"It was only a few years after this original policy and a critical illness suffered by one of our employees, that Dave and I realized the tremendous financial strain that a protracted illness could place on a family. Right there and then we decided that this should not happen again..."
Introducing:

The "take-your-pick" protection plan

A pioneering plan brings flexible new health insurance shelter to HP people in the U.S.—including a dental care program.
Two years ago, experts in the field of industrial compensation began discussing a new concept in employment benefits. They called it the “cafeteria plan,” one that would allow employees to select their own particular “diet” of benefits from a range of choices.

It seemed like a good—even revolutionary—idea. Just think of the possibilities for tailoring the growing list of benefits to the individual as his needs changed through his working life! Then the experts began looking into ways to implement such programs—and found themselves backing away. Even big computers, it seemed, could not anticipate the endless complications that would emerge in trying to work out a completely interchangeable program of benefits. In particular, the unpredictable effects on premium costs for insurance coverage were a massive obstacle.

But a few people in the field still saw merit to the basic idea, and persisted in their investigations. As it turned out, at least one company put a limited version of the plan into effect—and with good success.

This month, after very careful study by a corporate task force, Hewlett-Packard is introducing its version of the cafeteria plan to employees in its U.S. organizations. The employees are being asked to look over three options in medical coverage, each of them including dental care coverage, and to make a choice. Also, there is a choice to be made in the area of supplemental life insurance.

How do you go about making your choice?

One way to think about it is to picture the new program as an expandable roof. The basic roof (Base Plan) is in itself a very sturdy structure, one that will provide a great deal of shelter. In fact, the new Base Plan in many ways is quite similar to the total medical coverage available under our present medical program. But, as personal responsibilities and obligations grow, as medical expenses continue to increase, the potential expenses of a major sickness or disaster could cause a severe financial burden. In anticipation of such a catastrophe, your roof can be increasingly extended and reinforced for more protection through Options I and II.

To do this, of course, involves some extra cost to the individual employee. The philosophy here is that the options will provide the employee with the opportunity to purchase a tailored program at bargain rates, thanks to the dynamics of group coverage.

The company is backing the new program with an additional contribution to the already substantial HP-paid premium. A large part of the increase will be used to cover the costs of the new dental care program, the first in HP's history and still a comparative rarity in the U.S.

But some of the company's added contribution will also be funneled into other phases of medical care. Most important of these, potentially, is a survivor benefit. This will provide dependents with three months of health care coverage (if enrolled) at no cost subsequent to the death of an employee.

Though there are pioneering aspects to the new program, it really represents a continuing concern by HP for the protection of employees. As Bill Hewlett recalled in the November 1972 issue of Measure while discussing the company's first insurance program that went into effect in 1942: "It was only a few years after this original policy and a critical illness suffered by one of our employees, that Dave (Dave Packard) and I realized the tremendous financial strain that a protracted illness could place on a family. Right there and then we decided that this should not happen again, and instituted one of the early plans of catastrophic medical insurance. As the years have passed since that time, we have tried to continue to be a leader in providing a variety of employee benefit programs for Hewlett-Packard people.''

As was the case recently when the company announced the innovation of flexible work hours, the new "flexible benefits" insurance program is also likely to attract considerable interest by the public. Complete details of the plan are spelled out in a new booklet being distributed during the current month of May—in time for the July 1 effective date. Meanwhile, highlights of the new plan are summarized on the following two pages:

(continued)
BASE PLAN

Medical-Dental Insurance:
- Company pays 100% of employee premium and approximately 78% for combined employee-dependent premium. (Actual dollar figures cannot be shown here due to variations in premiums resulting from varying costs of medical care across the U.S.)

Medical Care provides:
- Lifetime maximum major medical benefits of $20,000 per individual.
- Hospital services and supplies up to $800.
- Reasonable surgical charges up to $500 maximum.
- Additional accident coverage to $300 maximum.
- Annual deductible for major medical charges of $100 per individual; maximum of $300 per family for illness, accident and dental.
- 80% of covered major medical charges.
- 80% of mother's charges for pregnancy, after a separate $200 deductible.
- 50% of non-hospitalized mental illness charges—up to maximum of $20 per visit.

