

Measure

For the men and women of Hewlett-Packard / AUGUST / SEPTEMBER 1979

- On Gossamer wings (pages 2-3)
- HP Europe's 20 years (pages 4-7)
- Company confidential (pages 8-9)
- X-radiant beauty (pages 10-11)
- HP roundup (pages 12-13)
- President's letter—3rd quarter '79 (page 15)



On a leg-powered wing and a program:

"Gossamer Albatross English Channel..."



Pedalling doggedly and sometimes desperately, Bryan Allen propelled the 75-pound *Gossamer Albatross* across the English Channel in 2 hours, 49 minutes.

□ In many press reports, the first man-powered flight across the English Channel by *Gossamer Albatross* one early morning last June sounded like the splendid achievement of some hobbyists playing with large toy aircraft: A triumph of human spirit, plastics technology and leg power. Well, it was a splendid achievement, and the flight crew members were hobbyists of a sort—but highly professional and scientifically sophisticated ones who designed their craft with the use of some very powerful HP equipment.

In fact, as they acknowledged, the flights of the *Albatross* and its predecessor, the *Gossamer Condor* in 1977, were made possible as much by computer power as by the legs of "pilot and engine" Bryan Allen.

Site of that power is Aerovironment Inc. of Pasadena, California, an aerodynamic design firm headed by co-founders Drs. Paul MacCready, Peter Lissaman, and Ivar Tombach. For them and their data processing manager, John Blair, trucks, aircraft and energy systems are work. *Condor* and *Albatross* are after-hours fun.

Writing in the recent July-August issue of Desktop Computer Division's *KEYBOARD* magazine, John Blair described the particular challenge of their hobby:

"A test for man-powered flight was designed by British industrialist Henry Kremer some 18 years ago. He offered a prize of 50,000 pounds to whoever could build and fly a plane powered only by human beings. The plane had to leave the ground of its own power, clear a 10-foot barrier, fly a figure-eight course around two pylons set half a mile apart, and clear another 10-foot barrier at the end.

"Energy storage devices were prohibited, and the craft could not lighten

conquers the



HP products used in design of the *Condor* and *Albatross* find more conventional application in the aerodynamic design of trucks and other vehicles and structures. Aerovironment Inc.'s Peter Lissaman is seen at work with HP9820/9862A system.

the load once airborne by dropping any portion of its structure.”

On August 23, 1977, the Aerovironment team flew their first big bird at Shafter, California, completing the test in just over seven minutes. With the flight certified by the Royal Aeronautical Society of London, *Condor* was retired to the Smithsonian Institution in Washington, D.C.

Meanwhile, Kremer raised a far more difficult challenge: The English Channel for a prize of 100,000 pounds. Back at the computerized drawing board, MacCready and Lissaman came up with an air bike they hoped was light enough to remain aloft more than two hours yet strong enough to survive sudden gusts.

On a windless June morning at Folkestone and after one false start, pilot Allen pedaled the 96-foot-wide Gossamer Albatross out over the Channel waters. At one point—losing altitude and seized by

leg cramps—he signaled for a tow when calmer air and sight of the French coast at Cap Gris-Nez inspired him to a final effort.

For the design of the airfoil used in the wings and propellers of the *Condor* and *Albatross*, the team used an HP 9820 desktop computer linked to an HP 9862A plotter to show the shapes.

That same equipment is used during regular business hours to solve some real power problems. According to Blair, roughly seven percent of the total energy used annually in the U.S. is consumed by aerodynamic drag losses on road vehicles.

Using the 9820, various test designs have reduced truck drag by 20 to 35 percent.

Somewhat more exotic is another propeller designed on Aerovironment's 9820—for a plane destined to soar in the Martian atmosphere, exploring the red planet's air. □

20 Years in EU

□ For Hewlett-Packard, 1959 ranks as considerably more than just a mid-point between the founding year of 1939 and the fortieth anniversary this year. It was outstanding—"in many ways the most successful year" said Dave Packard at that time.

That judgment still stands up well because—shaking off the effects of a recession the previous year—HP in 1959 rebounded with a most impressive round of growth and activity:

- Record sales and earnings
- A highly productive R&D program
- Important acquisitions (including Boonton Radio Company of New Jersey, Dymec Inc., Palo Alto Engineering Company (Paeco), and F. L. Moseley Co. of Pasadena, California)
- First overseas sales subsidiary (HPSA) put in operation at Geneva, Switzerland
- HP's first direct sales effort anywhere was established in Germany
- First manufacturing operations outside of Palo Alto started at Boeblingen, Germany
- First new U.S. plant-site purchased outside of Palo Alto—at Loveland, Colorado

Clearly these developments all have served to broaden the company's horizons in sweeping fashion—but none more so, probably, than those new ventures in Europe. How these came about and what Europe means to HP today are discussed in the following reports by a number of the leading participants:

The opportunity...

