

# *cultural due diligence study*

welcome

agenda:

- presentation of findings
- q&a session

*cultural due  
diligence study*

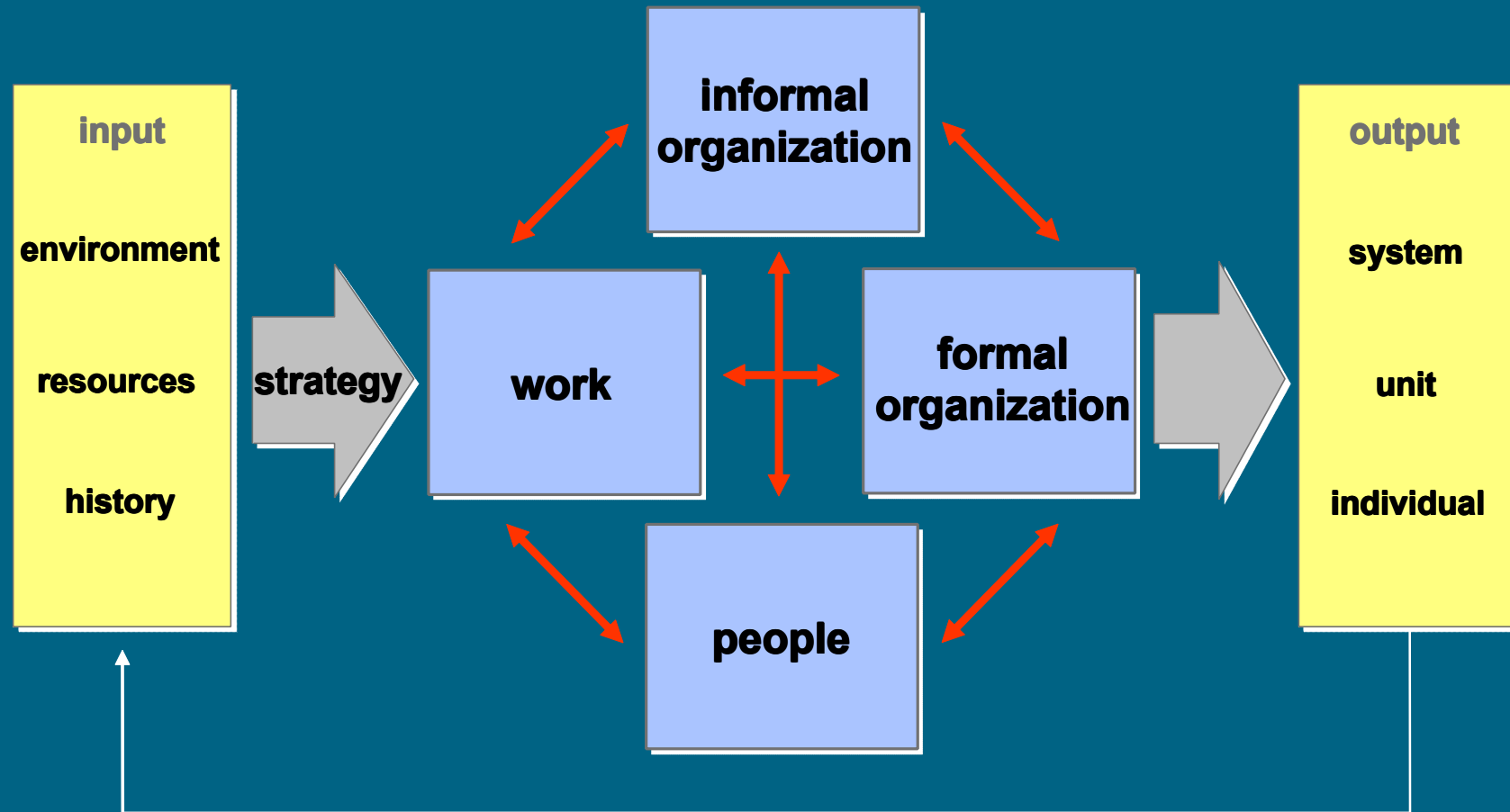
presentation of findings

## *cultural due diligence study*

data collected from around the world in both companies:

- **127** individual executive interviews
- **138** focus groups spanning **1,500** managers and individual contributors in **22** countries

