

Measure

For the men and women of Hewlett-Packard/NOVEMBER 1970

THE IMPORTANCE OF BEING

PROFITABLE

OBJECTIVE: Profit

- Why are profits given such priority?

Why, for example, does Hewlett-Packard place profits first among its seven corporate objectives?

And, in recessionary times, why wouldn't it be okay just to break even rather than cut and cancel and conserve in order to show a profit?

That question is much to the point these days. In cutting back the work schedule earlier this year it was apparent that HP was, in fact attempting to maintain continuity of corporate performance, that is, of profits and growth. So, again, why is that so important?

Looking at that question from outside the company, from the point of view of investors, it's clear that continuity of performance is of key importance. Essentially, it is a matter of confidence, of credibility in the company's continuing growth. The price investors are willing to pay for HP stock is greatly dependent on sustained levels of growth. If they feel certain that the years ahead promise continued growth then they will continue to pay a premium in the form of a high price-to-earnings ratio for their shares. This in turn is of great importance to the investing employee who benefits when the value of his holdings in the company, including retirement funds, closely tracks the company's growth.

Yes, but what about the relationship of profits to the company's inner workings? Is profit really essential to HP's other goals . . . ?

OBJECTIVE: Customers

To serve

Once upon a time a young company decided to venture into business in spite of the competition of a giant who was many hundreds of times larger and more experienced. Moreover, the giant built fine products, strong and sturdy products that were crafted from start to finish by the hands of the individuals who had developed them. In this way, the giant thought, the customers were sure to get the inventor's very best efforts—built just the way he had designed them.

But the young firm asked itself: Why wouldn't customers be even more pleased if they got equally fine products but at prices that reflected the latest advances in technology and production techniques? So it put in an assembly line, kept the inventors busy inventing, and ploughed profits back into the business. Today it's the giant. Not many people remember the old giant.

Why? Because it failed to meet the changing needs of its customers, to grasp the idea that what they really want is *value*. That is, as customers become more sophisticated they're not satisfied with just a good product, but want that product at a reasonable price and with all the services necessary to maintain it.

The young firm's story could well be that of Hewlett-Packard. Since its start in 1939 HP has constantly invested in improved products, manufacturing methods, and services. In the medical field, for example, a number of Hewlett-Packard products in hospitals and clinics have life-dependent roles 24 hours a day. So the company has created a customer-service system that can bring a medical service representative on the scene to make emergency repairs or replacement day or night, every day of the year. Senior medical specialist Bob Federico of the Lexington, Massachusetts, sales office is performing just such service in this view at Metrose-Wakefield Hospital.

Only a company that stands strong in profits can afford to invest in such service.





OBJECTIVE: Fields of interest

To explore

In polling some creative people, a newspaper learned that 27 percent got their best ideas while half asleep, 20 percent during walking or horseback riding, another 20 percent while traveling, 13 percent in church, 7 percent during official dinners, and 13 percent while sitting in front of a fire. It seems safe to assume, therefore, that when an HP inventor is found half asleep on horseback in front of a fire during an official church dinner that he's in the midst of a good idea.

Right, but how does his idea become reality? First, as in the case of HP's entry into the computer field, he had a lot of exploring to do in the lab and with other HP Labs people. Then, together, they had to sell their idea to key people in top management and operations. This was by no means an easy sale, because—while interesting and provocative—it rep-

resented a new field of interest that would obviously require major commitments affecting the whole company.

But, the sale was made. The commitment—in research and development, acquisitions of various talents and patents, facilities, production startup, training of field people and customers, organizational growth—all were financed out of profits from the company's other businesses. Today, without those investments, there would be no Cupertino Division, no Data Products Group, not much of an Automatic Measurement Division, and fewer of the computer-based systems and peripheral products offered by the other divisions. All of these, represented here by Cupertino's Skip Norman testing a 7970 digital tape unit produced by Mountain View Division, are at the fast-growth end of the business, generating a larger and larger share of corporate business.

OBJECTIVE: Growth

To build

Industry's body builders—those businesses, that is, that seem to want to create conglomerated size for its own sake—have had the frosty, frowning finger pointed their way often enough as to be readily identified and damned.

But what about the 98-pound weaklings, the businesses that neglect their growth? Isn't failure to build the facilities and products necessary to serving the needs of customers also something of a sin?

As the fourth Corporate Objective shows, HP has considered the question of size very carefully. And obviously it opts for a flexible point somewhere between those extremes: "... let our growth be limited only by our ability to develop and produce technical products that satisfy real customer needs . . . To remain static would be to lose ground; continuous growth is essential for us to achieve our other objectives."

But all important to this question of growth is its financing. And here, as in the case of the new fourth facility (photos) recently opened at Boeblingen, West Germany, by HP GmbH, the company has chosen to finance growth out of profits in the form of retained earnings whenever it can. In doing this the company seeks to maintain flexibility in managing its own operations, and avoid being boxed-in by a lot of long-term borrowing.

