

Hewlett Packard

Stage III. Review

Introduction

Organizations in any field of endeavor, be it business, government, charitable or otherwise oriented, require renewal. Organizations commonly evolve incrementally over time. During most of Hewlett Packard's history, it grew and developed incrementally, directed by its purposes and objectives, shaped by its changing environment, evolving technology and other situational forces and conditions. At the top of the organization, it had policies and practices that facilitated, with limited **review** and evaluation, the orderly succession of management. At lower levels in the organization, the processes of managerial development and succession were **reviewed** at least annually. Its operations were subjected to on-going **reviews**. Scientists expect and subject their research studies, methodologies and findings to critical, impartial and objective **reviews**. Technological products are tested, analyzed and critiqued. Production, marketing and financial performances are frequently, if not constantly evaluated based on industry benchmarks, corporate objectives, goals and other performance measures. **Reviews** of performance and other vital aspects of HP were performed in a wide range of ways and intensities.

As an axiom of all organizational management, progress and all of its inherent developments do not continue naturally and uninterrupted. Various laws of nature, human and otherwise, environmental and organizational forces and conditions influence and, in some situations, determine the evolution of a business. Such was the case with Hewlett Packard. Despite its history of growth and development, the company experienced times of challenges and issues that needed evaluation, reflection and **review**. Each new or innovative product, physical expansion, business acquisition and other major tactical and/or strategic alternative and resource allocation required an appropriate process of **review**. Such decisions had to be rigorously evaluated to determine whether or not the product was scientifically sound, producible, financially feasible, marketable and compatible with HP's objectives and other decision criteria. In HP, most of the **reviews** were technology and product related. The former **reviews** were performed by employees and consultants with relevant scientific expertise and experience. The latter **reviews** were done by marketing, finance, production and other relevant personnel as well as those with technical expertise.

A Critical Period for Hewlett Packard

No period in the history of Hewlett Packard required a management **review** more than during the "changing of the guard", i.e., the transitional period from the late 1980's until early in the 2000s. By 1987, HP had grown to a multinational organization of 82,000 employees and revenues of more than \$8 billion. Its senior management was led by the co-founders and other long-time HP employees and managers, notably John Young and Lew Platt. The corporation lost some of its vitality and "nimbleness" during its remarkable growth, the aging of its leadership, its increasing bureaucratization and its

diminished revitalization. In a feature article Business Week claimed that HP had a “bloated bureaucracy”. Peter Burrows and Peter Elstrom, “Cover Story – HP’s Carly Fiorina: The Boss”, *Businessweek Online*, www.businessweek.com/1999/99, August 2, 1999.

With 130 different product groups, the bureaucracy was becoming overwhelming. One example: When four managers from retailer Best Buy Co. wanted some computer products, 50 HP employees showed up to push their units’ ware, says a former executive. “I left HP because I did not want to spend 80% of my time managing internal bureaucracy anymore,” says Packard Bell NEC Inc. Vice-President Jeffrey L. Cooke, who says he once had to clear any operational change with 37 different internal committees.

The organizational malaise was compounded by the long term, “institutionalized” managers and lack of innovative leadership at the top of HP. In 1993, CEO Lew Platt had been with the company for 33 years. Despite his technical background, the lack of innovation and trickle of new products, he made “no inspiring call to arms. Instead, he continued to focus on the softer side of the HP Way.” *Ibid.* His personal goals included promoting diversity in the workplace and a more humane balance of work and personal life for HP employees. “That might have been a noble goal, but it did little to crank the company up to Net speed.” *Ibid.* In effect, walking around and talking about work/life balance did little to stimulate R&D, innovation and product sales.

The lull in scientific developments resulted, in part, from the retirement of Bill Hewlett in 1987. The constipation in product developments and introduction was also attributed to the bureaucratization of the corporation and its institutional culture.

