



Corporate Objectives

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The organizational framework for our objectives

The achievements of an organization are the result of the combined efforts of each individual in the organization working toward common objectives. These objectives should be realistic, should be clearly understood by everyone in the organization and should reflect the organization's basic character and personality.

At Hewlett-Packard, we have five underlying organizational values that guide us as we work toward our common objectives.

- **We have trust and respect for individuals.** We approach each situation with the understanding that people want to do a good job and will do so, given the proper tools and support. We attract highly capable, innovative people and recognize their efforts and contributions to the company. HP people contribute enthusiastically and share in the success that they make possible.
- **We focus on a high level of achievement and contribution.** Our customers expect HP products and services to be of the highest quality and to provide lasting value. To achieve this, all HP people, but especially managers, must be leaders who generate enthusiasm and respond with extra effort to meet customer needs. Techniques and management practices which are effective today may be outdated in the future. For us to

remain at the forefront in all our activities, people should always be looking for new and better ways to do their work.

- **We conduct our business with uncompromising integrity.** We expect HP people to be open and honest in their dealings to earn the trust and loyalty of others. People at every level are expected to adhere to the highest standards of business ethics and must understand that anything less is totally unacceptable. As a practical matter, ethical conduct cannot be assured by written HP policies and codes; it must be an integral part of the organization, a deeply ingrained tradition that is passed from one generation of employees to another.
- **We achieve our common objectives through teamwork.** We recognize that it is only through effective cooperation within and among organizations that we can achieve our goals. Our commitment is to work as a worldwide team to fulfill the expectations of our customers, shareholders and others who depend upon us. The benefits and obligations of doing business are shared among all HP people.
- **We encourage flexibility and innovation.** We create a work environment which supports the diversity of our people and their ideas. We strive for overall objectives which are clearly stated and agreed upon, and allow

people flexibility in working toward goals in ways which they help determine are best for the organization. HP people should personally accept responsibility and be encouraged to upgrade their skills and capabilities through ongoing training and development. This is especially important in a technical business where the rate of progress is rapid and where people are expected to adapt to change.

The Hewlett-Packard objectives which follow were initially published in 1957. Since then they have been modified from time to time, reflecting the changing nature of our business and social environment. This version represents the latest updating of our organizational framework and objectives. We hope you will find this informative and will look to these objectives and underlying values to guide your activities as part of the HP team.



Dave Packard
Chairman of the Board



Bill Hewlett
Director Emeritus



John Young
President and Chief Executive Officer

July 1989

Profit

To achieve sufficient profit to finance our company growth and to provide the resources we need to achieve our other corporate objectives.

In our economic system, the profit we generate from our operations is the ultimate source of the funds we need to prosper and grow. It is the one absolutely essential measure of our corporate performance over the long term. Only if we continue to meet our profit objective can we achieve our other corporate objectives.

Our long-standing policy has been to reinvest most of our profits and to depend on this reinvestment, plus funds from employee stock purchases and other cash-flow items, to finance our growth.

Our level of business varies from year to year, reflecting changing economic conditions and varying demands for our products. To deal with these changes, it is important that we be consistently profitable. When our business grows slowly, our profits allow us to accumulate cash reserves for the periods of rapid growth that require more capital to finance. We rely primarily on profits and the cash reserves to fund the growth of our ongoing operations. From time to time, we will use debt to fund our growth when special requirements arise.

Meeting our profit objective requires that we design and develop each and every product so that it is considered a good value by our customers, yet is priced to include an adequate profit. Maintaining this competitiveness in the marketplace also requires that we perform our manufacturing, marketing and administrative functions as economically as possible.

Profit is not something that can be put off until tomorrow; it must be achieved today. It means that myriad jobs be done correctly and efficiently. The day-to-day performance of each individual adds to — or subtracts from — our profit. Profit is the responsibility of all.

Customers

To provide products and services of the highest quality and the greatest possible value to our customers, thereby gaining and holding their respect and loyalty.

HP's view of its relationships with customers has been shaped by two basic beliefs. First, we believe the central purpose of our business — the reason HP exists — is to satisfy real customer needs. Second, we believe those needs can be fully satisfied only with the active participation and dedication of everyone in the company.

The essence of customer satisfaction is a commitment to *quality*, a commitment that begins in the laboratory and extends into every phase of our operations. Products must be designed to provide superior performance and long, trouble-free service. We must work closely with suppliers to ensure that we receive the highest-quality materials in time to meet our production schedules. Once in production, our products must be manufactured at a competitive cost and with superior workmanship.