Certainly, the gloomy business news this past year supports the company's approach. Many other companies who decided to leverage their growth through loans now find themselves with greatly reduced flexibility—"liquidity" it is sometimes called. Without the boom they counted on to keep the coffers filled, their loan payments are a constant drain on cash, on profits, and on their plans for growth. In many cases they've had no choice but to cut jobs, eliminate programs, and even sell off bits and pieces of their operation. And for them to get fueled up again will probably take more loans and loan renewals. In HP's view this amounts to borrowing against the future. Why take away from that, if you don't have to?





OBJECTIVE: People

To develop

To Don Dick there's nothing obscure about the relationship of profits to people: "They're spending a lot of time and money in training us," he said. Don was referring to the new Electronic Machinists apprenticeship program conducted in the Manufacturing Division. It will take Don and 14 others three years to complete the first phase of the program, then two more years if they wish to become full journeymen. But the investment is something that Don understands; he gave up a good-paying job as a lumberyard foreman to join HP: "I was 30 years old with no real future—no security, no retirement, no opportunity I could see beyond what I was doing. I took a real cut in pay. But I was looking forward to earning it back later. This program gave me a real goal!"

For its part, the company is very conscious of the value of highly trained and motivated people. In the Bay Area plants alone last year, it invested approximately \$250,000 in employee development and training programs. Don Dick's present assignment, for example, is with one of the big numerically controlled "Milwaukeematic" machines. A \$250,000 investment itself, not including controls, it represents the way more and more machining will be done in the future. For this the company will need men with greater skills in programming and machine management—men such as Don Dick.

OBJECTIVE: Management

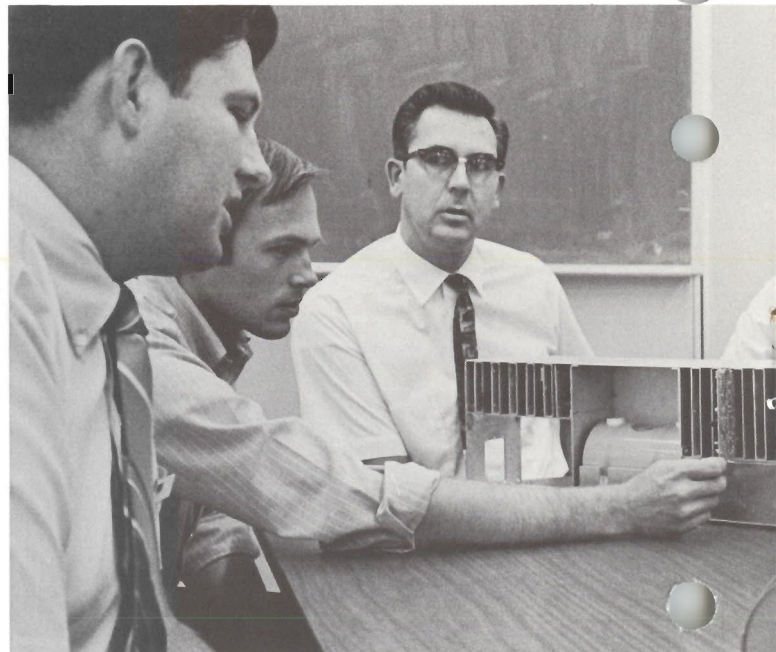
To create

When people ask you, "What business is HP in?" you probably say something about instruments or measurement. The fact is, Hewlett-Packard is a large company made up of many small businesses each built around a product or product line. These business teams or projects are really what HP is mostly about, and it is here that the concept of 'management by objective' is most readily seen.

In effect, when a team is formed around an idea for a new product, the company says to the project people: "To meet the goals you've given us, here are the people and the tools and the place to work. It's your future. Now make it happen!"

One such team, at Santa Clara Division, is that responsible for HP's entry into the race for an aircraft collision-avoidance system. It bases its hopes on a small version of the cesium beam tube that is used in HP's atomic clocks. The little tube is the heart of a system that tells approaching supersonic aircraft just how fast they are closing long before they are visible to each other. The system has been shown to aviation authorities and the airlines, so now it's up to them to make a choice.

Such projects don't fly without sizeable investments behind them, investments which can come only out of profits. The ability to make such investments is invaluable to HP. It is the key in attracting people who wish to contribute through their own initiative and creativity. People such as those on the Frequency Standards team: Jim Shea, Darwin Throne, Lee Bodily, Ron Hyatt, Randy Cornes and Joe Bourdet. And, in HP Labs, scientific contributors such as Len Cutler and Joe Holloway. And that's been the HP story.





OBJECTIVE: Citizenship

To give

Is there a lesson in the fact that many of the world's poorer nations and more arid societies officially frown on private profits? Perhaps they should forget their 19th century economics and take note of some mid-20th century studies that reveal the new social awareness and role of capitalist enterprises. One major study has found that companies with the best profit records also do the best job for their customers, their employees, their shareowners, the communities in which they operate, and the country generally. On the other hand, industries with poor records tend to break down in all categories. The railroads in the U. S. are a classic case here, as evidenced by the recent business disaster at Penn-Central, and the plight of other lines. The textile industry has also been distressed by low profit margins, and this is reflected in the depressed towns dependent on mill activity (poverty begets poverty).

