

Hewlett-Packard Is Counting on Organizational Change to Boost Revenue Growth

Meg Whitman became CEO of Hewlett-Packard Co. in 2011. Since the time H-P's revenue peaked in 2011 at \$127 billion, it has dropped every subsequent year. On the positive side, the company had two consecutive quarters of growth in 2014. H-P also is trying to right-size and reduce costs by planning to lay off 16,000 employees. H-P earlier decided to lay off 34,000 people, resulting in a total reduction of 50,000 employees.¹⁰⁰

Whitman described the job cuts "as an opportunity to streamline the company further and make it more nimble. An expected \$1 billion in cost savings in fiscal 2016 would allow H-P to invest in new technologies and skills to revive growth." Others, like UBS analyst Steven Milunovich, believe that these job cuts will erode employee morale and may lead to increased turnover.¹⁰¹

"But fixing the world's biggest tech company—with \$120 billion in annual revenues and 330,000 employees—is a herculean task. Bloated by more than 70 acquisitions in the past 15 years, HP isn't just sprawling and stalled out; it may actually be running in reverse."¹⁰²

Whitman decided to change the organizational structure to fuel growth. She created two clusters of businesses. One focuses on corporate technology customers. This group, which sells servers, storage, and networking, delivered 43% of the company's overall operating profits according to *Forbes*. Unfortunately, the software and services that accompany all this hardware have not been as successful. H-P tried to build the software side of the business via acquisitions, which according to *Forbes* have not been very successful. The magazine noted that "when it comes to software acquisitions, Autonomy [H-P's enterprise software company] was merely the most high-profit misstep. All told, over the past decade HP squandered nearly \$19 billion to buy myriad outfits that contribute only 7% to overall profit. The services unit, which staffs other companies' tech projects, is barely at breakeven."¹⁰³ H-P is currently "looking for small to midsize acquisition candidates in cloud computing, security, and analytics software."¹⁰⁴

The second structural cluster sells printers, PCs, laptops, and mobile devices to people worldwide. This segment of the business contributed 29% of operating profits in 2013. The problem here is that the lucrative printer business is shrinking. Technology is simply moving more toward ink-free photo and document sharing, which benefits companies like Google, Facebook, and Dropbox.

Strategically, H-P also is trying to get back into the fast-growing tablet market. The company attempted to gain entry in this market in 2011 with the TouchPad

model, but it was a failure. Since February 2013, the company has introduced new models, and they are being well received in the market. In a similar vein, H-P has created an overall vice president for design. This was done to create a strategic focus on product development.

H-P didn't stop at just a reorganization or a new tablet strategy, according to *Forbes*. A survey of the company's 20,000 salespeople revealed that employees rated the internal sales tools a mere "7" on a scale of 1 to 100. For example, it took HP as much as three weeks to prepare a sales quote, when competitors could do it in a matter of days. The company decided to upgrade its sales process by using new tools from Salesforce.com.

Whitman also took to the road to reassure customers that H-P was doing the "right things." In the last year, she conducted "305 one-on-one meetings with customers or sales-channel partners, aides say, as well as another 42 roundtable chats with small groups" around the world.

It did not take Whitman long to realize that the organizational culture also needed to be changed to foster consistency between the company's strategies and culture. According to *Forbes*, she eliminated the barbed wire fence and locked gates that separated parking lots for the executives and the general employee population. "We should enter the building the same way everyone else does," she said. She also decided to work from a cubicle, like most employees, instead of from a larger, more private location. She keeps a picture of her mother in her office. She also role models when she travels by staying at more modestly priced hotels.¹⁰⁵

While H-P is positive about the changes taking place, some analysts are more skeptical. Bill Shope, an analyst from Goldman Sachs, concluded that "serial restructuring cannot solve H-P's secular challenges, particularly following years of underinvestment." He forecasts that H-P's revenue might fall to \$107 billion in fiscal 2015.¹⁰⁶

FOR DISCUSSION

1. Which of the supertrends are driving H-P to change?
2. Which of the forces for change are causing H-P to undertake major organizational change? Explain.
3. How might Meg Whitman have used Lewin's and Kotter's models of change to increase the probability of achieving positive organizational change? Provide specific recommendations.
4. To what extent is H-P following the four steps for fostering innovation? Explain.
5. What advice would you give Whitman based on what you learned in this chapter? Be specific.