

The HP way...



This report, "the HP way," is designed to help communicate a better understanding of the working philosophy of Hewlett-Packard Company. To do this it relies on the definitions, experiences and statements of a wide range of people and sources within the organization.

What is it?



"Any group of people who have worked together for some time, any organization of long standing, indeed, any state or national body over a period of time develops a philosophy, a series of traditions, a set of mores. These, in total, are unique and they fully define the organization, setting it aside for better or worse from similar organizations. At HP all of this goes under the general heading of "the HP way." I want to emphasize that the "HP way" cannot be demonstrated to be unique, and that although based on sound principles, it is not necessarily transplantable to other organizations. But what can be said about it is that it has worked successfully in the past at HP and there is every reason to believe that being a dynamic "way," it will work in the future. If this is true, and if it differs from more conventional practices, then it is important that whatever this "way" is that it be conveyed to, and understood by new HP people.

"What *is* the HP way? I feel that in general terms it is the policies and actions that flow from the belief that men and women want to do a good job, a creative job, and that if they are provided the proper environment they will do so. But that's only part of it. Closely coupled with this is the HP tradition of treating each individual with consideration and respect, and recognizing personal achievements. This sounds almost trite, but Dave and I honestly believe in this philosophy and have tried to operate the company along these lines since it first started.

"What are some examples of this application of a confidence in and concern for people? One was a very early decision that has had a profound effect on the company. That decision was that we did not want to be a "hire and fire" operation — a company that would seek large contracts, employ a great many people for the duration of the contract, and at its completion let these people go. Now, there is nothing that is fundamentally wrong with this method of operation — much work can only be performed using this technique — it's just that Dave and I did not want to operate in this mode. This one early decision greatly limited our freedom of choice and was one of the factors that led us into the business in which we are now engaged.

"There are a number of corollaries to this policy. One is that employees should be in a position to benefit directly from the success of the organization. This led to the early introduction of a profit-sharing plan, and eventually to the employee stock purchase plan. A second corollary was that if an employee was worried about pressing problems at home, he could not be expected to concentrate fully on his job. This, and the fact that in the early days Dave and I were very closely associated with people throughout the company and thus had a chance to see firsthand the devastating effect of domestic tragedy, led, amongst other things, to the very early introduction of medical insurance for catastrophic illness.

"As the company grew and it became evident that we had to develop new levels of management, we applied our own concept of management-by-objective. When stripped down to its barest fundamentals, management-by-objective says that a manager, a supervisor, a foreman given the proper support and guidance (that is, the objectives), is

probably better able to make decisions about the problems he is directly concerned with than some executive way up the line — no matter how smart or able that executive may be. This system places great responsibility on the individual concerned, but it also makes his work more interesting and more challenging. It makes him feel that he is really part of the company, and that he can have a direct effect on its performance.

"Another illustration of the HP way occurred in 1970. During that time, orders were coming in at a rate less than our production capability. We were faced with the prospect of a 10 percent layoff — something we had never done. Rather than a layoff, we tried a different tack. We went to a schedule of working nine days out of every two weeks — a 10 percent cut in work schedule with a corresponding 10 percent cut in pay for all employees involved in this schedule. At the end of a six-month period, orders and employment were once again in balance and the company returned to a full work week. The net result of this program was that effectively all shared the burden of the recession, good people were not turned out on a very tough job market, and, I might observe, the company benefitted by having in place a highly qualified work force when business improved.

"The dignity and worth of the individual is a very important part of the HP way. With this in mind, many years ago we did away with time clocks, and more recently we introduced the flexible work hours program. Flexible, or gliding, time was originated within the company at our plant in Germany. Later it was tried for six months or so at the Waltham Division in Massachusetts, and then made available throughout much of the company. Again, this is meant to be an expression of trust and confidence in HP people as well as providing them with an opportunity to adjust their work schedules to their personal lives.

"Many new HP people as well as visitors often note and comment to us about another HP way — that is, our informality and our being on a first name basis. Both Dave and I believe we all operate more effectively and comfortably in a truly informal and personal name atmosphere. Hopefully, with increasing growth we can retain this "family" way of operating with the minimum of controls and the maximum of a friendly "help each other" attitude.

"I could cite other examples, but the problem is that none by themselves really catches the essence of what the HP way is all about. You can't describe it in numbers and statistics. In the last analysis it is a spirit, a point of view. It is a feeling that everyone is a part of a team, and that team is HP. As I said at the beginning, it is an idea that is based on the individual. It exists because people have seen that it works, and they believe in it and support it. I believe that this feeling makes HP what it is, and that it is worth perpetuating." — *Bill Hewlett, chairman, Executive Committee.*

"What is the 'HP way'? A lot of employees would like to have a nice cut and dried definition. I don't have one to give. There are a lot of elements in it — such as our informality, our knowing each other on a first name basis, our working to achieve the small-company atmosphere, and things like flexible hours. You can go on and on, but one of the most important points is the integrity and honesty of the way we do business. And treating people the way we would like to be treated ourselves."

