

Hewlett-packard: the flight of the kittyhawk analysis essay



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In 1992, Hewlett Packard made the decision to produce 1.

3 inch disk drives, leapfrogging over the 1. 8 inch format to position themselves as market leaders for the smaller drive. Prior to this time, HP prided itself on its leadership position within this industry and its ability to innovate more quickly than its competitors. However, the Disk Memory Division (DMD) was lagging behind the company standard, comprising only 3. 2% of total HP revenues in 1992. HP was trying to use the Kittyhawk project to propel the company into a higher profile position within the disk drive market.

Potential uses for the drive included game equipment, PDA's, notebook and sub-notebook computers, handheld pen technologies and digital film cartridges. If Kittyhawk had been successful, the device could have become an industry standard, creating disruptive change for makers of these types of products, and could have achieved financial success of roughly \$125 million in revenue for HP by selling 500, 000 units. Though the product had potential to be a slightly disruptive technology (in essence a practical improvement) on smaller devices, the innovation would not have been competence destroying for current technologies. In order to position the Kittyhawk in the most advantageous way, HP took several actions to facilitate the product initiative, such as:

- Physically separated the Kittyhawk team from the rest of the DMD area
- Assigned a top notch team to the project, including representatives of several functional areas, high performers who were motivated and dedicated to the project's success
- Generated several application possibilities for the drive
- Allocated significant financial resources

Stressed innovation as a proactive means rather than reactive •

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Empowered group to make decisions quickly as needed Because HP is a culture firmly rooted in its ability to innovate, fueled by an incentive system that rewards bringing groundbreaking technologies quickly to market, Bruce Spenner set aggressive parameters for his team.

The project was defined as follows: • The product would launch within 12 months • Breakeven time of less than 36 months • \$100 million revenue stream within 2 years First to market with 1.3" format • 35% growth rate HP was quite successful in their technological execution, but the team was unable to target the market correctly. The Kittyhawk did launch within 12 months, and was expected to be sold primarily to PDA manufacturers and internally to the HP notebook division. The original strategy dictated that after achieving success in the mobile computing area, the Kittyhawk would then migrate into lower cost applications such as gaming and other low-cost initiatives.

But in actuality, Kittyhawk only sold 165,000 units (as opposed to projected 500,000 units) and produced much less revenue than originally anticipated. With all of the success in the technological execution, one might wonder what led to the failure of the Kittyhawk in the marketplace. Many of the reasons for the failure include incorrect assumptions about the nature of the marketplace and the primary customers: ASSUMPTION — REALITY 1. PDA market would develop quickly. —Consumer marketplace was not ready to adopt PDAs; HP did not realize that the complementary technologies did not yet exist in the PDA market.

. There were several customers that HP assumed would buy the product (including Corvallis division of HP.)—Kittyhawk would not meet the storage needs of Corvallis; product was not meeting demands of a fast-moving market. 3. There was a first mover advantage.

— Market is a moving target and requires precise timing; there is no real first mover advantage in technology. 4. Could build a small, cheap, dumb drive.

— Could not manufacture the drive cheaply enough to gain widespread use.

5.

Always though prosperity was just around the corner. — Never secured a real, high-volume customer. 6. Could achieve huge amounts of revenue for HP.

— No one was willing to pay the price. 7. Kittyhawk group had performed adequate market research. Market research was subjective and not extensive enough because there was no real market. In such a competent and market-leading organization, how did HP overlook these incorrect assumptions? Root cause analysis showed these reasons: • HP culture was innovation-driven and had an incentive structure that rewarded innovation and not the commercialization of the investment. • Both the marketplace and the product had highly uncertain futures.

The combination of these two unknowns made for an exponentially uncertain outlook. • All of HP's other divisions are leaders in their particular products and DMD felt pressure to be a "winner" as well. • HP listened too closely to their customers because they always thought prosperity was close on the horizon, even though the customer didn't always know exactly what he
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wanted. HP did not realize that complementary technologies were immature and not well-developed. • The market was not ready to embrace a product of this nature at a \$250 price tag. Given the learnings from this situation, HP should: • Experiment without getting locked into a market or application.

- Secure a customer base either through contractual agreements or strategic partnerships.
- Design a modular device that will provide flexibility to address the needs of a wider variety of customers.
- Develop a prototype and implement a “probe and learn” strategy.