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SITE SELECTION

Building a New Corporate Culture

Profit is derived from the coincidence of e-services, appliances, and infrastructure, with the correct company culture essential to growth and performance.

Hewlett-Packard

I believe we are at a critical juncture in the Net. The Net has spawned thousands of IPOs; it has created huge market cap; it has made many companies very successful. It has caused many other companies to question their whole value proposition.

Despite all of that, the Net hasn't lived up to its hype. I believe the challenge for our industry now at the dawn of the new millennium is this: Either the Net remains elite, remains the purview of the technology geeks or it becomes pervasive, intimate, friendly, useful. The challenge is about the culture in our companies as we wrestle with what's next on the Net.

A New Culture

I believe that for companies to succeed in this new era, to really fulfill the promise of the Net, they must build a new culture. And I believe that new culture has to be based on three very fundamental things:

1. First, it must be a company of radical ideas, one that knows how to incubate ideas and encourages creative solutions to all kinds of problems.
2. Second, I think this culture requires inventiveness, and inventiveness is really about the spirit and the capabilities to take those radical ideas and execute them flawlessly and quickly.
3. Finally, this very important cultural shift requires synthesis, balance.

Three years ago when the Net really started, we lived in an either/or world. You were either a dot.com or a brick-and-mortar company. The truth is, I think both the dot.coms and the brick-and-mortar companies are learning from each other. And it is the companies that balance those two things that will be successful.

Think about what dot.coms are doing today: talking about those things that used to be Old Guard talk, mission-critical systems. And the brick-and-mortar companies have moved beyond the recognition of websites and started to talk about the recognition that the Net is really about any kind of information, anywhere, useful to anyone.

Service-Driven

Of course, there's more to this story. No matter what kind of company you are, profit is going to be driven by services. And I believe that this is the end of the pure product era. Products become much more useful when they're surrounded by service.

Automotive dealers are beginning to understand that the car is a platform for delivering services. Whether those services are in-car navigation, emergency roadside, or telecom, the car has become a product for delivering services. It is through the combination of the product and the service that revenue and profit are being made.

All over the world, corporations are starting to think about turning processes into digital services. These companies are realizing that services drive the customer experience, as well as the fact that the money and the profit are there. The challenge is to think about how to make money from e-services: which to create, where to deliver them, what ecosystems of services to join.

Three Vectors

We need to broaden our frame of reference, because I think this new opportunity is about the intersection of three important vectors. The first is the one we've just been talking about: e-services. Our Internet strategy now revolves around creating and delivering services over the Net. And this is about much more than websites; it is about delivering Internet services to devices. What we're all about now at Hewlett-Packard [HP] is helping new business models be created, as well as inventing the technologies that support those business models.

In particular, HP E-Speak is a remarkable software technology that is at the heart of our belief that anything can be turned into a service for revenue and profit. E-Speak makes it possible to create, request, and locate any service on the Net from any device. It is a universal translator, if you will.

The second vector is appliances. I think appliances will proliferate. Yes, we'll continue to have the PCs and yes, we'll have PDAs [personal digital assistants], cell phones, and pagers. But now everything that has a microchip in it can become a device; connected to the Web, it will be an information appliance. And these devices will be very large, e.g., a megavideotron in a football stadium, or as small as a few molecules thick, if HP researchers have their way.

The third vector is infrastructure. Think about the requirements for an infrastructure that has to support billions of devices, trillions of transactions. It has to be always on, always available, always reliable, always secure. Fifteen years ago, HP Labs called this "pervasive computing," then the computing utility. And we have been building infrastructure based on open systems and standards with this vision in mind: as available as oxygen, as reliable as the sun and the moon, as invisible as radio waves, because that's what's required to support billions of devices and trillions of transactions.

Vector Intersection

Now, we talk about those three vectors - services, appliances, infrastructure - but the problem is that most of us in this industry only think about one vector at once. That's why consumers and businesses haven't gotten all that they want out of the Net. Profiting requires us to pull back and focus on the intersection of all three vectors, and to create solutions for customers across all those vectors.

HP has a unique position: We sit right in the middle of this intersection; we understand the richness of the opportunity and the possibility that lies in this intersection. We live there and have for many years, thanks to the markets that we serve. We serve consumers and enterprise; we're focused on hardware and software; we've been doing appliances and infrastructure. Living in the intersection shapes how we look at our businesses, and now it shapes how we approach invention.

All of us agree that Net-enabled appliances need to be useful. In order to be really useful, they have to be ubiquitous - and inexpensive. Our appliance strategy spans all parts of the company. We are focused both on the consumer market and the enterprise market. We have made important contributions to the appliance space - contributions like Chai, which is software that allows device manufacturers to enable their appliances to access e-services and to communicate intelligently with each other.

We've also made contributions in hardware. We've just announced a PC appliance program called the e-PC, which gives you the functionality of a traditional PC with the form factor of an appliance.