— *Ray Wilbur, former vice president-Human Resources (retired).*

During the annual HP management meeting in 1975, the participants developed this list of concepts embodied in the HP way and their importance to the individual:

- Belief in people; freedom.
- Respect and dignity; individual self-esteem.
- Recognition; sense of achievement; participation.
- Security; permanence; development of people.
- Insurance; personal worry protection.
- Share benefits and responsibility; help each other
- MBO; decentralization.
- Informality; first name; open communication.
- A chance to learn by making mistakes.
- Training and education; counseling.
- Performance and enthusiasm.

...but how do you do it ?

You trust people...

...practice sharing



Underlying Hewlett-Packard's personnel policies is the concept of sharing — sharing the responsibilities for defining and meeting goals, sharing in company ownership through stock purchase plans, sharing in profits, sharing the opportunities for personal and professional development, and even sharing the burdens created by occasional downturns in business.

Sharing, to be truly effective, requires an atmosphere of trust and of great respect for the individual. The company seeks to create that atmosphere by maintaining a record of steady growth and good performance, one that assures both stability and opportunity for HP people. It is also important that people have a sense of close, personal involvement in the achievements of their particular division or department.

One important way the company keeps people involved is by paying close attention to its organizational structure. HP's basic business units — the operating divisions — are kept relatively small and well defined. The purpose is to give people a clear sense of their own mission and an awareness of their individual contributions to overall performance. This policy has manifested itself in recent years with the formation of many new divisions. As a consequence, many opportunities were created for people to take on new responsibilities built around clearly identified product lines.

Helping people prepare themselves for their new responsibilities is yet another important part of the sharing process. A wide variety of company-sponsored training and development programs is available for this purpose.

The concept of sharing is very evident in the company's benefit programs. These take various forms around the world, each country organization having its own set of bene-

fits tailored to its own traditions, laws and values.

Employees in many countries participate in cash profit sharing. In the U.S., for example, employees with more than six months service are eligible to participate, and receive amounts calculated on HP's pre-tax earnings.

Profit sharing has also been the basis of the company's retirement program in the U.S. This program has undergone a number of modifications in recent years, and further changes have been incorporated in order to provide more secure value in the face of increasing fluctuations in monetary and market values of securities.

U.S. and many other employees participate in stock purchase plans. The U.S. plan allows employees with at least one year of service to set aside up to 10 percent of base earnings to buy shares of company stock. Shares are issued quarterly at the current market price. The individual pays 75 percent of the total cost of the stock with the company contributing the remaining 25 percent.

Where such plans are not appropriate, the company seeks to provide other benefits that recognize and reward employees for their contribution to performance.

Perhaps the company's most important responsibility to its people is providing stability of employment. This concern is particularly evident during periods of economic recession. Early in fiscal 1975, for example, the company was able to avoid layoffs by transferring production from some areas to others, and by instituting temporary work reduction programs at a few locations. This approach of sharing the burdens of recession along with the rewards of success is valued by HP people for the security it provides in their lives, and by the company for the continuity of experience, skill and loyalty that it engenders.



Under the flexible hours program now in effect at most HP manufacturing locations worldwide, people can start their workday at any time within a two-hour "window." For many working parents, the program makes it possible to take children to school before reporting to work.



Communication at HP is enhanced by the company's traditional twice-a-day coffee breaks. They promote a relaxed, informal atmosphere and encourage the exchange of useful ideas among various groups and operating levels.

"There is a widely held belief that the educational process stops when a person leaves the formal schooling program. The reverse should, and must, be true: formal schooling should be only a background for further education, albeit in a different form.

"As a company, we should look upon each new employee in terms of potential for further development. But this view is predicated on two important factors — that we provide opportunities for ongoing training, and that

each individual is motivated to participate in further training.

"People come into the company at various levels. A general requirement of a training and development program, therefore, must be that there are development paths available for all entry levels, and that these paths have a continuous spectrum such that upon completion of one portion of the program, new and increasingly challenging courses are available. Thus, as new employees complete some of the more

general development programs and acquire proficiency in their current employment positions, they will have the opportunity to participate in the initial programs of supervisory development. But, a word of caution is necessary. Just because an individual has completed courses for a higher supervisory position does not guarantee promotion to the next vacancy that becomes available. Training is only one of the factors to be considered. By a similar token, and for the same reason, lack of a

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specific training background will not preclude advancement — training will only facilitate it. Obviously, though, minimum qualifications are essential.

