

Shards in the Glass Ceiling

The experiment ended, suddenly and ignobly. It caught most industry watchers by surprise, even though they all claimed soon enough that they'd have done the same thing. Carly Fiorina, Hewlett-Packard's forceful CEO, saw the storm brewing; in mid-January at the prestigious Davos, Switzerland, World Economic Forum she broached the question with several CEOs of how to "retire" gracefully. The denouement was swift, the judgment merciless. On Monday, February 7, 2005, HP's board chairperson, Pattie Dunn, fired Fiorina for poor performance, for arrogance, for self-aggrandizement, for all manner of ills.

A late January *Fortune* story anticipated her departure (ironically, the issue dateline was February 7). *Business Week* rushed an article to print: "Can Anyone Save HP?" *The Wall Street Journal* carried pages of analysis and interpretation. *Fortune* hurried a self-congratulatory second story, hinting that they perhaps had stimulated the action.¹

HP's business record, in aggregate, wasn't that bad. Moreover, it was getting better. Compared to a group of six other large American technology vendors—IBM, Dell, Intel, Microsoft, Sun, and Cisco—HP was a above median on revenue growth after the consolidation of Compaq, and at median for profits. Sure, the stock price had languished, but no worse than that of Intel, Microsoft, or Oracle. Sun's capitalization had nearly evaporated, along with any notion of profits. HP had nearly driven IBM out of the personal computer (PC) business as it tried to master the cost-cutting requirements imposed by Dell's sales model. Also important, HP seemed to have rebuffed Dell's energetic efforts to make inroads into desktop printing.

Hewlett-Packard had missed Fiorina's plans, forecasts, and possibilities once again. Moreover, the photogenic CEO seemed too proud, or too insecure, to accept help. The board wanted her to bring in a senior chief operating officer, a steady COO to hold down the fort and manage day-to-day operations while Carly traveled, exhorting and charming customers,

conferences, workshops, and the press. An astute board would already have lined up COO candidates. But Fiorina—sore from the bruising merger fight over Compaq—chose to fight again, only to be summarily guillotined, a classic Robespierre in the high-tech field.

Reactions to Fiorina's dismissal were mixed. Board members opined that Fiorina was great, even spectacular, at what she did well, but that HP needed a lot more of what she didn't do well. Director Tom Perkins would say a year later, "She'd still be in place, with a winning strategy, if she'd just accepted a strong helper COO."² Many professional women were anguished—Carly was their inspiration, not only surmounting the glass ceiling but taking on and besting the strongest in the land, garnering admiring press and acclaim. Many long-term HPites were overjoyed—their vaunted HP Way could now be resurrected, after the Huns had stormed **the castle**. Other CEOs—**fellow travelers in the most lonely of seats**—were more pensive, more measured, and perhaps a little worried. Who knew when their turn might come?

What had happened at this proud company? How had it come to this? Many thought back to 1999. Hewlett-Packard had missed the dot-com boom. CEO Lew Platt, voted "class plugger" in high school, had a decidedly low-key leadership style that lost the confidence of the board. From consistent top-ten rankings in lists of best-managed, highest-quality, and most-admired companies for decades, Hewlett-Packard fell in peoples' perceptions markedly, for example to 43rd in *Fortune's* 2000 list of best companies to work for.³

Fiorina, flamboyant where all previous leadership was subdued, had brought star quality to the job. She had proclaimed that the new, streamlined HP would remain true to the culture of integrity and respect known as the HP Way. For a honeymoon period, enthusiasm soared. And then reality set in with a visibly failed acquisition attempt. Disillusionment followed, and then the contested Compaq plan caused a public schism with the Hewlett and Packard families. Fiorina had polarized the HP community in ways foreign to its history. The business world took notice. Again, ratings plummeted—HP was 173rd of 611 companies in the February 2006 *Fortune* "Most Admired" listing.⁴ When revenue and earnings projections fell short in third quarter fiscal 2004, Fiorina's game essentially was over

Mark Hurd was named to replace Fiorina. He was a strange choice by some standards, certainly for business pundits and market analysts who sought a big-name replacement. Hurd was low-key, conservative, and operational where Carly was high-profile, bold, and strategic. A few noted that Hurd was more like Dave Packard, the more well-known of the two founders. Today many might even compare his public reticence more to Hewlett's. Hurd fits the HP image, if not the culture, in a way that Carly never did.

The business press proffered Hurd advice aplenty: "Sell off the imaging and printing lines," said some, picking up Walter Hewlett's proposal during the merger battle. "Abandon low-margin PCs, where Dell has HP beat," said others. Some clamored for a services acquisition, akin to the PricewaterhouseCoopers deal that Fiorina almost accomplished. Some despaired: "HP will never regain its spot in the sun." Hurd did nothing flashy, held few press conferences, and, much like Gerstner at IBM a decade earlier,⁵ eschewed describing his vision of "where next."

