

[gizmodo.com](https://gizmodo.com)

# The HP Way: How Bill Hewlett and I Built Our Company

17-22 minuter

---

*With David Packard's birthday passing last week, and [HP's recent leadership woes](#), we at Gizmodo feel it's time to remember early HP's innovative founding culture. We bring you an inspiring excerpt from Packard's book, with a foreword by his son.*

*During the corrosive debate over the Compaq merger, the HP leadership at the time persistently portrayed itself as doing exactly "what Dave Packard would have done." As an antidote to this dubious clairvoyance, I published a full-page ad in the Wall Street Journal (March 15, 2002) reprinting a wonderful speech my father gave in 1960 to a group of HP managers. My father's own words, delivered on the job, seemed to me the best evidence for his business philosophy.*

*The speech was informal and obviously not intended for publication. At my suggestion, Collins has reproduced it here exactly as my father wrote it.*

—David W. Packard

June 12, 2005

**Speech by Dave Packard to HP Managers**

March 8, 1960

I'm glad to have this opportunity to get together with you and discuss how each of us can do our job more efficiently because as the company grows I think this is going to be crucial in determining whether we are able to continue to grow and keep an efficient organization and maintain the character of our company which we think is important. I am going to speak about things in general, hopefully to give you an idea of our overall objectives. I'm not going into much detail because I am sure others will do that. I want to discuss why a company exists in the first place. In other words, why are we here? I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company's existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution that we call a company so they are able to accomplish something collectively which they could not accomplish separately. They are able to do something worthwhile-they make a contribution to society (a phrase which sounds trite but is fundamental). In the last few years more and more business people have begun to recognize this, have stated it and finally realized this is their true objective. You can look around and still see people who are interested in money and nothing else, but the underlying drives come largely from a desire to do something else-to make a product-to give a service-generally to do something which is of value.

So with that in mind let us discuss why the Hewlett-Packard Company exists. I think it is obvious that we started this company because Bill and I, and some of those working with us in the early days, felt that we were able to design and make instruments which were not as yet available. I believe that our company has grown

over the years for that very reason. Working together we have been able to provide for the technical people, our customers, things which are better than they were able to get anywhere else. The real reason for our existence is that we provide something which is unique. Our particular area of contribution is to design, develop, and manufacture electronic measuring instruments. The contributions that any group of people make are, in a sense, the summation of the best efforts of the individuals of that company and a summation of the individual products as well. So our contribution is really measured by the instruments each of you has helped to make-the new instruments engineering has designed to help people make measurements more efficiently, more accurately, more conveniently, less expensively than they could have done otherwise. So in the last analysis, the reason for our existence and the measure of our success is how well we are able to make our product.

It might be interesting for you to hear a bit about how well we have accomplished this, what our position is in the total field. Many of you are familiar with the summary we made of our 1960 Sonoma Meeting in which we made some studies and estimates as to what part of the total market in various areas is covered by Hewlett-Packard Company's products. We broke this down into numerous instrument classifications and in the case of several instruments, such as signal generators and counters, we supply a very large part of the total number of these kinds of instruments which are used in this country. In the case of vacuum tube voltmeters and audio oscillators, this is true also. We have not supplied as large a portion of industry with some of our other instruments which have not been in the field as long a time or where we have not done relatively as

good a job as our competitors.

I think it is interesting to note that as a result of these studies we concluded that, in those areas where we are making instruments, we are supplying about one third of the country's total requirements. If you include the areas in which we are not competing, but could, we are still supplying about one sixth of the country's total requirements. But it also indicates that we have a responsibility, in that we are making a very major contribution to the total technical effort of this country. Your efforts are not only worthwhile but you are doing something which is really significant in terms of total technical effort. You have seen photographs of important scientific work being done-and those photos include HP instruments. Those of you who visit the labs of our customers find our instruments are being used in very important work; the advancement of science, defense of our country, and many other areas. So don't overlook our responsibility.

Now, how does the individual person fit into this picture? We have looked at the company and found it exists to make a contribution-not just to make money. I think we can say the same about the people in the company. The individual works, partly to make money, of course, but we should also realize that the individual who is doing a worthwhile job is working because he feels he is accomplishing something worthwhile. This is important in your association with these individuals. You know that those people you work with that are working only for money are not making any real contribution. I want to emphasize then that people work to make a contribution and they do this best when they have a real objective when they know what they are trying to achieve and are able to use their own capabilities to the greatest extent. This is a basic

philosophy which we have discussed before-Management by Objective as compared to Management by Control.