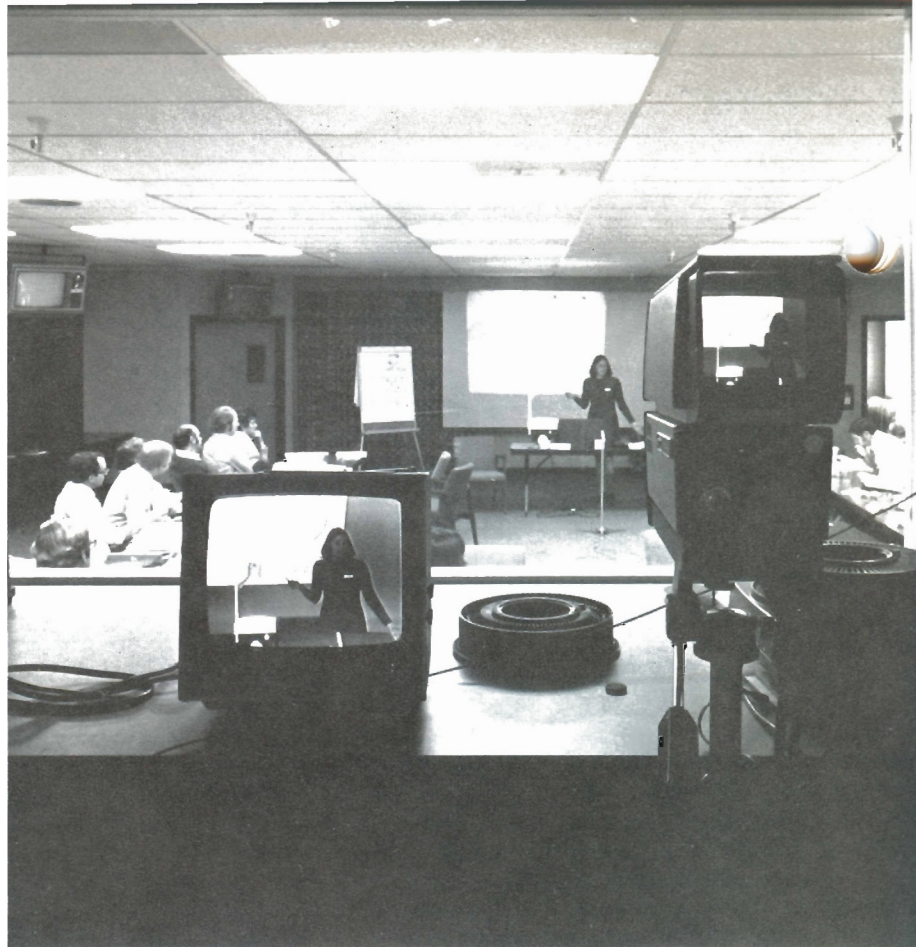
"We now have training and development programs that range from those for the newest employee to those for our senior management. It is our conviction that if the company is to compete in the world of the future, it can only do so because of the skills, the training and the dedication of HP people." — *Bill Hewlett.*

"One notable influence is the high level of competence found throughout the HP organization, and the strong mutual respect that grows from it. In the all-important area of engineering, for example, HP's practice is to recruit the best people it can find, then continually train them on the job to take on broader responsibilities. The net effect of this shared background and training is an ability to communicate with considerable precision and comprehension across organizational lines and geographic boundaries.

"'Growing our own' people results in a strong upward flow of supervisors and managers knowledgeable not only in terms of their profession but also the company and its business. This is a very important requirement if we are going to fulfill the promise of management by objective, because once that principle has been set into action it can only carry on if everyone in the organization understands it and works at it." — *John Young, president.*

"The job of a supervisor is to make the rest of the people look good, to help them do their job the best; and if you can do that, you quickly earn their respect. But if you think that all of a sudden you're a supervisor, and you're IT, then you're in trouble! It's the people who have to be successful. If *they* are successful, then *you* are successful."

— *Ralph Lee, executive vice president.*



...and coach them for new challenges and

"One of the nice things about HP is the importance it places on personal development as well as technical expertise." — *Jim Watson, Analytical field engineer, Sydney office, HP Australia.*

A scheduler at the San Diego Division points to her own development — up from minimum-wage clerk a few years after joining HP — as evidence that the system works very well. "I'm still going to college, and I think that anyone who takes advantage of the opportunities can grow in almost any direction they choose. The doors are really open here, and if something is bothering a person, they shouldn't hesitate to speak out. For better or for worse — they'll get a response."

— *Mary Ann Shaw.*

A training-the-trainers class in the Management Development Program for HP supervisors and managers is conducted by the Corporate Training and Management Development department. The program was videotaped to help the trainers train even more instructors in their home divisions.