Dental Care provides:
- 50% of covered dental expenses for employees.
- Deductible will be combined with the annual medical care deductible.

Previously, double supplemental life insurance coverage was linked to the Deferred Profit Sharing Retirement Plan insurance program. This is no longer the case—you can now have both.

During the present Open Enrollment period through May 31—and for this one time only—employees may elect to take Double Supplemental Life Insurance coverage provided they had not been refused coverage on a previous application. Thereafter, employees who are 48 years old or over will not be eligible to apply for Double Supplemental coverage.
OPTION I

Medical-Dental Insurance:
- Company pays approximately 92% of employee premium and approximately 60% of combined employee-dependent premium. (Actual dollar figures cannot be shown here due to variations in premium resulting from varying costs of medical care across the U.S.)

Medical Care provides:
- Lifetime maximum for major medical benefits of $50,000 per individual.
- Hospital services and supplies up to $1,200.
- Reasonable surgical charges up to $1,600 maximum.
- Additional accident coverage to $400 maximum.
- Annual deductible for major medical charges of $100 per individual; maximum of $300 per family for illness, accident and dental.
- 85% of covered major medical charges for illness and accidents.
- 85% of mother's charges for pregnancy, after a separate $100 deductible per pregnancy.
- 85% of well baby's charges after a separate $100 deductible.
- 60% of non-hospitalized mental illness charges (maximum covered charge of $20 per visit)

Dental Care provides:
- 60% of covered expenses for employee and dependents.
- Orthodontics lifetime maximum $500 per person.
- Deductible will be combined with the annual medical care deductible.

OPTION II

Medical-Dental Insurance:
- Company pays approximately 85% of employee premium and approximately 56% of combined employee-dependent premium. (Actual dollar figures cannot be shown here due to variations in premiums resulting from varying regional costs of medical care across the U.S.)

Medical Care provides:
- Lifetime maximum major medical benefits of $100,000 per individual.
- Hospital services and supplies up to $1,800.
- Reasonable surgical charges up to $2,000 maximum.
- Additional accident coverage up to $500 maximum.
- Annual deductible for major medical charges of $100 per individual; maximum of $300 per family for illness, accident and dental.
- 90% of covered major medical charges for illness and accidents.
- 90% of mother's charges for pregnancy, after a separate $100 deductible per pregnancy.
- 90% of well baby's charges, after a separate $100 deductible.
- 70% of non-hospitalized mental illness charges (maximum covered charge of $20 per visit)

Dental Care provides:
- 70% of covered dental expenses for employee and dependents.
- Orthodontics lifetime maximum of $500 per person.
- Deductible will be combined with the annual medical care deductible.
In certain universities and corporate headquarters along the eastern seaboard of the U.S., it's reported that a lot of future captains of industry and leaders in science are saying "the hell with it, we'd rather be captain of the Enterprise!"

So said The Sunday Bulletin of Philadelphia in describing the effect of a Hewlett-Packard computer program. Some 18 months ago an unpolished paper-tape version came to the attention of a group of Data Systems software engineers. They refined it on weekends and it eventually came to rest in the Data Center at the Paramus, New Jersey, headquarters of HP's Eastern Sales Region. Here, it was discovered by time-share users such as physics students of NYU, business students at the University of Pennsylvania's Wharton School, and business trainees and computer operators at J. C. Penney's in New York, as well as visitors to the Data Center.

As revised by Cupertino's Ken Mintz, Mike Green and John Shipman (CRT version), "Star Trek" is based on TV's famous science fiction show set in the year Stardate 2800:

"AS COMMANDER OF THE UNITED SPACESHIP ENTERPRISE, YOUR MISSION IS TO RID THE GALAXY OF THE DEADLY KLINGON MENACE. TO DO THIS, YOU MUST DESTROY THE KLINGON INVASION FORCE OF 31 BATTLE CRUISERS. YOU HAVE 40 SOLAR YEARS TO COMPLETE YOUR MISSION.

