

HEWLETT-PACKARD COMPANY

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Hewlett-Packard (HP) Company was named after its founders Bill Hewlett and Dave Packard in 1939. It was founded in an old garage in Palo Alto, California. The activities of HP overshadowed every company of its time. The company still haunts the business world nowadays as the gold standard few enterprises can ever hope to achieve. It went public in 1957, and an audio oscillator, HP200A, was the first successful product from the garage. The company is also widely known as the founder of Silicon Valley. HP has continued to develop and provide a wide array of hardware, software, and related services to its consumers. It has ranked among the leading companies in producing personal computers, storage devices, networking products, and imaging devices. Hewlett-Packard Company has made significant technological advances; however, key events and managerial decisions have had profound impact on the reputation and performance of the company.

Since its formation, HP has continued to make significant changes in its products to meet the emerging needs of the consumers. In 2001, it merged with Compaq and released DV 1000 Series in 2004. Consequently, HP has a significant market for desktops, servers, and laptops. In addition, HP's business activities include Enterprise Group, HP Financial Services, Enterprise Services, and Corporate Investments. Moreover, the company offers personal computing services such as imaging, printing, technology support and maintenance, and networking solutions. The consumers are also provided with other services such as technology consulting, Information Technology Operations Management, Information governance, and

applications and business process domains. In this way, the organization is able to meet the emerging needs of its consumer base.

In the telecommunication industry, HP is a popular vendor in offering advanced testing and measurement products. From the 1970s, the company gradually shifted its focus toward computers and peripherals. However, in 1999, the test and measurement divisions separated from HP and started up as a new business entity known as Agilent. The company also extended its portfolio in the software with its HP-UX operating system, Open View network, and System Management Product suite. Therefore, although HP was originally developed for enterprise networks, the range of products soon included several high-end modules specifically dedicated to meet the needs of the consumer. In addition, many of the activities at HP are the results of the management to make acquisitions. Thereby, new products have appeared to the market rapidly. For instance, in 2005, the company acquired the Peregrine. Due to this acquisition, HP Open View supplies two competing products, namely HP Open View Service Desk and HP Open View Service Center. However, the Service Desk will be discontinued to promote the Service Center because it offers many services.

KEY ACTIVITIES AND EVENTS IN THE HP COMPANY

Fiorina's Term as the Chair and CEO at HP

Carly Fiorina had a vision that by acquiring Compaq, HP would increase the profit margin. However, this idea was criticized as being disastrous; it even caused a conflict between Fiorina and the family of the HP founders. Walter

Hewlett had a proxy fight against Fiorina's strategy to acquire Compaq at \$2.5 billion. He was concerned that the acquisition would put a stake into the unique corporate culture at the company. For instance, the "HP Way" that emphasized on teamwork would create a crisis for the management because the deal threatened to cause 15,000 layoffs. Fiorina was criticized for lacking the skills to run the merged company since her successors made it work. For instance, with the acquisition of Compaq, HP emerged as the largest seller of personal computers. However, when the industry fell into decline, the company being under Fiorina's leadership faced further difficulties. Moreover, there were concerns that Compaq did not have a bright future, particularly with its loss of \$900 million over the previous three quarters. Its purchase of Digital Equipment Corporation for \$8.6 billion in 1998 did not work out as well as it was advertised. Therefore, Fiorina's critics were afraid that the merger would not be as profitable as being a single entity.

On the other hand, during Fiorina's leadership, the company was accused of selling printers and computer products worth billions of dollars to Iran despite the US sanctions. After the inquiry from SEC, HP responded that in the fiscal year 2008, products worth \$120 million were sold. This meant the company was using a loophole to make sales through Redington Gulf, a foreign subsidiary. Due to the inquiry, HP ended its relationship with the foreign subsidiary. Fiorina was forced to resign as the Chair and Chief Executive Officer by the HP Board of Directors in 2005. During her term at HP, Fiorina was accused of changing almost every aspect of HP's operations. She changed the payment systems, selling processes, and setting strategies. However, these changes had not paid off. For example, HP had not gained share in the strategic markets as well as introduced new products that would hit the market.

I agree with Fiorina's aggressiveness to acquire Compaq despite criticism from some of the board members and rivals such as Dell Computers. The merger was a good idea regardless of the fact that it was successfully realized under a different leader, namely Mark Hurd. He states that Fiorina lacked the skills to despite initiating the acquisition idea. For instance, Hurd has organized education of the HP managers and employees using cost and operational methods to increase profit margins. Therefore, it has become easier for the merger to exploit the possibilities that would enhance the growth rate. In other words, under Hurd stewardship, the company has achieved what Fiorina could not accomplish.

In addition, by acquiring Compaq, it was obvious that HP had planned and allocated resources to facilitate the acquisition process. Thus, HP did not face difficulties in making a large acquisition. Moreover, the short-term losses in market share were lower than anticipated. On the other hand, the failure of the merger to inform the key consumers on the new corporate strategy led to fall in the stock prices. However, Hurd has skillfully readjusted the corporate strategy to meet the realities of the market forces. Therefore, I agree that regardless the success of HP-Compaq merger was not realized under Fiorina, the acquisition was a good move. Notably, Hurd is using the results of the acquisition to put HP back on track as a technology company with breakthrough innovations.