How does someone who comes in “green as grass” become a sales office manager? Dana Cox of the Oklahoma City Office admits to being almost totally innocent of office know-how when she joined the Southern Sales Region’s Atlanta office in 1969.

Starting as an accounts receivable clerk, she coached herself to become a sales secretary, shifted to the “admin” side, set up the region’s first consignment inventory program, and then decided to try her hand at order processing.

“Every time they gave a training program,” Dana recalls, “I got my name on the list. I tried to learn as much as I could as quickly as I could, and I’ve never had anyone at HP tell me I couldn’t learn.”

So when the Oklahoma City job came up, Dana was ready.



A number of apprenticeship programs are available to HP people to help them upgrade their skills and qualify for advancement. Through a combination of on-the-job training and classroom instruction, Sandra Fernandez became an electronics technician.



Among the educational programs which HP divisions offer their people are several that provide televised courses from nearby universities. Usually, these are given in a classroom close to work. The rooms are often equipped with two-way audio hookups that enable the HP students to talk directly with their instructors. HP was one of a number of companies that helped pioneer this use of video instruction in cooperation with the Association for Continuing Education.

You manage by objectives

Personal involvement and sharing is engendered through the application of a management philosophy closely related to "management by objective." Dave Packard described this several years ago when he said, "Early in our history, while thinking about how this company should be managed, I kept getting back to one concept: If we could simply get everyone to agree on what our objectives were and to understand what we were trying to do, then — starting with people who want to work, and providing them with the right conditions and resources to do it — we could turn them all loose and they would move along in a common direction." A set of written corporate objectives based on this concept was first published in 1957. Although revised from time to time to reflect the changing nature of our business and social environment, over the years they have retained their basic substance.

The following is a summary:

1. PROFIT

OBJECTIVE: *To achieve sufficient profit to finance our company growth and to provide the resources we need to achieve our other corporate objectives.*

2. CUSTOMERS

OBJECTIVE: *To provide products and services of the greatest possible value to our customers, thereby gaining their respect and loyalty.*

3. FIELDS OF INTEREST

OBJECTIVE: *To enter new fields only when the ideas we have, together with our technical, manufacturing and marketing skills assure that we can make a needed and profitable contribution to the field.*

4. GROWTH

OBJECTIVE: *To let our growth be limited only by our profits and our ability to develop and produce technical products that satisfy real customer needs.*

5. OUR PEOPLE

OBJECTIVE: *To help HP people share in the company's success, which they make possible; to provide job security based on their performance; to recognize their individual achievements; and to help them gain a sense of satisfaction and accomplishment from their work.*



6. MANAGEMENT

OBJECTIVE: *To foster initiative and creativity by allowing the individual great freedom of action in attaining well-defined objectives.*

7. CITIZENSHIP

OBJECTIVE: *To honor our obligations to society by being an economic, intellectual and social asset to each nation and each community in which we operate.*

"The starting point for management by objectives in a division should be an overall set of short and long range goals. These should flow from corporate and group objectives and have the acceptance and support of group and corporate management. These division objectives serve as the framework for all further decision making and plan-



As part of their responsibilities, HP supervisors are asked to conduct periodic evaluations of employee performance based on previously set objectives, as well as to recognize individual accomplishments. Paula Weir (left), a supervisor with the Delcon Division, chose an informal patio setting for discussion of draftswoman Ramona Avila's performance.

Supplementing daily, personal contacts, many HP managers hold periodic, informally structured meetings with people in their operating units. These round-table sessions are useful in setting goals and objectives, resolving problems, and exploring ways of improving operating performance.

zonally and vertically. This last point is not easy to achieve and deserves maximum attention from every manager.

"Throughout this process, good managers are aware and responsive to the personal goals and aspirations of their people. Each manager molds plans and assignments to help each individual fulfill these personal goals through the accomplishment of division objectives.

"Objectives are not unchanging and static. Rather the need to adjust your objectives should be understood as the environment causes change in strategic or tactical plans or as deviations in performance occur in other areas. However, rapid, unnecessary, or arbitrary

change is highly undesirable. When changes *are* necessary they should occur through the organizational structure." — *Paul Ely, vice president, Computer Groups.*

"While the HP philosophy was quite visible to us in those early years, management-by-objective probably had its acid test in 1957, following the first management meeting. At that meeting it was decided to reorganize the company along more structured lines, with Bill and Dave delegating the functional responsibilities they had held.

"The R&D activity was set up into four lab groups. I'll never forget the sight of Packard walking past the microwave lab, not saying a thing. It must have been hard for them to pull out that way, but they stuck to it, even to the point of letting me run one project right into the ground. It was a very interesting technical project I had sold myself on, and they let me go right ahead and discover that there wasn't much of a market for it.

