

# Leaked memo shows Hewlett-Packard CEO jitters

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(AP) -- A leaked memo from Hewlett-Packard Co. CEO Leo Apotheker warning of "another tough quarter" underscores the urgent concerns about the technology heavyweight's growth strategy and the challenges facing its new leader.

Reports of the May 4 missive from Apotheker to his [top executives](#) surfaced late Monday, sending HP shares tumbling. HP abruptly moved up its earnings report to Tuesday morning. It had originally been scheduled to Wednesday afternoon.

The jitters reflect investors' anxiety about what is essentially a classic big-company problem - with a twist.

HP is struggling to find ways to meaningfully boost sales without chasing bottom-feeder deals that eat away at profits. It's a code that many analysts believe HP hasn't cracked.

This as the 72-year-old company is recovering from the trauma of the management scandal that brought about the sacking of Apotheker's predecessor, Mark Hurd, in August, and led to the replacement of a third of HP's board. The boardroom purging was unusually severe for a company HP's size, and the turmoil reinforced a perception among many technology watchers of dysfunction in the top ranks of a [Silicon Valley](#) institution.

Hurd's exit may have come at the right time. Apotheker inherited Palo

Alto-based HP seven months ago, as pressure mounted against the company from many fronts.

Wall Street has been unforgiving.

HP's stock had already fallen nearly 20 percent since the last earnings announcement in February, in which the company disclosed falling revenue from personal computers and services - two of its most important businesses.

The falling sales led to lower-than-expected guidance. HP predicted \$130 billion to \$131.5 billion in revenue for the year. Analysts were expecting nearly \$1.5 billion more at the top end. The company's shares sank, lopping some \$17 billion off HP's market value.

In a news release that went out late Monday, HP did not provide a reason for issuing its earnings report a day ahead of schedule. But the announcement came just hours after reports surfaced that Apotheker warned his executives in a May 4 memo that HP was bracing for "another tough quarter" in the May-July period, and that management needed to "watch every penny and minimize all hiring."

Bloomberg News and The Wall Street Journal earlier reported on the memo. An HP spokeswoman declined to comment.

HP shares fell \$1.80, or 4.5 percent, to \$38 in extended trading.

The earlier announcement is likely intended to stem the bleeding.

Apotheker is grappling with a monumental challenge of stitching together a conglomeration of businesses that were amassed during an aggressive expansion that included a \$20 billion acquisition spree under his predecessor, Hurd.

HP, known for its printers and personal computers, is now a player in computer networking and technical services, deepening existing rifts with old foes while creating new ones with old allies.

In addition, the PC market - HP is the world's No. 1 PC maker - is struggling from weakened consumer demand, and is generally a thinly profitable business to begin with. The old guard of the services business are also facing tougher competition from smaller companies, and a picture emerges of a company under pressure from many fronts at once.

There are signs of optimism.

It took half a year, but HP shares finally recovered earlier this year from the plunge they took after Hurd's abrupt departure in August. While some investors were worried about Apotheker's track record - he left his former employer, German business software maker SAP AG, after just 7 months as sole CEO amid a customer revolt over a price hike and growing employee dissatisfaction - others were hopeful that a fresh face would rejuvenate HP.

Many HP employees were unhappy under Hurd's leadership because of extensive cost cuts, but Wall Street loved Hurd, and HP's market value nearly doubled under Hurd's five-year watch.

Hurd resigned after a sexual harassment scandal. The board found no evidence of harassment, but did conclude that Hurd submitted inaccurate expense reports for outings with his accuser, a former HP marketing contractor and actress named Jodie Fisher. Hurd now works as co-president of Oracle Corp., a longtime HP partner turned bitter rival.

Analysts polled by FactSet expect that in Tuesday's report HP will post earnings of \$1.21 per share in its fiscal second quarter, excluding items, on \$31.6 billion in revenue.

HP's guidance in February was mixed. While the revenue projection fell short, HP raised its full-year net income forecast to \$5.20 to \$5.28 per share, excluding items, which was in line with analysts' target.

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