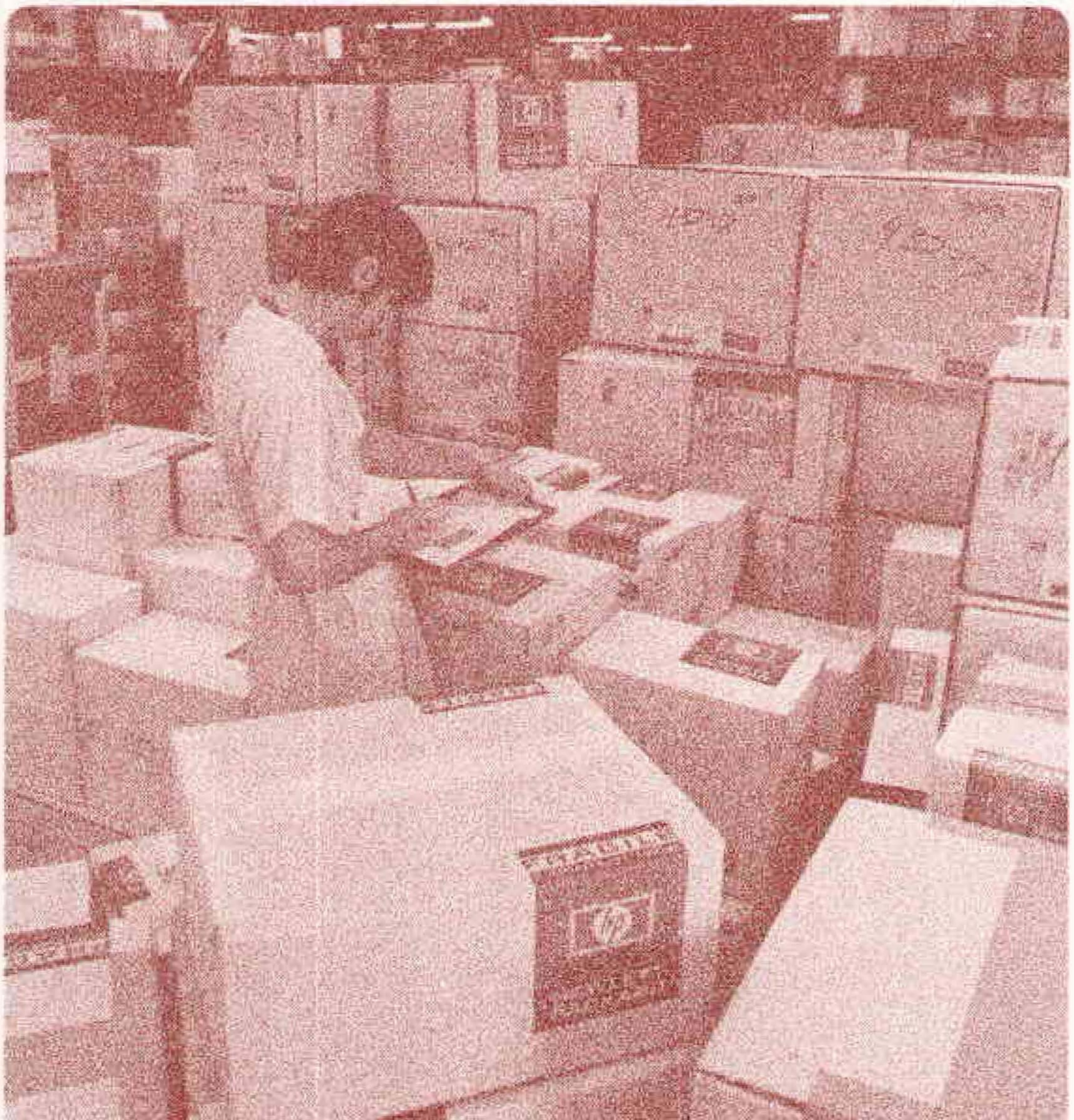
Special report:

Minding the HP store...



Measure

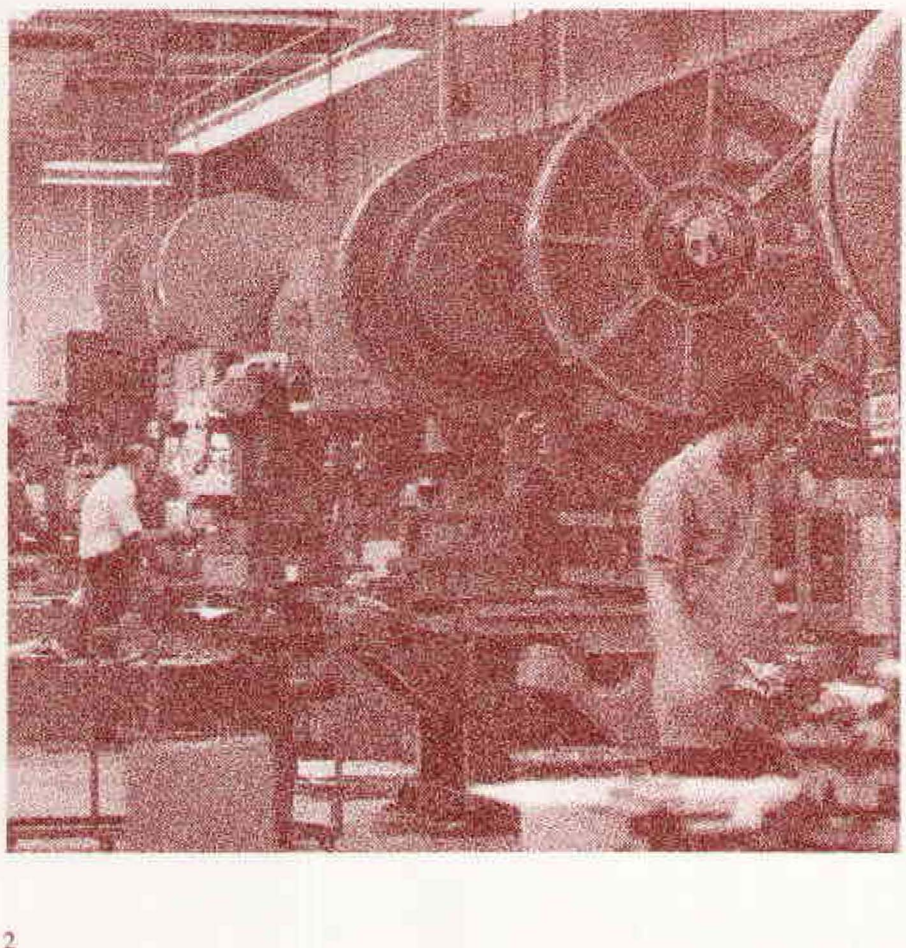
For the men and women of Hewlett-Packard / MARCH 1979