"To me, that management meeting and the changes that occurred as a result of it were a landmark for the company. I think it proved that we could change, and that we could not only preserve our management philosophy but also strengthen it. Growth could happen without our having to give up the good things that made HP different.

"A lot of companies never made it past that point — remaining small or changing their style—because top management didn't know how to let go." — *Bruce Wholey, vice president, Corporate Services.*

ning, and therefore should be broadly visible.

"Each functional manager (R&D, Marketing, Product Assurance, Personnel, Manufacturing and Finance) is responsible for insuring that these overall objectives are understood by all members of the team. Most importantly, each manager is expected to secure the team's commitment in spirit to these objectives.

"Within this framework the functional managers then establish objectives for their areas. As before, each functional manager consults with the team in establishing them and reviews them with the general manager to assure they mesh with the division and other functional area objectives.

"This process is repeated at each level until all managers have developed objectives to guide their team, each team member is committed to the objectives, and all plans mesh both hori-

...through people

"The art of getting things done through people is fairly simple when operations are small. As we become more complex organizations, with interactive product lines and international markets, the art is to simplify lines of authority. We need to give people a clear sense of the objectives and a clearly defined responsibility they can understand.

"To bring this off we are going to have to develop a new breed of managers who will be able to manage on a multi-plant, multi-national, multi-product basis, yet provide all the traditional strengths of a local manager."

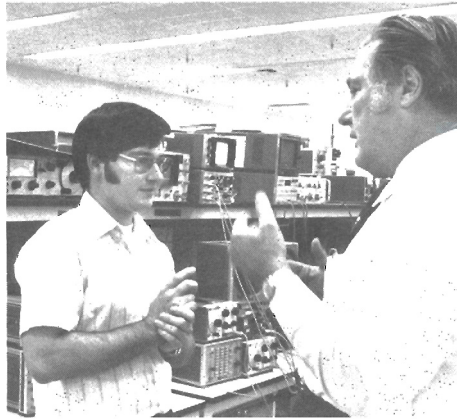
— *Bill Terry, vice president, Instrument Groups.*

...by wandering around

"Once a division or a department has developed a tactical plan of its own — a set of working objectives that are in essential agreement with corporate objectives — it's important for managers and supervisors to keep it in good operating condition. This is where observation, measurement, feedback and guidance come in. It's what I call 'management by wandering around.'"

"Management by wandering around is how you find out whether you're on track and heading at the right speed in the right direction. If you don't constantly monitor how people are operating, not only will they tend to wander off track but also they will begin to believe you weren't serious about the plan in the first place.

"So, management by wandering around is the business of staying in touch with the territory all the time. It has the extra benefit of getting you off your chair and moving around your area. By wandering around I literally mean moving around and talking to people. It's all done on a very informal and spontaneous basis, but it's important in the course of time to cover the whole territory.



"You start out by being accessible and approachable, but the main thing is to realize that you're there to listen. The second is that it is vital to keep people informed about what's going on in the company, especially those things that are important to them. The third reason for doing this is because it is just plain fun." — *John Doyle, vice president, Personnel.*



"Management by wandering around" entails a dedicated effort at keeping in touch by direct and informal contacts between many levels of the company. At many HP organizations these are supplemented by regular informational meetings such as extended coffee breaks once or more a month.



...and individual contributions

"A division at HP, as I view it, is people working together to meet well understood goals and objectives in three areas where they have a common concern and feeling of responsibility. First, for a division to exist, the people involved must feel a vital concern and a strong responsibility for the success of a specific product line. Secondly, there must be a deep concern for helping the other people involved with the product line achieve their own personal goals and ambitions. Third, there must be a strong feeling of responsibility for contributing positively to the general welfare of the communities in which the division participates.

"Divisions are normally organized into six functional areas: research and development, manufacturing, marketing, finance, product assurance, and personnel. The first three are typically called line functions. This means that they have the primary responsibility for the overall success of the product line. Finance, product assurance, and personnel are normally thought of as staff functions which provide important information and assistance to the line functions to help them carry out their responsibilities more effectively.

"The division manager is responsible for making sure that clearly understood division and product-line

goals and objectives are established; that an organizational framework and environment is provided in which people can work together effectively to accomplish their goals and objectives; and that outstanding individuals are selected to be responsible for each of the functional areas.

"It is important to remember that, while the autonomy of a division is one of HP's strengths, it is our ability to work together to transfer technology and ideas across divisional lines that has really made HP so strong."

— *Mason Byles, general manager, Avondale Division.*

In the face of steady growth in corporate size and complexity, a continuing challenge for Hewlett-Packard has been to insure the most direct possible link between its product organizations and the needs of its customers.

Certainly, the sales organization is somewhat complex when viewed on paper: teams of field engineers locally supported by regional and country organizations, sharing common offices, services and policies, and all requiring the attention of the more than 30 factory organizations. How does the HP way operate in that setting?

