# Compaq computers 17941

Technology, Computer

Compaq Computer Corporation was founded in February 1982 by Rod Canion, Jim Harris and Bill Murto, three senior managers who left Texas Instruments and invested $1, 000 each to form their own company. Their first idea was a portable personal computer that was sketched on a paper placemat in a Houston pie shop. The founders presented their idea to Ben Rosen, president of Sevin Rosen Partners, a high-tech venture capital firm. The venture capitalists were impressed with the idea of a portable product innovated within the emerging standard and agreed to fund the new company.

Their brainchild was the world's first standard-based portable computer and it was extremely successful. In the first full year of trading, Compaq sold more than 53, 000 units and sales reached over $111 million, which is a US business record for a new company. Compaq eventually became well known for the compatibility and quality of its computers and hence its name " Compaq". In the first ten years Compaq concentrated on marketing its products for businesses, but by 1993 it finally expanded its business to the consumer markets with its Compaq Presario PC. Compaq became known as worldwide IT Company and supplier of computers. Even though Compaq is in a very competitive industry where alliances are not only formed with one company, but with several at once.

Compaq has become one of the world's most successful companies in the computer industry and has been recognized as Forbes Magazine's 1997 Company of the Year and is ranked no. 42 in 1998 Fortune's 500. Currently, Compaq is partnering with a large number of prominent Canadian and multinational information technology firms, including Asset Software

International (ASI), Celestia, Delrina (Symantec), Intel, Lotus, Matrox, Microsoft, Novell, Oracle, SAP, Tandem and many others, in order to gain a competitive advantage by sharing resource, knowledge, and cost. In 1996, Compaq and Intel Corporation began a ten-year cross licensing agreement. Competitors of Compaq include Sony Corp and Dell Computer Corp., among other companies. For example, Sony President Nobuyuki Idei was quoted as saying, " In order to compete with Dell and Compaq, we need more speed in the supply chain. We need to build powerful global networks for tighter control of inventories, to see in real time figures like sales, profits, and market demand." In other words, it can be said that the industry Compaq is competing in is a very volatile one, where efficiency and timeliness is not a luxury, but rather a prerequisite. Compaq's five global leadership objectives is to be a leader in Technology, Total Delivered Cost, Marketing/Customer Orientation, Distribution, and Corporate Leadership. In other words, Compaq's goal is to lead the industry holistically, not just in one dimension, but on a variety of platforms. An example of this is the vision of the future supported by Compaq, Microsoft, and Intel to provide new revenue opportunities for the television industry. The three will work with the television industry to support higher resolutions, without causing any initial receivers to become obsolete. It is expected that the computer industry will deliver millions of 'digital sets' to the market place, as many as 100 million by 2005. This example demonstrates that while competition is fierce among companies, alliances are also common. Compaq, like other companies in the industry, does not hesitate to merge with others on projects that can be mutually beneficial to all involved parties. In the above example, it can be

found that a growing number of companies are lining up to support the computer industry's standard for digital television, including C-Cube Microsystems Inc. However, Compaq has struggled for much of the past year to become more competitive with companies like Round Rock based Dell Computer corp., the No. 1 direct PC seller. At the same time, it's trying to meld the services and sophisticated computers gained from its $9 billion purchase of Digital Equipment Corp.

Compaq's expansion worldwide has made its presence through a range of geographic divisions with offices in North America, Asia Pacific, Japan, Latin America, China, Europe, the Middle East and Africa. Compaq North America (corporate office) is headquartered in Houston, Texas. Its products and services are sold and supported through a network of more than 25, 000 commercial and consumer marketing partners across the United States and Canada.

Compaq's strategy is: " Make it to the highest quality. Make it reliable. Make it affordable." In the company's first decade, commitment to that mission has made Compaq the largest PC supplier in the world. On July 2, 1996 Compaq announced a significant new organizational structure. The changes included a number of existing and new product divisions being aligned within three customer focused groups: The Enterprise Computing Group, the PC Products Group, and the Consumer Products Group. With this new organization, Compaq was aiming to further differentiate itself in the marketplace to expand its global leadership. This was done to address the, " increasing customer demand for bundled network solutions and higher levels of service

and support", according to Eckhard Pfeiffer, former CEO. Compaq's structure is designed to address the needs of the community, to maximize its strategic advantage from the employees it possesses, and to care for the environment.