Minding the store:

This year, do a lot of little

At the 1979 meeting of HP general managers at Pebble Beach, California, late in January, the first order of business was both personal and painful: hearing from Chairman Dave Packard about the condition of Bill Hewlett, who had suffered a heart attack the previous Friday. "It will take about six weeks for a full recovery. The problem is going to be to keep him quiet."

Thus assured, the 100 managers began to dig into the substance of the meeting, seeking answers to a question that has implications for every employee of HP and for every project they undertake in the future: What must we do to continue financing our growth from our own resources?



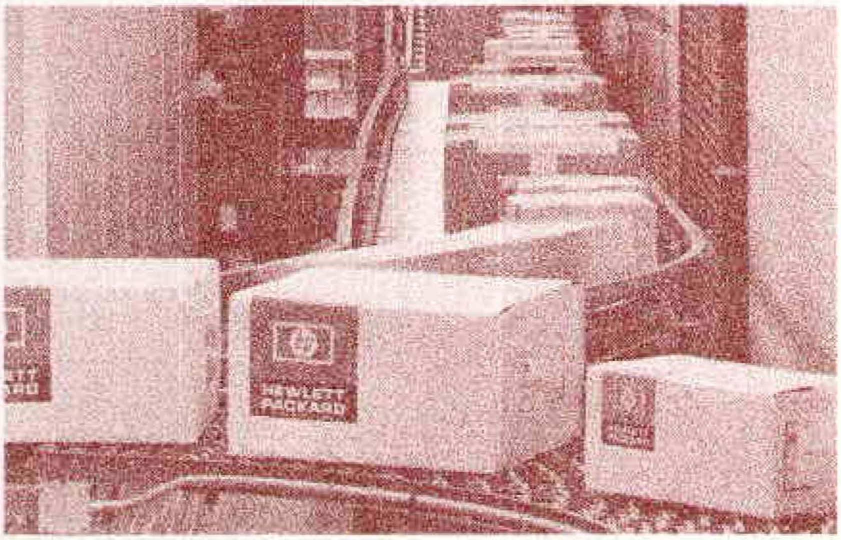
Focus on assets

John Young, starting his second year as president of the company, reported favorably on the return in 1978 to a higher rate of profitability.

The order growth rate for recent years also is up strongly, representing the dynamic influence of computational products and technology throughout the company. These results strongly support the claim that, for our company, the opportunities have never been better.

Those trends, said John, indicate that HP is doing a great many things "right". However, a concerted effort to make a number of small improvements could—would—have a major effect on improving our ability to self-finance our growth and avoid the burdens of financing through long-term debt. What the meeting should develop, he suggested, were some new yardsticks for evaluating our performance in managing our various assets—buildings, plants and equipment, inventories, cash and receivables.

things better...



"In the past, we've not had too much pressure to focus on asset management. Now we are going to find it more and more necessary and with immediate payoffs as we attempt to meet the opportunities that are available to us.

"Our targets for 1979," John added, "say we will add a total of 5,800 people, mostly in the early months of the year. We plan on making capital expenditures of about $240 million for new property, plants and equipment. That represents an increase of 50 percent above last year. We also have targeted significant increases in sales and earnings. To hit these targets we are going to need a lot of 'real time' management, with all 38 divisions staying on top of their individual targets. The emphasis will be on shipments—reducing the high backlog of orders—and managing your assets, even as you continue to work on the important programs you have underway for the future."

Smooth out shipments

Ralph Lee and **Dean Morton**, the two executive vice presidents of Operations, reviewed a wide range of performance results, and outlined some areas that will need special attention. Ralph took a close look at two areas of concern—inventories and accounts receivable. In both cases, he said, we ran too far above target in 1978, and also have started this year at too high a level.

One major cause of the inventory problem, according to Ralph, is the end-of-the-month rush to get shipments out of the door. The effect of this rush is to create a bulge in the delivery "pipeline," which represents products committed or in transit to customers.

Some divisions have made good headway in reducing the month-end rush; their shipments are now distributed much more evenly throughout the month. At the other extreme, a few divisions continue to ship as much as 50 percent of monthly targets on the last day.

Defend capitalism...

Hewlett-Packard and other business organizations were urged by guest speaker Michael Novak to adopt an ideological strategy in defense of democratic capitalism. Part of the strategy, he argued, should be to refute unsubstantiated and erroneous attacks on business. Novak, a professor at Syracuse University and columnist for the *Washington Star,* said the attacks on business originate from a new class of affluent and educated people who have a vested interest in replacing or controlling business as the dominant force in society.

The increase in inventories and accounts receivable, said Ralph, ties up significant amounts of money that could be employed to finance other activities. We need to focus much more attention on this area in 1979.

Dean Morton reviewed the historical relationship between revenue and employment for the company as a whole. Understanding this ratio as a gross measure of total productivity and its behavior in times of change is important in our planning. FY'79 projections for employment, for example, seem to reflect a lower rate of productivity growth than we might reasonably expect. He urged the attendees to look again at their own employment plans in this light.

