Navigating Change: HP's Transformation

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Transcript:

Introduction by Lynn Santropietro, Babson College:

> Hi, everyone. Welcome. Welcome to Babson San Francisco. I'm thrilled to be here tonight and to host our second THRIVE event. THRIVE is a series of conversations, and we are hosting these in partnership with our alums from Free Range and with Leiden University Centre for Innovation. Thank you, Alex, for being here. I'm going to turn it over to Randall to introduce you.

Randall: Thanks everyone for coming. I also teach design and systems thinking here at Babson College. Oh. I have some students here.

Alex: You seem to be doing a good job.

Randall: I seem to be doing a great job, right? I had the chance to meet Alex about seven months ago last summer at a service innovation conference here in San Francisco, and we just hit it off. We had a number of conversations over a few weeks, and he started giving me some insight of what HP was doing since the most recent separation about two years ago now. Over that time I got to know him a little bit. He's a husband, father of two, avid cyclist. Just a great guy, and I thought his story should be told and be heard. I'd love to just kick it off and talk a little bit about HP and the separation.

Alex: Sure. I'm glad to be here. Thanks for coming. HP must be a very boring company for

the place we are in. You hear my accent, I'm from Germany. I'm one of those old timers, 20 years with the company. You talked about separation. HP used to be the IBM if you will, so servers, storage, networking services, PCs, and printers. $120 billion we used to be. One and a half two years ago, we split the company in two where there's one HP, you see the blue bubble. Anybody has an HP PC? Eh, excellent, fantastic. I'm not going to ask about Apple.

PC in print is HP. We now call [ourselves] HP Inc., and then Hewlett-Packard Enterprise is the other company. I'm part of the PC and print company, and I was part of the project that split the company. We called it the separation management office. We basically took 400 people in the company. We used to be 350,000 people. We took 400 people into a core project team and then worked for a good 10, 12 months to actually split the operations of the company, which was a Herculean effort. It was a phenomenal experience, and many of you have experience with project management. We always talk about, "What's the number one success criteria when you talk about project management?" Well, it's sponsorship. This was a fairly important project, so you had the cadence and the interest and the support and the inquiry of everyone top to bottom, and that made it a huge success. Was super exciting. It's almost a small little MBA program because you learn many, many things.

That's what brought me over here to the US. It's my second stint in the US. I've lived and worked in all three regions for HP. That's the beauty of such a big company. Yeah, brought the family over one and a half, two years ago.

Randall: One of the real success metrics I think, just so for a little bit more context for HP. Alex is head of global sales operations. It's about 1,000 person company. They support 7,000 inside sales HP.

Alex: Outside and inside.

Randall: Outside 150,000 more, and then probably a million sales people [crosstalk]. Yeah, in the overall channel partners, so they didn't lose one single channel partner in that entire separation, which I think is really, really amazing.

Alex: We engaged early on. I remember when we were in these separation meetings we thought, "We need to think about how we secure the business," because if you separate and it's running, it's a machine like no tomorrow. We say, "We need to think of something."

First name was *Safety Belt*. We said, "Well, you know." We had a couple Europeans in that project, and we said, "That's probably not a good name. Let's call it *Navigator*." We deployed *Navigator* project program with our largest channel partner, so we sell PC-Print. We do sell about 87% of our revenue, of our hardware PC and print goes through the channel. The rest goes direct to the very, very largest account. You realize, "Gee." We heard about Lenovo selling their PC, IBM selling their PC business many years ago, selling their server business. We heard about these stories where suddenly channel partners don't get paid anymore, you don't have product, you don't know where it is, you don't know your inventory. Let's come up with something.

We came up with this Navigator program where we worked with the largest channel partners and said, "We sponsor you a person in your organization, and then we work with you and we document every little detail on how to do business." If you talk about [how] HP Inc. is now $48 billion revenue, there's a lot of PC and printers that you need to ship into that channel, so there's a lot of moving parts, a lot of money going back-and-forth.

We didn't have one senior escalation, we didn't lose one channel partner, we didn't have a senior customer escalation. It was a phenomenal effort, again, because we had the right sponsorship behind it.

Randall: Yeah, and I think from the outside and just sitting in some of the conversations with you and your team, it's a Fortune 50 company that has 70 years of execution and really had a startup mindset. I've been in several startups, and everyone on [HP's] team has a startup mindset which is pretty fascinating and it's led to this next wave of transformation in the company, which I think is the reason why you were separating in the first place.

