Chapter IV

Rebuilding Core Competencies When a Company Splits:
A Case Study of Assessing and Rebuilding Expertise

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EXECUTIVE SUMMARY

In 1999, Hewlett Packard announced the split of its company into two smaller companies, HP and Agilent. As a result, the financial work, processes, and systems needed to be cloned in both new organizations at the same time people, assets, and transactions were becoming separate and distinct. The focus of this case study is on how the core competencies associated with the split were defined, identified, and transferred to all employees who needed to have them. The results of an internal and external literature search are included along with survey results. Results indicate that the purposes of and processes used for data collection concerning core competencies within an organization are critical to their usefulness.

INTRODUCTION

When most companies were looking for other organizations with which to merge and/or to acquire, Hewlett Packard (HP) was deciding to split its large company into two smaller firms, HP and Agilent. The company set up a new strategic objective to make the

two newly created financial organizations fully functional by cloning the systems and core competencies needed to support those systems within a year. The project had two major components: (1) to identify needed core competencies in each worldwide organization and (2) to complete a transfer of this core knowledge to those who needed it. This paper describes the company scenario that existed in 1999, the processes used to define and identify core competencies, and finally how the knowledge transfer was organized and executed.

SETTING THE STAGE

In 1999 when HP announced that it was splitting the company by spinning off the test and measurement groups from the computer technology groups, it became the largest company to ever announce a split. Employees wore T-shirts that said "Split Happens" and the financial organization was faced with a daunting task of how to take the work, processes, and systems done by one global organization to create two global organizations that could operate autonomously after the split was finalized a year later. The company had to make many decisions quickly and really had only six months to accomplish cloning systems, moving employees into separate locations, and replicating the core competencies needed to run two separate organizations.

The task was complicated by the fact that the company decided to let employees throughout the world decide for whom they wanted to work, HP or Agilent. The split became official in June 2000 when the stock was finally distributed between the two companies (Fast 50, 2004), but by the end of October 1999 all employees of the Global Financial Services area had to choose for which company they wanted to work. (A total count of employees is not available but it involved over 1,000 people worldwide, about half of whom were on the technology/systems side of the financial organizations.) The focus of this case study is on the technology and business process side of the organization chart and excludes the customer service groups.

It was decided that as part of the split, both organizations would be staffed from the original presplit HP group of employees, and for the most part, the company honored employee choices. This choosing by the employees created an interesting situation. Depending on where employees decided to go, the expertise needed to run the systems and/or business processes was potentially lopsided. In fact, this is exactly what happened. For example, nearly everyone who had expertise in accounts receivable decided to stay with HP, leaving a void in Agilent. At the same time, nearly all the general ledger systems people decided to go with Agilent, leaving a void in HP.[1] The biggest challenge was in Europe, where all but a handful of employees decided to stay with HP, forcing Agilent to hire college graduates to fill systems positions in Belgium as the company was reorganizing.

As a result of the split and the way the staffing was decided, the company had some interesting questions arise. What are the core competencies needed to run the systems in the global financial organizations worldwide? Once the core competencies are defined, where are the voids and holes in expertise in each new organization? Finally, what can be done to correct the deficiencies in the shortest possible time? In short, what knowledge transfer is needed where and to/for whom? A new strategic objective was set for 1999-2000 that basically stated that the financial systems and the knowledge needed

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