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## The HP Way: How Bill Hewlett and I Built Our Company

by David Packard

(212 pages, Harper Business, \$17)

 Reviewed by **Robert Cranny**


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"The HP Way" is a quintessential American success story. It is about two young men raised in the West, brimming with ability, confident in themselves and with the innate gift of seeing things clearly right from the start. From a garage in Palo Alto, Calif., backed by just \$538, the two not only created the Hewlett-Packard Company in 1938, but also Silicon Valley.

This account of their saga has many virtues, not least of which is that it is an easy read. Its tone and simplicity reflect the no-nonsense, lack-of-ego approach that Bill Hewlett and Dave Packard brought to their endeavors from the first day. Through all of their success, Mr. Hewlett and Mr. Packard carried with them the values of small town America. There is no sense of struggle here. What comes through is a common sense attitude toward business and the realization that if these men had not founded HP, they probably would have been just as successful at something else.

In those early days, Mr. Packard recalls, they had to be versatile. "We had to tackle almost everything ourselves--from inventing and building products to pricing, packaging and shipping, from dealing with customers and sales representatives to keeping the books, writing the ads and sweeping up at the end of the day. Many of the things I learned in this process were not available in business schools."

Each man brought something special to the partnership. Both were engineers but Mr. Hewlett was trained in circuit technology and Mr. Packard was better trained and experienced in manufacturing processes. Their first product was an audio oscillator, which they made by hand and painted themselves. When orders started coming in after they had sent out a small mailing, they were surprised. What's more, they could not believe that some customers had actually sent checks with their orders.

The two men were always careful planners, never attempting more than they could handle. One reason for that, Mr. Packard recalls, was that early in his career he was told by an old engineer that more businesses die from overeating than from starvation.

Part of their great success rested in their pragmatism. After the war they designed a general purpose building, their first, and told themselves that if they could not keep their business going, they could rent it out as a supermarket. Unlike some of today's entrepreneurs, there is no feeling of great ambition here but always the sense of two men responding to their growing abilities and to changes occurring in the world around them.

In 1951, Hewlett-Packard's sales were \$5.5 million, and the company had 215 employees. By 1965, sales were \$165 million with 9,000 employees; the company had gone public and had acquired several smaller entities and was in the process of building one of the world's largest electronic research centers.

This had all come about by a combination of factors. Major among these was timing. Post-World War II America was embarking on the electronics revolution and HP was well prepared both in terms of leadership and personnel to take advantage of every opportunity that came its way while creating a series of new products that were revolutionary. These days, the company has annual sales of about \$22 billion with offices in 110 countries.

Mr. Hewlett and Mr. Packard spent a great deal of time discussing how their organization should be organized and managed. Both men believed in decentralization from the beginning. Their basic philosophy was to give the responsibility to the level where it would be exercised most effectively--usually at the lowest level of the organization--the level nearest the customer. They pledged that no matter how large the company would become, they would always as a matter of policy try to keep a small company atmosphere. They had always known their employees on a first-name basis and were sure of getting direct and honest feedback on problems. But as the company grew, this kind of direct contact became harder to achieve.

Their approach to many business problems was straightforward. Early on they felt that the best way to get everybody to agree on the company's objectives was to involve everyone in the goal-setting process. They believed that if managers and supervisors were to be guided by these objectives, they should have a part in developing them. At a meeting in Sonoma, Calif., in the late 1950's, they included the managers and supervisors who were to be guided by the proposed objectives and they invited their input. That was an early example of what is still the HP way.

Mr. Packard points out that any organization or group of people that has worked together for a long period develops a philosophy, a set of values and a series of traditions and customs and that these are the guideposts for the company to use in meeting its objectives. In turn, those objectives become the day-to-day guide for decision-making. From the earliest days of their partnership, the founders showed a deep trust in people and this trust led to the formation of decentralized business teams. There was also the willingness to listen to customers and to strive to stay on top of an evolving marketplace.

The HP way has worked. How it works is what this book is all about. There is something both mature and refreshing here. It tells the reader that sound business practices work in any age. Balancing the goals of the company with the realities of the marketplace and the needs of both stockholders and employees is what HP has achieved. It has done this while also producing a series of innovative products, which contributed mightily to business and the country. "The HP Way" should be kept in a corner of every office and den. It's good just to know it's there.