Alex: Well, first of all, I think we found, "Gee." You're so big, investment decisions, prioritization decisions are way too slow. Apart from the fact that you take your printer profit, your ink profit and apply it for purchases over on the enterprise side, that's company decision, but we became so slow and so bureaucratic that it really made sense, so we thought. We went into that separation, went through the separation, and interestingly we had to go through small little details like choose your teams where you know all the people so you're going to go here and you're going to go there. These kind of professional experiences you don't have very often, but then we said, "Okay," like you said. "Okay, we're 70-year-old company, we're a Fortune 50, but we're in the Valley. We want to be modern. We want to have that, the robustness of a Fortune 50, of experience, of established channel, of established go-to-market programs." But you need a new culture because you've got to try something different because the world is changing. Everything is becoming digital, and we developed this mind of a startup. It was fascinating to see how quickly the two cultures and the two behaviors in the two companies that used to be colleagues, used to be friends, drifted apart. As part of that we started, and that's how we actually really did some work together as well.

We started on my side. I'm supporting basically our sales activity, sales operations. You said it, 7,000 HP sellers. We have about 150,000 channel partners. We always say there's another million sales reps out there which sell our products in channel partners. Now the thing is, whether they sell an HP PC, a Lenovo PC, a Dell PC it's a commodity. Same with a printer. Ease of doing business, sales enablement, these kinds of things are extremely important. We said, "We got to try something different. We want to be agile, we want to be more risk taking."

We really saw this, being smaller, being nimbler, going from 350,000 people to 50,000 people, having a small management team that focuses. I've got PC, I've got print, I've got 3D print – we can talk about this in a little while. You get this incredible, that you would know from smaller organizations, from modern organization, you get this management support and say, "Let's drive transformation." Randall and I have been working on our sales transformation in the company.

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Randall: Yeah, but there was a people piece, too, that was incredibly important. We're talking a lot about innovation and processes, but at the center of everything you guys were doing where you were really thinking about the people and how to move them into the right direction. Not just your internal company but your external partners as well. And I think for me sitting on the outside, it's probably HP is one of the most innovative companies I've ever come across and primarily because of how you act as a team and how you galvanize to move into this new direction. I'm really looking forward to seeing what comes of it, but if you could just talk a little bit about the change effort on the people side, because the separation test the culture quite a bit. Then how do you continue to inspire? What are you doing on that front?

Alex: Exactly. HP has historically had a culture where it's a people culture. It's not just what you do, it's very, very important how you do it, and that's what, for example, kept me motivated and excited in the company for over 20 years. We always say people are our greatest asset. The founders, you know the founders of Silicon Valley, Hewlett and Packard, came up with this HP way and with this focus on a smaller company. What Dion Weisler, our CEO, did extremely well is say, "Look, we're a new company, we need our own culture. We bring back some of the old values, the HP way of accountability, of collaboration, of teamwork, fast decision making." We took this on and we are in this lucky situation where, from my perspective, the management team is a great mixture of very established, many long-timers and new additions through the company that brought in external perspective, and it's a great blend.

I think you need both. You cannot have either/or in an organization with that history, with that size, with that complexity. We're leveraging this to drive change. We're saying, "Look, we're in a declining market." PC and print, I said it in one of the pre-discussions: We're super excited about the innovative and the sexy PCs. You guys need to check out HP.com. We have 23 awards at CES for best of show. We have sexy PCs again, but let's face it, especially if you're a company, everybody needs a PC. It's not core competency to have PC for my workforce or for you. You need a PC.

Taking this and said, "If we're in a declining market, we got to do something different

than applying the old recipes, so how do we change our processes?" We've got fantastic focus on engineering, on design, on security on the printer side, design on the PC side, we're going into new markets. We'll touch on 3D print, but then go-to-market innovation. How do you bring your product out? How do you reach the customer? How do you convince that it's easier to sell an HP than it is to sell a Lenovo for a channel partner? In a larger organization, you got to change many, many people. HP has a culture. I always joke, there's many people who can say no; there's very few people who say yes and then you have got a very hierarchical system. We're a very collaborative culture.

When Randall and I met each other at this event up here in the city, you were talking to someone else and said, "Yeah, I know we need to develop this momentum in organizations where you convince people like me who have been in an organization for a long time that you can change, that you can accelerate, that you can do things differently." Again, if you're in a declining market you got to outgrow your competition. You got to be better.

Randall: Alex at the time seemed a little beat down. He had just gone through a pretty significant transformation in a year.

Alex: It was phenomenal.

Randall: My jaw was dropping. I was like, "This is amazing. Tell me more." It was incredibly inspiring to hear that a Fortune 50 company could move so fast. Understanding that even though it was a top-down effort that everyone from the bottom was galvanizing around this new direction, this new opportunity. Then with the having a clear vision as well of what needed to be done to be a more experienced forward and customer-driven organization.

Let's touch on that piece, that transformation that's happening on the sales innovation front. They're working on five separate initiatives or five larger initiatives all in parallel with a very tight timeline to in essence rotate to a new HP pretty much over night. Again, I haven't seen startups move this fast, so, yeah, let's talk about that a little bit.

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Alex: We said, "Okay, we got to do something different." We had a new mindset, started from Dion. In the old environment, we had everything in the entire company. We had our internal offshoring, blah, blah, blah, so we said, "Look, we're here in Silicon Valley. Let's use new concept."

