MEASURE

Going to the
ends of the Earth
for customers
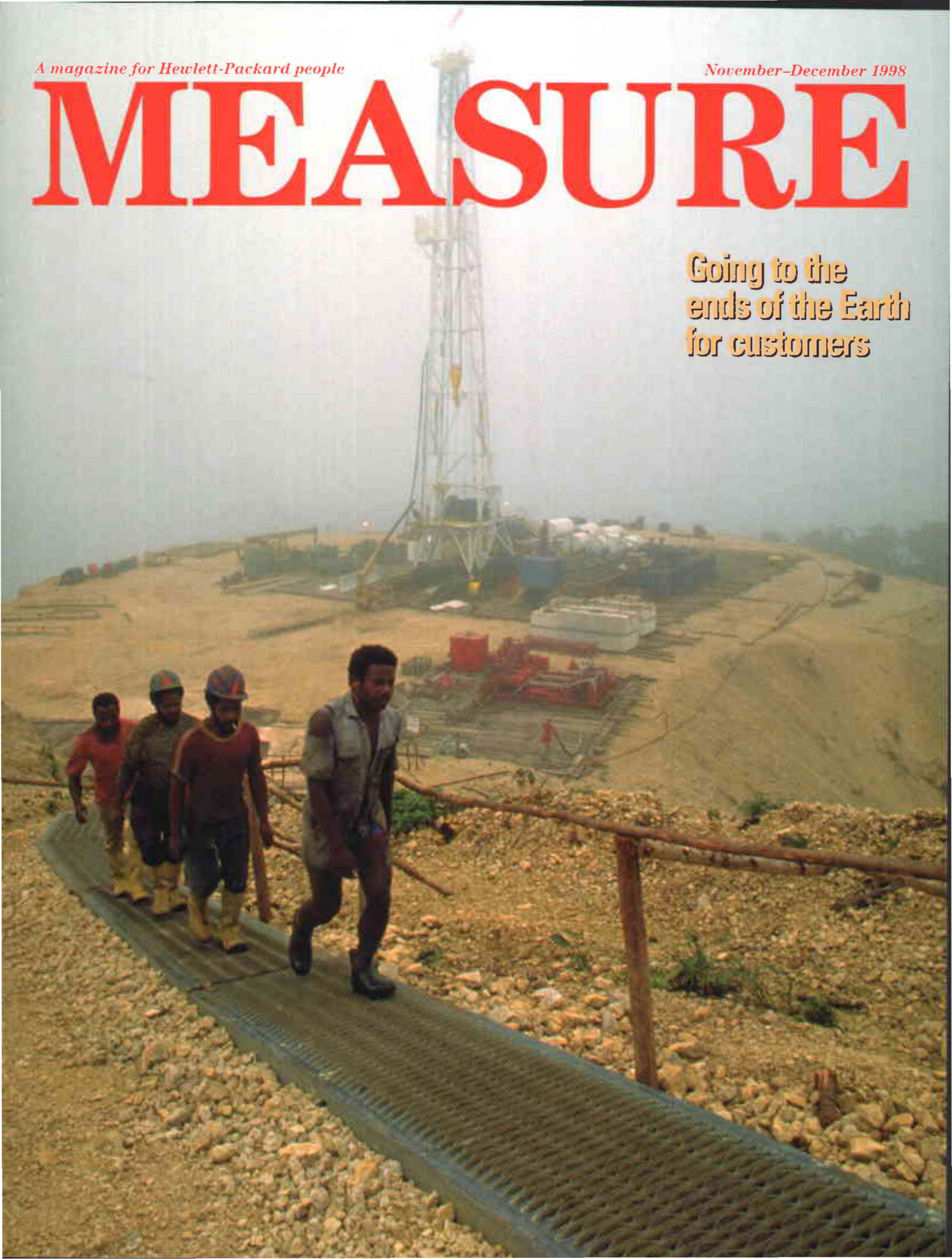
The curtain opened and the Man of Steel was rolled out on stage in his high-tech wheelchair. A thousand people in the audience knew Christopher Reeve from his movies, particularly his four appearances as Superman. We had come to honor him for his courage and strength. A thousand people gave their hero a standing ovation. Christopher Reeve sat virtually motionless in his chair.

"I used to fly on my own," said the man who once had super powers.

Formerly an accomplished skier, sailor and pilot, his life changed forever three years ago when a horse-riding accident made him a quadriplegic.

Christopher Reeve had come to San Jose, California, in September for a fund-raising dinner for the Tech Museum of Innovation. He also wanted to thank a handful of local companies—IBM, Intel and HP—for advancing assistive technology.

"Since my accident," he said, "I have a new appreciation for technology as a means of survival. Somebody had the idea that independence is the right of all people. I am the grateful beneficiary of what you all have accomplished."

HP can't claim any significant contributions for developing products and technology to aid people with disabilities. Our contributions have come primarily through donations of cash and equipment—about $12 million worth in 1997—to agencies such as the National Federation for the Blind, National Sports Center for the Disabled, Special Olympics and the Center for Independence of the Disabled.

Still, every HP heart beat just a little faster that night in September to hear Christopher Reeve mention our name among a select list of companies.

And it couldn't have come at a better time.

Every day now, it seems, HP loses a little bit more of the luster we've enjoyed for so many years. We're reducing our employee population, our stock price has fallen and the media are beating us up (see Lew Platt's letter on pages 26–27).

There's a natural tendency to feel sorry for yourself. Then you look at Christopher Reeve.

At one time, his biggest obstacle was being typecast as Superman. Now he works hard for every breath, every tiny movement his body will allow. He exists with 24-hour help from five aides, eight nurses, three office assistants and two agents. His life is measured one day at a time. He's also convinced that, given the pace of medical and technological breakthroughs, he and other spinal-cord victims will walk again.

"Once you can feel good about today," he said, "you don't give up. You can go forward."

—Jay Coleman

On the cover: Chevron oil-rig workers leave their work site in the Kutuba region of the southern highlands of Papua New Guinea—one of 600 installations HP completed for Chevron during the past year. The limestone pinnacle shown is accessible only by helicopter. The story begins on page 4.

Cover photo and large photos on pages 4–7 courtesy of Chevron Corporation, Dennis Harding, photographer.

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DEPARTMENTS

MEASURE

All in the family

From California to Kazakhstan, HP installs 30,000 PCs to link Chevron sites around the world.

By Karen O'Leary

Short of rocket ships, Americas Support Operations Project Manager Tom Keeney and his crew mobilized virtually every vehicle available during the past year to deploy 30,000 Hewlett-Packard personal computers to Chevron sites at 600 major locations in 13 countries.

Helicopters, freighters and ferry boats took HP PCs to tropical rain forests in New Guinea, remote islands in the Pacific and offshore production platforms in the Gulf of Mexico.

If it were a movie, the galactic, multimillion-dollar PC deployment would be called *The Right Stuff* rather than the *Titanic*—even considering the big role that water played. No amount of technological challenge or interference from Mother Nature could sink this baby.

Chevron's Global Information Link (GIL), a collaboration with Hewlett-Packard and Vanstar—an HP distributor and service partner—was launched to standardize Chevron's PCs and software throughout the company.

The goal for Chevron was to put its employees on the same page technologically by setting them up with "the best, fastest desktop machines and common software bundles," according to Ed Miller, Chevron's GIL deployment project team leader.

Technology at Chevron had been an application nightmare, according to Steve Yano, who served as HP's deployment-operations manager. "They had 20 to 30 different types of PCs on the desk and there was no infrastructure. Each employee had an array of hardware and software, with no one in control of the users," Steve said.

"It was not a managed environment," he continued. "They started off with 7,000 applications, which is hard to believe. People were using PCs with 386 chips and DOS programs."

The Hewlett-Packard-Vanstar (HPV) team established a product mix comprising the Vectra VL6 PC (with a special build for Chevron), HP OmniBook 5700 laptop computer and various HP printers. Chevron agreed on Windows NT for security and uses about 10 or 15 core business
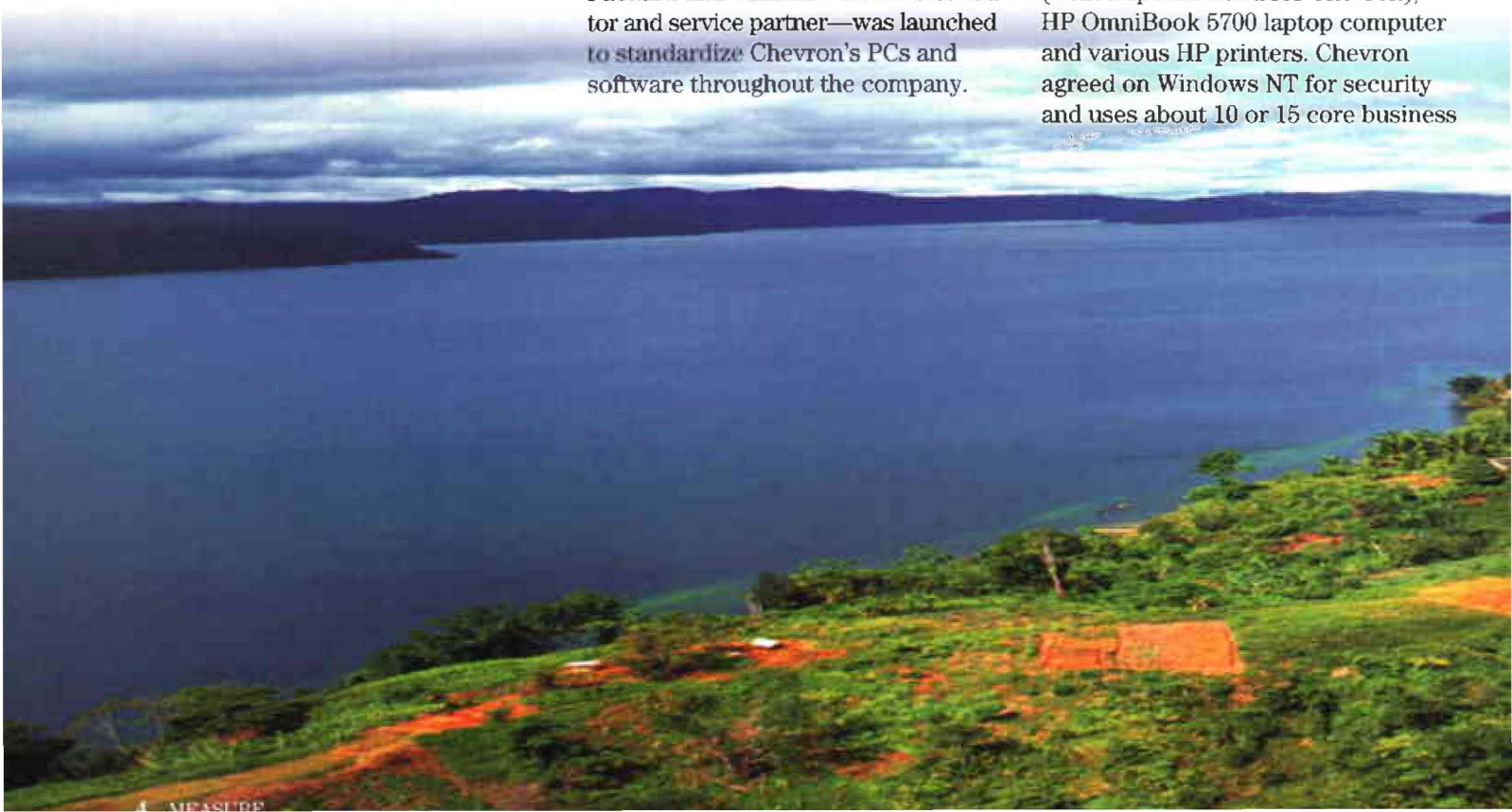
applications. "They also pull in certain business or geological applications to augment that," Steve said.

