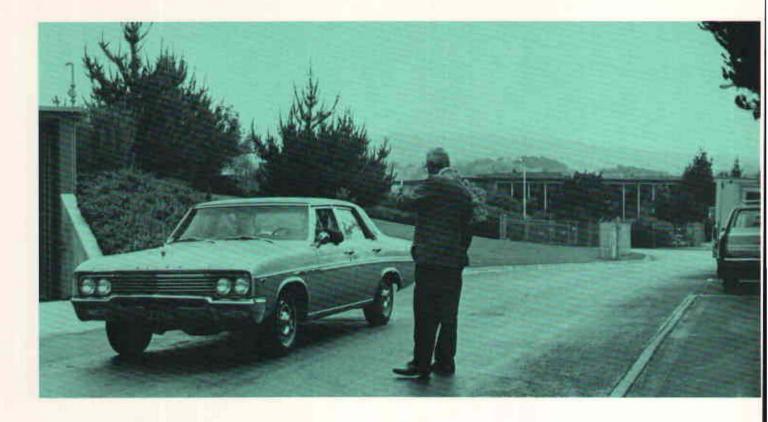
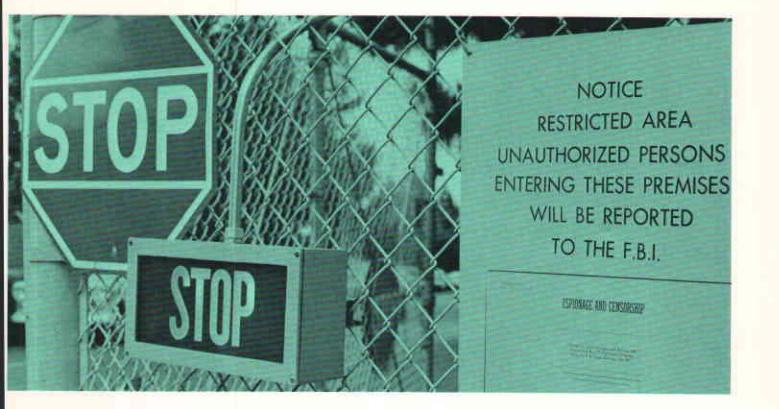


## SECURITY



# "trust" system or "tough" system: it's up to you



"The basic security situation at HP," said Dick Coulter, corporate security director, "is that we have a high degree of employee participation. By that I mean that the safe guarding of property and proprietary information is a responsibility of all people in the company, with our support.

"Now a lot of professional security people don't favor that kind of arrangement. They tend to prefer the tight security such as provided by the Industrial Security Manual. This would mean a more rigorous ID program, a visible badge system, controlled access with inner gates and guards, plus other means of control.

"But I think the HP way is more healthy even if it does entail a bit more risk. For many years the company enjoyed a very relaxed situation, with the plants having a campus-like atmosphere. But as the company grew rapidly, especially in the second half of the '60's, it became clear that we were going to need more depth in security operations. A lot of the new people were just not familiar with the trust system. And when any organization gets up into the thousands of people, a few of them are bound to take advantage of the situation. On top of that, outside groups began taking an unkindly



(continued)

interest in the firms, including HP, located within the Stanford Industrial Park. So we had new threats both from within and without.

"But basically, we still have a trust system that follows HP's ideas of how to treat people. When someone violates that trust it shouldn't be hidden or overlooked. We should be told. I think that's much better than having many guards overlooking everything.

"There are some very definite things people can do to preserve the present approach. The first is to give us timely reports when things go missing or actions are suspicious. One thing that would be a great help would be if people kept a better record of equipment in their charge, including items they might loan to others. Because a lot of our problems don't arise from any malicious act or intention. These happen because people misplace equipment—or they forget to return it to its authorized place. But the effect still is that someone or some department suffers a loss. Not only do they need to replace the equipment but they also lose the time involved in replacing it.

"We could save a great deal of miscellaneous grief if we kept better track of our in-process production and equipment."

