

CULTURE AWARENESS TO SUCCEED IN MID-LIFE DURING CORPORATE CULTURE CHANGES APPLICABLE TO SMES: LEARNING FROM HEWLETT-PACKARD COMPANY

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ABSTRACT

Changing situation in business brings the problems to every company in the world regardless its size and scope. HP Company is one of the example that moves on from its downs due to the changes especially from its merger and succession as leader. Many factors will also influence the company experiencing midlife crisis such as geographic, structure, product development and so on. Hence, every company has chance to be in midlife and once it has strong corporate culture set, stated and communicated regularly in many ways, consistently to all members in organizations, the possibility to be able to move on and keep success in running business is greater. SMEs can get more strength and possibility to succeed in its midlife crisis, due to its size, lack of complication in decision making, and fewer employees work in. if an SME is successful in creating, setting, communicating and sharing the value and culture while it is small, the turbulences in business in the future will not ruin it entirely.

Keywords: corporate culture, corporate mid-life, corporate culture change, SMEs

INTRODUCTION

Some changes occur in the globalization era. In the past, a company can live calmly and comfortably without worrying about the competition, but current situations are quite different. Companies must face the rapidly changing situation with the high intense of competition not only in the products but also the processes and management within the organization. The challenges for the companies then to be larger as they also have to pay attention to their own organization. The changes outside the company will likely, wanted or not, influence the inside of the company. Then, Schein (2004) stated the major bases on which such differentiation faced by companies are: Functional/occupational differentiation; Geographical decentralization; Differentiation by product, market, or technology; Divisionalization; Differentiation by hierarchical level.

Those five major bases will always be in the organizational life cycle, anykind of stage. In the company growth life cycle, the company experiences the differentiation in any fields. The functional of each position in the company will differ, more market places to serve, more

innovation and development in products due to the changes of market and technology, some of divisionalization system occurred in the growing company as in the past it might run centralized system, but now, will be more decentralized featured in divisions. The last changes will be in hierarchical level changes since the organization structure changes due to the global changes.

Those changes may bring some difficulties for company to adjust to. The employees may not be ready for new working system and condition and if the leaders in company (managers, CEO and owner) are not aware of the readiness, the company will collapse and run ineffectively.

The important thing for a company to sustain in this rapid changing-world is their readiness to change. The readiness to change is not a result of one-night learning, but it is the result of a learning progress that continually stated in a company. Cameron (2006) stated that:

“changing organizational culture is a very difficult goal to achieve, not only because culture is largely unrecognized, but because once set, commonly shared interpretations, values, and patterns are difficult to modify. However, once it has been determined that culture change is a desired objective, members of an organization can engage in a set of steps that will put a culture change process in motion. The outcome of these steps is a process for moving an organization’s culture from the current state to the preferred future state”.

This means that once a company grows bigger, larger also and more in investments, the more intense the competition that could create the crisis and also many researchers agree that organizational culture can be used for supporting the company’s competitive advantage, reaching higher employees’ performance and productivity (Tharp, 2009 in Uddin et al., 2013). Thus, some other researchers stated that strong organizational culture is a primary determinant in creating a better performance and sustainable competitive advantage (Peters & Waterman (1982); Sadri & Lees (2001) and Deal & Kennedy (1982) and Thompson (2002) in Uddin, et al.,2013).

The increasing numbers of SMEs in the world may create another problem since SMEs are usually not strong enough in delivering their company culture and strengthening the culture as well. Using the example of big company such as Hewlett Packard that was not big from the beginning but also had its ups and downs era that it can go through by communicating, implementing and delivering strong company culture among its employees and stakeholders as well, this article will give the insight for SMEs to strengthen their position and prepare themselves in the changes of competition levels.

OBJECTIVE

The objectives of this study are:

1. To describe the importance of corporate culture awareness to succeed in corporate mid-life
2. To learn from HP company as example in building corporate culture awareness and succeeded in going through the corporate mid-life
3. To give the insights of SMEs to set the competition strategy based on the corporate culture.

LITERATURE REVIEW

Corporate Culture

Schein’s (2004) formal definition of organizational culture which is used to refer to corporate culture is :

“A pattern of shared basic assumptions that a group has learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”

Because the culture is shared and can be learned by organization's members, thus the corporate culture will be easily changed and adapted. Ojo (2010) stated that based on the previous text books about corporate culture underlined that corporate culture is a key to organizational performance and the corporate culture could be managed to improve its competitive advantage. Although corporate culture is an intangible concept, this plays a significant and meaningful role in corporation since it can affect employees and throughout organization operations. It also determine not only business success or failure but although competitiveness in the industry in which the company competes (Golnaz & Lees, 2001).

