

# The HP Way



**How HP Lost It -**  
*The Hidden Message of  
Purpose Wholeness & Implicate Order*

## WHAT DOES HP MEAN TO US?

- *Split today Merge Tomorrow, Old world tech being disrupted, Spin offs are the flavour of the season .*
- The headlines make the split up of HP appear as though it is little more another corporate ‘event’
- It is THE founding company of the Valley. This is a watershed moment for Bill Hewlett and Dave Packard’s firm.
- Astonishingly, 10-15 years can pass by in a blink leaving a storied institution like HP on its last legs.
- A tale of leadership/governance failures which haemorrhaged the HP Way, Culture, Coherence and Collaboration.
- Long-term value risks have an awkward way of compounding over time – no HP board meeting had that on the agenda
- Folks attribute colourful words like ‘Creative Destruction’ to these events, however it is more akin to a wilfully blind series of steps of Self Destruction made over time.
- We believe in laying bare these deep seated leadership problems rather than glossing over it.
- This way we can honour the life’s work Bill & Dave and choose not to repeat these blunders.



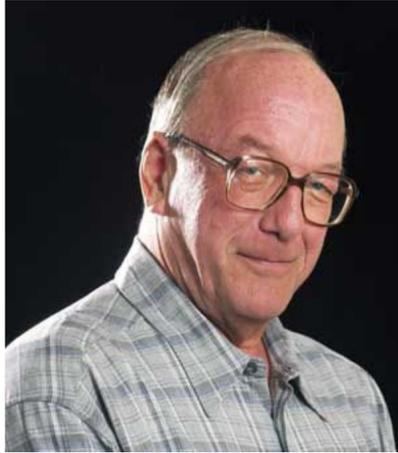


**"I think many people assume, wrongly, that a company exists simply to make money".**

**"While this is an important result of a company's existence, we have to go deeper to find our real reason for being . . . .**

**A group of people get together and exist as an institution that we call a company . . to do something worthwhile -- they make a contribution to society . . . .**

Dave Packard, HP management training session in 1960



"IF HP KNEW WHAT  
HP KNOWS, WE'D BE  
THREE TIMES MORE  
PRODUCTIVE"

