

## Employment trends



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# Measure

For the men and women of Hewlett-Packard / MARCH 1977



# Employment stability:

A basic HP goal is put to the test again—and again...



□ While the headlines have told of layoffs and unemployment elsewhere, HP people have generally felt secure in the knowledge that if they performed well, their jobs wouldn't be pulled out from under them. There have never been any iron-clad guarantees — just a genuine concern for people, as expressed in HP's objectives and policies.

At a recent service awards luncheon in Palo Alto, President Bill Hewlett, addressing employees with over 25 years of service, estimated that half the people who worked at HP 25 years ago are still with the company. It's a good place to build a career, those people insist, and few other firms can point to so loyal a work force.

But what of the other side of the coin — assuming we all want to hold onto our jobs, how is HP able to manage its employment situation so as to avoid sharp ups and downs?

Again, it's concern for people, translated into policies that help HP maintain employment stability.

Frank Cavier, retired vice president and one of the original HP directors, recalled a landmark decision, early in the company's history, to turn down the offer of a \$7 million contract. "To accomplish that sort of thing," Frank explained, "would have meant hiring a lot of people, and later firing them at the end of the contract. In thinking about this, it was clear that it would affect not only the temporary people but also those who were permanent.

They would know that any time we saw an opportunity to make money we would grab it regardless of the results on people. Instead, the philosophy has been that when you come to work at HP we hope we are offering you a permanent job."

That decision, and others like it, firmly established HP's pay-as-you-go policy toward growth — "to grow only as fast as we can with our own generated earnings and make every job we create a permanent one," as Chairman Dave Packard expressed it in an interview a few years ago. "I was influenced by looking at the aerospace industry where, if one company got a contract, all the good aerospace engineers would work for that company and, if another company got a contract, they would go there and work. To me that didn't seem like a very good way of running a show, and it still doesn't."

It wasn't until mid-1970 that the company faced the first serious threat to its stable employment situation. The U.S. economy had taken a sharp turn for the worse, and the incoming order rate fell far short of HP's ability to produce. The order backlog declined and inventory rose dramatically. Rumors of layoffs were heard for the first time in the company's history.

But, as in other decisions, when it became clear that production would have to be cut by ten percent, "the HP way" was to do it with a measure of compassion. Nobody was laid off, no jobs were lost, but U.S. employees on the corporate staff and in the divisions affected stayed home every other Friday, in effect losing ten percent of their pay. Everyone shared in the hard times as they had in the good.

The alternative, as President Bill Hewlett explained it at the time, would not have been very HP-like: "The traditional way of dealing with this would simply be to lay off ten percent of the people. But I don't feel that would be a very fair way. Certainly it is not in keeping with the philosophy under which HP

has operated for many years. In our profit-sharing plan, for example, we recognize that all our people are considered equal participants in the success of the corporation. So it is consistent with this policy of looking on the company as a team that we do not solve our problems by taking them out on the people in the lower pay brackets."

HP people seemed to accept the situation cheerfully. Some said they enjoyed the long weekends even though they had to pull in their belts a little. By the end of the year the order rate was up again, everyone returned to a normal work schedule, and HP had ridden out the crisis without losing a lot of good, trained people that would have to be replaced.

Since that experience, the same approach has worked well in Southeast Asia. Tom Lauhon, former managing director of HP-SEA, described the situation HP faced in Singapore during a severe economic crisis in 1974: "We had about 25 percent excess production capacity, which represented about 500 people. We had gotten to this point over a period of five or six months, and we had been sustaining this by informally having department managers, on a rotational basis, send people home with pay because we just didn't have enough for them to do.

"Rather than lay people off, or 're-trench' as they call it there, I proposed to the government and the Singapore Industrial Labor Organization that we try the HP approach of modifying the work week. It was totally different from what other companies were doing. One company, for instance, simply fired 500 people at three o'clock on a Friday afternoon, and there were about 20,000 people laid off in a manner very similar to that.

"We went on a four-day week with everyone losing one day's pay per week, and continued this 20 percent work reduction for about four months. Vacation, sick leave, all the benefits related to hours of work were continued as if the employees

*(continued)*



## Employment stability

In the post-war years and the early fifties, HP would do general maintenance whenever business was slow. During a downturn in 1954, the profit-sharing percentage declined but all employees were kept on the payroll. According to 30-year HP veteran Ed King, however, there was a limit to general maintenance: "The machines in the shop had been painted so many times we almost had to chip the paint off to paint them again."

were working full time. After about four months the order picture was up again and everyone went back to full-time.

"It's interesting that after the government and SILO accepted our proposal, they started suggesting to other companies wanting to retrench that they try the HP approach."

Some product lines are more vulnerable than others to the ups and downs of the business cycle, making employment requirements difficult to predict. Orders for handheld calculators, for instance, tend to fluctuate along with the general economy and the buying habits of consumers.

When calculators were produced in the Bay Area, people were sometimes "borrowed" from other divisions to boost production capacity, according to Crawford Beveridge, Corvallis personnel manager. Now, isolated as it is from other HP facilities, Corvallis Division has established its own "temps" agency to supply temporary, part-time or swing-shift personnel as needed. "We have about 45 people we can call on," Crawford said. "There are really two groups — one of Oregon State University students and the other made up of unemployed people who have applied for permanent HP jobs but are willing to work on a temporary basis."

