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CONTACT:
Puja Sangar
Tel: 650.724.4211
puja.sangar@stanford.edu

The HP Phenomenon

Innovation and Business Transformation

By Charles H. House and Raymond L. Price
(Stanford University Press, November, 2009)

"Truly new ideas are extremely rare in business books, but Charles H. House and Raymond L. Price have come up with a gem: how to build a great company when the boss isn't always right." -Forbes

For years, there has been a debate over whether the modern-day HP has maintained its innovation edge—or whether the old "HP Way" has been tarnished. How does HP—or any other technology company for that matter—maintain its lead for such a long period of time? As 2009 is the 70th anniversary of the company it seems like an opportune time to take up these questions.

In their newly released book, Chuck House, a former HP engineer, and coauthor Raymond Price, provide important insights from the company that has been recognized as the symbolic founder of Silicon Valley, to help us answer these questions. Hewlett-Packard innovated and transformed itself six times while most of its competitors were unable to make even one significant transformation. The founders, known to friends and employees alike, as Bill and Dave, developed a unique management style that has come to be known as the HP Way.

One of the most intriguing anecdotes in the book is that of Charles House himself, which nicely captures the elusive "spirit of innovation" at the company. As an HP engineer in the '60s, House was set on pursuing a large-screen electrostatic monitor. When he was told, "When I come back in a year, I don't want to see that product in the lab!" by a superior, he took it as incentive to get the monitor out of the lab – and into production as soon as possible. When the monitor turned out to be a great success, House was awarded the "HP Award for Meritorious Defiance." It was this kind of bottom-up innovation that led to the company's success--a culture that encouraged the company's upper management, scientists, and engineers to freely share ideas.

The HP Phenomenon begins with the "Packard Years," the first 30 years (1939-1968), from the start of the company until the year the company went public. Initially, the company was rather unfocused, working on a wide range of electronic products. By the Hewlett Decade" (1969-1978), HP had dramatically repositioned itself for the computer era, producing a series of minicomputers that were the forerunners to today's desktop computers. The renewed focus paid off in a big way, leading to steady growth and global expansion. Since the 90s, however, HP has faced enormous challenges from a new set of competitors, and HP has been confronted with a set of internal challenges from questionable reorganizations, to highly publicized corporate spying scandals that proved damaging for the company's reputation.

The authors muse about what the next millennium holds for the company. "How will the legacy... evolve in the next century? Will the HP Way – intangible, hard to quantify, but real nonetheless for hundreds of thousands of employees and alumni – continue to animate the current and future employees and executives of Hewlett-Packard and Agilent Technologies, or

will it ebb, to the point that these companies are relatively indistinguishable from their brethren?"

While primarily a history of Hewlett-Packard, The HP Phenomenon also holds profound lessons for engineers, managers, and organizational leaders hoping to transform their own organizations.

As the authors point out, "Somehow it feels important - important for the legacy, doubly important for the future, and maybe most of all, important for the world to know that decency, ethics, and concern for the individual on the one hand and for the community on the other can be combined with effective business practices and contribution in products, services, and process for customers, vendors, employees, and shareholders alike. Bill 'n' Dave would have been proud if it persists."

Charles (Chuck) House is Executive Director for Media X, and Senior Research Scholar in the Human Sciences and Technologies Advanced Research Institute at Stanford University. House is deeply involved with questions of technology's effect on society, particularly distance learning and collaboration using multi-mediated Web networking. Previously, he led the Research Collaboratory and served as director of Societal Impact of Technology for Intel Corporation, after executive management positions at Dialogic, Spectron Microsystems, Veritas, Informix, and Hewlett-Packard.

Raymond L. Price is the Professor and Severns Chair for Human Behavior in Engineering at the University of Illinois at Urbana-Champaign. He has had a long career in industry working in Management and Organization Development and Human Resources. Most recently he was Vice President of Human Resources at Allergan, Inc. Prior to that he was the Director of Employee Training and Development for Boeing Commercial Airplane Group. He also held various management positions with Hewlett-Packard, including Manager of Engineering Education.

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For media inquiries, please contact Puja Sangar at 650.724.4211 or puja.sangar@stanford.edu.

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