#### Case No. 47

### security

"It just sounded wrong," recalls Ron Rassmussen, field engineer (instruments) who operates out of the Neely Palo Alto office:

"I had sold a spectrum analyzer system to this firm on a 14-week back order. But then, only about 7 to 8 weeks along, the customer called to ask about cancellation. Would there be any special charge? He said he had found a source for a used instrument.

"Well, I thought: 'That's very interesting'. Because two of the items in the system weren't even on the market at this time. So where was he getting 'used' models? I told him: 'They have to be *hot*!' "

"Hot" they were. A trace on the serial numbers the customer willingly provided led to the discovery that the products were in fact "missing" from HP finished-goods inventory. The customer also said his source had been told by *his* supplier that the instruments had come from an HP executive who had been given

them as a kind of bonus. (Here the plot thickened. HP was anxious to pinpoint the inside source of the products. The district attorney was anxious to make a case against the suspected "fence." The middleman, who had innocently purchased the items and then sold them to the HP customer, was anxious to get back his investment and to put a stop to the fence's activities.) Some solid detective work and adroit psychological pressure by HP security people finally brought Case 47 into focus: On March 1, a trusted veteran employee, a technician, walked into vice president Ray Wilbur's office where he confessed to the theft. Here, and in subsequent statements to the district attorney, he implicated the suspected fence who turned out to be a neighbor.

It began, the employee said, in 1965 when his neighbor asked him to procure a certain instrument. Later, the neighbor used an HP catalog to indicate the instruments he wanted, and would name his pricecash on delivery. The employee then would go "browsing" at lunch times. Since his work required considerable moving around from location to location and involved maintenance of instruments, it was apparently very easy for him to pick up what he sought. He would then put it in the cab of his truck and drive it home. Here, the fence would find it. Delivery time? Usually a week. Prices? Well, for an 8555 retailing for \$5,975, he said he received \$50. Over the years he estimated he had been paid in cash or merchandise

something like \$4,000 for 30 items of equipment. Ironically, he said, some of it went to pay for treatment of nervous symptoms he associated with feelings of guilt.

On April 30, in the San Jose-Milpitas Municipal Court, the 36year-old employee was sentenced to a year in county jail and five years on probation on a charge of grand theft to which he had pleaded guilty. The neighbor, who has pleaded not guilty, faces three felony chargesconspiracy, grand theft, and grand theft-receiving.

A sad story, isn't it? And for the families involved, tragic. Yet there would not be much point in telling it here were it not for the various implications that it raises concerning security at Hewlett-Packard. For a company that has long enjoyed an "open campus" approach to security and has placed its faith in the integrity of the individual, it raises some vital questions. Such as:

• How could so many missing items go undetected or unreported for so long?

• How much does the company really lose each year from thefts and "moonlight requisitions"?

What roles do professional security forces have in the company?
How can the individual employee help preserve the security of equipment and proprietary information?



Ron Rassmussen, the Neely (Palo Alto) field engineer who first spotted the irregular circumstances that started the file on Case No. 47, checks his auto. Ron says that salesmen at the company he previously worked for didn't bother much about locking up: "A stolen instrument counted the same as a sale! We didn't get any commission on it, but the product people felt they had disposed of an instrument and would be reimbursed for it through insurance. But at HP we're aware that every loss is a cost to us—that insurance is not the answer. In fact, a theft may cost us quite a bit more than the replacement value of an instrument, because of inconvenience to the customer and disruption to our business." Security problems are not confined to plants and autos; sales offices are also targets: Two months ago the HP office at Brentwood (St. Louis), Mo., was burgled of office equipment valued at \$4,000.

