Human Resources at HP

Task force is concerned that HP is losing the “Human Touch”

HP had been very successful, but recent changes had damaged the HP way.

Key Issues?

1. Could the HP way be revived? How?
2. Could the HP way be applied in developing countries?
3. How much autonomy should be given to different units?
4. Could HP avoid the failure that followed success in so many tech companies?

The first 40 years of HP

Starts in 1939 by Bill Hewlett & David Packard in Palo Alto

By 1979 they had 52,000 employees

The HP Way

Get everyone to agree on what they were trying to do & turn them loose

Many say the HP way was a key to success

Participative Management

HP is very open on sharing data about performance within the company

   Allows employees to offer ideas to improve performance

Emphasizing the Process

The way things are done matters in addition to the end product

Business Strategy

Main customer was engineers

Products mainly consisted of electronic test equipment & measurement instruments up to 1979

Success was built on technological innovation, not on marketing & strategy

Organization

Highly decentralized by product division, had six functions:

R&D, manufacturing, quality assurance, marketing, finance, personnel

Business Policies

Self-financing growth

Minimal long term debt

New investments financed by profits

R&D spending depended on the profit of a division

Work Systems
Management by objective
Based on meeting short & long-term objectives, but workers have the freedom to decide how to meet the objective
MBO came from the top, with some employee input

Commitment to Teamwork
Need the maximum flow of information for innovation to succeed

Communications
Open door policy: no office doors, employees mixed a lot

Management by Walking Around
Managers encouraged to spend time just walking around

Attitude Surveys
The career maze: normal career paths involved cross division promotions
This helps in coordination by making employees aware of different parts of the company

Pay & Performance
No explicit pay for performance – no piece rate
Each employee is evaluated by boss:
Those in top 25% get more raises; those in bottom 25% get encouraged to improve

Hiring
Want employees with high level technical skills who fit with the company
Great social skills, adaptable
Hire based on hiring forever – no external hiring of managers

The Turmoil of the 1980’s
Stock price fell & employees’ profit sharing declined
Business changed a lot
  Downsizing
  New divisions
Employees’ confidence was really shaken

HP Entrance into Computers
In the early 1970s HP realized that computers could provide alternatives to HP’s instruments
Entered in 1972 with a calculator
  1974 mini computer
By 1980s, computer sales > test equipment sales
Changes in business strategy
Technical innovation was not enough
Branding & distribution become more important
Customer is not just engineers anymore
Much more competitive environment (many companies make computers)
Pace of innovation has sped up

The Challenge:
Can the HP way be revived in this new environment?

Platt’s Response:
He focused on people as key to HP’s success
He made HP People the theme of the year in 1994
Tries to improve communication
Tries to discuss downsizing openly
Tries to export the HP way to other countries to enable international expansion
Has some effect, employee satisfaction does increase
He still has issues with competing in the new environment, so hard to get back to the HP way completely
Life cycle of a company is hard to reverse
Many of the ideas of the HP way form the bedrock of many modern tech companies.