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Measure

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

HP recreation areas:

Visit to Butterstone Loch, Club Sandwich, Sourdough Valley and other mouth-watering places...

□ The business of fun, games and getting-away-from-it-all has long been a serious undertaking at HP. Picnics, celebrations, games, clubs, outings, excursions, and inter-organizational Olympics are the frequent products of that business.

One way to measure the importance HP people and organizations place on such activities is to look at the way off-plant recreational facilities have burgeoned in number and popularity.

Eight years ago MEASURE reported on four such facilities — the original Little Basin in Northern California, Hermit Park and Sourdough Valley in Colorado, and Club Sandwich in Massachusetts' Cape Cod. Today there are nine off-plant recreation facilities, the additions being Nesselwang in the German Alps, Camp Akenac in the Pocono Mountains of Pennsylvania, Butterstone Loch in Scotland, the Sentosa bungalow near Singapore, and a beach villa near Penang, Malaysia.

The criteria for establishing the off-plant recreation areas vary from organization to organization. Little Basin park in the Santa Cruz Mountains was acquired originally in 1962 as a means of accommodating the company picnic which had outgrown available Peninsula sites as well as a smaller site near the Park. On the other hand, the facilities in Singapore and Penang were seen as meeting special needs for more regular recreational and social activities.

If you plan and book far enough ahead, you and your family can visit any of the HP facilities, participate in the varied activities they offer, and in some of them stay in a cabin or campsite for a limited number of days.

Meanwhile, MEASURE offers this pictorial tour:

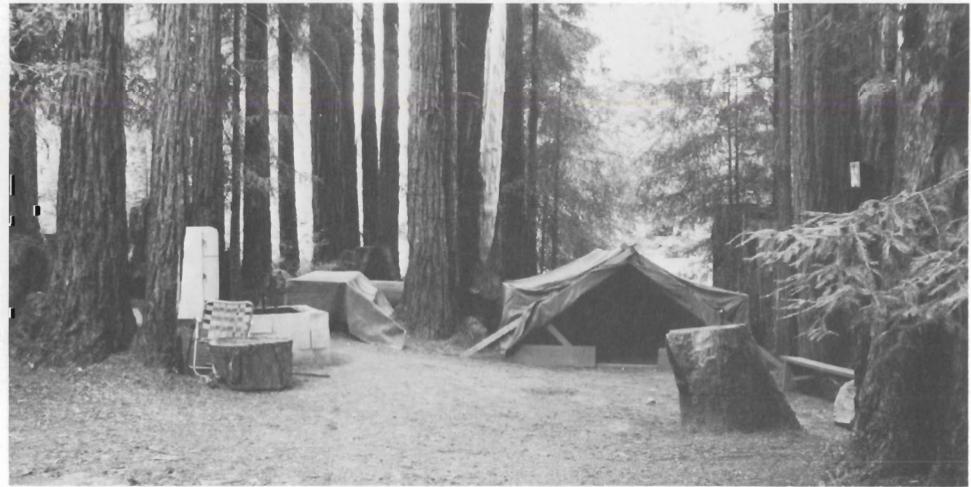
Little Basin, California

Most HP people know Little Basin as the site of picnics held by the Peninsula organizations. Indeed, several years ago the number of people attending one picnic reached an all-time high of 5,700!

Actually, the facility is more or less busy all summer — picnics and picnic crews on the weekends and campers in between.

Some 40 campsites such as the one pictured here are available to employees and their guests — often Scout troops headed by or associated with HP people.

A fishing pond and many hiking trails are available; the Pacific Ocean is about eight miles to the west.





Butterstone Loch, Scotland

Fishing for rainbow trout — or pike or perch — is one of the pleasures enjoyed by HP people who visit Butterstone Loch in the Scottish Highlands. Purchased in 1976, and operated by the South Queensferry Division, the site, 120 acres of loch (lake) and 70 acres of land — is a wildlife and botanical preserve. Facilities include row boats, a few picnic areas and a fisherman's chalet. Plans call for a nature trail and some holiday chalets. Among the species protected in the area are the osprey, or fish eagles, which may be seen diving for the abundant planted trout.