The division's move to Corvallis, which is still in progress, threatened HP's employment stability in another way — on a much larger scale — in the Cupertino



area. It was planned that HP would move only a small cadre and fill most of the division's employment requirements by hiring in Oregon. While that commitment was made to the Corvallis community, the company also recognized that it had an even greater commitment to the nearly 600 HP people who would remain in the Bay Area. But placing that many people in comparable jobs in other HP divisions turned out to be an enormous challenge.

Bob Olson, who was put in charge of APD's Cupertino operations, set out to learn all he could about what to expect. "We talked to people in Santa Rosa to find out what their experience had been. When they moved the Tech Center, which was

part of the former Microwave Division, they placed 165 people in a period of 18 months."

A small number by comparison. In fact, nothing HP had ever experienced could have prepared Advanced Products Division for the task of placing 575 people within one year in the midst of an economic recession.

"We wrote up a clear set of guidelines for every employee to read," Bob said. "We felt we couldn't just fly by the seat of our pants without creating a lot of confusion. We held a series of meetings — 24 meetings in all — to go over the guidelines and answer questions. These guidelines were also reviewed with every





Yokogawa-Hewlett-Packard, HP's joint venture in Japan, experienced a sudden drop in business volume when the energy crisis hit in 1974. It was typical of the Japanese character that YHP people cheerfully accepted a number of sacrifices. Managers took salary cuts, free refreshments were eliminated, cars were shared and bonuses deferred. No jobs were lost.

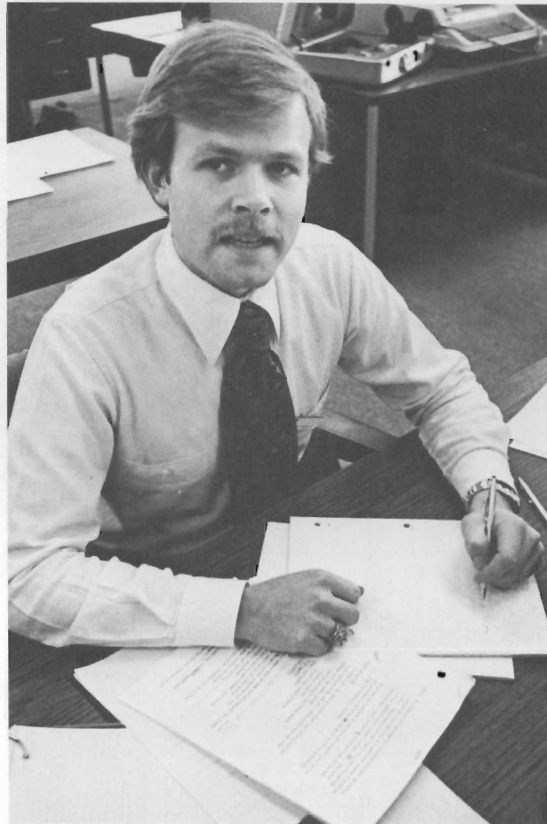
Bay Area division prior to starting the program.”

The company's commitment was clearly spelled out: Every effort would be made to see that HP people received job offers that matched their capabilities and interests. Nobody would receive a cut in pay, whatever job they took. And nobody would be considered so important to APD as it phased out operations in Cupertino that he or she couldn't accept another job offer at any time.

The guidelines also explained the procedure wherein each employee is notified at least sixty days before his or her responsibilities end, and from that point on the employee is given priority over any other applicant in any division. If the “placement” date arrives and no job offer has been accepted, then special efforts are made to find an opening for that person. “The employee can turn down any job offer up until the time he or she runs out of work,” Bob explained. “If the employee has no more work to do, that person must accept the next offer made. So far this has happened in only a few cases.”

With the cooperation of all Bay Area divisions, 445 of the original 575 people had been placed in the first seven months of the program. “All the divisions have done a great job,” Bob said. “Santa Clara Division has absorbed the most — they've done an outstanding job of hiring our people.”

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Chip Marler had been with APD's finance department less than a year when he was offered the chance to move to Corvallis. He declined because he wanted to stay in the Bay Area, and immediately started getting job offers from other divisions. “When I interviewed for the first one I knew it wasn't the job I wanted, but I really had to think hard about it because I wasn't sure any others would come along. But I ended up with some other offers, and I accepted a job at Computer Systems Group that I'm really happy with. I also learned a lot about the company and met a lot of people in the interview process, so the whole thing was a very pleasant experience.”