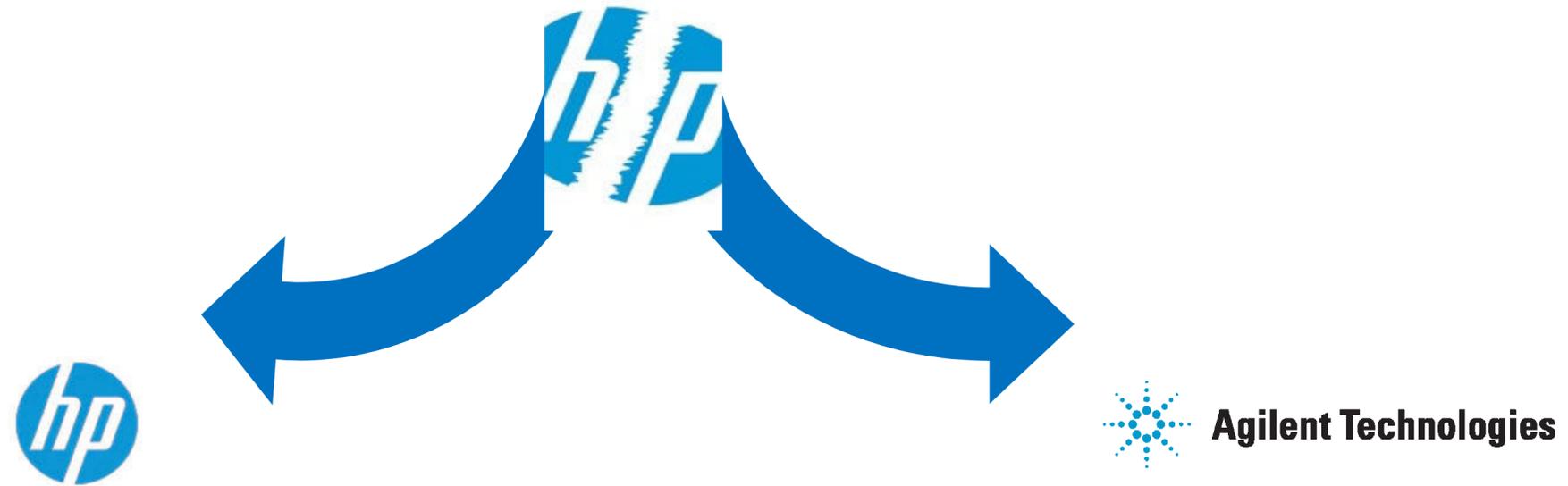
- LEW PLATT

## WHAT LEW KNEW AND DID

- In 1999, HP sold Agilent Technologies the electronic instruments division closest to HP's roots.
- HP's legacy is inextricably linked to Agilent's products.
- They represented the first product which the two engineers developed - an analyzer that tested sound equipment.
- However, this division took a backseat to the computer, printer and software business despite being profitable.
- Agilent comprises four divisions: test and measurement, semiconductors, health care solutions and chemical analysis
- It sounds old economy until one considers what these things actually involve.
- Agilent is a quiet enabler of the communications revolution – the lifeblood of HP's inventiveness and creativity



**1999- SEPARATION  
OF THE HP SOUL  
FROM ITS BODY**



## HOW TO LOSE YOUR WAY I

### SEVER YOUR SOUL

- Lew Platt thought the company was too diversified and needed to concentrate on computers, storage, and imaging.
- So the four divisions were spun-off into Agilent.
- While it makes sense ‘strategically’ and operationally there were unintended consequences of that spinoff
- The spinoff meant the loss of HP’s corporate soul, its instrumentation purpose and meaning of its innovation habits
- Hewlett Packard in 1999 was an instrument company that made money from printers,
  - **Not** a printer company that also built instruments.
- Hewlett and Packard were instrumentation geniuses: they would have gone with Agilent.
- It would be fair to conclude, if they were alive the spinoff would **not** have happened.



## HOW TO LOSE YOUR WAY - I

### SEVER YOUR SOUL

- We've all heard how Google allows its employees to spend 10 percent of their time working on their own projects.
  - Google didn't invent that: HP did.
- This process was instituted formally at HP with 10 percent time *after lunch on Fridays*. Friday afternoons in Palo Alto had *every* engineer working on some wild idea!
- The other part of the system was that those engineers had access to what was called "lab stores" — anything needed to do the job, could be taken without question on Friday afternoons from the HP warehouses.
- This enabled a flurry of innovation that produced some of HP's greatest products *including* those printers.
- The Agilent spinoff unzipped HP, tearing one half of its creative culture from the other.
- Friday afternoon teams across product lines were decimated when the company was split along product lines.





AP / Suzanne Plunkett

## HOW TO LOSE YOUR WAY - II

### SCRUB OUT THE DNA + MAKE A BIG ACQUISITION

- Carly Fiorina, spent her tenure doing away with what she saw as stodgy management principles baked into HP's DNA
- She inherited a company with an identity crisis, which she rightly saw as a call to establish a new identity
- An identity built around her, *not* around HP's well established traditions
- Compaq deal gave HP great heft but sapped it of a cohesive corporate culture (whatever was left after Agilent).
- Focus shifted to controlling sourcing costs at the cost of R&D
- Morphed into a slave of the supply chain rather than a company obsessed with invention





## HOW TO LOSE YOUR WAY - III

### BECOME A DEVOTEE OF THE STREET

- Mark Hurd made PCs and server businesses that often lost money very profitable.
- Hurd hit Wall Street's revenue numbers in 21 out of 22 quarters and increased profits 22 quarters in a row.
- HP's revenue rose 63 percent, while its share price doubled. Mark was also cutting costs and did a good job of it
- However, HP's internal technology systems were antiquated.
- Company had no attractive products to offer in high-growth areas such as mobile and cloud computing
- By end of his tenure mice skittered in the corridors. Spiders fell from cracked ceilings.
- As the company cut back on trash pickups and in one location workers took garbage home in their cars.
- The company was close to an empty shell – hollowed out of its Purpose and Intangible Capital