Sentosa, Singapore

As reported by HP-Singapore's employee magazine, MAJULAH, "Just south of Singapore, half a kilometer away is a dot of land named Sentosa, a Malay word meaning peace and tranquility. It is a tropical island, some three hundred hectares of green, set in a sea where it is summer everyday. Unspoilt beauty is one of Sentosa's biggest attractions." In this setting, with complete resort facilities nearby, HPSG has leased a large bungalow as a recreation area, with overnight accommodations, for HP employees and their families.

(continued)

recreation areas



Penang, Malaysia

HP Malaysia's first annual picnic was held on May 1st at the division's new beach facility near a fishing village on Penang — a great success! The cover photo captures an exciting moment during the day near the finish of the three-legged race. In addition to picnic and beach activities, the site has two bungalows (reservable at very favorable rates) named Morning Glory and Country Light, capable of accommodating up to 30 people.

Though picnics were the original inspiration behind company recreation areas, more and more organizations are looking to year-round use . . .



Club Sandwich, Massachusetts

A fire destroyed the main lodge of HP's Club Sandwich at Cape Cod last year. But that didn't stop the picnics, boating, swimming, fishing and tennis offered by the club. Operated by the Waltham and Andover divisions, Club Sandwich is also popular with many HP sales/service people visiting the area. And yes, the lodge with overnight accommodations is being rebuilt — bigger and better than ever.



Surveys of employee needs and wishes have been employed in recent years to determine the features and locations of HP rec areas . . .

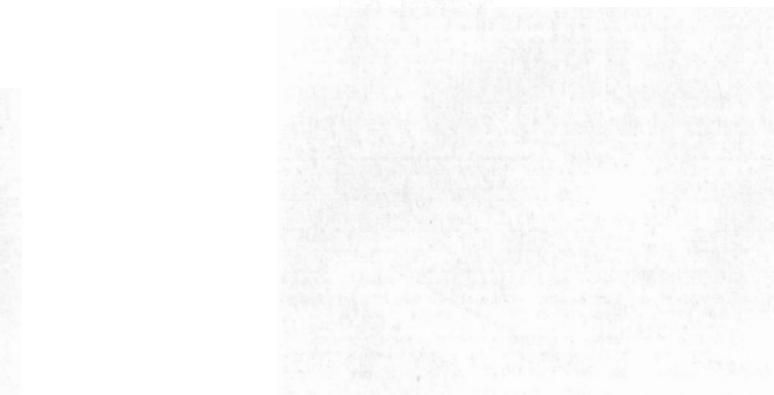
Hermit Park, Colorado



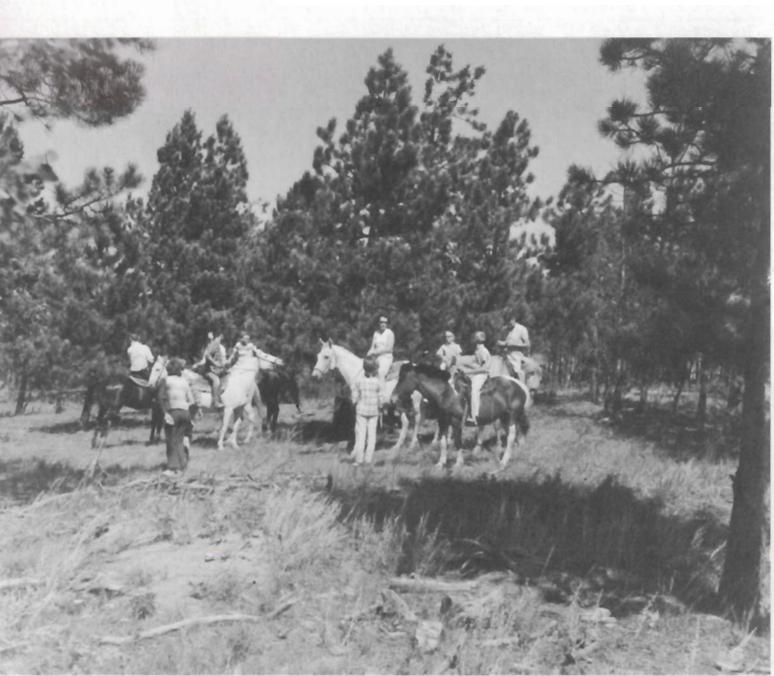
Largest of all HP recreation areas is Hermit Park, a 1,350-acre site in Northern Colorado operated by the Loveland facility. As this photograph shows, Hermit Park is designed to accommodate large picnics, but also is ideal for camping, hiking and riding. The site suffered some damage in the killer storm that ravaged the area on July 31, 1976.