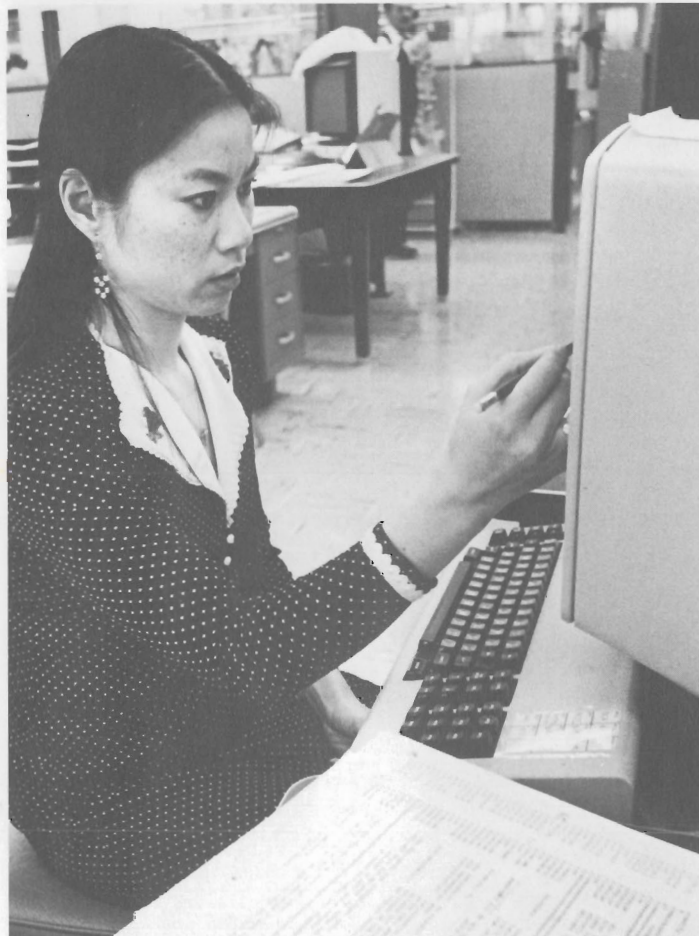
## Employment stability

As tough as it may have seemed at times, the program has been highly successful. And it has demonstrated HP's commitment to its people in a way that nothing else could, by showing to what lengths HP will go to honor that commitment.

This is not to say that HP will never be forced to reduce its employment, but the goal of maintaining a permanent, stable working population has a profound effect on the way HP conducts its business. "We have a good team," Bill Hewlett said in announcing the modified work schedule in the 1970 recession. "It is exactly for this reason that I don't want to lose any of its members."



Claudia Carter was a receptionist at Advanced Products Division, and transferred to Optoelectronics Division as a personnel clerk when APD was gradually moving its operations to Corvallis, Oregon. "I have to commute about ten miles farther, so it wasn't a completely satisfactory change, but the job I'm in now is super," Claudia said. "I think the whole move worked out very well."



Mary Lee had transferred to APD a few years ago when some Palo Alto operations were moved to Santa Rosa. She feels APD repeated many mistakes made then, and that APD people felt abandoned in the rush to move the division to Corvallis. "There was a lack of communication between supervisors, the personnel office and the people being relocated," Mary told us from her new work location in Corporate EDP. "At first they emphasized that they would try to place us in comparable jobs. But toward the end, when the jobs weren't forthcoming and people were getting nervous, the attitude started changing and we were told that, after all, some other companies would simply have handed us pink slips."





## Now they're cooking with less gas...

□ For hundreds of thousands of businesses throughout large areas of North America, the recent cold-weather fuel crunch was at least a very sobering experience, if not a disaster. Even Hewlett-Packard was not unaffected, with sales offices temporarily closed in Ohio and Pennsylvania, and field engineers stalled by snow and customer closings.

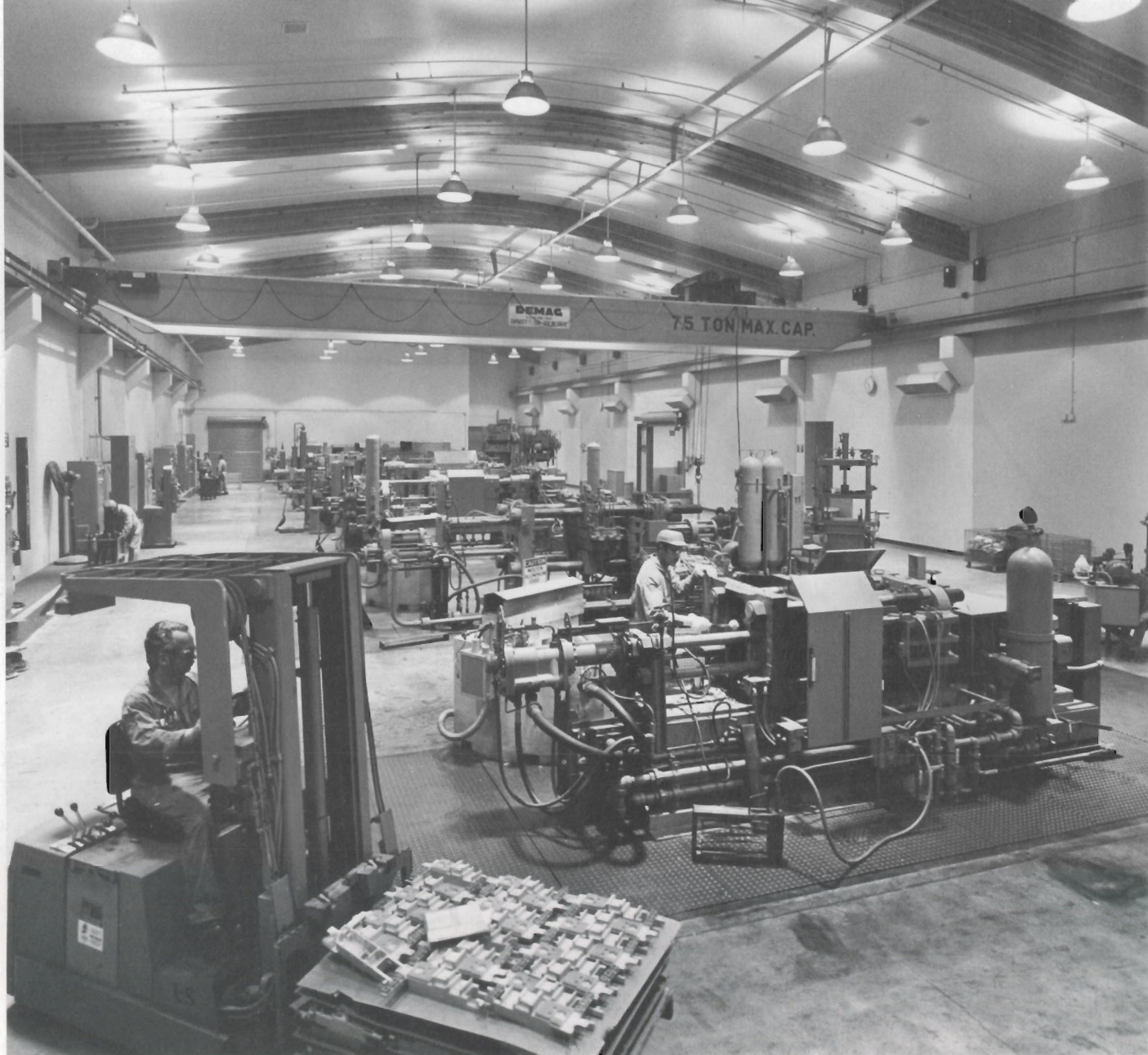
One business better prepared for the emergency than most was Sambo's Restaurants, Inc. and its 730 restaurants in 40 states. They've been doing something significant about fuel and energy conservation since 1973. A three-phase program started then included immediate and practicable economies such as turning heat down and using low-wattage light bulbs, as well as longer-range efforts such as installing insulation and thermopane