# congruence model



# *cultural due diligence study*

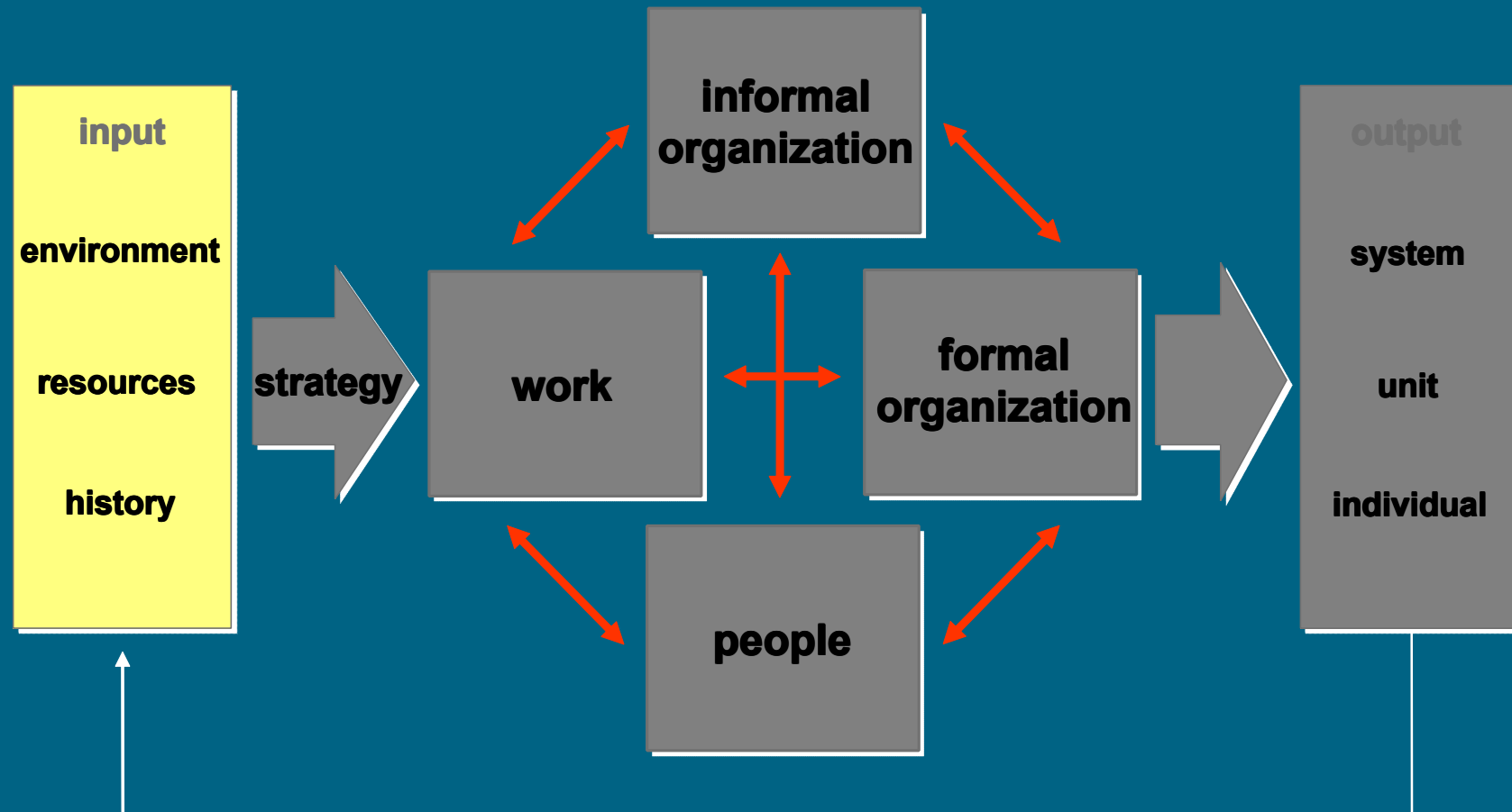
1. comparing and contrasting  
pre-merge *hp* and compaq

2. definitions

- similarities – things that the people in each company perceived about themselves that matched the other company
- differences – things that the people in each company perceived about themselves that were at odds with the other company
- unique commentary – things that people in each company expressed very often which those in the other company talked much less about

3. the findings reflect  
perceptions

# congruence model



# input

## *hp on hp*

### similarities

- proud about HP legacy
- industry consolidating
- disadvantaged in supply chain and overhead costs
- good products

### unique commentary

- pride in success linked to innovation
- technical/engineering heritage
- good reputation with customers
- power historically with the business and the back end

## compaq on compaq

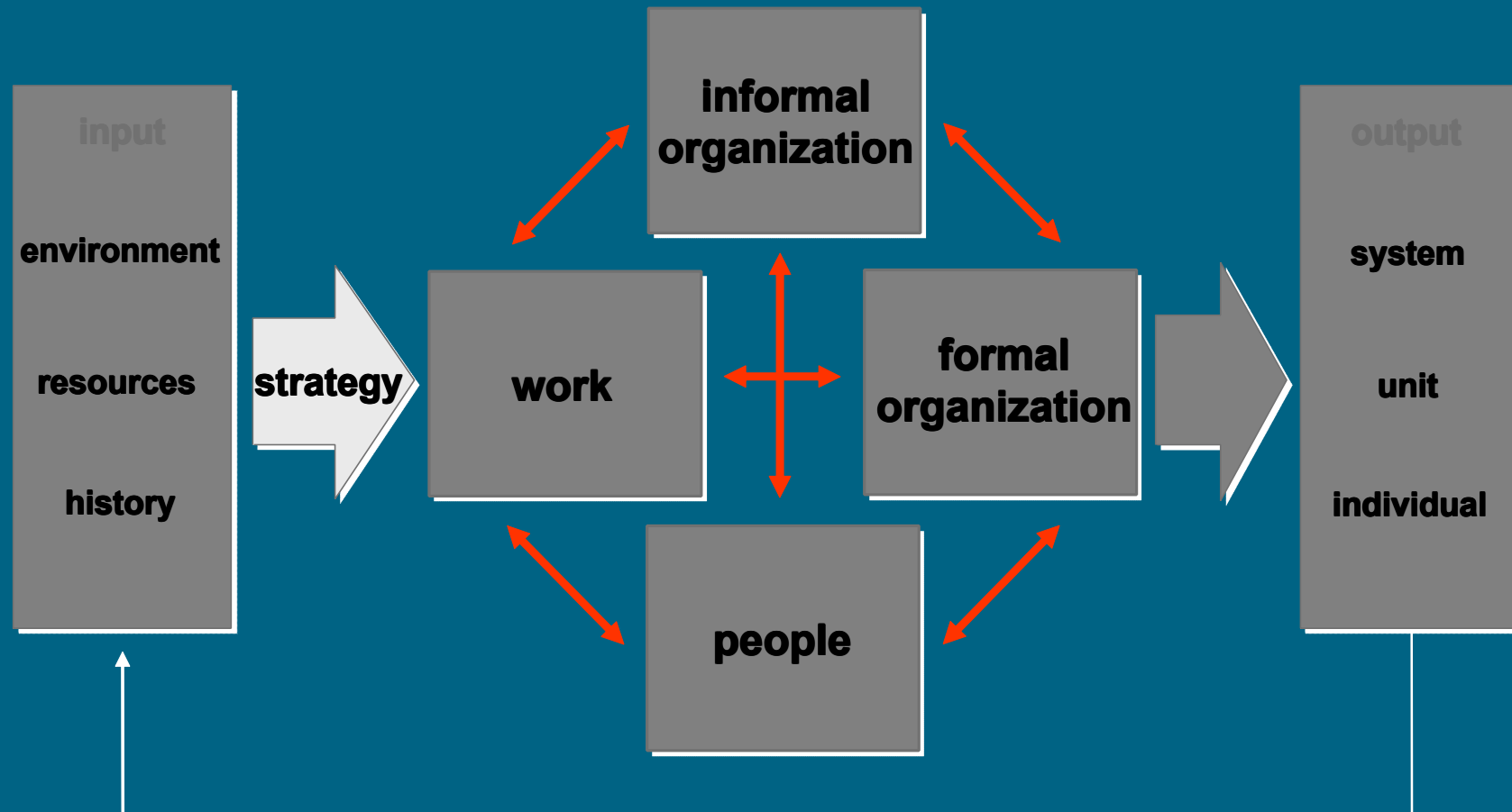
### similarities

- strong brand, products and services
- industry consolidating
- disadvantaged in supply chain and overhead costs
- good products