(continued)

recreation areas



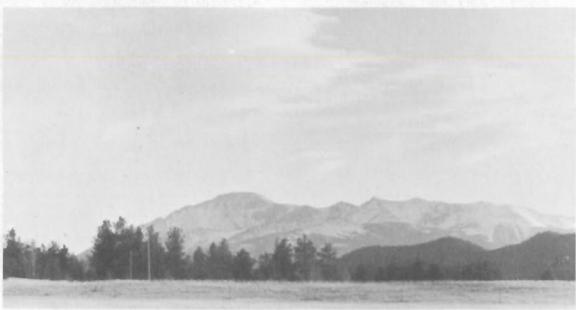
The objective is to bring HP families together in a friendly and relaxing environment — let off some steam or get away from it all . . .



Horses are very appropriate to the Colorado Springs Division recreation area at Sourdough Valley near Pike's Peak. Its former name was the Diamond J Ranch, and many of the original ranch buildings and materials are being carefully preserved or restored. Among their planned roles will be a warming facility for an ice skating rink. Used as the division picnic site, Sourdough Valley also offers excellent camping, hiking, firewood gathering, riding, and snowmobiling.



Sourdough Valley, Colorado





Camp Akenac, Pennsylvania



Camp Akenac in the Pocono Mountains of Pennsylvania offers a quiet, rustic retreat for HP people seeking a vacation site away from the crowd. There's plenty to do — tennis, volleyball, handball, boating, swimming, fishing and hiking. The camp is operated by the New Jersey Division, but is open to other HP people who book ahead. The Paramus (New Jersey) sales office held its annual picnic at Camp Akenac last September for some 500 people.



Nesselwang, German Alps

This HP ski-chalet complex is located in the village of Nesselwang, a resort area in the German Alps. Purchased in 1969, it has proved very popular with people of the HP GmbH organization. Major ski areas as well as hiking trails and alpine villages are within easy reach. Rent is quite moderate, and each of the twelve chalet units is fully furnished — even including hair dryers. □

Europe's changing of the guard:

A brief look at HPSA today.



HPSA headquarters, Geneva

Dick Alberding, returning to the U.S. to head the Medical Products Group after nearly ten years as managing director of Hewlett-Packard S.A., leaves an organization that has more than quadrupled its business in that time, generating orders of almost \$400 million last year. Its headquarters, by contrast, has changed little. According to HPSA's new managing director, Franco Mariotti, the growth has occurred in the country organizations where it really counts.

□ HP people are accustomed to seeing the company grow and change in visible ways — new buildings, new people, new divisions "spinning off" from existing ones, and so on. But the HP headquarters for all of Europe has occupied the same building in the Geneva suburb of Meyrin, Switzerland, since 1969.

There's a very basic reason. Although HPSA in Geneva is the focal point of HP's European operations, its role is a supportive one. It adapts and translates corporate policies for the environments of the various countries, and works toward building strong country sales and manufacturing teams — while keeping its own organization chart uncluttered and its headquarters staff on the lean side.

When HPSA was founded in 1958, it was defined as a marketing support center for a network of independent representatives, as well as a legal and financial structure for the European sales and manufac-



Franco Mariotti

turing organizations that were to follow. With the establishment of the various sales subsidiaries in the 1960's, HPSA assumed the role of a sales region headquarters — one which, by design, left each country a great deal of flexibility and autonomy.