There is, first, the organizational answer: field teams and the factory divisions are organized into six product-related groups which provide the necessary cohesion and identity.

But the main answer is still the HP principle of getting the job done at the most fundamental levels of the organization.

Commenting on this, Paul Guercio, manager of the Eastern Sales Region's Instrument sales-service team, noted that "For the greater part of their activities, the field engineers will be in direct contact with the divisional sales engineers. When problems or special circumstances come up, the district managers will be in touch with the division sales managers — and so on. They have a direct working relationship with the people who can give them answers."

The basic principle of individual responsibility for work has been developed and applied with special vigor by HP's manufacturing operations at Boeblingen in the German Federal Republic. It was there, for example, that flexible work hours got its first big test. Srin Nageshwar, manager of calculator operations, recalls that the idea came up during a coffee break meeting: "Someone wondered why a notorious late riser on the administrative staff should have to be at his desk at exactly the same time as the early bird in the metal shop turned on his lathe. We discussed the idea further, and in 1967 introduced flexible hours."

In Europe, the basic HP unit for doing business is the country organization. Presently there are 14 such organizations operating under the coordination of European headquarters (HPSA) in Geneva. These country teams show their basic strength in the way they build their businesses — employing and developing local national people, serving national goals, finding their own way in the sometimes turbulent economic and political life — and yet somehow managing to remain essentially HP organizations.

Bill Doolittle, vice president-International, emphasizes that the HP way in Europe is much more than a veneer of management style. According to Bill, it works in Europe just as it works in

the U.S., as a fundamental factor in the way things get done, giving the individual organization and person wide discretion in the setting and achieving of goals.

Ken Riley, an analytical products field engineer in the Manchester (U.K.) office, noted that "In my previous sales job I did what I was told. My boss didn't give a damn what I thought. However, in HP it takes a while to get used to the way things get done — to know what resources you can call on and how you can exploit them to the customer's benefit. The ability to make decisions and take responsibility is a real benefit."

Guido Prestinenza, Administration-Finance manager for HP Italiana, affirmed the openness of the HP management style. He noted in contrast that "Even today in some of the old traditional firms you would have to wait weeks and even months to talk to the top manager. But this is changing, especially in the larger companies."

to team efforts.



HP's "small business team" concept is exemplified by this gathering of members of a division product-development team, discussing progress of their joint engineering efforts. HP is pre-eminently a team-style organization, one in which individuality is recognized and rewarded primarily for its contributions to team effort.



The billion dollar question:

But does it really

There it was in black and white: two billion, three hundred and sixty million dollars worth of HP shipments — sales — in fiscal year 1979!

Even ten years before, with sales nearing one quarter of that figure, questions were being asked: How would growth of that order affect the style and character of the company? Would it become just another big company in which to lose one's individuality? Would HP initiative be swamped by stiffer, longer lines of authority and communication? Would the proliferation of new product lines break down the "one-company" posture that had served HP and its customers so well?

The complexities of global business, both manufacturing and marketing, create special challenges for the Hewlett-Packard philosophy. According to most observers, however, it "travels" very well because it is based on fundamental human values of personal dignity and fair play.



...here's what some HP people have to say:

work?



Two members of the German manufacturing team at Boeblingen get down to cases. The trust on which individual initiative at HP is based is anything but blind. John Doyle, vice president-Personnel, has described the company's approach to managing people as "hard-headed in general, but soft-hearted in particular. You can usefully and successfully be the latter only when hard, practical thinking has gone beforehand."

Harvey Kellogg, veteran employee now in the Mountain View Corporate Parts Center, feels very strongly that "the HP way" has been very well maintained in spite of the company's size. "Dave and Bill's basic philosophies still predominate," he insists. "There's still a small-company spirit — at least in the areas I've experienced — and occasionally I see new employees who don't necessarily think the way we do, but it's just a matter of time before they learn the 'HP way'."

Viv van Zyl, former manager at Cape Town, South Africa, quickly realized as a newcomer that Hewlett-Packard had a special atmosphere and eight years with the company have confirmed that impression: "Soon after I joined the company I met Bill Hewlett. I expected the great man to be like I imagine all corporate presidents to be — cold, impersonal, businesslike with only a few moments to spare. Well, a little over-awed I called him 'Mr. Hewlett' and he replied, 'That was my father's name; mine is Bill'."

Ralph Helper, in his twentieth year with the Neely sales organization and presently its service manager, makes the point that the company's present size has served to reinforce the HP way of doing things: "Our size and rate of growth, in fact, have required that more of our people get their jobs done through clearly defined objectives. The efforts that are presently being made along these lines — through training, management and communications — are better now than they have ever been. This demonstrates the corporate commitment to provide everyone the opportunity for growth and development."