I don't know who read the book *Exponential Organizations* [by Salim Ismail]. Let's work with organizations who specialize in something as opposed to continuously trying everything yourself. We started to think about, "How can we do outsourcing?" We got thousands of people who do transactional activities in India. That's not our core. There's organizations who do this better, who have a fantastic home for these people, and who can help us accelerate innovation.

Then we started out the company with lots of – the new company – with lots of excitement, but we thought, "Oof, PC and print are tough markets. We don't have these hundreds of millions of dollars laying around or sitting around. Let's just do process innovation topics." We worked with some of the partners, some of the large system integrators. We have go-to-market partnerships with Accenture, PwC, Deloitte, Hewlett-Packard Enterprise, Gemini.

We said, "Let's develop new business models. Instead of me buying a new software from you, let's develop a business model together. You build a new customer experience for a large enterprise accounts for e-business, and I pay you back over the next eight years."

Suddenly, you're able in a very margin sin company to initiate discussions about: How do we initiate? How do we drive change? How do we afford change?

Randall: It's just not outsourcing process innovation, it's outsourcing capital investment which is fairly amazing, right?

Alex: Exactly, exactly, exactly, because everybody can do the business process outsourcing. We've done that, we've outsourced hundreds of people, but it's so we're

changing the way we get information from our channel. What have you sold? What's the inventory? We're digitizing this entirely, and the company with the complexity of HP you have hundreds of systems, and the same metric or the same variable is measured differently so it means differently. Aged inventory. Everybody gets this. Well, in Asia I've got this definition, in Europe I've got that definition, so on, so forth.

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Randall: Some of these systems have been in place since you were there, since you started?

Alex: We're replacing a sales compensation system that's 30 years old. We're changing the way we digitize information from the channel. We're changing our 30-year-old sales compensation system. We're using analytics to deploy quota as opposed to negotiation with a sales management, "I have this account patch and this what my quota needs to be."

We're changing out our CRM system, everybody, whether it's Salesforce.com, Microsoft Dynamics and so on, so forth. We had all these systems in place for the large organization, for Legacy HP. We're nimble, we have a transactional sales model, we're growing in contractual. We need something different, but let's not do another CRM implementation, funnel management. Let's do a sales collaboration and let's weave in digital sales. We're changing the way we interact with our largest accounts. We're introducing better digital capabilities. How do you get these together? How do we teach our sales people using some of the new technology? How do you have an excellent mobile experience, whether you're an HP sales rep, whether you're a channel sales rep?

We're driving all of these different change initiatives, and when Randall and I met first we said, "Look, this is a lot of change for our people. How do we create a message? How do we create a momentum?" We developed this vision which we now call "seamless sales". Wouldn't it be great if you're an HP seller if everything worked seamlessly?

If you have technology working for you, if you start an opportunity you know exactly how much money you're going to make with that opportunity. You know what your

channel partner sold, and you use that information in your supply chain, and you save so much time as a salesperson that you can still use, from a human aspect ...

There's a certain element in sales that will never be automated, that will never be electronic. You drive sales productivity so people can manage the relationship, can manage the partners, because again, if you're just for PC, whether it's a Dell or a Lenovo or an HP, there's not that big of a difference.

Randall: That was one of the biggest assets of your company are relationships with your partners.

Alex: Exactly.

Randall: It's one of the things you would hear when speaking with your partners. They would say, "Doing sales with HP is a pain, but man, I love them. I love the people."

You've flipped that over in about a year and a half of doing just some of this work in a declining market. You're up 10% in PC sales. PC is supposed to be declining, it's supposed to be dropping off, you're up 10% in this last quarter–

Alex: Yesterday's quarter.

Randall: –which is pretty amazing. A lot of this process innovation is working and working really well pretty much overnight. What have been some of the negative drawbacks to this?

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Alex: Change is hard. Staying is always easier. Buzzwords like you digitize processes, everybody gets this. You get clean data so you can use analytics. Everybody gets this. If you start small and you grow right and clean, very easy. If you have a hodgepodge of an old company with established systems that are different and everybody wants it his way. Also people say, "No, no, I get it. We all need to change. Why don't you start? And I'll go last." What's exciting, what's hard is everybody can build new widgets, new tools very, very easy. Changing the way people work, getting

people to believe that the new thing, which is never perfect at the very beginning, that the new thing will work out is always hard.

[00:20:30]   The larger the organization, the harder, but this is when culture comes in. I'm super excited even though it's tough, even though everyday something else pops up, "Oh, we haven't thought of this." Guess what? A 20-year-old system, there's not many people around who know that system, so you replace it. You unplug it, and suddenly you go like, "Didn't think of that one." What we're learning is: How do you combine risk taking and being agile with getting an acceptable quality? The smaller the organization, the easier it is to come out with a better product, and I'm going to throw something out and we perfect it.