Investigating the Source of Leakage of HP's Confidential Data

A major event occurred in 2006 when Patricia Dunn resigned as the HP Director following investigations on the leakage of confidential information. In January of the same year, an online site CNET published an article about HP's

long strategy. The information was only known by the directors at HP. Following this article, Dunn with the assistance of security personnel and the HP's Counsel Office authorized a team of IT experts to investigate the origin of the leak. The investigations targeted the communications of HP's directors in January 2006. Therefore, the investigations would include records of phone calls, emails, and personal accounts. The tactics used by the private investigators extended pre-texting technique. Consequently, the investigating team discovered the origin of the leak. With this turn of events, Dunn identified George Keyworth, one of the longest serving directors, as the alleged leaker. He apologized and handed in his resignation letter.

Following Keyworth's resignation, another director, Tom Perkins, protested against the secret internal investigations. He considered the investigations as illegal, unethical and a misplaced corporate priority on Dunn's part. As the chair of the board's nominating and governance committee, Perkins was not informed of Dunn's secret surveillance. Consequently, after the board passed a motion asking Keyworth to resign, Perkins announced his resignation, as well. The company publicly announced his resignation the next day although it did not give the reasons for his departure. In August, Perkins formally asked the SEC prosecutors in California and New York to force the HP directors to publicize the reasons for his leaving the Company. Therefore, HP was forced to disclose the scandal. The Company submitted files to the SEC that laid out the manner in which the secret surveillance was conducted. Perkins also released the details of the scandal to the press. Nonetheless, Keyworth made his resignation public in 2006 while Hurd was chosen by the board to replace Dunn on January 2007. In her resignation letter, Dunn admitted that the unauthorized surveillance was a serious violation the HP's Code of Conduct. However, she denied being solely responsible for selecting the members of the investigation teams and the pre-texting technique. Notably, this was a key

event that questioned the ethical conduct of HP's directors.

In October 2006, the California attorney general filed charges against HP, Dunn, and other employees at HP. As a consequence, HP settled the lawsuit in December the same year paying a fine of \$14.5 million. The firm also promised to improve its corporate governance practices. However, the fraud charges against Dunn and other employees were dismissed in June 2007. The journalists whose records were obtained by HP's external consultants also filed a lawsuit against the company; however, the amount of the settlement was not disclosed with the financial statements.

Personally, I disagree with the decision to carry out a secret surveillance on personal accounts. On the one hand, it was not right that one of the directors had disclosed long-term strategies to an online site. This disclosure could be used by HP's rivals to gain a competitive advantage over the company. Consequently, the market position of the company was at stake. Therefore, it was crucial for the board to investigate the source of the leakage, especially because it was evident that information could only have been leaked from the directors. On the other hand, the manner in which the investigation was conducted is questionable. The discovery that pre-texting technique was applied to identify the possible leaker ended up heading the company in directions that were never expected. The pre-texting technique allowed the private investigators to impersonate HP's board members and trick phone companies into handing over the calling records of those board members' personal phone accounts.

On my part, such an illegal method should not be applied as a way of determining the weakness in the internal control systems of any company. Conversely, HP should have informed all the directors that an investigation

was underway to determine the source of leakage. Therefore, the company could not have suffered consequences such as the resignation of some directors and lawsuits. The alleged leaker, Keyworth, admitted that he could have disclosed that he was the one who had leaked the information if the company investigated openly. He believed that his disclosure to the reporters was in the best interests of the company and not to jeopardize its performance. Moreover, it is imperative that the board should be informed by the investigators on all the methods to be applied for any surveillance. In her resignation letter, Dunn explained that although she took the responsibility to determine the source of the leakage, she did not propose to the use of the pre-texting technique. Therefore, on this note, I agree with Perkins that the secret internal investigations were unethical and inconsiderate on Dunn's part.

CONCLUSION

In conclusion, Hewlett-Packard Company is one of the leading technology-based firms in the world. The company is famously known as the founder of Silicon Valley. Over the years, it has witnessed various events and activities that were results of some managerial decisions. The leakage of confidential information about HP's long-term strategy by one of the directors resulted in consequences that were never anticipated. The application of pretexting technique by the private investors sparked controversy among the board members. Consequently, the organization witnessed a series of resignation from some of the directors. In addition, it paid a significant amount of fines in settling subsequent lawsuits. The investigations violated the Code of Conduct at HP. On the other hand, the decision of the former CEO

and Chair Fiorina to acquire Compaq was criticized that it was compromising the fundamentals of the HP Way. However, although it was Fiorina's idea for acquisition, she failed to exploit the capabilities of a combined company. The success of the merger has been achieved under the leadership of Hurd.