"With his strong international political interest, Bill Hewlett saw the 1957 Treaty of Rome as a major opportunity for HP in Europe even though we were still a small local company then." Bill Doolittle, vice president-International, was recalling the circumstances that led Hewlett-Packard to set up its own operations on the Continent in 1959 after some years of selling through distributor orga-

nizations. The treaty, he noted, brought into being the European Common Market which was expected to open great opportunities for trade and economic development and perhaps even lead to a political community along the lines of a United States of Europe.

To become part of that development HP felt it should make its entry with a manufacturing capability as well as a sales organization. The combination would help establish HP as a committed "presence" in the Common Market, and provide opportunities to serve customers better and compete more vigorously in local markets. To that end the team of Bill Hewlett, Bill Doolittle, Ray Demere and attorney Nate Finch set out late in 1958 to select appropriate sites and legally establish the operating organizations.

Looking around for a sales headquarters, the team tended to favor Switzerland: central, neutral, stable, excellent communications and services plus tax incentives. Geneva itself was particularly appealing as a center for international headquarters. So, on May 1, 1959, Hewlett-Packard Societe Anonyme (HPSA) formally commenced business there, staffed by Bill Doolittle, Arnold Stauffer and two secretaries. Almost as a very first act they held a technical seminar for HP distributors. Then they set up the order-processing procedure.

Sheer logistics provided a major challenge to the young organization. Its office was some 6,000 miles from the supply source. Shipments in those days moved almost exclusively by surface transportation, taking from six to eight weeks in transit. Seeking to find a faster way of meeting customer needs, the HPSA team learned that it would be possible to set up a bonded duty-free warehouse in Basel, Switzerland, to stock instruments in anticipation of orders.

Export licensing posed another problem. Up until that time, before shipments could be made specific purchasers had to

rope

be identified and the U. S. government had to issue an export license. Applying for export licenses and waiting for government approval added weeks to HP deliveries. Also, the need to identify specific purchasers prohibited the warehousing of finished goods in Europe. Since HP's European competitors were able to ship directly from their factory stocks, this placed HP at a competitive disadvantage.

Doolittle and Tom Christiansen took this problem to Washington; and after

lengthy negotiations, HP was permitted to establish central stocks in Europe. Also, U. S. export control procedures were streamlined so we could supply our European customers more easily.

As a result, HPSA began to warehouse standard products. "Sea Vans" laden with many models of HP instrumentation were transported from San Francisco to Antwerp, then barged to the duty-free

(continued)



Christmas Season of 1959 at Boeblingen, West Germany, saw the company's first international manufacturing operation—indeed its first such facility outside of Palo Alto—well underway. Products assembled there initially were vacuum tube voltmeters and audio oscillators. European sales grew rapidly with their local manufacture.

Two young German engineers—Fred Schroeder (left) and Guenther Warmbold—found their hands full helping Ray Demere establish the Boeblingen operation in August, 1959. Special care was taken to communicate the HP working philosophy which at the time represented a significant departure from European traditions of work.



in Europe



HP's first product demo on wheels in Europe was engineered and driven by Arnold Stauffer, still a key person on the HPSA Instrument team in Geneva.

warehouse at Basel, a major rail center. That worked fine.

Other factors contributed to early success. The company's first direct sales effort anywhere was set up in Germany, replacing distributor representation. Temporarily, the new organization operated out of the Frankfurt home of salesman Joe de Vos. Sales grew rapidly, stimulated by the direct sales program as well as by the mobile demo lab that HPSA had launched as a way of showing HP products throughout Europe.

Ray Demere, now vice president-Corporate Manufacturing Services, recalls the manufacturing target that was set for him in 1959: "Here's \$50,000. Start an assembly operation in Europe, and be 'in the black' within three months."

That modest sum landed the manufacturing team at Boeblingen in August, 1959. They leased the back of a garment factory and began soldering PC boards in frying pans heated by a wood stove. English teachers were brought in to teach English language to German employees

rather than trying to translate manuals into German—a huge task then. Machine tools were imported from the U.S.—an odd turnabout made necessary by the fact that an export preference program would have delayed the delivery of German tools by three years. In a matter of weeks the plant was shipping voltmeters and oscillators to customers throughout Europe.

Interesting things began to happen, particularly in Germany. Previously, HP's position in that market had not been as strong, relatively, as in most of the other Common Market countries. Now, with new proximity of supply and service, German customers became increasingly aware of HP as a local presence. It was the beginning of a partnership that today puts Germany at the top of the HP list of customer countries outside the U.S.

From the start, HP was intent on building a team of European managers. Original members now occupying key positions were Fred Schroeder (director of Corporate Development), Arnold

Stauffer (Instrument Marketing Services manager-HPSA), and Guenter Warmbold (Manufacturing Operations manager at Boeblingen).