HP’s culture also began to crimp innovation. Managers often were reluctant to invest in new ideas for fear of missing their quarterly goals. In 1993, researcher Ira P. Goldstein showed (CEO Lew) Platt a prototype Web browser – two years before Netscape Communications Corp. became the first Internet superstar with its Navigator browser. But after an enthused Platt told Goldstein to run it by the company’s computer division, his browser died an ignominious death. ‘They just couldn’t see how it would help them sell more computers,’ Goldstein recalls. *Ibid.* The fate of the browser provides one typical example of the “bogging down” effects of overly bureaucratized organizations.

The lessened vision and the incapacibilities of the company to detect opportunities effectively and to act efficiently on developments in technology, their potential markets and other attractive situations detracted from HP’s growth. Digital photography and the internet were two of the major developing and technologically-based markets that the company missed during their early stages. HP was not unique in missing the early stages of new or breakthrough markets. The history of technology companies is filled with such examples. IBM missed the early stages of the personal computer because its senior management believed that no viable markets existed for such products. For similar reasons, the United States auto industry (“The Big Three”) hesitantly adopted robotics, metallurgical advances and other technological developments years after the Japanese industry had been using them successfully and had gained market shares, profitability and other competitive advantages.

By the late 1990s, HP was drifting. In late 1997, employees were “crying out” for stronger direction. That December, a poll of the 300 top staffers revealed that HP’s workers thought the company needed an infusion of new thinking and more customer focus. *Ibid.* What followed was contrary to HP’s traditional people-oriented culture, two of its “sacred” (i.e., employee and leadership) objectives and the conventional modus operandi of the corporation. In January, 1998, CEO Platt “lambasted” managers at their annual general managers meeting. He stressed the need to be more creative. The speech backfired and exacerbated the leadership situation. Rather than being energized by Mr. Platt’s admonition, many managers reacted critically saying that he was asking them to fix HP’s problems when he was the main cause. “What was needed was decisive leadership.” *Ibid.* One consultant who had worked with the CEO at the time provided an interesting analogy. “Lew ... seemed like a chess guy in a video-game world.” *Ibid.*

HP prided itself on being progressive with its management development and succession. In David Packard’s book, he outlined its importance.

Management succession is especially critical at the upper levels of an organization, where a manager may be responsible for a wide scope of complex activities involving the expenditure of many millions of dollars and the efforts of many thousands of people. David Packard, *The HP Way – How Bill Hewlett and I Built Our Company*, New York: HarperCollins Publishers, Inc., 1995, p. 160

Mr. Packard went on to provide some background about the evolution of the company and the ways it endeavored to develop and select the “best-qualified persons to fill a specific position.” To achieve that objective depended on an effective management selection process.

The process has several elements, but its roots are in our long-established policy of management by objective. Under the MBO principle, managers at all levels are given the opportunity to show their abilities – to develop plans, to make and evaluate decisions, and to provide leadership for their people. *Ibid.* The process relied on the recruitment, selection and development of younger, well-qualified personnel and developing interpersonal relations between them and more senior managers. However, HP’s conventional supply of top management diminished following the retirements of Bill Hewlett (1978) and John Young (1992) and the decreasing participation of Dave Packard. (Mr. Packard had been a strong advocate of participatory management.) In 1995, Lew Platt wore all three hats of HP’s senior management: Chairman of the Board, Chief Executive Officer and President.

One way that HP had historically facilitated such development was through its divisional **review** meetings. At least once a year, each division was visited by the co-founders as well as other top managers. As Mr. Packard described the visit, “We spent a full day reviewing the division’s operations, concentrating on its product-development programs.” Presentations were made by the division manager and the key people reporting to him. Such presentations provided an opportunity for the co-founders and other senior managers to appraise the abilities of the younger managers and also to assess how well their bosses were carrying out their training and development responsibilities. In addition, a dinner was held in conjunction with the meeting to help the senior managers become acquainted personally with many of the divisional managers. However, as Mr. Packard realized,

Today it is not possible for HP's top management to conduct an annual review of each of the company's many divisions. Instead the divisions are regularly reviewed by their respective group management, and the group's operations by top management. *Ibid., p.161.*

Though the format was different, Mr. Packard/HP considered the inherent benefits derived from the **review** process to have been preserved.