If you are in a machine that sells hundreds of thousands of hardware pieces a day, you start to see these issues. They accumulate very quickly, so that has been one of the challenges. How do you keep people seeing that you're working on the right thing, and you prevent people from, "See, I told you it's not going to work," "We've got this issue because of you"? Well, it's very, very easy to fall into that. We've been there in the old world a lot. I've seen different corners of the company, and I'm just so excited everyday still about the management support we have.

We're working on process optimization and process innovation and sales transformation. Tomorrow we have a QBR with our CEO. This is a topic that is on the agenda for the CEO.

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Randall: One of the things I was amazed about, and I mean we were just having this conversation a little bit earlier, is there's this fast fail mentality here in the Bay, and it's fine for startups, but for more established companies you can't really fail that much. What I think you guys have done really, really well and it comes across with your team is that you don't want to fail.

You want to solve problems and you want to collaborate as fast as possible, and someone is going to stand up at any given moment. From a leadership perspective, how are you guys training internally on that, or is that just a mindset that's always

existed in the company? I can't believe it's always existed.

Alex: It hasn't always existed.

Randall: No.

Alex: It hasn't always existed. Absolutely not. I always joke about how to do management training in a company like HP. Well, here you go.

Randall: Good luck.

Alex: I think we have started out the new company, HP Inc., in a phenomenal way. We started on a couple priorities.

We need a people culture. The interesting thing is the people culture, your documentation, that wasn't available overnight. Actually, we're still building it, which is normal, but the couple slogans that really helped drive people to believe is, "You're an established company, a Fortune 50 with the heart of a startup." That tells people something. "Hmm, actually we got to behave. We have the trust, the management trust, we have the ask to behave differently, to try different things."

And then the fact that we were going back to our old roots of innovation. I said it before, Hewlett and Packard founded or built, started the Silicon Valley. HP has always been a company focused on innovation. We're using this in the company to motivate people to try out new things, and so it's not just product. It's go-to-market innovation, process innovation, it's transformation, and I think Dion or the management team have done a phenomenal job in selecting the leaders.
I felt it. We wanted to be differently immediately.

From day one we were, "Ah, finally we're rid of the old." These are still your friends and so on, so forth, it's your legacy, but it just felt incredibly exciting, liberating, and empowering to try out new things. To this date, we haven't had a senior management change. That's one and a half, three-quarters of a year. We're back to growth, second

quarter of growth. We just reported yesterday. A year ago, there were Wall Street Journal headlines, "The PC is Dead." We're up 10% year over year. We're getting into 3D print, leveraging our printing technology. Everybody knows the HP ink jet, we're pretty good at that. Instead of printing ink on a piece of paper, we're printing fluid into a powder and then we do layer after layer. That's our 3D print technology.

If you infuse innovation topics in an employee base that have strong roots but has a culture of being a people company, that has a culture of engineering, chances are that falls on very fertile ground. From my perspective, that's exactly what happened. We're running after innovation topics like no tomorrow. We are very proud of specifically this particular quarter. Everybody can grow if you have a Windows refresh and so on and so forth. We outgrew the market by a mile. Why? Because finally we've got products we believe that are sexy again. We've got the thinnest PC, the thinnest laptop of all manufacturers. We're-

Randall: You've innovated on the sales front.

Alex: We're innovating on the sales front.

Randall: The innovation on the sales front is why we're here. It's pretty remarkable. It's what you're supporting in the organization. We didn't go too deep on it, but from a learning and development perspective, what are you doing on that front? Because you are shifting the mindset, you are bringing people along and teaching them how to sell in a new way, because we do have to sell in a new way.

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Alex: As a matter of fact, excellent topic. Sales training and channel partner training. Every sales organization knows how to do this best. We had multiple different fantastic approaches to sales training. None of them worked. Everybody complained about it, but if you want to help, "No, no, no. This isn't my kingdom. Don't you tell me how to do that."

Here also we tried something. We partnered with, using exponential organizations if you will, external knowledge. We partnered with one of our go-to-market partners. We

said, "Look, sales training, there's some specifics to HP, but there's new technologies, there's new capabilities, there's new methods, there's new behaviors, new characteristics that are not specific to PC and print. Get us this external perspective."

We've built as one of the transformation programs, we've built a sales academy and a partner academy where we're leveraging external knowledge to educate our sales force in, "This is how you solution sell as opposed to just the PC. This is how you security sell as opposed to just a printer." I spoke about that before. We're renovating our commercial e-commerce presence entirely.

We're weaving these tools, new ways of doing things into our sales training. For example, this is how you use digital sales to cover your customer. You don't need to do the small little run the business farming the customer. We've got capabilities, use that. Present this to your customer, empower your customer to self-serve and use analytics to upsell, cross-sell. The machine is working for you. Instead of having this, "Okay, here's the newest tool, here's a new e-business tool," we integrate that into the sales training. That's for our HP sales force. For a partner sales force, same thing: sales academy, partner academy. Here's how you get certified to sell HP.