Fred Schroeder remembers the sheer chance that brought him into contact with HP. Although working as European marketing manager in Munich for an instrument firm, he was contemplating a change in careers—debating whether to go back to university for an advanced degree in economics or try something else. One day in 1958 he spotted a newspaper ad—"a well-written ad, but no identification—for a position tailored for me". Fred became one of 50 candidates, and finally after several lengthy interviews with Ray Demere, Bill Doolittle, and a prominent European business leader, Ray suddenly said "You're hired."

Fred spent six months in Palo Alto as a production engineer in training, then returned to Germany with Ray Demere in mid-1959. His first task was finding a plant site. Twenty-five locations were examined, but the choice of Boeblingen

was no accident: "We had always favored southern Germany—less formal, highly industrious, fine working environment."

That first year, with Ray at the helm (Fred became plant manager in 1962), was notable in a number of ways, Fred recalls. "We actually made a profit—three to four percent—a roaring success compared to most startup experiences.

"With more than 40 people hired in that first year, we made a very special effort to educate them to the HP way. That was very unusual at the time—open-door policies, Friday meetings, picnics, coffee breaks, open floors and the like. They're still going strong—plus such others as flexitime which was 'invented' at Boeblingen in 1967."

In 1958, HPSA's Arnold Stauffer left Venezuela and an electronics contract there as a result of a revolution. Looking for employment in Europe, he wrote to HP and received a reply from Bill Doolittle about the possibility of establishing and operating a mobile lab. As a result Arnold came to Palo Alto for training—first in Carl Mahurin's sales training program (same class as president John Young), then half a year of instrument training.

"The idea of a mobile demo lab was new in Europe, or at least it wasn't used then. It was a special Mercedes-Benz vehicle much smaller than later mobile labs. I had to do everything myself—except when I could get Doolittle to help load and unload instruments.

"In those days we had to rewire most of the instruments due to electric currents that varied from country to country. Eventually we developed a three-way switch to accommodate French, German and United Kingdom standard voltages. It was the first of its kind.

"We found out, of course, that the mobile lab was a very worthwhile idea. I drove it all over Europe—but mostly in Germany where we had set up our first direct sales company. In 1960 we participated in our first trade show at Dusseldorf. As I remember, 'everyone' was there including Bill Hewlett, Noel Eldred, Barney Oliver and others. That's when we introduced the new sampling scope. All that sales promotion and activity caused HP sales to zoom in Europe. It put a lot of pressure on us to grow fast and get better while doing so."

Getting the first assembly operations underway in Boeblingen was the responsibility of Guenter Warmbold. A native of

Germany, he had joined HP in Palo Alto after a period in Canada. On his return to Germany, Guenter brought along kits containing parts, tools, fasteners and sheet metal. The production work force consisted of a part-time secretary and two wirers (one, Hildegard Dengler, still works for HP), working in a small building near the Boeblingen railroad station. On September 1, 1959, the kits were uncrated. HP-GmbH was in business. Today it approaches 1,800 people in manufacturing operations in Boeblingen and Waldbronn (and another 700+ in the German sales organization). Further, its success was vital to the considerations that led to HP's other major international manufacturing ventures.

HP Europe by the numbers:

People (mid-1979):

Manufacturing	3,000
(4 locations)	
Sales organizations	4,350
(16 countries)	
Headquarters	250
(HPSA-Geneva)	
TOTAL	<u>7,600</u>

Orders (Fiscal 1978):

Total Europe	\$620 million
Share of International	69%
Share of total HP	30%

The outlook...

On the eve of its 20th anniversary in business, HP Europe has become a large and integral part of HP's business. Franco Mariotti, managing director of HPSA, sees the economic outlook for HP Europe as being much the same as for the corporation as a whole: "We've been forecasting sales growth in the neighborhood of 20 percent per year. If we keep that up it means we will double our size in some four years. In the long run it is even possible that we could exceed the corporate rate, due to some opportunities for extra 'catch-up' growth in under-invested areas of Europe.

"Why are we doing so well? First, our products are very well positioned for the markets that exist here. Not all prod-

uct lines are equally successful in all countries, of course, and not all countries are growing at the same rate. But overall there is strong acceptance of HP products.

"Over the past few years HP Europe has concentrated on building strong country organizations, adapting the HP selling philosophy to local strengths. This has paid off by allowing them to grow quite fast, and with a high degree of decentralization, without experiencing major crises.

"The presence of product divisions and manufacturing operations in Germany, the United Kingdom and France has been very important. Externally, they have greatly improved our proximity and visibility to customers, and have shown us to be good employers and citizens. Internally, they have provided many opportunities—to attract and develop good people, and to explore and develop new product lines."