The benefits of a standardized environment include simplifying the work process, empowering the centralized help desk and reducing IT costs, according to Gary Marzano, HP's distribution center operations manager for the GIL project. To standardize the products, each build process had to be identical. That meant that all centers—Vanstar's Indianapolis, Indiana, distribution center and Singapore integration center; MicroAge's Canadian distribution; Ingram Micro's European integration center; and HP's European integration center—had to take orders, build products and ship in harmony.

Because technology changes so fast, Chevron's goal was to complete the HP PC deployment within one year. It was a daunting task considering the scope of the project. Remote

locations and harsh weather conditions were a given.

Tom Keeney's role was to provide overall project leadership for the GIL solution deployment. With the scope of the project clearly in mind, he assembled an HP project team comprising experts from the Americas Support Operations, the Operations Services Division (OSD) and region sales. Team members were Hamlet Adamian, OSD, project administration manager; Steve Yano, deployment operations manager; Gary Marzano, integration/distribution center manager; Paul Jacobsen, warranty/support manager; Paul Curtis, Asia Pacific; and Wolfgang Neske, Europe.

Their charter was to supply a new HP PC to every Chevron employee in the world, Tom said. "We installed them in the United States, Angola, Papua New Guinea, Singapore, China, Kazakhstan and places we've never seen before," he reported. "We had

installations in Angola that were in camps surrounded by mine fields, we deployed to offshore oil platforms and we even had some of the PCs go to ship-based users."

Tom brought the HP team members from their Southern California and Mountain View sales and service offices to Chevron's San Ramon, California, site for the year. The only way to pull off the immense project in the allotted time, he believed, was to become part of the Chevron culture.

Landing the multimillion-dollar deal was no small feat for HP. OSD's Peter Zinsmeister and Karl Koning, and the sales organization's Joe DiPentino provided the leadership. Before the sales presentation, HP was the underdog. Chevron already had done a significant amount of business with IBM and considered it the strongest contender.

According to Tom Bell, a manager with the Chevron Information Technology Company, Chevron wanted a

Chevron's Lake Kutuba, Papua New Guinea, site received HP computing equipment.

All in the family

manufacturer that would provide hardware at a good value, help with worldwide installation and serve as a good partner in future business.

Chevron's main focus was on the product price, Tom Bell said. "Because of the volume of product, Chevron believed that price would be the biggest difference between bidders," he added. HP, in conjunction with Vanstar, offered the best value. The reliability of HP's products also was a factor.

But Chevron also knew that the effort would take an immense amount of teamwork. Tom Keeney believed that it was critical that Vanstar and HP operate with a united front during the sales presentation. During the pitch—and throughout the year-long installation—Vanstar and HP looked

and acted like a team. They even identified themselves throughout the project as a single group called HPV.

"It was unclear who worked for which company," Joe DiPentino said. "We had such great teamwork that no one was sure if it was HP, Chevron or Vanstar."

Compared to the seamless HPV, the partnership between IBM and GE was disjointed, Tom Keeney said. "HP and Vanstar came away looking as though we had been best of friends for years. We were off to an excellent start. And we beat them badly."

Another element of HP's success in the sales coup was that the high-level management of both HP and Vanstar showed its commitment to the customer from the beginning of the pitch and throughout implementation. Duane Zitzner, HP vice president and

HP and Chevron have similar approaches to project management— another factor in clinching the deal.

general manager of the Personal Systems Group, and Vanstar CEO Bill Tauscher spent the entire day at the presentation. "That really made the customers feel important —as they are," Tom Keeney noted.

HP and Chevron have similar approaches to project management— another factor in clinching the deal. "Our cultures meshed," Hamlet said. "We had compatible cultures. And we had the same vision—30,000 happy customers."

Once HP sealed the PC deal with Chevron's top management, members of the HP team had to sell the concept to the rest of the company. Although standardizing had been a gleam in the eye of Chevron's management for

Vanstar employees give thumbs up to the HP PCs at the Tengiz Chevroil facility. The gas processing plant strips crude oil of hydrogen sulphate and creates a yellow sulphur byproduct.

years, the company had not yet marketed the benefits to employees. The transition to standardized hardware and software meant they could lose autonomy as well as the familiarity they had with their old PCs and software.

The HP/Vanstar/Chevron team created a presentation on the benefits of standardizing and took it on the road. They also communicated throughout the world via teleconferencing and an internal Chevron television network.

One of the initial sites of the deployment—and also one of the biggest challenges—was in Tengiz, a region near Russia. Some 1,400 PCs had to be installed before sub-zero temperatures could thwart the deal. It wasn't ideal to start on a job that big,

Tom Keeney said, because they hadn't had time to test deployment at a smaller site. But if the deployment wasn't complete by mid-December, the extreme cold would've made it impossible to get products into the camps. It's one of Chevron's oil-drilling sites, Gary noted, so the pressure was on.

The Chevron-HPV team had to work through Thanksgiving at Tengiz. Four hundred miles from civilization, with freezing pipes, rugged barracks, cold showers, 12-hour days, group meals and just a few hours off on Sunday, the committed team kept morale high.

Chevron was so impressed with Tom Keeney's deployment project

leadership that it presented him with a Chairman's Award—the highest company honor Chevron bestows. It's the first time Chevron has given the award to a non-employee.

"A lot of projects start out on a good note," Tom said, "but few end on such a strong, positive note. I think the scope of the project united us. We're elated. We've never seen a customer so happy. Thirty-thousand PCs later and about $200 million worth of product and service revenue, and we find that Chevron is reluctant to let us go." **M**

(Karen O'Leary is a Palo Alto, California-based free-lance writer. —Editor)

A shuttle boat laden with HP PCs heads out to the Gulf of Mexico for one of Chevron's drilling platforms.

Can companies "do the right thing" and still make money?

HP and a host of other companies explore the topic of sustainable development—achieving a healthy community by jointly addressing economic, environmental and social issues.

By Linda Healey

Gateway buys back computers when customers want to upgrade. Interface —the world's top supplier of commercial carpet tile—takes back worn carpet tiles. 3M is introducing a reusable mailing carton. McDonald's is exploring ways to heat its restaurants with heat normally lost during cooking. Monsanto has transformed itself from a large-scale chemical manufacturer into a biotechnology company. Honeywell has reduced its energy use by 12 percent.

An increasing number of companies are implementing "Earth-friendly" practices, and are considered positive role models by the growing sustainable-development movement. Grassroot in nature, the movement urges businesses to reduce their negative environmental impact and develop products, services and technology that support a sustainable planet and economy.

These businesses assert that it's possible to do the right thing for society and the environment—*and* make money.

It's a concept that HP CEO Lew Platt and a growing number of HP employees subscribe to. "Doing right and doing well are not mutually exclusive. In fact, doing right…may be the best way to make money," Lew said in a speech at the State of the World Forum in October 1997 in San Francisco.

Unlike the ecology campaigns of the 1960s and '70s—and the subsequent regulatory crackdown on pollution production—sustainable development positions business as a partner, not a foe.

The movement wisely addresses business's primary concern—the bottom line. Advocates of sustainable

"Doing right and doing well are not mutually exclusive. In fact, doing right…may be the best way to make money."

development say it's possible to increase profits and market share by reducing environmental impact. Further, they say that companies that believe and act on this principle will achieve a strategic advantage.

So what does doing the "right" thing entail? To begin with, each company, together with its vendors, is urged to minimize waste, pollution and packaging and recycle what's left. Leading-edge companies take these concepts further, however, calling on businesses to rethink their product design completely in search of dramatic savings in resource use.

This leads naturally to a "cradle-to-cradle" concept, where companies transform themselves from being providers of products to becoming providers of service and responsible for their product's *entire* life cycle. Dell took an initial step in this direction by offering computers for lease, and Gateway has agreed to buy back (and recycle) computers when customers want to upgrade.

Another powerful example is Interface, a U.S. $1.3 billion company that makes 40 percent of the world's commercial carpet tile. Interface looks for innovative ways to produce less waste and pollution during its manufacturing process, but also has introduced an "evergreen carpet lease." A customer leases the tiles, Interface replaces them when they wear out, then takes worn tiles back to be recycled and remanufactured. Interface's environmental sense of purpose has translated into greater profitability.

Other companies—partners and competitors alike—also are taking the sustainability message seriously. At

3M, it's an integral part of the corporate decision-making process. The company considers environmental impact when determining what products to pursue, but also explores ways its technologies can help address world problems, according to Harry Andrews, 3M's vice president of Corporate Enterprise Development. For example, one 3M division provides natural alternatives—such as time-released pheromones—to replace insecticides and protect crops. Another group developed an eco-efficient packaging system that's reusable, returnable and recyclable.

While companies are starting to wake up to the business opportunities of sustainable development, there's growing evidence that public policy will accelerate the momentum. Massachusetts has banned PCs in landfills, and parts of Europe already have instituted various regulations requiring the take-back and recycling of packaging, batteries and consumable products, such as floppy disks, inkjet cartridges and medical supplies.

In the international arena, HP also has encountered materials and energy-consumption restrictions.

Georges Michaud, director of Environmental Technologies at Nortel, a major telecommunications vendor, says customers also are raising the issue. "The question is no longer are your factories clean, but are your products and services socially responsible?"

Even students seeking prospective employers are raising the question.

A paycheck is important, but they also want to know they're working for a good company.

Corporate self-accountability, market forces and regulation will have an impact over time, but many believe action is required now. The world's population is expected to double during the next 50 years, and that means "technology will have to improve twenty-fold merely to keep the planet at its current levels of environmental burden," according to Stuart Hart, a professor of corporate strategy at the University of North Carolina, and a leading voice in the sustainability effort.

"The sustainability driver is very powerful. The world will come to demand it and creative industries will supply it," he said.

Joel Birnbaum, HP senior vice president and director of HP Labs, is part of a growing group of employees that believes HP should start weaving the concept of sustainable development into the fabric of its business decision-making. He suggests HP use its core competencies—measurement, computation and communications (MC^3)—to develop and refine products that contribute to reducing environmental impact.

A few opportunities Joel has identified include:

• Remote diagnostics that help recognize a problem and address it. (Example: wireless diagnosis and management of car emissions.)

• Energy-efficient devices that reduce the number of energy plants needed and cut down on greenhouse emissions. (Examples: solid-state light bulbs and microdisplay-based projection monitors.)

• Distributed management systems, including chemical, electrical or biological sensors that allow industries to remotely and quickly manage pieces of their business. (Example: rural health care linked by technology to information databases, health care experts and electronic records.)

While Joel recognizes "it's hard to turn easy-to-agree-to goals into sustainable action," he hopes HP will be a leader in this area, with sustainability helping drive the research agenda.

In September, Joel and other HP Labs employees explored issues and opportunities in sustainable development by hosting a two-day conference at HP Labs in Palo Alto, California. Other HP divisions, customers, suppliers and experts in the field joined the discussion.

Every attendee left the meeting with a personal commitment to continue the sustainability discussion with others they meet and to explore ways to incorporate sustainability considerations into business activities. Joel, for example, has asked for a set of proposed metrics to help define clear parameters for future planning and action.