One of the most recent events to affect the organizational structure of Compaq has been the resignation of Eckhard Pfeifer. Since Mr. Pfeiffer never groomed a successor, like Hewlett-Packard, analysts say the companies may end up competing for executive candidates. The organization is looking for a person with excellent technological experience, but it is willing to look for someone outside the tech sector. Another challenge to the organization would be the tech leader's ability to mesh the culture of the company. Now, a three-person " office of the president" is running the organization. Board Chairman Benjamin Rosen and board members Frank Doyle and Ted Enloe are heading this office. The three are currently overseeing the computer maker's day-to-day operations in an " office of the chief executive". A concern for the company is the need to execute better along with the need to improve the speed of decision-making in order to stay ahead of the industry curve. Michael Kzialo, director of research, Old Discount Corp. says," Compaq needs to have a person at the helm who has a good working rapport with the management team and with the board of directors. The company has a lot of potential, but they need help with the execution". In other words, Compaq's entire organizational structure is at stake unless it finds a CEO to lead them flawlessly through this transition period. An annual report of management in 1997 stated that Compaq maintains an effective control structure. It consists of organizational arrangements with clearly defined

lines of responsibility and delegation of authority, with comprehensive control procedures. This allows assurance that transactions are executed in accordance with management authorization and generally accepted accounting principles (GAAP). An internal audit is also performed in order to maintain the control environment. For the internal controls, the company selects and trains its employees carefully. It develops written policies and procedures and provided appropriate communication channels to foster the functioning of controls procedure. The company follows a Compaq's Codes of Conduct, which enforces strict ethical behavior. It is written in many languages and is distributed to employees throughout the world. It is also reemphasized through internal programs. The company uses Price Waterhouse LLP, an independent accountant to conduct audits of Compaq's financial statements. An Audit Committee of the Board of Directors is composed of outside directors and is responsible for recommending to the Board the independent accounting firm to be retained for the coming year. This Audit committee meets periodically and privately with the independent accountants, the internal auditors, and with Compaq management to review accounting, auditing, internal control structure and financial reporting matters.

Organization:

Office of the Chief Executive

Chairman Benjamin M. Rosen and directors and vice chairmen Frank P. Doyle and Robert Ted Enloe, III, currently constitute the Office of the Chief Executive. Rosen is serving as acting CEO, and together with Doyle and

Enloe, is actively involved at Houston headquarters in the daily direction and operations of the company pending the selection of a new Chief Executive Officer.

Senior Vice President and General Manager, Europe, Middle East and Africa

Andreas Barth directs all of the company's business activities across Western and Eastern Europe, middle east and Africa.

Senior Vice President Information Management and Chief Information Officer

Michael D. Capellas oversees Compaq's worldwide information systems operations.

Senior Vice President, Human Resources and Environment

Hans Gutsch is responsible for the company's worldwide human resource functions and environmental policies. .

Senior Vice President and General Manager, Worldwide Sales and Marketing

Michael Heil is responsible for Compaq's six sales and marketing regions, global accounts, and marketing communications.

Vice President & Group General Manager, Consumer Products Group

Mike Larson currently oversees Compaq's Consumer business, which includes the Presario Internet PCs, Internet Services and Consumer Peripherals.

Finance and Administration and Chief Financial Officer (acting)

Ben Wells is responsible for treasury, auditing, control and accounting, investor relations and operating services.

Senior Vice President, Corporate Marketing

Enrico Pesatori is responsible for managing corporate marketing initiatives worldwide.

Rod Schrock is the President and Chief Executive Officer of AltaVista Company

Senior Vice President and Group General Manager, Services

John Rando oversees Compaq Services, which includes DIGITAL, Compaq and Tandem service organizations.

Senior Vice President and Group General Manager, Enterprise Computing Group

John T. Rose is responsible for the Enterprise Computing Group, which includes server products, workstations, storage products, networking products, enterprise solutions, Internet products, strategic marketing and strategic partnerships.

Senior Vice President, General Counsel and Secretary

Thomas Siekman is responsible for all legal matters worldwide.

Senior Vice President, Technology and Corporate Development

Bill Strecker is responsible for charting the company's long-term strategic planning process, including new technology directions and strategic relationships.

