

HP: It's All Downhill from Here!

Written by R.E. Acosta,
Former HP Employee of 9 years

The purpose of writing this first article in a series on Hewlett-Packard (HPQ) is to show the stock performance from the CEO's reign, from Fiorina to Whitman. Part one of the series is to show a different point of view on Hewlett-Packard, one from a mid-level inside perspective from a former employee of 9 years whom worked in the Enterprise Services Business Innovation team.

Part I of the series simply matches stock high and lows to the CEO of record, and adds some commentary on each CEO that may serve as a foundational point in another article. Part II will focus on Meg Whitman, the HP Board and the "new" HP Board that will be "official" after the "split" this year (where notably Meg Whitman is the top California Girl of both companies).

Our firm, Acosta Associates, focuses on business innovation and strategy, an approach highly prevalent throughout the series. This series will demonstrate how the demise of a former American icon is occurring *right in front of our eyes* and *faster than anyone imagined*. I joined HP in the "Managed Services" area in December 2005.

Mark Hurd was the CEO at the time, but I want to start with Carly Fiorina as she was still regularly mentioned and her impact was still felt. All new employees took mandated "learning" courses, and in those courses, Fiorina was still named as the CEO—even after she left. I sent an email to Mr. Hurd, asking him why Fiorina was apparently still the CEO. Shortly after, I received a call from an upset Senior VP, who ordered me not to contact Mark.

I "left" HP on 15 November 2014.

Now Let's Start with Carly Fiorina, 2016 U.S. Presidential Candidate.

Carly Fiorina, AKA "Twinkle Toes"

Fiorina served as chief executive officer of [Hewlett-Packard](#) from 1999 to 2005.

If she had a motto it might be, "One day I'm going to pop up from nowhere and run for President!"

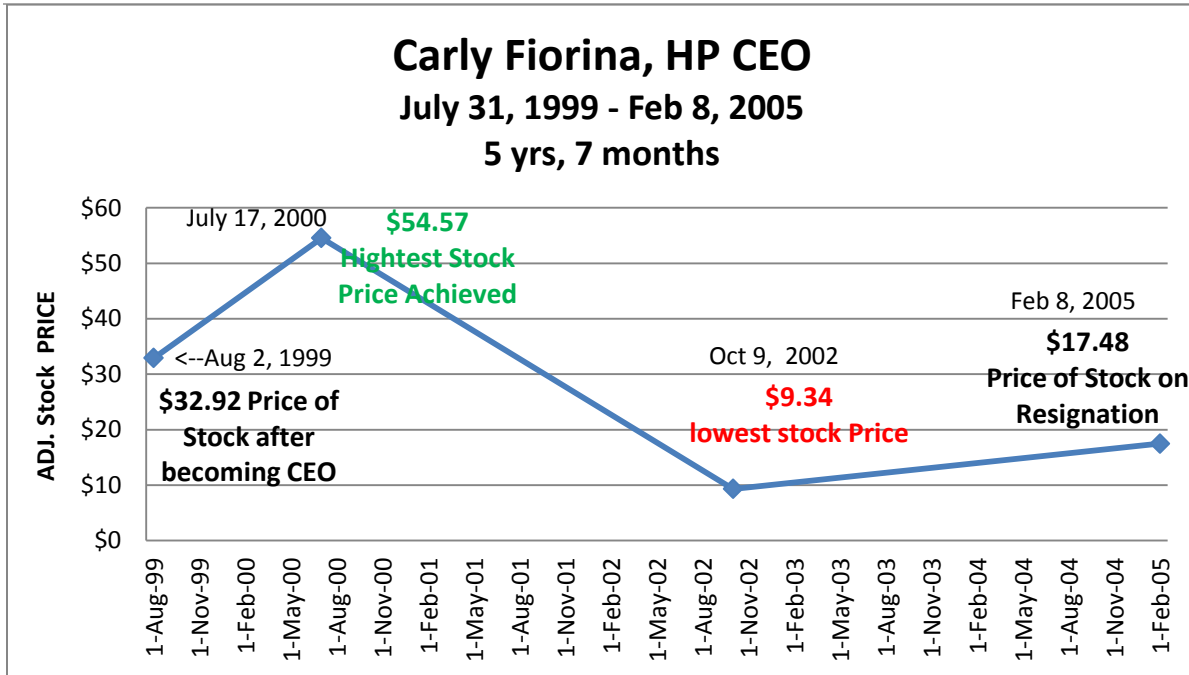
Fiorina joined Hewlett-Packard (HP) in July 1999 and weathered the dot-com bubble ⁽¹⁾, and in 2002, she solidified the merger with Compaq Computers (led by Michael Capella on that side, Capella whom would later go to MCI/WorldCom). In this time, Twinkle Toes had the title of "Chairman and Chief Executive Officer of HP" ⁽³⁾.