The conference proved enlightening for many employees who sometimes find themselves focused on shorter-term business goals. "This has been a genuine wake-up call," says Webb McKinney, general manager of HP's Home Products Division. "We're not just talking about fitness for use in the quality sense," he says. "We're talking about fitness for use on the Earth." **M**

(Linda Healey is a free-lance writer based in Lafayette, California.— Editor)

It's all about velocity

Just six years ago, HP ranked No. 27 among personal computer makers. Today, we're one of the Big Four. Duane Zitzner, vice president and general manager of the Personal Systems Group (PSG), talks about that achievement and how the PC business and HP are changing to continue attracting and delighting customers.

DOUGLAS PECK

Let's start with a description of the PC business. What does it encompass?

There are essentially four parts to the business: First, there is the home PC segment. That's Pavilion. Then we have what I would call the commercial desktop line—the Brio, Vectra and Kayak systems—products that we've targeted at small business and the commercial and corporate space up to workstation-class products running operating systems like Windows NT. Then there's our portable line—palmtops and the OmniBook line. The fourth area is the Intel-based server line—NetServers. The volume-based NetServer program is in PSG, and since about six months ago, the high-end line is in the Enterprise Systems Group.

Is that everyone's definition of the PC business?

If you look at the standard PC companies, like Compaq, they've got portable, commercial, home and server products. The definition of the PC business is fairly consistent. As an example, Unisys defines the PC business as four-way servers and down. Incidentally, we are Unisys's PC supplier, effective now. Unisys is exiting the PC business and they've been looking for a PC supplier. We're going to be that supplier.

Who are our major competitors in this business?

There are four major brands, referred to as the Big Four—IBM, Compaq, Dell and HP. In the PC server space, close to 70 percent of the volume is these four companies.

And who are some of the smaller competitors?

Toshiba is well known for notebooks, but they're also in the desktop space today. They tried to move into the home and got gored. You'll see lots of other players like Gateway—they're common in the home and trying to get into commercial. There's Acer, NEC, Packard Bell. There are also regional brands, like Legend in China. There are only a few global vendors that have a full breadth of product line like we have.

You've often said this business is brutal and difficult to succeed in, yet HP is committed to being in the PC business. Why?

It is one of the toughest businesses the company is in, bar none. It's a business that's dominated by two of our major partners, Intel and Microsoft. Intel has the lion's share of microprocessors, and the Windows operating system is the standard of the office world. So you've got these giant pillars that set a lot of the direction in the marketplace.

But there's still a lot of room for differentiation. Dell has proven that of late, purely with a business model.

We are a very complementary business for HP's other businesses. PCs are the front ends to our back-office products. Over 40 percent of U.S. households have a PC in the home. These products, whether they're in the office or the home, influence the day-to-day actions of many of HP's customers or potential customers. Being a full-line supplier helps HP solve customers' issues and ensures we're properly positioned going forward. Also, our processes and our business model help guide many other HP businesses.

In '92 and '93, the world collapsed, Compaq dropped prices. We followed down. It was a price war. We came out of it, did fine for a number of years. We had a hiccup the first half of this year, and now we're coming back.

We're trying to move into areas that HP traditionally hasn't been. It's not an easy business, but it's one HP needs to be in.

How does HP rank in other PC categories?
We're the No. 4 PC vendor overall. We're the No. 2 PC server supplier in the world. We're the hottest commodity in U.S. retail on the home PC side. We're No. 4 in the corporate desktop space. We're still not where we want to be in the portable space, but we've been improving. We're No. 1 in Windows-based palmtops. So we have a lot to be proud of.

Given that it's such a tough business, why are we staying with it?
Lew [Platt, CEO] once told me—and I agree with him—that you're not a credible systems supplier unless you're in the PC business. Think about it. You don't see those UNIX servers that are located in the back room, but you see that PC sitting there in front of you. It's the same reason we have to be in the home business. It sits on your desk, it fits on your tray on the airplane. Imagine if we were not in the PC business

and Compaq was sitting on these desktops. Where do you think Compaq's going to try to go next? They're going to try and go into the back room and take the server business. So we need to be able to offer customers a complete line.

I met with a commercial airline customer a few months ago, and he told me, "I had to go out last night and buy my kid a new computer." And I said, "Really? So what'd you buy?" He said, "Well, Pavilion, of course. That's what my son wanted. He said it's the best machine in the industry."

Here's a guy in charge of purchasing for the airline. If he had gone out and bought a Compaq or a Dell instead of an HP, and he came back in the office, what do you think he's going to think about for the desktop? And then you go to the next level and ask, well, if I buy them, what am I going to buy for the back room? Brand loyalty is really crucial.

So you knew this was a brutal business when you got into it.
It's a lot tougher today than it was in '92 or '93 when I first came into it. The market is consolidating. We know who the targets are now and everybody is standing around firing at each other at close range.

Does it take a different kind of person to work in your organization?
I think the intensity level of the business is high. We're a very lean organization. And we're very fast. I tell people, "If you don't want to be in the spotlight, don't be here." People have to make quick decisions and they have the authority to do this. In spite of all this, I still say that we're not fast enough. It doesn't require a

different kind of person, but the speed of our decision-making, the empowerment, the accountability and authority that people have is definitely different.

We can never be satisfied with where we are. Complacency will get us. It used to take us 18 months to develop a product. Then we got our product-development cycles down to nine months. Today, we're talking about three-month cycles on Pavilion. Do you believe that?

We can never be satisfied with where we are. Complacency will get us.

Our model is about velocity—speed. Lew [Platt] said in a July '98 *Business Week* article, "We envision a model where most of the computer business looks like the PC business. You can't duck that. It's the future." So PSG is the point guy.

How does that feel?
Well, it's pretty exhilarating, really.

What does it take to succeed in this business?
Speed, empowerment, accountability and authority. We're going to make mistakes. It's how quickly can we turn the ship once they happen.

Where does HP excel? And where do we need to work to catch up?
We are great product people. It's the Bill and Dave tradition—we build great products. If you look at the LH 3 NetServer, which came out about six months ago, it had about a six-month lead on everybody else in the marketplace. It has the highest performance in the SPECweb benchmark. And even though it's a Wintel product, it outperforms the Sun UltraSPARC two-way. We invented the NT workstation space
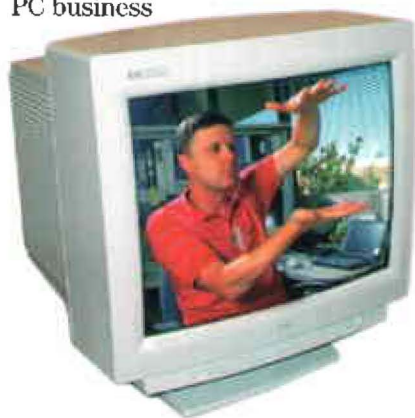
with the Kayak system. We invented the palmtop.

We're great product people. And although we can always do better, operationally we've done a pretty good job, too. Where we've got to do better is on the customer-intimacy side. We must become easier to do business with. We must and will do better in this area. That's what we're working on a lot.

You've talked about commercial products. How does Pavilion stack up against the competition?

It depends on how you look at the marketplace. In the retail sector—with retailers like CompUSA, Circuit City, Best Buy—it's basically Compaq and HP. We're 4 percentage points behind. Compaq has 26 percent and we're at 22 percent, but the last couple of months we've been the hottest thing in retail.

There are a couple areas the home-products team pioneered. The rounded look. The Pavilion guys came up with that design a few years ago, and everybody copies us today. The one-button Internet transfer—you press the button, you automatically go to the Internet—that was all done by the Pavilion guys. Now others have it. So it's a combination of product things, operational excellence and customer intimacy.

What are you doing now to improve the customer-intimacy side?

Well, the first week in October, we announced that in using HP's Shopping Village you can purchase new or refurbished Pavilions. The reason we've moved this way (to direct selling via the Internet) is that about 20 percent of the marketplace would like to buy our products that way. We're trying to appeal to our customers in the way they want to do business. On the home side, we felt this is important. However, we're totally committed to the retail channel. After all, one of our retailers in just one weekend sold 4,000 Pavilions! But we have to be able to offer the product through many different channels.

Is it just as easy to order a product on HP's Shopping Village as it is from Dell's online service?

I'd say yes. Dell has done a very good job and spent a lot of energy and money on their Web site. We are trying to improve our Web activities, even though hp.com is already one of the most-trafficked Web sites in the world. And we have a new program with some of the commercial customers. Starting with Chevron, and working with a channel partner, Vanstar, we offer Chevron employees the ability to order a Pavilion PC from HP on their intranet. It's just like our own employee purchase program.

We've all heard about razor-thin margins in the PC business. Can you talk about profitability?

Profitability in this business is all about return on assets. If you look at the way we operate, we don't have big factories or large assets. We outsource a lot of our manufacturing to other people. The way we operate is very different. We're a different animal.

Could you describe that different animal? How else do you minimize your assets?

It's all about velocity. It's about increasing volume and inventory turns, and outsourcing different aspects of the business where costs can be reduced. Our inventory position is amazingly low. We can make a reasonable return for the shareholders if we manage the business carefully.

We have a high customer-satisfaction experience. Among other things, this means fewer products come back to HP in the form of returns because our failure rates are below our competitors'. Retailers especially like that about HP products.

More satisfied customers mean fewer service and support calls, and this has resulted in improved profitability. While we're committed to providing the best service and support, whether via our help line or going to the home or the office, the real goal—for customers and for HP —is to not even need that kind of follow-up. What I mean is, we want to be as bored as the Maytag repairman.

Since you're on the leading edge of where HP is going, what kind of advice would you give to other HP people?

All businesses are different, but in all cases, I think it's key that you're getting the maximum utilization out of the resources that you've got. Not only must you have great products, but also superb operational excellence and customer intimacy. With these three axes it is key to develop the correct business model to be successful. The reality is you can't take anything—or anybody—for granted. Every day, you've got to get up and earn your job. **M**

Swimming in black ink

Like many a Silicon Valley start-up, HP's Specialty Printing Systems Operation breeds an entrepreneurial spirit and contains a spark that promises to ignite into a billion-dollar business.

By Grace Razo

Long before CEO Lew Platt announced an initiative to create new business as a way of breaking the $40 billion growth barrier that has stymied other companies, the folks in HP's Inkjet Supplies Business Unit (IJBU) already had donned their innovation hats.

IJBU formed the Specialty Printing Systems Operation (SPS) in December 1996 to license HP's thermal inkjet technology to original-equipment manufacturers (OEMs).

"Through the SPS OEM relationships, hundreds of engineers and marketing people at our third-party partners are creating an ecosystem of hardware, software, customer support and distribution for products in multiple markets," says Doug Watson, SPS general manager. "This ecosystem feeds on HP inkjet cartridges and creates revenue for the company."

Featuring **Hewlett-Packard** INKJET TECHNOLOGY

Backed by a new business model, HP's inkjet wizardry, a drive to win and intense customer focus, the SPS vision is to become the Intel of printing. As part of its strategy, SPS developed a trademarked logo, "Featuring Hewlett-Packard Inkjet Technology," which forms the equivalent of an "HP Inside" identity for inkjet printers. The 60-member SPS force gives new meaning to the adage, "It's what's inside that counts."

"The logo will signal to consumers that these products benefit from the reliability and quality of HP technology," says Jim Martin, SPS marketing manager. And HP's thermal inkjet technology remains at the top of its class.

That's surely why eight companies in the mail-printing industry (see story on page 15) are the first to display the

PETER JORDAN

HP's Gary Schierappa, left, reviews—with Panasonic managers in England—volumes and pricing of the HP inkjet print bar and inkjet cartridges for their fax machines.