By the way, and can I talk for a second? A channel. What is a channel? A channel is you've got small little companies that have been selling PCs, printers, office supplies to other companies for years. Not all of them are the CDWs, the insides of the world large companies, but when you go into SMB markets, and we all know the size of SMB markets–

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Randall: Small to midsize business.

Alex: –small midsize business around the world, chances are that these companies that you're dealing with, these channel partners, are not at the absolute forefront of here's the newest digital sales capability, here's the newest widget, here's how you do social selling. We develop capabilities, we have a social media center where we help curate social content for our channel partners. We train them how to use that, and then we can say, "With HP you can learn, you as a channel partner, how to be an opinion

builder in the market." Suddenly you go like, "Okay."

Again, we're talking commodities, PCs, printers, HP, Lenovo, Dell, what have you, but they're helping me be successful with my clients. I'm a channel partner. HP is giving this training to me.

We developed this concept of learn to earn with us, with HP. We think of you in your experience from learning to earning. If you own a channel partner company, "Hmm, they're helping my people to learn, they're helping me demand generate, they're helping me transact, and they're helping me earn."

Randall: I'm going to give you more business.

Alex: I'm going to give you more business because it's easier, right?

Randall: Absolutely.

Alex: One of the transformations we're driving, and what did we do? We took funding, we took responsibilities out of our regional sales organizations. We centralized, but we didn't say, "We know how to do this better." We're exactly as good or bad as you out in Europe or in Asia or here in the US.

Now we took someone out from the industry, from outside, and we're like, "Look. We went through a good selection process; these guys know what they're doing." And we deploy this, and we use a new business model where we say, "Why don't we build self-funding models? Mr. Partner, you get value, so pay us a small fee and before you know it you have ongoing innovation in this model."

Randall: From my perspective, it's really interesting that you're taking the 80/20 rule of you're taking 80% best practices out of the company and then you're trying to alter it 20%, where I think it was flipped before.

Alex: It was absolutely.

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Randall:	Just the receptivity of the company to do that is pretty amazing considering you probably were the opposite and owning everything before and didn't want to listen.
Alex:	Absolutely, which I find fascinating.
Randall:	Is that a top down thing, or is it a –
Alex:	It's actually both, but I give you a small little interesting fact which is probably going to be a surprising fact.

In an organization which we call strategy business management run by the COO of the company. COO has been in HP for 35 years. An old guy deploying new concepts. My boss, the head of sales strategy and operations in the company for 30 years, going, "Huh? That's weird, right?" I've been in the company for 20 years.

So how come these old bones have the courage to drive something new? But again, I think it's because we had this liberating effect with the separation. We started out with the right management team, the right mixture of old and new. On my team I've got external and internal long-timers if you will, and we've got this incredible just energy. Say, "Yeah, it's hard? Don't tell me how hard your job is. Push, push, push. Take risk. We give you the trust. You've got boatloads of experience, you've got external partners who help you and guide you." It's this combination. It's this combination of old and new I would say, but –

Randall:	You see that in the ranks, right? There's this multi generational play that's going really, really well for you. You're sticking millennials in charge of very large initiatives and letting them run with it and trusting them and –
Alex:	I have this phenomenal little example. We're running a project, we call it Project Freedom. We're changing our CRM solution to a sales collaboration suite, swapping out technology. The project manager on this is a new hire on the company. He's one of these kids, like you guys, when we say kids, that we see in the Valley. Had his own

small little startup, failed, had an app, and –

Randall: Failed.

Alex: – failed, but brings in, and you see this discussion which is phenomenal. Okay, you can learn something from the old dog, but look at the new experience that someone brings in, the different thinking, and that's just exciting.

Randall: Yeah, and just the level of respect you're bringing to the table for him too is great. On a personal note, we've been talking a lot about HP. What has it been like for you, and has it reengaged you in a different way? How has it changed over the last 20 years?

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Alex: If you're in an organization for so long, in my opinion you either become the culture, you become the company, you become the organization, and I think that's the worst that can happen to you. I had the privilege of being challenged in different ways. I haven't changed companies, which is I think an exercise people should do because you're being challenged.

I've been challenged to assimilate with different cultures. Early in the career I had the opportunity to work in the US in California, and I started to learn once you move away – many of you guys would know this – you start to realize the oddities of the Germans, in my case. I didn't realize that when I was in Germany, but when I lived in California, "Oh, that's why they think we're so direct and so inflexible and so and so forth."

Randall: Jeans and a blazer.

Alex: Yeah, exactly.

Randall: We don't get that.

Alex: Old man in jeans.

Had this opportunity, went back to Germany. Then I had the opportunity to grow very, very fast in Asia. Basically, within a span of two years I went from a manager level to a vice president level running an organization of 700 people.

Randall: Based out of Singapore.

Alex: Based out of Singapore. I spent four and a half years there. Phenomenal opportunity. We have this term of the right person in the right job at the right time. I was I would say, I was very, very lucky. Went back to Europe and learned how to cut $20 million cost out of an organization in one year in a region like Europe where you have incredibly inflexible labor laws, so you learn new things.