Careful attention to quality not only enables us to meet or exceed customer expectations, but it also has a direct and substantial effect on our operating costs and profitability. Doing a job properly the first time, and doing it consistently, allows us to employ fewer assets, reduces our costs, and contributes significantly to higher productivity and profits.

Providing innovative, reliable products is a key element in satisfying customer needs, but there are other important elements as well. HP offers many different products to many different customers, and it is imperative that the products recommended to a specific customer are those that will best fulfill the customer's overall, long-term needs. This requires that our field-sales people — operating individually, in teams, or with other companies that add value to HP products and services — work

closely with customers to determine the most appropriate, effective solutions to their problems. It requires, as well, that once a product is delivered, it be supported with prompt, efficient services that will optimize its usefulness.

Our fundamental goal is to build positive, long-term relationships with our customers, relationships characterized by mutual respect, by courtesy and integrity, by a helpful, effective response to customer needs and concerns, and by a strong commitment to providing products and services of the highest quality.

Fields of interest

To participate in those fields of interest that build upon our technology and customer base, that offer opportunities for continuing growth, and that enable us to make a needed and profitable contribution.

Our company's growth has been generated by a strong commitment to research and development in electronics and computer technology. That growth has been accomplished in two ways — first, by providing a steady flow of new products to markets which we already serve, and second, by expanding into new areas that build upon our existing technology and customer base.

Our first products were electronic measuring instruments used primarily by engineers and scientists. In time, we extended our range of measurement expertise to serve the areas of medicine and chemical analysis. Recognizing our customers' needs to gather and use large quantities of measurement data, we developed a small family of computers which later evolved into a broad line of computer and computer-based products, including associated software.

By combining and effectively applying its expertise in both measurement and computation, HP is able to serve the growing needs for high-performance business, manufacturing and design systems, test and measurement instrumentation, and medical and analytical products.

HP's basic purpose is to improve our customers' competitiveness and operational performance by providing innovative products and services that help them develop and manage their information environment. We provide products and services that help customers acquire, display, analyze, communicate, store and make information more manageable. Customers' information needs may require a solution where HP must work in partnership with another company to meet those needs. For that reason, our design goal is to provide highly functional, interactive hardware

and software that can be assembled easily by HP, customers and other organizations.

Within its broad fields of interest, HP has ample opportunities to pursue a variety of businesses. In evaluating those opportunities, we choose those that have strong links to our existing technology and customer base. In addition, we evaluate those businesses on the basis of their profit potential, long-term stability, our ability to make a distinguishing *contribution*, and their likelihood of generating the cash flow needed to continue HP's tradition of self-financing.

Growth

To let our growth be limited only by our profits and our ability to develop and produce innovative products that satisfy real customer needs.

How large should a company become? Some people feel that when it has reached a certain size there is no point in letting it grow further. Others feel that bigness is an objective in itself. We do not believe that large size is important for its own sake; however, for at least two basic reasons, continuous growth in sales and profits is essential for us to achieve our other objectives.

In the first place, we serve a dynamic and rapidly growing segment of our technological society. To remain static would be to lose ground. We cannot maintain a position of strength and leadership in our fields without sustained and profitable growth.

In the second place, growth is important in order to attract and hold high-caliber people. These individuals will align their future only with a company that offers them considerable opportunity for personal progress. Opportunities are greater and more challenging in a growing company.

Our people

To help HP people share in the company's success which they make possible; to provide employment security based on their performance; to ensure them a safe and pleasant work environment; to recognize their individual achievements; and to help them gain a sense of satisfaction and accomplishment from their work.

We are proud of the people we have in our organization, their performance, and their attitude toward their jobs and toward the company. The company has been built around the individual, the personal dignity of each, and the recognition of personal achievements.

Relationships within the company depend upon a spirit of cooperation among individuals and groups, a commitment to teamwork, and an attitude of trust and understanding on the part of managers toward their people. These relationships will be good only if employees have faith in the motives and integrity of their peers, managers and the company itself.

On occasion, situations will arise where people have personal problems which temporarily affect their performance or attitude, and it is important that people in such circumstances be treated with understanding while the problems are being resolved.