Carly was *not* an HP board member before she became CEO. This is an important fact, as we will see the HP Board begins to blunder during the Carly years.

Here is her stock history, using the trading day after she joined HP as CEO and then using the day she resigned (8 February 2005) and the last day of that week (11 February 2005) and year (28 February 2005), and keeping in mind the dot-com bubble period was weathered during that



tenure. The chart below also shows the highest stock price and the lowest stock price during her tenure as CEO:



*Source: Yahoo! Finance

On 8 February, 2005, Fiorina was forced to resign as chief executive officer and chair of HP following "(differences with the board of directors) about how to execute HP's strategy. (2)" Her HP Bio P.O.V. has more information on her background (4).

In the two years prior to Fiorina's tenure at HP, the stock remained consistently in the 20's and low 30's. She witnessed a low stock price of \$9.34 a share on 9 October, 2002. In addition, Fiorina brought the stock to a high of \$54.57 on 17 August, 2000, +21.65 from when she started as CEO. When she resigned from HP in 2005, the final stock price was \$17.48. In that five years and seven months, the stock ended lower by **-\$15.44 overall, based on the price when she joined as CEO.** (This final amount does not include inflation adjustments, dividends, splits or other adjustments.)

Interestingly, Carly may not have been the most-liked of the CEO's in recent history, but she was actually one of the better ones in the last 16 years for HP. Even though the stock price ended up lower than when she started, she didn't destroy the company by splitting it apart (more to come on Meg Whitman's brilliant 5-year plan).

Fiorina was responsible for the Compaq merger and disrupting the company culture (7). The HP Board was largely behind her exit as well—perhaps she was the sad victim of a cat fight on the HP Board (5). Now, in 2015, Carly considered a run for the U.S. Presidency in 2016 (6) and often cites her business leadership of HPQ. There is a "Merlin" rumor that if Mr. Trump receives the Republican nomination for President that he would choose Carly as the VP.

1

http://en.wikipedia.org/wiki/Dot-com_bubble

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<http://www.wsj.com/articles/SB999553371387135083>

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<http://www.wsj.com/articles/SB1016150174947758920>

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<http://www.hp.com/hpinfo/execteam/fiorina/>

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http://archive.fortune.com/magazines/fortune/fortune_archive/2005/03/07/8253422/index.htm

6

http://www.washingtonpost.com/politics/carly-fiorina-actively-explores-2016-presidential-run-but-faces-gop-critics/2014/11/25/b317b1a2-74b3-11e4-bd1b-03009bd3e984_story.html

7.

<http://www.bloomberg.com/bw/articles/2013-01-10/can-meg-whitman-reverse-hewlett-packards-free-fall#p2>

Mark Hurd, AKA “HP Board Never Heard”

Mark Hurd

Hurd served as CEO of [Hewlett-Packard](#) from 22 September, 2006 to 6 August 2010.

If he had a motto it might read, “Wait until I get to Oracle! You’ll See! 40 Love and My Serve.”



I joined HP in December 2005 before Mark became the official CEO. Some of the previous-Compaq merged HP employees referred to him as a “hatchet man,” implying his cost-cutting approach was too rough.