These were some of the toughest situations in my professional career. You start to find these methods that work for you, and I have developed this like it, leave it, change it. No one is asking you to do this. This is yourself. You can quit everyday if you will, so don't complain. Look at it in the positive way. That kept me young from that perspective, and then being in the separation which was just incredible.

For 12 months it was basically work, sleep, and that was it. Work, sleep, a little bit of mountain biking Saturdays and Sundays for two hours, and then you go back to work.

Randall: You took your kids to Yosemite, come on.

Alex: I did, I did. Yeah, exactly.

Randall: All right.

Alex: When you then see the ability to make decisions and when you see senior management trust in you – and that was the big, big change from a culture perspective with HP Inc. – that just fires you up. And you're able to do things that you didn't think would be possible. Or you go into discussions, "Oh, that's going to be difficult."

There's however not one day, not one day where I go like, "It's 20 years. You got to change, you got to go somewhere else. You're no longer marketable because you've become HP, you're a dinosaur," and so on, so forth.

That's just a personal challenge that I have for myself. Now, especially trying these new ways, learning from external companies, whether they're large organizations like these large global system integrators, whether they're small and nimble organizations like your organization, Randall. Yeah, I mean that has kept me, I think, I hope, agile.

Randall: Before we head into Q&A with the crew here, is there anything you want to just say that's coming out for HP or that you're super excited about? You've been excited the entire time.

Alex: I've been excited. First of all, everybody who has got an Apple at least check out HP.com. Click on premium laptops. They are phenomenal.

[00:40:00]

The other thing which none of us probably, or none of you guys would know: we're getting into 3D print. We actually believe we have a shot at changing the world of manufacturing – and this is a six trillion dollars. Trillion. Why is that? Today, and we hear it in these discussions with the newest administration everyday. Every manufacturing is offshored, low costed. 3D print, and we're not the only player, but we have a technology that's 10 times faster than anybody else at half the cost. We're out in the market now.

3D print is going to change manufacturing entirely. Think of spare parts, replacement parts that you don't need to ship around the globe. Think about the impact on the environment it's going to have, on sustainability. We use a term of democratizing manufacturing. Think about what opportunity you have in growth regions, in developing nations. We're super excited about this, and we drive a strategy which is the most simple strategy I've ever heard.

We talk about everything in three dimensions: core, growth, future.

Core is PCs and print. That's where the money is today.

Growth is about, I don't know if anybody heard, we bought the printer business of Samsung. Why would you buy a printer business? Well, PC and print are declining. We've got 40% market share in print, 4% market share in copier. $55 billion market. If we just grow 10%, we're going to add $5 billion revenue to our company, so chances are if you do a good printer you can do a good copier, multifunction device. That's going to help us keep the company stable, we just grew 4% year over year, entire company 10% in PCs, to invest in the future. 3D print, we started to ship the first machines out there.

We're working with companies like the big contract manufacturers, whether it's JBIL. We're working with car companies, BMW, on prototyping. We're working with companies like Nike. In the future, you're going to scan your feet in the shop. They're going to custom print your sole for you, your shoe for you, and you're going to have your shoe.

[00:42:00]

That's our digital off ramp. We're going from digital to analog again because we 3D print. On the personal system side, we talk about the digital on ramp. We talk about blended reality, hybrid reality, so we invested in acquisitions for scanning companies. We have a very weird looking product out there which is the HP Sprout. It's basically a desktop with an overhead projector on top of it, that's what it looks like, and we're going into 3D scanning. You scan, you go from analog to digital, you use all the technology, all the software that's out there, and then you democratize manufacturing. That's what's firing us up in terms of growth.

Why do we believe? Why do analysts believe out there that HP is not just in the rat race of, "Okay, how much margin can you make in PC? How much ink can you sell?" These kinds of things, but actually that innovation is real, innovation is going to be sustainable, and we're using this to propel us and to secure us for the next 70 years. We're excited.

Randall: Yeah, the next 70.

Alex: Yeah, exactly.

Randall: That's brilliant.

Alex: We're excited.

Randall: That's brilliant. Well, let's open it up to QA. Anyone have any questions?
[00:43:00]

Audience #1: With the growth that you were just talking about for HP, do you see processes within the company to continue to evolve as they've been evolving?

Alex: Absolutely. Absolutely. As a matter of fact, today, so yesterday we had quarterly results. Today, we had our all employee conference, Dion [Wiesler] gets together with everybody around the world. We just announced, for example, today we awarded one of the big software vendors a project to renovate, consolidate our ERPs. ERP systems, as with any systems, we've got too many of them. They're about as old as they can be.

Randall: Enterprise Resource Planning.

Alex: Think SAP, think Oracle, think the big, the core of the company. That's a multiple hundred million dollar investment.