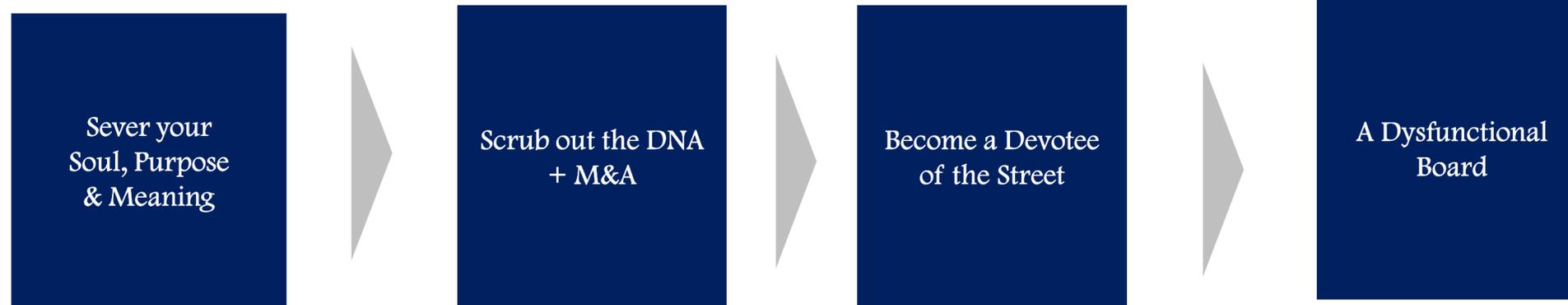
## HOW TO LOSE YOUR WAY - IV

### A DYSFUNCTIONAL BOARD

- A board gives a company institutional memory of what the company stands for and how it got to where it is
- The HP board with Ray Lane at the helm seems to have lost the essence of what HP was about
  - Not surprising considering steps I, II & III
- They approved a controversial US\$10 billion purchase of British infrastructure software vendor Autonomy
  - 8.8 billion written down recently
- HP also wasted millions buying Palm, and trying to sell a webOS-based tablet.
- Over the past decade HP squandered nearly \$19 billion to buy myriad outfits that contribute only 7% to overall profit.



## HOW HP LOST IT'S WAY

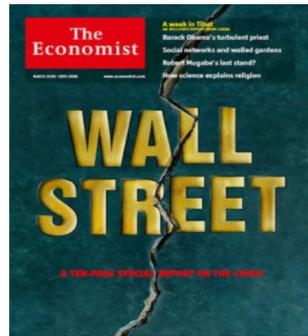


## FOOD FOR THOUGHT..

- Purpose & Meaning form **the foundation** of all strategy and operational efficiencies.
- While there are many options which seem 'right' in a situation, there are **few which meet the Fit for Purpose Litmus Test.**
- Most companies are **oblivious of this Central Coherence Principle** and undertake piecemeal strategies/tactics.
- Consequently Purpose led Architecture of a firm is **fragmented over time.**
- Boards are responsible to **preserving the institutional memory** of this Purpose led Architecture.
  - How many boards **Litmus Test management decision making for Purpose Fitness?**
- Growth in financial performance & market capitalisation is **NOT** a proof point for **Purposeful wealth creation.**
- The **optimal size** of a business is **dependent on management ability to amplify** Purpose across its functions & divisions
- Calls for a **meta model to fuse** Purpose into the Business Model and **drive** Long-term value creation



A CRISIS OF WEALTH  
DURABILITY



LEHMAN BROTHERS



**OLYMPUS**



**BlackBerry**



**NOKIA**  
Connecting People



## THE BODIES BURIED UNDER THE GROUND..

- The whole firm does not function as a whole; it is a set of separate functions/fiefdoms
- Loss of unity leading to disintegration of culture, values
- Yawning coherence gaps through which 'Vital Value' of brand & intangibles bleeds out
- Short-termism, self deception, poor 'bad news' flow
- Owner, boards and management teams work in isolation
- No meta model to forge these connections to comprehend the whole problem



# **Anton's Syndrome/Anosognosia**

**Blind-to-our-own-Blindness**



*Reflective Capitalism*  
**Capitalism Set Free**

## WHAT ARE WE FREEING CAPITALISM FROM ?

- The world view of 'Financial Capitalism' is immensely influential because businesses have been so successful
- It has brought humanity many benefits and touched all our lives through technology, products and experiences
- Even so, when Financial Capitalism peaked in power in 2008, unexpected problems began surfacing fast
- Chief among them, is the matter of heightened corporate mortality rates and the shortening of life spans of firms
- Most business leaders believe these are temporary problems and unlimited growth will be back soon
- We believe these are symptoms of a deeper malaise one which will continue to test businesses well into the future
- Essentially, the current model of Financial Capitalism is in crisis both in operation as well as meaning.
- Financial Capitalism is being held back by assumptions which infiltrated it in many ways and hardened into dogmas
- Capitalism & business would be better off without these dogmas – free to reach true potential, more fulfilling and inspiring for people