Of course, the question comes up: "Just what is a healthy profit?" Certainly it is not the excessive profiteering that went on in many industries in the bygone days of the railroad barons, the sweat shop, the company town, and the public-be-damned approach of big operators. Nor is it the get-rich-quick attitude of some modern opportunists who are quite willing to sack an industry or the environment in order to satisfy their ambitions.

What is it, then? Hewlett-Packard has set its goal at a pretax-profit of around 20 percent. It feels this level of profit permits the company to do all those things it spells out in its other objectives. Such as contributing substantially to the united community fund, as HP Fund Chairman Don Andres (photo above) did recently in his community on behalf of the employees of Colorado Springs and the company which matched their contributions. It couldn't happen without profits. □





The sun

□ Not many branches of business—not even those along wondrous Wall Street or maddening Madison Avenue—could match global sophistication and savoir-faire with the team in Building 16 of HP's Palo Alto complex.

Even the name of the team—Intercontinental Region, or Intercon—has flair.

What gives it this style? Perhaps it's because the Intercon marketing men put so much time traveling the five continental areas in the region's globe-girdling territory. Their travel itineraries read often like an index to the *National Geographic*. Or maybe it's the variety of languages and nationalities represented so attractively by the office force, particularly the order processing girls pictured above. Each day these girls are in contact with branch offices representing HP in more than 80 countries outside of Europe and the U.S.

This worldwide involvement leads to some interesting personal experiences. Not all of it is scheduled, such as the three revolutions and two wars that Intercon people have had to contend with during the past year. On the Israeli "desk," for example, the order girls say they can tell by the way cables and other communications come through whether

a Mid-East crisis is brewing even before the news is out. For the product managers, there have been near misses in jet hijackings, plus miscellaneous bombing scares and other excitements in the course of travel.

But inside Building 16 itself all is quite routine. At least operations manager George Newman likes to emphasize the idea that Intercon functions in its sales activities just the same as the other HP sales regions: "As far as the manufacturing divisions are concerned, they shouldn't find us any different—basically. Of course, some complications sometimes arise over things like letters of credit and export and import licenses. Or perhaps there's some confusion over the fact that we operate in Canada and Latin America through a subsidiary named HP—Inter-Americas. But this is done solely for tax purposes and doesn't really alter the way we do things."

In spite of these disclaimers, it is clear that life on the sales and order desks of Intercon is far from simple. The complexity arises from the thorny thicket of regulations governing imports and exports around the world, and the problems arising from monetary exchange and even weights and measures.



One important function of Intercon marketing men is working with the independent sales organizations that represent HP in many countries. The reps sometimes make visits of their own to the U.S., as Horace Yalung of Electromex in Manila is doing here. Greeting him in Intercon lobby is electronic product manager Don Wolf, left.

never sets on Intercon

At the Brazilian order desk, for example, Aida Somkuti and Sue Thom have gone to the trouble of preparing a 13-page document detailing the practices and pitfalls of international order processing. The document hints at possible dire consequences—fines, levies, delays and bureaucratic displeasure—of making even innocent errors in the preparation of official papers. A mistake of \$100 in pricing, for example, can bring a fine of \$160—a 160% penalty. Some countries, Brazil among them, will not permit as much as an erasure without a lot of explanation and supporting documentation. As one result of these and other international requirements in the movement of products, Intercon order files tend to put on a lot of bulk far beyond the domestic variety.

Intercon also undertakes some functions not usual to other sales regions. The most obvious of these is the shipping operation conducted in the basement of Building 16. Here, racks and racks of finished products that have come in from the manufacturing divisions are accumulated awaiting overseas shipment. Those destined for YHP in Japan, for example, go out twice a week in special containers that fit into the belly compartment below the passenger deck of Pan Am

747's. Other shipments are usually handled by freight forwarders and go by whatever carrier the customer specifies. This is often dictated by the legal requirements of the customer's country to ship via vessels or aircraft flying the flag of that nation.

What sometimes develops out of these various requirements is a race between the shipping date and the expiration date of the letter of credit. Obviously, no shipment will be made if the letter of credit—a binding agreement to pay—has run out. Moreover, to renew it or in fact to have to go back to the customer and revise the order or any other part of official documentation is expensive and sometimes jeopardizes the order itself.

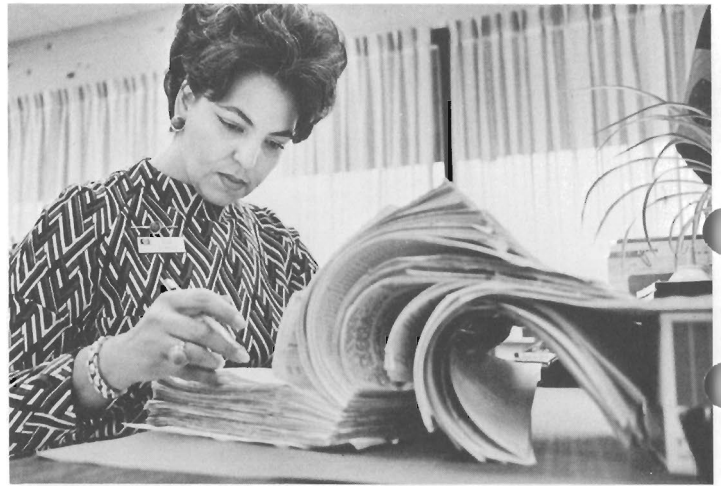
All of this makes Intercon a lively and challenging place to work in. Then add to it the responsibility for YHP, the company's joint venture manufacturing organization in Japan, and for the new core memory and components facility in Singapore, and the package becomes very large as well as interesting. But what adds real spice to the picture is the fact that Intercon is Hewlett-Packard's connection to most of the emerging—or fastest growing—nations of the world. Long may it serve.