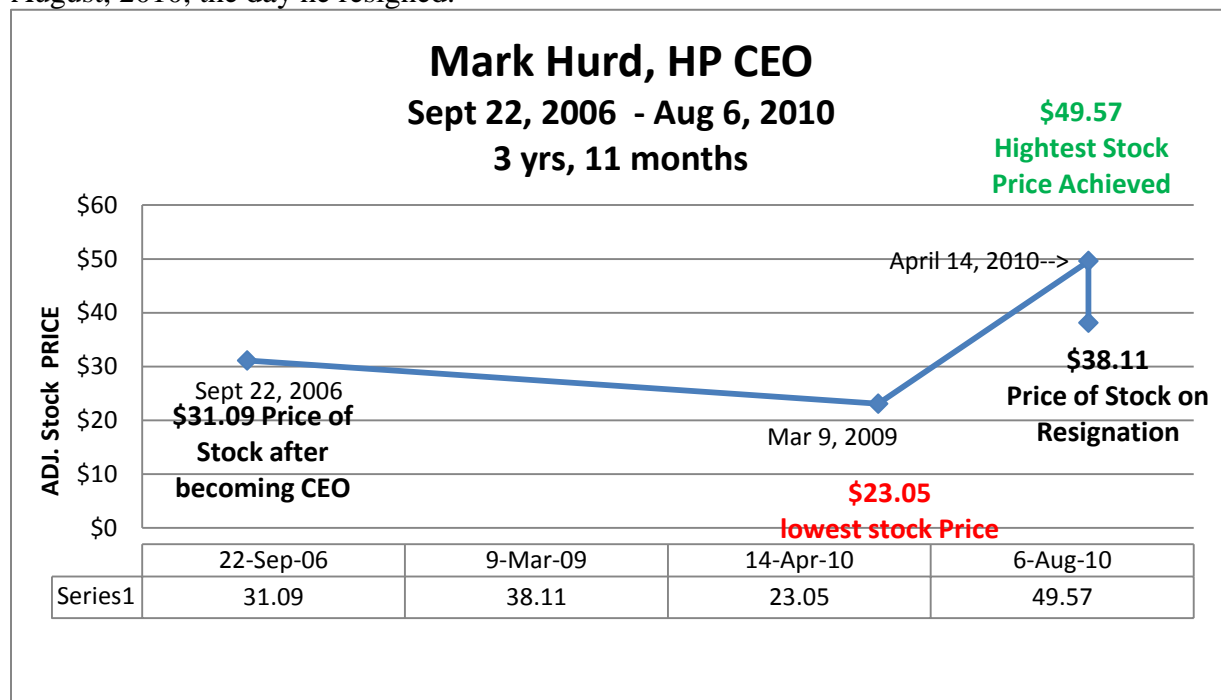
Personally, I thought he was a nice, approachable guy. My first contact with Mark was over email regarding some employee training data, and then I met Mark in Colorado Springs, Colorado twice over his tenure as CEO. The fact that Mark came to Colorado Springs twice showed that he wanted to meet the employees, given the Springs site is a smaller location than the office at Fort Collins, CO and is over two-and-a-half hours by car.

Hurd became the regular CEO of Hewlett-Packard (HP) on 22 September 2006 and resigned 6 August 2010, not counting “interim” CEO periods ⁽¹⁾. In this time, “Mr. Hurd” had the title of “Chairman and Chief Executive Officer of HP” and due to a conflict with the Board over ethical concerns, resigned from HP.

He promptly landed a similar role at Oracle where his friend, Lawrence Ellison, wrote a scathing article about the HP Boards poor judgement, saying in part: “The H.P. board just made the worst personnel decision since the idiots on the Apple board fired Steve Jobs many years ago. That decision nearly destroyed Apple and would have if Steve hadn’t come back and saved them.” (2)

I had also agreed with Mr. Ellison and I wrote a letter to Cathie Lesjak stating my opinion on how it seemed very unprofessional for HP to do the PR stunt it did. It seemed to me that the Board members, especially Cathie and Ann Livermore, were acting like insulted girls at a Prom rather than professional members responsible for a top-rated company. I sent Cathie and email with my concerns.

Following is his stock History, using the last trading day of 30 September, 2006 and then using 6 August, 2010, the day he resigned.



Source: Yahoo! Finance

Before his official title as CEO, Hurd was an interim CEO following other interim CEOs who brought the stock back into the 30s.