### unique commentary

- historically fast, nimble, and able to execute
- traditionally short-term focused
- fast growth through new business model
- redefined computing landscape

# congruence model





# strategy

## *hp on hp*

### similarities

- top-down strategy; mid-management not involved
- need for planning and execution process

### • differences

- strategy is long-term oriented

### unique commentary

- strategy increasingly unclear as you go down the organization
- strategy has to be translated into something concrete

## compaq on compaq

### similarities

- strategy comes through a top-down process
- little/no strategic process

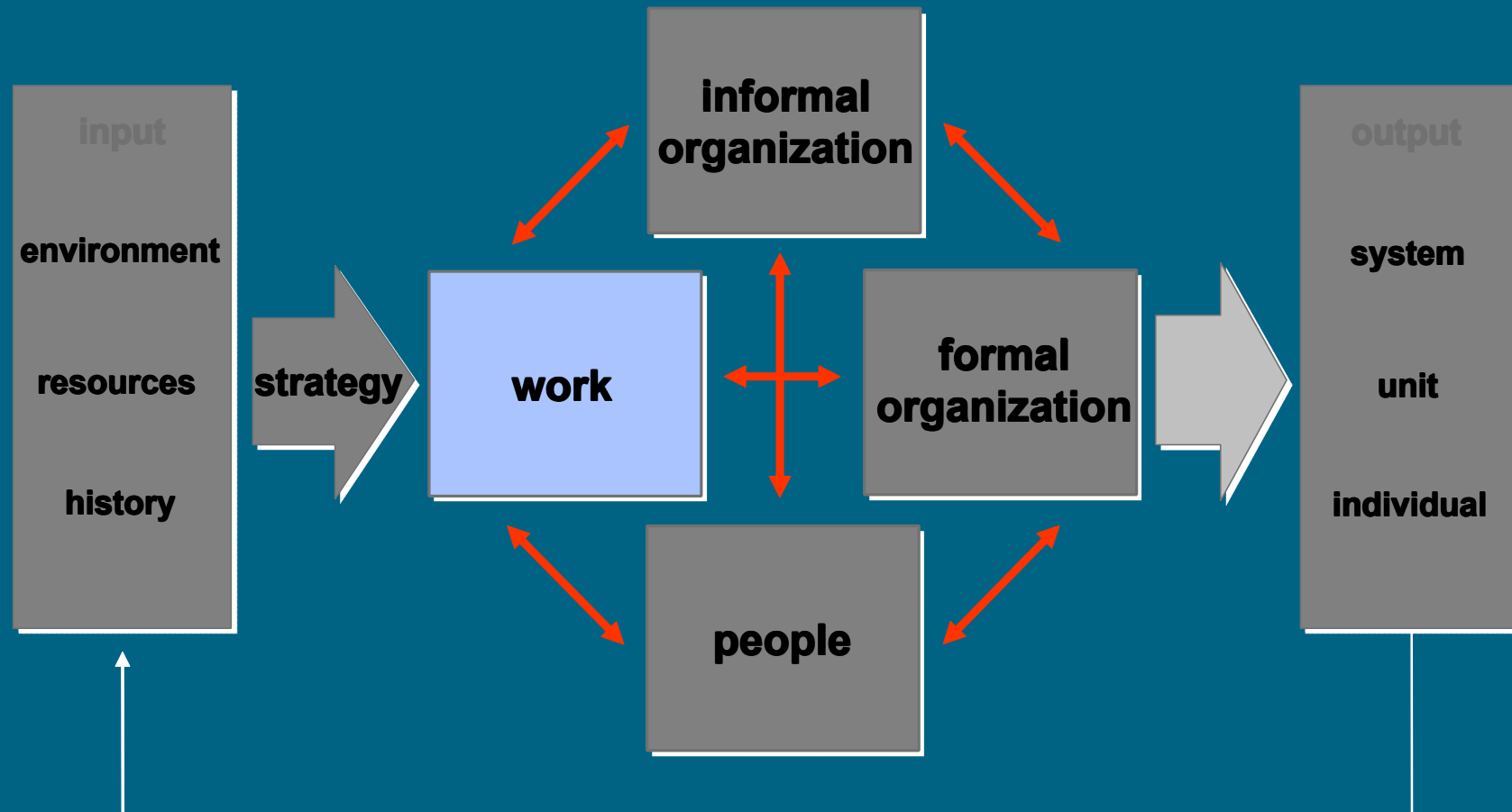
### differences

- susceptible to frequent changes in direction
- customer focused with a short-term orientation toward the market; interferes with investing/building for the future

### unique commentary

- tendency to be influenced more by major customer accounts than technological advancements

# congruence model



# work

## *hp on hp*

### differences

- respect for process
- strong planning and financial processes
- work process is organizationally based, vertically strong, works well

### unique commentary

- autonomy in managing one's own work is the norm; accountability at individual level
- upper management does not seem to be held accountable in the same way as others
- poor cross-functional accountabilities and ownership of work

