



3000 Hanover St., Palo Alto, California 94304, Telephone 415 857-1501, TWX 910 373 1267

From: John Young

Date: August 11, 1989

To: John Minck

Re: January Manager Talk

cc: Dave Packard

Dear John,

Dave Packard has forwarded a copy of your memo to him regarding his talk at the January General Managers Meeting. I wanted to comment on two points you made. The first is the payroll conversion process.

The payroll history at Hewlett-Packard is a long one. It involved transitioning over a period of years from weekly, bi-weekly or monthly to a twice a month payroll system. The bimonthly payroll still had variation with some people being paid on the salary advance system on the 1st and 16th, while others were paid on the actual pay system with checks on the 6th and 21st of the month.

The problem with the advance pay system is that employees don't get paid for what they earn. A very high percentage get a second adjustment check. The corrections, adjustments and reconciliation problems are a hassle and lead to employee dissatisfaction and wasted effort.

All these reasons were addressed by a task force over a period of years spearheaded by Greeley Division. The TQC process had extensive employee involvement. As a result, a number of divisions voluntarily converted over time from the advance to actual pay system. Finally, it became clear that maintaining two systems was not feasible and we needed to get to a single system, so we asked other divisions to move ahead with the conversion.

All of the potential employee hardships you describe were carefully evaluated and discussed with employee groups in the divisions. The best sense of equity we could fashion was to offer every employee affected by a conversion an interest free one week salary advance that they could repay over a years time. Further, it was suggested that divisions schedule these conversions around profit sharing time, again to minimize the impact on employees. I have enclosed a copy of this policy for your information. Why your daughter chose not to take advantage of it is, of course, not known to me.

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It's certainly inappropriate that whoever you wrote to did not respond to your letter expressing your concerns and I can't identify anyone who remembers the letter. That, notwithstanding, I can tell you that it certainly hurts to have our management team characterized as elite, forgetful of their roots, and insensitive to the workers who make all of this possible. It hurts particularly, when I know specifically just how much effort went into involving employees on how to best solve this very difficult problem for which there are no easy solutions. You can argue that the wrong answer was arrived at, but I think it is quite inaccurate to suggest it is because of a lack of trying to meet real employee needs.

The second point I wanted to cover had to do with your endorsement on the growth of bureaucracy at Hewlett-Packard. I am always interested in what people perceive are actions that you characterize as "good business practice" or "management control" that lead to frustrations in the trenches. These generalizations don't offer much help in envisioning what's happening or what we might do about it. I would welcome an opportunity to hear directly from you on this subject. It's important that we maintain the freedom of action that's so fundamental to job satisfaction and enthusiasm for the tasks to be done.

JAY/chw
Enclosure

A handwritten signature in cursive script, appearing to read "John", written in dark ink.

hp

HEWLETT
PACKARD

Stanford Park Division * PO Box 10151 * Palo Alto, CA 94303-0889
415-857-2060

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From: John Minck

Date: Aug 17, 1989

To: John (YOUNG)

Re: Your note

Thanks for writing.

First off, please understand that although I was writing to Dave what was on my mind, I had no idea that he would mail it on to the executive world. I thought he would just use it as background. Even so, that wouldn't have changed my impressions, only the way I expressed them. But it is more than a little sobering to realize that anyone cares what I think.

1) There is no doubt that enormous preparation was done on the payroll plan, and no doubt some employee groups were asked for comments. While I of course have no knowledge whatever of the makeup of the divisional focus groups, my guess is that few of the lowest wage employees were represented. In our division this involves a lot of minorities who are culturally-reluctant to speak out.

When such groups do meet there is a certain level of hesitancy, not to say intimidation when the question might even come across as a fait accompli. Certainly the plan didn't initially meet with universal approval since I believe 11 divisions including SPD chose not to implement the plan on the first pass.

I realize that you can't take a popular vote on such things, but I'd wager a good part of a month's salary that the plan wouldn't have come close to passing if the employees were asked in a secret vote. The bridging loan was a bandaid, and I don't believe that it was even mentioned in our division at first.

Incidentally, the people I appealed the question to were Art Dauer and George Newman. Maybe they were too busy to reply, or simply felt that the decision was done. I did want them to feel some of the distress that people were talking about at that time. The specific words were that the company was using employee wages as float.

To me the decision is still unconvincing. The bald fact is that the plan fixes a company problem by pinpointing the exact amount earned, but the company still holds most of the employee earnings for 5 more days. Unfortunately, those particular 5 days of any given month are the only 5 that a low-wage employee cares about, because of the rent and other bills.

2) Bureaucracy probably doesn't show up much at your level. But for example, did you know that I can't put an 8 x 10 black/white photo in an envelope and mail it through the corporate mail room to Amstelveen? Nor an overhead slide or a 35mm slide. The corporate traffic department has edicted that all such material must ship via bills of lading through the shipping departments.