glass. Finally, it launched an R&D program involving solar panels, heat-reclamation, and use of ambient air in air-conditioning systems.

The U.S. Energy Research and Development Agency (ERDA) became interested — logically, since the food industry consumes an estimated 12 percent of the nation's total energy output. Combining forces, the two organizations decided to run full-scale tests at a restaurant (operated under Sambo's "Jolly Tiger" name) to be built near Albany, New York.

Central to this testing is an HP 3050B data acquisition system selected by researchers from the Atmospheric Science Research Center of the State University of New York who were given responsibility for data collection and analysis. Virtually everything that affects heating, ventilating and air conditioning in the Jolly Tiger is monitored by 175 sensors and transducers linked to the 3050B. The system is programmed to translate energy usage into dollars and cents at any given time — certainly an important dimension. The greater dimension, though, will be the lessons learned in raw-energy savings on behalf of the restaurant industry and other segments of the modern economy. □





## Look what's happened to Manufacturing Division!!!

□ You just might begin by viewing the new HP die-casting shop and metal fabrication facilities pictured on these pages. They are part of an extensive upgrading by Manufacturing Division completed recently at the Palo Alto site, following significant changes made previously in its other facilities. Overall, says general manager Jim Ferrell, Manufacturing Division is a tremendous resource for the whole company, made up not only of excellent new facilities but more importantly of highly skilled and dedicated people.



*New die-casting facility is believed to be the most modern, efficient and comfortable of its kind. Part of the metal-finishing group, it produces all of the precision die-cast frames and structural members used in the company's new instrument cabinet program. Air curtains supply fresh air to operators. Scrap metal falls through holes under machines onto conveyor belt which takes it directly to recycling. Shown are Danny Tavares, lead, driving the forklift, and Bill Alexander operating the die-casting machine in foreground.*



*Many of Manufacturing Division's end products have their beginning in the tool and die department whose mission is to turn the HP designer's intentions into hardware — tools, molds and prototypes. Staffed with highly skilled people and equipped with a complete range of tools, the department offers state-of-the-art precision. A worthy representative is Wally Murtimer, a veteran HP tool and die maker, shown producing a plastic-molding core block on a universal vertical milling machine. Quality of work is constantly reviewed. QA inspector Bal Martinez checks dimensions of drill holes in a small part by displaying them on the comparator screen which gives up to 100-times magnification.*

The division's role is two-fold. One is to produce those parts and components used commonly throughout the corporation. For the most part these include exterior "appearance" items such as modular cabinet structures and front-panel components. Another is to produce unique parts for client division products, using manufacturing processes that are currently more cost effective on a centralized basis.

However, as those processes grow, so does the Manufacturing Division's responsibility change. It then becomes one of providing the expertise and some of the key people and machines to help set up the process facilities in the appropriate

product division. An example of this change was the successful decentralization of sheet metal and machine shops to Santa Rosa, Santa Clara and Stanford Park divisions. It continues with the move of a portion of plastic molding to Corvallis.

In the course of this decentralization, Manufacturing Division has transferred well over 1,500 employees to the various divisions. The success of these "alumni" and the strengthening of manufacturing capabilities that they've brought about are real sources of pride for Manufacturing Division people.

The current 800 people plus products and process are — or soon will be —

located in three main clusters of related activities. These include the printed circuit program in the totally redesigned Building 15; the transformers, cables, and common cabinets and products program at the new leased Palo Alto "harbor" site; and the metal fabrication and plastic molding activities in new, or newly refurbished, buildings at 395 Page Mill Road (the tool and die shop now in 6L will join them there soon).