We're actually benefiting from the separation, from the old HP, because we've got so much old technology in the company, and some of these tools, whether it's your master data, whether it's customer data are so old you cannot just clone them – "Okay, Hewlett Packard Enterprise you get a version HP and you get a version." You actually need to transform, so we're using this as an inflection point, but this is not a one-time thing.

We're changing the entire literally sales enablement for our HP sellers, for our

channel sellers. As we're driving this we're already talking about, "How could we get to the next thing to really capture the seller as opposed to the channel partner company?" We're having very exciting discussions with some of the typical software vendors in this space.

[00:45:00]

Randall: There's a new HP mindset.

Alex: There's a new HP mindset.

Randall: It's never going to stop evolving now I would say.

Audience #2: Thank you very much for coming and sharing all of this with us.

Alex: Thank you for coming.

Audience #2: I'm thinking from the startup perspective and the medium company size, one of the threats could be the pace of innovation of other competitors. From what you're saying, money wouldn't be an issue, the culture is critical, you are working great with that, and you are on top of innovation. My question is: What is that threat? What scares you?

Alex: Execution.

Audience #2: Execution.

Alex: Execution. At a company of this complexity, at a machine of this size, starting these initiatives are hard enough, but actually executing, doing what you said you were going to do and implementing that change and keeping your employee base, your people motivated, keeping the belief in the organization, keeping the management trust. Execution is our theme for this year.

Last year we were, especially in our sales enablement organization, we literally had the CEO come to us and said, "Besides the product guys, I believe you guys are the most innovative organization in the company because you're trying out new ways of

achieving progress."

In any environment, whether it's a small company or a large company, you're only as good as yesterday's or today's success. Tomorrow, you need to prove yourself again. This year, our thread, our focus is execution to really land these change initiatives.

Audience #3: I'm curious to learn more about the learning and development work that you guys are doing. You mentioned a lot of the investment that you've made in delivering information content to channel partners, that sort of thing. How do you think about the distinction between learning and development about knowledge content process and some of the more skill-based stuff that you guys do, whether it's improving interactions with customers through conversations in person, that kind of stuff? How do you think about the difference between learning to know and learning to do as you push that stuff out?

[00:47:30]

Alex: What we started doing is we tried to listen a lot one on the product side to your customer. We have specifically on that particular topic, we have a very tight relationship with the largest channel partners. We developed this elite club of those partners that kept loyal to us, believed that they were going to do this separation. It's almost like a president's circle if you will. We're having regular interactions around the world. How can we help you be more successful? We're driving a lot of that listening to our partners. What's the next thing that we need to focus on?

Same in the learning side. One of the themes that has come through, for example, was: Can you help us be more clever in the world of social selling? How can you help us carry the brand name out there? The theme and solutions. It's very easy to sell a product. It's very hard to understand and get the trust from your customer that you're there, you're a real partner to help them solve their real problem.

More from an internal L&D perspective, learning and development, I think that's one of the areas where we've got a lot of focus from our chief human resource officer, Tracy Keogh. I don't think we are where we need to be. Just a couple months ago we announced a new focus on managers, on teaching our managers. We have about,

what was it, I think … 5,500 managers in the organization. Over the course of the next 18 months we're going to move them through specific management development course.

[00:50:00]   That was a phenomenal or fascinating thing talking about culture, and when you talk about learning and development these things start to blend into each other. We developed a new theme which we called a growth mindset. For example, what we did as a company, again, we're a very established, very old company. One year into the new company we abolished all the performance evaluation grades.

Every company, most of the companies, every established company, has at the end of the year, "Okay, let's sit together. Are you an A, B, C? Are you a 1, 2, 3? Are you an S, or a DN, did not finish? Partial achiever? Significantly achieve?"

We changed this, and we said, "What you need to develop is a growth mindset," so that's our focus. "You need to do a good job, but not just were you perfect? How well did you do? How well did you do compared to Randall? Alex, you were really great, but he was a little faster." I can't tell you how many times we have these conversations. "You did great, but he over there? He was fantastic, so I'm sorry. I'm only going to write you a medium," or whatever.

We're developing this growth mindset, and that's, again, for someone like me so long in this company, I was totally blown away, and I thought, "I'm German, I'm old, I can't ..." It's phenomenal. You don't think about how well have you done, it's more like, "How can you do better? What can you learn?" We're at the very beginning of this, but from the little bit what I saw I'm totally excited about that.

Audience #4:   You spoke a bit about the growth that will happen in the 3D space and the democratization of manufacturing. We have 3D imaging currently; we have ways to scan in 3D objects; we have great 3D construction software; and we also have 3D printers. What do you think are the next steps to really make this blow up as an industry?

[00:52:00]

Alex: The challenge with 3D print today is ... it's two things. It's quantity and quality.

3D print, where it is used today is typically in prototyping, very low lot sizes. The other challenge in this additive manufacturing that you have a lot, you have a quality challenge. It's very hard to have every part be exactly the same as the other, and of course if you go down in size that's where the challenge comes in. We see these videos in China, you 3D print a house. Wonderful.