A year later, the critics had moved on. A few analysts noted that Hurd seemed to be righting things. After the robust third-quarter 2006 earnings statement was compared to the earnings shortfall at Dell, a growing minority began to comment that maybe Fiorina's strategy wasn't so bad after all:

While analysts praise Hurd's low-key style, many are quick to credit Fiorina for laying the groundwork. HP desperately needed someone like her, said Roger L. Kay, president of Endpoint Technologies Associates. "Carly did a lot of the shaking up, which was necessary to get the hidebound organization liquefied again—and that left the field open for Mark Hurd to reorganize. The ironic postscript here is that Carly deserves far more credit than she got," Kay said.⁶

And then, unbelievably, a second bombshell hit.

Challenges to the HP Way

SEPTEMBER 28, 2006, WASHINGTON, D.C.: Grim-faced, CEO Mark Hurd strode to the hotseat in front of the House Investigative Committee that Patricia Dunn had just vacated. Dunn, the recently defrocked board chairperson of the legendary Hewlett-Packard Company, was defensive rather than contrite about the use of "pretexting"—using

private investigators to sleuth personal telephone records to locate the source of “leaks” from HP board members to the press. She seemed to condone widespread spying to contain boardroom leaks—leaks felt critical enough to occasion illegal surveillance of twenty citizens, arguing that it was just something to be expected in this day and age. Hurd took a different tack, intoning that Hewlett-Packard employees didn’t deserve either the spying or the associated scandal. Unable to explain his own oversight of the actions, he solemnly pledged to correct this blot on the integrity of the company—historically the icon of trust and fair dealing in corporate America. A blog, repeated in *BusinessWeek*, captured the mood: “Our boardroom lighting system is powered solely by Hewlett and Packard spinning in their graves.”⁷

In the grand sweep of history, the pretexting issue at Hewlett-Packard may well be but a journalistic footnote. But it did highlight two significant facts—first, that electronic snooping, the Orwellian Big Brother concern in the book *1984*, has become far more the norm in our society than we might care to recognize; second, even the Silicon Valley company revered for decades for its leadership and ethics proved susceptible.

Some of the old guard railed, “The HP Way is dead, dead, dead.” Many alumni stated that the only company with a shred of the HP Way today is Agilent Technologies, which should have kept the HP name in the divestiture in 1999. To most outsiders, though, HP history has been veiled and obscure, even if the HP Way is legendary.

The HP story is unique in American business, with fundamental leadership lessons at many junctures. The evolution of a successful company with strong allegiances to its employees and its communities is compelling enough. When that evolution is coupled with consistent profitability and revenue growth comparable to the most powerful global corporations, it becomes imperative to understand HP history, strategies, and approaches.

HP, known primarily for its employee-centric “HP Way,” has always been a high-tech electronics equipment manufacturer. Many may be aware that HP borrowed the General Electric organizational model of quasi-autonomous divisions, but HP atomized its divisions by an order of magnitude, creating unusual renewal strengths previously unknown in large enterprise and fueling a consistent growth rate far longer than

in any other high-tech company. Moreover, HP cannibalized its roots repeatedly, replacing established products with bold new ideas. Focusing on contribution rather than endeavor, HP morphed six times into something else, changing its leading products each decade. Such transformation is unparalleled in modern business. Even more stunning is the discovery that Hewlett resisted three transformations, and Packard is on record at some point opposed to each of the six. So much for today's conventional leadership wisdom!

In HP history, transformative change always left its mark, as well as casualties along the way; each time people said that HP had lost its way, never to be regained. By the time the founders died (Packard in 1996, Hewlett in 2001), the company was yet again in transition. In a company four hundred times the size of HP when Packard was last CEO, the mythic origins could seem ancient and irrelevant, if not antithetical. Indeed, as Hewlett-Packard morphs into something else for the sixth time in the sixth decade after going public, it feels different. To be sure, it is different: the Compaq acquisition brought a huge contingent of new employees who didn't share the cultural DNA; pretexting was an enormous challenge to a company whose very foundations epitomized the purest business ethics; and the EDS acquisition, announced in 2008, augurs to push the envelope still further, nearly doubling the number of employees while adding just 20 percent to revenues.

But companies, like people, cannot change their stripes easily. Their style gets baked in, perpetuated, and inculcated so deeply that it becomes ingrained, patterned, and virtually innate. Indeed, if culture is something that becomes intrinsic and deep, it should be able to resist and repel even substantial challenges, to reassert its imprint and impact.

We believe that HP's core values, approach, attitude, culture, and philosophy are built solidly into the fiber of its employees and practices, broadly determining its overall capability. The future can be inferred from the past. Not, of course, in a lineal revenue or even product sector projection, but absolutely in terms of competitive response and opportunity recognition. The legacy of the founders and the cultural imprint of the HP Way are not passing historical phenomena. They are deeply embedded. Rather than becoming anachronistic, even impediments to coping with today's world,

they are more relevant than ever to provide a compass for innovative and differential contribution, as this huge corporation—the largest high-tech firm on the globe—becomes ever more virtual and diffuse.

