Long-term consulting services

Business

Based on these, soon after taking the charge at HP, Fiorina decided to change HP's consensus-drivencultureto a performance-oriented culture. This was a challenge for her to retain the competitive edge in engineering and innovation while making the employees more adaptable and responsive. Fiorina immediately introduced several changes at HP. She demanded regular updates on key units. She also injected the much-needed discipline into HP's computer sales force, which had reportedly developed a habit of lowering sales targets at the end of each quarter. Sales compensation was tied to performance and the bonus period was changed from once a year to every six months.

Fiorina linked compensation to the improvements in customer-approval ratings. She instituted the concept of 360-dergree feedback at HP which meant that the pay of managers would be based on the results of employee surveys. HP Labs, the company's R; D center, had for long been making only improvements to the existing products. The engineers' bonuses were linked to the number, rather than the impact, of their inventions. To encourage innovation and product development, Fiorina increased the focus on breakthrough projects. She started an incentive program that paid researchers for each patent filing. The measures resulted in doubling the patent filings from HP, placing the company among the top three patent filers in the world.

Fiorina also changed the HP way of management that promised lifelong employment, employee satisfaction and work-life balance (Refer Appendix 1). The HP way had come to mean a set of bad habits- for example, being slow. In the 1990s, it came to mean, 'We can't do anything unless we all

agree.' In December 1999, Fiorina replaced the HP way by 'the Rules of the Garage' (Refer Appendix 2).

The compensation structure was changed. Previously, a percentage of the company's profit was divided among the employees based on their salary. Bonus was paid when the company beat its own numbers for revenue, profit and returns on assets. Fiorina came up with a new system, where the bonus was based on HP's performance vis-ï¿½-vis its competitors. Even though HP reported profit, employees did not get their bonus for the first time in 39 years.

Several cost cutting measures were implemented to streamline the company's operations. Some of the measures included postponement of wage hikes for three months and layoff of employees. This was to make HP's ratio of managers to employees less top-heavy and more in line with the industry standards. This can be analysed through Lewin's Force Field Analysis. Carly Fiorina followed the change as a 3 way process. 1) " Unfreeze"- breaking down current values and attitudes 2) " Moving"- to/promoting the adoption of a new culture in line with the proposed strategy. 3) " Refreezing"- the culture in the desired state. In short Carly Fiorina changed the entire cultural web. This wouldn't have been possible without dedicated and effectiveleadershipof Carly Fiorina.

HP CULTURAL WEB 2

The Cultural web is the best way to describe the culture of an organisation. HP's Cultural web can be best described in a diagrammatic representation. CHANGING THE ORGANISATIONAL STRUCTURE The structure

of an organisation can be defined simply as the sum total of the ways in which its labour is divided into distinct tasks and its co-ordination is achieved among these tasks (Mintzberg, 1983: 2).

Structure follows the strategy like the left foot follows the right (Mintzberg, 1990). The strategy can be achieved when there is effective leadership. Before Fiorina came in as CEO, HP was a flat, decentralized organisation where the individual departments were given a great deal of autonomy. Decisions were made either by consensus or never made. A firm in several related lines of business should adopt a multi-divisional structure - allows for synergies within each group (Galbraith, 1983). When Fiorina took charge, she developed a plan to transform HP from a 'strictly hardware company' to a 'Web service powerhouse.'

As a part of the strategy, she dismantled HP's structure. Previously, HP had 83 independent product divisions, each focused on a product such as scanners or security software. The company had 83 product chiefs having their own R; D budgets, sales staff, and profit-and-lossresponsibility. To make HP an effective organisation, Fiorina reorganized these units into six centralized divisions. Three of these were product development groups-printers, computers, and tech services ; consulting, (the 'back-end' units); and the other three were sales and marketing groups-for consumers, corporate markets and consulting services (the 'front-end' units).

The back-end units developed and built computers, and handed over the products to the front-end groups that marketed these products to individual consumers and corporations. Fiorina expected the new structure to

strengthen collaboration, between the sales and marketing executives and the product development engineers, thus enabling faster solution to customers. This was the first time a company with thousands of product lines and scores of business units had attempted a front-back approach, a strategy that required sharp focus and proper coordination.

In the earlier set-up, most of the strategic decisions were left to the heads of product divisions. To ensure that most of the important decisions came from the top, Fiorina created an executive council on the investment of resources in the best available opportunities. These measures transformed HP into a tightly coordinated corporate machine where decisions were made quickly and more confidently.

The new arrangement solved a number of long-standing problems of HP, making it easier for suppliers/clients to do business with it. Instead of having to deal with an array of salespeople from different product divisions, customers now dealt with only one sales person. The new arrangement also helped HP's product designers focus on the design aspect. It gave the front-end markets the authority to finalize deals that were most profitable for the company. For example, they could sell a server at a lower margin to those customers, who opted for long-term consulting services.