HP is uniquely qualified at partnering. HP and Swatch are currently working together to develop the world's first wristwatch that delivers on the promise of the Internet. Swatch is a company that has the inventive culture that's necessary for success in this next phase of the Net economy. They talk about the joy of their product. And it's that inventive spirit, that joy, that causes them to create wonderful products, like the beat watch, the watch that tells Internet time.

Total Accessibility

Imagine a world where appliances are everywhere - on your wrist, as well as in your pocket and on your belt. Once appliances are everywhere, people have the ability to access services anywhere. In HP Labs we have a town ("Cool Town") where e-services are accessible from almost any point. Project Cool Town is a pervasive computing environment that we've built at HP in which everything is connected.

Let's pretend that you live in Cool Town and today is a really important day. You have a major presentation to deliver to a new client who's across town. You set your smart alarm clock for 5:30 am, just in case there's traffic. But the clock is connected to the Net and communicates with a traffic report e-service. And as it turns out, the day you're making your presentation the traffic happens to be very light. Your smart alarm clock knows this and lets you sleep until 6:00.

You sleep an extra 30 minutes and arrive at the meeting in plenty of time. You're carrying only one thing - your PDA - because your presentation is on the Net; it's bookmarked on your PDA. Now what you do is squirt: Using our technology called e-squirt, you squirt the URL of your presentation from your PDA to the conference room projector. And since this happens to be Cool Town, the projector in the room is also connected to the Net. That projector follows the address of your presentation, grabs your presentation off the Net, and you're a roaring success.

Cool Town helps us envision the possibilities of an environment where e-services are accessible everywhere. And we're going to continue to invent services and some of the appliances that people will use to access those services. In fact, e-services afford us the opportunity to create communities, in some cases

communities of people who are in need of a service for people who can deliver that service.

One example of an e-service at work is of the Net being used to solve fundamental problems - in this case, hunger. You have probably heard of America's Second Harvest, the largest hunger-relief organization in the country. HP recently built an e-services portal for them, which we call Resource Link. And what Resource Link does is connect food producers, who in many cases have food spoiling, and other donors to organizations that feed the hungry. Then another e-service, National Transportation Exchange, identifies shipping companies and distribution links so that the food can be distributed at low or no cost. Maybe if every technology application could have this significant an outcome, it might inspire all of us to think along broader lines about how to make the Net more useful.

Digital Imaging

Another area we're really excited about is digital imaging. I mentioned earlier that in this next phase of the Net economy, all products are valuable when they are wrapped in services. As the world becomes more Net-enabled, product differentiation happens at the service level. And one of our areas of invention at HP is in digital imaging or e-publishing or what we broadly now call digital media.

You may think that there isn't much more that you can do to make picture-taking revolutionary. But now we are putting our inventive minds to work to identify ways in which services, plus digital imaging and e-publishing, will revolutionize the whole process. For example, what if your printer became your mailbox and every morning only the newspaper articles that fit your interests were automatically printed for you? What if your digital camera could squirt images directly into e-mail that you're sending to your friends or family?

Another way we're making the Net work for you is by expanding from this space into e-publishing and business. Critical-informationdelivery initiatives help people manage the onslaught of information that we all suffer on a daily basis. The digitalization of hard copy is a huge opportunity, and we are moving from a world where we print and distribute to one where we distribute and then print.

No Pie in the Sky

All of these inventions are not pie in the sky. Everything I've discussed is being prototyped today at customer sites and integrated into real business. I hope you remember three things: First, profit is at the intersection of e-services, appliances, and infrastructure. Second, revenue comes from wrapping services around products. And third, it is culture, certainly as much as and probably almost more than technology, that is going to help the Net deliver what people want. And it's going to take the Net out of cyberspace and bring it to the family.

I believe that to make that happen, CEOs must take responsibility for culture change in our companies, our industries. Culture is about companies learning to master not "either/or" but "and." We have to manage top-line growth and bottom-line performance. Speed and agility, short-term and long-term. Services, appliances, and infrastructure.

So, how is HP's culture being reshaped? For those of you who know Hewlett-Packard, you know that this is the company founded by the original radicals. This is the company that really did start in a garage 60 years ago. And Bill Hewlett and

Dave Packard have done some very revolutionary things.

HP created the first information appliance, you may recall. It was called the hand-held calculator. HP was the first company, for example, to create flexible working hours on the factory floor. This is a company of radical ideas. This is also a company of inventors and with great inventive capability. Finally, this is a company that is all about balance; we're all about the "ands." And for this company, at this time, our great challenge is to find the right balance between preservation of the best and reinvention of the rest.

In many ways we are truly returning to our roots. We are preserving the things that have made this company great, including our ability to partner better than anyone else in this industry. And we will always be a company that believes that openness and collaboration create more.

With that I'd like to reintroduce you to HP.

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