## compaq on compaq

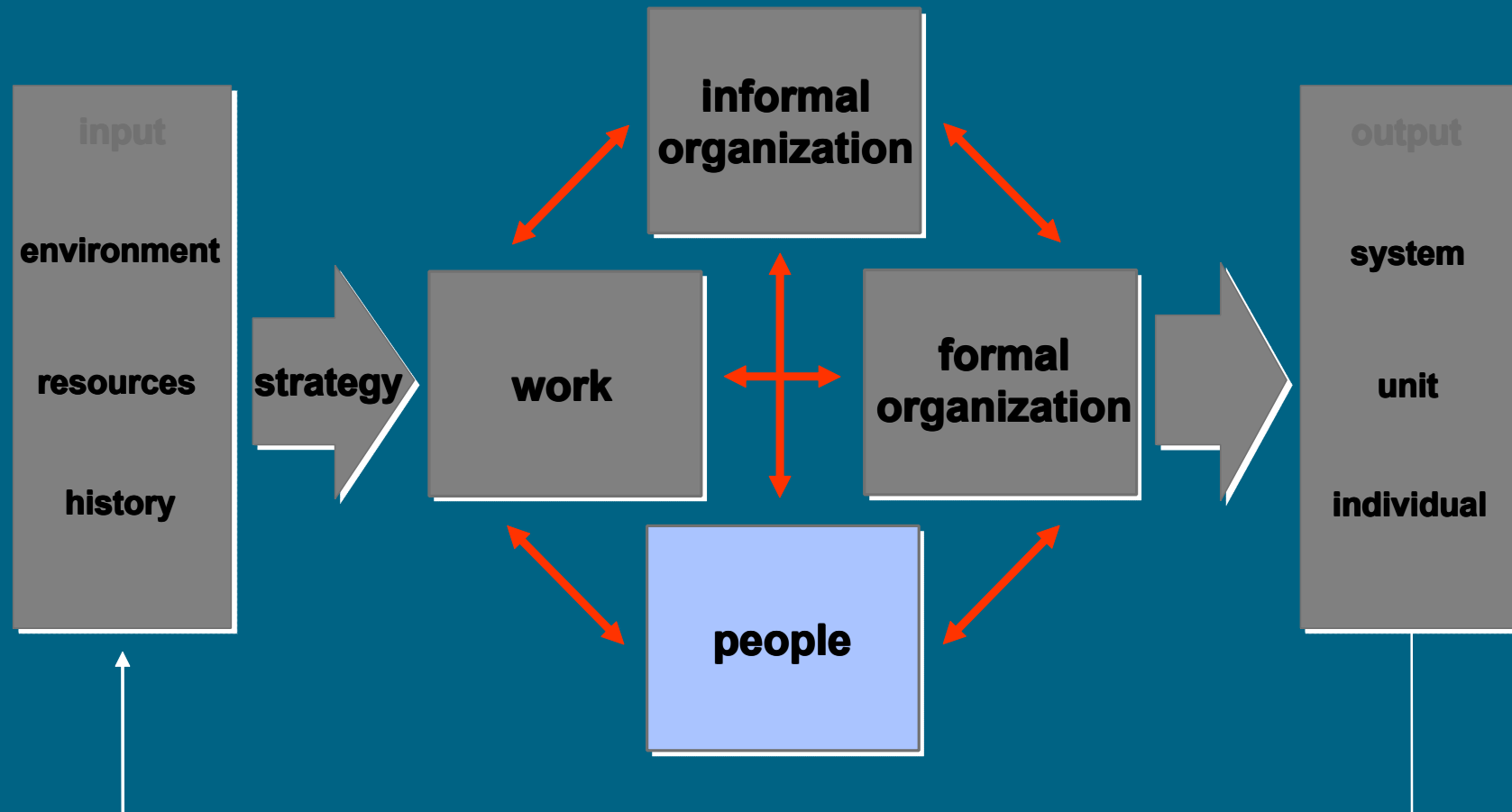
### differences

- process seen as bureaucracy, aversion to processes
- lack of clear, disciplined processes
- work process: swat teams

### unique commentary

- technology is great
- information systems are not integrated
- multitasking is a norm
- work-life balance is not achieved

# congruence model



# people

## *hp on hp*

### similarities

- low credibility in leadership

### differences

- leadership focused on relationships (how things get done)

### unique commentary

- multicultural, diverse, dedicated workforce
- team-oriented
- losing the “family feeling”
- lower levels of management are informal; top management is more formal and removed
- recent changes led to low morale