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A busy communications room at Intercontinental headquarters in Palo Alto links the various manufacturing divisions with markets in more than 80 countries. Teletypes operated here by (from front) Rose Sarkesian, Mary Harris, Ruth Fourie, and Betty Giaccarini are used in communicating with the divisions; most overseas orders go by high-speed Telex.

intercon



One of the all-time thick order files is examined by Aida Somkuti of the Brazilian desk. Besides having an ability to master such detail, Intercon girls have to be outgoing and develop an understanding of the people and cultures they encounter in their work. According to Aida, most overseas customers find American-style business communications too terse; they can even feel insulted if a cable or TWX omits the salutations and personal flourishes long discarded in the U.S.



Special cargo container for 747 flight to Tokyo is loaded in Intercon basement by Tom Lugone and Dave Fournier. These special consolidated shipments go twice a week to YHP. Last March the department made its biggest single shipment ever—336 cartons of HP gear valued at \$450,000.



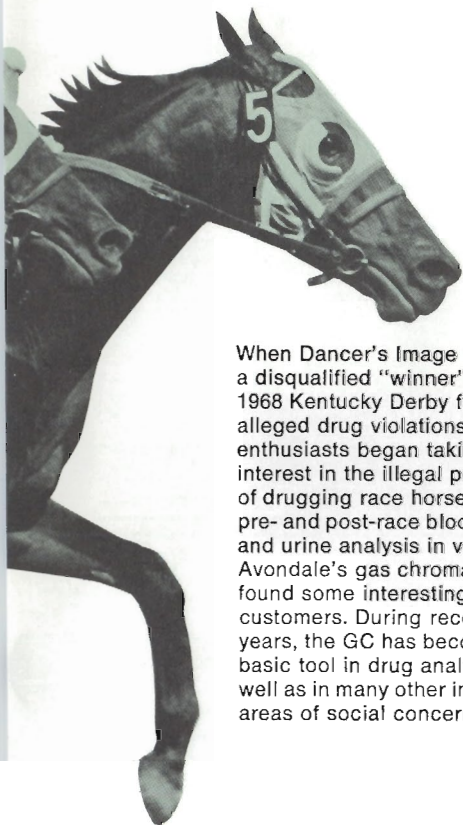
Off and running in Naderland

The hot issues of consumerism, conservation, crime fighting and environmental control are also hot markets for analytical products ...

□ A couple of years ago, Avondale's Emery Rogers noted how certain trends and forces in society favored an optimistic outlook for analytical products. Gas chromatography, previously the esoteric tool of chemical specialists, would become a vital weapon on a variety of fronts. How right he was. Avondale of late has been challenged to keep up with the new demands occasioned by worldwide programs in drug control, crime fighting, ecology and environmental studies, pesticide analysis, waste disposal, and the many forms of "consumerism." Not only have these issues been good for business but also for some interesting involvement:

(continued)

off and running



When Dancer's Image became a disqualified "winner" of the 1968 Kentucky Derby for alleged drug violations, racing enthusiasts began taking keen interest in the illegal practice of drugging race horses. With pre- and post-race blood, saliva and urine analysis in vogue, Avondale's gas chromatograph found some interesting new customers. During recent years, the GC has become a basic tool in drug analysis, as well as in many other important areas of social concern.

DRUGS: Perhaps the hottest new application for Avondale's bread-and-butter instrument, the gas chromatograph, is in drug analysis, brought on mainly by alarming increases in drug abuse. In hospitals and medical clinics, GCs help doctors identify overdose cases and quickly take corrective measures. Lately, they've become instrumental in treatment and rehabilitation of drug addicts. Methodone clinics, for example, have sprung up in many cities. These substitute a synthetic narcotic called "methodone" for other drugs—notably heroin—to relieve addicts' craving. Chromatography is utilized to tell doctors whether or not patients are cheating by supplementing their methodone dosages with hard drugs.

ECOLOGY: GCs are playing an important role in the studies and control of pesticides and insecticides. They're used in analysis of soils, farm crops, poultry and livestock, helping to determine the length of time chemicals remain in the soil and the amount of residue absorbed by crops, chickens, and beef cattle consumed by humans.

In a follow-up process, HP gas chromatographs are used to monitor the airtightness of food packages. Surpris-



The heart of the matter

In analyzing complex chemicals, how does an HP gas chromatograph achieve parts-per-million precision?