HP also conducted "a similar **review** process within the company's board of directors meetings." It was usual practice at each board meeting to have an organizational unit such as a product group, sales unit or a corporate department, give a presentation about its area of operation. According to Mr. Packard, the "advantage" of such unit presentations as enabling HP's outside directors to become more familiar with the company and with "many of the people who manage it."

In the early 1990s, the company developed additional, more structured ways of evaluating middle managers and their potential for greater responsibility. For example, the then-CEO, Lew Platt, would gather his top managers for a lengthy **review** of group management performance. They discussed each group's profit generation, revenue growth, asset utilization, product quality, customer satisfaction, personnel issues, and other matters for which the group manager was responsible. Periodically, the CEO met with the Organizational Review and Nominating Committee, a committee of the board of directors to review the performance of key managers. *Ibid., p. 162.*

By mid-1998, the financial effects of the company's lack of direction, growth and development were evident. (Please see Appendix A.) By 1999, the rate of growth in net revenues had flattened out. Internal and external reviews of HP's performance abounded. In its cover story of August 2, 1999, *Business Week* reviewed the situation at Hewlett-Packard. Following is a summary of its evaluation.

Strategy

Problem – HP remains the printer king and is growing fast in PCs, but it almost forgot the Net.

Plan – On May 18, it announced its E-services Net strategy. This pulls together technologies so corporations can quickly add new services on the fly. HP has begun to sell online and intends to grow its services business as a way of boosting box sales.

Grade B+ - E-services is a compelling approach that has struck a chord with many Net players. And Carly Fiorina's expertise in communications is the perfect complement. There's just one snag: HP is three years behind rivals IBM and Sun in the E-business market.

Leadership

Problem – Outgoing CEO Lew Platt largely let HP run without setting a clear direction, say critics. And insiders say he should have milked old-line businesses to invest more heavily in the Net and digital photography.

Plan – Once Platt has completed the spin-off of HP’s measurement business, Fiorina plans to drive synergies in the remaining printer and computing units.

Grade A – Fiorina is the charismatic, brand-conscious leader that Platt wasn’t. She learned at Lucent how to turn a stodgy business into a Net Age one. And incoming Chairman Richard Hackborn is revered as the keeper of the HP Way. The combination could be dynamic.

Innovation

Problem – HP built its reputation by inventing groundbreaking products but the inkjet printer in 1984 was the last one. Since then most of HP’s growth has been in PCs and printers, where cutting costs is as important as cutting-edge engineers. Meanwhile, promising Net technologies wasted away in HP Labs.

Plan – Fiorina intends to speed technology transfer from HP Labs. HP also plans new business models, where instead of being paid for its gear, it take as percentage of E-commerce revenues made by its customers.

Grade C+ - The new models are the kind of risk-taking HP needs. But they are no replacement for product breakthroughs.

Organization

Problem – HP has struggled to get a proper balance between decentralization and central control. Its history of giving 130-plus product groups autonomy worked beautifully in simpler times but proved an obstacle when HP tried to pull together an overall Net strategy.

Plan – Besides splitting off the test-and-measurement unit, HP seems to have found middle ground: It has given CEO-like powers to four divisional CEOs, who will have authority over the 130 fiefdoms.

Grade B+ - This approach will help HP knit together a Net strategy, while also keeping its entrepreneurial bent. There’s more to do, however, like merging the inkjet and laser printing divisions into one major imaging push.

Marketing

Problem – HP’s balkanized approach of hawking stand-alone products does not fly in the Internet Age. Customers want a vision of a future and integrated suites of products to solve particular needs, like E-commerce.

Plan – HP is already planning its biggest-ever corporate-level branding effort, to be rolled out early next year. And Fiorina will build on that by making marketing a top priority.