Dean next went on to point out that while some progress in relative terms had been made in reducing our typical year-end bulge in expenses, we still have lots of opportunity for improvement. Work needs to continue in all operations to achieve a greater understanding of the causes of the irregularity and the means to better manage for a smoother yearly pattern. He said this is one example of attention to detail expected of general managers at HP. There are many measures by which we evaluate our performance, ranging from all the usual financial and asset management factors to such things as affirmative action and water pollution control. The best operations seem to do everything well, he observed.

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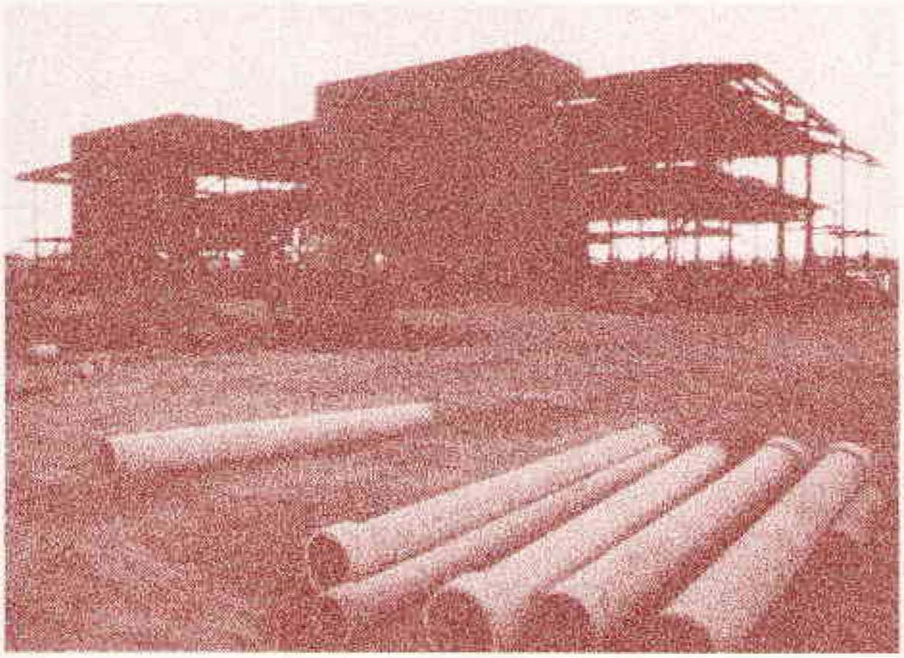
do a lot of little things better



Do a few things well

Paul Ely, vice president and general manager of Computer Systems Group, outlined the strategy adopted by the group as its approach to the business computer market. "Do a few things well" is the key theme on which the group has concentrated for the past several years, Paul said. Its elements are:

Lasting value, which is the essence of our success. The goal is to have the customer keep gaining an appreciation of value months after purchase. This entails conservative sales tactics—working hard to assure good, sound solutions to the customer's problems. Products must be reliable and supported by superior service.

Friendly systems which enable our customers to employ nonspecialists in the operation of HP equipment. Given a little training, almost anyone can operate the new HP systems.

Product concentration which clearly defines our areas of interest. Our choice was on-line interactive distributed computer systems specialized either for technical or business applications and performance. Their features are modest prices, high value through technology, and the ability to perform in networks and provide data base service and transaction processing.

Market concentration which is directed first at selling to manufacturing companies having needs similar to HP for both technical and general business systems. Our own experience in these areas is a great advantage.

At the same time, a comparable sales effort goes into supporting a select group of original equipment manufacturers and software suppliers. These firms are able to reach many small business and first-time computer users with more efficiency than HP.

Handle high growth

Bob Watson, general manager of the Calculator Group, said the challenge for the highly successful desktop calculator organization is how to handle the continuing high growth rates anticipated through 1983. That growth will take the form of higher orders and shipments, more people, added space, and new plant sites. Those are nice problems to have, but the answers are not always easy to come by.

For example, due to recent growth, a large part of the desktop organization is staffed by people who are relatively new in their current positions. One of the group's concerns, therefore, will be how to maintain growth in a reasonable way, one that will not strain our ability to develop and hold good people.

Another goal, according to Bob, will be to reduce the cost of field service. This will be done—first—by a quality assurance program timed at reducing the frequency of failures. In the long run, we will develop less costly methods of repairing our products, including the means for customers to do some of their own repair.

As in the past, the group is aiming for some very powerful new technology in the areas of memory and processors.

Bob reported significant improvements and changes in consumer calculators. For one, the severe problems caused by a shortage of critical components is much improved. Shipments should increase significantly, while holding the line on costs.

Significant changes also are taking place with regard to the distribution of our consumer products. More and more, we are turning to sales through catalogs and office-equipment distributors. Meanwhile, some fine new products are planned for introduction this year.

Plan tax strategy

Larry Langdon, corporate tax director, said that tax considerations are going to become increasingly important in the company's planning. Applying lessons learned from more advanced economies, developing countries are raising their tax rates and employing more sophisticated techniques.

According to Langdon, HP's goals should be to develop a more coordinated program of worldwide income-tax planning, reduce our overall tax rate, and continue to be a good corporate citizen in fulfilling our tax obligations.

Prepare for change

Al Oliverio, vice president-Marketing, reviewed a number of the factors that are changing the makeup and requirements of the field sales organizations:

Systems sales represent the fastest growing part of our business and will represent more than half of our sales by the end of the 1983 planning period, Al said. Because the systems business requires extensive pre-sale and post-sale support, a considerable increase in administrative workload is generated. To help handle this load more efficiently and with less manual effort, computerized work stations are being developed for use in field offices throughout the world and procedures are being streamlined wherever possible.

The systems business also has a greater relative demand for space and facilities in which to conduct product training and demonstrations. Facility planning and asset utilization are another major effort as we look for ways to reduce costs, improve lead times and the management of assets.