The result of all the new buildings and the moves to align these related activities, according to Ferrell, is that the Manufacturing Division is in excellent shape to

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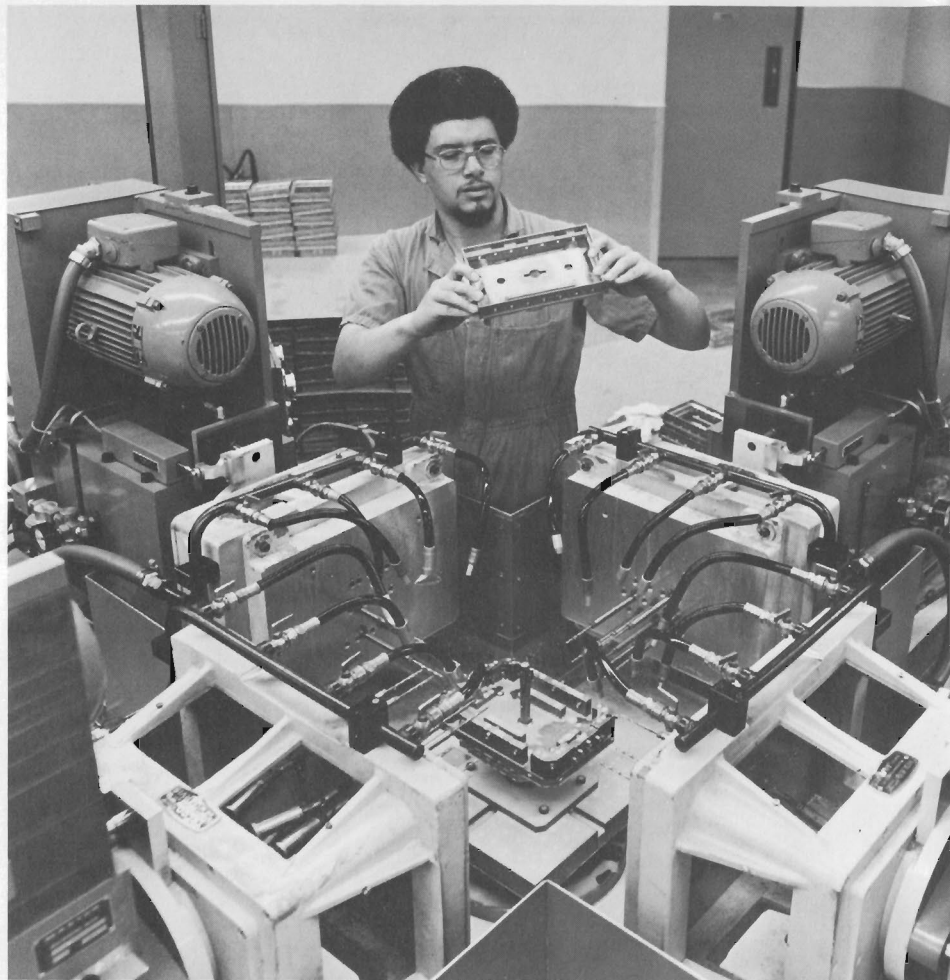


## Manufacturing Division

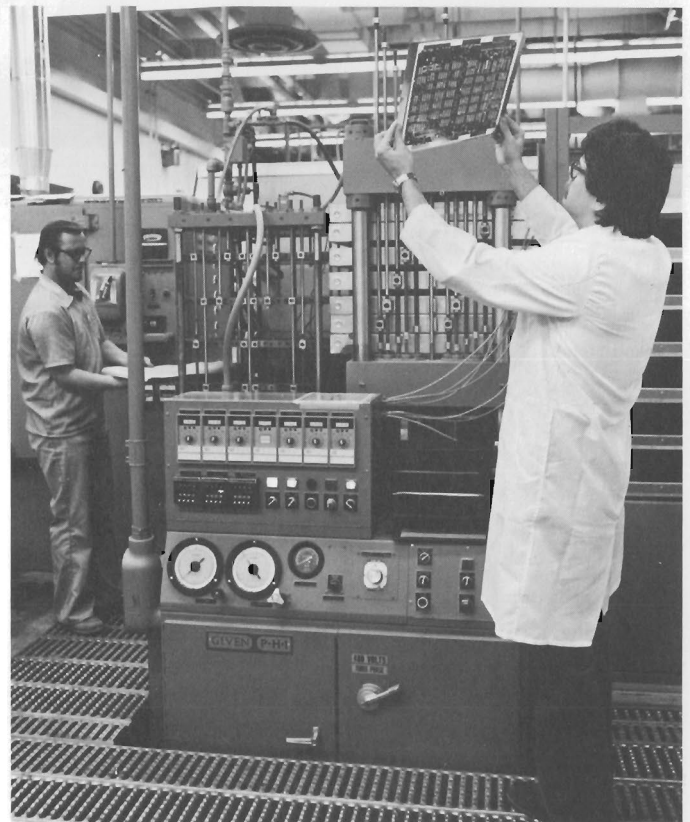
take maximum advantage of these manufacturing resources.

Last year the division produced \$28 million worth of parts and components for the company. It produced those parts for \$1.8 million less than planned which promptly went back to product divisions in the form of a rebate. Says Ferrell, "We're quite competitive with outside sources, especially when you take the full range of our capabilities and services into account. We'd especially like all HP product designers to know more about us."