Grade C - The E-services marketing campaign is an improvement, but HP needs to boost spending and name a chief marketing officer. And the branding campaign won’t roll out until next year. That’s too long if HP wants to spiff up its stodgy image.

Talent

Problem – HP’s turnover is one-third that of the rest of Silicon Valley, but it may not be keeping the right folks. Insiders worry that it’s losing top talent due to its old pay practices and is dangerously dominated by lifers attracted by HP’s safe, paternalistic ways.

Plan – HP is filling key positions from outside and is considering an expansion of a pay-for-performance policy that was introduced this year for 90 top executives.

Grade B – HPers have a long history of rallying when given clear marching orders and are starting to respond again. Still, HP should move faster to update compensation practices with more stock options.

BusinessWeek Online: August 2, 1999, “Making a New HP Way”, www.businessweek.com/1999

In 2001, HP’s net revenues dropped \$3.6 billion from the previous year. In part, the company attributed the decrease to the “dot-com bubble burst in 2000”. “letter to shareowners”, Hewlett-Packard Company, 2001 Annual Report, p. 3, www.hp.com/hpinfo/investor/financials/annual/2001. The *Annual Report* went on to state that

... we have had to contend with one of the sharpest and most sudden economic downturns on record. The terrible tragedies of September 11th increased economic uncertainty and mean that companies must find new ways to help customers, partners and co-workers deal with a changed world.

Later in the *Annual Report*, the company elaborated on the economic conditions, stating:

Triggered in part by the collapse of the hyperinflated dot-com sector, in Q3 of calendar 2001, the U.S. economy softened considerably. A dramatic turndown in business investment, compounded by the events of September 11th, tipped the United States into its first recession in a decade. During 2001, the world’s three leading economies slowed simultaneously for the first time since 1974. The European economy stalled and Japan struggled to fight inflation and recession. *Ibid.*, p. 7.

Information-technology spending plummeted. The telecommunications and manufacturing industries – two of HP’s largest customer sectors – were hit especially hard by the global economic slowdown. And while it’s rare for IT and consumer markets to slow at the same time, in fiscal 2001 we saw consumer spending drop dramatically. *Ibid.*

Clearly, the **review** of HP’s performance and condition included an assessment of the economic, market conditions and other environmental circumstances of its situation.

The *Annual Report* went on state the company’s 2001 fiscal results in considerable detail. In part, it reported that

HP’s net revenue declined 7 percent to \$45.2 billion, following growth of 15 percent in fiscal 2000. U.S. revenue declined 13 percent to \$18.8 billion, while international revenue decreased 3 percent overall to \$26.4 billion. On a foreign currency-adjusted basis, net revenue declined 3 percent year over year for HP as a whole. *Ibid.*

If HP had reported its revenue performance in comparison to its goal of 20 percent annually, its results would have looked like those in Exhibit IIIA following.

Exhibit IIIA

**Hewlett Packard Performance
Net Revenues (in billions US\$), 1990-99**
(Base year 1989 = \$11.9 billion)

| Year | Target | Actual | Difference | |
|-------------|---------------|---------------|-------------------|----------------|
| | | | US\$ | Percent |
| 1990 | \$14.3 | \$13.2 | (1.1) | (0.8) |
| 1991 | 17.1 | 14.5 | (2.6) | (15.2) |
| 1992 | 20.6 | 16.4 | (4.2) | (20.4) |
| 1993 | 24.7 | 20.0 | (4.7) | (19.0) |
| 1994 | 29.6 | 25.0 | (4.6) | (15.5) |
| 1995 | 35.5 | 31.5 | (4.0) | (11.3) |
| 1996 | 42.6 | 38.4 | (4.2) | (9.9) |
| 1997 | 51.2 | 43.0 | (8.2) | (16.0) |
| 1998 | 61.4 | 47.1 | (14.3) | (23.2) |
| 1999 | 73.7 | 42.0 | (31.7) | (43.0) |

During the decade of the '90s, HP fell short of its annual goals by an accumulated total of \$75.6 billion.

