HP Finds Its Growth Mindset — and Reignites a Culture

How simple, sticky phrases can pave the way for breakthroughs

Impact

22% jump in employee engagement between 2016 and 2018

Scale

4,700 managers worldwide

Speed

1 year

It was early 2016, just a few months after HP Inc. had separated from the tech giant Hewlett-Packard Company, when Tracy Keogh was faced with the unique opportunity to reinvent HP's culture.

As the new HP took on a life of its own, Keogh — the company's Chief Human Resources Officer — became exceedingly aware that she needed to steer the organization away from the old ways of doing things. She wanted to throw out existing processes that no longer made sense in an agile environment, and focus instead on creating behaviors that drove risk-taking and innovation.

Case in point: Up until the split, HP had relied on a system of performance ratings, as many large companies do, to assess employees' performance. Keogh recalls one senior leader who received a lukewarm rating of "partially achieves expectations" — a distinction that prompted him to work diligently for two years in hopes of earning the top rating. Then, the day he finally received it, he quit.

No one saw it coming.

"He said, 'Nobody gives me a partially achieves,' and went to one of our top competitors," says Keogh. "Ultimately, we lost a veteran of the organization." In that moment, ratings felt like "the worst possible thing" for the company's new culture, Keogh says. "People wouldn't take on new roles because they didn't want to receive a 'partially achieved expectations' rating as they learned the ropes. In other words, ratings were driving behaviors we didn't want in the company."

That realization put everything into focus for Keogh. Back in October 2015, as leadership prepared to separate from the Hewlett-Packard Company, she had already asked all 50,000 employees heading to the new HP for their input on the kind of culture the company should embody.

But, as Keogh recalls now, the leader's surprise resignation reinforced that culture is behavior — "shared everyday habits," as the NeuroLeadership Institute defines it.

HP has spent the last three years reigniting its culture, starting with ditching performance ratings. Shortly after the new approach rolled out, a manager said, "I feel like I've been let out of jail," referring to his newfound freedom in being able to provide developmental feedback and allocate rewards free from ratings. Better yet, HP found that managers started differentiating rewards more once ratings were abolished, confirming that ratings were indeed unnecessary to assessing performance and allocating rewards.

Since then, business has thrived: In 2014, the Hewlett-Packard Company had a market cap of roughly $29 billion. Today, HP alone is worth more than $30 billion. Its stock has more than doubled since 2016; the company has seen double-digit revenue growth year over year; and employee engagement is up 22% from 2016 to 2018, according to a third-party survey conducted company-wide.

Much of that success, Keogh says, is due to a relentless devotion to growth mindset, quality conversations, and leadership principles that foster — not impede — a culture of innovation.

"It's been an amazing journey," she says.

GROWING
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- Tracy Keogh,
Chief Human Resources Officer

A 40-year-old idea takes root

When it separated from the Hewlett-Packard Company, HP faced a profound (and all-too-common) organizational challenge: getting thousands of employees onboard with a brand-new way of doing things. Of course, Keogh made sure some things stayed the same, asking people three basic questions: *What do we want to bring with us? What do we want to leave behind? and What do we want to be known for?*

Focus groups, manager-led discussions, and a company-wide survey that garnered more than 10,000 responses showed that employees would like to keep the storied mantra of The HP Way — the Hewlett-Packard Company's decades-old philosophy that values employees while orienting them toward innovation that has a positive impact on the world. They wanted to keep this culture of collaboration — and "fun," Keogh adds — while leaving behind the bureaucracy and slow decision-making.

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But HP also knew culture change had to be more than just a priority. It required a shared language to drive desired behaviors. To that end, NLI helped HP develop its growth mindset.

A concept first defined in the 1970s, growth mindset has exploded through organizations in the last decade. At NLI, we define it as the dual belief that skills and abilities can be improved, and that developing your skills and abilities is the goal of the work you do. An organizational growth mindset, then, is a culture in which all employees are seen as possessing potential, encouraged to develop, and acknowledged and rewarded for improvement.

This is what HP wanted, Keogh says — to retain its innovative spirit but cast aside any needless processes that stifled long-term business growth. Along with abandoning performance ratings, HP also got rid of formal titles. "Executive Vice President" became just a public-facing descriptor; now if you are a senior leader, you are deemed "Head" of a particular department. This way, titles reflect the content of the job. In addition, the metaphor of a career ladder got swapped out for a climbing wall — an effort to encourage lateral movement within the company instead of competition between colleagues. As a result, HP saw increased job movement at all levels.

NLI's research has found time and again that a growth mindset is critical for major organizational shakeups. If employees see their abilities, roles, and teams as fixed and incapable of change, they're less likely to perform at their full potential. The most ardent resistors may even actively work against the change rather than seeing it as an opportunity for improvement.

Getting people to rally around growth mindset less than a year after the split was an important step in making them feel free to tinker early on, says Luciana Duarte, HP's Global Head of Employee Experience.