"Featuring Hewlett-Packard Inkjet Technology" brand-equity logo. And it's why SPS has solidified deals with five partners in the stand-alone fax market, which is its hottest. To date, HP has placed 1.2 million OEM print sockets in the machines of fax customers.

"At the end of the day, this is like the PC business for fax," Doug says. "We're similar to Intel because we have the core technology (inkjet) right at the center.

"The big difference is that Intel has to live with the very sad ratio of only one Pentium per every PC, while HP gets to sell up to six inkjet cartridges per year for every fax machine sold."

If SPS maintains its spunk, it has the potential of contributing healthy returns to HP's business.

"We expect the OEM business to be a billion-dollar-plus business in a few years," Doug says, "with incremental annual revenue at above-average HP profitability."

None of this would be possible, however, without technical advances in inkjet technology. Until 1993, HP inkjet printing capability was best suited for desktop printing. But steady development has created printheads that are better suited for the markets SPS is after.

While the Consumer Products Group (CPG) enjoys a significant market share in PC-connected printers, it captures less than 2 percent market share in overall printing occasions. SPS hopes to broaden the reach of HP inkjet

technology by going into markets not addressed by HP inkjet products.

"With the OEM model, we can take the technology to a lot more markets faster than we could have with only the branded model," Doug says.

Despite the success SPS has made rallying partners, not all HPers believed in the OEM business, and pessimistic rumbles echoed through the HP hallways.

"That's not the way we do things," said one manager. "OEM at HP is an unnatural act," said another. "Can't sell without a sales force," added someone else. "This will ruin HP's name," voiced another.

SPS proved the skeptics wrong. Entering its third year of operation, business in SPS is growing rapidly.

"Right now, our biggest problem, quite frankly, is returning phone calls from customers," Doug says. "Liter-

HP's C6119A print head and ink reservoir system is in the business of printing on envelopes. The market is huge, with more than 400 billion pieces of mail going worldwide last year.

HP's Cartridge Applications Group Manager, Dave Hunt (left) reviews the envelope print sample with Andrew Robinson, application consultant (middle) and Yemi Lalude, R&D program manager. To this production envelope-address printer, HP brings higher print quality and more reliability with ink reservoirs (visible on the lower left) feeding the print heads.

ally, our business growth is being limited by our ability to do a quality job taking care of the customers because there are more printing opportunities and more customers who want to work with us than we have people to handle them. We really have to prioritize customer calls."

Don't get Doug wrong. He's not complaining. He's the first to admit his job is easy, especially when he meets with a customer and leaves with a partnership agreement, which happened recently.

Doug says that HP needs eight to 10 more SPSs, and believes that new business is right in HP's backyard.

"HP people are extremely creative when it comes to knowing where to find new business," Doug says. "Getting an environment that fosters their ideas is what Lew Platt's initiatives are all about." **M**

Special delivery

Here's a bit of irony:

Bulk postal printing—bills, advertisements, financial statements, flyers, etc.—is one industry poised to benefit from HP's new inkjet-technology product.

Imagine that. HP profits from helping the marketing czars stuff residential mailboxes with envelopes that traditionally have been the least likely to be opened.

But mail-printing customers want recipients to open them. They want better print quality. They want the ability to print directly on the envelope, rather than using labels or window envelopes—a clear giveaway that it's mass mailing, thus decreasing its value. HP holds the key—a new ink system designed specifically for high-volume industrial printing—to help reach these goals.

The new system combines HP's award-winning 600-dots-per-inch inkjet technology with a new cartridge design containing a large ink reservoir and improves current mail printing by:

• delivering about 10 times the capacity of standard HP inkjet cartridges;

• enabling print speeds up to 50 inches per second; and

• printing with HP's black-pigmented ink to increase its resistance to water and fading.

The dollar and environmental cost in this industry are huge. Currently, there are 45 billion pieces of junk mail sent each year in the United States. That's 600 pieces per household. Less than 1 percent are opened.

"Imagine if mail-printing customers can increase their efficiency," says Doug Watson, G.M. of HP's Specialty Printing Systems Operation. "What if they could print a third less and get three times as many opened? What if they could use different fonts, depending on the gender of the customer? All of a sudden, mailhouses have a better connection with customers."

Doug says that it would take dozens of cartridges to print 1 million pieces of mail. Now, that's something to write home about.

Find out more about HP's Specialty Printing Systems Operation at http://www.sdd.hp.com/~sps/.

Jim Bye (left), HP account manager, and Clay Higgins, HP business-development manager for envelope printing, work on a quarterly presentation for the IJBU (Inkjet Supplies Business Unit). Many inkjet-licensed OEMs will be extending HP-branded products to the world.
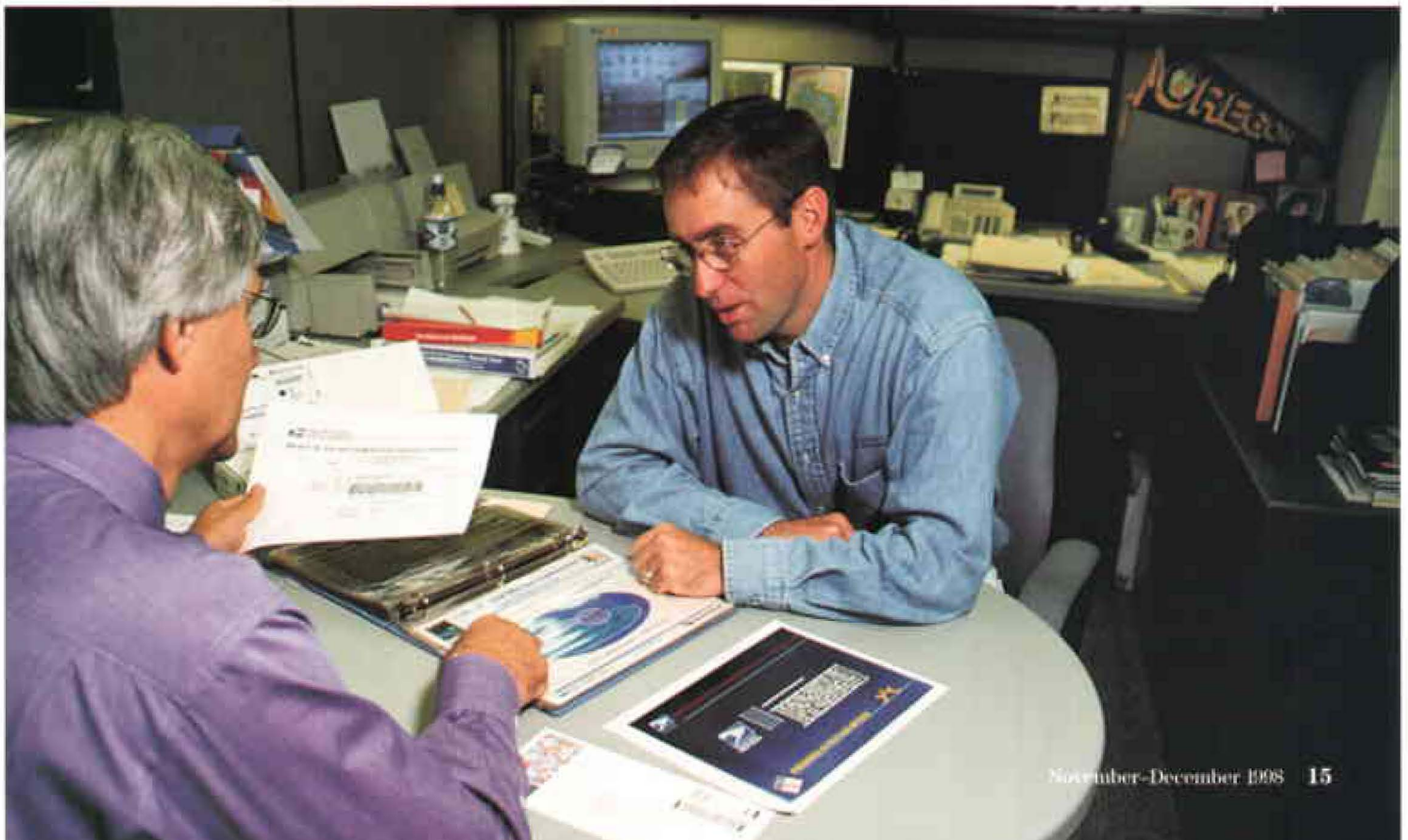
Still nuts after all these years

Don't let its wacky ways fool you. High-flying Southwest Airlines proves that business can be fun and profitable.

By Jay Coleman

Best of the Best

What makes a company the Best of the Best? MEASURE continues its series on the world's best companies—companies that excel at customer satisfaction, improving business processes and creating new businesses. In the case of Southwest Airlines, the formula is simple: soaring profits and down-to-earth people practices.

Look for more Best of the Best stories in future editions of MEASURE.

To understand Southwest Airlines' light-hearted culture and incredible history of profitability—26 of the past 27 years—you need only go back six years to 1992.

Stevens Aviation, a South Carolina-based airline service company, objected when Southwest began using the advertising slogan, "Just Plane Smart," which was similar to Stevens' "Plane Smart" slogan. Rather than call in the corporate attorneys for a half-million dollars in legal fees, the company CEOs—Kurt Herwald from Stevens and Smokin' Herb Kelleher from Southwest—decided to settle the dispute the old-fashioned way, with an arm-wrestling contest.

They rented the Sportatorium, a wrestling arena, invited several thousand spectators and "Malice in Dallas" was under way.

To prepare for the spectacle, Kurt lifted weights. Herb lifted several glasses of his favorite beverage, Wild Turkey bourbon. Kurt muscled his way to victory, but allowed Southwest to continue using the slogan. And the CEOs donated $15,000 to charity.

Says Herb, who's known as "The High Priest of Ha Ha," but who's

Common sense won hands down when Kurt Herwald (left) faced Smokin' Herb Kelleher during "Malice in Dallas."

actually a shrewd New Jersey-born attorney, "We take our competition seriously, but not ourselves."

Southwest is a remarkable success story in American business, yet alone the airline industry. It all began in 1966 when Rollin King, a San Antonio, Texas, entrepreneur and owner of a small commuter air service, proposed the idea of an intrastate airline to serve the rapidly growing cities of Dallas, Houston and San Antonio.

"Rollin, you're crazy," Herb responded. "Let's do it!"

Four years of legal battles ensued while competitors sought to ground

Herb has been known to dress as the Easter Bunny and General Patton, as well as hand out some of the 87 million bags of peanuts Southwest distributes each year.

the upstart airline. One battle stretched all the way to the United States Supreme Court. But there was no defeating Southwest's dogged determination, and on June 18, 1971, the airline literally took off.

Today, Southwest Airlines is the fifth-largest U.S. airline in terms of domestic passengers carried. Its 2,300 daily flights to 52 cities carry more than 50 million passengers each year. Southwest also is America's most profitable airline. While the U.S. airline industry lost $12.8 billion between 1990 and 1994, Southwest made $500 million.

Along the way, Southwest has become one of the darlings of the business world. In January 1998, *Fortune* magazine named Southwest the best company to work for in America. It also made *Fortune's* list of most-admired U.S. companies.

What makes Southwest such a special company? Simple: Southwest employees work hard and play harder. For example:

• Southwest has the smallest number of employees per aircraft, yet serves more customers per employee than any other U.S. airline.