I've heard the customs horror stories and other-country penalties from Janet Baldwin. But, if I chose to simply attach a little green customs sticker on that same envelope and carry it to the US Post Office, I could perfectly legally send the same thing to the same place. My point is that the simple solution for corporate traffic and the corporate mail room does not cause a simple solution to people in the trenches who have to get bills of lading typed, approved and walked a block down to shipping on a busy day.

I well recall the Onken lectures where he suggested that all corporate services (which are essentially monopolies) be set up with two competing functions. Thus on a Friday afternoon when you needed mail service, you could always find one office that was more service oriented. While we can't do that, we wish that they could consider the downstream hassles.

Paranthenetically, after appeal to Phil Wilson, Janet is working now with our shipping people to prepare a merchandise/country matrix which will allow sending things through the corporate mail room if they fit on the mailroom-allowed-matrix. That process was not gained without appeal.

The bureaucracy I speak of is not what one would call mindless bureaucracy. In fact, it is the opposite. It is what I would more call an "auditing mentality" that seems to be based on the principle that HP people are trying to put something over on HP. And with our penchant for hiring analytical folks, we probably ask for just such overkill.

Under such a mentality, property passes, camera passes, no-charge shipping bills of lading, and authorizations all get set up like we were an army base. Thus you get situations where you need a manager to sign for a zero value seminar manual sent back to a field rep. There is one field office where a field engineer can't check out a BNC cable without a district manager signature.

I realize that divisions and teams do these things to themselves. The division writes its own rules for who has to sign. But believe me when a division like SPD which failed some years of audits sits down to write rules, there is an audit mentality at work in that committee. They don't start out assuming that employees are honest or that you shouldn't write rules that get in the way of doing daily jobs.

What we need is a work culture where there are constant voices asking WHY. And I feel it is the managers' role at every level to be cheerleading and reminding their sub-managers about this to be asking WHY.

Furthermore, I can't believe that these swell rules catch many people who really are trying to get away with fraud. Certainly from a product and business strategy standpoint, we lose dozens if not hundreds of top employees each year that walk out of here with more secrets in their heads than any level of camera passes will ever catch. But those same rules probably inhibit daily performance of the other 99.9% of the remaining employees. And with today's Xerox technology, who needs a camera?

3) Now I'm sorry I used the word elitism. It's a much more subtle thing than can be explained by just throwing out the word. And I don't even believe that it is a problem at the Executive Committee level. But perhaps there is a management tolerance of it. It is things like the special cash bonus for executives that I read about in a prospectus a few years ago.

It is a tolerance for a high level executive who went out regularly by himself for \$60 lunches and charged it to HP. Or a high level executive who took his girlfriend to an out-of-town meeting and charged it to HP. It is a predilection for the trappings of office, and people more interested in the company car and a corner office than getting the job done.

I'm not saying that you should prevent such people from moving up in management, they are aggressive and effective. But I do believe that top management leads by example and word about style and stated expectations about propriety and rightness of things.

This company has always had a great feeling of egalitarianism. Sure, there is a management hierarchy with all the stock bonus plans, etc. But at least those programs did extend down to divisions and they just felt fair. I know we're in the big-leagues now, competing with other biggies for top management talent. But HP is still special and if a manager can make more competing with us, let them go.

4) Coffee pot discussions lead me to think there is still considerable unhappiness with US Administrators. I know I've had problems.

John, you know me as well as anyone. I love this company, and still find myself selling things to my seatmate on airplanes. I have visited and worked with hundreds of companies, and absolutely not one measures up to HP. I'm proud to work here and love coming to work every morning. And I'm happy with my job and my level.

But when Dave says that he and Bill get many notes from employees about treatment in their work areas, I believe him. People are always unhappy about something. And if we were in any other company, conditions and complaints would be a lot worse. But it's just that in this company, there seems to be more than one would like. I suspect the "open door" isn't working as well as before because comments seem to involve management attitudes.

I have personally felt that what might be useful was a monthly column in MEASURE magazine that might be called "Stalking the Elusive HP Way". Actually, to be honest, Dean Abramson mentioned it before he retired. This would recount a variety of small things, like how divisions made new changes that specifically got onerous rules off the employees backs. How managers ran interference for their work teams.

Stories about how HP people helped out a disabled employee or how a sales team worked a miracle on some big deal are just fine. But I have a feeling that there is another level of anecdotes that would be interesting and useful to the common employee, and give hope that someplaces things were going well. I did try the idea on Brad, but he felt it didn't fit.

Again, sorry I hurt your feelings. Believe me, I wouldn't have your job, not in a million years. And I was more surprised than anyone that Dave did what he did. Shocked is more the word.