The early 1970's saw the formation of HP's group structure, with each of the six groups having worldwide responsibility for sales of its product lines. The resulting "verticalization" of the selling effort required tremendous adjustments at every

level. HPSA assumed more direct involvement and control, according to Franco Mariotti, who was HPSA marketing manager before being selected to head HP Europe.

"Indeed, we can now say that this very dynamic phase of reorganization did allow Europe to achieve a remarkable growth," Franco explains. "It must be admitted, however, that we might have overlooked some practical aspects — that is, taking into account different country sizes, geographical dispersion and some different cultural elements in the various countries. Initially, it was necessary to have a concentration of decision-making authority in Geneva, but as corporate policies and the new group strategies became better understood at the country level, more and more authority could be shifted to the local organizations."

Franco speaks of "scoping" the countries, a process of classification which he says takes precisely those differences into account, and attempts to define "dual management," the inevitable result of the compromise between corporate unity and group autonomy or verticalization. HPSA



has established four categories of country organizations — A, B, C and D — by size, sales volume and geography.

Type A countries such as Germany, France, and the United Kingdom have reached a size permitting the organization of sales activities along lines similar to U.S. sales regions with full verticalization of sales and customer-support activities. In other words, it's here that dual management works best, and HPSA has even formalized the concept by replacing the dotted lines on the organization charts with multiple solid lines. Communication related to sales strategies, market selection, budgeting and product emphasis is along discipline lines, between the countries and the product groups in the U.S. Communication related to personnel policies, finance, facilities, legal matters, citizenship and the balancing of resources is with HPSA in Geneva.

B countries such as Spain and Switzerland have smaller organizations that lend themselves to verticalization in some, but not all, disciplines. C countries are even smaller, with little or no verticalization as yet, and the D organizations are respon-

sible for groups of countries in areas such as Eastern Europe and the Middle East. In those areas, central coordinating offices in Vienna and Athens, respectively, manage networks of distributors or HP branch organizations — operating much the same way HPSA itself did in the early years.

Franco describes the HPSA of today as a "subset" of the corporate headquarters, performing many of the same functions on a smaller scale. His own background, as well as his thoughtful manner and obvious sense of organizational purpose, seem ideally suited to HPSA's coaching relationship with the country sales teams. A native of Florence, Italy, with engineering degrees from both Italian and American universities, he joined HP in 1960 in Palo Alto. He was country manager for Italy from 1964 to 1969, then became European data products manager. In 1976 he was named marketing manager, a job he compares with that of managing a large sales region. He was succeeded in that position by former Netherlands country manager Andre Breukels.

Toni Polsterer, HPSA planning manager, uses a simple rule of thumb in de-

ciding whether a function should be handled from Geneva or performed in the country organization. When the volume of work in a specialty — legal, for instance — exceeds one man-year for a particular country, it's time to assign someone full-time in that country. The formula seems to virtually guarantee that HPSA will never be top-heavy in the Geneva headquarters. The country sales subsidiary, employing local people and serving national interests, has traditionally been the key to HP's marketing success in Europe, and it will continue to be.

There are inherent problems. "Because we can't guarantee our growth rate, it's a challenge to find opportunities for people," explains Franco. "We look for an increase in quality and responsibility for our people here, rather than a strictly numeric increase." But challenges — and opportunities — have always been in ample supply around HP Europe. And the new management team at HPSA seems well qualified to deal with them. □



Tom Nebel of the HP St. Louis office prepares to fire up the atomic clock, using a frequency counter and an HF receiver to synchronize it with the NBS atomic clock in Boulder, Colorado.



□ You might well ask what a bank — a well-established institution named Boatman's National Bank of St. Louis, Missouri — could possibly do with an HP atomic clock? A bit expensive and technical for ordinary timekeeping, wouldn't you say?

Well, that depends on what you want to be able to say about your business. In this case, the bank had always taken pride in its image of timeliness and accuracy. A landmark clock at the bank's original headquarters helped establish that tradition.

When building its new headquarters, the bank was determined to foster the tradition by installing digital clocks of the greatest possible accuracy for display in the two bank plazas. To obtain the highest possible precision, the bank's consultant recommended using an HP atomic clock as a frequency standard, providing accuracy within one 11-millionth of a second.