## compaq on compaq

### similarities

- low credibility in leadership

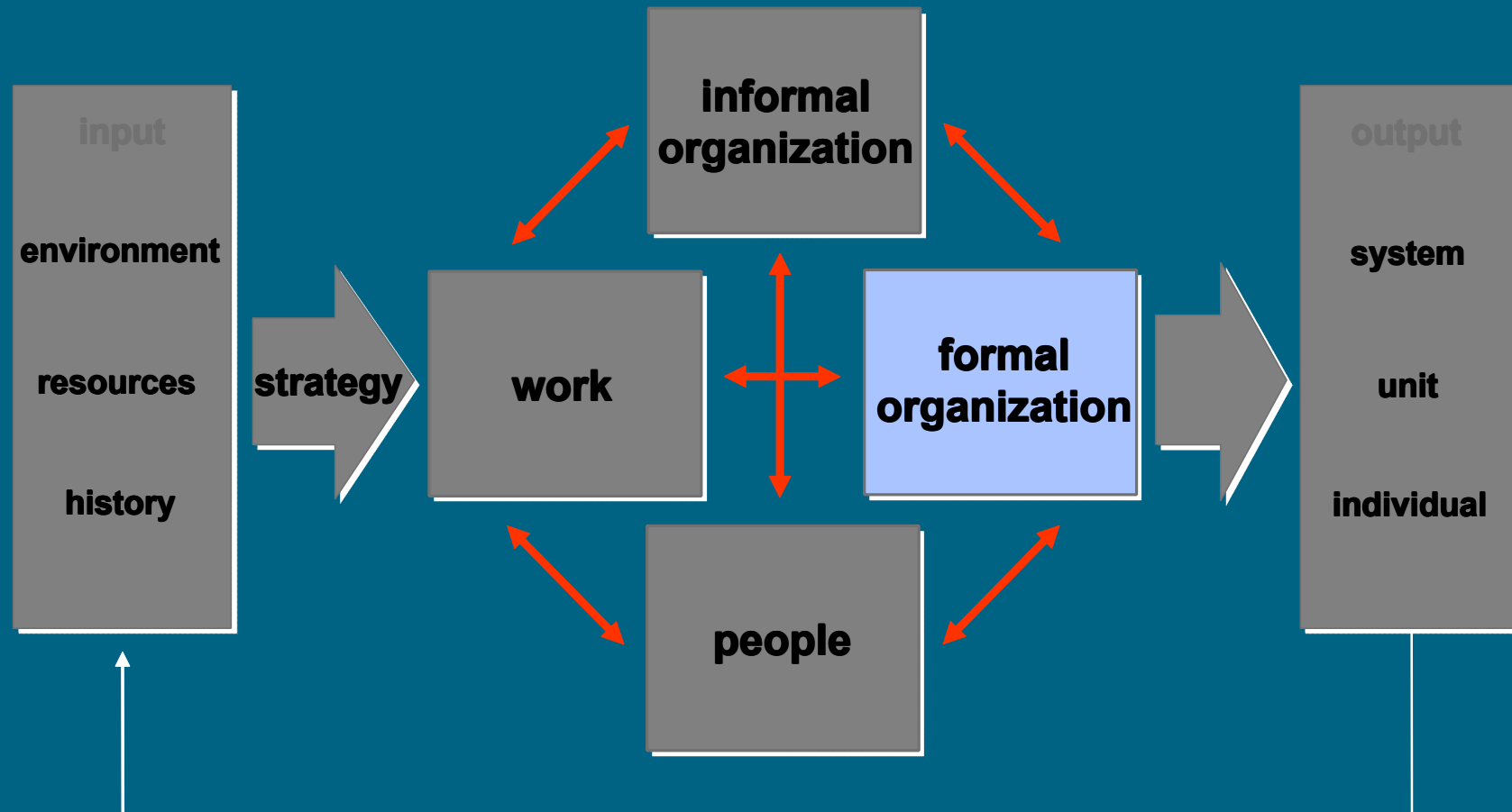
### differences

- leadership achievement-oriented, rugged individualists (what gets done)

### unique commentary

- people are bright, committed, and work hard, long hours
- good interpersonal relationships
- learning happens on the job
- insufficient investment in training and development
- people do not feel empowered, except in field

# congruence model



# formal organization

## *hp on hp*

### similarities

- goals change too often; they are unclear, execution not enforced
- no consequences for not meeting objectives; performance metrics unclear or absent, differ across “silos”
- front-end/back-end structure exacerbated problems with accountability
- *hp* is horizontally challenged
- more power moving to the front-end organization
- *hp* is becoming more centralized

### differences

- no common process for decision making; very top-down, slow, long decision cycle times; but thoughtful and high involvement
- general perception that decisions are rarely made, but tend to stick once made