The stock was \$31.09 after Hurd became CEO. He witnessed a low stock price of \$23.05 a share on 9 March, 2009 and brought the stock to a high of \$49.57 on 4 April, 2010, +18.48 from when he started as CEO.

When he resigned from HP on 6 August, 2010 the final stock price was \$38.11. In this three years and 11 months, the stock ended higher by +\$7.02 overall, based on the price when he joined as CEO. (This final amount does not include inflation adjustments, dividends, splits or other adjustments).

On 6 August 2010, Hurd was forced to resign over “ethical violations.”

Hurd said, “...This is a painful decision for me to make after five years at HP, but I believe it would be difficult for me to continue as an effective leader at HP and I believe this is the only

decision the board and I could make at this time. I want to stress that this in no way reflects on the operating performance or financial integrity of HP." ⁽³⁾

Again the HP Board floundered, trying to get rid of Mr. Hurd based on an "ethical violation" of using company money (i.e. a Corporate *American Express* card) on a personal lunch. The Board launched an investigation that was more like a witch-hunt, and the result was nothing more than a supposed HP ethical violation. (Note: I say "supposed" *as the argument is coming in Part II that Meg Whitman leads the charge in ethical violations against HP as a company, especially the employees.*)

HP Shares under Mark Hurd were steady and reached new highs that have NOT been reached since his departure. Costs were controlled under Mark as was operational oversights. "Over the previous five years, Hurd had built HP into the largest technology company in the world; sales in 2010 were \$126 billion." ⁽⁶⁾

Hurd left with a \$40 million dollar severance package, but the HP Board sued Hurd and he gave the package back to them ⁽⁵⁾. After all, he did for HP; the mere accusation of a later recanted wrongdoing led him to "resign" and ended up in a lawsuit against HP and Oracle. Apparently, the Board skipped their Wheaties that year and they don't know how to be discreet and efficient. The HP Board's vindictiveness simply does not end, does it?

As of 2015, Mark shares the leadership of Oracle ⁽⁴⁾ and continues to play tennis with Mr. Ellison. As of yet, he has not returned any of my email contacts. HP never heard what was being said by Mark and their pride was part of the issue. We've all heard that Pride goes before a fall and HP Board's Leadership is going over a cliff--leadership over the cliff is final leadership!

1

http://en.wikipedia.org/wiki/Mark_Hurd

2

http://www.nytimes.com/2010/08/10/technology/10hewlett.html?_r=0

3

<http://www.wsj.com/articles/SB1016150174947758920>

4.

<http://www.businessinsider.com/inside-the-mind-of-oracle-ceo-mark-hurd-2015-1>

5.

<http://www.businessinsider.com/inside-the-mind-of-oracle-ceo-mark-hurd-2015-1>

6

<http://www.bloomberg.com/bw/articles/2013-01-10/can-meg-whitman-reverse-hewlett-packards-free-fall#p3>

Cathy Lesjak. Motto: Just write me the Check!

Right now Lesjak is probably thinking, “I was right—business accounting was the BEST major ever!”

Cathie Lesjak (2)

What do you get when you cross a CFO with a chicken?

Answer: An expensive and fowl deal.



This is what one of the key board members did once they got rid of Mark. Cathy raised her hand and stepped forward, and in her interim reign *of fiduciary oversight*, she did the following:

“First, Lesjak raised the company’s guidance for the upcoming quarter by about \$500 million. Two weeks later, HP kicked off a bidding war with Dell ([DELL](#)) for the storage company 3PAR; it ended up paying \$2.35 billion. Ten days after that, HP’s board approved a \$10 billion share buyback. Following this flurry of activity, HP hired Apotheker as its new CEO and named Ray Lane as a new board member and executive chairman of the company.”⁽¹⁾

Though this quote sums it up, pay attention to the name of Cathie Lesjak, despite her drifting back into the deep shadows of the board, hiding behind spreadsheets and the 101s of corporate financial governance, she controls some important strings of the HP Punch and Judy show.

1.

<http://www.bloomberg.com/bw/articles/2013-01-10/can-meg-whitman-reverse-hewlett-packards-free-fall#p4>

2.

photo source. <http://www8.hp.com/hpnext/leadership/cathie-lesjak#.VdFhLvIViko>

Léo Apotheker, AKA “Léo the Lucky”

Léo Apotheker served as chief executive officer of [Hewlett-Packard](#) from November 2010 until his termination in September 2011.