• Employees can "turn" an airplane—clean it, refuel it, unload baggage and load new bags and board passengers—in 20 minutes. That's about half the time it takes competitors to do the same things.

• The U.S. Department of Transportation releases monthly reports for the best ontime performance, best baggage handling and fewest number of customer complaints. In May 1988, Southwest became the first airline to place first in all three categories for a single month. The airline dubbed the feat the Triple Crown and proceeded to win the *annual* honor for five straight years from 1992 to 1996.

• When they're not working hard, Southwest employees work hard at having fun. Flight attendants frequently replace the dry, preflight announcements with rib-tickling, comical announcements. At times, flight attendants have hidden in overhead storage compartments, popping out to amuse passengers.

• When Southwest acquired Morris Air in 1994, the airlines celebrated the union with a mock wedding ceremony in Las Vegas, complete with an Elvis impersonator as the minister.

• In his "management by fooling around" style, Herb Kelleher has dressed as the Easter Bunny, General Patton, a dress-wearing Corporal Klinger from the TV show *M*A*S*H* and a leather-wearing motorcycle rider.

• Eight of Southwest's fleet of all-Boeing 737 airplanes are brightly painted to signify special relationships. There are three killer whales (Shamu One, Two and Three) to commemorate Southwest's promotional partnership with Sea World; Lone Star One (Texas); Arizona One; California One; Silver One (acknowledging Southwest's 25th anniversary);

Southwest Airlines in a nutshell

- **Founded:** 1971
- **Employees:** 26,000
- **Headquarters:** Love Field, Dallas, Texas
- **Locations:** 52 cities (53 airports) in 26 U.S. states
- **New York Stock Exchange symbol:** LUV
- **1997 operating revenue:** $3.8 billion
- **1997 net income:** $317.7 million
- **Daily departures:** 2,300-plus
- **1997 total passengers:** 50.4 million
- **1997 reservation calls:** 83 million
- **Bags of peanuts distributed in 1997:** 87.4 million
- **Bags of raisins distributed in 1997:** 12 million
- **1997 job applications:** 135,619
- **1997 employees hired:** 3,058
- **Gallons of jet fuel per month:** 65.6 million
- **Average aircraft trip length:** 440 miles
- **Average aircraft trip duration:** 1 hour, 20 minutes
- **Number of times awarded annual Triple Crown** (best baggage handling, fewest customer complaints, best ontime performance among major airlines): 5
- **U.S. airlines financial performance 1990-94:** Lost $12.8 billion
- **SWA financial performance 1990-94:** Made $500 million

and Triple Crown One (celebrating the third straight Triple Crown award).

While some companies talk about customer satisfaction, Southwest embraces POS—positively outrageous service. Says management guru Tom Peters, "This is a great customer-service organization that just happens to be an airline."

Happy customers actually come second. Keeping employees happy is Southwest's No. 1 priority. The thinking goes that if employees are happy, they'll make customers happy. Happy passengers keep flying on Southwest, and that helps the bottom line.

Keeping planes full also helps the bottom line. Southwest's average fare is $72—usually the lowest in the market by a wide margin. Instead of driving prices up when flights are full, Southwest adds more flights. "We're not competing with other airlines," Herb says, "we're competing with ground transportation."

Remember, this is a no-frills airline. Flight attendants serve peanuts and snacks instead of full meals. Seating is first come, first served. "Used to be," says Herb, "we only had about four people on the whole plane, so the idea of assigned seats just made people laugh." As one passenger explains, "I always have a reserved seat on Southwest; I just never know where it's going to be."

A perennial underdog, we're-all-in-this-together attitude unites Southwest's 26,000 employees—84 percent of whom are unionized. If you manage well in the good times, Southwest says, you'll be better prepared for bad times. That frugality, however, isn't always popular. "Our pilots have accused me of predicting 11 of the last three recessions," Herb jokes.

Although every day is casual-dress day at Southwest, Halloween is a special time for Southwest's brand of whimsy.

Southwest's fleet of Boeing 737 planes includes brightly painted salutes to Shamu the killer whale and the state flags of Texas, Arizona and California.

SWA's spirited culture

You already know about the HP Way. What's the secret to Southwest Airlines' corporate culture, known as the Southwest Spirit? The dominant values are:

- Profitability
- Low costs
- Family
- Fun
- Love
- Hard work
- Individuality
- Ownership
- Legendary service

One thing you won't find at Southwest is pretentiousness. While most companies have a Personnel or Human Resources department, Southwest has a People department. When Southwest won its fifth consecutive annual Triple Crown, employees were given a special reward: permanent casual wear of shorts and polo shirts. "We believe that ties cut off your heart from your brain," explains Tonda Montague, director of employee communications.
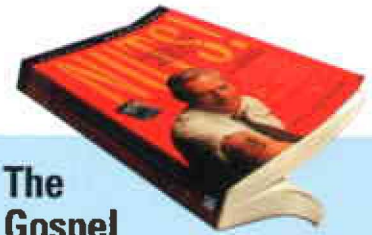
Like HP, Southwest has had to work hard to retain its corporate culture in the midst of tremendous growth. More than 65 percent of Southwest's 26,000 employees have joined the company in the past five years. The company's structure must always be subservient to purpose, Herb says.

"The bigger you get, the harder you must continually fight back the bureaucracy and preserve the entrepreneurial spirit," Herb adds. "Sure, you need more disciplines and more systems, but they're adjuncts. They are not masters; they are servants. You've got to keep that entrepreneurial spirit alive within the company, no matter how big it gets." **M**

The Gospel according to Herb

Shrewd, wacky, astute businessman. Southwest Airlines CEO Herb Kelleher is all of these things and, clearly, a bottom-line guy with heart.

This is how authors Kevin and Jackie Freiberg summarized Southwest's operating philosophy in the 1996 best-selling book, *Nuts! Southwest Airlines' Crazy Recipe for Business and Personal Success:*

In our quick-fix, instant-gratification society, we have fallen in love with techniques. Whether it's losing weight, toning the abs or motivating a work force that is shell-shocked from being downsized, we want techniques that are simple, fast and effective.

Yet the technique-driven business system we have created in this country is failing to inspire people. Techniques have little meaning for those who have not been inspired to use them. This is why so many TQM, empowerment and re-engineering efforts fail. There is no spirit, no heart and no love behind the techniques.

Without love, techniques are simply another form of manipulation with which we exploit people. If there is an overarching reason for Southwest Airlines' success, it is that the company has spent far more time since 1971 focused on loving people than on the development of new management techniques.

The tragedy of our time is that we've got it backwards. We've learned to love techniques and use people. This is one of the reasons more and more people feel alienated, empty and dehumanized at work. Many organizations today would be surprised at how much more people would be willing to give of themselves if only they felt loved.

It isn't all jokes and flight attendants popping out of overhead bins. While other U.S. airlines were losing nearly $13 billion between 1990-94, Southwest made $500 million.

Does HP have three problems: culture, culture and culture?

A university professor and HP consultant outlines several HP problems and poses some interesting solutions.

By Al Vicere

I'm a long-term follower of HP, a stockholder, a consultant to parts of the company and a core faculty member in HP's Running Cross-Boundary Businesses (RCB) program. I have a deep fondness and appreciation for HP, its culture, its record of innovation and its penchant for growth. Yet, I have concerns. Despite HP's history of success, I don't feel my investment is necessarily secure.

Let me state at the outset this is not related to a lack of talent. HP is blessed with a most impressive workforce. It's not even related to recent business-performance issues, although they are of concern. My real concerns relate to HP's many decades of success.

Lou Gerstner at IBM called it "the success syndrome." It happens when you've been too successful, when you get too attached to traditional practices and cultural wisdom. When you get so successful that you think your way is the only way. It was the cause of IBM's problems and Digital's and Apple's and GM's and Kodak's and countless other organizations. I'm afraid HP may have an early case of the disease.

This observation stems from three things I've learned in my RCB work. First, there's a culture thing. HP is blessed with the HP Way, a truly energizing "core ideology" that has driven the company for years. But I'm finding less and less identification with that core ideology. Many people seem distanced from it, and many really aren't aware of the business rationale behind it: to serve society through technology, to dominate chosen market segments and to make a fair profit. HP has been very true to this business rationale and has kept it relevant through a relentless drive for new products based on technological innovation.

When HP was smaller, everybody seemed to understand this rationale. Today, I'm not sure. Part of the problem is growth. There now are nearly 130,000 soldiers in the HP army. That's a lot of folks. And they demand a lot of leadership. Without leaders to pass on the legacy of a core ideology—to create passion around it—the legacy dies. I'm concerned that the legacy seems to be flickering and, along with it, some of HP's once-characteristic passion for achievement, innovation and growth.

The problem is, HP is very short on implementers —people who actually like to drive ideas into action.

Second, there's a culture thing. We've confirmed in Running Cross-Boundary Businesses that HP employs an abundance of highly innovative people. They have lots of great ideas. Along with those innovators, there is an abundance of facilitators and processors. These people are very good at discussing great ideas, dissecting them, processing them and polishing them. The problem is, HP is very short on implementers—people who actually like to drive ideas into action. That's a countercultural position in HP, and it might relate to the slight sense of organizational paralysis I sense today. People seem to be having trouble getting around to doing

"it." And, people who see themselves as "doers" seem to feel out of step.

Third, there's a culture thing again. HP is now a mega company, one built on a foundation of decentralization. That's good. HP truly is a portfolio of businesses, each of which is different, with different leadership, investment and infrastructure needs. Yet, decentralized companies operating in global markets face a critical challenge—how and what to integrate in order to promote synergy across the portfolio, leverage market presence and spur growth.

From my experience, there seem to be five key dimensions of integration:

• business focus—maintaining focus and depth in the business portfolio;

• brand development—creating a strong brand character and awareness in the marketplace;

• financial management—creating economic value across the portfolio;

• infrastructure development—creating common IT systems and business languages (enterprise software) to facilitate business interaction and synergy; and

• talent-pool development—attracting and retaining critical talent, and ensuring those in the talent pool are impassioned about the organization and committed to its culture.

These issues are dominating the agendas of senior leaders the world over, and HP is no different.

Is there progress at HP? As an outsider, I find that recent reorganizations are getting the portfolio into

Is there progress at HP? As an outsider, I find that recent reorganizations are getting the portfolio into shape, but the HP brand seems, at least to me, to be highly underleveraged.

shape, but the HP brand seems, at least to me, to be highly underleveraged. Solid work is being done to solidify the financial picture, but I keep hearing concerns about a very loose and disaggregated infrastructure. Then there's the talent pool—HP is loaded with talent. HP provides wonderful opportunities for further development of talent. But I think HP is missing the boat on this very important dimension.

HP needs more of what we refer to in Running Cross-Boundary Businesses as Prophets and Barbarians. More people who get excited and passionate about the future. More people who are willing to push for change, to drive for change. More people who not only have ideas for how to improve the company, who not only engage in discussions of what we could do to improve, but more people who do something about it. It's a perspective that can be developed and learned—just look at GE. And it's a perspective that is critical to HP's future.

So, are there some critical business issues that HP senior managers still need to address? To be sure. But is there a critical challenge to everyone in the organization? You bet. Organizations caught in the success syndrome tend to become overly intellectual and rational. This results in a loss of passion across the organization. And that quickly destroys the culture.

So, whatever your job, get passionate about it. Remind yourself of why you joined HP. Remind others what HP stands for. Get excited. Get them excited. Do what you can to drive the dimensions of integration in your own area of responsibility. Get focused. Build brand through customer intimacy. Improve performance. Push for the infrastructure you need. Keep thinking and talking, but also start doing—and appreciating those for whom "doing" is the preferred approach.