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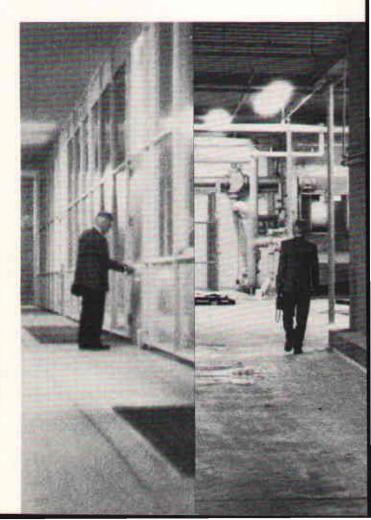
"When people say: 'It's covered by insurance, so why worry', they're missing the point," says John Prendergast, corporate insurance manager. "You just can't insure away lossessooner or later the cost catches up with you.

"I feel certain, for example, that we are going to be asked to pay substantially more in insurance premiums next year as a result of two recent cases involving thefts by employees. This results almost inevitably whenever our claims cause the insurance company to pay back more than about 60 percent of the premium dollar on our Employee Fidelity Bond. That's usually the break-even point for most insurance contracts of this kind. They rate us on our loss experience and charge accordingly. The deductible is also quite high now, and probably will go even higher—perhaps to \$5,000 for any one loss in the near future.

"So, in effect, we are self-insured. We pay for all of our losses, directly and indirectly and if not this year then next year. Basically, we carry insurance to protect us against catastrophic losses that you would not expect to happen very often.

"The individual employee can help us in several ways. Promptness in reporting losses is very important, because we lose our insurance protection with respect to any employee as soon as it is known that he or she has been involved in fraud or theft from the company.

"The first step is to let your supervisor or other management people know the situation. This information should then be passed to the corporate insurance department as quickly as possible so that it can be evaluated by an insurance company expert to determine if there is sufficient evidence to ask the police to act. Under no circumstances should an employee accuse another of theft or attempt to extract a confession; an accusation or arrest that can't be substantiated can be very damaging to the accused person and might expose the company to a costly lawsuit. Let the authorities handle such things."



Guard activity is stepped up considerably at night. In addition to clear-cut security procedures, guards such as Leo Witzel undertake a wide range of observations and duties designed to keep plant facilities and laboratory projects operating through the off hours. Each guard location has a complete minute-by-minute "book" on guard's routine. Instead of the standard law enforcement type of uniform, the men are attired in light blue blazers and black slacks, and carry no firearms. However, two-way radio keeps them in ready touch. Divisions outside the Palo Alto area make their own security arrangements with local variations, but all follow same basic employee-trust system. Wearing of name badges and conscientious use of property passes are important elements in this system. Likewise, visitors you believe don't belong in your work area should be questioned, and any attempt to remove material and equipment from the area or the plant reported.



## security





Jim Neel, Stanford plant security supervisor, left, listens while swing-shift guard captain Jack Safford radios a guard. Jim, Jack and three other captains are HP employees and wear no uniforms. Guards are contract personnel hired through an industrial security firm. In addition to extensive background in law enforcement, Palo Alto guard captains include men with special experience in explosives and demolition detection, fire fighting, and plant security. Captains are also responsible for training of guards.



FIELD — Sales responsibility

The new HP "game plan" for sales:

## OVER THE FENCE IS OUT...

In the headline above, "over the fence" is a rough but ready reference to the general method used for years by the company in marketing its products. Under that approach the factory organizations handled their products all the way from invention to manufacturing. Then, figuratively, they would toss them over the fence where someone else was waiting to take on the responsibility for selling them. The "someones" were, in historical succession, manufacturers' representatives, sales subsidiaries, and finally the regional sales organizations now in the field throughout most of the world.

> Under the new game plan started late last year, they tore down the fences.

The result-and one of the primary goalshas been much greater access between the divisions and the men who sell their products in the field. In general, it has involved new lines of responsibility direct from the factories to the field, and shortened lines of communication.