## compaq on compaq

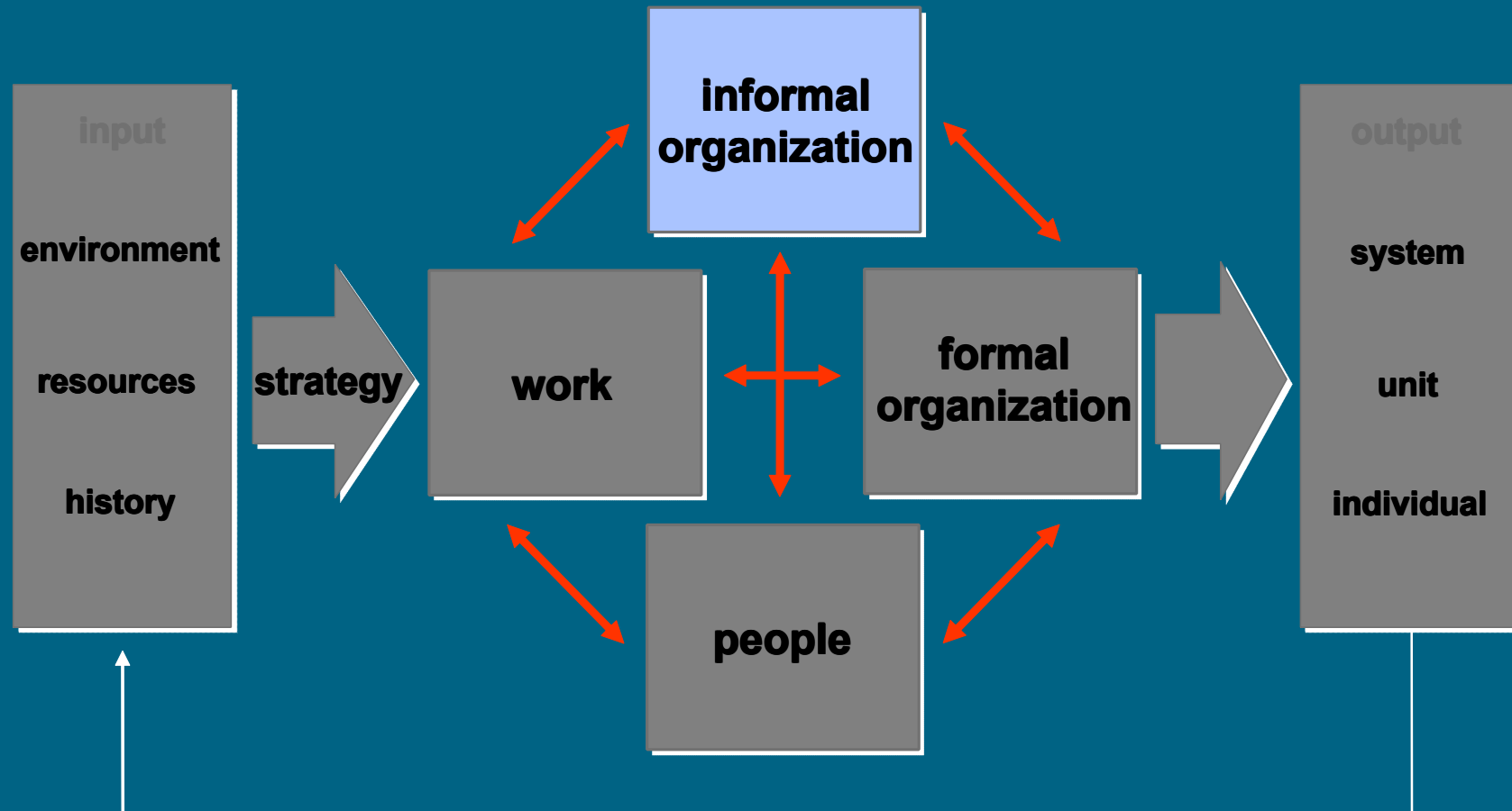
### similarities

- goals change frequently and not synchronized between front-end and back-end organizations
- people are not held accountable; structure and measurement systems cloud accountability
- strong matrix management leading to fuzzy lines of accountabilities
- performance management inconsistent, generally poor planning and control
- cross-organizational collaboration difficult
- country managers are kings
- many things are very centralized

### differences

- decisions made quickly
- a lot of “checking in” to make a decision, iterative decisions, top-down

# congruence model





# informal organization

## *hp on hp*

### similarities

- strong sense of ethics
- strong customer-focus (make great products)
- team culture, have to be part of the group
- getting results is rewarded, sometimes effort without a result gets rewarded
- having big new ideas is valued
- treat people with dignity
- multiple subcultures

### differences

- conflict avoidance and over-compromise are normal
- titles not referenced, egalitarian

### unique commentary

- “silo mentality”
- failure deserves a second chance
- diversity and people are valued

## compaq on compaq

### similarities

- ethical behavior is enforced
- strong customer orientation (make what they want)
- teamwork is valued
- highly results/bottom-line focused, sometimes effort without a results gets rewarded
- openness to good/new ideas
- don't publicly embarrass people
- multiple subcultures

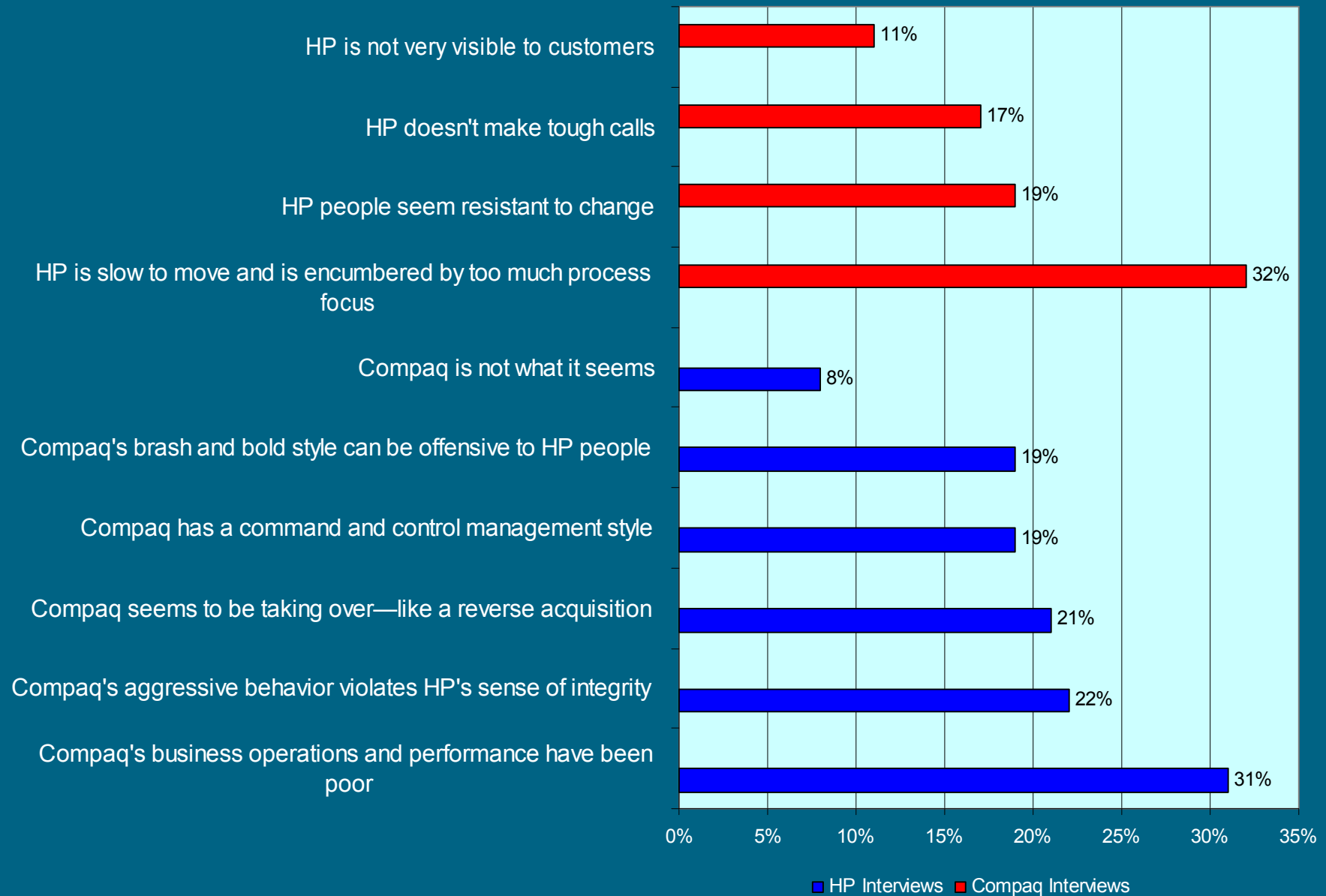
### differences

- conflict addressed directly/openly, aggressive, brash
- titles are referenced, abundant, hierarchical

### unique commentary

- initiative, flexibility, “go for it” attitude are valued
- relaxed/flex work environment; long working

## concerns about the other company



# *cultural due diligence study*

advice to carly & michael from  
interviews and focus groups:

- be inclusive
- define your work and roles
- define/communicate what you want the new company to be
- be bold
- clarify roles and organization structure
- take action quickly
- continue to communicate a lot; be honest, but be sensitive in what you say

*cultural due  
diligence study*

region-specific findings

# Comparison of *hp* with Compaq -- North America

Cultural gap differences  
are statistically  
significant.

