

UNIVERSITY OF WALES TRINITY SAINT DAVID

Organisational structure and culture of Hewlett-Packard Company

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Executive Summary

The exploration analysis the association between the organisation culture and structure, and performance. This report shows how Hewlett -Packard Company management has successfully directed the company since its establishment in 1939. Hewlett – Packard company maintains an indirect organisation structure before and after the spin-off. The further review reveals that a decentralized organisation structure allows the business to work cohesively and make decisions quicker. Also, the structure is essential in preserving beliefs, culture, and values. The report finds the organisation culture has strongly been influenced by the HP way introduced by the company founders and company culture has had a significant impact on its success strategies. The company culture is founded on five principles; trust and respect for individuals, upholding integrity in the business undertaking, high level of contribution and success, commitment to innovation and innovation, and commitment to teamwork in achieving the company's objectives. The recommendations made are derived from the benefit accrued from having a sound culture and an elaborate structure. In a changing operating landscape, culture and structure heavily influence performance; therefore, the companies formed after the spin-off should strengthen the HP way.

Introduction

Hewlett -Packard Company (HP) was founded in 1939 by David Packard and Bill Hewlett in the United States. The company produced hardware, software components target individuals and

enterprise consumers. The company has developed into a manufacturer of computers, printers, networking devices, imaging equipment, software, computer infrastructure services, and storage hardware. According to Gartner (2021), HP's shipment grew by 4.8 percent in 2020 and by 10.7 percent in the fourth quarter of the year. Overall, the brand's market share stood at 19.8 percent globally in the last quarter of 2020, making HP's the second-largest PC's globally.

Hewlett – Packard Company in 2005 split into two, creating HP Inc and Hewlett-Packard Enterprise. Since then, HP Inc. has specialised in printing technology and personal computers, while Hewlett Packard Enterprise specialise in computing solutions and computer infrastructure (Hewlett Packard Enterprise, 2021). During the early years, the company established itself with a market for sophisticated instruments considering that its founders were engineers ever since the company has stayed ahead of the competition by launching products and technologies coined from research and design efforts.

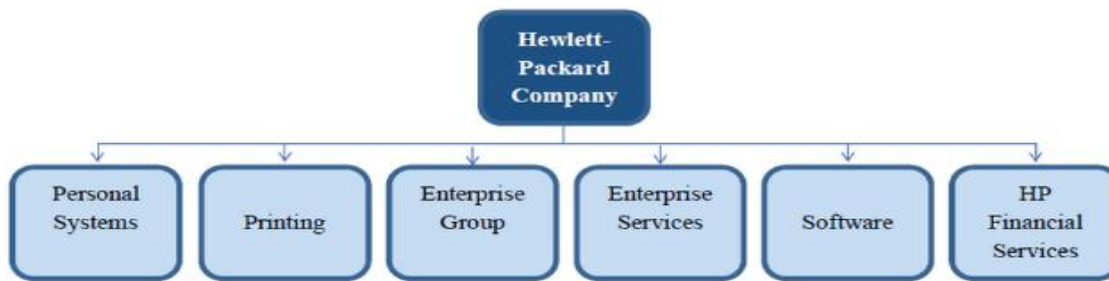
Organisational structure

The organisation structure has a significant impact on performance (Burton & Obel, 2018). Therefore, the management envisions adopting structures that enhance operational efficiency. Organisation structure defines how the functions of the management are carried out. Also, the structure describes jobs and their relationships with other jobs. There various types of organisation structure adopted, which can be classified as either centralised or decentralised. In decentralised structures, employees obtain a high personal intervention level, while centralised structures have an elaborate command chain. The functional organisational structure has the organisation directed based on the activities undertaken. Related activities are grouped, and a specialized team is assigned to those activities. The structure is suitable for small and medium enterprises—divisional organisational structure clusters activities based on operations, products,

or subsidiaries. The structure favours large corporations because of their scale of operations. Flatarchy organisation structure is a blend of a flat structure and a functional structure. The structure allows decision-making at varied organisation levels since it is flexible and also observes a hierarchy. The degree of implementation is high since employees enjoy autonomy. Lastly, organisations also adopt a matrix structure whereby employees answer different superiors and departments depending on the task. The model is the least common.

Before the spin-off, the company adopted a decentralised organisation structure where the authority flows along the market segment, as shown below in the figure. Overall, the board makes the company's decisions, and each market segment handles their matter independently. The company had six segments: personal systems, printing, enterprise group, enterprise services, software, and HP financial services. After the spin-off, Hewlett – Packard Company gave way to HP Inc. and Hewlett – Packard Enterprise. The two companies still adopted a decentralised organisation structure. HP Inc. took over the personal systems and the printing business. On the other hand, Hewlett – Packard Enterprise took over the enterprise group, enterprise services, software, and HP Financial Services.