Future growth raises questions about the organization of field sales offices. Various alternatives will be considered including staying as we are and adding locations and specialized support activities, or perhaps specializing certain offices by groups where appropriate and economical, or specializing offices by the type of business and customer being served. In any case the objective will be to continue to bring our customers the highest quality of sales and service support at costs we can afford.

Perhaps the greatest challenge faced by field management in the coming years, Al indicated, will be the recruiting, training and development of the personnel required to operate and manage our activities. Plans are under way to expand college and professional recruiting and to develop more formal and comprehensive training programs at all levels. Factory and corporate departments will be utilized as well in the development of new people.

The combination of planning and development around organization, recruiting and training, systems and procedures and facilities should provide the structure we need to meet the challenge of the future.

Emphasize quality

Dave Weindorf, general manager of Components Group, reinforced a message he has been sending out regularly in the past: Components Group is now predominantly a direct supplier to the outside world. Only ten percent of its sales go to other HP organizations.

Electronic parts distributors account for a large part of the balance. According to Dave, use of distributors frees HP sales people to concentrate on "big deals." He outlined the group's basic strategy as follows:

- Be a leader in our key markets, and continue to emphasize quality and reliability.
- Avoid "me too" products.
- Be opportunistic in taking advantage of new markets while being very selective in the interest of preserving stable employment.
- Stress on-time delivery to customers and offer a high level of after-sale service.

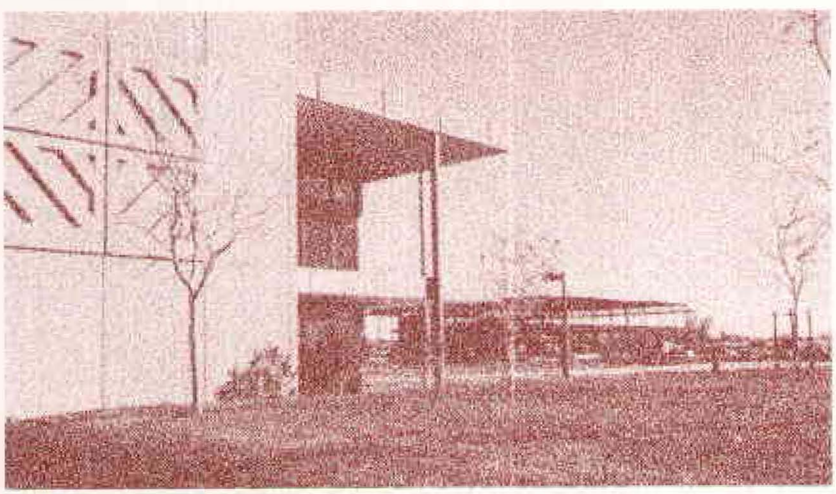
Dave foresaw some real challenges in keeping costs under control and products priced competitively. Among approaches to these problems are continuing improvements in solid-state materials technology, improved yields, expanded distribution, and more efficient use of equipment and facilities. "Overall, we will continue to insist on profitability in our business."

Study our needs

Bill Doolittle, vice president-International, noted the passing of another HP landmark—20 years of involvement in the international business world. The strategic issues facing us internationally, he said, are not too different from those encountered in our U.S. sales activity. However, our projected international growth—approaching \$2-billion in 1983—requires careful organizational considerations as well as thoughtful plans in order to employ our people and resources in the most effective manner.

Discussing manufacturing strategy, Bill said that considerations for manufacturing overseas have changed considerably over the years and, in spite of excellent gains in the productivity of our international manufacturing facilities, inflation and monetary adjustments have lessened our original economic advantages. Today's integrated circuit technology, which virtually all HP products are dependent upon, greatly minimizes direct labor and the opportunity to add substantial value at duplicate manufacturing sources. However, technology has also added a new dimension. Sophisticated localized factory-marketing support must be located close to our international field sales people and our customers.

Bill added that a corporate study is currently underway to analyze our worldwide manufacturing needs, considering current economic trends and technology advancements. Its goal is to develop a corporate international manufacturing strategy which will optimize HP's position in world markets and build upon the success formula we have achieved over the last 20 years.



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do a lot of little things better

Grow in the marketplace

Dick Alberding, general manager of the Medical Products Group, said that increasing concern over rising U.S. health care costs and related government intervention plus popular demands for improved international health standards were combining to dramatically reshape the health care market. He talked of a "new era of growth" for Medical Products Group—one characterized by cautious buying practices, the emergence of more professional hospital management, an ever increasing role of data processing in medicine, and a larger percent of HP's business overseas.

Dick said that HP clearly expected to do well in this environment, but that final performance would be determined by how well the group could cope with three strategic issues, namely:

- The expansion of Medical Product Group's product offering to catch faster-growing but related health care sectors, while smoothing the impact of such measures as cost containment, etc.
- The reshaping of our sales effort to cope with a broadened product line and demands for new dimensions of support.
- And finally, the building of a more pronounced cost-of-ownership advantage from dealing with HP.

Dick concluded that the goal, in simple terms, was to grow HP's presence in the health care field such that we are turned to first for medical instrumentation, and both clinical and administrative data management systems are rewarded for a good job via an improved Medical Product Group profit performance.

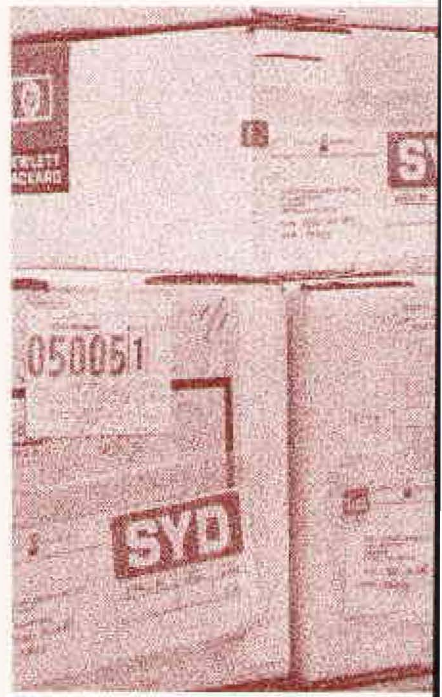
Define strategic issues

Bill Terry, vice president and general manager of the Instrument Group, reported on four strategic issues that are important to HP's future in instruments. Central to these issues are the growth and proliferation of products and product lines.