Reinhold Weyl, customer assurance manager at Boeblingen, joined GmbH in 1960 shortly after it began operations and sees a loss of flexibility as the result of growth: "As divisions become larger, they develop relatively fixed systems for their capacity planning. Day-to-day or week-to-week ad-

justments to meet changing needs are now almost impossible to make, for instance. The paths of communication in our division are also significantly longer than some years ago."

Candy Painter, admin supervisor at the Boise Division, believes that most people relate primarily to their local organization. "At our Friday morning coffee break division meetings, people are mainly interested in division performance. Being part of a billion-dollar corporation hasn't affected us at all at the division level—except we're proud of it."

Alan Holdway, Southern Ontario district sales manager in Toronto, joined HP Canada within a few days of arriving from the United Kingdom nine years ago. He believes that encouraging individual initiative is still one of the company's major strengths and the factor that keeps HP one step ahead: "Each of us should fully understand that our jobs exist to serve the customer. If roadblocks develop and the system isn't getting the right results for a customer, we should question the procedures. Perhaps delivery times can be speeded up by an inquiry to the factory, for instance. HP continues to allow plenty of room for the individual to contribute and succeed."

Boh Tong Chiew, production lead, is an HP Malaysia pioneer who thinks the HP way of doing things will survive continued growth: "As the company grows in size, personal contact between a person at the higher level and one at the lower level will become more rare. However, I believe that if the HP way of giving people trust and responsibility is practiced at every level — from the manager to the supervisor, from the supervisor to the lead and all the way down the line — then no matter how big the company grows, the HP philosophy will remain intact."

Robert Hofgaertner, operations manager for the Instrument Division of GmbH and an employee since 1960, thinks the HP way is still alive al-

(continued)

though he suspects that the percentage of employees who do not correctly understand the concept has risen: "HP still allows employees to find their own way; only starting points and goals are given. Our employees are used to the HP way and work accordingly, using their initiative and flexibility to make the best use of the resources of the large organization."

Glenn Green, marketing communications manager at New Jersey Division, thinks the changes he has observed over ten years at HP have all been for the better: "We now have a much larger reservoir of talent and resources to call on. We have more sales offices to represent us, more products to sell, and more public visibility. At the same time, we remain a relatively small unit. That's the key — to maintain local responsibility while making use of more interactive resources."

Jacques Brugere, personnel manager at Orsay, thought he observed a significant swing away from the HP management style during his ten years with the company, but that has since been changed: "At one time the French managers felt the HP way was fading away with more and more centralized management coming down the channels of verticalization and the horizontal lines of management. But today the pendulum of centralized versus decentralized management has returned to a more steady position. For me, the HP way is characterized by easy communications at all levels with attention and respect for everyone's contribution."

Jack Carlozzi, product line supervisor at Corvallis Division and an HP employee since 1956, believes that large size does pose a threat to the ability of people to be heard when they speak out as well as the ability of the company to

respond. "When I started, the company had only 600 people. I can recognize the difference today. But management does strive for flexibility, for the personal touch. Actually, because of the company's large size, there are now more opportunities for achieving goals that you strive for."

Cindy Wilber, personnel assistant at General Systems Division, Santa Clara, has worked for large and small divisions during her 15-year HP career: "I definitely like the atmosphere and working relationships in a smaller division. I feel you can communicate on a person-to-person level more effectively. That's why I like the way HP splits a large division into smaller divisions according to product groups. People can take more pride in their work when they can see and understand the end result. Yet you still have all the growth benefits of a large company."



"I thought: These people are putting me on. Why, there's not a shop in the world where someone isn't bad-mouthing the management. So it bothered me that no one was saying anything really bad about HP. I still can't say I really understand why it works, but it does. And the surprising thing is that results are better here. Peer pressure has something to do with it. And another factor is that you're given work assignments days in advance instead of one at a time every couple of hours. They aren't looking over your shoulder. No matter how much they give you, you seem to get it done."

— **John Wood**, model maker, Avondale Division.

"As a growing company we are more and more exposed to factors that previously did not directly concern us. The government, and society in general, is becoming more legalistic and bureaucratic with increasing demands and it is important that we prepare ourselves to meet these obligations in a positive and progressive manner

"In all of the changes we have made or will make in the future, a prime goal must be to preserve the freedom of action of our operating units. That freedom, coupled with strong professional staff support, creates the kind of dynamic environment to stimulate individual accomplishment." — **Bob Boniface**, executive vice president, Administration.



Can it survive?

"The balance we strive for is to preserve the flexibility and freedom of action characteristic of a small company with marketing, technological, and management strengths of a larger organization.

"The heart of the organization lies within the six product groups: Instruments, Computer Systems, Components, Medical, Calculators, and Analytical.