The 2001 Annual Report reflected some of the major dynamics impacting on HP, its technologies and business tactics and strategies. One major development focussed on the growing importance of “solutions”.

In 2001, we witnessed a heightened acceleration away from the era of pure products and toward a new era of interconnected, networked solutions. We are now entering a period of computing that defies all limits and crosses all borders, in which everything works with everything else, everywhere, all the time. *Ibid.* While the second paragraph of this quotation contained some techno-babble, e.g., “everything works with everything else, everywhere, all the time”, the following quote provided some insights into the challenges facing HP.

... we've taken aim at the heart of this transformation, and set a goal to reinvent this great company: to restructure and revitalize ourselves to recapture the spirit of invention that is our birthright, and apply it to meeting customer needs. *Ibid.*

The **review** process that was ongoing in HP indicated that the company had “made steady, measurable progress against our strategy and objectives.” Further, HP’s *Annual Report* stated that “We maintained our focus on long-term growth goals, and consistently pulled together the many capabilities and assets of this company to pursue them. Hewlett-Packard was also one of the few IT companies to remain profitable in an otherwise unpredictable and tumultuous environment.” *Ibid. p.4.* The **review** also called upon the company’s founders for guidance. “Bill and Dave understood that HP could choose to lead or choose to follow, and they chose to lead. First and foremost, they led with innovation from within.” *Ibid.* The *Annual Report* even drew upon *The HP Way* and

its seven principles/objectives as criteria for assessing the company and its performance. Clearly, senior management was drawing on the history of the company and its two revered founders to cloak the condition of the corporation, its operations and strategies.

In its **review** of HP strategy, the *Annual Report* stated more specifically that, Responsible execution of our strategy requires continuous evaluation of our current businesses and potential investments. When necessary, we made the tough decisions to divest of businesses that are no longer strategic, the most notable being Verifone. On the other hand, we acquired companies that filled important strategic gaps in our portfolio in areas targeted for growth, including StorageApps, Inc, a leading provide of storage-virtualization technology, and Trinagy, Inc., a supplier of advanced network-performance-management software; and we are in the midst of acquiring Indigo N.V., a supplier of high-speed print technology. *Ibid.*, p. 11.

HP provides “a broad mix of products across a variety of product segments and across customer categories ranging from large multinational enterprises to individual consumers.” Hewlett-Packard, “Strategy and Segment Overview”, *Form 10K/A*, fiscal year ended October 31, 2001, p. 3 Within this wide range of products and market segments, the company wanted to be “the category leader with respect to each of the specific products and categories in which we compete and to expand actively into new and adjacent markets.” In effect, HP was in a wide range of market segments, e.g., 130 products, and endeavored to be a leader in each. At the time, HP was focussing on the provision of integrated solutions. The solution-driven approach focussed on “two converging paths”. The “first path” included the development of next-generation devices, e.g., printers, PCs, handhelds, notebooks. In addition to their more traditional functions, these devices featured embedded technology that allowed them to work in conjunction with other wireless or wired devices. The “second path” involved the development of a “dynamic, flexible, reliable infrastructure” that could be accessed and utilized in more ways by the variety of devices referred to above. This general overview provided a general description of the strategic coverage of HP and its products.

A more focussed **review** of HP’s corporate strategy revealed that it had three main product categories: imaging and printing systems; computing systems; and IT services. Within each of these groupings were more specific categories. For example, in the imaging and printing group, there were four product categories: printer hardware, imaging, printing supplies and commercial printing. In fiscal 2001, the imaging and printing group

... executed against a number of key goals, including increased focus on gaining market share in low-end products, ensuring a smooth transition to new products in our Laserjet and Inkjet printer families, and expanding our commitment to commercial printing. *Ibid.*

From that general description of its strategic orientation, HP went on to report on numerous of the company’s developments. In the Printer Hardware group, they identified seven major product introductions, some of which included more than one

model. The **review** of strategic endeavors showed the breadth of the product lines, systems and services provided by HP. The **review** provided signals of problems ahead.

