

HP ADOPTS JOB CUTTING MEASURES TO ADDRESS DECLINING FORTUNES



Beleaguered tech giant Hewlett Packard Co said Wednesday, that it was cutting 27,000 jobs, 8 percent of its entire around 300,000 thousand strong, global workforce, over the next couple of years. This move is to reverse a financial funk, owing to fierce competition, that has seen it falling behind rivals, who with more novel products and inventive services, have raced ahead of them, leaving them far behind. The company is facing stiff competition from Dell, Apple, IBM and others on multiple product fronts. Moreover, there is a lesser demand for PCs this summer and, unlike its competitors; HP does not have a tablet strategy. This restructuring plan, spread over two years, is the biggest in the company's 73-year history. It is projected to save the company between \$3 and \$3.5 billion. Most of these savings will be reinvested in research and development, company sources say. HP says that it will also use the savings to boost investments in cloud computing, big data and analytics, and security. CEO Meg Whitman in a conference call said, the plan was "absolutely critical for the long-term success of the company," adding that, "While I wouldn't say we turned the corner, we are making progress. It's a journey, and we have a lot of work to do in this turnaround." When Whitman took over the company in September, following removal of earlier CEO's for unsavoury controversies, she was expected to restore, Silicon Valleys' pioneering company to its old glory. She had promised that the company would continue making personal computers and revive and bolster the struggling division. Her announcement in March, that the computer and printer divisions would be amalgamated, triggered speculations that layoffs were imminent. Tech analyst Larry Magid said, "Whitman knows that Hewlett Packard is selling yesterday's goods." But I also think it's more significant that she invests some of that money into new businesses. I would say services to beef up their services, maybe try to get back into tablets, they were in it for a while and they pulled out, to try and figure out what the next big thing is and maybe even branch into some kind of web-based strategy." The company said that it was slashing jobs because its income and profits were declining and that it was a necessary evil, to give the company its competitive edge. Whitman was optimistic that the changes "will further streamline our operations, improve our processes, and remove complexity from our business. While some of these actions are difficult because they involve the loss of jobs, they are necessary to improve execution and to fund the long term health of the company." HP said it expects the job cuts to "yield significant improvements in efficiency and customer service" over the next several years. The company plans to revamp its slumping PC and printing businesses and to invest in building up its cloud-based services for corporate customers. Analyst Phil Fersht of HfS Research believes that this job cutting is the third-highest in tech annals. Previous benchmarks were set by IBM in 1993, when it laid-off 60,000 jobs and in 1996, AT & T shed 40,000 jobs. Even HP had chopped off 25,000 jobs in 2008. Fersht fears that "This is the start of a long process. This is likely not going to be the last workforce correction we'll see from Whitman this year." CEO Whitman is displeased that she has had to make these job cuts, more so, since in her failed bid to become California governor in 2010; she had made job-creation her campaign guiding principle. Whitman hopes to keep the layoffs to as low as possible, by offering voluntary retirement offers. The last quarter has reported an unanticipated profit and sales, leading to hopes, that the overall performance for the year will reflect a major improvement over earlier years. The reports continued to show that profits had declined, but the numbers were better than projected, signalling signs that the company could be on its way back to the top. Moreover, Whitman is also changing the leadership at HP's, lately acquired Autonomy division. The company creates software that discovers and studies data within companies and government agencies. The company for years has been plagued by a 'dysfunctional board, scandals and a revolving door of chief executive officers.' Shares of the company surged upwards by almost 11 percent, with investors giving the thumbs up to the company's reorganization efforts and optimistic outlook.