## THE DOGMAS OF FINANCIAL CAPITALISM

- I. Everything in business is essentially mechanical - people are cogs in a wheel
- II. Business is largely purposeless save the mission/vision to be the biggest in an industry or achieving higher financial goals
- III. Business is devoid of any collective consciousness. It is merely a legal entity to make profit
- IV. Financial capital is scarce and drives all measures of success.
- V. The rules of finance and excel sheet models are fixed and 'sacred'
- VI. Intangible capital is illusory and difficult to map and quantify.
- VII. Time is finite so being faster and faster gives competitive advantage
- VIII. Business is a zero sum game, a dog-eat-dog world. There is no space for conscience, character, and collaboration.



## REFLECTIVE CAPITALISM

- The Cartesian/Newtonian world view is embedded into most social and scientific endeavours over the past 200 years
- This reinforces the fragmented, reductionist and materialistic approach to dealing with the world
- A perceptual breakthrough is required to address the great predicaments of our times
- A Unifying Framework which fuses the Mind's problem solving with Heart's intuitive eye & the Timeless principles of the Soul
- The synthesis of the three foundational elements is the essence of Reflexive Capitalism
- It prepares a business to conduct self-enquiry, heighten contextual awareness of dogmas and generate unity of purpose
- Helps break the status quo and the conspiracy of silence to free up True Potential in Purpose led Business Models



**Old Normal  
Up till 2008**

**The Shift to  
Reflective Capitalism**

**The Theory of  
of a firm**

Mechanistic, fragmented &  
materialistic 'Machine' . . .

. . . To a Purposeful, interconnected  
and relationship 'Ecosystem'

**'Growth' model**

Quantitative – Size & Scale driven,  
seeking validation in 'Valuation' ...

. . . To Qualitative growth for Superior,  
Sustainable Wealth Creation for Society

**Approach**

Objectivity & analytic rigour devoid  
of meaning . .

. . To Systemic frameworks which piece  
together the contextual and analytic jigsaw



**Old Normal  
Up till 2008**

**The Shift to  
Reflective Capitalism**

**Conception of  
Time**

Bound by finite chronological  
time – Running faster to compete

. . . To Purpose Stretchable Time &  
Space – Flow in SwiftSlowness

**Architecture of  
a firm**

The individual parts work in  
isolation to efficiently to meet goals.

. . . The Coherence of the Whole is  
effectively greater than the sum of parts

**The Model**

Simplistic linear excel sheet  
analytics

. . Non-linear, pattern modelling to  
explain human systems



## Old Normal Up till 2008

## The Shift to Reflective Capitalism

### Nature of Work

Atomization of knowledge  
through increasing specialization  
and silos . .

. . . To Unification of the moving  
parts through deeper purpose and  
shared meaning

### The Brain & Mental response

Incites the Reptilian fight or flight  
reflexes. Leads to Win – Lose  
decision making .

. . To Stimulation of the frontal lobes, the  
seat of self awareness and future  
orientation . Win – Win decision making

### Success Paradigm of Capitalism

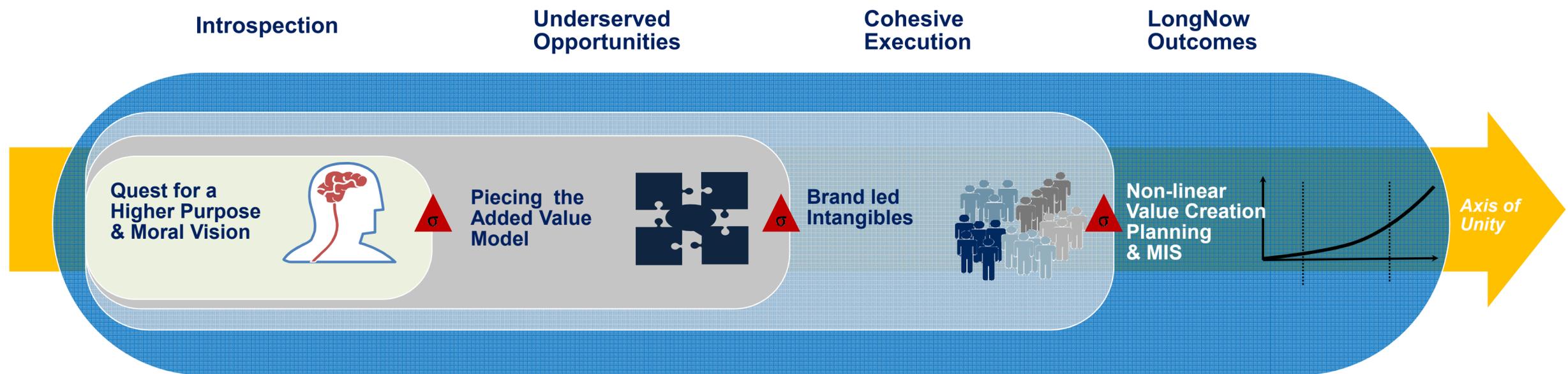
Extract / exploit financial capital in  
the shortest time leading to boom &  
bust cycles