Product Strategy: Bill noted that the Instrument Group in 1978 represented 24 product lines, 13 division R&D labs, 4 integrated circuit labs, some 700 R&D professionals, an over $60 million product-development budget, and lots of qualified competitors.

"There is a notable tendency for our product lines to 'merge' according to their market orientation," he said. Many of the divisions are finding it more and more necessary to work closely with other divisions in planning products for various markets. R&F Microwave products related to communications, communications testing with dedicated instruments, and testing of logical machines (computers) are examples of this trend. Other broad market definitions include general purpose instrumentation, OEM, peripherals and displays, and a variety of special instrument families. "More and more cooperative planning needs to be done to assure a strong, competitive position in the future."

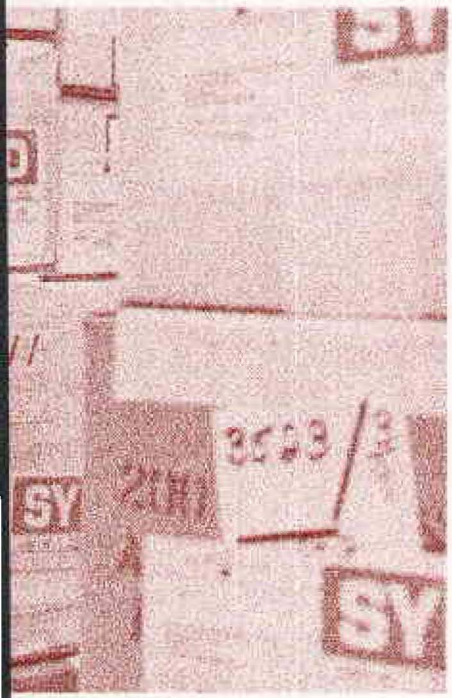
Selling Strategy: More than 2,500 instruments are listed in HP's 1979 catalog, yet we have not changed our fundamental definition of the role of our sales people. Many still sell the whole catalog. Nevertheless, to handle that number of products, special selling teams are organized under the district sales managers. The teams will include certain specialized field engineers plus general-purpose FE's assigned on a geographic basis. "The objective is to put a technically qualified person in front of the customer at a reasonable cost." Instrument area managers will be managers of multiple district teams and allocators of resources between districts.



Multiple Sales Forces: How do we present a single HP face of measurement and instrumentation, including automated measurement, to the customer? That may well be a problem we will always have to face between HP organizations, especially between computers, calculators, and instruments. These products have a vast, common customer base, and working together can produce dramatic results.

The problem of overlap between the groups represented in the field forces is both a complex business issue, and a fundamental question of organization design and human motivation. "I'm convinced the best answers will be developed at a local level among several sales teams."

Division Size: There are various possibilities as to how the Instrument Group will organize itself within divisions and among divisions as we grow. One concept involves that of "operations managers" to manage smaller business units within a division. In this way, divisions could become larger than we've designed them in the past, while still providing smaller, manageable units. Organizations should be grown through evolution not revolution, and we'll be spending time on this question in the next few years.



Interact for extra growth

Emery Rogers, general manager of Analytical Products Group, estimated that HP analytical sales had tripled during each five-year period of its history. That's considerably faster than the industry as a whole. According to Emery, the outlook for the next five years is for substantial growth in HP's traditional field of gas chromatography, as well as even more rapid growth in newer areas. A landmark was reached during 1978 when the group went past $100 million in sales.

Commenting on some of the factors behind that growth, Emery demonstrated that interaction between divisions in the group as well as with other groups has "paid off handsomely, and will continue to do so in a variety of new forms." In meeting its upcoming targets, the Analytical Group will put special emphasis on product quality, training of people, and the addition of work space on new sites.

Be open to people

John Doyle, vice president-Personnel, said that HP continues to be a leader in providing for the well-being and compensation of employees. But, increasingly, leadership is difficult to maintain. He presented a series of items indicating how that leadership is being challenged:

More and more companies are trying to "catch up."

We are not always sensitive to dissatisfactions because we tend to assume the "open door" system will always work.

We are sometimes too slow in handling the situation of marginal performers, especially those who influence the jobs and attitudes of other employees.

The education system is producing too many people trained in areas that lack employment opportunities, thus raising the potential for dissatisfaction among future employees.

Managing people through the "matrix system" with its complex reporting requirements is difficult, and is bound to give us some problems.

Having almost 200 locations around the world makes consistency in training and assimilation of people a task of increasing difficulty.

We may presently be adding people at too fast a rate for proper training.

How should we handle these challenges?

John suggested several avenues, among them doing a better job with the various forms of active listening, including studies of changing attitudes among HP people.

We also need to do a better and faster job of explaining the company's philosophy to new people, making clear the responsibilities that employees must have for the company as well as those the company has for them.

Above all, managers need to be open and accessible to people so those people will come to them when there is a need or wish to be heard.

Consider other options

Dave Packard, chairman of the Board of Directors, reminisced briefly about the start of the company as a way of commenting on its future: "As I recall, it was the Christmas season of 1938 when Bill Hewlett and I made a firm decision to base our business on the audio oscillator. We had no idea or vision as to where this would lead. But I know that Bill shares my feeling of pleasure about the way things have gone and are going.