The basic components of a GC are an inert carrier gas (mobile phase), the separating column, a detecting device, and the data display. The column can be metal or glass tubing of varying diameters, usually from 1/16" to 1/4" O.D. The column contains a mixture (called a "stationary phase") consisting of a chemical ("liquid phase") impregnated on an inert supporting material ("solid support") such as diatomites. In the photograph, Avondale's Mae Phipps pours a mixture (more than 1,000 variations are available) into an uncoiled column, while Pearl Jordan taps it to help settle the mix evenly through the tube.

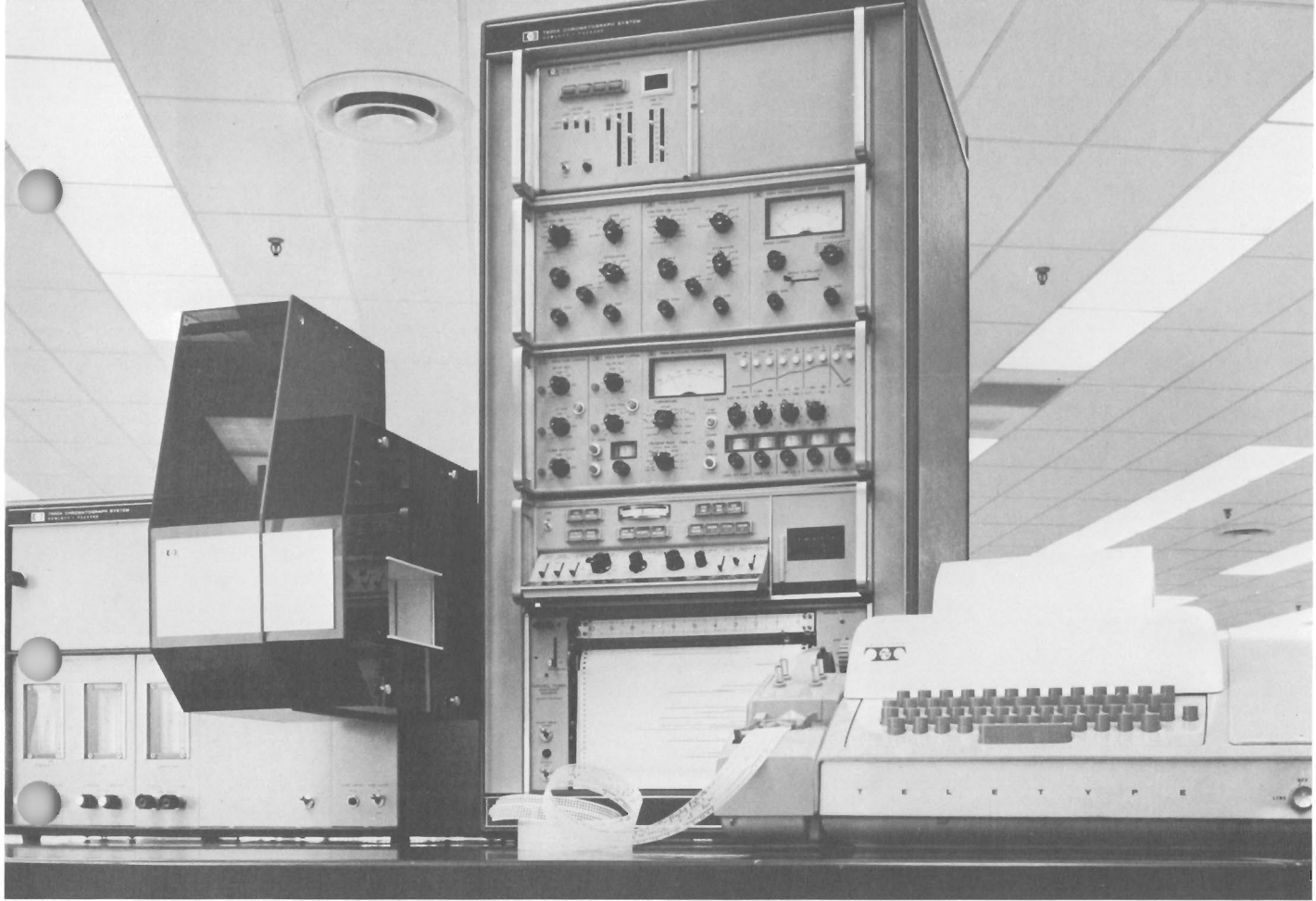
The customer begins the analytical process by injecting a sample of the

study material into the GC. The sample can be a liquid, solid, or a gas. If it is liquid or solid, however, it must first be volatilized into a gas by the GC oven. This gas is then transported by the carrier gas, such as helium or argon, into the column. Here the process of separation takes place in a series of partitions within the sample. Each partition represents the degree of affinity of the sample gas for the liquid phase chemical. Those components of the sample with the least affinity move through the column first and fastest—like a teetotaler hurrying along nightclub row. The high-affinity components—like the guy out on the town—take their time and make stops all along the way. Then, as each separated chemical enters the detector, some physical or chemical property is measured. The detector's response is monitored on a potentiometric recorder. As each peak appears, the analyst knows that one or more components of the sample has traveled through the column and that separation has been achieved.