Pre Spin-Off Structure



Post Spin-Off Structure

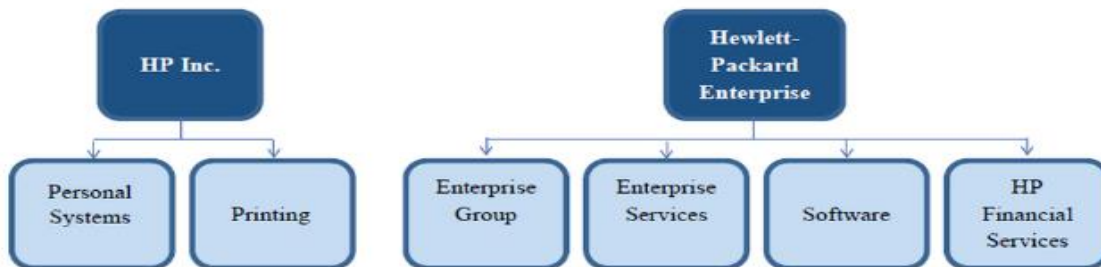


Figure 1: Hewlett - Packard organisation structure

Source: (HPE, 2017)

The HP Inc., has adopted a functional organisation structure. Authority in the company flow based on the company's key functions: transformation, legal, strategy and incubation, commerce, human resource, personal systems, imaging and printing, supply chain, brand and communication, marketing, Labs, and social impact. Coordination and directing functions are carried out along these departments. Hewlett – Packard Enterprise, has adopted a matrix structure where the hierarchy depends on its activities; the company also has cross-functional teams.

Decentralised organisations structures facilitate quicker decision-making. Also, the structures motivate employees since they can contribute to decisions adopted by the firm. Before the spin-off 2014, HPE reported \$53 billion in revenue, while HP Inc. reported \$57.3 billion. The need to focus on specific market needs was the reason behind the spin-off, according to the HPE website (Hewlett Packard Enterprise, 2021). The organisation's structures allow the company to achieve

the main objective through swift information flow, improve efficiency, and create the desired organisation structure.

Organisational Culture: The HP Way

Organisation culture is a system of shared values, customs, and beliefs that develop over time due to interactions (Warner & Bedok, 2020). The organisation's culture will affect the relationship between employer and employees, the customer, and the general public. Equally, the organisation culture dictates information flow, decision making, power, and employee commitment towards collective goals. After establishing the company, the founders laid down a formal management structure; the company accepted management by objectives. Also, the company introduced an informal workplace where their first name referred employees. The management also undertook a frequent visit to departments to encourage interactions with line employees. The company has ranked top as a place to work by women and minority groups. HP company championed the concept that customers, the community, and employees bear a significant interest in the company, just like capital providers. The company has adopted a charitable culture where 4 percent of pretax profits is donated to charity. In January 1957, the founders convened a meeting that involved employee representatives in deliberating the company's core values. The resolve of the meeting would later come to be known as the HP Way.

The company has expressed respect and trust for individuals, whereby it is part of the company values that employees intend to do good and to the best of their abilities (Packard, 2019). In response, the company has attracted top talents in the market and a diverse workforce. This has been achieved through a shared success system where the company acknowledges the effort of the employees. The company has promoted top achievement and a maximum contribution. The

management cultivates enthusiasm in employees to meet high quality and offer lifelong value. In line with the company mission, HP way promotes uncompromising integrity. The company promotes ethical practices at all levels; among the workforce, loyalty to others and trust are intensely engrained. The HP way has endorsed teamwork as a means to achieve common objectives. The company promotes innovation and flexibility in the work environment as a way of stimulating new solutions. The founders acknowledge that individuals work to earn money but also for accomplishment. Therefore, HP company created an environment that is fulfilling for employees where they can showcase their skills. HP company organisation culture can be summarised in three statements; employee empowerment, setting objectives that all parties agree upon and creating an environment for increased cooperation standards.

An analysis of how the organisation structure influence organisational performance

The organisation structure facilitates the execution of the corporate strategy. Therefore, organisation structure allows the management to define roles such that each employee knows what they are expected to do. The company's goals are aligned with organisation structure and ease the role of the management in coordinating activities. A study conducted by Baia, et al., (2017) on how organisational structure influence performance concludes that the organisation structure impacts performance through innovation. Hence, organisations that adopt a suitable structure enable the business to remain competitive and ultimately improve the overall performance. Subramanian, (2017) undertook a review of literature on organisation structure and performance.

