

# Hp's strategic choices



Strategic Management - HPs strategic choices - Introduction Carly Florina was appointed as the CEO and chairman of HP back in 1999. (LaMonica, 2005) It was in 2005 when she stepped down as the CEO of HP because of some disagreements regarding the process on how to effectively implement the company's business strategies. (Roussos, 2005)

To enable the company become competitive in the global markets, the management at Hewlett-Packard is constantly observing the importance of cost cutting strategies to the success of the business. (Montalbano, 2007)

For this reason, the student will identify and analyze the key strategic choices made by CEO Florina during her tenure. In the process of discussing the major accomplishments and failures made by Florina, the student will evaluate her decision-makings and the effectiveness of her strategic choices in terms of being able to cut down the operational costs of HP.

Major Accomplishments and Failures made by Florina

Hold on Employees Annual Bonuses in Case of Failure to Meet the Company's Goal

One of the business strategies that Florina implemented together with the company's business executives is not to reward employees their annual bonuses in case they fail to meet their profit target each year. (Information Gatekeepers, 2002)

Even though holding on employees' bonuses could save the company a large sum of money at the end of the year, this strategy could de-motivate some of deserving employees within the business organization. Given the fact that some of HP employees were disappointed with the top management's decision not to release their annual bonuses, the work performance of HP employees may suffer.

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## Merger between HP and Compaq Computer

Back in 2002, Florina was behind the actual merger that has occurred between HP and Compaq Computer. Aside from the fact that merger between the two companies could result to cutting down its operational costs through economies of scale as it increases the market opportunity on the part of HP, some analysts have argued that it was a mistake to pursue the merger between the two companies since this strategy made HP lost some portion of its market shares in some areas. (LaMonica, 2005)

Upon analyzing the situation, it is possible for HP to lose some of its market share in certain areas when the top management fails to develop a single organizational goal and business objectives which could align the employees coming from the two separate companies. When there is a miscommunication or internal conflict arising between the two groups of employees, there is a higher possibility for the quality of HP products to decrease due to miscommunication and other technical errors.

## Conclusion

One of the best ways of maintaining the competitiveness of HP in the global market is to cut down on its operational costs. This strategy will enable the company to have a bigger profitability at the end of the year. For this reasons, I strongly agree that Florina's strategic decisions to enter into a merger with Compaq Computer is a good decision since this strategy enables the company to get hold onto Compaq's existing market shares aside from making it possible on the part of HP to minimize its operational costs through economies of scale.

With regards to employees' annual bonuses, I do not agree that this strategy is good

since it only provides the company a temporary cost-cutting. Given that employees' performance could suffer in the end, HP's future profitability may also be affected in the near future.

\*\*\* End \*\*\*

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