"It gave everybody permission to be in a constant learning and exploration mode," she says. "That was very helpful because we were starting something new together. People could truly try new approaches rather than feel bogged down by doing things in the expected ways."

In November 2017, at HP's annual Reinventor Awards, an opportunity for employees to show off what they've been working on, there was a category for growth mindset. The winning application came from the Singapore-based Innovation Council, an internal group that launched several platforms and systems for employees to develop their skills in computing, engineering, sales, and more.

Growth mindset is also featured in leadership meetings, where HP CEO Dion Weisler regularly asks how the company is operationalizing growth mindset. HP is measuring it on their engagement surveys, too. And according to Keogh, people no longer say they can't do something. Instead, they say they can't do something *yet*.

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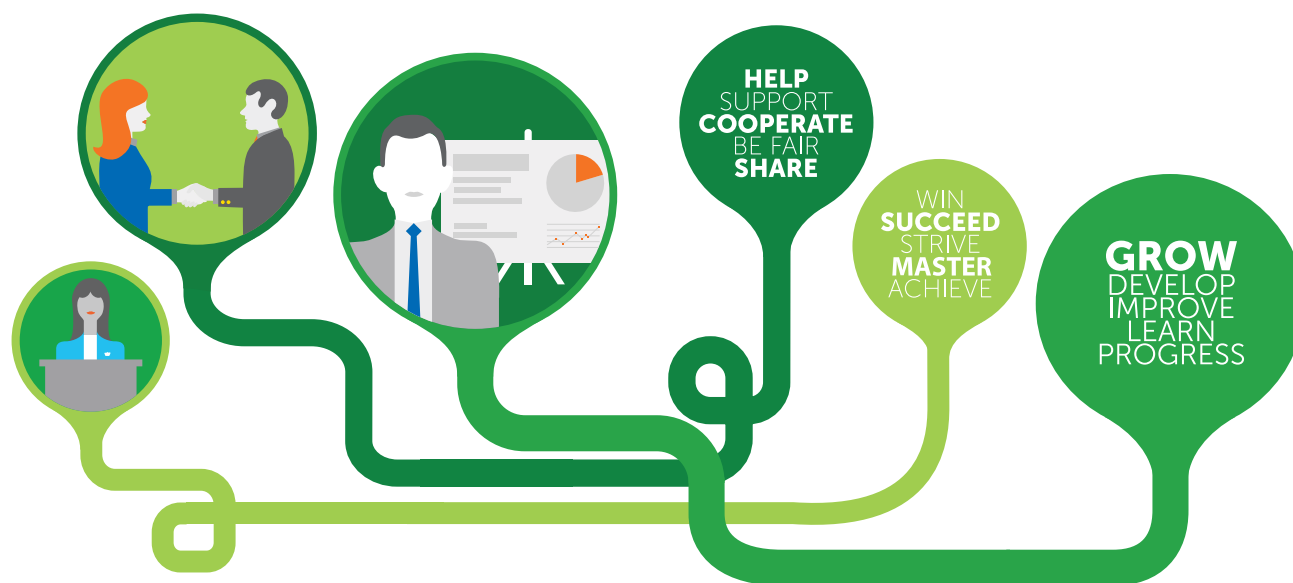
Remembering to act

Another crucial part of the behavior-change approach for HP has been the adoption of leadership principles: short, memorable phrases that employees can use to think in new ways and adopt new habits. If growth mindset is the mental framework employees use to accept new ideas, leadership principles are the concrete language and actions they can use to actually improve. Co-created with NLI, the principles are **Imagine the future**, **Inspire the team**, and **Make it happen** — nine words that capture HP's desire to innovate, grow, and execute. They stood out among more than 300 phrases that got tested around the company.

"NLI was really thoughtful about making sure the language was sticky," says Mike Jordan, Global Head of Talent and Learning at HP. Ideas that are sticky take little effort to recall; they live vividly in the brain, and it's NLI's mission to find leadership principles that maximize stickiness for employees. "It truly was a collaborative effort to get to the right solution. We crowdsourced with our employees so the language worked globally."

Unlike core competencies, which organizations tend to have by the dozen, leadership principles work because they're optimized for recall, or the brain's ability to bring an idea to mind.

Research has found there's an upper limit to what people can hold in mind. It's somewhere around seven items. Laundry lists of competencies are ineffective because they burden the brain, and so they can't be utilized by a large number of people on a regular basis. On the other hand, leadership principles maximize recall because they are simple, easy to share, and cohesive. You'll likely have a hard time remembering one principle without the other two.

By February 2017, a year and a half into HP's journey, senior leadership felt comfortable enough to roll out the training company-wide. The resulting program was dubbed the Lead@HP Lab, a nod to employees' thirst for innovation. It was launched after testing six pilots, each eight hours in length. The goal was to figure out the best way to package the new combination of growth mindset and leadership principles so managers took away the insights without getting too bogged down in the science.