Andre Breukels, marketing manager for HPSA, reviewed some of the trends and developments affecting the European organization:

"One of the routine facts of life for HP Europe is being consistently over quota in sales. It's important that we take that message seriously, because only if we believe in our growth can we be realistic in our hiring, our building programs, and our long-term planning in general.

"We are taking it seriously. A major step was in starting our own facilities department here under Lloyd Ashmead who came to us from Corporate Construction. We are also making a greater investment in long-term planning. The goal is to come up with a business plan, a planning model that will allow the country organizations to see how they fit both on an overall basis and by product group.

"Last year we started reviewing the country organizations individually by a team of European managers. The process has proved to be very useful. It gives the team an opportunity to observe people and assess the strength of their organizations. At the same time it stimulates the local managers to look more closely at their positions and prospects.

"As far as products are concerned, we're doing well across the board in Europe. Though strongest in computation, the markets for all products are quite good. This is very fortunate because it keeps opportunities alive in all disciplines." □



COMPANY CONFIDENTIAL

□ In a new-employee orientation session held recently, a presentation about HP products turned into a detailed demonstration of a device still under development. It's an exciting innovation that will usher HP into a new product area, but it was—and still is—months away from being introduced to the marketplace. It seems unlikely that any of the new employees had a “need to know,” and few were aware that any mention of the project outside the company could have serious consequences for HP. As impressive as the presentation was, in fact, the same point could have been made with many exciting new products already on the market.

Why the concern? Because, quite simply, when journalists, competitors and financial analysts manage to get “inside” information about HP—and they *do* get it far too often—it can hurt our business in any number of ways.

How not to introduce products...

To see how, put yourself in the place of a division marketing manager. By outlining a program of marketing tactics, including news releases, press conferences, industry showings, advertising,

and briefings for the sales force, you've plotted a strategy that you expect will enable your product to hit the market with maximum impact. Your goal is to have customers all of a sudden buzzing with the news, clamoring to see and buy—and to get a big jump on the competition.

Instead, a number of weeks prior to the grand unveiling, Corporate Public Relations calls you with news that a trade-press reporter is onto the story, and has called with a request for confirmation and more details.

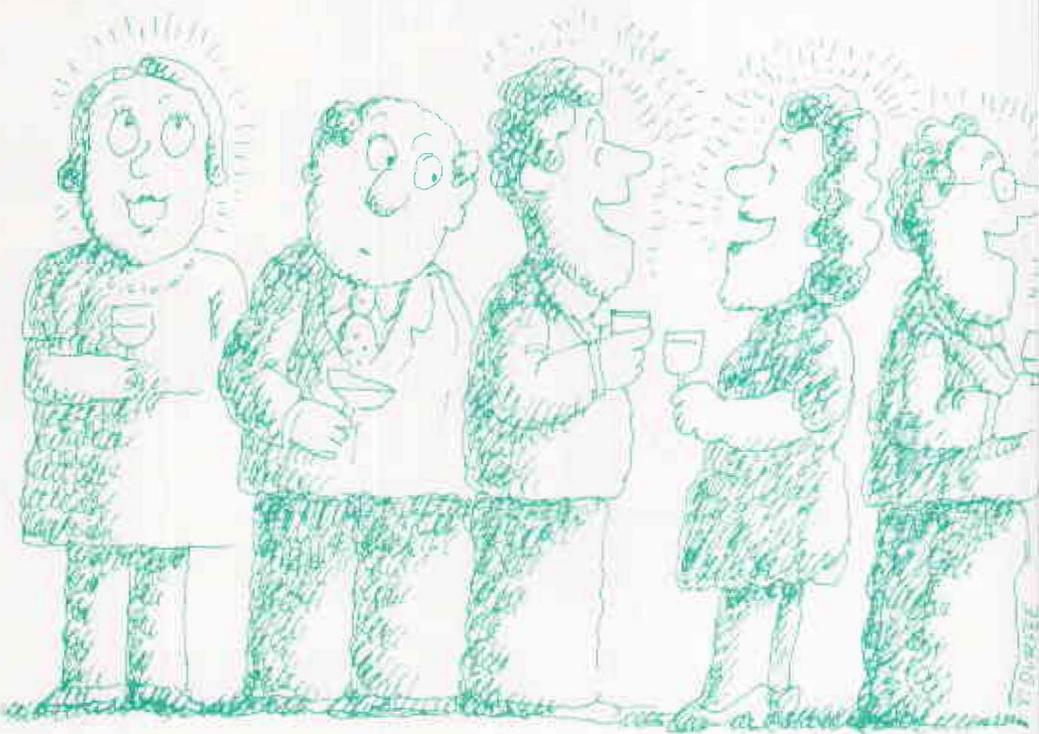
There is no good way to handle such situations, but the reporter will not be told any lies. You hope that it will not result in

a premature report, or at worst that the rumors will be published as speculation only. Your well-founded fear is that the secret is out, and that other publications will pick up the story and dribble it out in bits and pieces or in distorted fashion.