In other words when we discuss supervision and management we are not talking about a military type organization where the man at the top issues an order and it is passed on down the line until the man at the bottom does as he is told without question (or reason). That is precisely the type of organization we do not want. We feel our objectives can best be achieved by people who understand what they are trying to do and can utilize their own capabilities to do them. I have noticed when we promote people from a routine job to a supervisory position, there is a tremendous likelihood that these people will get carried away by the authority. They figure that all they have to do now is tell everyone else what to do and quite often this attitude causes trouble. We must realize that supervision is not a job of giving orders; it is a job of providing the opportunity for people to use their capabilities efficiently and effectively. I don't mean you are not to give orders. I mean that what you are trying to get is something else. One of the underlying requirements of this sort of approach is that we do understand a little more specifically what the objectives of the company are. These then have to be translated into the objectives of the departments and groups and so on down.

Let us be more specific about the objectives of the company. The first objective is to continue in the field of electronic instruments. We don't plan to go into other areas, at least in the foreseeable future. These instruments go into scientific fields, research and development laboratories. Our instruments are very important in production test applications where people are producing things and need instruments to measure the quality of their product. Similarly

in the field of maintenance as the end product goes out in the field, these instruments are needed to make sure the equipment works after it is delivered. So our instruments are used in three general areas; R&D, Production, and Field Maintenance. This is characteristic of most of our instruments and we have tried to design general purpose instruments in most cases. Some of our instruments, however, are useful only for a specific purpose and in a specific area.

The other objective which is complementary to this and equally important is to try to make everything we do worthwhile. We want to do our best when we take on a job. We don't intend to develop a broad line of instruments just for the sake of having a broad line-we want to design and develop, manufacture, and sell better instruments. The logical result of this is that as we concentrate our efforts on these areas and are able to find better ways to do the job, we will logically, develop a better line of general purpose measuring instruments.

There are important elements at every step of this procedure and these are really more important than the breadth of the line or the total market. These are the details of the particular job involved. In engineering, there are two basic criteria that are uppermost in the definition of what we hope to be able to do. As we develop these new instruments, we hope they will be creative in their design, and they will provide better ways of doing a job. There are many examples of this-the instruments our engineers have developed this last year give us some good examples. The clip-on milliammeter, the new wave analyzer, the sampling scope-all are really creative designs. They give people who buy them methods of making measurements they could not make before those instruments were

available.

However, creative design alone is not enough and never will be. In order to make these into useful devices, there must be meticulous attention to detail. The engineers understand this. They get an instrument to the place where it is about ready to go and the job is about half done. The same applies in the manufacturing end of the program. We need to produce efficiently in order to achieve our slogan of inexpensive quality. Cost is a very important part of the objective in manufacturing, but producing an instrument in the quickest manner is not satisfactory unless at the same time every detail is right. Attention to detail is as important in manufacturing as it is in engineering. You know, if we send out an instrument with a couple of loose parts, it doesn't make a very good impression on the customer. He loses confidence in our organization. There is no excuse for that kind of performance-either at the top, in the middle or at the bottom. As you move on into supervisory responsibilities, it is your job to see that each person understands what is required and then does his job meticulously.

Selling can be analyzed the same way. We are anxious to find new approaches to selling, but again- detail is important. We certainly are not anxious to sell a customer something he does not want, nor need. You may laugh, but this has happened-in other companies of course, not ours! Also, we want to be sure that when the instrument is delivered, it performs the function the customer wanted.

Financial responsibility is equally important, however different in nature. It is essentially a service function to see that we generate the resources which make it possible for us all to do our job.

These things translated mean that in addition to having the

objective of trying to make a contribution to our customers, we must consider our responsibilities in a broader sense. If our main thought is to make money, we won't care about these details. If we don't care about the details, we won't make as much money. They go hand in hand.

Now Bill and I feel that our company has a responsibility to our employees. We are not interested only in making a better product. We feel that in asking you people to work for us, we in turn have an obligation. This is an important point and one which we ask each of you to relay to all the employees. Our first obligation, which is self-evident from my previous remarks, is to let people know they are doing something worthwhile. We must provide a means of letting our employees know they have done a good job. You as supervisors must convey this to your groups. Don't just give orders. Provide the opportunity for your people to do something important. Encourage them.