"YOU HAVE AT LEAST ONE SUPPORTING STARBASE. WHEN THE ENTERPRISE DOCKS AT ONE IT IS RESUPPLIED WITH ENERGY AND PHOTON TORPEDOES.

"THE ENTERPRISE IS CURRENTLY IN QUADRANT 3 -1. THE GALAXY IS DIVIDED INTO 64 QUADRANTS. EACH QUADRANT IS SIMILARLY DIVIDED INTO 64 SECTORS."

The Klingons, of course, are never in the same quadrant or numbers from game to game—and they fire back. The task of locating and blasting them one by one is the game's main challenge, and can take up to a half hour per game.

So popular and preemptive did the game become at one university department that an embargo was put on it: "Star Trek is hereby banned from these terminals. Any user caught will be excluded from further use."

As the Bulletin's writer observed, if the Klingons were real, they'd be chortling as they drew closer and closer...

Oh, NO...
Customers think leasing is a capital idea

HP people are well aware that rapid technological change is the hallmark of the electronics industry—of the very age we live in. And as the technology has changed, over the years we have seen corresponding changes in our markets, in our corporate organization, and our ways of doing business.

Time was that when a customer bought an instrument, he paid for it more or less immediately, and in cash. Financing, when required, was arranged through the buyer's bank or from other traditional capital sources. That's the way it was always done.

So what's new?

Actually, some significant changes have been taking place in the way major items of equipment are bought and sold. It's not that all industrial customers have given up making outright purchases. Far from it. But increasingly, leasing and renting of major items of equipment are replacing the traditional methods of equipment financing.

This year, for example, U.S. industry will lease or rent more than $10 billion worth of equipment—a figure that some authorities believe will go to $20 billion by 1980. On the international front, too, leasing and renting are developing rapidly as a customer requirement, according to Joe Padilla, Financial Systems manager, HP International.

(continued)
a capital idea

This trend toward leasing/renting as a means of capital equipment financing was anticipated some time ago by Hewlett-Packard which thereupon set about meeting this marketing development head-on. As a result, a full financing capability was established—one that is being put to use by a widening spectrum of HP customers.

Among those utilizing HP sales finance programs, for example, are some of the world's most prestigious industrial firms—Fairchild, Firestone, Ford, General Motors, IBM, and companies of the Bell Telephone System to name just a few.

Why, with their immense resources, would such customers turn to leasing or renting as a means of acquiring equipment?

While there are many possible variations in answering that, basically they all come down to a desire on the buyer's part to conserve capital. He expects that the equipment he leases will generate more revenue or savings than the cost of the lease: Instant profit and a greatly enhanced return on investment! Moreover, he can look at such factors as depreciation or taxes and often see financial advantages to a lease. In other words the customer has discovered leased/rented equipment is just as productive and profitable as equipment he might own. And meanwhile he has kept his capital intact or working in some other area.

Sales financing is evolving rapidly. Ed Collison, manager of HP's sales financing division, notes that a major objective of the sales financing team is educational—to incorporate this sales tool into the training of each field engineer and make it a part of each sales presentation.

"Our goal," he says, "is not that of making every field salesman a financing expert, but rather of helping him help his customers finance their equipment acquisition. To the customer, equipment selection and equipment financing are one transaction. The salesman doesn't have to become an expert. All he really needs to do is suggest advantages of various plans and make his customer aware that HP is prepared to respond to his financing requirements as well as his equipment needs. The customer can spot his own specific opportunities—when the salesman creates the environment!"

The importance of the educational effort will become more and more apparent in the years ahead. Tomorrow, say the experts, it promises to be a somewhat bigger ballgame. Especially is that likely to be the case wherever larger, higher priced systems are involved. In fact, a new philosophy prevails in this area, one that results from putting increasing emphasis on delivering a continuing service to customers.

Commenting on this, Bill Senske, rental manager of Data Products Group, points out that the data systems market has been heavily conditioned to the concept of equipment rentals; very few big-computer customers ever buy such equipment. As HP continues to move further along in the size and complexity of data systems, such as with the HP 3000, the more it will need to commit itself to the lease/rent market, according to Senske.