Corporate Culture Change

A culture can contribute significantly either to organizational success or failure. It is easiest to establish a desirable corporate culture during a company's infancy because it can be changed for the better. However, in fact, the company faces changes and sometimes it is not ready to change the corporate culture as soon as the changes exist. In the process of culture change, it needs the understanding from top management about the culture change and perception of corporate culture and mission among other employees.

The communication between management and employees are very important to ensure that all members in organization or elements in company are ready for changes. The high-tech company and SMEs are different in ways of readiness to external changes that can affect the internal culture. Golnaz & Lees (2001) studied that management should do such a behavior-modeling to reinforce and encourage the employees to accept the desired culture changes.

Corporate Mid-Life

Changes in organization, may be caused by: Death of founders, Replacement by promoted leaders, Going publicly owned, etc. Those changes will give some effects to organization such as becoming more diverse, possibility in changing goals and means and if necessary, changes in some elements of its culture (Schein, 2004). The phenomena in the midlife produce new culture dynamics that require a very different kind of leadership behavior if the organization is to continue to survive.

The major bases on which such differentiation occurs due to the changes externally in business that can create the changes in culture are:

- ❖ Functional/occupational differentiation: The forces creating functional subcultures derive from the technology and occupational culture of the function. Functional subcultures bring into the organization the diversity that is associated with the occupational communities and technologies that underlie the functions.
- ❖ Geographical decentralization: As the organization grows geographically, it becomes necessary to create local units for the following reasons: Customers in different regions require different goods and services Local labor costs are lower in some geographical areas. It is necessary to get closer to where raw materials, sources of energy, or suppliers are located. If products are to be sold in a local market, they must be produced in that market area as well.
- ❖ Differentiation by product, market or technology: Mature org. will differentiate themselves in terms of basic techno, products, or customers' type they deal with.
- ❖ Divisionalization: As organizations grow and develop different markets, divisionalization is the sense of decentralizing most of the functions into product, market or

geographical units.

❖ Differentiation by hierarchical level: As the number of people in the organization increases, it becomes increasingly difficult to coordinate their activities. One of the simplest and most universal mechanism to deal with that issue is creating additional layers in the hierarchy for more reasonable span of control.

These conditions bring changes in ways of business processes and make the organization culture become more important than it was in the past. The corporate must adapt to its external and internal changes. The employees' understanding of the corporate culture is highly required to stabilize the internal situations.

Small-Medium Enterprises (SMEs)

SMEs are facing increasing competition in the market and looking for ways to innovate the products effectively. The ability to win and develop new innovative products could be a key factor in gaining first-mover advantages, achieving product success, capturing market share, increasing return on investment, and long-term viability (Allocca and Kessler 2006 in Cakar & Erturk, 2010).

Indonesian SMEs in preparation of AEC era, for example, have themselves ready for greater and harder competition during the free trade. The government of Indonesia has some policies regarding this, such as implementation of OVOP program, improvement in HRM, products and qualities improvements and lower interest rate for supporting the affordable funding scheme and loan for SMEs (interview with Indonesian Minister of Cooperatives and Small and Medium Enterprises (SMEs with AntaraNews.com, 2015). This kind of new policies proposed in the House of Representative could bring some problems for internal situation of SMEs, whenever they need still have competitiveness. Successful innovation in SMEs is associated with good performance and related to subsequent growth (Cakar & Erturk, 2010).

