

In truce, Hurd gets HP's all-clear for Oracle job (Update)

September 20 2010, By JORDAN ROBERTSON , AP Technology Writer



In a March 3, 2010 file photo then Hewlett-Packard Company Chairman and Chief Executive Officer Mark Hurd speaks at the dedication ceremony of HP's customer service and technical support center in Conway, Ark. (AP Photo/Danny Johnston, file)

(AP) -- Hewlett-Packard Co.'s settlement with ousted CEO Mark Hurd clears the way for him to lead Oracle Corp. in its push to take business from his former employer.

The deal announced Monday will cost Hurd \$14 million in stock that was part of his HP severance package. But he's not hurting: He's already

profited richly from his forced exit from HP, and stands to make millions of dollars more than he's giving up.

The truce ends two weeks of uncertainty over whether HP, the world's biggest technology company, would drag out its lawsuit against Hurd.

The deal lets HP save face over the handling of Hurd's ouster. It also removes the specter of a long court battle over whether Hurd, with his trove of secrets about HP, could be barred from working at Oracle as a co-president, reporting to Oracle's CEO Larry Ellison.

The flare-up over Hurd, however, exposes how the longtime friendship between HP and Oracle has cooled.

The companies collaborated for decades to make sure HP's hardware worked smoothly with Oracle's software, amassing 140,000 joint customers. But Oracle is now going head-to-head with HP in computer servers, a business Oracle jumped into with its \$7.3 billion acquisition this year of Sun Microsystems. Hurd's hiring added a very public dimension to the budding rivalry.

HP's board pressured Hurd to resign in August, even after it found no merit to a sexual harassment claim brought by a former marketing contractor. The board uncovered inaccurate expense reports related to the former CEO's dinners with the contractor; Hurd insists he didn't prepare his own reports and points to others that included his accuser's name.

Ellison, Hurd's tennis buddy, came to his defense early on, calling HP's decision to oust its CEO the worst personnel decision since Apple Inc. forced out Steve Jobs - another of Ellison's friends - 25 years ago. Jobs later returned and rescued Apple from an ugly slump.

When Oracle hired Hurd earlier this month, it sent the rivalry into overdrive. HP sued Hurd, saying he wouldn't be able to do the job without spilling the wealth of inside information he absorbed in five years atop HP.

Ellison evidently didn't want to risk having Hurd handcuffed by the lawsuit.

After publicly scolding HP's board for its "vindictive" legal action, Ellison privately called HP director Marc Andreessen to start negotiating a settlement of the Hurd lawsuit, according to a person familiar the talks. The person wasn't authorized to speak publicly.

The companies said terms of the settlement are confidential. A regulatory filing by HP on the matter only mentions the money Hurd has agreed to forego.

Oracle spokeswoman Deborah Hellinger declined to comment on how the settlement came about.

Previous legal precedents made it unlikely that HP could have prevailed in the case, but Oracle probably realized the lawsuit could have distracted Hurd for months, said New York employment lawyer Stephen Kramarsky.

"I don't see this as a big win or a big loss for either side," Kramarsky said. "It was probably more about realizing that these two companies have a very important business relationship, so what's \$14 million among friends?"

A spokesman for Hurd declined to comment.

By insisting that Hurd surrender some of his severance package, HP was

able to polish its reputation with shareholders who have suffered a combined \$19 billion hit to the value of their stock since Hurd's ouster.

But Hurd won't be hurting because of the money he's leaving behind.

He already got a \$12.2 million payout as part of his severance, and filed papers last month to sell about \$30 million worth of stock that he got by exercising options that came with the package.

The settlement requires him to give up shares of restricted HP stock worth nearly \$14 million, based on Monday's closing price of \$39.39.

At Oracle, Hurd's compensation could dwarf the money he's leaving on the table. Besides a \$950,000 salary and a potential cash bonus of \$10 million during the next year, Hurd's new contract at Oracle will grant him 10 million stock options for starters. Oracle also may give Hurd another 25 million stock options during the next five years. Those options could be worth tens of millions of dollars, depending on how Oracle's stock fares during the next five years.

After the settlement was announced, Oracle and HP said in a joint statement that Hurd would be able to do his job at Oracle while protecting HP's confidential information.

While HP's stock price plunged after Hurd's departure, Oracle's has leaped since it brought him on board. Hurd was reviled by many HP employees for the depth of his job cuts, but revered on Wall Street for his cost-cutting and stewardship in leading HP into new markets beyond printer ink and personal computers.

Earlier on Monday, Hurd made one of his first public appearances as an Oracle employee, showing off a new data-storage computer at the company's annual conference in San Francisco.

The computer Hurd unveiled is part of Oracle's line of Exadata database and storage machines, key components in Oracle's push to steal business from HP and IBM Corp.

HP, for its part, appears to be getting closer to naming Hurd's replacement. Many observers envision an insider who was already on board with Hurd's vision for the company's future scoring the gig. Top candidates include Todd Bradley, chief of HP's personal computer division; Ann Livermore, head of services, servers, storage and software; and Vyomesh Joshi, head of HP's printing division.

The company is expected to announce its selection before a meeting with analysts scheduled for next week.

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Citation: In truce, Hurd gets HP's all-clear for Oracle job (Update) (2010, September 20)
retrieved 22 June 2024 from <https://phys.org/news/2010-09-truce-hurd-hp-all-clear-oracle.html>

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