Remember what GE's Jack Welch once said: "Control your own destiny or someone else will." **M**

(Dr. Albert Vicere is a professor at the Smeal College of Business Administration at The Pennsylvania State University in University Park, Pennsylvania.—Editor)

HP's Max Trescott, pilot, (right) and Nathan Watson, trip translator and a medical student at Stanford, make tough decisions as they load the airplane. For every six pounds of baggage, the volunteers sacrifice a precious gallon of gasoline.

For hundreds of villagers in remote parts of Mexico, *Los Medicos Voladores* (The Flying Doctors) fill the prescription for instant pain relief and high spirits.

Filling a need

By Muoi Tran

A distressed mother stands at the entrance of a makeshift clinic, clutching her three sick children. She is weak from the severe diarrhea that the entire family suffers from, but her condition has worsened drastically.

Despite her deteriorating state, the mother has walked 10 miles on a dusty road to bring her children to the care of *Los Medicos Voladores* (The Flying Doctors), a volunteer organization that former HP employee Milt Camp established in 1974.

The team immediately examines and treats the children and mother.

While the medicine they prescribe eases the physical pain, the volunteers soothe the emotional trauma. "I know I am helping not only to ease the family's physical pain, but to relieve the mother of one of her main worries—the health of her children," says Andrea Mann, an assistant who helps care for the sick family.

This combination of emergency medical treatment and a genuine desire to help is the trademark of *Los Medicos Voladores*.

For more than 24 years, teams have flown from various locations in Northern California each month to carry out their mission: To provide health care, education and other assistance to rural Mexican villages where there is no easy access to such services and support.

For many people in the isolated villages, the visits from *Los Medicos Voladores* are their only chances of being examined and treated by a medical specialist.

One of the main problems that the villagers face is the extreme difficulty of reaching medical help. "For the people on Isla Cedros, an island off the coast of Baja California, a visit to the closest dentist takes more than 12 hours—it's a boat ride and then a bus ride," says Max Trescott, an HP Enterprise Accounts Organization sales specialist in Mountain View, California, who has volunteered as a pilot since 1994.

A 7-year-old girl from Isla Cedros had a toothache for more than a year until a dental team arrived. Because of the excruciating pain, the little girl had trouble sleeping and eating. Fortunately, the dental team provided instant relief and made a tremendous difference in her life.

From the beginning, *Los Medicos Voladores* has filled the great need for a wide range of medical care, including pediatrics, dentistry, optometry and dermatology.

Volunteer pilots, such as Max, have

Dr. Adrian Fenderson gets the crown for swift, comforting care during a recent trip to Mexico.

MAX TRESCOTT PHOTOS

ISLA CEDROS

ISLA CEDROS (closed)

ISLA NATIVIDAD
80 – 41

BAHIA TORTUGAS
131 – 53

PC to create a database of the patients. "Most visits in the past have been one-time interactions, but now we are trying to keep medical records to provide better care for the people," Max says.

The database helps ensure that "each person is examined and treated individually, because each has an individual story," he adds.

Focusing on individuals and meeting their needs also are concerns in the distribution of health information. While waiting to see the doctor, patients can watch Spanish-language videos and read brochures in Spanish on topics such as sanitation, nutrition, breast cancer screening and birth control. When patients meet the doctor, they are encouraged to ask questions about specific concerns.

Despite the teams' effort to help as many people as possible on these trips, the need for medical help in the remote Mexican villages remains immense.

This great need is the fuel that keeps Max and other *Los Medicos Voladores* volunteers involved and determined. "People should volunteer and contribute to whatever causes they are most interested in," Max says. "If things like volunteering to fly to Mexico and helping people appeal to them, they should do it to help make the world a better place." **M**

(Muoi Tran is a recent graduate of San Jose State University and the 1998 MEASURE *intern.—Editor)*

the important responsibility of flying teams of translators, medical assistants and doctors to the far-off regions. Two of the four days—the usual duration of each monthly trip—involve travel.

Once the team arrives at the destination, everyone works around the clock to help as many patients as possible—about 50 to 60 per dental team and twice as many for the other types of medical care. In nearly a quarter-century of service, *Los Medicos Voladores* has helped to improve the lives of more than 75,000 needy Mexican citizens.

And the definition of helping encompasses more than providing short-term, immediate relief. Two other vital components of the organization's mission are to provide continuing care and basic health education.

Many return trips have been scheduled to some villages in hopes of having a long-term effect. Because of the repeat visits, Max brings his HP OmniBook notebook

A young patient and volunteer optician Bonnie Boney get a clearer perspective of life.

Ask Dr. Cyberspace

THOMAS J BROWN
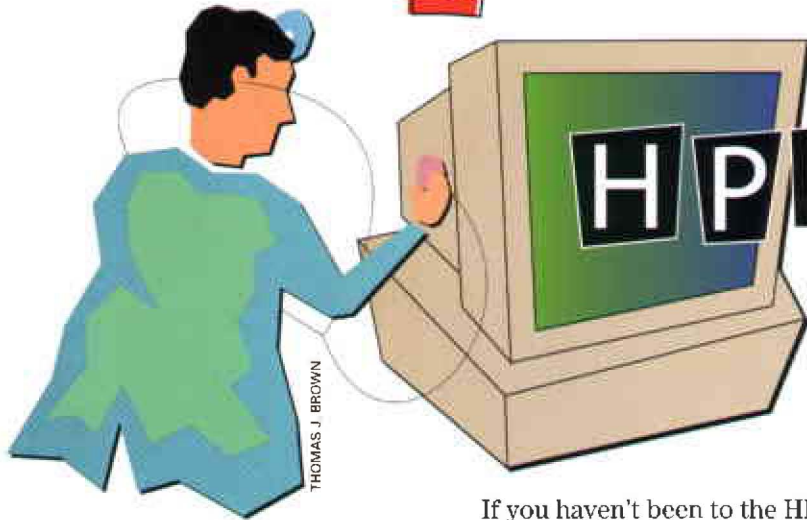
Launched in May 1997, the HP.Now Web site is the primary news and information source for HP employees. And Dr. C says it's a useful beacon to guide you through the HP fog.

If you haven't been to the HP.Now Web site at **http://hpnow.corp.hp.com/,** you're missing out. OK, maybe there is some bias in this opinion because HP.Now is landlord to the Dr. Cyberspace clinic (**http://hpnow.corp.hp.com/use/drcyber/**) where the good doctor practices. But you gotta call 'em as you see 'em.

HP.Now, a Web site hosted by Corporate Communications, is a darn useful site. And this medico isn't the only person who thinks so—many of you do, too.

Based on data from HP's Corporate Site Services Organization, "HP.Now is one of the busiest sites on HP's intranet," says James McKernan, Corporate site Webmaster. And HP's intranet is one of the biggest in the world.

It's apparent why employees—whether they're new at HP or seasoned veterans—click on HP.Now. The site is the best source for company-wide information and the site is updated many times each day. Plus, the site helps clarify what is for some employees a complex HP organization.

"Despite HP's decentralization, employees want the big picture," says Kevin O'Connor, HP.Now managing editor. "When business downturns happen, for example, it's important to keep every employee informed about HP and the directions it's taking. HP.Now also provides documents and tools to help employees do their jobs."

Some of the more popular items accessed by employees include executive speeches, Newsgrams, quarterly financial results—including executive comments to analysts—HP's organization chart and the new *Apparently So* column.

While many people use the Web as landfill—a dumping ground for anything and everything—that's not the case at HP.Now. Information has to fall into one of three categories—

And the winners are...

More than 3,600 employees recently participated in HP.Now's first major user survey since the site launched last year. This feedback will drive future services and other improvements on the site. I'll summarize the results in my next column.

Employees completing the survey were eligible to win an HP DeskJet 722C printer or an HP Company Store gift certificate. Edward Smith of Atlanta, Georgia, won the printer. The $25 gift certificates went to Sandy Carr, Rockaway, New Jersey; Candace Doyle, Cupertino, California; Bryon Rutherford, Loveland, Colorado; Ron Kowalka, Santa Clara, California; and Jose Avila, Mountain View, California.

"news, use (information) or views"—to make it on the site.

"We don't just put anything on HP.Now," Kevin says. "We think about the responsible use of HP resources."

He adds, "We want to provide a site that is useful. That's why we encourage and take feedback from employees seriously. HP.Now is not just the vision of one or two people."

It's clear that a short visit to HP.Now can provide employees with a wealth of information, from archival data to the latest HP scoop. But this cyber critic has a few quibbles.

My first lament involves the tool, "Take a shortcut to..." where you highlight a specific section that you'd like to view. Once you highlight the section, you expect to automatically link there, but you don't. You have to click the "Go!" button. That means one extra click. I don't know about you, but this frosts my lab coat. Where's the shortcut? Doesn't seem to be one.

To bypass the extra click, the HP.Now team could use a simple JavaScript program so that visitors can select their shortcut and go, without hitting "Go."

Then there are moments when too many minutes are wasted in search of information without any luck. One time, it took a phone call to the HP.Now hotline (not really a hotline, but my pal, the assistant editor of the site) to finally find HP's revenue history from 1939 to present. I was reminded that HP.Now's search engine or site map would probably help me with most searches.

Can't find news about a specific HP business? There's a real oversight there, if you ask me, unless you don't mind accessing HP's external site, http://www.hp.com
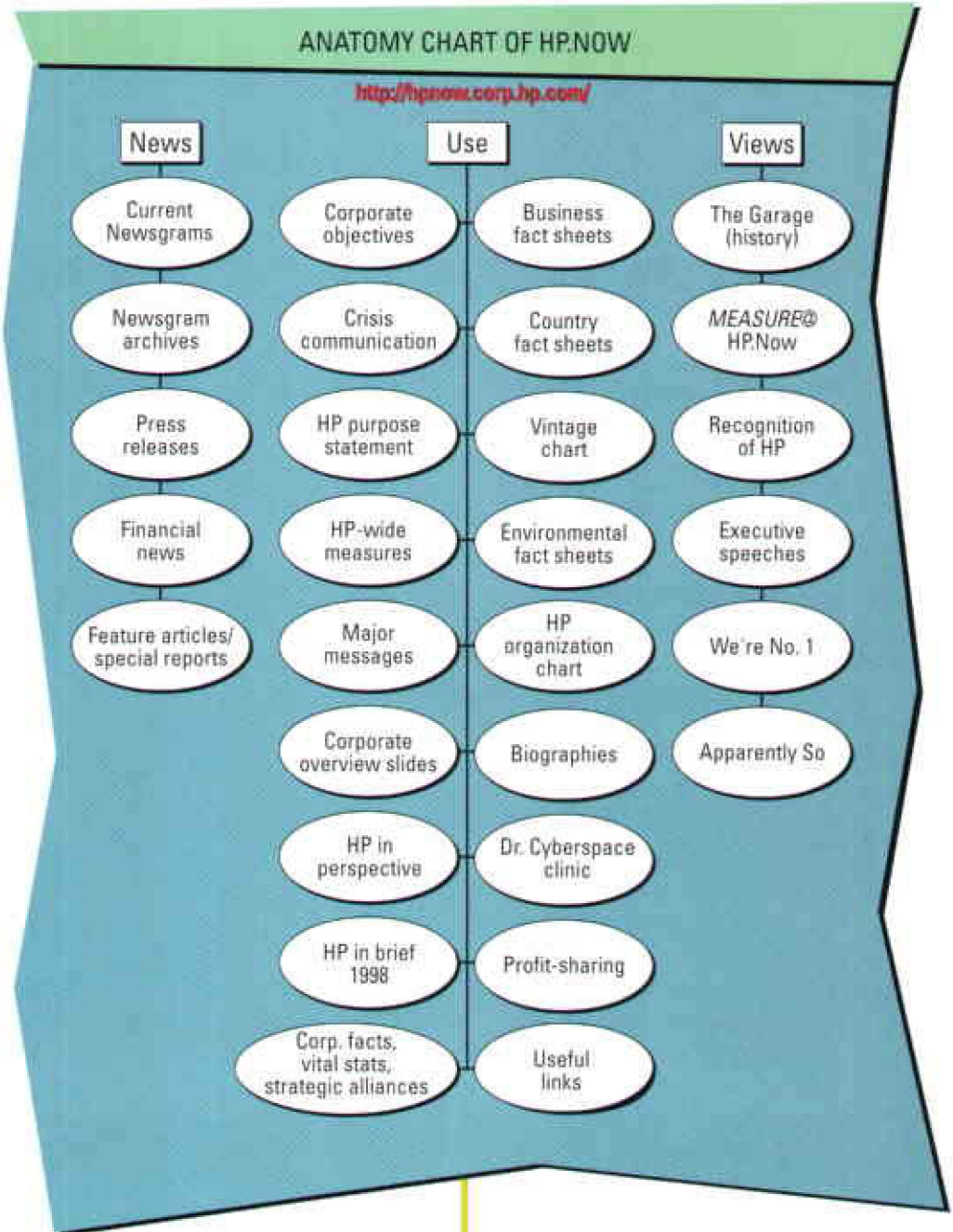
"HP.Now can do a better job of bringing more business news to employees," Kevin admits, "and we're planning how best to do that."