Senior Vice President, Supply Chain Management

Edward Straw is responsible for reengineering, integrating and optimizing the supply chain elements of Compaq's business, from demand-forecasting through sourcing, production planning, manufacturing, order processing, distribution and logistics.

Senior Vice President and Group General Manager, PC Products Group

Michael Winkler is responsible for the divisions within the PC Products Group, including desktop PCs, portable PCs, PC options, small and medium-size business solutions, and DIGITAL Desktop and Portable PC divisions.

Compaq has continued growing in the computer industry especially during 1997 when Compaq acquired Tandem Computers Inc., who has always been known as a global leader, and the utilization of the strategy of " build-to-order" reducing inventory costs, the time it takes to place an order to when its fulfilled, and improved competitiveness. Sales/Assets

The increase in the revenue for 1998 was primarily the result of the acquisition of Digital and strong growth in the consumer business. Products revenue for 1998 increased approximately $3. 3 billion or 13. 5% over the prior year as compared with an increase of $4. 5 billion or 23. 0% during 1997. Products revenue in 1998 reflected a growth in worldwide unit sales of

25. 1%, compared to 42. 9% in 1997. Products revenue for North America in 1998 grew $310 million over the prior year as compared with an increase of $2. 7 billion during 1997. Products revenue in North America represented 49. 0%, 54. 3% and 53. 3% of total products revenue in 1998, 1997 and 1996, respectively. But, despite its product revenue increase there was a decrease in the commercial product revenue. The decline in commercial products revenue was related to the aggressive price reductions and promotional activities implemented primarily in North America in the first half of 1998 due to the transition to the optimized distribution model, lower than expected sales out of the channel, and to respond to competitive pricing conditions. The third and fourth quarter revenues were negatively impacted by the implementation of product migration strategies and the realignment of the sales and marketing organizations as described above. Products revenue growth in 1997 related to strong year-over-year growth in both the commercial and consumer markets, with the most significant commercial product growth relating to enterprise products, most notably servers and workstations.

Products revenue for Europe, Middle East and Africa (EMEA) in 1998 grew $2. 4 billion or 30. 2% over the prior year as compared with an increase of $1. 4 billion or 21. 6% during 1997. Products revenue in EMEA represented 37. 0%, 32. 3% and 32. 6% of total products revenue in 1998, 1997 and 1996, respectively. Products revenue growth in EMEA in 1998 was the result of both the acquisition of Digital and strong year-over-year growth in consumer and commercial products revenue, partially offset by more competitive pricing. Products revenue in 1997 reflected an overall improvement in

market share and strong year-over-year revenue growth in each of the product areas, the most significant of which related to enterprise products.

Services revenue for 1998 increased approximately $3. 3 billion over the prior year as compared with an increase of $64 million during 1997. Services revenue growth for 1998 was because of the acquisition of Digital. With the acquisition of Digital, Compaq now has a world class services organization with market-focused solutions and high availability support, particularly in the communications, manufacturing and finance industries. Services revenue for 1997 and 1996 mainly was to professional services provided by Tandem. Services revenue for North America in 1998 grew $1. 2 billion over the prior year as compared with an increase of $4 million during 1997. Services revenue in North America represented 35. 3%, 36. 4% and 41. 2% of total services revenue in 1998, 1997 and 1996, respectively. Services revenue for EMEA in 1998 grew $1. 6 billion over the prior year as compared with an increase of $43 million during 1997. Services revenue in EMEA represented 47. 2%, 32. 5%, and 26. 9% of total services revenue in 1998, 1997 and 1996, respectively.

Fig. 1998 Financial Chart

But, Compaq hopes that by the year 2000 it'll emerge as the second largest computer company in the world. Pfeiffer hopes to accomplish that dream by the company's announcement in 1998 of the acquisition of Digital Equipment Corporation, who is the world's leader in implementing and supporting networked business solutions in a multivendor environment. With the acquisition of the two computer companies, Tandem and Digital Equipment

Corp., Compaq will broaden its scope of business solutions from the smallest handheld portables to powerful fail-safe computers. Besides being a leader in the computer industry, Compaq has been named in 1996 " PC Partner of the Year" by the US Environmental Agency. Compaq commits itself to environmental care and protection, which is a part of their Total Quality Management (TQM) philosophy.