There are profound implications for HP in taking this direction. Financially, it will require a substantial commitment with which to develop a growing base of leases and rental agreements. But it really goes beyond finances: success will grow in direct proportion to the effort all of us make in supporting our customers after the contract has been signed.

Hasn't it always?

Customers for a wide and growing range of HP products now acquire their equipment via leases or rental contracts. Typical are hospitals that make use of HP intensive care systems, industrial users of HP automatic test and data acquisition systems, schools and businesses that install HP data processing equipment and desktop calculator systems, communications systems making use of the HP microwave link analyzer, and research facilities that apply HP analytical products in materials analysis. Their principal motive for leasing or renting is to conserve capital—which they can use in other areas of their business. HP now offers a complete and flexible sales financing capability—including the new credit-card purchase program for the hand-held calculators. Under this program, holders of most major credit cards can purchase an HP-35 or HP-80.
Microwave Mission:

"Get from here to there"

An interesting thing happened to Microwave Division on the way to Santa Rosa last month.

It changed its name—to two names: Stanford Park Division and Santa Rosa Division.

The Stanford Park Division, of course, remained a resident of Palo Alto, with Rod Carlson as general manager. The Santa Rosa Division, which actually got its start a year ago in leased temporary facilities, welcomed Doug Chance as its new manager.

Meanwhile, Marco Negrete moved west from Colorado and the Loveland Division to the Electronic Products Group to supervise all of HP's Microwave operations, encompassing not only the two new divisions but also the satellite departments including High Frequency Components, the Technology Center, and Communications products. Marco's move came about when Paul Ely, who had headed Microwave for the past three years, took a new HP assignment as head of Data Systems Division in Cupertino.

These actions and interactions may not be exactly easy to follow (or to describe), as the EPG managers readily admit. Basically, however, they say it comes down to the fact that Microwave—one of the company's oldest and largest divisions—simply outgrew its home "on the hill," as the Stanford Plant is often described.

The goal for these changes, said John Young, EPG vice president and general manager, is to keep the Stanford Park plant about the size it presently is, but added: "This is difficult—because growth keeps forcing us to either expand here or elsewhere. Actually, in the initial stages of the Santa Rosa buildup only about 25 percent of the work force will consist of transferred employees, and this percentage will decline rapidly as we accelerate local hiring. But in transferring responsibility for various product lines there—including spectrum analyzers, network analyzers, and sweepers—it will effectively relieve Palo Alto of the pressure of the considerable growth expected for those product areas in the future."

How and why those particular product lines were selected for transfer were outlined by Ray Deméré, EPG vice president and operations manager: "There was no easy dividing line. Microwave product lines are closely related in development, marketing and manufacturing. However, signal generators, power meters, and passive instruments are more independent than spectrum analyzers, network analyzers, and sweepers.

"Finally, we chose to separate the lines largely on the basis of their manufacturing content. The products making the journey to Santa Rosa have a relatively high content of microcircuits and fewer machined parts. Those with a relatively high content of machined parts—signal generators, synthesizers, power meters, and passive instruments—remain with the Stanford Park Division close to the major machining facilities."

A significant new Microwave product—one of many in the development pipeline—is tested by HP Chairman Dave Packard with assistance from Harley Halverson, section manager, during a recent product review of the division. Observers, from left, are Ray Deméré, EPG vice president and operations manager, Al Oliverio, EPG marketing manager (domestic), and John Doyle, Corporate Development director.

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Both of the new division managers have great confidence in the growth potential of their organizations. Doug Chance, formerly marketing manager for Microwave, said rapid growth is foreseen for the Santa Rosa Division. By the end of 1975 this division will be close in number of people as well as floor space to that of the Stanford Park Division. Included in Santa Rosa's growth will be a sizable manufacturing capability as well as the complete Technology Center which is scheduled to move from Palo Alto in about 18 months. Ground was broken last month for the permanent plant on Fountain Grove Ranch.

