

*Analytical Report*  
*On Case Study titled*  
**“Human Resources at Hewlett-Packard**  
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## **Executive Summary**

The case study, which we analyzed, was written to study the concept of Human Resources of Hewlett-Packard (HP), which was started in 1938 by two electrical engineers Bill Hewlett and Dave Packard. The company grew from a small electronic instruments company into one of the global leaders in information technology products and services by the end of the 20th century. The 'HP Way', a unique people-focused, consensus-driven work culture initiated by the founders had been the driving force behind its growth. HP feels it is very selective in considering job candidates. Great emphasis is given on adaptability and cultural fit. An important outgrowth of the open door communication policy is what HP calls "Management by Wandering Around" (MBWA). HP has tried to spread and institutionalize this concept by wide exposure in company publications, meetings and training sessions and by the example of upper management. HP feels it's the best use of people which aids the coordination of the design, manufacturing, and distribution process. For getting the best out of its employees, HP has used a competitive performance appraisal and salary administration process. In this system, "wage curves" for various levels are set to be competitive with relevant labor markets. Individual pay is set by a combination of relevant experience and "sustained performance." In future HP is going to face challenges regarding the adaptability and durability of its methods and its managers. The compounding pressure of growth, the requirements of newer market and intensified competition will only make it more complex. HP desires to grow its own management and supervision means. The problems of assimilating the number of new employees and new supervisors through effective leadership are compounded by the increasing geographical. Having gone through the human resource practices of HP and its future challenges which lie ahead due to expansion, we can say unleashing innovation over the long term, making deep-seated, meaningful change through leadership & cooperation — are the main keys to sustaining growth against the current of change.

## **Issue Statement**

The purpose of this written report is to obtain information from the case study regarding human resource practices in Hewlett-Packard and thereby understanding future challenges and recommending ways to cope up with impending hurdles.

## **Information Analysis**

### **Management Philosophy**

HP believes that the thinking of other people should not necessarily be accepted without the most careful consideration and without some actual testing in practice. It has developed a unique way of working with its people tagged as “HP Spirit” which is the key to their productivity, leadership, continuing progress and success.

### **“THE HP WAY”**

The founders of Hewlett-Packard Company, Bill Hewlett and Dave Packard, developed a directing set of corporate objectives and a business style known as “The HP WAY”. This participative management style supports even demands, individual freedom and initiative while emphasizing commonness of purpose and teamwork. The company provides direction in the form of well-defined negotiated goals, shared data, and support of necessary resources and employees are expected to create their own ways of working.

### **BACKGROUND**

In 1939 Bill Hewlett and Dave Packard set up the “Hewlett-Packard Company (HP)” in a one-car garage and produced a new type of audio oscillator. By 1980, sales were 3.01 billion US Dollar. For the first 20 years they produced primarily electronic test and measuring instruments. But later they added computers, calculators, medical electronic equipment, instrumentation for chemical analysis, and solid-state components. In 1980, its net sales increased at a compound rate of 23% and net profit increased at a compound rate of 27%. HP was performing with 57000 in 20 manufacturing locations in US and 8 others worldwide. Moreover, it had 60 sales US and 100 worldwide sales and service locations.

### **Objectives**

Objectives are the most vital factor to determine an organization’s goals. To achieve this, HP published writing on “Objectives of the Hewlett-Packard Company” in 1957 for its employees. With minor modifications, they remain the most fundamental, active guiding forces at HP.

### ***Product Strategy***

- Emphasizing on research and development to create products which will compete by new technical contributions rather than through marketing or other competitive devices.
- Focusing is on technical contribution and profit rather than volume.
- Maintaining flexibility and responsiveness by decentralizing responsibility and authority to divisions responsible for each market segment.