Here, then, a pictorial introduction to the Manufacturing Division:



*Printed circuits produced by Manufacturing Division have consistently improved in quality and yield, while coming down in cost during recent years. These result from the substantial investments made in special facilities and processes in Building 15. Recently, the department has been tackling the fabrication of 12-layer boards. Rich Doney, supervisor of the multi-layer area, inspects a 4-layer board (used in HP 3000-II computer systems), while operator Claude Miyasato unloads boards from the cold press.*





*The division's manufacturing engineering department has developed a number of the special machines used in manufacturing HP parts. Here, Carl Saucier operates an HP-designed and built 4-way multiple spindle drilling machine. The end product Carl is examining is a front frame for a System II cabinet now used by almost all divisions to house their instruments.*



*Assembly of transformers and cable products are long-standing activities of the Manufacturing Division. The department now is adding HP-IB cable interconnections due to growing demand by HP divisions. Surrounded by a sea of transformers is assembler Alda Rocha, one of many veteran employees in this area.*



*HP has emerged as a leader in plastics-molding technology, especially since tackling the requirements for complex cases for hand-held calculators, and two-color moldings for keyboards. To achieve high levels in precision, specialists from both the plastics-molding and tool-and-die departments work closely with product designers in the client divisions. Here operator Joan Imschweiler checks two-color molding of an HP-65 keyboard.*





# Keeping HP's 2000-car fleet afloat...

□ What's a really nice-guy HP manager doing on company time in the hurly-burly of a San Jose used-car auction? Since he doesn't buy or sell, but does watch the action very closely, is he some kind of junk-car junkie?

Stu Kingman, Corporate fleet manager, has a perfectly rational answer for his presence at these tire-kicking events. He goes there from time to time to get first-hand data on the trends in wholesale prices of used vehicles as well as the relative de-

mand for various models. That information, added to reports compiled from sources, including regional fleet managers, gives Stu a basis for making his recommendations to management about the purchase of new fleet cars and the disposal of older vehicles. With almost 2,000 vehicles valued at more than \$10 million covered by these guidelines — nearly 90 percent of them operated by the U.S. field sales and service forces — it's a task of some importance to the company.

Keeping in touch with the used-car market is a regular activity for Stu Kingman, HP's Corporate Fleet manager. Here he observes the weekly San Jose auto auction in progress, a way of tracking demand and prices that will be valuable when he makes his policy recommendations. For dealers only, auctions such as this are incredibly noisy and fast moving, with as many as four vehicles being auctioned at one time.





The task, of course, is to equip the HP field sales or service engineer with a vehicle that's safe and comfortable to drive, economical in service for up to two years or 60,000 miles, with secure and adequate space for the demo instruments often carried, plus a good resale value.

To bring this off, Stu in the first place has arranged for the company's registration as a fleet account with the major car manufacturers. Each year just prior to the appearance of new models, he issues a fleet purchase policy statement which becomes the guideline for sales regions and the individual field engineers in acquiring new vehicles. (Outside of the U.S., of course, country organizations follow only the general principles of the policy, and must decide for themselves what kinds of vehicles are appropriate to their needs.)

The actual selection is almost always done by the field engineers themselves, working closely with the regional fleet managers who arrange the purchase through local dealers at fleet prices. The field sales and service engineers can add options of their own choice at their own cost, and generally outfit their vehicles to suit their own needs providing this doesn't adversely affect the resale value. They are encouraged to do a good job of this, and generally to maintain their vehicles, by virtue of the company's resale policy. This policy grants the operators first option to buy at the prevailing local wholesale price. Many sales people take advantage of this opportunity to provide their families with a well-maintained car at reasonable cost. If they choose not to, other local employees can do so, sometimes by means of a drawing of names if a number of people are interested. Otherwise the vehicles are sold on the open market.

Service and maintenance are obviously major items for a 2,000-car fleet. In most field locations the HP operators are on their own. But where larger numbers of vehicles are concentrated, as in regional sales headquarters, it has been found very economical and efficient to offer company service and maintenance. As a rule of thumb, some 40 to 60 vehicles will keep one attendant busy full time. Hourly charges typically are half or less that of commercial garages.

The first such facility was set up in Palo Alto in 1968. This proved so successful that the Eastern Sales Region soon adopted the idea. Today, HP automobile



One of the larger HP garages, that behind Automatic Measurement Division in Sunnyvale, where it serves Neely Santa Clara and south-Peninsula divisions, is staffed by three HP mechanics. From left are Bill Forcum, Tony La Rosa, and Dale Nakano. Savings to the company for auto upkeep are substantial.

Bill Fox (left), purchasing and fleet manager for the Midwest Sales Region, and Gary Polcyn, Computer Systems field engineer, discuss new car Gary will drive. Fleet policies and range of automobile choices are determined by Corporate, but with a lot of input by Bill and other regional fleet managers.



service stations are located not only in Palo Alto and Rockville, but also in Lexington, Atlanta, the Los Angeles Airport office, and at the AMD Sunnyvale plant where it serves the Neely Santa Clara office as well as South Bay divisions.