Rod Carlson, formerly the R&D manager for Microwave, noted that the separation of Microwave has created a great many immediate opportunities for added responsibility and advancement of people in both new divisions. For the time being, the two Microwave organizations will continue to share the accounting and quality assurance functions, while aligning their own new marketing, engineering and manufacturing departments.

In the long run both teams will benefit from the continuing outflow of many new products creating new jobs and opportunities—a tradition of invention and initiative that definitely will not be changed.

Microwave mission

Marco Negrete will supervise overall Microwave activities with emphasis on coordination of common policies and programs as the Santa Rosa move evolves. Marco, a graduate in physics from Cal Tech, came to HP in 1956 from the technical staff of Bell Labs. He became a Microwave Division section manager in 1959, then moved to Loveland where he served as engineering manager from 1961 and general manager from 1970.

General manager of the new Stanford Park Division is Rod Carlson, formerly R&D manager for Microwave Division which recently was separated into the Stanford and Santa Rosa divisions. An electrical engineering graduate of Cornell University, Rod has been with HP since 1956.

Doug Chance is general manager of the new Santa Rosa Division which broke ground on its new permanent facility last month (meanwhile growing fast in leased facilities). Doug came to Microwave in 1966 following BSE studies at Princeton and the MBA program at Stanford. He has served successively as production engineer, production engineering manager, product manager, and divisional marketing manager.
Ground breaking for “Building C,” shown at left in the architect’s sketch, got underway this month at Colorado Springs Division. Present plans call for the upper floor of 122,500 square feet, plus conference rooms, to be completed by next April, with the lower floor unfinished. Manufacturing and manufacturing support departments will occupy the new quarters.

**Santa Clara** — Construction will begin this summer on a $9 million expansion of HP’s Santa Clara site.

Bruce Wholey, HP vice president, said two general-purpose buildings of 135,000 square feet each will be built on the 55-acre plant site at 5301 Stevens Creek Boulevard. One building is expected to be completed in a year, the other in about 18 months.

The new buildings will provide additional office, manufacturing and warehouse space for the company. When completed, they will house between 500 and 1,000 employees.

“The expansion is designed to accommodate the continuing growth of our Peninsula operations and represents the second phase of our gradual development of this site,” Wholey said.

**Palo Alto** — Edmund Littlefield has resigned from the HP board of directors, it was announced by Dave Packard, board chairman.

Littlefield, who had served on the HP board since 1968, is board chairman and chief executive officer of Utah International Inc.

He said he resigned from the HP board “with great regret” and explained that the reason for his resignation is that HP is now in the process of acquiring Field Emission Corporation (Femcor). Femcor, located in McMinnvile, Oregon, is a manufacturer of high-voltage X-ray tubes, a product which is also manufactured by General Electric Company of which Littlefield has been a director since 1964.

**Cupertino** — Data Systems Users Library has announced the 1973 Software Search contest.

Prizes include the $500 grand prize or one of ten HP hand-held calculators.

The contest is open to all HP employees who may submit—with author’s permission—programs written by customers or other sources, or programs written on the job.

In addition to eligibility for the prizes, any program accepted for the Users Library qualifies the author to receive the traditional plaque engraved with the contributor’s name and program title.

Programs must be submitted in HP-supported programming language. Special consideration will be given to programs that enhance marketing plans in the government, education, medical (GEM) or industrial fields. Entries close August 15, 1973.
They cooled the effects of a serious fire: from left, Tom Dooley, Leon Castle, Dick Were, and John Dickerson.

Too often the company's operation is judged solely by how this or that division performs, and if the performance has been good, praise is lavished on the manager and his staff. I will be the first to say that this also goes for the top management of the company as well. But the fact of the matter is that a division or the company is only successful because literally hundreds of people are quietly and efficiently working at their jobs, using their best judgment and effort to solve the day-to-day problems of the company.

Every now and then some occurrence provides a real window into the true manner of our company's operation. We recently had just a situation. Let me report.

On Saturday, April 7 at 6:42 a.m., an HP security guard discovered a fire in one of our warehouses here in Palo Alto. All the shipping cartons, packaging materials and containers used by several Bay Area divisions to package finished instruments for customer delivery, along with the boxes used by Customer Service Center for shipping replacement parts to customers, were stored in the warehouse.