Assume that the worst happens: The leak becomes a flood of rumors and prematurely published descriptions. You begin to see the steam going quickly out of your introduction.

But you have more than publicity to worry about. Customers and salespeople begin to call, asking about the rumored product. Your staff is forced into fencing verbally with these people who are important to HP—because to take an order or demonstrate the product in any way constitutes a legal announcement of availability. Your field sales people have sensed the situation, however, and are no longer concentrating on selling your existing product that will be replaced. Customers may even cancel orders because they've heard that the new model will be introduced soon.

Competitors have been given extra time to rethink and execute their strategy, and may even make legal trouble for HP. In one instance a situation such as the one we've described enabled a competitor to refile a patent application so as to cover HP's new product. It cost our company



more than half a million dollars in that instance—not to mention possible loss of sales and the intangible effects on the company's reputation.

Rumors can hurt your shares...

Or, consider the following scenario. It happened recently to another electronics company—an HP competitor—but it could easily have been HP.

With several weeks to go before the close of the fiscal quarter, when financial information such as sales, earnings and orders would normally be disclosed, rumors began circulating to the effect that growth in the company's order rate was slowing. Skittish investors began selling the firm's shares so heavily that the price plummeted, and on one particular day the New York Stock Exchange nearly halted trading in the stock altogether.

The company had experienced a heady 32 percent increase in orders the previous quarter, so the order slowdown, or "plateauing," as some analysts called it, was hardly an indication of trouble. Forced to make a premature disclosure at the request of the stock exchange, the company issued a statement confirming the slowdown, but added that the reaction appeared rather extreme in the light of order growth that was still quite robust. "The slower growth rate shouldn't come as a surprise," one analyst said, "The 30 percent trend wasn't sustainable in any case."

Public corporations must abide by strict rules regarding disclosure of financial information. When such information is released, it's distributed widely through news releases and wire-service stories. Otherwise, some traders might have an advantage in knowing when to buy or sell the stock. HP people who are in a position to have "material" information that might affect the stock price are forbidden by law to take advantage of it—and there are criminal penalties involved.



Penalties can be severe...

You can be in similar hot water if you "release" the information selectively—that is, tell any outsider—prior to the public announcement. Persons who use the information, and the person or persons who gave out the data, are liable for losses sustained by everyone trading in HP stock from the time the confidential information is selectively released until it has received broad public distribution.

That's why only the top officers of the company are allowed to talk to securities analysts—and even they go into a "black-out" period some weeks before quarterly financial information is released.

HP's general legal department advises that we be wary of people outside the company who ask for information about sales or orders. Analysts do not always identify themselves as such, and the only information anyone should be given is that which has already been publicly announced. Even a simple statement such as "orders are not as strong as we hoped" could have an immediate adverse impact on the stock price. And if material information is disclosed to even one person outside of HP, federal law requires that it be disclosed to everyone.

Anything designated "Company Confidential"—product proposals, bids,

sales forecasts, shipment expenses, R&D targets, customer lists and the like—should be kept strictly within the company, and only among those who need the information in their jobs. "Company Private" information is even more sensitive, and is intended only for making major management decisions.

Even internal publications such as employee newsletters, which often wind up in lobbies and reception areas, should be considered too public to carry information about future products, introduction dates, sales forecasts or targets. Financial information is not broken down by division when released to the public, and such breakdowns should not be published for wide internal distribution either. Even the mention of a product development team by the name of the product can give useful information to a competitor.

It's human nature to want to talk about our work, but we jeopardize its success when we talk about it to outsiders. And as much as we all like to be "in the know," we should realize that the more people there are with the information the greater the chances that journalists and others will manage to get it too. Remember, the open door policy doesn't extend to people outside the company, and open communication does not mean we don't have company secrets. □

X-radiant beauty...

□ When someone says, "I saw right through that!", the tone is likely to be a little unpleasant.