Each garage provides very basic operating service. This includes gas and oil, tire, brake and tuneup service, but not transmission or body repairs. The savings to the company are considerable. The lower costs of the various services and the

maintenance of resale value represent real dollars saved. The big payoff, though, comes in the dollars *earned* by keeping the sales and service engineers on the road making those all-important customer calls. This isn't hard to figure: on the road, an experienced FE services accounts that add up to some \$3,000 to \$4,000 in orders every working day. At that rate even one extra day per FE saved through good fleet management and maintenance will pay a lot of automobile expenses. □



# HP News

## Excellent first quarter

PALO ALTO — The company has reported a 27 percent increase in sales and a 73 percent increase in earnings for the first quarter of fiscal year 1977.

Sales for the quarter ended January 31 totaled \$298,334,000, compared with \$235,639,000 for the first quarter of fiscal 1976. Net earnings amounted to \$26,058,000, equal to 93 cents per share on 28,109,777 shares of common stock outstanding. This compares with earnings of \$15,076,000, equal to 54 cents a share on 27,751,146 shares, during the corresponding period last year.

President Bill Hewlett noted that the company's performance in last year's first quarter had been below expectations. "As a consequence, direct comparisons between quarters can be somewhat misleading," he said. "Nonetheless, we are extremely pleased with our results for the first quarter of 1977.

"Sales and earnings continued to show good strength, and our incoming orders were the highest in the company's history. They amounted to \$333,988,000, up 20 percent from orders of \$279,238,000, in the first quarter of fiscal 1976.

"Domestic markets were particularly strong, with orders from U.S. customers amounting to \$171,473,000, up 29 percent from last year's first quarter. International orders rose 11 percent to \$162,515,000."

Hewlett said that all product groups contributed to the higher level of sales and orders in 1977.

## Gene Stiles closes notable career

ATLANTA — Gene Stiles, region manager of the Southern Sales Region — and one of the living legends around HP — has retired. He is succeeded by John Salyer, who has been in instrument and systems sales during the past 13 years.

Gene joined HP's wiring line in

1942, moving up to production testing before joining the Army Air Force in July 1943. There he won pilot wings, trained as a navigator, and graduated from radar school. Following a brief return to HP after World War II, Gene served as an engineer in charge of liaison between the Air Force and the University of California during the Bikini atom-bomb testing, with responsibility for critical instrumentation systems. During the first test Gene flew directly over the blast.

He returned to HP in 1948 where he worked in the lab, later managing the company's new waveguide (microwave) instrument activity. Gene then turned to sales, serving as a field engineer in the Midwest followed by various sales management positions in Florida, Texas and the Southern Sales Region.

## OED product honored

PALO ALTO — A Components Group product from Optoelectronic Division, the HDSP-2000 LED display, has been named "product of the year" for 1976 by *Electronic Products* magazine. Selected on the basis of "innovativeness and importance to the industry," the HDSP-2000 was chosen from 120 new products considered for the 1976 award. Compact and complete with on-board electronics, the HDSP-2000 dramatically reduces display-system size and complexity.

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PALO ALTO — Flora Lamson Hewlett, wife of HP president Bill Hewlett, died February 9 at Stanford University Hospital. Mrs. Hewlett was a native of Berkeley, where she graduated from the University of California in 1935 with a degree in biochemistry. The Hewletts were married in 1939, shortly after the company was founded. Their five children are Walter, James, and William A. Hewlett of Palo Alto, Mrs. Eleanor Gimon of Paris, France, and Mrs. Mary Joan Jaffe of Bozeman, Montana.

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## New facilities opened

PALO ALTO — Many HP people have recently been on the move into new facilities at various locations.

In Massachusetts late last year, the new Andover Division opened its doors to the first of a number of departments that eventually will transfer there from Waltham and Wilmington. An open house on November 24 brought in key local officials and state representatives, as well as Governor Michael Dukakis, to see HP's center for ECG products.

Avondale Division completed construction in January of a 107,000 square-foot expansion that almost doubles the Avondale floor space.

In Cupertino, Data Terminals Division began to occupy a new 172,000 square foot building in February. With this addition, the Computer Systems Group now maintains four buildings on the Cupertino headquarters site having a total of half a million square feet.

In Idaho, site preparation began for a second building on HP's property five miles west of Boise. The new 172,000 square foot building eventually will be occupied by the Disc Memory Division whose move from Cupertino will take place in stages over the next couple of years. The first building is now occupied by Boise Division which manufactures line printers and magnetic tape drives.

## Gissing heads HP-Canada

MISSISSAUGA, CANADA — Malcolm Gissing has been named general manager of Hewlett-Packard (Canada) Limited. He replaces Chuck Williams who has left the company.

## Dividend raised by board

PALO ALTO — The semiannual cash dividend on the company's common stock was increased from 15 cents a share to 20 cents a share by the HP board of directors meeting here January 21. The increase will apply to HP's next regular dividend, which is payable April 15 to stockholders of record March 23.



## From the president's desk

In my last letter, I reported to you about the operating results of the company for 1976, and in particular about the very strong performance during the fourth quarter. I am pleased to report that this improvement has continued into the first quarter of the current year. Let me give you some numbers to indicate this level of improvement:

It is usual to compare a given quarter against the same quarter of the previous year, thus tending to take out the effects of seasonal variations. In making such a comparison now, it is important to realize that the first quarter of 1976 was not a very strong quarter. Nonetheless, the comparison is most favorable.

Sales at \$298 million were up 27 percent; orders at \$334 million were up 20 percent; and after tax profits at \$26 million, or 93 cents a share, were up 73 percent.