Everything went smoothly until July 6 when it was learned that the bank had invited the press to witness the startup of the magnificent new clocks at 10 a.m. on July 7! Somehow, the technical requirements and time for starting an atomic clock had not been taken into full account.

Looking like the great knowledge-bearing monolith in the movie "2001," this unique bank clock beats with an atomic heart. Actually, it's one of two such time displays at Boatman's National Bank in St. Louis, Mo., whose timekeeping is set by an HP cesium-beam frequency standard.

For HP's Tom Nebel, who had never started an atomic clock, the deadline became a challenge. He consulted with Bob McLeod who had just left to join the Loveland Instrument Division a few days before. He then quickly got in touch with Woody Meyer of the Kansas City office, asking him to come over with his HF receiver. In this way they could receive the signal from the National Bureau of Standards in Boulder, Colorado, and thus synchronize the Boatman's clock.

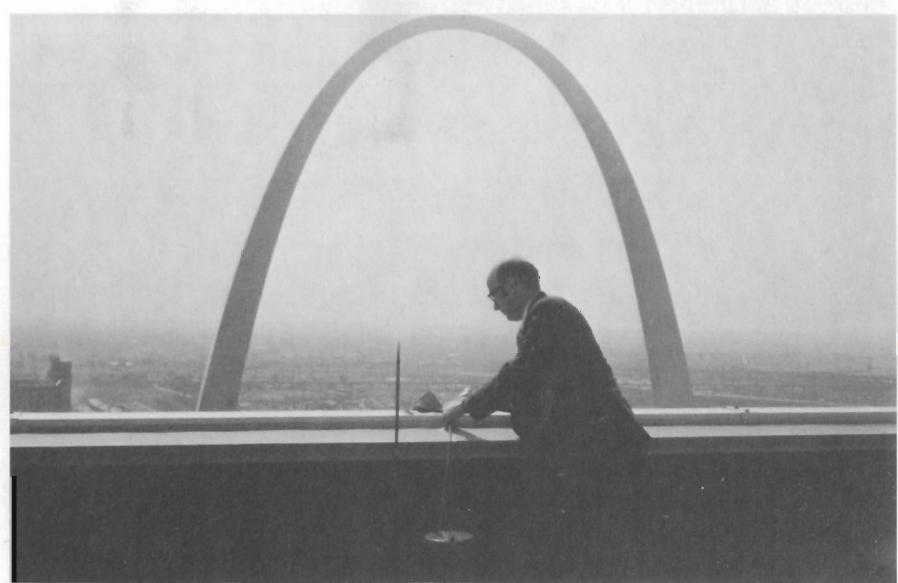
Again, easier said than done. The atomic clock was located inside a rack in

the security area of the bank's basement. But the Boulder signal could be received only at the top floor of the 22-story building. This required a 400-foot coaxial cable connection running down the side of the tower and into the security area.

By 1:00 a.m. on the 7th all problems, including a smoking oscillator board, seemed to have been solved. At the 59th second before the deadline, Nebel threw the switch, triggering the HP clock to start at the exact 10:00 a.m. pulse received from Boulder.

It worked — of course!

□



Wouldn't you know it! The HP clock was set up in the bank's security basement, while the HF receiver would work only on the top floor of the 22-story bank building. Some 400 feet of coaxial cable was required to complete the link. In the background — the famed St. Louis "gateway" arch.

The "show me" managers

□ It doesn't matter where you look in on the Hewlett-Packard organization, the managers who are most successful in helping people develop on the job all seem to share several basic beliefs.

First is that the manager can succeed only if the people succeed. Next is that the main ingredient of such success is doing a good job today.

These are conclusions that flow naturally after talking with a couple of veteran managers in medical products. Both are acknowledged to be successful as supervisors and developers of people.

Bob Burnett, manufacturing manager at McMinnville Division, joined HP 20 years ago in the former Frequency & Time division (now Santa Clara), moving to the medical products division at Waltham in 1965, then transferring to Oregon last July.

"My style," says Bob, "is person to person. That is, to evaluate everyone on the basis of their individual contribution.