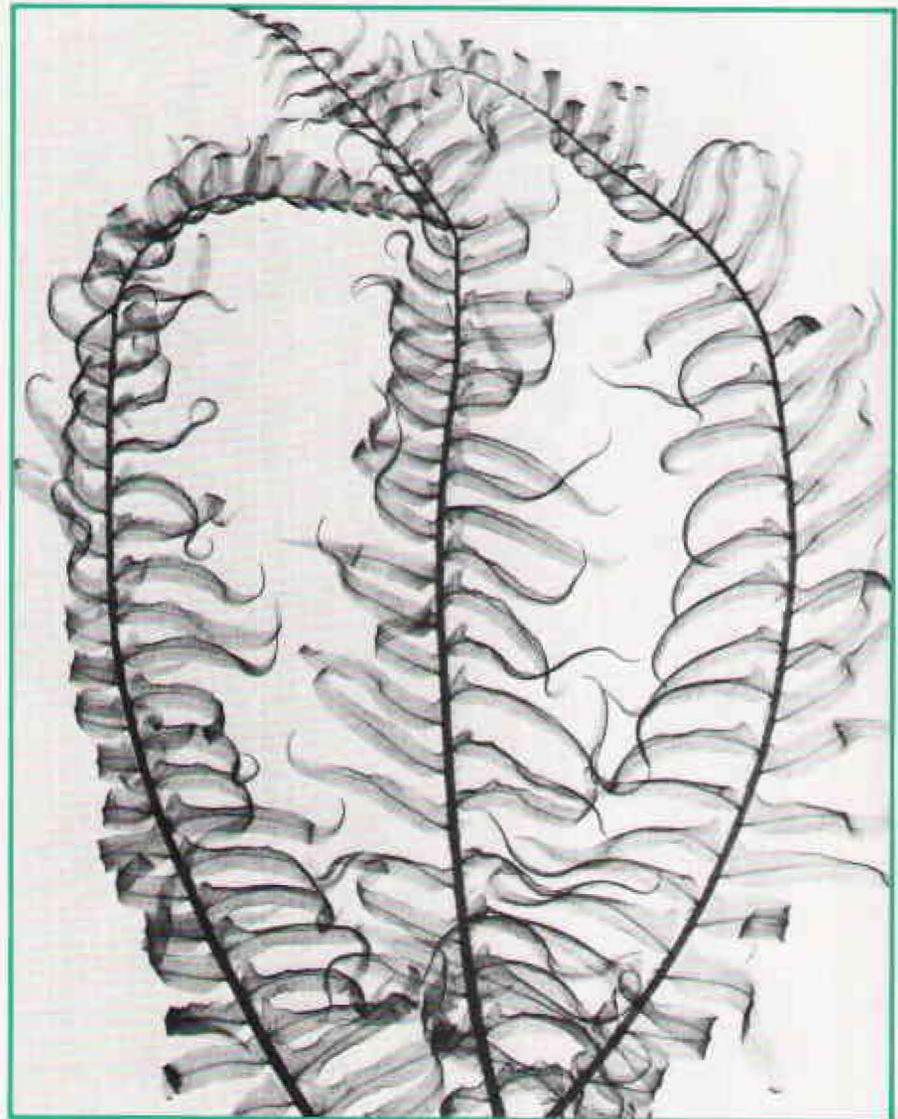
But if the HP Faxitron could talk, that remark would be literal. The X-ray product manufactured by the McMinnville Division is used for taking radiographs, which are photos made by X-ray to show defects in the internal structure of a wide variety of test objects.

The technique for photographing the inside of PC boards, castings, seeds or other items looks as simple as putting a batch of cookies in the oven and setting the timer. X-rays descending from the ceiling of the Faxitron's chamber pass through anything laid on top of a sheet of radiograph film. Variations in thickness will produce lighter or darker areas on the radiograph.

If the radiographer has a feeling for the artistic, the see-through pictures can become an art form in themselves. At the McMinnville Division, veteran graphic artist and photographer Al Duggan of Marketing has started using the Faxitron to photograph test samples for prospective scientific and industrial customers. Shown are radiographs in which Al has also used his skill to reveal the inner beauty in nature. □



The HP Faxitron 43805 was the "camera" used by Al Duggan of the McMinnville Division to make the X-ray pictures on these pages. (For photography buffs interested in details, he used an Eastman 8x10 LP4 graphic-arts film for his negative, then increased or decreased the contrast as necessary during development).



Fern



Rose

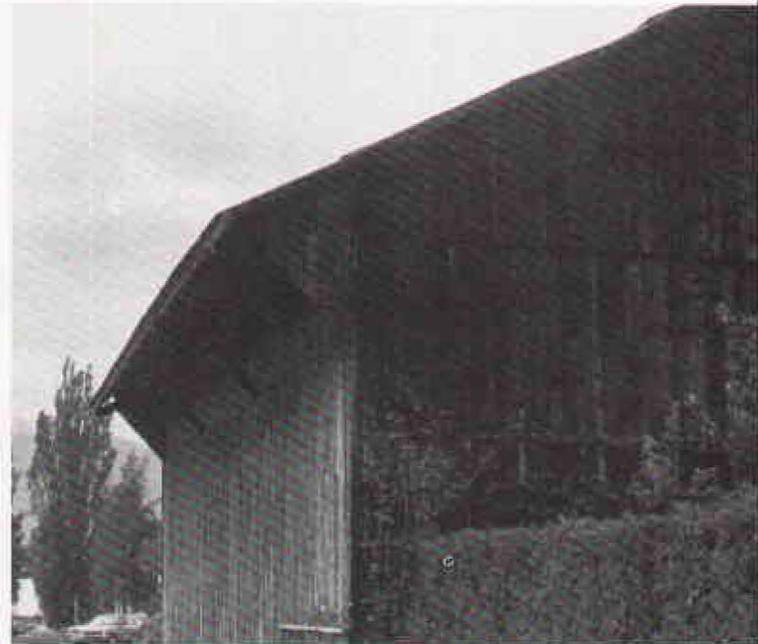


Canterbury bell



With the aid of an interpreter (center), Bill Hewlett has a lunchtime discussion with Zheng Jingfu, Minister of Finance for the People's Republic of China. The informal meeting followed a tour of the Stanford Park plant by the visitors from Beijing who were in the United States for talks with major financial institutions.