- HP's Average
- Compaq's Average

## Cultural Gaps

	1	2	3	4	5	
<b>Precedence.</b> Looks to the organization's rich history as a source of knowledge.		●		●		<b>Inquiry.</b> Focuses on future possibilities and learn as they go.
<b>Internal Focus.</b> Focuses mostly on improvement of internal processes and structures; has moderate awareness of our competitors.			●	●		<b>External Focus.</b> Focuses mostly on pursuit of new markets and customers; is very much aware of competitors and closely follows the moves they make
<b>Systematic.</b> Relies heavily on organized plans for our work. Work processes are clearly defined.			●	●		<b>Spontaneous.</b> Relies on ability to respond to just-in-time opportunities; continually "turns on a dime" to meet demands.
<b>Precision.</b> Getting the job done "right" is more important than getting it done quickly, even though it may take extra time.			●	●		<b>Speed.</b> Getting the job done fast makes "roughly right" outcomes acceptable even though we may sacrifice discipline or rigor.
<b>Reflection.</b> Values review of significant events; debrief events to share insights and best practices.			●	●		<b>Iteration.</b> Values a "trial and error" approach; forges ahead without looking back.

## Cultural Similarities

<b>Winner Focused.</b> Conflicts are resolved by debating until there is a winner.			●●			<b>Issue Focused.</b> Conflicts are resolved by exploring the merits of differing points of view.
<b>Competition.</b> People tend to be focused on their own advancement and achievement.				●●		<b>Cooperation.</b> People tend to offer help and support to ensure others are successful.
<b>Dominance.</b> Pursues growth through product proliferation/line extensions and acquisitions.				●●		<b>Value.</b> Pursues growth through product innovation and anticipation of emerging customer needs.
<b>Threat.</b> Is anxious about their future. Past successes are not sufficient to ensure continued performance.			●●			<b>Opportunity.</b> Is excited about their future. Track record has positioned them well for future success.
<b>Reaction.</b> Changes in response to significant events.			●●			<b>Initiation.</b> Initiates change in anticipation of significant events.

# Comparison of *hp* with Compaq -- Latin America

Cultural gap differences  
are statistically  
significant.

- HP's Average
- Compaq's Average

## Cultural Gaps

	1	2	3	4	5	
<b>Precedence.</b> Looks to the organization's rich history as a source of knowledge.		●			●	<b>Inquiry.</b> Focuses on future possibilities and learn as they go.
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<b>Precision.</b> Getting the job done "right" is more important than getting it done quickly, even though it may take extra time.			●		●	<b>Speed.</b> Getting the job done fast makes "roughly right" outcomes acceptable even though we may sacrifice discipline or rigor.
<b>Emphasis on Consistency.</b> Exceptions to policies and procedures are discouraged; generally it is better to act as others do.			●		●	<b>Leveraging Differences.</b> Policies and procedures are often tailored to fit the circumstances; generally it is acceptable to act in unique ways.

## Cultural Similarities

<b>Winner Focused.</b> Conflicts are resolved by debating until there is a winner.			●			<b>Issue Focused.</b> Conflicts are resolved by exploring the merits of differing points of view.
<b>Inspiring Performance.</b> Praise and public acknowledgement from leaders is an important part of how people are recognized.			●	●		<b>Enticing performance.</b> The use of contests, cash rewards, bonuses, etc., are important mechanisms for recognition.
<b>Dominance.</b> Pursues growth through product proliferation/line extensions and acquisitions.				●	●	<b>Value.</b> Pursues growth through product innovation and anticipation of emerging customer needs.
<b>Threat.</b> Is anxious about their future. Past successes are not sufficient to ensure continued performance.			●			<b>Opportunity.</b> Is excited about their future. Track record has positioned them well for future success.
<b>Integrated.</b> Change efforts attempt to reach the entire organization simultaneously			●	●		<b>Insular.</b> Change efforts focus on discreet segments or functions of the business.

# Comparison of *hp* with Compaq -- EMEA

Cultural gap differences  
are statistically  
significant.

- HP's Average
- Compaq's Average

## Cultural Gaps

	1	2	3	4	5	
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<b>Cost.</b> Is heavily focused on maximizing efficiency, maintaining strong expense management, and cost reduction			●	●		<b>Service.</b> Is heavily focused on understanding and exceeding customer requirements through delivering great products & services.
<b>Precision.</b> Getting the job done "right" is more important than getting it done quickly, even though it may take extra time.			●	●		<b>Speed.</b> Getting the job done fast makes "roughly right" outcomes acceptable even though we may sacrifice discipline or rigor.
<b>Emphasis on Consistency.</b> Exceptions to policies and procedures are discouraged; generally it is better to act as others do.			●	●		<b>Leveraging Differences.</b> Policies and procedures are often tailored to fit the circumstances; generally it is acceptable to act in unique ways.

## Cultural Similarities

<b>Independence.</b> People tend to be more comfortable working individually.				●		<b>Interdependence.</b> People tend to be more comfortable working collaboratively.
<b>Targeted Focus.</b> Pursues a vital few goals; typically headed in a clearly focused direction.			●			<b>Broad Reach.</b> Pursues many goals simultaneously; is broad reaching and multi-focused.
<b>Dominance.</b> Pursues growth through product proliferation/line extensions and acquisitions.				●	●	<b>Value.</b> Pursues growth through product innovation and anticipation of emerging customer needs.
<b>Designed.</b> When implementing change initiatives, involves only key people to coordinate/implement plans.			●	●		<b>Emergent.</b> When implementing change initiatives, involves many people to coordinate/implement plans.
<b>Integrated.</b> Change efforts attempt to reach the entire organization simultaneously				●		<b>Insular.</b> Change efforts focus on discreet segments or functions of the business.

# Comparison of *hp* with Compaq -- Asia Pacific

Cultural gap differences  
are statistically significant.