If you haven't paid a visit to HP.Now —http://hpnow.corp.hp.com/—you'll want to do so soon. While you're there, come by the clinic at http://hpnow.corp.hp.com/use/drcyber/ and check out our new look. M

ANATOMY CHART OF HP.NOW

http://hpnow.corp.hp.com/

News
- Current Newsgrams
- Newsgram archives
- Press releases
- Financial news
- Feature articles/ special reports

Use
- Corporate objectives
- Crisis communication
- HP purpose statement
- HP-wide measures
- Major messages
- Corporate overview slides
- HP in perspective
- HP in brief 1998
- Corp. facts, vital stats, strategic alliances
- Business fact sheets
- Country fact sheets
- Vintage chart
- Environmental fact sheets
- HP organization chart
- Biographies
- Dr. Cyberspace clinic
- Profit-sharing
- Useful links

Views
- The Garage (history)
- MEASURE® HP.Now
- Recognition of HP
- Executive speeches
- We're No. 1
- Apparently So

LETTER FROM LEW PLATT

Consistently strong financial performance is the quickest way to change the headlines about our company, says HP's chairman, president and CEO.

HP has attracted a lot of media attention lately—most of it pretty negative and, frankly, some of it deserved. But I believe it's important to put these reports into context and discuss where we've fallen short of internal and external expectations, as well as what Hewlett-Packard is doing well.

First, let's look at a few aspects of our media-relations program:

• HP has enjoyed an excellent working relationship with the media. We've been very open and allowed the media more than reasonable access to our executives and other employees. We receive hundreds of media requests for interviews each year and agree to accommodate a large number of requests.

• We pride ourselves on being honest. We've always gone out of our way to present a balanced story. We're not braggarts. The media overwhelmingly consider us honest, straightforward and a company with great integrity.

• We're a big company—No. 14 on the *Fortune* 500 list—and very prominent in our businesses. We're thought of as leaders with an enviable track record of outstanding financial performance over time. So we'll always attract media interest.

Once a media darling, HP's image in the financial press softened when we announced third-quarter results in August.

• We understand the media's purpose. By definition, a news story doesn't focus on the status quo. Meeting performance expectations isn't news; exceeding or falling short of those expectations *is* news.

The simple fact is that HP's recent unpredictable financial performance has made us news. We've also disappointed Wall Street and our customers with late products, we're not as strong in some markets as we should be and the customer-satisfaction record falls short of our high expectations.

Good, sustained financial performance is the one sure way of reversing our current generally negative attention to our financial results.

In the meantime, I believe we have several positive messages that all of our audiences—financial analysts, individual investors, industry consultants, consumers, the media and employees—should remember:

• We are very sound financially. We've grown our revenue an average of 17 percent per year since going public, and recently, HP reported revenue growth in the mid-20 percent range. Even IBM can't say that about its growth. And we're the only technology company with an AA+ rating by the bond-rating company Moody's Investors Service.

• We still excel at bringing leading-edge products to market. We have a generous R&D budget and nearly two-thirds of our orders are from products introduced in the last two years.

• HP is still a highly desirable place to work. We continue to rank among the best companies for women and the best companies overall for which to work. In Asia, for example, we're the third-most-admired company—behind only Singapore Airlines and Sony, both Asian-headquartered companies.

Lew emphasizes some of HP's positive messages during a TV interview in Boise, Idaho.

• We're tightening up the financial and operational parts of the company for greater efficiency while maintaining our values. For instance, in the past year, we've downsized by more than 1,500 employees at our Boise, Idaho, and Vancouver, Washington, sites, and every employee has either transferred to another job within HP or left the company voluntarily under a severance-incentive program. In October, we announced a voluntary-severance-incentive program that will allow as many as 2,500 employees to leave the company with a generous severance package.

• Although we certainly can improve, HP regularly wins the highest honors for reseller and customer satisfaction.

As you can see, there are a lot of positive stories in HP, and the media frequently applaud us for our innovative products and employment practices, to name two topics. But when it comes to financial performance,

today's headlines are a complete reversal of the media coverage of HP during the mid-1990s. In those days, we were one of the media darlings. In fact, the media were too generous in their coverage of HP—we weren't as perfect as the stories suggested we were. They overlooked many of our problem areas. Today, you're more likely to read "What's *wrong* with HP?"

Of course, we're not alone. Coca-Cola, for example, had several years of unprecedented growth before announcing recently that it expects a shortfall in revenue during the next two quarters. Motorola was a media favorite for awhile and now is experiencing problems. Headlines such as "What's ailing Intel?" have replaced

the glowing reports of that company. And an immense amount of time and space has been devoted to Microsoft and its disagreements with the U.S. government.

Negative media coverage seems to go in cycles, and we're caught in the middle of one.

Even though we know that, it's difficult not to take the negativity personally. Most of us have a strong allegiance to the company we work for, so it *is* personal. I'd be disappointed if employees *didn't* take it personally.

Ultimately, actions speak louder than words, and the quickest way to shift the media focus to the positive is through financial results that exceed expectations. We must improve our bottom line; continue to bring innovative, exciting products to market on time; reduce operating-expense growth; make every customer intensely satisfied; eliminate unnecessary internal red tape; and make HP the best place to work for all employees.

If we do those things, the headlines will take care of themselves.

The Airbus has landed

The article in the September–October *MEASURE* on HP's partnership with Airbus Industrie was very informative. The caption for the photo of the Airbus 300-600ST states that the aircraft is lifting off. But the pilot must be either landing or unclear on the concept of flight: The aircraft's flight and ground spoilers are deployed.

ROSS ALLEN
Palo Alto, California

You're right, Ross. The aircraft is landing. Chalk that up to pilot error by the editor.—Editor

Credit where credit is due

I found the Airbus article, "Soaring toward the third dimension" great reading, but credit should have been given to the Workstation Systems Division, which makes the workstations mentioned in the story.

STEVE SINN
Fort Collins, Colorado

Managing for the long term

The GE article in the September–October *MEASURE* was very well written, but I have to disagree with Jack Welch's approach to management. Yes, he is held in high regard by *Fortune* magazine and the rest of the investment community, but his attitudes about casting off any business that is not No. 1 or No. 2 seem a little shortsighted.

Your article did not go into any detail about how those who were laid off felt about the man. He seems to have total disregard for how he ruins or changes peoples' lives, just to satisfy Wall Street for the short term.

Perhaps his management skills could be put to better manage the existing companies that GE owns, rather than casting them off if they do not hit No. 1 or No. 2.
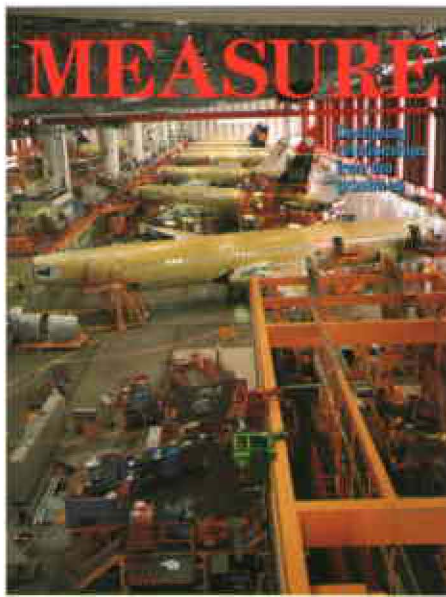
HP has prospered because of management's approach to treating people like an asset, not a commodity. Let's hope that Lew Platt is able to manage HP in a more humanitarian way and not sacrifice our people just for some short-term profits.

TED SHIMKOWSKI
Santa Rosa, California

A bold move

I was a field-service engineer in the medical-imaging field for 12 years. In late 1993, the possibility of socialized medicine caused hospitals to cancel equipment orders and service contracts on items such as MRI, CT and angio/cath labs. Many companies decided the best business move was to lay off employees.

GE took a different path. It knew there was an opportunity. It was innovative by selling equipment and service contracts. Ironically, between the time I was laid off and then hired into HP, I worked part-time for an independent medical-equipment reseller, removing my previous employer's equipment to make room for new GE equipment.

It was impressive to see GE take such a bold step—and succeed.

BRIAN TUNELL
Corvallis, Oregon

Let the Games begin

As a soccer fan, I was thrilled when I learned of HP's involvement in World Cup 98 and was quite proud of our performance. As an Atlantan proud of

our city's Centennial Olympic Games, I feel it is necessary to point out that those games were held in 1996, not 1994 as stated in the September–October *MEASURE*.

The 1994 Olympic Winter Games were held in Lillehammer, Norway, the first year that the Winter and Summer Games were not scheduled for the same year.

HEATH HARVEY
Atlanta, Georgia

Illuminating ideas

It was interesting to read the creative thoughts of HP employees in the September–October article "All you had to do was ask." Two of the ideas relate to initiatives in the Optoelectronics Division (OED) of HP's Components Group.

OED has established a joint venture with Philips—LUMILEDS—with an objective to enter the lighting business. In 1999, this joint venture will release red traffic-light products.

OED also has a number of customer engagements that have been successful in replacing standard incandescence in auto sockets. We enjoy a high market share in this area. We are developing an "Illuminated by HP" branding strategy for these customers that we hope creates the sort of leverage that "Intel Inside" brings to Intel.

It's exciting to be part of a group that's entering the multibillion-dollar market of solid-state lighting.

FRANK ROBERTAZZI
Paramus, New Jersey

Extra**MEASURE**

"Brava, La Scala"

MILAN, Italy—You won't believe it until you see it, hear it and click on it. A project to create the ultimate digital "jukebox" database is under way at La Scala, one of the world's oldest opera houses.

Certainly, this isn't an old restaurant jukebox where you drop in a few coins and choose a title from a very select list.