Over the years we have developed the policy that it is important for the supervisor to thoroughly know and understand the work of his group. A debate on this has been carried on by management people for years. Some say you can be a good manager without having the slightest idea of what you are trying to manage, that the techniques of management are all important. There are many organizations which work that way. I don't argue that the job can't be done that way but I do argue strongly that the best job can be done when the manager or supervisor has a real and genuine understanding of his group's work. I don't see how a person can even understand what proper standards are and what performance is required unless he does understand in some detail the very specific nature of the work he is trying to supervise. We have held



closely to this philosophy and we intend to continue to do so. We expect you who are supervising to learn techniques of supervision and keep up to date. I want to emphasize you can supervise best when you know a great deal about the work you are supervising and when you know the techniques of supervision as well.

I want to touch on other aspects of your work which are important. As supervisors you will be expected to set high standards of behavior. This is obvious and shouldn't even need to be mentioned. But the example you set is important and I am going to mention specific things which should be kept in mind. Tolerance is tremendously significant. Unless you are tolerant of the people under you, you really can't do a good job of being a supervisor. You must have understanding-understanding of the little things that affect people. You must have a sense of fairness, and you must know what it is reasonable to expect of your people. You must have a good set of standards for your group but you must maintain these standards with fairness and understanding.

We have always considered that we have a responsibility to our employees to plan our work so we can assure job continuity. We do not intend to have a "Hire 'em and fire 'em" operation. This poses some serious considerations. One is always compelled to find the most efficient way to get a job done. At times it seems the most efficient way is to hire a group of people, work them as hard as possible, and when the job is finished, send them home. Well, even if this is the most efficient way, we have never operated in this manner. Bill and I do not feel this is the best way for a company like ours to operate. We have very rigid requirements of technical competence to maintain and rigid requirements in the quality of our equipment. This requires that we have and keep good people at all

times. So we feel it is our responsibility to provide opportunity and job security to the best of our ability. This means specifically, sometimes we ask people to work overtime in order to meet customers' demands rather than hire additional people. While this is an imposition in a sense to our employees, it seems to be generally acceptable and we feel it is preferable to "hiring and firing." This is something you all need to understand as supervisors.

Whenever we discuss overall company objectives, we touch on our responsibility to the community at large. Those things which the institutions in our community provide, the general sense of moral values, the general character of the people that come from the schools, the churches and other institutions; these are things which we accept and are extremely important in the operation of an organization like this. We tend to accept these without second thought. If we consider these matters more seriously, we realize that if these things did not exist, it would have a serious effect on our ability to do a job. So it follows that we do have a responsibility as a company, and as individuals, to help support these activities. You all know that Hewlett-Packard contributes as a company to many of these institutions and we encourage our people to take part-without defining who should do what-but leaving this to free choice.

Last of all, I want to say that I have mentioned our primary objectives, but none of these can be accomplished unless the company makes a profit. Profit is the measure of our contribution to our customers-it is a measure of what our customers are willing to pay us over and above the actual cost of an instrument. Only to the extent that we can do something worthwhile, can provide more for the customer, will he year in and year out pay us enough so we

have something left over. So profit is the measure of how well we work together. It is really the final measure because, if we cannot do these things so the customer will pay us, our work is futile.

In addition, the margin we have-what is left over after paying for the material, labor, overhead, and so on-is the source of our capital for growth. New buildings and facilities and better equipment generally strengthen our position to do a better job.

Our objectives are tremendously vital and, it is your job to help us translate them to all of our employees.

*David Packard co-founded Hewlett-Packard with William Hewlett in 1939. A graduate of Stanford University, he passed away in 1987. His book, *The HP Way*, illustrates the extraordinary journey of the company he and Hewlett created. His birthday was September 7, 1912.*

*David Woodley Packard, David Packard's son, is a former professor and noted philanthropist.*

The HP Way: How Bill Hewlett and I Built Our Company is available at [Amazon](#).

This copyrighted book excerpt is used with permission from Harper Collins Publishers.

Illustration by our contributing illustrator [Sam Spratt](#). Check out Sam's [portfolio](#) and become a fan of his [Facebook Artist's Page](#).