

HP's chairman steps down, two directors to leave (Update)

April 4 2013, by Michael Liedtke



Hewlett-Packard headquarters is seen on January 12, 2010 in Diegem, Belgium. HP said Thursday its non-executive chairman Raymond Lane has decided to step down in a shakeup of the board of directors at the struggling US computer giant.

Hewlett-Packard Co. Chairman Ray Lane is stepping down and two other board members are leaving after pressure by disgruntled stockholders stung by the personal computer maker's downfall.

The moves announced Thursday comes just two weeks after HP barely

rebuffed a shareholder rebellion aimed at Lane, John Hammergren and G. Kennedy Thompson, the two longest-serving members on the board.

Shareholders had targeted Hammergren and Thompson primarily because their roles on the board gave them oversight over HP's acquisition strategy. Most of the company's major deals in recent years have gone badly, saddling HP with losses of more than \$17 billion since 2010.

The departures mean none of HP's directors will have been on the board for longer than four years.

The company is now being run by Meg Whitman, who is hoping to engineer a turnaround within the next two to three years.

Although he is relinquishing the chairman's role, Lane will remain on HP's board. He will be replaced on an interim basis by Ralph Whitworth, a shareholder activist who has been on the board for less than 18 months. Whitworth, whose firm owns 34.5 million HP shares, hinted the board would be overhauled under questioning from angry shareholders during the company's March 20 annual meeting.

During the meeting, Lane's re-election as a director was backed by just 59 percent of the vote, compared with 96 percent for Ralph Whitworth.

CtW Investment Group, an HP shareholder at the forefront of the rebellion, applauded the fallout. "Shareholders stand ready to assist the board in bringing in effective, independent directors to help restore this icon of U.S. innovation," Dieter Waizenegget, CtW's executive director, said in a statement.

Beyond its troubled acquisitions, most of HP's other woes stem from a decline in PC sales as more technology spending shifts to smartphones

and tablet computers. The upheaval has caused HP's revenue to fall from the previous year in six consecutive quarters. To offset the drop-off in PC sales, Whitman has cut about 15,300 jobs in the past year and is planning to eliminate about 14,000 more positions.

HP's woes have cut the company's market value in half in less than three years, wiping out \$45 billion in shareholder wealth. The damage would be even worse, if HP's stock had not rebounded during the past two months on hopes that Whitman has the company headed in the right direction.

The stock rose 39 cents to close at \$22.30 Thursday before the board changes were disclosed.

Hammergren, the CEO of pharmaceutical drug distributor McKesson Corp., and Thompson, the former CEO of troubled bank Wachovia Corp., will depart after HP's board meeting next month. HP intends to name two new directors to replace them by the end of this year. Until then, HP will have nine directors on its board.

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