- HP's Average
- Compaq's Average

## Cultural Gaps

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<b>Threat.</b> Is anxious about their future. Past successes are not sufficient to ensure continued performance.		●		●		<b>Opportunity.</b> Is excited about their future. Track record has positioned them well for future success.
<b>Replication.</b> Takes solutions that worked in one place and applies them in others; "safe bets" are encouraged.		●		●		<b>Experimentation.</b> Consistently tries to find new ways of solving problems; risk taking is encouraged.

## Cultural Similarities

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# Comparison of *hp* with Compaq -- Enterprise wide

Cultural gap differences  
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● HP's Average  
● Compaq's Average

## Cultural Gaps

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# *cultural due diligence study*

in summary . . .

we also heard people say that:

- both company cultures were in transition before the merger
- the direction that each culture needed to take was, actually, to adopt the strengths of the other

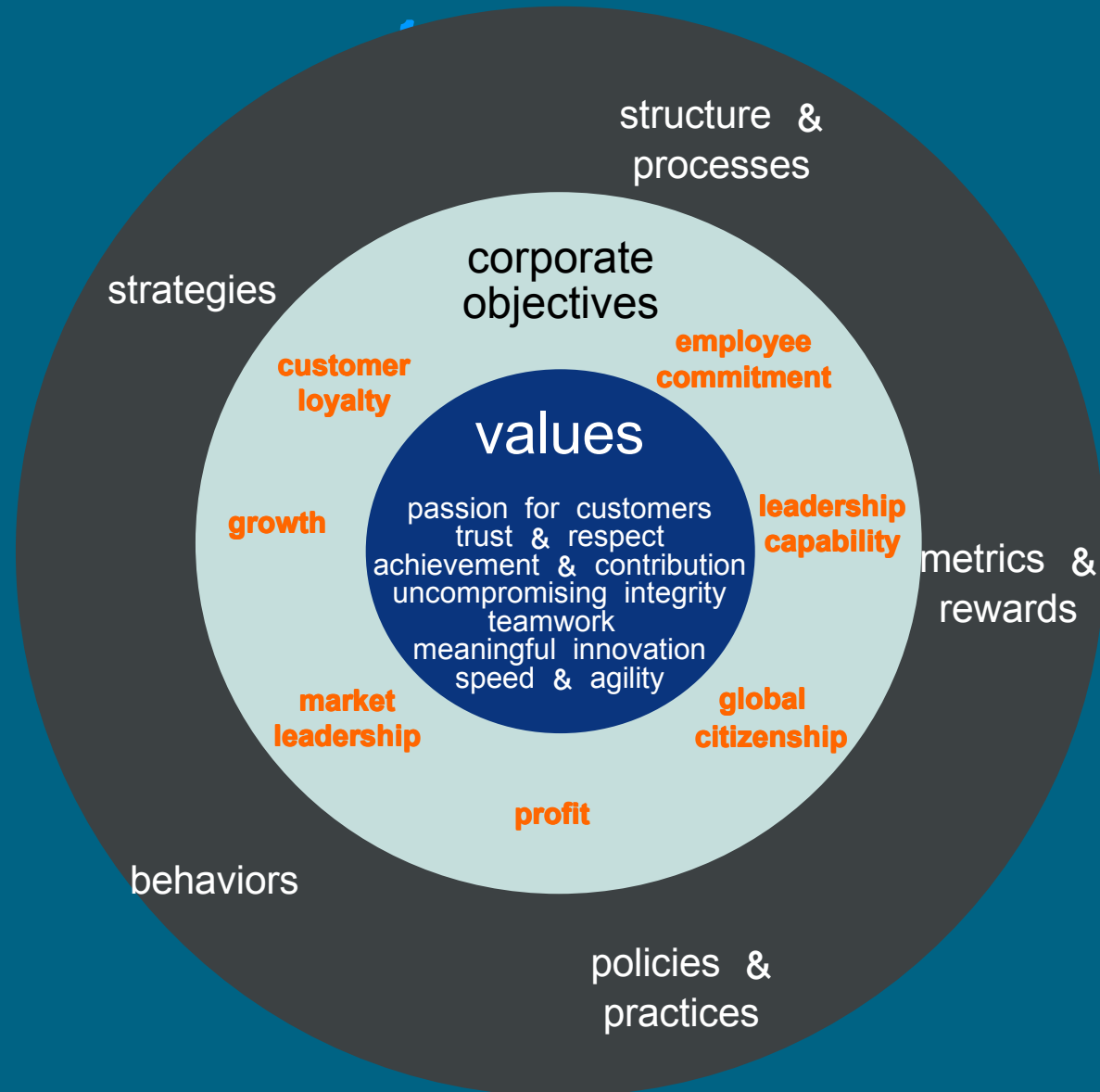
so, if you integrate well, building on each other's strengths, the potential for success is great

*cultural due  
diligence study*

cultural cornerstones

# new *hp* cultural cornerstones

(*release*)



# lessons learned

- first, though there were important differences between the pre-merge *hp* and compaq organizations, there were a great many similarities; and, there were a great many positive characteristics that both companies shared (for example, the emphasis on teamwork)
- to minimize unproductive conflict moving forward, there are several lessons or implications from this study for how we work together:
  - focus and build upon our common strengths
  - come to agreement about the appropriate time horizon (long-term vs. short-term) for any business strategy or set of strategies
  - clarify the meaning of terms or language that people are using before making judgments about others -- two people may be thinking about different things while talking about the same subject
  - agree up front on an approach to decision making to ensure that everyone is on the same page before entertaining discussion about the subject matter
  - take people's needs and experience (e.g., comfort dealing with conflict, orientation to hierarchy) into account in how you approach problems and in how you interact to solve problems
  - where gaps or similarities are consistent across the enterprise, use the same approach to closing the gaps and building upon positive similarities

## *cultural due diligence study*

The results of the CDD will be posted on the newhpcway webpage. See the following url for more information on CDD and the cultural cornerstones of the new *hp*:

<http://hpnow.hp.com/vision-strategy/newhpcway>