"I remember years ago that one person came to me complaining about being 'stuck' in the stockroom. I looked into it and discovered he had never done anything to improve performance or move ahead. So I told him, 'You've got to show you can perform before anyone is going to take notice of you.' With a little en-



Gus Velardocchia (left), a section manager at Andover Division, discusses production techniques with supervisor John Ireland. In considering people for advancement, Gus gives high priority to a willingness to learn.



Bob Burnett, manufacturing manager at McMinnville Division, visits Tonye Lawson, lead assembler on the defibrillator line. Bob believes strongly in person-to-person contact with his people.

couragement, he asked to take on some new responsibilities, and it worked out quite well.

"One of the most important things a manager does is to work with the young professionals who have just joined the company. They may be Harvard MBA's or co-op engineering students from a black college. The manufacturing area is a very fundamental area in HP, one that's concerned with getting things in and out the door. So it's a very good place for them to get a variety of basic experience in business. This gives us a good opportunity to train and evaluate these young professionals, and it also gives them a chance to explore the company. We're really looking for people who can challenge prob-

lems through sound critical judgment and innovative ideas."

Gus Valadocchia, section manager in the sub-assembly area of Andover Division manufacturing, says that in considering people for development, the first thing he looks for is the willingness to learn.

"I start the process by giving them opportunities for new assignments. If they're successful, then they will receive further opportunities. But it should never be a case of giving them responsibilities over their head. They'll need time to absorb each new step."

"Another thing I've learned is to be very frank with people about their work. Communicate praise as well as criticism.

In all cases, people should be told the 'why' of anything that's asked of them. Then they'll feel they are part of the team."

How are young, inexperienced people 'turned on' to responsibilities?

According to Gus, "Most young people — most people for that matter — are responsive if given the opportunity for self development. If you make them aware that opportunities exist — but without guaranteeing anything — they'll provide a lot of self help."

Both Bob and Gus make no special claims about their methods of developing people. "I'd have to say it's no more than our job," says Bob. □

HP News

Strong 1977 performance reported

PALO ALTO — The company reported a 22 percent increase in sales and a 34 percent increase in net earnings for the fiscal year ended October 31, 1977.

Sales totaled \$1.36 billion, compared with 1976 sales of \$1.11 billion. Net earnings amounted to \$121.5 million, equal to \$4.27 a share on 28.5 million shares of common stock outstanding. This compares with earnings of \$90.8 million, equal to \$3.24 a share on 28.0 million shares last year.

Incoming orders for the year were \$1.43 billion, 25 percent higher than the \$1.15 billion in orders booked in fiscal 1976.

The company's net earnings of \$121.5 million were achieved after setting aside about \$3 million in the fourth quarter and \$12 million for the year to supplement employee retirement benefits. The effect on net earnings for the fourth quarter and fiscal year was approximately 5 cents per share and 21 cents per share, respectively.

Bill Hewlett, HP chief executive officer, said, "Sales for the fourth quarter amounted to \$379.2 million, an increase of 19 percent from the total of \$318.7 million in last year's period. Operating profit increased a comparable percentage.

"However, the rate of accrual for income taxes in this year's fourth quarter was significantly higher than in the corresponding quarter last year. This, coupled with the \$3 million for the new pension plan, caused our net earnings to be slightly lower than last year," Hewlett said. Earnings were \$32.8

million, or \$1.14 a share, compared with \$1.19 for the fourth quarter of 1976.

"During the year, all product groups made excellent contributions to both sales and earnings growth. A key factor in our strong earnings performance was a substantial reduction in the cost of sales," Hewlett said.

Preliminary figures show that in fiscal 1977, HP's electronic test and measuring instruments and components represented approximately 43 percent of orders. Computer and calculator products accounted for 42 percent, medical electronic products for 9 percent, and analytical instrumentation for 6 percent.

Hewlett said, "Domestic markets were particularly strong during the year, with orders from U.S. customers amounting to \$768.7 million, up 30 percent from \$592.5 million. International orders increased 19 percent to \$664.2 million, from \$557.5 million the previous year.