The challenge is quality and quantity, because what you want to be able is basically you want to push up your break even point. If you have lot sizes of 500, great. If you have lot sizes of 200,000 where you are still more economical in 3D print versus, we're talking plastic at this point in time, versus injection molding, then you've got something exciting. And that's what we're pushing. We're starting with lot sizes of 15,000 with the first machines, but literally we've got an innovation roadmap, a machine roadmap over the next three, four years that's going to completely change this.

The other thing talking about excitement. The business model we're driving in 3D print, everybody knows print and ink, a printer and ... Males know razors and blades. With 3D print, we go a different direction. We actually work with the largest chemical manufacturers to develop fluids and powders. Because we believe, okay, we can bring out our HP fluid, our HP powder and the chemicals, but if you work with the 3Ms, if you work with the BASFs of the world, the Dows, the speed to get to new materials is just going to be so completely different.

We said, "Okay, we license you on the HP technology. We're going to sell your fluid and your powder, but you develop this together." Lot size, quantity, and quality, but we believe we've got something, and of course I'm an HP-er so I would say that, but we believe we've got something that no one else has out there.

Randall: You can also demand sustainable materiality –

Alex: Exactly, exactly.

Randall: – which is pretty amazing. You're leapfrogging, particularly in emerging markets with large-scale manufacturing overnight.

Alex: Yep.

Audience #5: I'm glad we're talking about the future and sustainability, and given that your industry as a whole is so young, what is your plan for sustainability in the future and how urgent would you say these directives are?

Alex: Fantastic question. Great timing because I just listened to our chief supply chain officer's presentation today about sustainability believe it or not. I can't make this up. What we're doing, in the world of computer manufacturing you don't do anything yourself anymore. You work with the large contract manufacturers, with the large supply chain companies, and topics, not just of environmental sustainability but also integrity. People focus is a huge topic for us.

[00:56:00] For example, whether it's the JBILs, the Flextronics, these large, large companies, mostly in low-cost growth regions, we have teams working with them to ensure that people are treated in the right way. We have teams on the ground with our contract manufacturers to ensure that, for example, raw materials are sourced sustainably and with integrity. We're not closing our eyes and telling you buy your tungsten or whatever from whoever, whichever mine in Zimbabwe or wherever. This is top priority for us.

Believe it or not, we buy billions of empty plastic bottles to shred and use to injection mold our little printing cartridges. If you have an HP printer, if you have a different printer, look up HP Instant Ink. You will never run out of ink anymore because your printer knows when you need new ink. You're going to be shipped a little cartridge in an envelope and you're going to put your old cartridge into the envelope, the mailman is going to take it away, we're going to recycle that, and we're using it for the next cartridge.

Sustainability, integrity in the supply chain, these are top topics, and I couldn't have

made this up. We literally had this today, and it's just a sign of we're not just looking at market share, we're not just looking at innovation on the product side, we're not just looking at sales innovation, go-to-market innovation. We actually are trying to build and profitably grow a company that's here to stay. We believe this is a core responsibility of ours, completely independent.

Also when you talk about carbon footprint, completely independent of what is the regulation. We're on a plan to have all of our locations, all of our sites powered up with renewable energy. We're going to be done by 2020 with that. Palo Alto runs on renewable energy, the headquarters. Barcelona runs on renewable energy. Those are some of the topics we're driving now.

[00:58:30]

Audience #6:   I had a question about the split. What would you say now two years later is one of your maybe biggest takeaways or biggest lessons learned that you've learned now that you wish you knew when you were strategizing?

Alex: This is going to sound, I don't know how to say in English, I think this may come across wrongly. I think we did a phenomenal job. I think we had the right people in there that came up with the right ideas. We got to think about our customers, our partners are helping us to get to our customers. I think we did a phenomenal job there.

What we're struggling with right now, and this is more an investment that was an investment question is how quickly do you separate the costly infrastructure items that are deep down in the belly of the company? There's a few systems that are still completely together, and we weren't fast enough there. This is holding us back on innovation speed, because we've got these things. There's a few systems that we still maintain for the other guys, and then there's a few systems that the other company maintains for us.

I don't know if you followed some of the strategic actions of Hewlett-Packard Enterprise. That was a 250,000 people organization. They are spinning off their services arm to a company called CSC. They're opening up a joint venture with a

software company for their software arm, and they're going to be a cloud technology hardware company.

Now, their services arm is maintaining our systems, and if they go through strategic divestitures and separations, they have different priorities than helping us in staying agile. That was a decision I think that we could have done better to not just ... after the separation separate your IT bowels, your plumbing faster because it's just costing us agility at this point in time.

But other than that I think we've done phenomenally on customer focus, partner focus. We've used the inflection points to drive the right culture. The results we're seeing we believe are a good proof that we're executing on the right track.

Randall: All right. On behalf of everyone, thank you for coming.

Alex: Well, thanks for having me.