### **Organization**

The fundamental business unit at HP is the product division. No product area is a division until it contains the six basic functions of R&D, manufacturing, marketing, quality assurance, finance and personnel. New divisions tend to emerge when a product line or a single division becomes large enough. HP had 40 divisions by 1980. Ten product groups coordinated the division activities. Each group is responsible for the overall operational and financial performance of its members. All sales group report at the group level as do some non divisional manufacturing operations. Cross-group selling of products from other areas is still in practice.

### **Financial Elements**

- Emphasis on self-financing results in minimal long-term debt, primarily foreign borrowings for the company's international operations.
- Emphasis on the management of assets, particularly receivables and inventory.
- The financial reporting system provides special statements to view each division's success in worldwide management of its product lines.
- Each division is measured along two dimensions: the financial results of the actual manufacturing of products in the division and the total worldwide activity in the division's product lines, wherever they are manufactured.
- Reporting of worldwide results is accomplished by adjustments to the divisional profit and loss statement. This statement is the basis for allocation of each division's research and development funds (usually 9 percent of sales).
- This rewards the innovative divisions with additional funds for further innovation and acts as an indirect form of asset allocation.
- Balance sheets are produced only at the group level.

- Capital allocations are negotiated during the yearly budgeting process, although divisions are expected to be self-financing over any period of time.

## **HUMAN RESOURCE ELEMENTS**

### **Hiring and Training**

HP feels it is very selective in considering job candidates. Great emphasis is given on adaptability and cultural fit. Everybody is hired on permanent basis. Nobody is hired for a program or specific short-term skills. It promotes from within and grows its own management people and look for people who have a lot of growth potential. It is very unusual for someone to be hired into a manager's position. New employees at all levels tend to go through a period of adaptation that often includes considerable frustration within the HP style. To overcome this, a four half-day modules known as "Working at HP" is presented to groups of less than 30 employees and is felt to be most effective when attended after about six months of employment. The classes consist of all types of employees mixed together. The course instructors are a member of the local personnel staff and at least one line manager. They attempt to let employees discover about HP through continuous dialogues and participative exercises. The modules cover history of HP and development of the hp way, personal policies, performance evaluations, salary administration, and personal development.

### **Structural Device and Work Systems**

The day-to-day activities of HP employees are primarily directed by a comprehensive system of MBO (management by objectives). This is seen as an iterative process, beginning with the establishment of short- and long-range objectives (called tactical and strategic plans) which are derived from the corporate and group objectives. At each company level, the overall objectives are communicated and subunit objectives are negotiated.

Objectives are to be goals, not tasks, to provide a large measure of freedom in how the goals will be accomplished. At the same time, the goals must be made to mesh horizontally and vertically throughout the organization. Therefore, the entire MBO process is a part of the annual tactical and strategic planning processes. Through the managers, the MBO system is also the main control system over the product divisions. Strong and semiautonomous, some even describe these as "feudal baronies." The special "cross-boundary" types of projects are given to ad hoc task forces to minimize formal corporate policies. This helps to minimize corporate direction and encourage individual inventiveness.

Team work for multiple product line approach applies not only across business units, but also includes the ability of all members of a unit to influence the way the unit's task is accomplished. In

addition to the MBO process, this occurs through use of a wide variety of communication devices and a philosophy of participative decision-making.

### **Communications**

HP uses a variety of techniques to encourage an ongoing dialogue with its employees. One way consists of “open door policy” where all other employees (including top executives) share a common space that is divided by low partitions. Day-to-day continual mixing of employees of all level is ensured by regular common coffee-breaks, periodic “beer busts”, and picnics. There are frequent plant meetings, loudspeaker system for executive announcements and topic discussion. All these practices are meant to reinforce the sense of common purpose and belonging and to widen each employee’s sources of information.

An important outgrowth of the open door policy is what HP calls “Management by Wandering Around” (MBWA). Development of the concept is attributed to John Doyle, an HP vice president who had had division manufacturing and general management, corporate personnel, and corporate R&D responsibilities. HP has tried to spread and institutionalize this concept by wide exposure in company publications, meetings and training sessions and by the example of upper management. Managers at all levels are encouraged to spend a part of each day wandering through the organizations, often without specific purpose other than to see what is going on and to build a new channels of communications with other employees. MBWA by high executives is also coupled with another communication device in the form of division reviews.

