

Hewlett-Packard's rise, fall and future

October 6 2014



This Feb 21, 2012 file photo shows a Hewlett Packard logo in Frisco, Texas. Hewlett-Packard on Monday, Oct. 6, 2014 said it is splitting itself into two companies, one focused on its personal computer and printing business and another on technology services, such as data storage, servers and software, as it aims to drive profits higher. (AP Photo/LM Otero, File)

A plaque that reads "Birthplace of 'Silicon Valley'" marks the garage in Palo Alto, California, where Hewlett-Packard Co. got its start in the late 1930s.

Bill Hewlett and Dave Packard became friends studying engineering at nearby Stanford University. At a time when working for larger corporations was much more common, the pair formed their own technology company at the encouragement of a former professor.

The two tinkered with various gadgets until they came up with an audio oscillator to produce and test sound frequencies. The device was notable in the use of a light bulb to simplify the circuit and reduce costs. The Walt Disney Co. bought eight to produce sound effects for its 1940 movie "Fantasia."

Over the decades, HP expanded into microwave signal generators, medical devices and pocket calculators. It introduced its first personal computer in 1980 and later made printers for PCs. It boosted its PC [business](#) with the \$19 billion acquisition of Compaq in 2002 and became the world's largest PC maker in 2007.

But recently HP has had its share of stumbles and has failed to capitalize on important technology trends.

HP paid \$1.8 billion in 2010 to buy smartphone pioneer Palm Inc. as customers began shifting spending from PCs to Apple and Android tablets and smartphones. But HP was unable to turn critical acclaim for Palm's webOS technology into devices customers wanted to buy. It shut down the business in 2011.

That same day, HP unveiled a \$10 billion deal to buy British business software maker Autonomy to strengthen its portfolio of software and services, which are more profitable than PCs. But a year later, HP wrote off most of that purchase price after alleging that Autonomy had misrepresented its true value during sale negotiations. Autonomy's founder has denied the allegations. Just months before that revelation, HP wrote down the value of its services business to reflect that it

overpaid in a \$13 billion deal for Electronic Data Systems in 2008.

HP has suffered from simultaneous management problems. CEO Mark Hurd was forced to resign in 2010 in an ethics scandal, and his successor, Leo Apotheker, was ousted less than a year later after a string of disappointing earnings reports and the botched handling of key strategy announcements. Among other things, Apotheker announced that HP was weighing whether to dump its PC division—leading to a period of uncertainty during which HP lost additional ground to China's Lenovo, the current No. 1 PC seller.

When Meg Whitman took over as CEO in 2011, she said HP would keep the PC business after all. But on Monday, HP announced that it was splitting off its PC and printer business, allowing the growing business of selling software and services to have a better chance to thrive as a separate company. The move echoes IBM's decision nearly a decade ago to sell off its PC business to Lenovo and focus on software and services.

Whitman, who has been leading the company's turnaround for the past three years, said that HP has now shored up its business enough to support the split. She said the move gives the two companies "the independence, focus, financial resources, and flexibility they need to adapt quickly to market and customer dynamics."

The PC and printer business will use the name HP Inc. and retain the blue and white logo. The services business will be called Hewlett-Packard Enterprise. Whitman will lead the Enterprise business and serve as non-executive chairman of HP Inc. Current PC and printer chief Dion Weisler will be CEO of HP Inc.

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