There is, however, a lot more behind these numbers than appears on the surface. One such factor is what I would like to call the quality of earnings. If one goes back to 1973, and excludes the effect of APD, it turns out that profit as a percentage of sales for our various areas of business ranged from a low of 2 percent to a high of 15 percent. Now, the problem with a distribution of this type is that you have considerable exposure from competitive forces in the high profit areas, and you have other important segments of the business which are really not carrying their own weight.

In the intervening years, we have worked hard to correct these imbalances. As might be expected, competition eroded the high profit margin of 15 percent to about 12 percent last year. The very unsatisfactory performance at the low end has been improved, so that our lowest return on sales is now 6 percent. We are anticipating that even this can be improved during the forthcoming year.

Much has been said about what APD has done for the company, and what the impact of competition in this area may have done to the profits of HP. In an effort to understand more clearly the effects of the APD earnings record on the company, a study on this subject was presented to our Board of Directors in November. It did a great deal to put this matter into perspective.

When our earnings, with and without APD, were analyzed through the period 1972 through 1976, several facts were evident. First was that during the period 1972-73 when some of the other divisions of the company were having considerable problems, the earnings from APD more than compensated for this lack of profit. As the effect of competition began to make itself felt, APD and its relative profits declined. This loss was just about compensated for by growth

in our other product lines, with the result that to the outside world our profit record appeared flat.

In fact, since 1973 the average growth in profit of the rest of the company has increased at approximately 30 percent per year. There is every indication that this improvement in earnings can continue, and now that APD is in a more stabilized position and with earnings closer to the corporate norm, these general improvements are bound to make themselves felt.

Despite all the reported problems with APD, it was interesting to note that in no 12-month period had APD ever lost money, and that for the fiscal year just completed, its after-tax profit had been slightly greater than the corporate average.

Thus, the performance of the company as a whole has improved substantially. This applies not only to return on sales, but on sales as well — as indicated by our first quarter product category reporting to shareowners. Sales of test and measuring equipment, our traditional line, continued to grow, showing a 20 percent increase over last year's first quarter. This also was true of medical equipment, which rose 20 percent. The two areas where we had some problems last year in terms of earnings — electronic data products and analytical instrumentation — both showed substantial sales improvement, increasing 32 percent and 44 percent respectively. It is apparent, therefore, that the effect of our major product development programs in 1976 are beginning to bear fruit.

Another factor that helped improve our performance in the first quarter was a payoff of our effort to achieve a more level order and shipment schedule in October. This has been a problem in past years in that the tremendous push by everyone in the final month of the fiscal year often has only resulted in borrowing both orders and shipments from the upcoming first quarter. Although such efforts are praiseworthy, there are many associated problems — not the least of which is that this conveys an improper picture of the true operation of the company. This year, whereas we did not completely solve the problem, there was a marked improvement.

In December I commented on the difficulty of predicting what the new year might look like for us. This I can say. The company itself is in excellent shape. All our groups are doing well. The management changes that we have been able to make during the year are all working out very well. We introduced over 100 new products in 1976 giving our marketing force something significant to work on. And our financial strength is excellent.

What happens now depends pretty much on the world economy. The U.S. seems to be showing marked signs of improvement with a fairly strong order picture. The international orders are not quite as strong, but there is still growth. I am optimistic.





# 3 days to hear the world

Bill Blohm, a 24-year old production employee of the Boise (Idaho) Division has been totally deaf since suffering an attack of spinal meningitis 20 years ago. Recently, the editor of the division's employee publication, the "Tumbleweed," asked Bill how he would spend his time if granted three days of hearing. This is what he wrote: "I would be somewhat saddened by the news, for there is so much I want to hear; there is no way I could hear it all in three days.

"I think that the first day I would be content to be left alone in silence for awhile. What is silence to you who hear would be full of new sounds for me — distant murmur of cars and trucks, the refrigerator, the furnace, the wind tearing around the house. All these and more (my breathing, heartbeat) make up your silence.

"I think I would spend the rest of the first day listening to conversations and voices. I would listen to people engaged in various forms of conversation; I would want to hear my wife's voice singing, laughing, talking; a mother calling her child; voices expressing wonder, love, anger, happiness, sadness, joy, loneliness, consolation, the gamut of emotions; I would want to hear a newborn baby as it is brought forth into the world.

"Thus, the first day would be a day of voices.

"The second day I would want to hear the old masters and their music: Bach, Tchaikovsky, Beethoven, Moonlight Sonata, Die Valkyre (the complete trilogy), Moon River. I would want to listen to the water against the hull of a sailboat and a kayak or canoe. I would listen to the chuckling of a creek, the babble of a stream, the sighing of a river. I would close my eyes and listen to the roaring of a waterfall. I would walk the seashore and hear the stories the waves tell the beach of far lands.

"Thus, the middle day would be one of music and water.

"The third day I would listen to the birds and animals. I would want to wander in the mountains alone, listening to the songs of the wind, the growing of the mountains. I would tarry in an alpine meadow, walk the shoulders' edges and valleys.

"Saving my favorite for last, I would spend the middle of the afternoon in the forests. I would wander, listening as the wind whispers secrets to the trees, as the animals go about their business. As twilight fell, I would take shelter under a lean-to and listen to the roaring of a fire and the night sounds. As I doze off, serenaded by thunder, lightning and rain I would be content to have heard so little of the infinite world of sound.

"Thus would pass the final day, the day of nature."

## Measure

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