"In the fourth quarter, domestic orders rose 25 percent to \$204.9 million from \$164.4 million. International orders were \$166.4 million, up 16 percent from \$143.8 million."

University honors Marv Willrodt

SANTA CLARA — Marv Willrodt, an applications engineer at Santa Clara Division, has been honored by South Dakota State University. An engineering laboratory, "The Marvin J. Willrodt Measurements Laboratory," has been named in his honor in recognition of his continued support of the univer-

sity's electrical engineering department. Willrodt, who received his electrical engineering degree from the university, is the first to receive this special honor.

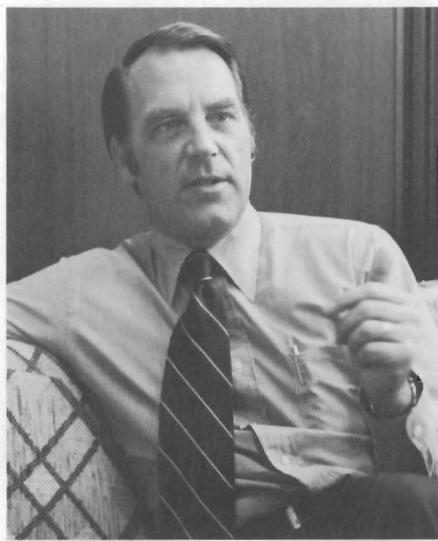
Willrodt has spent his entire professional career, spanning more than 25 years, with Hewlett-Packard.

His main contributions have been in the field of electronic counters and frequency standards. As project leader for a series of HP digital delay generators and plug-in units, he was granted two patents for circuits developed in the design of these instruments. Willrodt also has authored several chapters of an electronics book published by McGraw-Hill, has written numerous application notes and training manuals for HP, and has had feature articles published in leading trade journals.

Environmental award

ROLLING MEADOWS — The City of Rolling Meadows, Illinois, has awarded Hewlett-Packard a certificate of appreciation for exemplary efforts in helping the city achieve a beautiful, clean and ecologically sound environment.

The city's Recycling, Ecology and Beautification Committee made the award in recognition of the environmental enhancement brought about by the company's new Midwest Sales Region headquarters building.



From the president's desk

By now I expect that most of you have seen the news release reporting the preliminary figures for the company's 1977 fiscal year. These are "first close" numbers, which means that some small adjustments are possible as we wrap up the myriad year-end details necessary in getting to final, audited numbers for our reports to shareowners and the government. However, it is apparent that on any comparative basis, 1977 was a very successful year for HP.

Total orders increased 25 percent over 1976, and were eight percent higher than our original targets. International orders grew 19 percent, about in line with our expectations — but domestic orders increased 30 percent, which was well ahead of our original forecast.

It also is encouraging to see that we were able to translate this strong order growth into a 22 percent increase in shipments in 1977. To put this in some perspective, the increase equals \$250 million, which is almost the exact dollar amount of the company's total shipments in 1967 — just 10 years ago.

Profits more than kept pace with shipments, growing by 34 percent. This was achieved even though we had a new expense of \$12 million in 1977 to initially fund the supplemental retirement plan. Incidentally, I should point out that this expense did not affect cash profit sharing which is computed prior to deduction for this type of expenditure.

Our net profit as a percent of net sales increased from 8.2 percent in 1976 to 8.9 percent in 1977. There has been only one other year in the last ten (1974) when we had a higher profit margin, and it is our feeling that we are at a satisfactory level.

When profits grow at a greater rate than shipments, then expenses must have grown at a lesser rate. A look at our expense categories — specifically, research and development, field selling, factory marketing, and general and ad-

ministrative — does in fact show that the growth rate for each was lower than shipments growth. The same holds true for cost of shipments. Labor, materials, and overhead in the products we sell represented a smaller percentage of the sales dollar in 1977 than they did in 1976.

After being burdened with all these numbers, one might ask, "What, in easy to understand terms, caused our performance to improve in 1977?" Given the complexities of business, there isn't any single or simple answer, but I believe that, overall, 1977 was a big payoff year for activity that started in 1974.

