a job to be left to the few. It is the responsibility to be shared by all; and
- c. this objective is essential to delivering on the brand promise.

HP Corporate objectives, www.hp.com/cq-bin/pf-new.cgi, 2006.

The principles inherent in the company's **objectives** provided the “underpinnings” of what became known as the *HP Way*. From an organizational perspective, they helped to guide the Hewlett-Packard Company “through war and recession, through mergers and acquisitions, through corporate reinvention and industry revolution.” (**strategic**) During 1957, that “*Way*” was carried out, in part, when the company went public. HP gave stock grants and eligibility for a stock option program to all employees at all levels in the organization with at least six months of service.

In corporate America, *The HP Way* is a hallmark of management excellence. It synthesized the management philosophy and guidelines (**policies**) that had evolved during HP's previous 27 years. In keeping with the company's practice of management by objectives, it set out the corporation's objectives in writing. The **purpose** of the objectives was to serve as a day-to-day guide for management **decision-making** in a rapidly growing company. According to Dave Packard,

We thought if we could get everybody to agree on what our **objectives** were and to understand what we were trying to do, then we could turn them loose and they would move in a common direction.

The founders' managerial approach and the employees' involvement differed radically from the top-down management style of many companies in the 1950s and before.

Notes

In the beginning, Hewlett Packard was an entrepreneurial business. Its' original purpose was to “make a run for it”; i.e., to take a risk, to meet a challenge, to pursue their dream like many thousands of other business ventures in private enterprise countries. Such aspirations provided the visions and the motivation needed to orient the company

and direct it in its business endeavors. Like many other business ventures, the company started and grew based on the synergies and symbiotic relations of the founders. Both of the co-founders contributed capabilities that compounded the outputs of their inputs. In effect, the contributions of Mr. Hewlett (technical) and Mr. Packard (administrative) resulted in more than the sum of their individual endeavors. Not only were their capabilities synergistic but their relations were mutually beneficial. (symbiotic).

The compatibility of the co-founders contributed to other vital aspects of their business. While they had common business aspirations they also had humanistic values that shaped and directed HP. In social-psychological terms, they were “other-oriented”. Mr. Hewlett and Mr. Packard cared about others in the company. They initiated profit-sharing, flextime, the open workplace and other progressive social practices in HP. Their involvement in the “community” ranged from being on the school board to serving as Under Secretary of Defense. Social responsibility was a clearly evident orientation of the company, its leaders and employees. As a business, HP had social duties and obligations as well as economic rights and privileges.

Just as the social responsibility orientation evolved over time and was ultimately manifest in *The HP Way*, the company’s business orientation emerged incrementally over time. For decades, HP evolved tactically --- short term and focussed on useful products that could be sold to emerging markets. From the beginning, the company was oriented to technology-based products. Initially, their expertise and resources were focussed primarily on the research, development, production and sales of technical devices such as oscillators, oscilloscopes and frequency counters. Eventually, the company diversified into a wider range of technology products for business, government and consumers. The continued success of the company in its fields of technological endeavor evolved into a strategy that tended to “roll forward” from year to year. Much of that emerging strategy and its inherent tactics were based on *learning curve* experiences of the company and its growing number of employees, most of whom were technically educated and oriented.

Despite its apparent success, HP encountered challenges and issues. Growth was one of the most fundamental issues that management debated during the 1950s. The issue focussed on two related questions: “how much” (amount) and “how” (form) the company should grow. The discussions of these issues led ultimately to a set of seven objectives and their underlying beliefs which formed the bases of *The HP Way* and the company’s business and social philosophy, its values, character and culture, its principles, policies and practices, both tactically and strategically.

Much of Hewlett Packard’s orientation emanated from its co-founders. They provided the leadership, initially in operating ways and eventually in the general direction of the corporation. Their informal, personal ways of participatory management, e.g., “managing by walking around”, effective interpersonal relations and communication, shaped the ways that others performed. “Leadership by example” was especially evident in the organizational management of HP as well as in its “communities”. Such leadership provided direction, guidance and manifested effective management practices for others, both inside and outside of the company.

The leadership of HP was evident not only in its senior management people but throughout the company, notably by its performance. It was a leading edge company in its breakthrough research and development and the flow of its innovative products. Clearly, it was oriented to progressive technology and growth. Such desired performance had its inherent risks. The leaders and others in HP shared the risks, just like they shared in the profits and advances that the company made. Such solidarity strengthened the trust and respect of the employees, the overall performance and growth of the corporation and other measures of success by a business with a social orientation.

Clearly, the set of seven objectives and their underlying beliefs were the attributes that most consciously and definitively manifest the orientation of Hewlett Packard. The objectives were strategic and tactical. They provided guidelines and criteria by which to guide and evaluate performance of the company and its members, individually or in groups. They provided direction and bases for coalescing the efforts of employees and other stakeholders. They had an environmental as well as a business orientation. Above all, they were progressive, both tactically and strategically.