

# Inspirational Figures

# David Packard

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A coin toss gave David Packard second billing on his company's logo, but his contributions to American business, industry and society are second to none. And make no mistake: "contribution" was the keyword in Packard's life. Lauded for his technical expertise, administrative skills, philanthropy and leadership, Packard possessed a rare and valuable trait from an early age: wisdom. This wisdom manifested itself in two lifelong attributes: a willingness to learn, and a desire to give.

In 1989, the State of California designated the garage in which Hewlett-Packard was launched as an historical landmark, and declared it the birthplace of Silicon Valley. But Packard's influence extends far beyond the technological and economic successes of Northern California's computer dynasty. With partner Bill Hewlett, Packard contributed significantly to the 20th century's rapid advancement of science and engineering; at the same time reinventing the art of business management.

## ENERGETIC BEGINNINGS

In 1912, David Packard was born to an attorney father and high school teacher mother in Pueblo, Colorado, which was still very much a "Wild West" town. Roaming the prairie and the downtown streets with equal curiosity, Packard's boyhood was filled with hunting, fishing, school athletics, and "scientific" experiments, usually involving explosives – at least until he discovered radio, which led to his interest in electronics.

While competing on the basketball and track teams in high school, Packard absorbed the advice that he later credited as "a guiding principle in developing and managing at HP. Get the best people, stress the importance of teamwork, and get them fired up to win the game."

Enrolling at Stanford University in 1930, Packard met two very influential men: fellow student and future partner Bill Hewlett, and professor, mentor and all-around supporter Fred Terman. It was Terman who most encouraged Hewlett and Packard to go into business.

## LESSONS FROM THE FACTORY FLOOR

Upon graduation in 1934, Packard accepted a position with General Electric in Schenectady, New York. While problem-solving a quality control problem – large rectifier tubes kept exploding – Packard learned a valuable lesson. Unlike most engineers, Packard spent a lot of his time on the factory floor. "It soon became apparent that the instructions the engineering department gave the factory people were not adequate to ensure that every step would be

done properly. ... That was a very important lesson for me – that personal communication was often necessary to back up written instructions. That was the genesis of what became 'management by walking around' at the Hewlett-Packard Company."

In 1938, Packard got married, returned to California, and pursued his Master's degree in electrical engineering at Stanford. In 1939, he and Bill Hewlett launched the Hewlett-Packard Company in the garage of Packard's home in Palo Alto. Capitalized with a little over \$500, the two found that Hewlett's circuit design skills and Packard's mastery of manufacturing processes made them a powerful team. Moreover, they both possessed a strong work ethic and the natural curiosity of lifelong learners.

"In those early days Bill and I had to be versatile. We had to tackle almost everything ourselves – from inventing and building products to pricing, packaging, and shipping them; from dealing with customers and sales representatives to keeping the books; from writing the ads to sweeping up at the end of the day. Many of the things I learned in this process were invaluable, and not available in business schools."

## WHY A COMPANY EXISTS

In the foreword to the 2005 edition of David Packard's *The HP Way*, Jim Collins wrote, "Most entrepreneurs pursue the question 'How can I succeed?' From day one, Packard and Hewlett pursued a different question: 'What can we contribute?' and thereby HP attained extraordinary success."

HP designed and built electronic test and measuring instruments, and went on to develop pocket calculators and mini-computers, and to lead the world in computer printing technology. Their amazing success owed less to Hewlett and Packard's individual skills than to their shared vision: whatever they sold couldn't just be new; it had to be better and it had to contribute to a client's success. They viewed profit as a result, not an objective in and of itself.

In 1949 Packard shocked a meeting of fellow business leaders by suggesting, as Collins wrote, "A company has a responsibility beyond making a profit for stockholders; it has a responsibility to recognize the dignity of its employees as human beings, to the well-being of its customers, and to the community at large." No one at the meeting supported this point of view. They thought he was a freak.

In the pursuit of this vision, HP engineered a new kind of company.



## MANAGEMENT BY OBJECTIVE

David Packard may have done more than anyone to shatter the old "command and control" model of management, recognizing that highly talented individuals respond poorly to snapped orders. Rather, Packard saw that teamwork could come from an alignment of interests, encouraging each player to direct his or her best abilities to the betterment of the team. Thus was born the concept of management by objective, wherein the leadership of the company establishes the guiding principles of the organization, the coworkers themselves create a culture to support these principles, and the leaders in turn nurture the culture.

