

VENTURA COUNTY  
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# HP quandary shows corporate culture is critical

Much has been written about the sacking of Hewlett-Packard Co. CEO Carly Fiorina, and many of her longtime critics exploited this event to vindicate their beliefs and vilify Fiorina for destroying "The HP Way."

We do not believe that Fiorina is a villain in this scenario.

True, she is reputed to be arrogant, dictatorial and elitist, but none of that was unknown to the people who hired her. In fact, these elements of her character were key success factors at

her former employers, AT&T and Lucent Technologies, hoary old dinosaurs and strict adherents to the iron fist school of management.

Fiorina was exactly what the HP board of directors ordered. Together, their hubris and inflexibility hobbled one of the greatest company cultures in American history.



Paul Orfalea Lance Helfert

Neither will ever admit to making any mistakes along the way — in itself a mistake when leading a highly educated work force. But the mistakes they made were very common, and investors should keep an eye out for these errors of

judgment during any leadership change.

The most critical error is so common that nearly every article we've read on Fiorina's departure reinforces it. Journalists ponder whether she was fired for the company's poor performance or because she damaged the company culture, as if the two were unrelated. We submit that very often, corporate culture is the least appreciated, least understood key success factor for a great company. And we assure you that HP was, and

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## HP board got what it paid for

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may yet become again, one of the world's great companies. Before hiring Fiorina, the HP board concluded that the company's competitive struggles could be blamed on the company culture. In times of trouble, a very democratic structure is an easy target. One longs for a benign dictator to silence the hickering masses and provide clear direction. It happens to nations, and it happens to companies.

We question whether the board understood their own culture; whether the conventions and commitments of their people had become a mere academic notion to the board, obscured by the very word "culture." Culture, after all, is one of the most abused words in business. Some companies use it as code for racism or sexism, while others use it to excuse a multitude of sins, including the lack of leadership or clear direction.

But when a corporate culture embodies truly noble values and democratic principles, woe to those who would tamper with it. HP's culture, codified to some extent in 1957 as their corporate objectives, set the standard and virtually created the concept of corporate culture.

As Jeff Goodell wrote on Salon.com: "For an entire generation of Silicon Valley entrepreneurs, including Steve Jobs, who has often said that HP was the inspiration for the freewheeling corporate culture at Apple, HP represented the dream of a company that was not just fun to work for and treated its employees well, but which was built upon a foundation of loyalty, trust and community service. It was the embodiment of ethical capitalism."

Knowing that the board asked Fiorina to change this, we almost feel sympathy for her. Of course, she approached the task with considerable enthusiasm.

What is a company? A company is not its machines, nor its buildings, nor its patents, nor its financial statements, nor its ad campaigns. A company is made of people. And the people of HP faced a dramatic contrast when Fiorina joined their organization. Whereas the founders of the company practiced an open-door policy, wandered the halls daily and frequently ate with co-workers in the cafeteria, Fiorina set herself apart. She cloistered herself in an office (or otherwise out of sight); it could take weeks for a co-worker to get an

appointment to see her. She received a huge and highly publicized compensation package, but still asked the company to move her yacht from the East to the West Coast.

The company went from a bottom-up idea incubator to a top-down "ego-craze," in the eyes of tenured employees. Everything was about Fiorina; she tried to be a rockstar CEO like Steve Jobs, but she lacked Jobs' street credibility.

When Fiorina made herself the star of an ad campaign ostensibly praising the spirit of the company's beloved founders, longtime HP employees felt disingenuousness right through to their bones.

Under Fiorina's rule, the people of HP lost their voice, and with it their pride. Pride is a great motivator; a good leader helps people find pride in their work. Damage a co-worker's compensation, and the co-worker will certainly complain and might even leave. Damage a co-worker's pride, and he or she will seek to destroy you.

**Ruling isn't leading**  
Power does not create leaders; good leaders are granted power by those who follow them. Fiorina did not take time to become a leader at HP.

Rather, she was installed as ruler, and tried to lead through mere authority and sheer force of will. The board ensured an adequate supply of the former, and Fiorina is imbued with more than adequate rations of the latter. During a leadership transition, co-workers are very sensitive, almost brittle. All new executives speak the language of transition, but co-workers know when "team player" is just a euphemism for "do what you're told." They also know when "I'm not going to make any drastic changes" means "the layoffs start next week."

Too few executives recognize the most dangerous power their co-workers possess: the power to do mediocre work. Pardon the metaphor, but a nation of slaves fields a poor army. If one must battle fierce competition, we'd rather invest in an army of citizen soldiers, freely and passionately fighting for something they love and following leaders they respect.

**Not all change is progress**  
People have said some pretty harsh things about Fiorina for damaging the HP culture, but we reassert that this is exactly what she was hired to do!

We find it sad that companies so often undervalue their own uniqueness. Time and again we hear board members, analysts

and consultants telling entrepreneurial and innovative companies that they need to be more like "real" companies. But when they sacrifice their culture to do so, they are making a deal with the devil.

Apple almost lost everything when they chose wrong, but got a very rare second chance through very rare leadership. HP may have an opportunity to reclaim its soul. Perhaps the effort would be helped if the board spent some time considering some of their own corporate objectives.

In part, the underlying beliefs section reads, "HP's performance starts with motivated employees; their loyalty is key. We trust our employees to do the right thing and to make a difference."

Of course, words are cheap. We want to invest in companies whose actions demonstrate that they take culture seriously, respect their employees, and understand that a great company is more likely to get big than a big company is to get great.

— Lance Helfert and Kinke's Inc. founder Paul Orfalea are the co-founders of West Coast Asset Management Inc., a private independent money manager in Ventura. Orfalea sold his interest in Kinke's two years ago. Vice President Allison Lowe contributed to this column. Please email questions to info@wcam.com. The principals of the firm or their clients may own shares in the companies they write about.



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