The guard immediately reported the fire to our plant security office, which in turn called the Palo Alto fire department. The firemen arrived within five minutes and had the fire under control by 7:20 a.m. However, the building and its contents were a total loss—a loss that was a potentially serious blow to the company since without shipping materials there could be no shipments.

At approximately 7 a.m., HP security contacted Leon Castle, Microwave materials handling manager, to inform him of the fire. This led to a series of phone calls to the people most closely involved with the ordering and storage of the lost materials including Dick Were, Microwave materials manager; Tom Dooley, materials control manager;
Ed Scobee, Stores supervisor; and John Dickerson, the buyer who schedules and purchases 95 percent of the types of materials that were destroyed.

The five men met at the warehouse at 7:20 a.m. and immediately went to work to reorder and replace the material, and to find a new warehouse. They also called Larry Drysdale, Microwave packaging engineer, and asked him to come in to help in finding local substitutes for special items which might not be available in time from vendors located in other parts of the country.

Tom organized the reordering of replacement inventories for the 330 different items that had been destroyed. By 11:30 a.m. Saturday morning, he and John had phoned the major vendors located in the Bay Area to inform them of the fire and to ask for the support that would be needed in the days ahead. The vendors assured them that everything possible would be done to ship replacement supplies within ten days. In fact, the owner of one of the local vendor companies was at our HP offices at 6:45 a.m. the following Monday morning to personally pick up purchase orders and drawings for the parts he would be supplying.

Also on Saturday, Tom and Dick contacted all the local divisions' materials managers to inform them of the loss and to ask them to inventory the items available in their shipping departments so that priorities could be established for replacement material.

Dick also called several local real estate firms Saturday morning and asked to see any warehouses that might be available for immediate occupancy. Dick, along with Leon and Ed, inspected five possible buildings and by 5 p.m. had made a tentative commitment. Monday morning, Dick and Bruce Wholey, vice president for Corporate Manufacturing Services, leased the building. Tuesday, the new storage space was ready to receive the first of the incoming shipments.

Monday morning, Tom and John phoned 35 other vendors throughout the U.S. to arrange for the balance of the supplies needed. Following that, the entire group, including the local divisions' materials managers held a meeting to arrange for redistribution of available materials among the divisions. To best utilize the cartons, the decision was made that none would be used to package instruments unless those instruments were going out the door to customers.

Within the first week following the fire, 80 percent of the new material was on stock in the warehouse, and the balance was received before the ten days were up. Fortunately, there was approximately one week's supply of material available in the various divisions' shipping departments, and by careful usage this held us over until the new supplies arrived. As a result of all of these efforts, there were no losses or delays in shipments to our customers.

This vignette highlights two points. The first is that we have a great set of vendors—people who were really willing to step in when we were in trouble. The second point is that although I am reporting a specific incident with a specific group of HP people, I am sure that this type of effort goes on more often than one might believe. This just happened to come to my attention. It's nice to know that management by objective really is working.

Bill Hewlett
What were four international Electronic Products field engineers—Yuji Suzuki of YHP Tokyo, Gray Morgan of HP Australia, Wolfgang Sasse of VGmbH-Dusseldorf, and Augusto Cabana of HP Venezuela—doing at a wine-tasting party on the patio of HP headquarters in Palo Alto last month? Enjoying themselves, for one thing. Actually, they were participants in two U.S. seminars for senior sales personnel—one seminar of 67 instrument field engineers from Europe, the second of 24 EPC's sales force from Central and South America, Australasia, Asia and Africa. The objective was to give these experienced people some direct contact with the people and organizations in the U.S., to exchange product information with factory engineering and marketing people. The seminar for the Europeans was the first of its kind, and for most it was their first U.S. visit. According to reports, the seminars turned out to be enlightening, valuable, enjoyable—and very busy. What impressed the visitors most? The size of the country, and the informal friendliness of the HP people they met in New Jersey, Colorado and California.