The Evolution of HP

Hewlett-Packard's origins, in a simple one-car garage in downtown Palo Alto, were memorialized fifty years later as "The Birthplace of Silicon Valley" in a 1989 California State dedication.⁸ The garage is so modest in appearance, one would hardly suspect that the Hewlett-Packard Company started there, let alone the Electronic Age, as the world has come to know it. Two-and-a-half miles away at 3000 Hanover Street, just off Page Mill Road, is global headquarters for Hewlett-Packard—the world's largest electronics manufacturer, California's second largest industrial corporation, America's eighth largest, eighteenth in the world. HP's headquarters is an unpretentious building for a company with such a large impact on our society.⁹

The story began with two self-effacing, shy Stanford engineers. Bill Hewlett, addressed by a new hire as "Mr. Hewlett," turned to him, stuck out his hand, and said, "That was my father's name. Mine's Bill." At Packard's funeral services, a poignant picture graced the pamphlet: an elderly man driving a tractor, the gaze from his tanned, wrinkled face looking backward with a big smile. The simple epitaph read, "Dave Packard: rancher, etc." No pomp and circumstance surrounded Bill 'n' Dave. Bigger than life, destined to build one of America's greatest corporations, amassing huge fortunes along the way, they seldom lost sight of their humanity, their dignity, or their indebtedness to their colleagues. The reverence with which HP alumni and the business world have viewed these two men is extraordinary. But the HP story is far more than a Bill 'n' Dave tale, and their own leadership was more complicated and clouded with darker moments than most accounts portray. The evolution of HP is a remarkably under-reported story, revealing a strategic approach to innovation that merits much wider understanding and emulation.

Inside the hushed lobby of Hewlett-Packard's Palo Alto headquarters sits just one person—a guard at the front desk, who will politely ask your purpose for visiting and then discreetly call your contact. While you wait

in the cavernous room, your attention might wander to the picture of Bill Hewlett and David Packard at the far end. Until Mark Hurd decided not to have his portrait hung, pictures of the two founders and the current CEO had usually adorned this lobby. When the building opened in 1981, it had a portrait of Hewlett and Packard and John Young. Then, Lew Platt joined Hewlett and Packard in a team photo. Later, individual photos of Hewlett and Packard flanked Carleton Fiorina.¹⁰ Two founders, two insider CEOs, two outsider CEOs—seventy years.

Four other men, not pictured, also mattered enormously to HP's success. Two preeminent scientists, Barney Oliver and Joel Birnbaum, ran research for five decades. Oliver, one of very few Americans elected to two National Academies, placed HP firmly in the scientific instrumentation arena—a legacy carried on today at spin-out Agilent Technologies.¹¹ Joel Birnbaum, arriving in 1981 when Oliver retired, brought a deep understanding of computing technologies to the corporation as it embarked on a remarkable quest. Paul Ely, a microwave engineer when he joined HP, became the redoubtable leader who put HP firmly into the computing business. Richard Hackborn, HP's "master gamesman," would put an enduring stamp on HP as well, first by helping lead the computer entrée, and then by building and leading a highly effective peripherals strategy.¹²

Hewlett-Packard—HP—the company built by these leaders plus another half-million dedicated employees, was unique. It had enormous impact on the scientific underpinnings of our age—medicine, biology, chemistry, physics, civil engineering, electronics, space exploration, and astronomy. Its products have radically altered the business underpinnings of our society—industrial automation, machine control, satellite communications, color graphics, desktop printers, scalable computing, and handheld calculators, to name a few. Yet these impacts are scarcely recognized as HP contributions.

A leader in product sector after product sector, the company became better known for its cultural practices than its products. Profit sharing, flexible work hours, extended medical coverage, and "Management by Wandering Around"—and especially belief in the dignity of the individual employee—were all part of the HP Way long before these concepts were embraced by other companies.

Fifteen years after HP unexpectedly entered the computing field, new leadership challenged the aging, reticent, retired founders to embrace the next wave of computing—whereupon Packard said, “If you do, we need to become *the* leading computer company, which will take twenty-five years,” a seemingly preposterous goal. Despite false starts for another decade, however, HP surpassed the behemoth IBM to become the largest computer equipment provider in the world twenty-two years later (2003). It took another four years for journalists at *The Wall Street Journal* to notice.

Notwithstanding these contributions, critics have consistently argued for decades that Hewlett-Packard lacks energy, stardom, leadership, will, and direction. HP itself has always resisted fast growth, while taking pride in moderate, steady results. Almost no one realized, or could even believe when told, that HP was the fastest-growing New York Stock Exchange company over the last forty years of the 20th century, and by 2007 had become the largest electronics equipment vendor in the world.¹³

Events of the past decade have been tumultuous. So, although HP is one of the more remarkable corporate success stories of the 20th century, some questions haunt: Was HP’s success a function just of its founders, Dave Packard and Bill Hewlett, never to be recaptured once they were off the scene, or was it more than that? Will the renewal factor, fundamental to revenue and profit growth over the years, continue to drive the company? What may we learn from the successes and failures of this company?