

# Leadership and change management in the merger of hewlett-packard



**ASSIGN  
BUSTER**

William Hewlett and David Packard the two Stanford graduates started their business in garage at Palo Alto. After a year they did partnership called Hewlett-Packard by 1947 HP came into existence as world's second largest computer supplier with net revenue of \$42 billion. HP originally dealt with audio oscillators and then gradually entered personal computers field in 1980. Recently the company launched laserjet printer which is a greatest hit for the company.

Compaq computer corporation formed by two senior managers at Texas entered personal computer field in 1982. Due to excellent quality service it was considered globally as world's largest manufacturers of personal computers. The name of company itself is derived from Compatibility and quality. The initial computers launched by Compaq were not handy their appearance was like a suitcase still a net revenue of 111 million dollars was generated.

## **VALUES: THE HP WAY**

Bill Hewlett and Dave Packard created a set of values to guide the company and change the company. These values became famous as the HP way which are as follows:

The strength of corporate society is profit so identify profit in order to contribute to the society.

There should be continuous improvement in product and services of the company.

Always look for new opportunities but stay focused on area where company is benefitted.

Increase company's success by providing employment opportunities.

Always give a work environment to encourage motivation and innovation

Be a good citizen and be social

Focus on basic exponential growth

## **Leadership at HP**

### **Carleton S. (Carly) Fiorina**

Carly Fiorina was highly qualified person who before coming to HP had 20 years experience of working at AT & T as a senior leader. She became CEO of HP in 1999 and was the first woman to be the leader of such a huge company and nation's prominent female executive.

She was very extravagant in managing work. She had strong capability to understand what should be done to achieve the set goals. She had a clear insight of the challenges that the company were facing.

She was a powerful Charismatic leader who was able to do the cultural change in the company with her assertive nature and honesty. She possessed transformational leadership quality that helped to make HP an effective leader in the competitive market. HP was now more flexible, innovative and possessed an effective internal environment whose primary focus was customer satisfaction.

The most important reason for success of Fiorina's was the perfect balance between leadership qualities and management of the company resources with genuine concern for the employees and let them make feel as part and parcel of the company.

As a good leader Fiorina started a stock option program for employees which created a enthusiastic work environment for the employees. Under this program employee will be profited if the company earns profit. Fiorina knows how to rise a company in the changing environment. Several steps were taken to reinvigorate HP they were as follows:

Innovation was focused more.

Structure was changed now front office and back office concept came into existence.

R & D department was re engineered.

Clear mission and values of the company

## **Reasons for the Merger**

HP was progressing at a great pace. The basic aim of Fiorina was to modernize the culture of HP and to focus on profitable areas of business and HP's profit share increased from 54.43 to 74.48 dollars but still the company was not efficient as it could not meet the set targets and due to this failure HP was supposed to cut down the jobs. Even Fiorina had threat of losing her job. This was the indication that changing only internal strategies was not worth for the success of the company so a new plan came into

existence which was to acquire Compaq worth of 25 billion dollars. Both companies believed that in order to do good in the recent competitive market and gain profit better way was to have a merger but the stakeholders considered it as differently according to them company wont be loyal to Compaq customers and the biggest problem was synchronization of members in the organization. As during merger the culture of organization will also change. Above all Fiorina only considered the removal of one competitor in the PC market. According to her the market share will increase after merger and working unit will also increased. (Hoopes, 2001)

HP experienced revenue growth but share prices constantly declined.

Hp was badly affected by recession in 2001.

Pay were cutted down and laid off. Jobs were cutted down.

Stock price continued to decline at a great speed.

Outsourcing was not proper.

To improve economics and innovation.

Strengthened business provides critical mass in key growth market.

## **CHANGE MANAGEMENT**

Culture can be defined as the personality of a company. It encompasses the beliefs, values, leadership practices, governance structure, decision-making processes, and norms of a business.

One of the primary reasons that culture is so important is because employee loyalty affects customer loyalty, thus directly affecting both the profitability of a company as well as stakeholder value. 11 As John Kotter and James Heskett of Harvard explain in their book *Corporate Culture and Performance*, corporate culture is an important competitive asset. Kotter and Heskett believe that cultural strength among the employees of a company relates to performance in three key ways: first, it leads to goal alignment; second, it creates high levels of motivation; and third, it provides structure and controls without having to rely on formal bureaucracy, which often inhibits innovation and motivation. 12

At HP, where culture (i. e., the HP Way) has always had a powerful influence on how the company functions, undertaking cultural integration poses an especially daunting task. At the same time that integration planners must adapt HP's existing culture to unify the two companies, planners must also ensure that HP's culture remains focused around the key elements of the HP Way: trust, respect, achievement, integrity, teamwork, innovation, and an interactive work environment.

Among the first-and arguably one of the most important-steps in integrating cultures is to determine what constitutes a " good culture" and then to base changes on those elements. According to HP's integration planning team, a good culture must:

be clearly defined and broadly understood;

reflect the business strategy and brand;

support best-in-class performance with customers, partners, stockholders, and employees;

produce alignment, commitment and excitement;

establish a competitive advantage; and

be reflected in the communications and actions of core leaders.

## **Change models**

### **1. Unfreeze, Change, Freeze**

Kurt Lewin proposed a three stage theory of change commonly referred to as Unfreeze, Change, Freeze (or Refreeze). It is possible to take these stages to quite complicated levels. It is extremely relevant

#### **Stage 1: Unfreezing**

The Unfreezing stage is probably one of the more important stages to understand in the world of change we live in today. This stage is about getting ready to change. It involves getting to a point of understanding that change is necessary, and getting ready to move away from our current comfort zone. HP was in need to understand and prepare the company for the change as completion was relevantly increasing. Fiorina was been motivated for change by lot of different characters and the charismatic leadership qualities that she possessed.