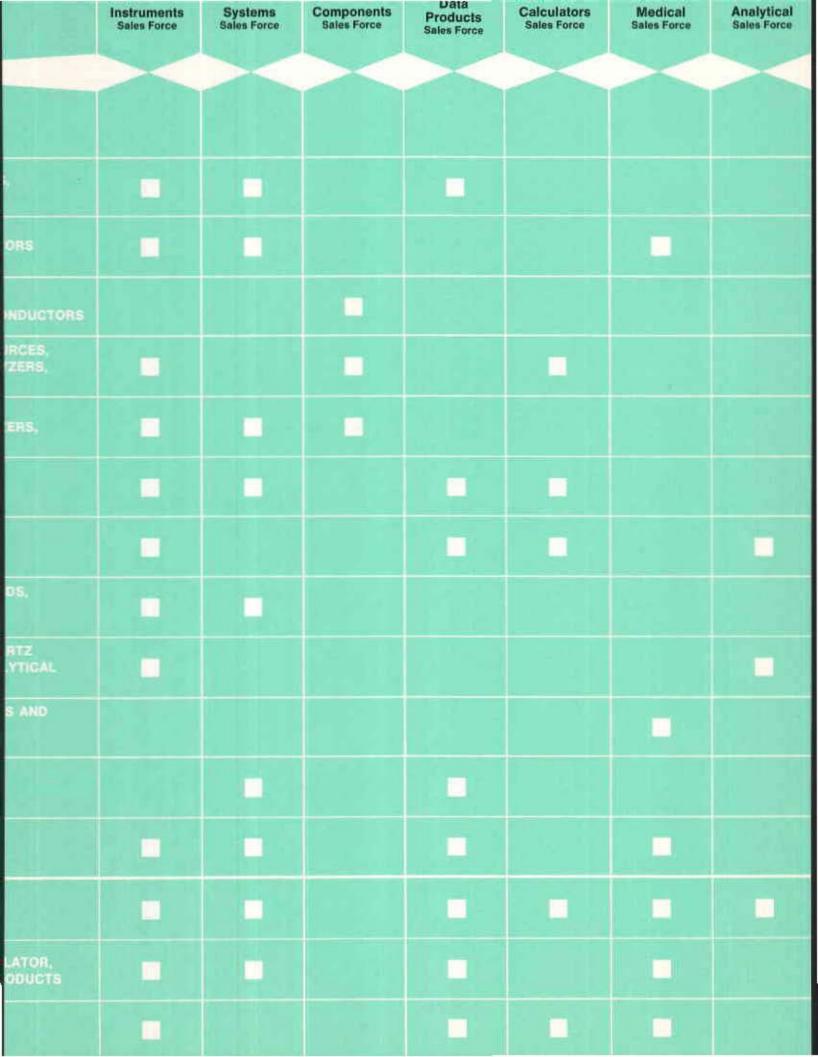
In the accompanying chart based on the 1971 sales plan, the reason for the change is suggested by the top line: a widening diversity of products and markets requiring specialization in selling.

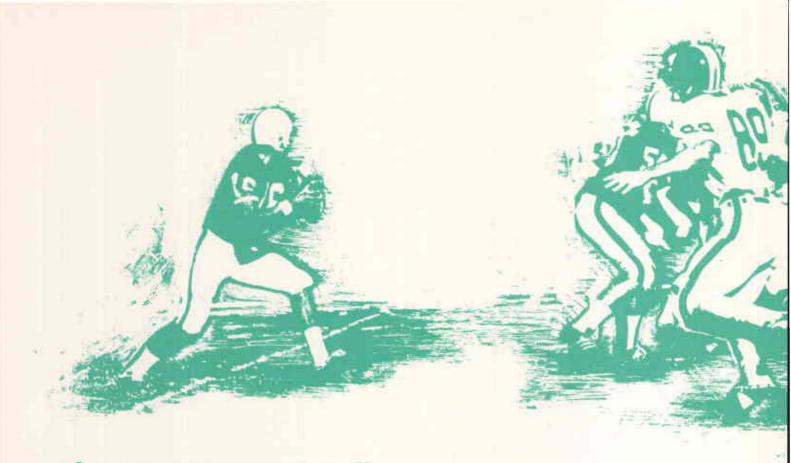
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NOTE: The chart does not show the products and services marketed by a number of HP organizations, including Delcon Division, DMI (Distance Measuring Instruments, Loveland), Manufacturing Division, HP Singapore, HP Labs, and the various customer service repair and parts centers. In general they market independently of the established field sales forces, or internally.