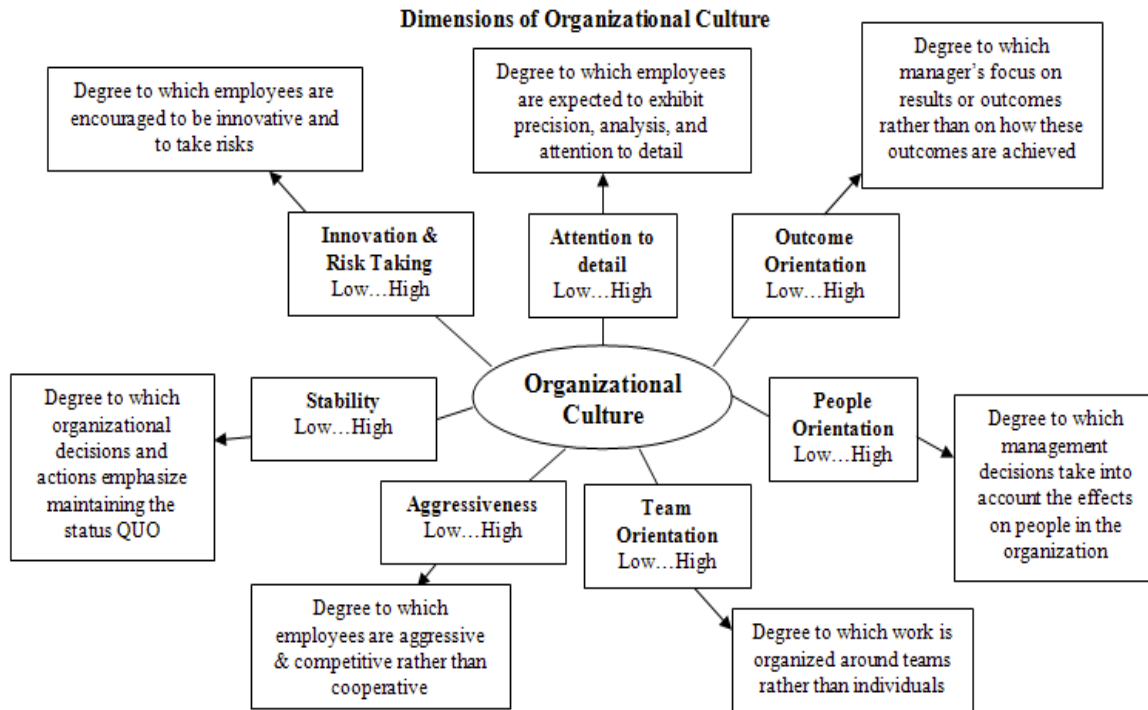
Organisations adopt structures when a goal is impossible to achieve alone. Therefore, the effectiveness of the organisation structure is reflected in performance. The study discovered that formal organisation structure improves the span of control and the organisation behaviour.

Organisation structure defines patterns of communication, allocation of tasks, and the level of responsibility. Nene and Pillay (2019) studied the relationship between organisation structure and its performance, where they concluded that the structure of an organisation facilitates better working relationships. In an environment with a specialised workforce, productivity improves since tasks are well distributed and information flow. According to Nene & Pillay (2019), ineffective organisational structure contributes to low job satisfaction, low performance, and high job turnover. An effective organisation structure contributes to high staff morale.

An analysis of how the organisation culture influence organisational performance

According to Robbins & Coulter (2017), organisational culture bears several dimensions in the organisation. Stability, aggressiveness, innovation and risk-taking, outcome orientation, attention to detail, and people-orientation depend on the organisation's culture. Therefore, beliefs and values in an organisation affect how employees interact with each other, and organisational culture contributes to modeling behaviour and performance. A rich culture creates a sense of direction and success, contributing to the company's accomplishment and growth. Equally, solid culture contributes to maturing of leaders and gives the company a competitive advantage.

The uniqueness in business models lies in the organisation's culture (Odiakaose, 2018). The organisation culture spurs individual performance, therefore, promoting sustainable performance. A study by Odiakaose (2018) recommends that organisations that manage their culture effectively end up reporting higher performance. Corporate culture, market orientation, and organisation commitment were analysed against the organisation's performance (Pathiranage, 2019). The experiment concluded that a high level of market orientation translates to organisation performance and commitment. Figure below orientation is a dimension of the organisation culture; therefore, organisation culture will positively impact performance.



Source: (Robbins & Coulter, 2017)

Recommendation

The HP way has eased the corporate objectives' achievement: profits, customers, growth, a field of interest, employees, organization, and citizenship. The success of the company is attributable to a sound culture and a compelling structure. Stanier (2018) questioned whether the HP way is still relevant in modern-day management. Further, whether the management is open to interpretation considering that leaders act depending on their personality, ethical standards, and moral values. According to Stanier, the HP way elaborate the management role, which is rather variedly executed depending on the leader. On the contrary, when managers have guidelines to interpret, it is likely to promote a sound culture and an improved performance instead of managers coming up with their ideas. The HP company spin-off meant establishing two

autonomous organisations, and the HP way should be implemented in the two companies to improve the performance.

Conclusion

The organisation structure allows the Hewlett-Packard to define roles and align the organisation's goals to shape. Resources of the company will be allocated along with the structure, which means a suitable structure leads to better outcomes through efficiency. The HP way has gained popularity in management due to the level of seriousness the organisation puts in upholding the values. Equally, Hewlett – Packard has interpreted these values turned them into a management tool. The organisation has created a corporate culture that has sustainably given the company a competitive advantage. The decentralized organisational structure has been effective in promoting cross-functioning teams. Likewise, the company has promoted diversity at the workplace, allowing the company to attract diverse talents across various functional areas.

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