Corporate openness is also communicated by example.

- Employees imitate their managers in different meetings and parties to demonstrate the humanity of important managers and to increase the feeling of approachability.
- Managers normally cook and help serve other employees at division picnics.
- All employees have the same profit sharing (initiated in 1940) and eligibility for stock options.
- Flexible hours were introduced simultaneously (in 1973) for managers and non-manager alike.
- Everyone at HP is salaried.
- Tolerance for the differing needs of individuals is another form of openness of HP.
- HP demonstrates its interest in two-way communication process by conducting a survey on employee attitudes and concerns which is dubbed as ‘open line’.

## **Promotion and Reward Systems**

The HP culture and value system play a role in the system of promotions and rewards. The normalcy of cross-functional, cross-divisional, and lateral moves that often occur over the course of a career is called "career maze." HP feels it's the best use of people which aids the coordination of the design, manufacturing, and distribution process.

The performance appraisal and salary administration processes also expose individual employees to many managers around the company. In this system, "wage curves" for various levels are set to be competitive with relevant labor markets. Individual pay is set by a combination of relevant experience and "sustained performance."

The performance component strongly predominates in line with the HP philosophy. The pay positions of the employees should correspond closely within the related performance bands of the wage curve. To help determine performance employees are ranked within their groups. Where similar groups exist, there is a correlation among these ranks. Performance is reviewed quarterly, which helps employees to maintain equity pay and spreads employee accomplishment throughout the organization. Annual individual performance appraisal is done to evaluate the performance band of each employee and salary changes are made accordingly.

Open discussion of hiring needs also helps to identify candidates for job openings. Each employee sees his/her wage curve and the one on the next level up. Both employees and managers receive training in position planning and the MBO process.

## **THE FUTURE**

Open Line survey established HP as a widely reputed and well-managed company by indicating the growth, financial results, and employee attitudes. HP is facing challenge regarding the adaptability and durability of its methods and its managers. The compounding pressure of growth, the requirements of newer market and intensified competition for its people are some of the other challenges.

HP desire to grow its own management and supervision means. The problems of assimilating the number of new employees and new supervisors are compounded by the increasing geographical spread of operations throughout the United States and around the world. While HP uses the same management style in non-USA locations and feels it has been effective, the HP Way must be made to work in more and more different cultures.

In another area, HP faces growing challenges to retain key employees. As a company that tries to attract exceptional people, it should be no surprise that some will leave to start their own companies.



Former HP employees have been principals in quite a few of the new startups in “Silicon Valley.” the examples of past successes by such new ventures and the recent increased availability of startup capital make it increasingly difficult to retain exception employees. This is also seen in the increasing desirability of HP employees as recruits for other ongoing enterprises. Recognition of a difference in the way HP manages has made HP people more attractive to those that would use similar techniques themselves.

### **Findings**

- HP is very selective in considering job candidates and Employee is hired on permanent basis.
- The mix of skills and competencies of newly hired HP production workers are very similar to the non-HP operations personnel. Due to status and renowned company, all experienced and similar skilled workers from other companies also interested to join and work in HP.
- New employees at all levels tend to go through a period of adaptation that often includes considerable frustration within the HP style.
- HP introduced a course called “working at HP” for all employees to know ins and out about HP, its achievements, recognition, culture, styles and policy. This course divided into 2 (two) modules. First module concentrates on the history of HP and the development of the HP way. This module includes the personnel whose have great achievements in HP and also includes some exercises that help the employee better picture of HP. Other modules provide comprehensive coverage of personnel policies, performance evaluations, salary administrations and personal development.
- The day-to-day activities of HP employees are primarily directed by a comprehensive system of MBO. MBO as an iterative process, beginning with the establishment of short- and long-range objectives (called tactical and strategic plans) which are derived from the corporate and group objectives.
- Another structural device of work systems in HP is the team work which occurs through use of a wide van of communication devices and a philosophy of participative decision-making.
- There are frequent plant meetings, loudspeaker system for executive announcements and topic discussion held as for proper networking and communication purposes. Day-to-day continual mixing of employees of all level is ensured by regular common coffee-breaks,

periodic “beer busts” and picnics. That’s all done to ensure employee’s satisfaction and communication purposes.