In 1957, Packard, Hewlett, and twenty of their managers met in Sonoma, California and established a set of corporate objectives. "We thought that if we could get everybody to agree on what our objectives were and to understand what we were trying to do, then we could turn them loose and they would move in a common direction." The corporate objectives described the company's approach toward profit, customers, field of interest, growth, employees, organization, and citizenship, but said nothing about markets, technology, hierarchy or competition. They simply laid the groundwork for a culture that, unlike most corporate environments of the time, encouraged both independence and teamwork.

company paid part of their tuition as well, and more recently has paid all of their tuition. More than four hundred HP engineers have obtained master's or doctorate degrees through this program. It has enabled us to hire the top engineering graduates from universities all across the country for a number of years – an important factor in the ultimate success of our company."

## A WELL ENGINEERED BUSINESS

Many leaders claim to appreciate the value of talent in their organization, but Packard also seemed to understand the nature of talent. Rather than engineer their company to use people like replaceable parts, Packard and Hewlett respected their employees. They refused, for example, to pursue boom and bust contract work because they did not want to go through cycles of hiring and then laying people off. They wanted the kind of contribution only loyalty can produce, so they modeled loyalty to their workers.

In 1970, when the economy stumbled and the company faced layoffs, Packard proposed – and the company embraced – a novel alternative. Rather than layoff 10% of the workforce, the entire company took a 10% work schedule cut, working just nine days every two weeks. "The net result of this program was that effectively all shared the burden of the recession, good people were not released into a very tough job market, and we had our highly qual-

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**"You shouldn't gloat about anything you've done; you ought to keep going and find something better to do." – David Packard**

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## CONTRIBUTIONS TO THE ART OF MANAGEMENT

David Packard and Bill Hewlett's approach to management bequeathed many gifts to today's managers and their teams. "Management by Objective", for example, empowered individuals to be creative problem-solvers. Not only does the process create an organic and self-sustaining kind of teamwork, but it prevents "diworsification" for companies, which can stay focused on what they do best and what fits their core competencies.

Likewise, "Management by Walking Around" improves communication, improves quality, improves teamwork, and improves profits. Hewlett and Packard's visible presence and easy availability (they insisted on a company-wide open-door policy, believing that interruptions were a small price to pay for the advantages of open and frank communication with the talented people they hired) earned them deep credibility with their co-workers. A drill press operator on the outskirts of the factory knew that the CEO and President understood what he did and appreciated his contribution.

Flextime was another fascinating – and revolutionary – innovation of "The HP Way." As Packard explained, "To my mind, flex-time is the essence of respect for and trust in people. It says that we both appreciate that our people have busy personal lives and that we trust them to devise, with their supervisor and work group, a schedule that is personally convenient yet fair to others."

Packard also saw that the future of industry was a future of learning. One illustrative invention was the Honors Cooperative Program: "The program made it possible for us to hire top-level young graduates from around the country with the promise that if they came to work for us and we thought it appropriate, they could attend graduate school while on full HP salary. Originally, the

ified workforce in place when business improved." Packard hastened to point out that this solution only applied to what was clearly a temporary situation; the company could not guarantee full employment under all scenarios.

## CONTRIBUTIONS BEYOND THE WORKPLACE

David Packard became very wealthy through the success of Hewlett-Packard, and his commitment "to meet the obligations of good citizenship by making contributions to the community and to the institutions in our society which generate the environment in which we operate" extended far beyond his work life.

Packard served for three years as Deputy Secretary of Defense under Melvin Laird in the Nixon White House. He and Hewlett donated generously to Stanford University and many local and national charities. In 1978, Packard and his wife Lucile created the Monterey Bay Aquarium Foundation, which in 1984 opened the Monterey Bay Aquarium, one of the most innovative, educational and beautiful aquariums in the world. The Lucile Salter Packard Children's Hospital at Stanford University opened in 1991.

## A LEGACY OF INSPIRATION

Steve Jobs credited Hewlett-Packard's culture as the inspiration for Apple Computer's creative approach to engineering and management. In fact, when Jobs left Apple under duress in the 1980s, his first impulse was to apologize to David Packard.

When David Packard died on March 26, 1996, his legacy was visible in three great accomplishments: a very successful company, an effective philanthropic foundation, and most important of all, the enduring love of family, friends and co-workers. These, then, represent the fruits of the contribution-driven life. ▲