By knowing the travel time of unknown components through the column from injection to appearance of the peak on the recorder ("retention time"), the analyst obtains qualitative information about the sample. The area under the peak can be directly related to the quantity of material present—down to traces in the millionths and even billionths of a gram.

ingly, even the minute amounts of solvent in printing inks that may be transferred directly to food within the package can be detected through GC analysis.

ENVIRONMENT: Another new application arises as environmental standards, where the setting of standards is essential. To come up with realistic limits, however, government experts have first had to begin by discovering and isolating the harmful pollutants and determining both their concentration levels and environmental effect. They've often called upon gas chromatographs to make those stringent measurements. These are now embodied in much of today's environmental control legislation and pending proposals. Since much of this legislation is being directed at industry,—to reduce their chemical discharges into air and water—Avondale is keying on the industrial applications market. One HP analytical field engineer reports that—simply by checking his new customer list for GCs—he could trace the path of a government water-pollution inspection team which had visited companies along the "muddy" Mississippi River. In the lumber-rich states of the Great Northwest, paper and pulp mills have gone beyond just analyzing their everyday



GC capabilities have increased as much as its growing number of applications areas. When combined with a Loveland-developed 3370A digital integrator, a San Diego strip-chart recorder and Avondale's own automatic liquid sampler, the result is the 7600A Gas Chromatograph System. As with other HP automatic systems, the 7600 is both a time and work saver for users. Unattended, it can automatically analyze up to 36 samples and accumulate results overnight or over the weekend.

chemical discharges. Now they even examine raw wood to assure that its natural sugar content and other chemicals don't reach local fish in harmful amounts. One New York research lab has an HP GC at work in studies concerning pollution created by organo-mercury compounds.

Air pollution fighters are taking similar approaches. In California, for example, one state board uses an HP gas chromatograph to measure the amounts of carbon monoxide and other hydrocarbons in automobile exhaust. The board's findings have been one factor contributing to California's tough auto pollution standards to be initiated over the next few years. Automobile manufacturers in Detroit, mindful of stricter standards nationally, have purchased a number of Hewlett-Packard GC systems as aids in developing more efficient smog control devices. Many county and district air pollution control boards have become good Avondale customers for the same reasons.

CRIME: One important use of GCs by crime labs has been to help compile more accurate and detailed autopsy reports. Additionally, GCs have become important tools in crime detection, used for analysis in drunk driving and arson

cases; they've even been used to analyze paint chips obtained at hit-and-run accident scenes.

CONSUMERISM: Gas chromatographs are found in an almost infinite variety of industrial firms, doing work in quality control, testing and new product development operations. Cosmetic companies analyze perfumes and hair sprays for alcohol content. Distilleries are working to eliminate the "hangover" by minimizing the amounts of fusel oils in brandies and other spirits. The incursions of Ralph Nader and his "Raiders" have inspired quite a few other industries to examine their products and processes more carefully, employing gas chromatography in many cases.

In medicine, GCs are being used in research involving birth control pills, cyclamates and sterilizing agents. Cigarette companies—and government agencies—use them to measure tar and nicotine percentages. Food processors examine their products for purity and even for flavoring so that "good taste" elements can be maximized.

New and more sensitive techniques of analysis are in advanced stages of development by HP, both at Avondale and in the Scientific Instruments organization in Palo Alto—powerful tools for the "now" world of the future. □

News in brief

Palo Alto — Two important changes have occurred in the U.S. field marketing organization. At the Midwest Sales Region, Frank Waterfall has announced his resignation as general manager in order to pursue other interests. Jim Arthur, most recently electronic sales manager for the Neely/Western Sales Region, has been named to the Midwest post.

At Atlanta, Southern Sales Region general manager John Bivins has announced his retirement to his native North Carolina. Dave Caldwell, who has been administrative manager for the Southern Region even since the Bivins-Caldwell organization became part of HP, has assumed the general manager's responsibilities. Don Kurtzahn succeeds Caldwell as administrative manager.

Palo Alto — The company has announced plans to establish a manufacturing operation in Grenoble, France, subject to approval by the

French Ministry of Finance.

A 45-acre site will be purchased from the City of Grenoble for gradual development into a major manufacturing and research facility. The first unit is expected to be a 65,000-square-foot plant employing about 300 people. No construction schedules have been set, but President Bill Hewlett said he expects the first unit to be built within the next two years.

"Our long-range plans call for a complex of some 600,000 square feet that will eventually employ up to 3,000 people. This will be accomplished slowly, however, with plant additions being made only as they are needed. Our decision to acquire a third manufacturing site in Europe is dictated by the substantial, continuing growth of our European markets," Hewlett said. "European sales have more than doubled in the past three years and now amount to nearly \$100 million annually. France, with its broad technological

and industrial base, has been a major contributor to this growth."

Grenoble, in southeastern France, is one of the country's principal cities, with a population of some 250,000. It was the site of the 1968 Winter Olympics. The land to be purchased by Hewlett-Packard is adjacent to the Olympic Village.