CONCEPTUAL FRAMEWORK

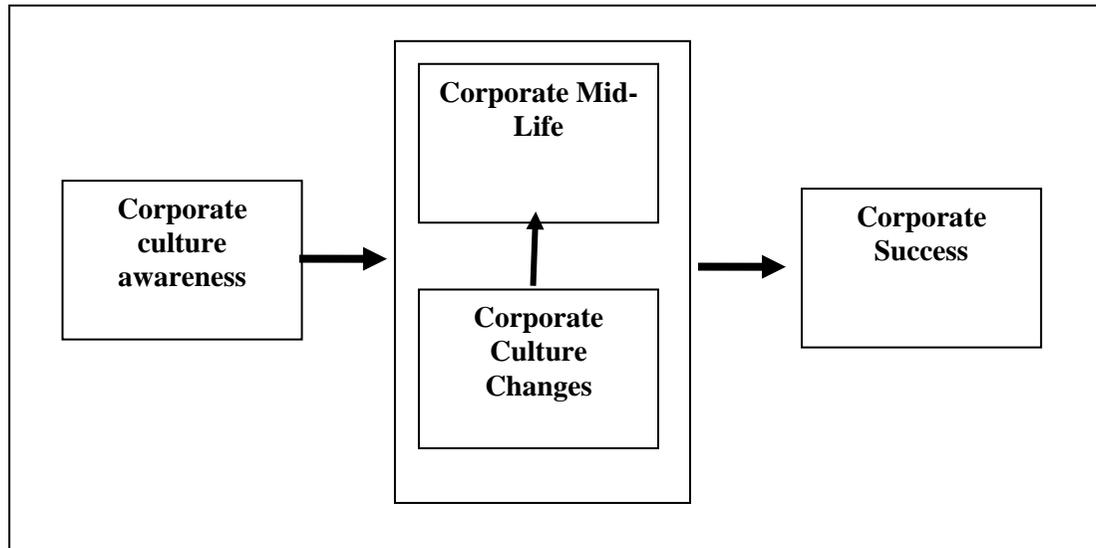


Figure 1. Conceptual Framework

Source: The author

The conceptual framework in this paper is arranged based on theoretical background and previous research results as shown in Figure 2. The corporate culture awareness will be the strength of corporate in its mid-life due to the external and internal changes. In the end the corporate succeeds in this change.

DISCUSSION

This section consists of three parts: the culture of Hewlett Packard Company, corporate culture in SMEs and the implementation of corporate culture awareness in SMEs using the experience of HP Company.

Culture of Hewlett-Packard Company

Company Profile

Hewlett-Packard Company or HP is an American multinational IT corporation headquartered in Palo Alto, California, USA. It provides hardware, software, and service to consumers, both small and medium-sized businesses and large enterprises including those in the government, health, and educational sectors.

Founded by William Bill Redington Hewlett and Dave Packard, the company began to sell a line of electronic test equipment in January 1, 1939 and the company's current competitor since 2007 is a Chinese manufacturer; Lenovo. After merged with Compaq in 2002, the new HP is now a market leader in all the essential components of business infrastructure. In 2013, HP was considered as the world's second largest PC vendor based on unit sales.

HP Corporate Culture

The study of Cole in 1999 (as in Golnaz & Lees, 2001) showed how Hewlett Packard was successful in improving its culture. A few years ago, based on a survey, over 50% of HP employees felt "excessive pressure" on the job. To solve this problem, employees thus were required to formulate three business and three personal goals each year. Employees are encouraged to cheer on fellow employees who achieve personal goals, such as spending time with their children or getting away for a round of golf. Only two years into the program, the company reported no loss in productivity despite the reduced hours employees now work and showed an increase in its retention rate. This success is attributed to the fact that managers strongly supported the program and modeled it in their own personal lives (Cole, 1999 in Golnaz & Lees, 2001).

The corporate culture in HP is stated in the HP Way as a set of values and principles to form their company and act as a base. It emphasizes the HP people's values and belief which most of the values and principles revolve around constant growth and improvement in the value of products and services. Apart of providing employment opportunities that can be the best measure, they also believe that as long as they run on their shared values and corporate objectives as the company foundations, the company will survive.

The shared value of HP that known as HP way are as stated below:

1. Trust and respect for individuals: *We work together to create a culture of inclusion built on trust, respect, and dignity for all.*
2. Achievement and contribution: *We strive for excellence in all we do; each person's contribution is critical to our success.*
3. Results through teamwork: *We effectively collaborate, always looking for more efficient ways to serve our customers.*
4. Meaningful innovation: *We are the technology company that invents the useful and the significant.*
5. Uncompromising integrity: *We are open, honest and direct in our dealings.*

Apart of the HP way, the HP has objectives as mentioned below:

1. Customer loyalty: *We earn customer respect and loyalty by consistently providing the highest quality and value.*
2. Profit: *We achieve sufficient profit to finance growth, create value for our shareholders and achieve our corporate objectives.*
3. Growth: *We recognize and seize opportunities for growth that builds upon our strengths and competencies.*
4. Market leadership: *We lead in the marketplace by developing and delivering useful and innovative products, services and solutions.*
5. Commitment to employees: *We demonstrate our commitment to employees by promoting and rewarding based on performance and by creating a work environment that reflects our values.*
6. Leadership capability: *We develop leaders at all levels who achieve business results, exemplify our values and lead us to grow and win.*
7. Global citizenship: *We fulfill our responsibility to society by being an economic, intellectual and social asset to each country and community where we do business.*

The HP way is not always about product and service improvements, but also for the customer and global. The values are shared to all employees, so whenever they face problem of changes, they will go back to this value.

