

Scandal at Hewlett Packard

From Silicon Valley's Parent to Big Brother;

Once a Sense of Pride, Now a Sense of Embarrassment

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Silicon Valley's gold standard sank to cheap chrome Thursday, as "The HP Way" became associated with stalking, snooping through trash and obtaining phone records on false pretexts -- the stuff usually associated with two-bit private detectives digging up dirt on a cheating spouse.

When former Hewlett-Packard Co. general counsel Ann Baskins, ethics chief Kevin Hunsaker and global security head Anthony Gentilucci one by one pleaded the Fifth Amendment and refused to testify before a House subcommittee about an internal investigation into board leaks, Silicon Valley joined the ranks of Enron, WorldCom and tobacco companies in the annals of congressional hearings into corporate malfeasance.

That it was happening to Hewlett-Packard, the valley's most venerable corporation, seemed to astonish committee members who had read the Palo Alto company's internal records.

Just last year, noted Rep. Jan Schakowsky, D-Ill., HP had won an award as "The Most Trusted Company in America for Privacy." Last July, as the HP internal investigation into board leaks was in full swing, the House subcommittee on consumer protection invited the company to testify on its efforts to improve consumer privacy.

"Little did we know that when we were trying to learn about its 'best practices,' HP had just been engaging in the worst practices out there," Schakowsky said. "If corporations that are supposed to be so reputable are employing such legally and ethically questionable behavior, we have to ask what other corporations are doing."

Rep. Tammy Baldwin, D-Wis., said Hewlett-Packard, prime inventor of the digital age, "has now given us another lasting artifact, the perception of corporate America as our next Big Brother."

It was in a famous garage on Addison Avenue in Palo Alto, now restored and registered as a California historical landmark, that Hewlett-Packard was born Jan. 1, 1939. The company founded by Stanford engineering graduates William Hewlett and David Packard revolutionized technology with the first handheld calculator, arguably the first personal computer and the desktop laser printer.

Hewlett and Packard also gave the valley its famous corporate culture based on openness and accessibility, shirt-sleeved informality and a vision of innovation driven less by profits than by a desire to contribute to humanity.

Hewlett-Packard's first custom-built office had no walls, said Stanford University's alumni magazine, because its founders rebelled against the military-style management of the 1950s, insisting instead on an atmosphere where "grievances could be aired without fear of retribution."

HP's Web site relates how Hewlett on a company tour in the 1970s noticed an old HP disk drive chassis that had rusting screws. When someone told him HP didn't make the chassis, Hewlett replied, "Maybe not, but it has my name on it."

"The HP Way" was always more than a boilerplate corporate mission statement. Packard once told a reporter that he believed that managers were responsible not just to shareholders, but to employees, customers and the community at large, a revolutionary idea that spawned such magazine headlines as "Boy Scouts on a Rampage."

As the cameras whirred and clicked Thursday on Capitol Hill, former board Chairwoman Patricia Dunn didn't exactly come off as a Girl Scout. She bluntly declared that as deeply as she regretted the mess she instigated, she bore no personal responsibility for it, but was simply relying on HP's standard internal system of corporate investigation.

"I do not accept personal responsibility for what happened," Dunn said.

Rep. Cliff Stearns, R-Fla., lectured her on contrition, reminding her that she was under oath while urging, "regret is one thing, culpability is another."

But Dunn stood her ground and soon gained the upper hand when Stearns asked if it had occurred to her to resign.

"I have, sir," Dunn replied as the room burst into laughter. "I can do so again if you like."

Congressional hearing rooms bear all the classic hallmarks of a tribunal chamber, with members seated high on a dais, the better to glare down at witnesses crammed humbly at a table. Lawmakers can leave for food and restroom breaks, read and even nap while others drone on for hours, but witnesses must remain rooted in their chairs in total concentration, lest they make a fatal slip.

Nor is there much shield from the public. HP chief executive Mark Hurd, testifying after Dunn, at one point sat amid the throngs three rows back of the witness table. Within moments he faced a half dozen camera lenses zooming in on his every twitch. He soon left.

No one on the committee, Republican or Democrat, seemed to buy Dunn's claims that she didn't know what was going on or at least was not responsible for it. Formerly secret e-mails appeared on large television screens displaying for all to see HP's internal deliberations on the leak investigation.

In one, Hunsaker, HP's top ethics officer, said that obtaining phone records on false pretenses -- called pretexting -- was "on the edge, but above board."

"We use pretext interviews on a number of investigations to extract information and/or make covert purchases of stolen property, in a sense, all undercover operations," he wrote.

At the end of one breathless e-mail exchange between Hunsaker and Gentilucci, describing their spying on a reporter and former board member, a senior company investigator, Vince Nye, replied, "I have serious reservations about what we are doing ... it leaves me with the opinion that it is very unethical at the least and probably illegal. If is not totally illegal, then it is leaving HP in a position that could damage our reputation or worse. I am requesting that we cease this phone number gathering method immediately. ... I think we need to re-focus on our strategy and proceed on the high ground course."

Nye's advice went apparently unheeded. And as the Enron scandal gave birth to the burdensome financial regulation known as Sarbanes-Oxley under which corporations now chafe, it seems likely that Hewlett-Packard's pretexting scandal will result in new privacy laws.

"If corporate America desires further guidance on whether highly unethical behaviors are indeed legal or illegal as demanded by some of the witnesses testifying before us today, our committee should provide assistance," said Baldwin, the Wisconsin Democrat.