Denver — The Model 3800 Distance Meter, representing Hewlett-Packard's entry into the surveying instrument field, has been placed on the market. As described in the June-July issue of *Measure*, the new low-cost instrument uses an invisible beam of infra-red light to accurately measure distances up to two miles. Costing less than \$5000, the Model 3800 is designed for use in surveying and photogrammetric control, and can measure a distance accurately to within one-half inch per mile. Initial deliveries of the Loveland Division product will begin in January.

People on the move

Corporate — Dave Bylund, to materials management systems programmer, computer development, from same position, Colorado Springs; Curt Deloney, to accountant, finance, from same position, Microwave accounting; Eric Isacson, to planning staff, EPG/manager and staff, from same position, corporate/planning and development; Edgar Oliver, to accountant, finance, from same position, Neely, Palo Alto; Dick Payne, to materials staff, corporate materials management, from same position, Microwave materials; Kent Stockwell, to member, technical staff, HP Labs/Electronic Research Lab, from same position, Microwave/Computer Techniques R&D; Fred Waldron, to product training group leader, corporate training, from product manager, marketing, Cupertino.

Data Products Group

Cupertino — Reed Hilliard, to product training staff, marketing, from same position, corporate training.

Electronic Products Group

Automatic Measurement — Glen Suth, service engineer, ATS, from same position, Scientific Instruments.

Loveland — Arnold Joslin, to industrial designer, from same position, corporate industrial design; Jim Plumb, to supervisor of special handling, from manufacturing engineering.

Microwave — Dave Ford, to marketing staff, marketing, from same position, import marketing, International.

New Jersey — Don Frank, to manufacturing specification engineer, from documentation supervisor; Dan Terpack, to marketing manager, from accounts manager, Lexington.

Santa Clara — Richard Watts, to sales engineer, from same position, International.

International

Joe Barr, to managing director, HP Singapore, from International, Palo Alto; Leonardo Cardenas, to business manager, HP Mexico, from Xerox de Mexico; Richard Horner, to foreign assignment, HP Taiwan, from Customer Service Center; Karl Schwarz, to manager, new business development, from foreign assignment, YHP; Charles Williams, to foreign assignment, HP Geneva, from HP Stockholm; David Yewell, to foreign assignment, HP GmbH, from San Diego Division. Sergio Flores, to administrative staff, Intercontinental Sales Region, from business manager, HP Mexico; Barry Spieler, to systems analyst, Intercontinental Sales Region, from Bay Area EDP Center.

Sales Regions

Neely — Bob Payne, to sales engineer, North Hollywood, from same position, import marketing, International.

Southern — Jim Barton, to district systems manager, from district manager/Dallas West; Alan Blackwood, to systems field engineer, High Point, from electronic field engineer, Dallas; Darwin Chapman, to components field engineer, from electronic field engineer, Orlando; Paul Chestnut, to information services manager, from accountant, Atlanta Region; Gene Cline, to administrative manager, from staff engineer, Orlando; Gary Feldpausch, to staff engineer, Richmond, from marketing trainee, Atlanta; Ralph Godfrey, to systems field engineer, from electronic field engineer, Huntsville; Niles Howard, to regional administrative assist-

ant, from invoicing manager, Atlanta; Milo Kincaid, to accounting, from messenger, Atlanta Region; Del Kitten-dorf, to systems/system analyst, from data products field engineer, Orlando; Bill Lovelace, to electronic field manager, from electronic field engineer, Dallas; Gene Marcum, to systems senior field engineer, from electronic senior field engineer, Dallas; Gene Mason, to systems field engineer, from data products field engineer, Dallas; Marvin McAnnally, to calculator field engineer, from systems field engineer, Huntsville; Bruce Myers, to Atlanta/Florida medical sales manager, from regional medical manager; Harold Norman, to regional sales manager/medical, from recruiting and training manager, Atlanta; Boyd Orr, to regional sales manager/instruments, from regional sales manager/operations "A," Atlanta; Frank Price, to systems field engineer, from district data products field engineer, Atlanta; Gerald Priebe, to digital signal analyst, Atlanta/Florida field engineer, from digital analysis specialist, Atlanta; Mike Rapp, to staff engineer, Orlando, from marketing trainee, Atlanta; Lee Rhoads, to electronic field engineer, from staff engineer, Huntsville; Bob Rogers, to regional sales manager/systems, from regional sales manager/electronic "B," Atlanta; Bob Sandefer, to Dallas area manager, from district manager/Dallas East; Paul Stein, to systems field engineer, from electronic field engineer, Dallas; Gene Stiles, to regional electronic sales manager, Atlanta, from area manager, Dallas; George Tahu, to electronic field manager, from electronic field engineer, Dallas; Ron Tate, to electronic field engineer, from staff engineer, Orlando; Al Threlfall, to electronic field engineer, from calculator field engineer, Huntsville.

From the president's desk

During the early part of this year it became evident that our ability to produce exceeded the incoming order rate for a number of our divisions. With the hope that the condition was temporary, we delayed taking any action at that time and allowed a substantial increase in inventory and reduction of backlog to occur. By July it became clear that there were no prospects for an increase in the order rate, and even though most domestic divisions had stripped down to a team of efficient, reliable people, it was obviously necessary to bring production more into line with the current order rate. In general, this gap represented about 10 percent of production. The alternative courses of action were to either have a 10 percent layoff or to work out some method whereby the work reduction could be shared on a more equitable basis among all employees. The latter course of action seemed far more in keeping with HP's tradition and it represented a much more understanding way to resolve what appeared to be a relatively temporary problem. It was for these reasons that the plan of taking every other Friday off without pay was instituted.