In 1964, Dave Packard was elected CEO and chairman of the board whereas Bill Hewlett acquired the position of President. In 1999, Carleton S. Fiorina replaced President and CEO. Fiorina was the first outsider to take charge of the 62 year old company. Along with the new president and CEO came new changes as well. For starters, Fiorina revitalized the company with kick-starting growth. She also overhauled the company's structure, consolidating operating units and shearing away layers of bureaucracy. Fiorina also developed a new marketing campaign with a simplified logo of HP that drops the founders' names. Meeting growth targets proved to be difficult hence HP was forced to cut jobs. As a result, employees were asked to take unpaid leaves. Behind all this, there were plans to acquire Compaq.

In 2002, HP merged with Compaq. Due to this, there were some effects from the action. The top management viewed the merge as a way to differentiate the new company and to avoid price wars. Although investors and employees were skeptical about the deal, they managed to pull it off. As a result, it also created some conflict such as resistance to change the HP way and difficulty of blending the two organizations' resources and culture.

The culture before Fiorina acquired the positions of CEO and president was different compared to how it is now. Before, the investments were consistent and the company funded its own growth. Technical innovation was emphasized and there was high commitment culture. HP was more pragmatic and cautious in making decisions, offered its employees high job security and renounced the "hire and fire" mentality. HP avoided layoffs and maintained their workers as well. HP showed a family-like culture in which everyone was treated like family and was called by their first names, even the top management. Furthermore, HP also offered extensive employment benefits such as scholarships for the kids and HP workers were participated in the company with stock options. Communication within the company was informal and their strategy comprises of Total Quality Control which aims at producing highly qualified products.

During the Fiorina's tenure, the situation wasn't better, many lay-offs happened, while the market share was growing after merger. As mentioned, the spirit of HP way was not only in increasing the market share but more to its employees cares. The lay-off brought suffer to company.

Analysis of the company's business culture and the role of top management in applying the principles of culture to achieve the company's goals

Since the beginning the two founders, Bill and Dave have developed a management style which had never occurred in a large company before. They coined a new type of corporate culture which was to be called "the HP way". HP always renounced the "hire and fire" mentality, which meant to employ many workers for a single big order and to dismiss them afterwards. Instead, the company offered its employees "almost perfect job security". Even in 1974, when the U.S. economy was in a profound crisis and many people were unemployed, HP avoided layoffs by a four-day workweek, which was a unique measure in corporate America. They also trusted in the individual's own motivation to work and treated employees as family.

The HP workers were participated in the company with stock options and were even paid additional premiums when HP was successful - today known as profit sharing. These measures served to identify the employees with their work and to encourage them. Moreover, the HP way included extensive employment benefits such as scholarships for the employee's children.

At the end of the 1950s Bill and Dave decided to write down the company's objectives, which were to serve as guidelines for all decision-making by HP people, since the company had grown ever larger. With some changes, those objectives are still valid today. They cover as follows: Profit, Customers, Fields of Interest, Growth, Our People, Management, and Citizenship. And these objectives are to be achieved through teamwork.

HP's strategies nowadays comprise mainly the "Management by Objectives", "Management by Wandering around" meaning informal communication within the company, and "Total Quality Control" which aims at producing highly qualified products. The HP way is seen as model for corporate culture in many countries and many firms have tried to imitate the HP way and adopted measures such as stock options, innovative work rules, teamwork, and profit sharing.

The Management Process in HP is shown as division of work where team leader or team manager allocates task; allocation, due to its matrix nature thus decisions are taken including the right stakeholders with appropriate authority; Discipline to ensure that each employee of the company follows the culture and discipline; Unity of command is to monitor the command given to the staff/team are executed; Unity of direction to make plan and strategy are clear to be explained to the team; Subordination of individual interest to the general interest, where the team manager will make sure that all the team members are working for the same goal for the benefit of company.

Thus the principles applied in the company are such as decentralization as the result of increasing level of authority in the hierarchical chain of command and Scalar Chain in which the company structure has a chain of command with decisions and responsibilities percolating from top to down. The chain is usually: Manager - Supervisor - Team Leader (Region wise) - SPA (Senior Process Associate) - PA (Process Associate).

Describing the importance of corporate culture awareness to succeed in corporate mid-life

HP has successfully spreading their 'way' as culture to all of its employees continuously. Every employee will be ensured to understand it from their supervisor, managers and even the company website as well. Although the company is considered strong in its industry and still have a good market share in the products but it doesn't mean that HP never experiences the bad situations in the business. The company experienced the problems when it was facing two big changes that significantly change its culture:

1. The changes of leaders, from Bill and Dave to Fiorina
2. Merger with Compaq with consideration to challenge market competitions

Those changes are major for every company, but HP could smoothly strengthen their position in the turbulences. This is because of HP way which already understood by all of its members. No matter the situations are, but as long as HP way is still communicated, HP will always get its success in industry.