"One thing we worried about was the effect on the company should the instrument business slow down significantly. So it's a pleasure to see that our company growth today is right up to where it had been years ago. There's no reason why the next 40 years can't be as exciting as the past. I am sure you will find continuing opportunities in the areas in which we are most involved, and exciting new areas from time to time in the future just as we did in the past.

"We have a pretty good balance today. The company is very strong, and there's ample evidence that we've been able to increase the stability of our activities during the past few years. I feel that our performance clearly demonstrates the soundness of our policies. I am sure that we will be able to continue to self-finance our growth. But don't rule out other options to meet short-term problems. We have a very excellent credit rating and we can meet short-term demands for land, buildings and inventory capital from borrowing.

"My concern is that it could lead to some sloppiness, some loss of the discipline that comes with self-financing. In the final analysis, all borrowing must be repaid, and interest and dividends must come from revenues and therefore from profit."

Dave noted a number of other important concerns: The divisionalized structure may need modification as we grow to more interdependence. We face much more complex public issues due to changing public attitudes as well as our own growth and greater visibility. The final determinant of our future will be our ability to attract and hold good people; that's going to be a very big job because the numbers involved grow ever larger. It is immensely important that we continue to be good citizens, that we know what the laws are and abide by them.

"You can probably judge that I feel very gratified at the way the company is going," he concluded. "Keep it going this way for another 40 years and Bill and I won't come back to haunt you!" ☐

Minding the store:

Your local language spo

After 20 years of international operations, HP's multinational management style is now well advanced. For example, among the 16 general managers from abroad who attended the Carmel meeting, only one was a U.S. national (Dick Love, South East Asia).

Here we see these people meeting and greeting other managers from around the company:

The markets of Latin America come under discussion by three Intercon managers. From left: Jose Grapa, Latin America area manager, Odmar Almeida, of HP Brazil, and Alan Bickell, Intercontinental director.

Franco Mariotti (center), HP's managing director in Europe, discusses calculator business with David Rose (left), head of the new Boeblingen Calculator Division, and Jack Anderson (right), manufacturing manager at Fort Collins Division.

HP France's restyled organization is described by its general manager, Kleber Beauvillain (center), for Doug Chance, Computer Systems marketing manager (left), and David Baldwin, United Kingdom general manager (right).

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Dave Weindorf, Components Group general manager (left), gets a hearing from Peter Carmichael, South Queensferry (Scotland) manager.

Ken Sasaoka (left), president of YHP, the company's joint-venture manufacturing-marketing organization in Japan, with Eberhard Knoblauch who heads HP Germany.

Malcolm Gissing (left) updates Bill Doolittle, vice president—International, on how things are going at HP Canada.

European field-factory relations are discussed between Andre Breukels, HPSA marketing manager (left), and Cyril Yansouni, Grenoble Divison general manager.

Karl Grund, Boeblingen Medical Division manager (facing), listens intently as Ralph Lee, executive vice president, reviews various aspects of the company's activities.

Role of new Boeblingen Commercial Systems organization is outlined by its manager, Klaus-Dieter Laidig (left), for Tom Haswell, engineering manager for Desktop Computer Division, and Dieter Hoehn, manager of Waldbronn Division.

Workshop sessions:

The 'storekeepers' share ideas

In small workshop sessions, the HP general managers got down to cases on the problems of asset management, discussing distribution problems, collection procedures, demo and repair inventories, factory supplies, utilization of buildings—almost everything that affects the supply of cash to grow on.

George Newman, HP assistant treasurer, set the stage for the workshop sessions by reviewing some aspects of HP's cash flow and its self-financing policy. The basic formula HP has relied on for self-financing is stated in the corporate objectives: that it can be achieved if the company's return on net worth is roughly equal to its sales growth rate.

There are other key variables, according to George, that are implicit in the formula but can be dealt with more specifically. "This is important to us," he said, "because several subtle things are happening in the company that work both positively and negatively on our ability to self-finance." After expanding the equation to include these variables, he went on to point out the importance of the major asset categories that were to be discussed in the workshops.

He also stacked Hewlett-Packard up against two other successful companies, drawing statistical comparisons to show how each of the three manages its assets. In comparing inventories as a percent of sales, for instance, HP occupied the middle ground. In fixed assets as a percent of sales, HP was the highest of the three—and when those fixed assets were broken down further, HP came out quite high in terms of buildings. "This is an area of concern for HP," George said.

"The really insidious thing about our fixed asset problems is inflation," he went on. He pointed out the fact that construction costs have climbed much faster than the general inflation rate. "We've got to develop ways of allowing for this problem at the front end, in our planning, in the pricing of our products and everything else," he concluded.

In the accounts receivable area, George indicated that these assets, representing money owed HP, have been affected recently by the move toward more "systems" business in almost all product areas. "As we become more of a systems company," he explained, "the customer's payment time clock starts differently than it does with an instrument."