	FACTORY — Manufacturing responsibility
ELECTRONIC PRODUCTS GROUP	Automatic DIGITAL DATA-ACQUISITION SYSTEM Measurements AUTOMATIC TEST SYSTEMS
	Colorado Springs OSCILLOSCOPES, PULSE GENER
	HP Associates DIODES, SOLID-STATE DISPLAYS, OPTOELECTRONIC DEVICES, PHOTO
	Loveland ANALOG AND DIGITAL METERS, SIGNAL S STANDARDS, WAVE AND DISTORTION ANA DESK-TOP CALCULATORS, DMI (see note)
	MICROWAVE INSTRUMENTS, SWEEP AND SIGNAL GENERATORS, SPECTRUM ANAL MICROWAVE COMPONENTS
	New Jersey POWER SUPPLIES, MONITORS, SIGNAL SOURCES, IMPEDANCE METERS
	San Diego RECORDERS, PLOTTERS
	Santa Clara ELECTRONIC COUNTERS, TIME STAND FREQUENCY SYNTHESIZERS, SIGNAL ANALYZERS, LASER INTERFEROMETER
	Avondale — GAS CHROMATOGRAPHS, G Scientific Instruments INSTRUMENTS
	Medical MEDICAL AND BIOPHYSICAL INSTRUME Electronics OSCILLOGRAPHS AND OTHER RECORDERS
DATA PRODUCTS GROUP	Cupertino GENERAL PURPOSE COMPUTERS, COMPUTER SOFTWARE
	Mountain View DISC DRIVES, TAPE DRIVES, TAPE RECORDERS (AMD)
INTERNATIONAL	HP GmbH NOISE MONITORING, WORD GENERATOR FETAL DIAGNOSTIC INSTRUMENTS, TRANSFERRED PRODUCTS
	HP Ltd. (U.K.) MICROWAVE LINK ANALYZERS, CORI NOISE GENERATOR, TRANSFERRED
	YHP BRIDGES, Q-METERS,

TRANSFERRED PRODUCTS





## ...the "game plan"

The word "verticalization" had been used in describing this. That configuration can be seen by looking down any of the seven columns representing segments of the main HP sales organization. The Instrument sales force, for example, is shown as the representative for products of 12 divisions. Those same divisions, however, can market other products they make through other appropriate sales forces. In this manner, for example, San Diego sells its products through four of the sales forces shown--Instruments, Data Products, Calculators, and Analytical-whereas MED products are sold solely by the Medical sales team.

In effect, each vertical column represents a force of selling specialists; the horizontal columns show which divisions directly interface with these sales forces.

At the time of its launching eight months ago, vice president Bob Boniface (Marketing) described verticalization as the most significant and far ranging change the company has made since the purchase of the "rep" organizations in the early '60's.

How is it going? Let's hear what some of the architects and participants have to say:

Jim Arthur, Midwest Region general manager: "What the plan attempts to do is a better job of interfacing with our customers. When you elect to go into new markets you end up having to make commitments to those markets, and that's what we are doing as a company. The plan tells us where we want to go in a certain market and lets us build a marketing organization that can expand and react quickly.

"The plan also enables us to do a better job of measuring what we are doing in each market area and helps us evaluate what we need to do.

"There have been some changes at the regional management level as a result of the plan. Before, the sales regions were said to be profit centers. Now we will be accounted as cost centers. But this is more a change in procedure than of kind. Working out targets will still be a matter of mutual agreement between the divisions and regions.

