

Hewlett-Packard replaces a third of its board (Update)

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In this Sept. 20, 2010 file photo, the corporate logo for Hewlett-Packard Co. is displayed at an HP Innovation Summit, in New York. Hewlett-Packard on Thursday, Jan. 20, 2011 announced that four members of its board of directors are stepping down six months after CEO Mark Hurd was forced to resign in the wake of a sexual harassment scandal. (AP Photo/Mark Lennihan, File)

(AP) -- Hewlett-Packard Co.'s decision to replace a third of its board of directors is the latest milestone in a marathon management makeover that the technology icon hopes will allow it to move on after a series of management scandals.

The shake-up announced Thursday is the first sweeping leadership

change under HP's new CEO Leo Apotheker and Chairman Ray Lane.

They were hired three months ago to draw up fresh battle plans for the world's biggest technology company by revenue. HP was roiled by the abrupt ouster of former CEO Mark Hurd and is trying to find its bearings in new markets far afield from its mainstay computer and printer businesses.

Hurd's forced exit in August angered many shareholders, who saw billions of their dollars evaporate on the stock market. Hurd was despised by many HP employees for his extensive job and cost cuts, but was loved on Wall Street because in five years he oversaw a near doubling of HP's market value.

HP shares didn't fully recover from the August swoon until earlier this month.

Hurd's generous severance triggered lawsuits accusing HP's board of squandering company money. His immediate move to rival Oracle Corp. added to investors' ire.

The decision by four of HP's current board members to not stand for reelection at HP's annual meeting in March represents an unusually large exodus for a company of HP's size.

HP would only say that it "continually looks to bring new insight and perspective" to the company.

The company's revelation came the same day that another technology heavyweight, Google Inc., disclosed a surprise reshuffling of its own: CEO Eric Schmidt is relinquishing the job to Google co-founder Larry Page.

HP's housecleaning comes as the company opens a new investigation into the circumstances of Hurd's departure and severance, in response to shareholder demands.

Hurd was accused of sexual harassment, but HP's board found no evidence of that. Instead, he was forced out over inaccurate expense reports for his outings with his accuser, a former HP contract worker who helped organize networking events for HP executives.

Hurd got a \$12.2 million cash payout and filed papers to sell some \$30 million worth of stock that he got by exercising options that were part of his severance.

Spectators howled. Hurd and HP tangled again, and Hurd agreed to give back \$14 million in restricted stock to head off a courtroom battle. Hurd is now a co-president at Oracle.

A spokesman for Hurd declined to comment on the investigation. Hurd's resignation is also the subject of a Securities and Exchange Commission probe.

HP has been unable in recent years to escape controversy.

Among the incidents were the firing of Hurd's predecessor Carly Fiorina in 2005, an episode of spying on journalists and board members' telephone calls in 2006, and finally the handling of allegations of sexual harassment against Hurd last year.

Of the board's 12 current members, 10 were there when Hurd resigned. Four are now leaving: Joel Hyatt, John Joyce, Bob Ryan and Lucille Salhany.

Salhany and Ryan were on the board for all three scandals. Hyatt and

Joyce joined in 2007.

HP is replacing them and adding an extra seat to the board. The new board will have 13 members.

HP didn't provide specifics about why each of the four directors is being replaced. One person familiar with the matter told The Associated Press that at least two of the directors were forced out because of their handling of Hurd's ouster.

The person, who spoke on condition of anonymity, said that Salhany and Ryan led the efforts to have Hurd removed and were key in persuading other board members to go along.

The person, who requested anonymity because of not being authorized to speak publicly about the matter, said that Hyatt and Joyce initially supported Hurd but later voted along with the rest of the board to have him removed.

Messages left by the AP for the departing board members were either not immediately returned or the directors declined to comment. HP wouldn't make them available.

The mass exodus raised some eyebrows.

"Four directors going out at once is unusual," said Charles Elson, director of the Weinberg Center for Corporate Governance at University of Delaware. "Boards should not have this much drama."

At 72 years old, HP is one of the most storied companies in Silicon Valley, but its recent past has been interrupted by the explosive management scandals.

Gleacher & Co. analyst Brian Marshall said HP is making positive changes.

"HP got its teeth kicked in last year and they're going through a process of healing," he said.

Stifel Nicolaus & Co. analyst Aaron Rakers said the board shuffle is more extensive than he expected, but he doesn't think it will move the company's stock.

"It's interesting, but is it a big catalyst? Probably not," he said.

The new directors are: Shumeet Banerji, chief executive officer of the consultancy Booz & Co.; Gary Reiner, former chief information officer of General Electric Co.; Patricia Russo, former CEO of Alcatel-Lucent; Dominique Senequier, CEO of AXA Private Equity; and Meg Whitman, the former CEO of online auctioneer eBay Inc.

Whitman is a billionaire who spent more than any candidate for a statewide office in U.S. history in her Republican campaign for California governor last year. She spent at least \$174 million, all but \$30 million of it her own money, but was handily defeated by former two-term governor Jerry Brown in the November election.

Shares of HP, which is based in Palo Alto lost 31 cents to \$46.47 after the announcement on the board shake-up. In regular trading earlier, it gained 46 cents, or about 1 percent, to close at \$46.78 Thursday.

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