Probably no event in the history of Hewlett Packard attracted more **review**, evaluation, criticism, discussion and other expressions than the acquisition of Compaq Computer by HP on May 3, 2002. When the largest takeover in the history of the computer industry was announced in September 2001, the deal was valued at \$25 billion. When it was completed eight months later, it cost HP about \$19 billion in shares valued at .6325 of a Hewlett Packard share for each share of Compaq Computer. Megan Graham-Hackett, "Stock Report – Hewlett-Packard Company" *Standard & Poors*, January 21, 2006, p. 2.

While the ultimate price paid for Compaq was appreciably less (24 percent) than originally stated, the acquisition created a major issue for HP and its CEO, Carly Fiorina. It sparked considerable conflict among Board members, notably with Walter Hewlett, the son of co-founder Bill Hewlett. He was strongly opposed to the Compaq acquisition, ostensibly because he claimed that the deal would dilute profits while HP absorbed Compaq's low margin PC business. The Associated Press, "Hewlett-Packard top executive ousted", *www.msnbc.com*, June 13, 2005, p. 1. The acquisition took Ms. Fiorina and Compaq CEO Michael Capellas several months to convince dubious shareholders, executives, financial analysts and others about the merits of the deal. Years later the skepticism remained. One expert on corporate reorganization stated that

She (Ms. Fiorina) brought about a major acquisition, that, from the objective of those of us who look at corporate restructuring, had absolutely no merit. Combining H-P with Compaq appeared to be more an ego trip, not a business deal. Many of us are still saying, "Where's the rationale here?" James Owers quoted in The Associated Press, *ibid*. Even, after the fact, experts can be wrong

Following months of reviewing her performance, on February 9, 2005, Ms. Fiorina was forced out of her positions CEO and Chairwoman of HP. Ostensibly, the reason for her departure was the "failure of the company's board and Ms. Fiorina to agree on how to execute HP's strategy." Graham-Hackett, *loc. cit*. Directors had been discussing the change for "quite some time" based on consultations with lawyers, venture capitalists and academics. In financial terms, HP shares did not perform as well as they had historically. During Ms. Fiorina's reign, significant declines occurred in tangible book value, cash flow, earnings and price-earnings ratios. However, the overall corporate performance reflected mixed results. Revenues, operating income, cash, assets and liabilities increased. Net income varied from a high of \$3.56 billion in 2000 to a low of -\$923 million in 2002, the year of the Compaq takeover, and a rebound to \$3.5 billion in 2004.

In 2006, one year after replacing Carly Fiorina as HP's CEO, Mark Hurd had cancelled some the higher profile, lower return ventures approved by his predecessor. One of the notable cancellations was a digital entertainment hub that had been introduced with great fanfare at the 2005 Consumer Electronic Show. Another casualty was a project to marry HP technology with Apple Computer's "wildly successful iPod. Clearly these product line deletions resulted from HP's **review** of its product lines and their performance. Management's **review** of HP performance also resulted in a major restructuring program that would eliminate 15,300 jobs and cut \$2 billion in costs by

2007, the reorganization of the operating divisions to give their managers more authority and responsibility and a major retooling of HP's own information technology to drive down costs and make it a showcase for HP products and services. Shawn McCarthy, "A year after Fiorina's exit, Hurd makes his mark at HP", *The Globe and Mail*, February 8, 2006, B9. Mr. Hurd was credited with being an operations-oriented manager who "knows where he is going and how to get there". Clearly, he spearheaded the **review** of HP's mammoth organization (151,000 employees in 178 countries and \$87 billion of revenues in 2005). "Mr. Hurd kept a low profile throughout 2005 as he worked with a senior management team to redefine HP's business strategy." *Ibid*. His **review** also revealed a company with an impressive array of technologies, a strong corporate culture, dedicated though somewhat demoralized employees and a fractured organization that had little accountability and an uncertain grasp of risk and return in its various product lines. His **review** further revealed three major trends: enterprises moving from large monolithic mainframe servers to distributed computing power; the evolution of mobile computing among businesses and consumers; and the rapid development of digital printing. In regard to the trends, Mr. Hurd's conclusions were that the three market movements played to HP's strengths and the company was positioned to capture them.