#### **Stage 2: Change – or Transition**

Kurt Lewin was aware that change is not an event, but rather a process. He called that process a transition. Transition is the inner movement or journey

we make in reaction to a change. This second stage occurs as we make the changes that are needed. HP used role models and allowed employees to develop new solutions and Fiorina also gave a clear picture of desired change and gave benefits to the employees.

### **Stage 3: Freezing (or Refreezing)**

Kurt Lewin refers to this stage as freezing although a lot of people refer to it as 'refreezing'. As the name suggests this stage is about establishing stability once the changes have been made. The changes are accepted and become the new norm. People form new relationships and become comfortable with their routines. It's often at this point that people laugh and tell me that practically there is never time for this 'freezing' stage. And it's just this that's drawn criticism to the Kurt Lewin model.

7S model

7S-McKinsey-model. jpg

7S model was created by McKinsey and company in 1980. Seven factors are included in this model. The 7S framework was dividing in thinking about organizational efficiency. In previous the manager focus was on organization because organization grew in size and complicated questions were also arised.

### **Explanation of each element:**

Strategy: HP created a Strategy to maintain and make competitive benefit over the competition.



Structure: Structure is the way the organization is constructed and who reports to whom.

Systems: In systems the daily activities and events that staff members join in to get the job done.

Shared values: Shared values are also called “super ordinate goals”. These values are the center values of the company that are evidenced in the corporate culture and the general work.

Style: you have to adopt the style of leadership.

Staff: In staff employees and their general capabilities are included.

Skills: Skills are the actual skills of the employees who are working for the company.

## **Post merger**

The proposed merger consolidated HP Compaq’s product into four groups customer services, imaging and printing, access devices, and information technology infrastructure. Although the new company was very competitive in respective segments but the merger made the company more powerful and fully integrated providing full services integrating both hardware and software solutions. the merged company had 145, 000 employees. the new company strategy was to look for acquisition in consulting in order to expand market growth.

The new HP also had the same commitment of customer priority, best engineering design to ease all problems, and acceptance to open system to

able to face the sudden market shift. Copmaq will give great support in giving many solutions in:

### IT Infrastructure

Compaq and HP combined the server , storage and software capabilities all the solutions were more compelling and fault tolerated. A new management software was introduced that was of great help to monitor, mange and optimize the whole network. New storage solutions that were more efficient than payroll and was able to store data 10 times more efficiently. the other former change was in service and support expertise that was helpful in building and designing new innovative solutions.

### Services

New HP had now vast range of outsourcing, consulting and support that helps in formulating strategies and managing the infrastructure. It started to become partner for architecting various enterprises. Now because of combined forces of both the company new HP was aiming to be top-tier service provider that provided choices for implementation and making strategy for various IT projects. New HP had great value for partnership so to gain benefit of products PricewaterhouseCoopers, Accenture, and KPMG company did partnership with them

### Access Devices

As both the companies were strong in the market they offer a wide range of PCs, and many internet enabled devices. The new products simply work better and together. New devices were innovative and highly excellent <https://assignbuster.com/leadership-and-change-management-in-the-merger-of-hewlett-packard/>

technology. They work the way they want to work according to the office environment.

After merger most of Compaq products were re branded with the HP nameplate Compaq brands were consumer oriented products. All Compaq computers were now shifted to HP . Compaq iPAQ were renamed to HP iPAQ.

In 2007 HP released a new logo for their Compaq Division and in the next year all business line notebooks were renamed as “ HP Compaq” series that was used for all HP’s notebooks. The top business earning model was Hp Elite Book that was named as HP Compaq B series

## **RESISTANCE TO CHANGE**

Resistance to change is one of the basic reasons for the failure of change process and its implementation. Resistance to change in general is ubiquitous by nature. It is defined as a natural response to any reaction or threat of change (Block, 1989). In HP resistance was visible among employees and shareholders.

### **Resistance by employees**

there was Tension among the HP earlier before when the company decided to lay off thousands of employees because of the economic downturn. Before the cuts were made, however, employees were asked to assist in a cost-cutting campaign either take mandatory vacation or accept a pay cut, among other choices.

True to the HP Way, yet surprising to many on Wall Street, many employees offered to have their salary cut. When the company later proceeded with

layoffs, many felt betrayed. And thousands of more cuts are possible if the merger is approved.

People fight against change because they: fear to lose something they value, or don't understand the change and its implications, or don't think that the change makes sense, or find it difficult to cope with either the level or pace of the change.

### **Resistance by stock holder**

Walter Hewlett as a stock holder along with his sisters William and Flora Hewlett opposed the deal as stockholder rejection was one of the ways to terminate the deal. According to Walter Hewlett, Carly Fiorina had exaggerated the importance of scale in the computer business. Hewlett believed that rather than make the company more competitive, the merger would expose HP to the brutal, low-profit PC business. Finally Hewlett concluded that the merger would significantly dilute the value of the company's business. David Packard issued a statement siding with Hewlett in opposition to the deal. In his statement, Packard, chairman of the Packard Humanities Institute. Packard, the oldest son of the other late co-founder, claimed that Fiorina's highhanded management and efforts to reinvent the company ran counter to the core HP values established by the founders. Citing massive layoffs as an example of this departure from HP's core values.