HP selects and manages its businesses with a goal of providing long-term employment for its people and opportunities for personal growth and development. In return, HP people are expected to meet certain standards of performance on the job, to adjust to changes in work assignments and schedules when necessary, and to be willing to learn new skills and to apply them where most critically needed. This flexibility is particularly important in our industry where rapid technological change and intensifying worldwide competition compel us all to continually seek better ways to do our jobs.

Another objective of HP's personnel policies is to enable people to share in

the company's success. This is reflected in a pay policy and in employee benefit programs that place us among the leaders in our industry.

HP also places a high value on hiring and promoting people of all races, ethnic backgrounds, national origins, ages, genders and those with disabilities. We believe strongly in the principles of equal opportunity and affirmative action for all employees. By tapping the talents and ideas in such a diverse work force, the company can expand its base of knowledge, skills and understanding, and become more responsive to customers' needs.

Advancement from within is based solely upon individual initiative, ability and demonstrated accomplishment. Since we promote from within whenever possible, managers at all levels must concern themselves with the proper development of their people, and should give them ample opportunity — through continuing programs of training and education — to broaden their capabilities and prepare themselves for more responsible jobs.

The physical well-being of our people has been another important concern of HP's since the company's founding. With the growing complexity and diversity of our research and manufacturing proc-

esses, we must be especially vigilant in maintaining a safe and healthful work environment.

We want people to enjoy their work at HP and to be proud of their accomplishments. This means we must make sure that each person receives the recognition he or she needs and deserves. In the final analysis, people at all levels determine the character and strength of our company.

Management

To foster initiative and creativity by allowing the individual great freedom of action in attaining well-defined objectives.

In discussing HP operating policies, we often refer to the concept of "management by objective." By this we mean that, insofar as possible, each individual at each level in the organization should make his or her own plans to achieve company objectives and goals. After receiving managerial approval, each individual should be given a wide degree of freedom to work within the limitations imposed by these plans, and by our general corporate policies. Finally, each person's performance should be judged on the basis of how well these individually established goals have been achieved.

The successful practice of "management by objective" is a two-way street. Management must be sure that each individual understands the immediate objectives, as well as corporate goals and policies. Thus a primary HP management responsibility is communication and mutual understanding. Conversely, employees must take sufficient interest in their work to want to plan it, to propose new solutions to old problems, to stick their necks out when they have something to contribute. "Management by objective," as opposed to management by directive, offers opportunity for individual freedom and contribution; it also imposes an obligation for everyone to exercise initiative and enthusiasm.

In this atmosphere it is important to recognize that cooperation between individuals and coordinated efforts among operating units are essential to our growth and success. We are a *single* company whose strength is derived from mutually helpful relationships among units that may be geographically dispersed but are closely linked through common technologies, customers, goals and objectives.

It is important, as well, for everyone to recognize there are some policies which must be established and maintained on a companywide basis. We welcome recommendations on these companywide policies from all levels, but we expect adherence to them at all times.

Citizenship

To honor our obligations to society by being an economic, intellectual and social asset to each nation and each community in which we operate.

All of us should strive to improve the environment in which we live. As a corporation operating in many different communities throughout the world, we must make sure that each of these communities is better for our presence. This means identifying our interests with those of the community; it means applying the highest standards of honesty and integrity to all our relationships with individuals and groups; it means enhancing and protecting the physical environment, building attractive plants and offices of which the community can be proud; it means contributing talent, time and financial support to worthwhile community projects.

Each community has its particular set of social problems. Our company must help to solve these problems. As a major step in this direction, we must strive to provide worthwhile employment opportunities for people of widely different backgrounds. Among other things, this requires positive action to seek out and employ members of disadvantaged groups, and to encourage and guide their progress toward full participation at all position levels.

As citizens of their community, there is much that HP people can and should do

to improve it — either working as individuals or through such groups as churches, schools, civic or charitable organizations. In a broader sense, HP's "community" also includes a number of business and professional organizations, such as engineering and scientific societies, whose interests are closely identified with those of the company and its individual employees. These, too, are deserving of our support and participation. In all cases, managers should encourage HP people to fulfill their personal goals and aspirations in the community as well as attain their individual objectives within HP.

At a national level, it is essential that the company be a good corporate citizen of each country in which it operates. Moreover, our employees, as individuals, should be encouraged to help find solutions to national problems by contributing their knowledge and talents.

The betterment of our society is not a job to be left to a few; it is a responsibility to be shared by all.