. . To Cultivation of Intangible Wealth  
which is both Exponential & Enduring



A META MODEL –

ARCHITECTURE FOR  
COHERENT ENTERPRISES....



The whole value stream is enterprise architecture

In its true state, this Meta Model is undivided and all enveloping

When broken into its components, it loses potency to add long-term value



*Abstract Purpose*

*Underserved Opportunities*

*Cohesive Execution*

*LongNow Outcomes*

Quest for a Higher Purpose



Piecing the Added Value Jigsaw



Unison of Implementation Efforts

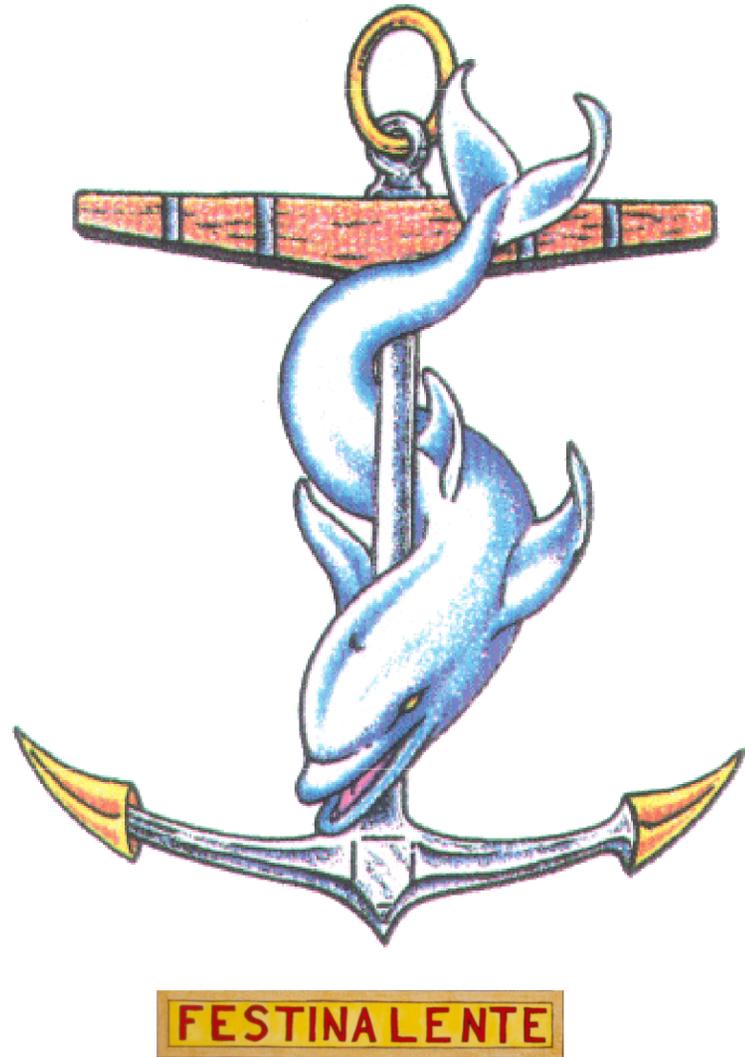


Non-linear Value Creation Planning & MIS



**DELIVERING POSTIVE  
DISSONANCE FOR OVER  
A DECADE...**





*Festina lente* or *speûde bradéōs* is a classical adage meaning "make haste slowly".