Notes

Hewlett Packard provides another case history of an organization's leadership, management philosophy and related practices that became out-dated and dysfunctional. Such consequences are common in businesses of all sizes, especially if they had founders who were entrepreneurial and successful, e.g., Chrysler Corporation, Eaton's and Seagrams Distillers. The founders were the role models for nearly six decades. The *HP Way* that they developed set out the values, philosophy, behavior and culture of a small company that grew into a giant corporation. While the co-founders prided themselves in a process of succession, it was that process that failed HP in the late 1990s.

The succession process was outdated and lagged behind the realities and requirements of the burgeoning corporation. HP's practice of having division personnel make presentations and using that as a basis for evaluating performance and potential was very limited in scope and lacked depth of assessment. Divisional meetings and "get acquainted" dinners provide inadequate opportunities to evaluate aspiring managers, especially when the corporation has 130 product units. Such a process was a very conventional and superficial way to evaluate managers. Unfortunately, it had the failing of aspiring managers to "role play". They tend to say and do what the senior managers want or expect to hear and see. Such presentations allowed a very limited time for reviewing and evaluating the performance and condition of a division or business unit that involved thousands of people, many millions of dollars or billions of investment in sensitive R&D, production facilities and equipment, marketing, sales and other vital programs in a corporation that became the 11th largest in the United States. It was a small business approach to a giant corporation's future management.

As HP entered the 1990s, it was drifting; it lack clear direction and vitality to go forward successfully. The last of the long time HP managers, Lew Platt, ended up

wearing three “top” hats, far too much power, authority and responsibility vested in one person. To a great extent, management at the senior levels became “institutionalized”, manifested most seriously by common engineering backgrounds, long time employees, bloated bureaucracy, waning vitality and lack of direction.

The stagnation of the organization brought on the need for its critical **review**. Although **review** processes were utilized at HP, most notably in the R&D, production and sales activities and in the management succession process, changing external and internal forces and conditions required more rigorous evaluations of the company’s performance, its senior management, policies, strategies, budgets and operations. After reviewing the state of the corporation in 1999, the Board decided to take a radical departure with its choice of Carleton (Carly) Fiorina. Not only was she a woman but she was the first CEO of Hewlett Packard from outside of the company and the first who did not have an engineering background.

Certainly many issues followed her selection as CEO and, subsequently, Chairman of the Board. Maybe choosing her was too much of a radical departure from the “steady as she goes” approach of HP. Maybe it was the medieval history, philosophy and marketing background that she brought to the leadership of an engineering-oriented corporation. Maybe it was the fact that she was a woman leading a large technology company in an industry dominated by men. Maybe it was her style, considered to be dramatically incongruent with the *HP Way*. Maybe it was the turmoil, distractions and sagging morale that resulted from the takeover of Compaq, the largest acquisition in the history of the computer industry. Maybe it was her inability to attain the financial goals and execute the strategies of HP, especially in regard to cutting costs, streamlining operations and making the company more profitable, despite altering its marketing strategy from increasing market share to more profitable sales.

Whatever the issue or combination of issues, the regime of Carly Fiorina brought the need for reviewing the corporation into sharp focus. That focus on **review** carried on into the appointment of HP’s current CEO, Mark Hurd. Not only does he have a focus on vision and strategy but Mr. Hurd has shown the credibility and capabilities to execute them. Critical **reviews** the CEO and other senior management people will determine what changes in strategies, tactics, programs and resource allocations will be done by HP.