Two months later, the Lab rolled out to all HP leaders worldwide. To date, more than 4,700 have gone through the program, and by the end of 2019 all 6,200 are expected to have completed it.

"It permeated the organization super rapidly," Keogh says. "Within months, I would say."

NLI's ongoing client work has found that if leaders want their teams to act in certain ways, first they must get everyone to think and speak along those same lines. Leadership principles now serve as a kind of rallying cry at HP. People leave meetings asking one another "Did we inspire the team?" and "Did we imagine the future?" In their email signatures, employees sometimes include calls to "Make it happen!"

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Did we inspire the team?
Did we imagine the future?

MAKE IT HAPPEN
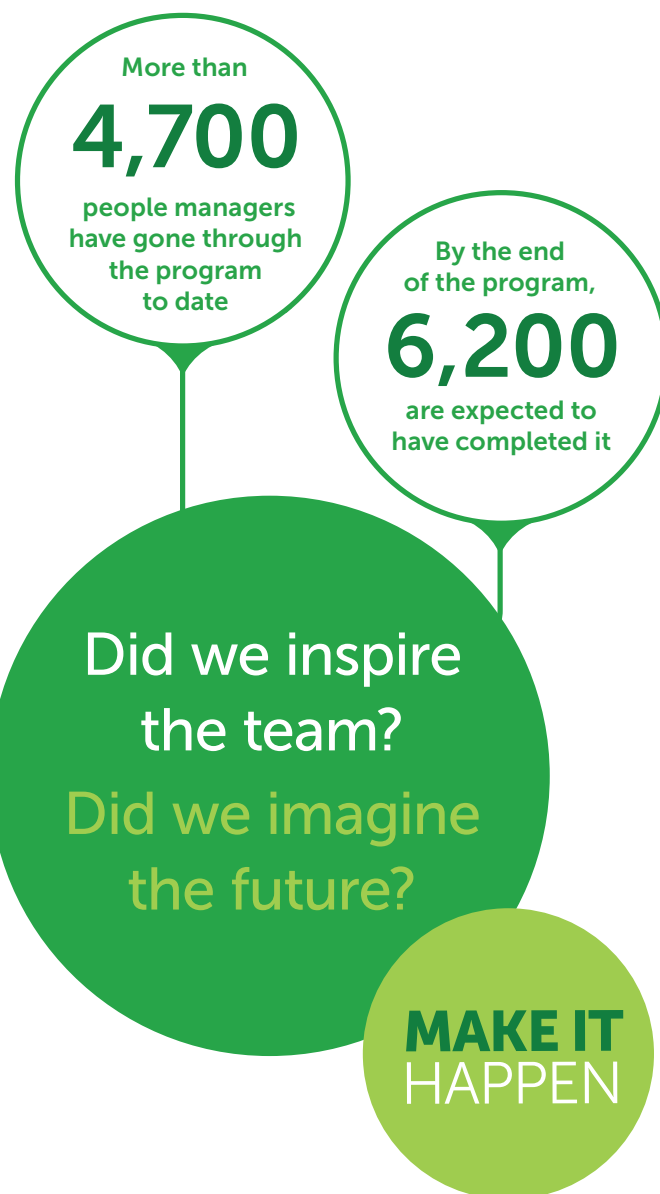
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The overall impact has been tremendous, Keogh says, in terms of both HP's business and culture. Since its 2015 split, the company has soared from a "multi-billion-dollar startup," as Keogh puts it, to a titan in the consumer electronics industry. News headlines in 2017 heralded HP as the little brother outshining its former family, thanks to its dominance in 3D printing and delivery of home computers and desktop printers. At the 2018 Consumer Electronics Show, HP reeled in 77 awards for its range of innovative products.

Behind the scenes is an ever-strengthening culture where a spirit of innovation is contagious. Keogh says much of the success has been due to a focus on development, including self-guided learning paths on HP's platform Brain Candy, among many other avenues for continuous learning. This is in addition to making talent feel valued through a renewed focus on the employee experience. HP launched a comprehensive set of programs, from diversity and inclusion to rewards and recognition, that enable its people to thrive. New benefits were introduced, such as added paid time off and greater benefits for new parents, including newborn kits that give employees a bundle of supplies for their infants. Think of it as a growth mindset that spans generations.

As HP moves into the future, leadership hopes to put growth mindset to even greater use. The company wants to filter everyday processes through the lens of getting better, so that employees can approach feedback and coaching with a growth mindset. HP is tracking all of this on its annual employee survey, with new questions that specifically target the organization's focus on growth.

The goal is to further embed the concept into all aspects of HP's operations, so that the idea is no longer simply a "headline," as Keogh says, but an everyday process that hums in the background. The beauty of it all being rooted in the science, Jordan adds, is that people can be sure the strategies are working in their favor, even if they aren't confident in their current abilities.

"The science gives people permission to open their minds to learning," he says. "Trusting the process is easy."

Growth mindset that spans generations

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