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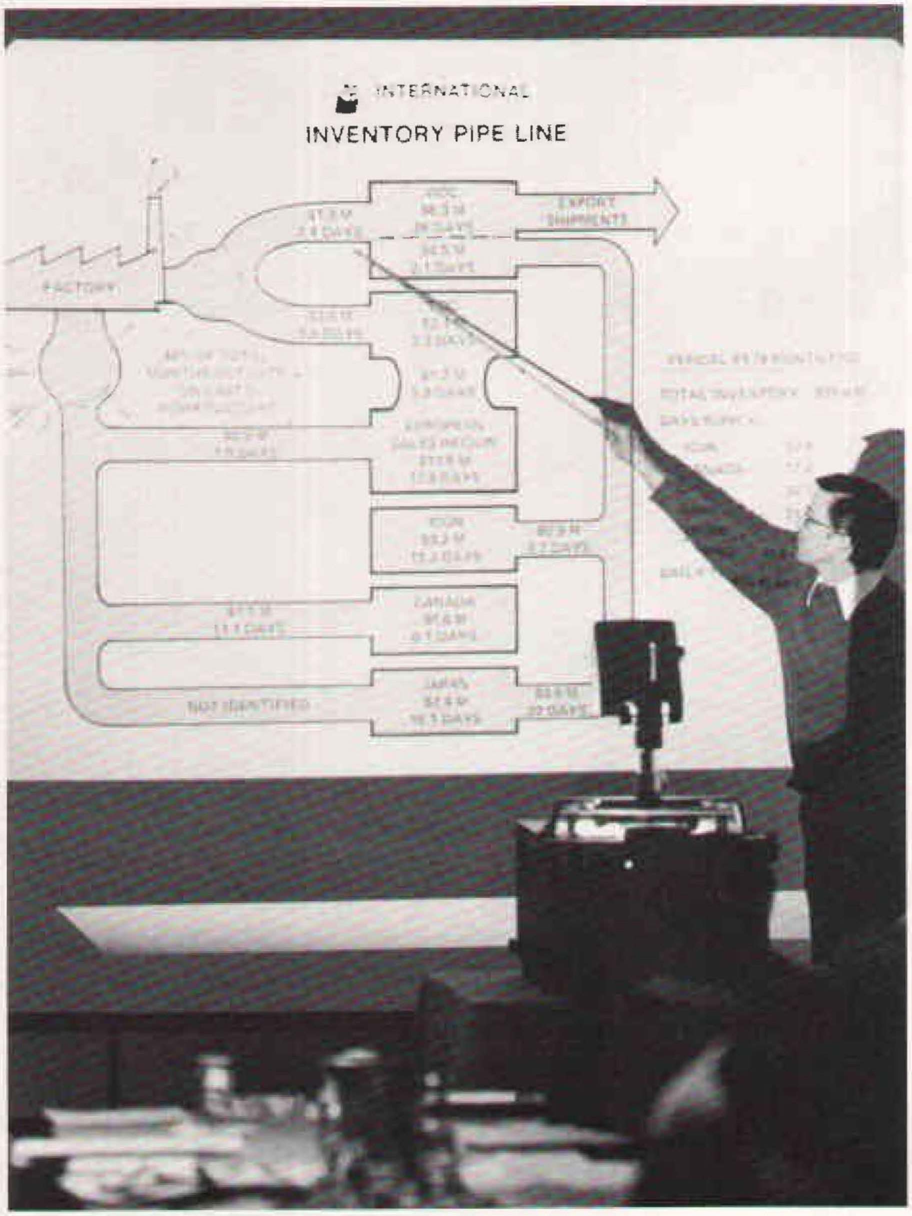
'storekeepers' share ideas



Field asset management: Fighting the "bulge" and other battles

Two groups discussed field asset management, each concentrating on different aspects of the field sales organization and the flow of products to customers.

One group led by Alan Bickell, director of Intercontinental, discussed the product "pipeline" and the effect of the end-of-the-month shipping bulge. "It's clear that the bulge causes problems all the way down the pipeline," Alan said.

According to recent statistics, 40 percent of the company's shipments go out on the last five days of the month—some divisions shipping as much as 50 percent on the very last day in extreme cases. Workshop participants were shown how this strains the ability of people and even airplanes to handle the overload, and causes bottlenecks that increase inventories, add to the cost of sales, and delay collection.

It was mentioned that there are often products on "hold" for various reasons, and that perhaps someone should have specific responsibility for those inventories. Also discussed was the idea of bypassing certain points in the pipeline and shipping direct from the factory to the final destination in a greater number of cases. It was concluded that demo and stock inventories, amounting to about $55 million worldwide, should be studied to see if they could be reduced. And feedback from the field is needed regarding problems caused by factory mistakes.

Also discussing field assets was a group led by Doug Chance, marketing manager for Computer Systems Group. In U.S. sales regions, according to Doug, assets are increasing by 23 percent per year. It was felt that efforts to reduce this growth rate should be focused in two areas: (1) accounts receivable, and (2) assets that have increased as a result of more "systems" business.

It was decided that reducing accounts receivable from 21 percent of sales to about 19 percent should be among HP's 1979 goals. It was also suggested that responsibilities for receivables be clarified, and training strengthened. Other ideas: Accelerate the use of computer information systems, implement targets on an office-by-office basis, give new responsibilities to HP "collectors," and perhaps establish a freight task force to improve shipping procedures.

Selling HP systems, as opposed to self-contained products, has led to faster growth of certain types of field assets. Sales personnel are supported by more systems engineers and customer engineers, which has increased the size of the automobile fleets operated by the sales regions. Vans and pool cars might be one answer, it was thought.

Ways of making the best use of floor space were also discussed. For HP product training, classes could be increased in size, conducted in multiple shifts or even in rented facilities. To make more efficient use of space, HP might also establish demo centers in urban areas.

The service engineering organizations, or SEOs, were also discussed, with an eye toward increasing the return-on-investment in the service area. The SEOs should be formalized and made profitable, it was emphasized. Accounting systems should be improved, profit objectives for on-site service should be raised, and assets capitalized.

It was decided that there are also some opportunities to improve the productivity of CEs and SEs, who reportedly must spend about 40 percent of their time traveling. Products could be designed for better serviceability—perhaps with some remote diagnostic capability.

Large site and facility management: Autonomy with economy?

Divisions sharing a large site or clustered in a geographical region have some disadvantages related to size, according to workshop participants, but are able to achieve economies by cooperating in programs such as recruiting and training. In discussing the pros and cons of centralizing certain management functions, Don Schulz, general manager of Desktop Computer Division in Fort Collins, Colorado, compared it with the question of federalism versus "states' rights."

Experience in Germany and Colorado, it was felt, has shown that divisions sharing a site need not have an overall facility manager. But clustered divisions could have common management of such service functions as government relations, personnel (for local policy), legal, employee recreation areas, and the administration of cafeterias, libraries, security and fleet maintenance.