With HP as one of the technical sponsors, 5,000 priceless, open-reel tapes of some of the world's most famous opera performances dating to 1951—approximately 2,500 evenings at La Scala—will be saved, restored and converted into a digital format.
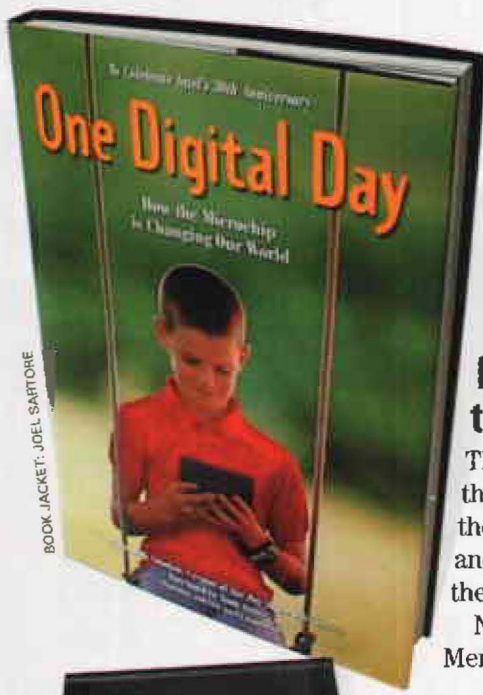
An HP UNIX-system server will handle the extensive database, supporting millions of bytes of information in diverse formats, including audio, graphics and video. The server will store more than 12,000 CD-ROMs of information at the completion of the project in 1999.

This one-of-a-kind, online music database will be as easy to use as singing do, re, mi because it also will accept queries sung into an attached microphone.

Tradition meets technology at La Scala Opera House with a digital database of world-famous performances. Thousands of scores can be searched and retrieved using unusual input devices, such as a music keyboard or human voice.

In the palm of the beholder

The latest edition in the series of "day-in-the-life" books is out and HP is featured on the cover.

Nine-year-old Dustin Mennenga from Urbana, Illinois, holds an HP Palmtop computer in the cover photo of *One Digital Day*.

The HP computer is just one example of the numerous ways in which the microchip is changing our world —the theme of the book.

Visit the Web site **http://www.intel.com/onedigitalday/** to read excerpts from the book and view more pictures.

A new level of care arrived for thousands of sick children when the Shanghai Children's Medical Center opened in May.

At the center of it all

SHANGHAI, China—Officials in China chose the perfect day—International Children's Health Day—to open the new Shanghai Children's Medical Center (SCMC).

The May 31 opening highlighted the new facility, where more than 250,000 children will be treated each year.

There's much cause for celebration because SCMC will be the center of both medical training for health professionals and state-of-the-art clinical care for children.

It also will serve as the model for future medical centers in China, due in part to HP's donation of medical equipment and supplies—valued at U.S. $5.5 million. Also instrumental were Project HOPE (Health Opportunities for People Everywhere) and the Shanghai Medical University.

Read more about SCMC at http://www.hp.com/ and on the Project HOPE Web site at http://www.projhope.org/.

Sky's the limit

CHICAGO, Illinois—The pressure was on. The old *Guinness Book of World Records* skydiving entry of 200 people in one formation remained intact despite try after try.

But skydivers from all over the world—including HP's Lee Loncasty and David Loncasty of Australia, and Nancy Burgess of Cupertino, California—stuck together on land and in air, and never lost their determination to break the old mark.

On the second-to-last attempt of 25 scheduled tries, the group successfully proved that the sky's the limit with a 246-person formation—maintained for 7.3 seconds.

HP CREATES ORGANIZATION

HP has merged the Software and Services Group (SSG) and the Enterprise Systems Group (ESG) to create a single organization dedicated to serving the computing needs of global enterprise customers.

The Enterprise Computing Solutions Organization (ECSO) will include enterprise hardware, software, consulting, outsourcing, education, financing and support. It will be led by **Ann Livermore**, HP V.P. and former SSG G.M.

Bill Russell, HP V.P. and ESG G.M., will report to Livermore. Both will remain on the company's Executive Committee.

WORKING MOTHER WINNER

For the 11th time, HP has been named one of the most "family-friendly" companies by *Working Mother* magazine. The publication featured its 13th-annual ranking in its October edition.

DELIVERY IN AN INSTANT

HP Instant Delivery from the Consumer Products Group lets consumers print their favorite online publications and other Internet information on demand. The new software was developed and is being implemented with leading online publications and news providers.

Customers can download the software and subscribe to the service at http://www.instant-delivery.com/.

HP JAPAN MANAGEMENT

Katsuto Kohtani has been named chairman of HP Japan. **Masao Terazawa,** also responsible for the overall Computer Organization in Japan, will succeed Kohtani as HP Japan president and G.M.

So what did it take to accomplish this mid-air marvel? Twelve airplanes, teamwork and plenty of practice. For the record, before accomplishing the spectacular stunt, Lee, David and Nancy had a whopping total of 4,400 jumps among them.

Thrilled by their atmospheric accomplishment, (from left) Nancy Burgess, Lee Loncasty and David Loncasty hold high spirits.

The show must go on
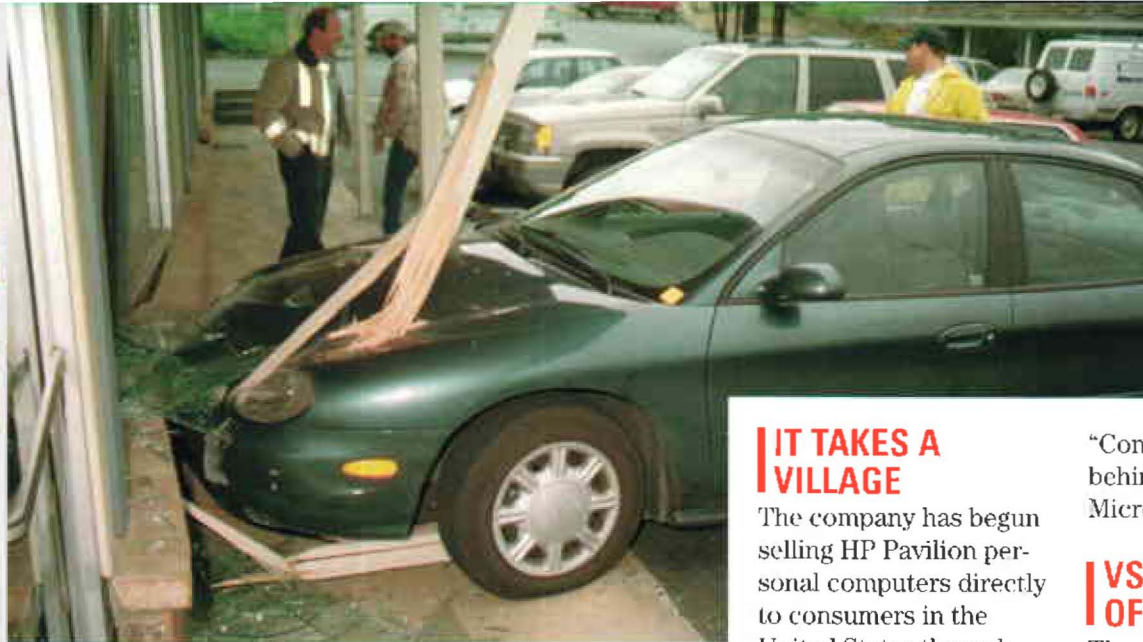
NEVADA CITY, California —They didn't know what hit them. Everyone working in the busy Music in the Mountains box office was speechless when a car crashed through the front window and knocked the donated HP Brio PC to the ground.

"The incident happened just before we opened our annual Summer Music Festival," says Terry Brown, executive director of the 18-year-old nonprofit organization dedicated to promoting and producing live classical music. "One of the mem-

bers of our board of directors was parking her car, and instead of pressing the brake, she hit the accelerator and sent the car right into the window."

Luckily, no one was injured. "The disconcerting news was our brand new HP Brio PC—the heart of the box office, containing vital data about more than 12,500 ticket-holders—was knocked off its stand and skidded a couple of feet across the floor," Terry adds.

But the show had to go on, and the HP Brio PC saved the day.

"We carefully set everything up, checked all the connections, turned on the power and held our breath," Terry recounts. "Amazingly, the HP Brio PC came to life. There was a slight crunch in the case, but everything else was *wunderbar.*"

MIKE RANZ

Sun, sand and surf—ya dig?

LAKE WOERTHERSEE, Carinthia, Austria—Volleyball may not be the first thing you think about when someone says "Austria." But Austria, volleyball and HP were on center stage in July.

HP was the official technical supplier of the five-day seventh stage of the FIVB (Federation Internationale de VolleyBall) Beach Volleyball World Tour, providing all the necessary IT infrastructure before and during the event.

IT TAKES A VILLAGE

The company has begun selling HP Pavilion personal computers directly to consumers in the United States through the HP Shopping Village Web site.

This marks the first time HP has sold new PCs through the online electronic store, which previously sold only refurbished products.

Customer research has shown that more than 20 percent of U.S. consumers would prefer to buy PCs directly from the manufacturer.

The village is at http://www.shopping.hp.com/.

FORTUNE'S MOST ADMIRED

HP is the sixth-most-admired company in the world, according to *Fortune* magazine's second-annual global ranking.

HP also was named the third-most-admired company within the

Similar to HP's impeccable performance at World Cup 98, there wasn't a single incident of downtime. HP PCs, NetServers, Omni-Book notebook PCs, ScanJet scanners and DesignJet printers worked smoothly to ensure rapid availability of scores and information

"Computer" category, behind Intel and Microsoft.

VSI PROGRAM OFFERED

The company offered a voluntary-severance incentive (VSI) program in October as part of the continuing effort to help specific organizations and geographies meet their business goals.

Several thousand employees were eligible for the program and up to 2,500 people were expected to sign up by the October 30 deadline.

DPI ACQUIRES ICBD UNIT

DuPont Photomasks, Inc. (DPI) has agreed to acquire the manufacturing portion of the Photomask Department within the Integrated Circuit Business Division. Under the agreement, DPI will become HP's strategic photomask supplier.

about participants—both on-site and online.

In addition, spectators could purchase poster-sized photos of the event—printed on an HP DesignJet printer —with the proceeds benefitting an AIDS-relief organization.

A balancing act

BEIJING—When HP's David Ballo, a product-marketing engineer at the Microwave Instruments Division in Santa Rosa, California, had a day off from work during a business trip, he had one goal: to have fun visiting the Great Wall of China.

"As part of my job, I travel around the world conducting customer seminars, new-product visits and field training," David says. "On most trips, I try to find a little time to do some sightseeing—a day here, an afternoon there.

"This particular business trip, which included stops in Australia, Korea, Taiwan and the People's Republic of China, was part of the 1997 Radio Frequencies Design and Measurement Seminar.

"During a break between two very hectic weeks of work, I spent a fantastic day at Badaling Gate—the most popular tourist spot on the Great Wall of China." In his quest to find work/life balance, David discovered a different meaning to maintaining perfect balance on the job.

"Much to my surprise, I arrived just in time to see a free, yet first-rate, acrobatic show, featuring very skilled children and adults. The balancing ability of the performers was demonstrated in various ways—like this one of a woman balancing a little girl on a stick with her mouth."

David used a 300mm lens to capture the details of the costumes and the faces of the two performers during their gravity-defying feat. "This lens is a bit big for business travel, but it paid off to lug it around Asia," David says. **M**

DAVID BALLO