"Each product group is characterized by having a common sales force for all of its divisions' products on a worldwide basis except calculators, which has two. The task is to match our product offering to the applications needs of our customers.

"Other jobs of the group managers are to set overall targets and continually review performance. They also set the strategic direction for the business they are in, and insure that the product programs of the divisions are complementary and make the important 'contribution' to the customer that has so successfully characterized the company over the years.

"The overall corporate organization has been designed to let the divisions and groups concentrate on the product activities that they uniquely can do without each having to understand and perform all the important administrative tasks of doing business on a worldwide basis." — *John Young, president.*

In setting up manufacturing operations around the world, as HP has done in Europe, Asia and South America, cultural differences obviously present some interesting challenges.

People in quite a few parts of the world, for example, often accept the authority of a boss as absolute. In turn, this tends to make it difficult for employees to suggest or initiate actions that modern industrial managers welcome and even take for granted.

Tom Lauhon, formerly managing director of HP's Southeast Asian operations (now on the Computer Groups staff), recalls the point at which he was able to sort out the dilemmas created by such differences, and to answer them.

"After several months of thinking about it, I finally boiled them down to

two questions: Should we operate as an Asian-style factory working for HP? Or should we be an HP-style operation in Asia?

"It became clear to me that we had to become the latter: First, it seemed to me that the governments of Singapore and Malaysia had welcomed our manufacturing operations there in large part because they believed we would help them in the process of their industrial development. They didn't need us to help run Asian shops. They wanted our industrial know-how not just in products but also in organization and people — and the philosophy that goes with them.

"It was very interesting to see the people in Singapore and Penang plants respond to our approach. They convinced me that people are basically the same everywhere in terms of the way they will respond positively when barriers are removed and when they are recognized as individuals. I believe the 'HP way' will become one of our major contributions in those countries."

...it depends — mostly on ourselves.

"Size can be a threat — if it entails a proliferation of management and supervisory levels. But I think that HP is just as much a 'family' as it was when I joined in 1967, even though we're much larger now. We've always kept the operating unit at a reasonable size, and people have been chosen to run these units who understand the HP way." — *Emery Rogers, executive director, Hewlett-Packard Company Foundation.*

In the final analysis, profit is the ultimate source of the funds needed by any business enterprise to prosper and grow. At Hewlett-Packard it is considered the one absolutely essential measure of corporate performance over the long term — for only by meeting the profit objective can the other corporate objectives be achieved.

HP's long-standing policy has been to reinvest most of its profits and to depend on this reinvestment, plus funds from employee stock purchases and other cash flow items, to finance its growth. As a result of this policy, the company's long-term debt has traditionally been very low. The policy of financing its growth and other commitments with internally generated funds dates back to the company's founding in 1939. It can be achieved if the annual return on net worth roughly equals the growth rate in sales.

Meeting the profit objective requires that HP design and develop each and every product so that it is considered a good value by customers, yet priced to include an adequate profit. Over the years, the company has made many technological contributions in measurement and computation that, because of their inherent value, have resulted in products that have been both widely accepted and profitable.

The original Hewlett-Packard products were electronic measuring instruments. That product line has been expanded to include medical electronic equipment, instruments for chemical analysis, computers, electronic calculators, electronic components, and complete, automated systems for mea-

surement and data processing. This diversification has evolved from the application of HP resources and skills to fields technically related to the company's traditional ones.

In considering entry into any new field, the important criterion is whether HP can make a real contribution by providing something new and needed — not just another brand of something already available. To meet this objective, HP must continually generate new ideas for better kinds of products, and

give full consideration to the associated problems of manufacturing and marketing them.

Although there are limitations imposed by the fields of interest objective, they in no way constrain HP people from searching out new technologies, seeking improvements in manufacturing skills and efficiency, and developing new techniques for serving customers. In fact, it has been this freedom of opportunity and interchange that has led to the gradual broadening of the company's fields of interest over the years, a trend that can be expected to continue in the years to come.



And, of course, HP also benefits!

When all's said and done about the HP way, what does the company expect of the people who accept it as a working philosophy?

Performance: Fundamental to the HP way is the belief that its practice will engender superior performance on the job, and the company expects everyone's best efforts toward that goal. As the sixth objective concerning management says: "Employees must take sufficient interest in their work to want to plan it, to propose new solutions to old problems, to stick their necks out when

they have something to contribute."

Enthusiasm: Another fundamental expectation, as noted in the corporate objectives, is that "the organization should have objectives and leadership which generate enthusiasm at all levels . . . There can be no place for half-hearted interest or half-hearted effort . . . Management by objective, as opposed to management by directive, offers opportunity for individual freedom and contribution; it also imposes an obligation for everyone to exercise initiative and enthusiasm."

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