- An important outgrowth of the open door policy is what HP calls “Management by Wandering Around” (MBWA). Managers at all levels are encouraged to spend a part of each day wandering through the organizations. MBWA by high executives is also coupled with another communication device in the form of division reviews.
- Corporate openness is another method of communication. Few examples are in below.
  - All employees have the same profit sharing and eligibility for stock options.
  - Flexible hours were introduced simultaneously for managers and non-manager alike.
  - Tolerance for the differing needs of individuals is another form of openness of HP.
  - HP demonstrates its interest in two-way communication process by conducting a survey on employee attitudes and concerns which is dubbed as ‘open line’.
- The HP culture and value system play a role in the system of promotions and rewards. The performance appraisal and salary administration processes also expose individual Employees to many managers around the company. Individual pay is set by a combination of relevant experience and “sustained performance.”
- Performance is reviewed quarterly, which helps employees to maintain equity pay and spreads employee accomplishment throughout the organization.
- Open discussion of hiring needs also helps to identify candidates for job openings. Each employee sees his/her wage curve and the one on the next level up. Both employees and managers receive training in position planning and the MBO process.
- **Hiring:** New employees at all levels tend to go through a period of adaptation that often includes considerable frustration within the HP style: HP is different; it is very unusual for someone to be hired into a manager’s position.
- **Structural Device and Work Systems:** The day-to-day activities of HP employees are primarily directed by a comprehensive system of MBO.
- **Promotion and reward system:** All employees have the same profit sharing (initiated in 1940) and eligibility for stock options. It’s a win-win situation for an individual.

- **Communications:** An important outgrowth of the open door policy is what HP calls “Management by Wandering Around” (MBWA). in division manufacturing and general management, corporate personnel, and corporate R&D responsibilities:
- Flexible timing.

### **Problems and Challenges**

- HP is facing challenge regarding the adaptability and durability of its methods and its managers. The compounding pressure of growth, the requirements of newer market and intensified competition for its people is another challenge for HP.
- The problems of assimilating the number of new employees and new supervisors are compounded by the increasing geographical spread of operations throughout the United States and around the world. So, cultural or geographic diversity is another issue HP.
- Former HP employees have been principals in quite a few of the new startups in “Silicon Valley.” the examples of past successes by such new ventures and the recent increased availability of startup capital make it increasingly difficult to retain exception employees. This is also seen in the increasing desirability of HP employees as recruits for other ongoing enterprises.
- The challenge to continue to provide leadership is seen to be especially critical for the company’s executives.

## **Recommendations**

- Although some renowned company employees may have skills and experience like the HP employees, but they don't get any opportunity to enter into HP. Therefore, it's not a bad idea to give opportunity for those who have skills and experience but not yet an employee of HP. It may broaden the new idea, way of thinking and imaginary ability.
- HP use same management style in USA and Non-USA Location. Therefore, customization of management style is required. To overcome cultural and geographical barriers, it is important for HP management to review the management style.
- In HP, each employee fills out a Management by Objectives (MBO) for his/her own job. But sometimes it over emphasizes the setting of goals over the working of a plan. It under emphasizes the importance of the environment or context. Therefore, the use of MBO must be carefully aligned with the culture of organization. When this approach is not properly set, agreed and managed by organization, MBO could be counterproductive.
- As new employees at all levels tend to go through a period of adaptation and often includes considerable frustration, therefore, need to be careful so that this frustration remains considerable otherwise it may de motivate the new employees.