HP's Ex-CEO Gets A Payday As Investors Suffer

Jordan Robertson, AP Technology Writer

SAN FRANCISCO (AP) — Whatever Mark Hurd did that cost him his job as CEO of Hewlett-Packard, the world's largest technology company, it wasn't enough to cost him a payday that could top $40 million.

Meanwhile, with little still known about why an actress and HP contractor threatened Hurd with a sexual-harassment lawsuit, stockholders took a $9 billion hit Monday, and HP's 300,000 workers were left to wonder about its future.

HP insisted that the problems it uncovered with the CEO's behavior were limited to falsified expense reports for his dinners and other meetings with Jodie Fisher, who helped organize HP events from 2007 to 2009 and greeted executives at the gatherings.

Hurd has settled with Fisher for an undisclosed sum, and both parties have said the relationship was not sexual. Hurd said an assistant prepared all of his expenses. He has offered to reimburse HP for the errors.

The company has offered no further details and says it is focused on finding a successor.

Hurd gets $12.2 million in severance, plus stock and options that could bring the total value of the package to more than $40 million, based on calculations by The Associated Press using HP's stock price Friday, before HP disclosed the resignation.

Analysts said the generous package shows Hurd was highly valued for restoring steady results to the company, a Silicon Valley institution, after a period of upheaval that followed the stewardship of Carly Fiorina. Fiorina, the Republican nominee for Senate in California, got a severance package worth $21.1 million after she was ousted from HP in 2005.

"It tells you how important people think he is to HP," said Jayson Noland, an analyst with Robert W. Baird & Co. "It gives you a sense for how valuable a really good CEO can be."

He noted the severance is a tiny fraction of the $125 billion HP expects to record in revenue this year.

Jeffrey Sonnenfeld, a professor at the Yale School of Management and an expert on CEO leadership and corporate governance issues, called Hurd's pay package a "damning indictment" of the way CEO hiring contracts are set up.

Sonnenfeld said the contracts are "overly lawyered" and make it essentially impossible to fire executives for cause and therefore stop any severance payment.

He said the falsified expense reports wouldn't have been considered materially significant events that would get him fired for cause, which is why the board allowed him to resign.

"If any employee at the firm had done what he did, they would have been fired immediately," Sonnenfeld said. "He was allowed to resign because he had lost the trust of the board."

Unlike regular employees, executives with the types of essentially bulletproof contracts such as Hurd's often can't be fired for cause unless they've committed a felony, according to Paul Hodgson, a senior research associate at The Corporate Library, an independent corporate governance research firm.

"If he really resigned," Hodgson wondered, "then why are they paying him severance at all?"

Fisher, 50, has appeared in racy movies with titles such as "Sheer Passion" and "Intimate Obsession" and recently a television dating show. She was paid up to $5,000 per event to greet people at HP events and make introductions among executives.

Neither she nor her attorney have discussed details of the harassment claim, which led to the discovery of the questionable expense reports for dinners Hurd had with Fisher.

The company held a webcast Monday to discuss the changes with its employees, but it was closed to the press, and there was no immediate word on what was said. The company's interim CEO, Cathie Lesjak, said Sunday that she did not plan to discuss further details of Hurd's case.

Shares of HP fell about 8 percent to $42.60 on the first full day of trading since Hurd's abrupt resignation Friday. Its market value, which was about $67 billion when he started at HP in April 2005 and stood at about $108 billion before the announcement of Hurd's departure, dropped to about $99 billion.

Noland and other analysts say HP's stock swoon is likely temporary.

"It's just the uncertainty that this creates — you lost a great CEO," he said.

Bob Phillips, co-founder of the Spectrum Management Group investment firm in Indianapolis, was perplexed. He did say his firm does not own HP stock because most of HP's growth under Hurd has come from acquisitions, not its core business.

Still, "It makes no sense," he said. "I think it's an overreaction at this point by the market in fear there's something much more substantial coming."

Some corporate governance experts have called for an overhaul of HP's board of directors in light of Hurd's troubles and a 2006 scandal in which chairwoman

Patricia Dunn was forced out for overseeing an investigation that involved spying on reporters' and directors' phone records to suss out the source of leaks to the media.

Gary Lutin, chairman of a shareholder information service called The Shareholder Forum, said investors might question whether HP's board should be replaced, noting that many board members stayed on through the 2006 scandal. Six of HP's current 10 board members have been directors since 2006 or earlier.

Silicon Valley billionaire Larry Ellison, Oracle Corp.'s CEO and a friend of Hurd's, said the decision to oust Hurd went against the best interests of HP's employees, shareholders, customers and partners. Oracle is one of those partners.

In a statement issued Monday, Ellison called the action by HP's board an act of "cowardly corporate political correctness" and the worst personnel decision since Apple forced out Steve Jobs 25 years ago.

Sonnenfeld, the Yale professor, said, however, he believes the board made the right decision and commended it for acting quickly.

"Hurd was a great operator for the here and now," he said, "but he had to go because of the long-term impact on the character of HP."

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Associated Press Business Writers Rachel Beck in New York and Ryan Nakashima in Los Angeles and Technology Writer Rachel Metz in San Francisco contributed to this report.

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