"Another important difference is that the former system revolved around just one RSM (regional sales manager) for all products. This got to ge too much to handle. He could no longer span the product line, the customer profile or the HP organization. Now, with regional sales managers for the main disciplines working in close harmony with the divisions, we can mount much more effective programs for selling products.

"There may be some mid-course corrections needed, but basically we are well launched?"



Ed McDonald, sales manager, Medical Electronics Division: "By becoming more heavily involved in the budgeting for sales, we are learning a great deal more about what it costs to operate in the field. This gives the division a much greater control of its destiny.

"For one thing, product-line costs were previously obscured in regional figures. Now, by breaking out the figures by product category, we get a picture of our strengths and weaknesses in the field. We can work directly on our problems by going directly to the Medical RSM who is in direct communication with the field."

Don Tighe, general manager, New Jersey Division: "The plan recognizes the need of the factory organization to have a more direct interface with their customers. I expect it will enhance our ability to respond to customers and to plan for the future."

Phil Scalzo, Neely Sales Region general manager (writing in the regional publication, *La Prensa*): "The point I'd like to bring to people's attention is that of the unified effort by the divisions and the sales regions. Along with other managers, I feel that we have to start becoming a unified sales force across regional lines as well as with respect to product disciplines.

"As the regions become more unifom, we will start to see more flexibility in sales promotional activities, interchange of ideas, accounting, order processing and the opportunity to interchange people. Not only will this add depth to our overall sales program, but it will also increase the opportunities for growth in all areas." **Bob Brunner, International marketing manager for the Electronic Products Group:** "One thing the plan does for the field engineer is to establish a direct line right through to the top of the Group. Situations in which our division or group managers end up making a special call on a major customer with the field man are common. In this way we can bring whatever support or influence is needed to bear on the sales effort. Of course, most of the day to day communicating, sales planning, and implementing goes on between the field engineers, their discipline managers, and the factory marketing organizations. We are seeing real in-depth relationships developing, and problems not only get attention much faster but with much more cooperative and creative thought. Gone are the days when 'factory people' referred to 'field people' and vice versa-now it's a real team spirit."

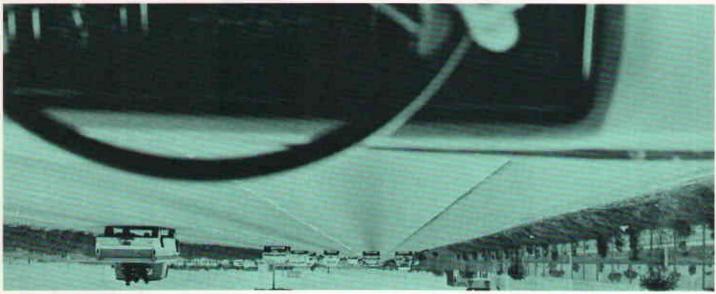
Norm Parquette, district manager for Systems, Lexington, Mass.: "While there are some grey areas still to be resolved in this business of defining sales, I emphasize to our men that they should always be representative of HP to the customer. The first job is to get the right HP guy to the customer, whether that's a Systems man, a Data Products man, or some other."

Bruce Blomster, district manager for Medical Products, Lexington, Mass.: "The change hasn't been noticed so much by Medical Products men in the field because we had always worked very closely with the factory. But I do think it means a broadening of opportunities for the field engineer, and for more interchanges between regions.

"I suppose there will always be some grey areas--conflict, if you want to call it that-between the sales disciplines. That's possible in the case of universities where all the disciplines are involved. For example, what governs where an engineering group specifies a piece of equipment for a medical school? Generally, such questions come down to application. But the important thing is to keep a cooperative sales force--not create a feeling that if it's not in my 'bag', it's not my problem. This is where the regional management can make a vital contribution, by creating a sense of common identity and keeping communications wide open."



## The road to Paramus



From Rockville to Rockaway, from Rochester to Roslyn, (or Norwalk to Fishkill), HP repair service is no more than a day away...