As you will recall, it was that year that the company was reorganized into the six product groups that we have today. This realignment provided a more logical grouping of products and technologies. It also created groups of more manageable size and structure which allowed us to more clearly identify areas that required improvement in performance. Every group has made significant progress in this regard, and in some cases it has been dramatic. The management structure itself has been greatly strengthened and broadened, and we can find many examples of improved effectiveness and efficiency at all levels of the organization.

Another factor has been our intensified R&D effort over the past several years. This effort resulted in the introduction of an exceptional number of new products in 1976 and 1977, and they have been well received in the marketplace.

These two elements in particular — combined with favorable market conditions — have made the difference.

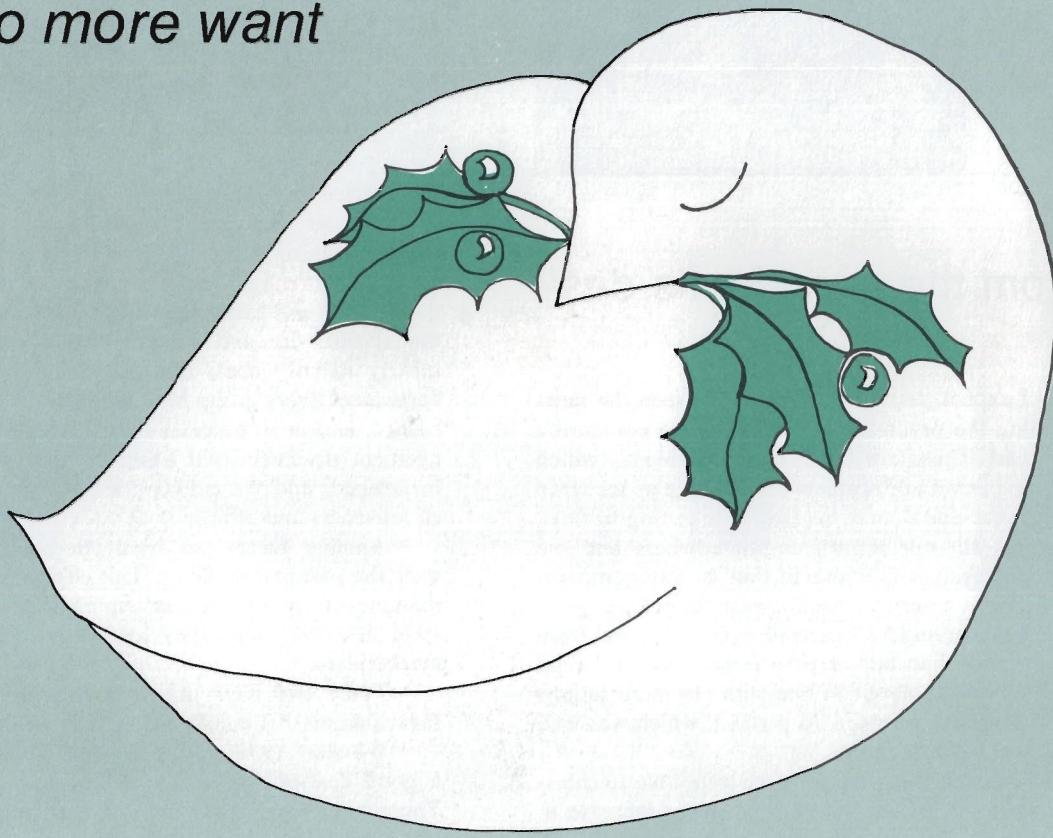
We start 1978 with a well balanced organization and a good deal of momentum in our new product program. There are some areas that will need attention — expense levels, for example, were edging higher than anticipated at year-end, and this will require some aggressive action and control — but given continuing favorable economic conditions in the U.S. and the company's key international markets, I expect 1978 to be another good year for our company.

On this note, let me thank all of you for your part in making 1977 a year of solid progress for HP, and wish you and your families the very best for the holiday season and the year ahead.

A handwritten signature in cursive ink that reads "John Young". The signature is fluid and expressive, with varying line thicknesses.

A wish and a pledge for the New Year...

*no more war
no more waste
no more want*



Measure

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