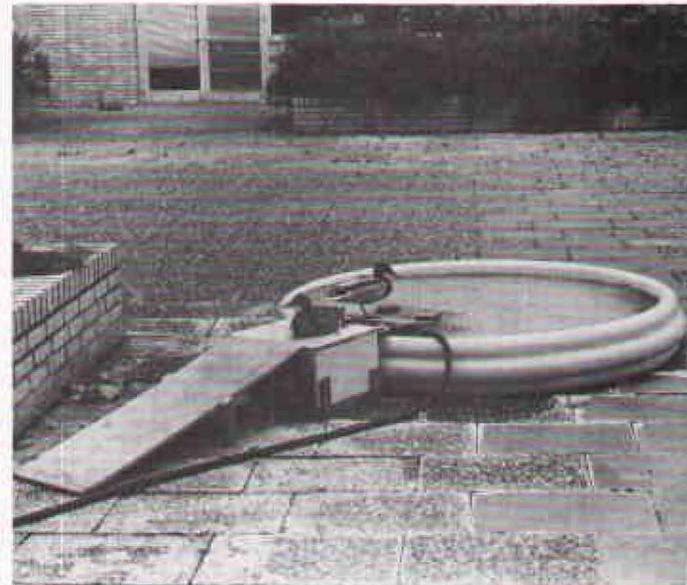
ROUNDUP





Believed to be the first public place named after the company is this street in Waldbronn, site of HP's new liquid chromatography instrumentation plant.

It seems that the courtyard of the original HP plant at Boeblingen, Germany, once was squarely on the flightpath of migrating ducks. Drawn by ancestral memory, some birds continue to set down in the yard to rest, feed and even raise a flock of ducklings during the summer months. Now they've been made to feel more at home with this little plastic pool—except they're bound to be disappointed in the fishing.



What looks here like a rugged Swiss Chalet is in fact a rugged Swiss barn located adjacent to the HP European headquarters (HPSA) in Geneva. Recently, the company struck a deal with the owner to acquire the barn now and ultimately a nearby farmhouse. To celebrate the acquisition and its conversion to a recreation facility—as well as fine mid-year results—a typical HP barbecue was held. Curt Edlemann, a moving force in the deal for "LeBarn," is seen at right dealing hamburgers.



Two New Sites Optioned

PALO ALTO—The company has obtained options to purchase properties near Greeley, Colorado, and Everett, Washington, as future plant sites.

The Everett option is for about 160 acres some five miles east of Everett and 25 miles north of Seattle. If purchased, it will be occupied by a new HP division based on product lines transferred from Loveland Instrument Division. Bill Kay, now engineering manager for LID, will head the new division.

The Greeley option is for approximately 550 acres located about 15 miles east of Loveland and some 20 southeast of Fort Collins. No operating unit has been chosen as yet to occupy the site.

Third quarter performance "strong"

PALO ALTO—Hewlett-Packard has reported a 44 percent increase in sales and a 58 percent increase in earnings for the third quarter of its 1979 fiscal year.

Sales for the third quarter, ended July 31, totaled \$617 million, compared with \$428 million in the third quarter of fiscal 1978. Net income amounted to \$52 million, or \$.89 per share on 59 million shares outstanding. In the corresponding quarter of 1978, earnings totaled \$33 million, or \$.57 per share on 58 million shares outstanding, after restatement to reflect the company's two-for-one stock split on June 27, 1979.

Incoming orders in the third quarter were up 36 percent to \$667 million, compared with \$492 million a year ago.

President John Young said improved financial results reflected "continued strong demand, both

domestically and internationally, for most types of HP products." He noted, however, that the "percentage gains in sales and earnings benefited from comparison with a relatively soft third quarter in fiscal 1978."

Sales of computers, computer peripheral products and electronic test and measurement equipment were especially strong, he said. The company's new handheld calculating system, the HP-41C, also has sold well since its mid-July introduction.

For the nine months ended July 31, company sales were up 38 percent to \$1.67 billion, compared with \$1.21 billion through three quarters of fiscal 1978. Net income rose 46 percent to \$147 million or \$2.50 per share against \$101 million or \$1.76 per share, after restatement for the stock split.