As we have now come to the end of our fiscal year and have returned to a full work week, I felt that it might be of value to review in perspective the results of this program in which most of you shared. At the time the plan was instituted, there were about 10,000 people employed in the divisions involved, in the field marketing organization, and in the headquarters office in Palo Alto. Thus to bring our employment to line with orders, we would have had to lay off about 1,000 people. Let us look at what has happened in the interim. To date we have had an attrition of about 525 people and have been able to achieve interdivisional transfers of another 125 people. We have been able to effect some small reduction in our inventory position. During this period our backlog has improved slightly. As a result of these factors, our borrowings have decreased about \$12 million and we have not had to spend about \$3 million in wages and salaries. Of this latter amount, slightly more than 20% will be paid back to employees in cash and deferred profit sharing. Approximately 43% will be paid out in taxes to the Government and the remainder of slightly more than \$1 million has served to bolster what otherwise would have been a very poor earnings record for the final quarter of our fiscal year.

We are not, however, out of the woods, as order rates are still below our ability to produce with a full-time work force. Rather than continue the alternate Friday off program with its options of a long weekend, that was attractive during the summer months, it appeared more desirable to concentrate an equivalent number of days (four) between Christmas and New Years—a period during which production and orders have been traditionally slow, as well as a period when such time off could be effectively used by our employees and their families. Further, at our present rate of attrition and internal transfers, we should be in balance between production and orders if the present order rate does not further deteriorate. In considering the relative impact of this work reduction program during the past four months as well as the forthcoming period between Christmas and New Years, it seemed appropriate to spread profit sharing among all employees on the basis of full-time wages and salaries, rather than on the 10% reduced base.

One final word, and that is to express my appreciation to all of you who so willingly shared this work reduction program so that one in ten of your fellow employees might continue to work rather than enter the job market during a period of high unemployment. We have had many favorable comments from the outside about this program and the acceptance and cooperation by HP people that made it effective.



Bill Hewlett

Alfonso Pereyra (right), HPIA field engineer, and Mario Beauchamp, San Juan Electronics, en route to demo a spectrum analyzer in the Virgin Islands:

"No señores, my little friend is not just Numero Uno. He's the only uno!"

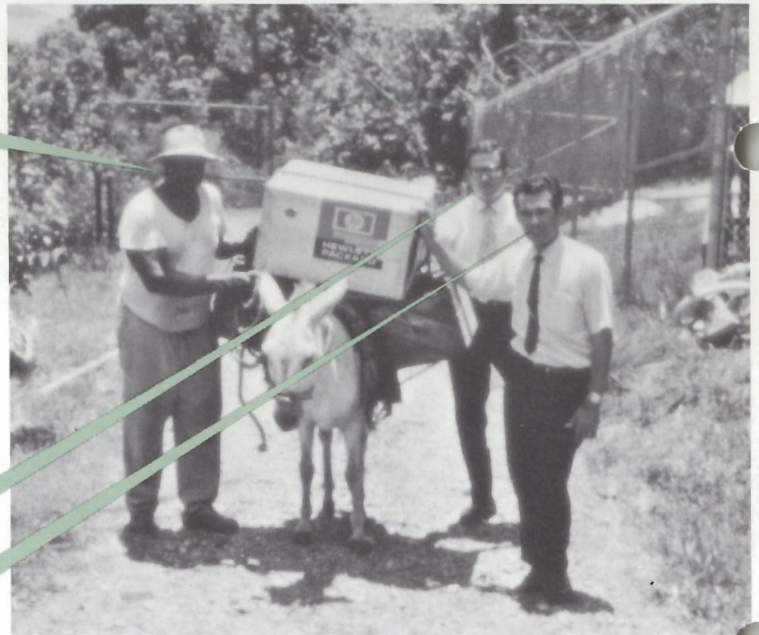
"Alfonso, do you think he will accept a credit card?"

"Cantina, señores? What cantina?"

"I'm sorry, Alfonso. To me, the name Hertz has always meant Heinrich Rudolph Hertz, the immortal physicist who proved the existence of radio waves . . ."

"I must say, Alfonso, there really are times when videotape would be a great substitute for on-site demos."

"Mario, what power cord?"



Pick-a-caption

Howard Rathbun, data products salesman of HP Norge, braving the rigors of a Norwegian winter to reach a calculator customer somewhere near the Arctic Circle:

"Where did she pack the akvavit?"

"Now, if I could only find the road maybe I could find the hotel!"

"Retirement! Not for this horse! Not unless you make it Florida on full hay!"

"Neither snow nor ice nor balky beast will stay me from the swift completion of my appointed quota."

"The HP recruiter told me that selling was an adventure. But this is ridiculous . . ."

"He just sits back there wrapped in robes and rugs, laughing and singing and giving orders. Personally, I'm cold up to *here*!"



Measure

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