In the Eastern states, "The Shuttle" is a famous institution, a tight criss-cross of scheduled flights that will commute you almost anywhere along the seaboard on short notice—providing you avoid rush hours and don't get hung up waiting for air traffic patterns to clear.

You might well be better off taking the HP Shuttle.

The HP Shuttle? Yes indeed. This, too, is a tight crisscross of scheduled vehicles. With it the Eastern Region offices and plants can deliver instruments needing repair to Paramus headquarters Repair Center in one day, and have them returned in the same speedy fashion. Shipments from the plants at Waltham, New Jersey, and Avondale can reach any of the outlying regional offices in no more than two days—one to Paramus, one out from Paramus. Other HP organizations also benefit from this speedy system.

Wint Ramsey, the shuttle supervisor, estimates that some 400 instruments are moved each week. With advance notice from an outlying office, an instrument requiring simple repair can be back in the customer's hands one day after it is turned in.

Oddly, three of the six employee drivers seldom if ever reach Paramus, even though their vehicles end up there regularly. This results from the kind of "Pony-Express" arrangement whereby the drivers out of Lexington, Mass., Rochester, N. Y., and Rockville (Wash., D. C.) drive approximately half way to the Eastern headquarters center. At this midpoint, generally reached around noon, they exchange vehicles (or exchange loads) with the drivers coming from Paramus, and back they all go. For drivers such as Cliff Mc-Connell, who has the upstate New York run, or Joe Pentaude, who takes the southern leg out of Paramus, it can mean 2,000 to 2,500 miles of driving a week.

Along with instruments, the shuttle moves considerable literature, payrolls, and various other transportable items. There's no doubt the system has earned an appreciative place in the hearts of Eastern HP people. And in their stomachs, too, thanks to the baskets of Avondale mushrooms that sometimes become part of the cargo.











## News in brief

**Palo Alto**-The company reported that its sales and earnings for the second quarter of the current fiscal year were below the corresponding period of 1970, but showed some improvement over this year's first quarter.

Sales for the second quarter ended April 30 totaled \$90,321,000, compared with \$91,697,000 for the corresponding quarter of 1970. Net earnings amounted to \$5,329,000, equal to 21 cents a share on 25,866,-946 shares of common stock outstanding. This compares with earnings of \$6,148,000, equal to 24 cents a share on 25,411,927 shares, during last year's second quarter.

In making quarterly comparisons for the current fiscal year, President Bill Hewlett noted that secondquarter sales were up 11 percent over the first quarter, and earnings were up 9 percent. On a per-share basis, earnings rose from 19 cents to 21 cents. "Incoming orders during the second quarter totaled \$94,070,000," Hewlett said, "a gain of 8 percent over the previous quarter. For the six-month period ended April 30, orders amounted to \$181,528,000, up 4 percent over a year ago."

Sales for the six months totaled \$171,472,000 down slightly from \$174,068,000 for the first half of 1970. Net earnings amounted to \$10,232,000, equal to 40 cents a share. This compares with earnings of \$11,704,000, equal to 46 cents a share, during last year's first half.

Avondale—Ed Truitt, formerly manufacturing manager, has been named to head HP's entry into the environmental instrumentation business. The appointment formalized a longheld interest in this field by the analytical products division.

Replacing Truitt as manufacturing manager is Bob Kane, formerly finance manager. In turn, cost accounting manager Bob Kriner is the new finance manager. Atlantic City, N.J.-Don Hammond, manager of the Physical Electronics laboratory of HP Labs has been named winner of the 1971 C. B. Sawyer Award. Announced at the Annual Frequency Control Symposium late in April, the award was made for the most outstanding recent contribution in the field of quartz crystals and devices.

Hammond, who joined Hewlett-Packard in 1959, was cited by the award committee "For development and applications of crystal devices to highly precise frequency control, and temperature and pressure instrumentation."

The award honors the late Dr. C. B. Sawyer, a pioneer in the fields of piezoelectric materials, beryllium, and cultured quartz.

