HP begins to reckon with its own lost decade

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Hewlett-Packard's dumping of its PC business and its recently acquired Palm webOS acknowledges a doubleheader of disasters. It's a stark admission that the problems facing the world's largest technology company are more fundamental and widespread than any of us realized.

But putting aside the monstrous challenges looming in HP's future, the stunning announcements Thursday got me thinking about the company's past. It was a decade ago that then-CEO Carly Fiorina waged her epic fight to acquire Compaq, a deal that, among other things, made HP the largest seller of PCs in the world.

The merger, beyond the business and financial aspects, was one of the most dramatic corporate battles Silicon Valley has ever seen. It represented a kind of cultural civil war, one that nearly tore apart one of the region's most iconic companies. It drew a stark line, dividing the Old HP from the New HP.

Out went the human-centered management style known as the "HP Way." In its place came the cold calculus of mergers and layoffs to reshape HP and curry favor with investors. This, we were promised, was in keeping with the times.

"I don't think the company's culture, fundamentally, has ever recovered," said Chuck House, who spent 29 years at HP in various roles and is now chancellor at Cogswell Polytechnical College in Sunnyvale. "The 'HP Way' was gone."

And now, for all the blood spilled, two of the biggest pieces of that strategy for growth are being punted away. Fiorina insisted that HP had to get bigger to remain competitive. A bigger company would have more leverage to negotiate with suppliers, she argued, and be able to serve more of its customers' needs.

Post Compaq, HP did indeed get bigger. But the merger ultimately cost Fiorina her job when she was unable to deliver on the promised benefits. That duty fell to her successor, Mark Hurd, who tidied things up nicely, and then went on his own buying and firing binge until his controversial departure last year. Hurd's deals included paying $1.2 billion for Palm just a year ago to acquire the mobile operating system webOS.

When it was all said and done, there would be billions of dollars spent on buying other companies and laying off more than 100,000 employees. Even with all those job cuts, HP's employment tripled, topping 300,000. It is now a huge beast of a company.

And, alas, a slow one.

All that focus on buying and cutting -- where did it leave HP? It missed important shifts in computing, including the emergence of tablet computers and cloud computing. And it has yet another CEO who is in desperate need of a new strategy to reinvent the company.

Webb McKinney, who worked at HP from 1969 to 2003, said the Compaq deal was about much more than just PCs. It also made HP more competitive in servers, storage and services. But in general, it was the first step toward creating a company that may have simply become too unwieldy.

"HP can do anything, but it can't do everything," McKinney said. "The complexity of trying to run a business like this is extremely challenging."

Which leaves me wondering: What was it all for? The churning of bodies, the huge fees to bankers to facilitate mergers, the lack of a clear identity, the low morale, the absence of leadership or strategy.

I have only one thought as I look back over the past decade at HP:

What a waste.

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