Learning from HP Company as example in building corporate culture awareness and succeeded in going through the corporate mid-life

Corporate culture is not only stated in website, but HP intensively states its HP Way to all new members and make sure that all the values remained strong among their employees. Thus, it has a good program to communicate the corporate culture to all stakeholders. Within company turbulences, the employees will remain working there and obey the instructions given by the management because they believe management will treat them well as declared in HP Way.

Meg Whitman as CEO of Hewlett briefly stated that given enough time and money, the competitors can duplicate almost everything the company has got working. The competitor can hire away some of company's best people, but the only thing the competitor can't duplicate is the company culture.

Giving insight to SMEs to set the competition strategy based on the corporate culture

What has happened to HP is not just only for big companies. Small companies, as a human, even though small or infant, they will still have risks of changes. Nothing can avoid changes. So, the SMEs whose characteristics are lack of professionalism, centralized, lack of leadership advance, and of course, lack of funding, will be easily to be in a harmful conditions.

As stated in parts above, HP set and communicates its corporate culture in a simple and easy –to-remember method, by creating HP Way. This method is effective to give employees understanding about the company, to increase their loyalty to company and thus increase their productivity. Higher productivity will support the SMEs competitiveness in the market.

HP was not always good at running the business, not always get the excellent profit and performance, but HP is still operating until now, the numbers of employees is increasing, the innovation is still initiating. There is a statement from Sull and Houlder (2006), that *“maintaining a healthy stock of opportunity requires active leadership at the top. Even during periods of restructuring and cost cutting, senior management must nurture promising businesses by providing political cover”*. The key of the strength during changes is active leader in communicating its culture. Furthermore, Sull and Houlder (2006) also suggest to train younger generation within organization to prepare the succession so there will be stronger linkage in moving the authority.

The implication of HP method in HP Way to SMEs

HP method in setting, introducing, maintaining and strengthening the HP way can be learned as the commitment of the management to retain their corporate culture by reminding their employees about their HP way and consistently execute the program of HP Way. The SMEs, in which fewer people work inside, cannot avoid this kind of problems. The SMEs will be easier to adapt to the changes when the culture of corporate is strongly implemented and communicated.

According to the conceptual framework, the culture changes might happened in SMEs because of geographic, divisionalization, differentiation in products and external influence such as competitions. Indonesia SMEs are facing more competition due to AEC conditions so wanted or not, Indonesia SMEs cannot avoid the changes in their ways to produce and run the businesses. They could add more divisions in their companies, geographic expansions, and differentiation in products as well. Those changes will create the midlife crisis in company.

Midlife crisis cannot be avoided as the changes will be never stopped. In the conceptual framework, the culture awareness among company's members will influence the ability to adjust to the changes and crisis. If they hang on the shared culture, they will be able to stand on their consistent way to solve problems. Under Whitman, HP tries to reengineer their HP way to honor the past while making it relevant for today defining the attributes and behaviors required to succeed at HP (Keogh, Tracy, 2014). The midlife crisis faced by SMEs is not always about financial, regulation adaptation but the possibilities in expansion will create the other problems after changes.

To sustain, SMEs should ensure that its championship cultures and behaviors are inextricably linked to relationships, informed by attitudes, built on a rock-solid base of values, and completely appropriate for the environment in which the organization chooses to operate. Duplicating the championship culture, especially in global era is a hard thing to do because every organization's environment is different, matching someone else's behaviors, relationships, attitudes, and values will not produce the same culture. But as long as since beginning, the company sets the strong corporate culture, it will have opportunity to win over competitors in every single change internally or externally.

CONCLUSIONS

HP remained the market leader in its industry and has been proven as the sole firm which has a corporate culture stands out and differentiates itself from others. In recent years, HP remained the market leader. Even after decades, the company still remains as one of those leader firms in international face for its strong and triumphant culture.

Every firm around the globe will definitely encounter problems within the company itself, experience mid-life once or several times in lifetime, but those who have strong corporate culture will be able to overcome the upcoming and unavoidable mid-life within the organization while remaining the market leader. The changes will hit all corporate sizes, not only the big ones but also the small ones even the start ups as well.

LIMITATION OF THE STUDY

1. This study does not discuss the issues of succession from Fiorina to Whitman.
2. This study does not provide the statistical data showing the value of sales each period.

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