Young said incoming orders continued to be fairly evenly balanced between domestic and international customers. In the third quarter, U.S. orders totaled \$343 million. International orders amounted to \$324 million, up 41 percent from \$230 million a year ago. For the year to date, domestic orders totaled \$948 million and international orders came to \$941 million.

By product group, third-quarter figures show electronic data products accounted for approximately 44 percent of sales; electronic test and measurement products, 43 percent; medical electronic products, 8 percent; and analytical instrumentation, 5 percent.

New Labs Administrator

PALO ALTO—Clyde Coombs has been named administrative manager of HP Labs, replacing Dan Lansdon. Coombs had been handling

special projects for the Calculator Group for the past two years, after serving eight years as manufacturing manager during the start-up of HP Singapore and later at the former Advanced Products Division. In addition to heading all HP Labs services, he will be responsible for the early manufacturing stages of products developed in the central corporate labs prior to transfer to divisions. Lansdon will take over a new assignment after the completion of his present duties as a full-time loaned executive to the United Way of Santa Clara.

New Taiwan Manager

TAIWAN—At HP Taiwan, Wen Ko has been named general manager replacing Lok Lin, now Far East area manager for Intercon. Ko is currently computer systems sales manager.

Powerful personal calculating system

CORVALLIS—The first HP handheld calculator that can be converted into a powerful, personal calculating system has been introduced by the Corvallis Division.

The HP-41C can be operated with a series of companion devices such as extra memory, a magnetic card reader, a printer, and special application "modules" for individualized business, finance or engineering uses.

The basic unit (\$295 U.S. price) and separate peripherals are available to HP employees at the regular 30 percent discount.



From the president's desk

Our third quarter results are in and they are very strong. Shipments increased 44 percent and net profits 58 percent compared to the third quarter last year. Some of the shipments increase, and particularly the increase in profits, benefitted from the fact that last year we did not have a particularly good shipping quarter, and we also booked a lot of one-time expenses. But quite apart from that, this quarter's results are very satisfactory from any perspective.

We have been able to move our shipment levels up to meet the higher than expected incoming order rate. Even so, the backlog increased by about \$50 million, to top the \$600 million mark. We see a little slowing in the incoming order growth rate from earlier this year, but the 36 percent growth for the quarter is still very high by all historical comparisons.

Expenses are in reasonable balance with shipments, but the rate of increase is high and close attention is indicated. We are seeing real results from increased emphasis on asset management. Inventories are up only 34 percent, accounts receivable 41 percent, and land and buildings 24 percent to support the 44 percent shipment growth. The effort going into this area is paying off, so keep it up.

For the balance of the year we want to emphasize shipments and minimize buildup in our worldwide distribution system. We're in a fine position to conclude an outstanding year for HP.

On another subject, I'd like to comment on a survey form that will be filled out by about 10,000 of our U.S. employees within the next month. This survey is called Open Line and, if it meets its objectives, is the first of what we expect will be a recurring opportunity through question-

naires for HP people to respond candidly and anonymously on a wide range of topics from benefits to working conditions.

You might be interested in why we think the survey is worth trying. Simply put, we feel it's one more tool that we can learn to use as we grow, to make sure that the communications between all levels and locations within the company are open and flowing well. When the company was much smaller it was possible for everyone to know one another and to share thoughts informally on how things were going. At the divisions and the field sales locations today that still pretty much characterizes the way things work. With our employment total passing 50,000 in July, however, and a reasonable prospect for twice that total somewhere in the mid-to-late 1980s, we feel that a more structured means of expressing feelings and concerns will be helpful.

Good communication does not happen accidentally—but rather because enough time and attention have been put in to make sure it takes place. As we grow, we must work harder and use new techniques to achieve the same result. I think this is true of all aspects of the HP way, of which good communication is a cornerstone. We're convinced we can maintain the special working relationships that have characterized our company over the years, but it will take the commitment and effort from everyone to make sure it happens.

Our timetable calls for completing the analysis of the questionnaire around the end of the calendar year. We will have feedback sessions with all the participants to discuss results, and we'll also give a general report to everyone about the same time.

A handwritten signature in cursive script that reads "John Young". The signature is written in dark ink and is positioned in the lower right quadrant of the page.



50,000 strong...

It happened sometime in July: Somewhere around the world someone became HP's 50,000th employee. Of course, with more than 50 organizations involved in hiring people that month there's no way of pinpointing *who* that person was. More important than the landmark figure itself was the rate of hiring over the first nine months of the fiscal year, November 1, 1978 through July 31, 1979: 20 percent. In all it represented some 8,000 new jobs.

Such growth can be reassuring. It means that in successfully meeting the real needs of customers, we are creating new opportunities for many people to grow and develop. At the same time, keeping the traditional HP spirit and style alive in the face of rapid growth sets a challenge for everyone.

Measure

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