

# Hewlett-packard article



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The article, 'Hewlett-Packard: Culture in Changing Times' by Beer, Khurana and Weber has shown the changing culture within Hewlett-Packard. The company was founded in 1939 by two Stanford graduates, Bill Hewlett and Dave Packard. The company promoted an open door policy, putting strong emphasis on innovation, team work, flexible work hours and egalitarian attitude. Commitment towards company and R&D activities were the highlight of the company. The initial test and measurement equipments business was expanded to include technology driven electronic goods like printers and computers. The business thrived and expanded during the leadership of Bill Hewlett at the helms but later on, under successive CEOs like John Young and then Lew Platt in 1993, it started stagnating and losing profits.

The printer business was hugely successful but the company faced lot of competition from Dell which was selling customized computers at much lower prices. From 1993 to 1999, computer and printer businesses grew at compound rate of 20% and in 1999, HP formed its spin-off company Agilent Technologies comprising of its instruments and related businesses. Platt lacked strategic necessary leadership that needed to be flexible and visionary to encompass the environmental changes and adopt more aggressive creative inputs. Carly Fiorina, the dynamic young executive who had played critical role in turning the fortunes of new spinoff company of AT&T, Lucent Technologies, was made CEO of the company in 1999. Fiorina brought with a new culture of aggressive selling, merger, incentive based performance that lacked commitment and loyalty towards company. She made sweeping changes within the organization. Her motto was 'preserve the best and reinvent the rest'. The company's name was

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shortened to ' HP' and reduced the advertising agencies to only 2 from 43. 80 autonomous product based operating divisions into two front-end sales and marketing organization and two back-end R&D and manufacturing organizations. Revenue over profit and incentive based remuneration over salary based employment became major focus areas. Retrenchment and cost cutting was justified as means to tackle general financial downturn. During her first year, sales increased by 15% but it could not be maintained. The acquisition of Compaq computers in 2002 by HP was primarily to strengthen the capabilities in computer division which later backfired. While initially the merger was successful and it was able to maintain flagship position in computer segment but could not keep it against its competitors like Dell or IBM.

Another important fact was that prior to merger, HP made 11, 000 employees redundant and Compaq removed 6000 employees. By 2003, HP had literally cut cost by \$3. 5 billion and retrenched nearly 20, 000 workers. The initial dynamic leadership of Fiorina had gradually transformed into aggressive leadership based on cut throat business with little regard to initial worker centric policies. By 2003, company could not even make it within the ' 100 best company to work for'. Many reasons were contributed for the deteriorating position of HP. While some analysts thought that merger was wrong strategy, others blamed that focusing on Printers was not the right decision. The article ends with the insight that as technical innovation based company with emphasis on profit, it could have distinct advantage over other, even during recessive times.

(words: 526)

Reference

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Beer, Michael, Khurana, Rakesh and Weber, James. Hewlett-Packard: Culture in Changing Times. Harvard Business School, January 25, 2005.