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'storekeepers' share ideas

Factory fixed assets: When is an asset a burden?

The discussion of what we're doing wrong in managing factory fixed assets was summarized rather succinctly by John Blokker, general manager of Santa Clara Division. "We appear to be underinvesting in machinery and equipment," he said. "We appear to be overinvesting in buildings. We appear to be making things we could buy. And we appear to be paying a price for the 'liveability' of our buildings."

Dick Anderson, general manager of Data Systems Division, went on to summarize some definite remedies that were discussed. HP should clearly identify the cost of its building space, and analyze the impact it has on investment in machinery and equipment, or M&E. In evaluations of the company's return on invested capital, allowances should be made for trading some building investment for more M&E investment. Machinery and equipment, in turn, can reduce HP's variable assets by shortening the time it takes to get a product manufactured and shipped.

It was agreed that HP should also take a hard look at the present policy of vertical integration in many areas. In other words, are we making too many things we could be buying, requiring too much floor space and other investments? It was recommended that a strong task force look into it.

We need to re-examine HP's standard building design, it was decided, in the light of today's higher building costs and our current experience. More specialized buildings might be in order—automated high-rise storage facilities, for example.

There were also a number of little suggestions that, collectively, could significantly reduce needed floor space. Cutting down cycle times in manufacturing, for one thing, and improving the production flow. Using multiple shifts. Reducing archival storage and "junk." And paying more attention to office layout.

The dynamics of inventory management: Where less is more

In another session, general managers addressed the problems of inventory control in HP factories.

It was shown that work in progress is a big part of HP's inventory, and that the key to reducing it is to cut the cycle time in manufacturing. One way to do that is to make wider use of second and even third shifts, suggested some participants.

It was also felt that HP should keep a closer eye on the proliferation of parts, tools and other materials. Some managers questioned the wisdom of keeping a four-month supply of parts on hand, and it was concluded that HP divisions might work with vendors to have smaller quantities delivered more often. Another idea that has worked in some operations is a concept referred to as the "zone defense," in which one person has responsibility for a certain area of the stockroom.

Also expressed was the need for better planning for obsolescence of products. Sales of a product in its "twilight years" may not be worth the additional inventory burden it causes.

And, finally, it was pointed out that division manufacturing managers don't often get together. It was suggested that they meet from time to time to discuss common problems and solutions. □

HP News

Good start for FY '79

PALO ALTO—Hewlett-Packard has reported 37 percent increases in both sales and earnings for the first quarter of the company's 1979 fiscal year.

Sales for the quarter ended January 31 totaled $503 million, compared with $368 million for the first quarter of fiscal 1978. Net earnings amounted to $45 million, equal to $1.53 per share on 29.2 million shares of common stock outstanding. This compares with earnings of $32 million, equal to $1.14 a share on 28.6 million shares, during the corresponding period last year.

In reporting first-quarter results, John Young, president and chief executive officer, noted that sales and earnings were strong in each month of the quarter, and incoming orders were the highest in the company's history. "This performance marks a good start for the fiscal year," Young said.

Incoming orders amounted to $582 million, up 34 percent from orders of $433 million in the first quarter of fiscal 1978. International orders were quite strong, amounting to $297 million, up 37 percent from last year's first quarter. Domestic orders rose 32 percent to $285 million.

Young said all product groups contributed to the higher level of sales and orders in the quarter. Preliminary figures show that, for the quarter, HP's electronic data products accounted for approximately 43 percent of total sales. Electronic test and measurement products accounted for 42 percent, medical electronic equipment 9 percent, and analytical instrumentation 6 percent.

Changes at Boeblingen

BOEBLINGEN—Recent organizational changes at the HP facility in Boeblingen, Germany, include the establishment of HP's newest division.

The former Boeblingen Calculator Operations has been officially renamed Boeblingen Calculator Division in recognition of the increasing size and responsibility of the organization and its growing importance as part of the Calculator Products Group.

Klaus-Dieter Laidig, manager of the former Boeblingen Calculator Operations, will now give full-time management to the expanded Computer Systems Group activity which he has also been directing for several months. Under the new name of Boeblingen Commercial Systems, that operation which currently supports the HP 250 will expand its marketing, software R&D and production activities to cover the entire business system product line.

General manager of the new Boeblingen Calculator Division will be David Rose, who has been general manager of the Boeblingen Instrument Division since its formation in 1975. Rose formerly served as Marketing Manager in Boeblingen.

Replacing Rose as general manager of the Boeblingen Instrument Division will be Joern Kos, who has been R&D manager of that division for the past five years. In that role, he contributed to the startup of R&D programs for logic signal sources. Kos joined HP in 1963.

Mendez to head HP Mexico

MEXICO CITY—New country manager for HP Mexico is Sergio Mendez, formerly the Computer Systems Latin American sales manager for Intercon. He replaces Antonio Castro, country manager since 1976, who is leaving the company.

Mendez, a native of Cuba, has held a variety of Latin American sales assignments since joining Intercon in 1970 in Palo Alto.

Snowed under...

These photos taken in mid-January at Midwest Sales Region headquarters in Rolling Meadows, Illinois, give you some drift of the rigorous weather conditions that many HP field people encountered this winter. After the snow was cleared from two blizzards a week apart, 13-foot piles which surrounded the HP parking lot made it look like a snow fort, according to MSR facilities manager Fred May.

Other areas had their own tough sledding. Snowplows in the Washington, D.C., area were unprepared to handle the worst storm in 57 years which dropped up to two feet of snow on February 18. Eastern Sales Region closed its Rockville, Maryland, headquarters for a day while region managers tried to shovel out the facility.

For field engineers who depend upon using cars to call on their customers, snow and ice made life difficult. Dallas, Texas, had a series of ice storms. In Northern Europe, most countries ran out of salt for their roads and army tanks were called in to free snowbound drivers in Germany.

Spring will be even more welcome this year. □

Measure

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