**Palo Alto**-Distribution of \$2,351,-000 was made late in May to 12,000 eligible employees under the company's cash profit sharing plan.



Edinburgh, Scotland — The age of the mini-computer in education moves apace with the completion of a program evaluating the HP 2007A Educational Computer System in a dozen Edinburgh-area schoools. The program, sponsored by the Moray House College of Education, sought to test the ability of whole rooms of students to learn the programming and operation of a computer under instruction of only one teacher. In the photograph are seen pupils at Ainslie Park Comprehensive School feeding into the computer the mark-sense cards they have programmed with an ordinary lead pencil at their desks.

Several other developments related to the application of HP computers in education have been announced by the Cupertino Division. Among them is a new computer purchase plan designed specifically for educational institutions, permitting payments over periods ranging from 24 to 48 months. Another announcement said that a Harcourt-Brace program for teaching elementary English skills involving fourth, fifth and sixth grade material through computer-assisted instruction is now available for use on HP computer systems.



#### From the president's desk

I am sure that most of you are already familiar with our operating results for the second quarter of the year, as summarized on the opposite page. I can say simply that our earnings were disappointing, amounting to only 21 cents per share. Although this figure was up slightly from the 19 cents earned in the first quarter, it compares unfavorably with 24 cents earned in the second quarter last year.

A close review of divisional performance indicates the spotty nature of our business thus far this year. Orders have been running above target in the medical and analytical areas, and for Delcon and some of our basic instrument divisions. On the other hand, some markets, particularly data products, have been quite soft.

There has also been a sharp shift in the relative strengths of our domestic and international markets. Last year our declining sales in the U.S. were largely offset by very strong international sales. This year, especially during the second quarter, we've seen some recovery in the domestic market but a weakening in international areas.

It is difficult to determine the exact causes of the decline in international business. There is some evidence that many European countries, and also Japan, are having the same problem of controlling inflation that the U.S. has been experiencing for the past few years. The recent revaluation of some of the European currencies may serve to increase our exports to those countries in which revaluation occurred. As has been pointed out, one of the effects of such action is to make U.S. products slightly cheaper than they were prior to revaluation. It remains to be seen, however, what the actual significance of the revaluation will be.

A word about the rest of the year might be appropriate. The first half of 1970 represented the tail end of a long growth cycle for HP. It was during the second half of the year that our earnings started to decline. We are now, I believe, on the reverse part of the curve and whereas our earnings to date have been both below target and below earnings for the comparable period of 1970, the comparison during the second half should be more favorable. As a consequence, I would expect that our earnings for the full fiscal year would compare reasonably well with last year.

Bill Sewlett



### "Day Passage"

Two years ago, the nation's leading technological companies, including Hewlett-Packard, were asked to collaborate with 80 of the best-known U.S. artists to develop works for possible showing in an "Art and Technology" exhibit by the Los Angeles County Museum of Art. Last month the exhibit (now narrowed down to 19 works after a shakedown showing at Osaka's Expo 70) opened in Los Angeles to impressive critical acclaim and large crowds of visitors. Wrote art critic Alfred Frankenstein in the San Francisco Chronicle: "For me, the finest thing in the show is a work by Rockne Krebs of Washington, D.C. and the Hewlett-Packard Company of Palo Alto, called 'Day Passage'. This is a composition of laser beams-red, green, and blue-in a darkened, L-shaped room with mirrors at its head and foot and two mirrors at its bend. The result is that the beams are reflected to infinite depths in an infinity of interlaced and parallel patterns. They shift color and seem also to shift in space. The whole thing is one of the most serenely magnificent and mysterious experiences it has ever been my privilege to undergo in an art gallery . . ."

If these heady words entice you to the exhibit, go there before its closing on August 29, go there early (opening at 10:00 A.M.), but never on Mondays.

#### Measure EDITOR Gordon Brown

ART DIRECTOR

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