If he had a motto, it might read “I take candy away from American IT kids!”

Apotheker became the CEO and President of Hewlett-Packard (HP) on 1 November 2010.

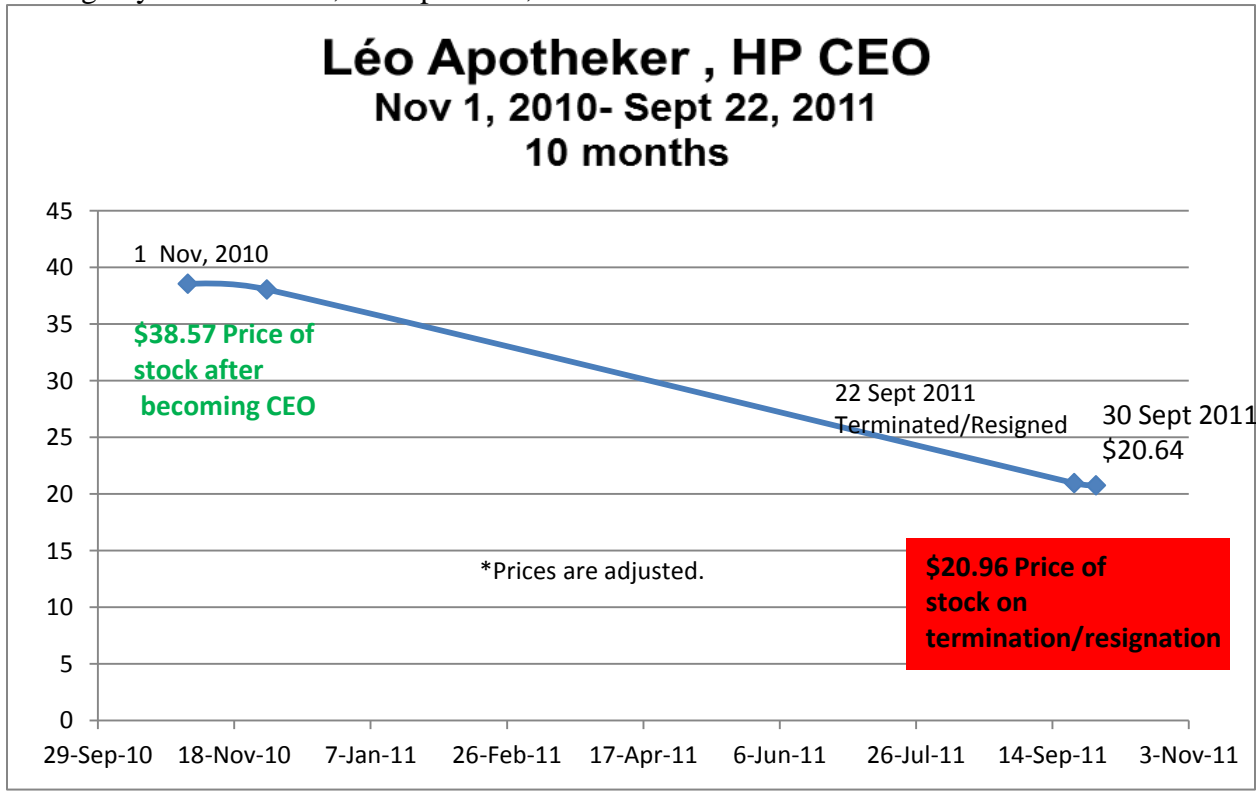


“Léo is a strategic thinker with a passion for technology, wide-reaching global experience and proven operational discipline - exactly what we were looking for in a CEO,” said Robert Ryan, lead independent director of the Board.

"After more than two decades in the industry, he has a strong track record of driving technological innovation, building customer relationships and developing world-class teams."

Some of his finer achievements were to promote the Palm purchase of webOS and the big enchilada, Autonomy. To his credit, he mentioned splitting the company and getting into the cloud. Then he got rid of Palm and HP got rid of him. ⁽⁵⁾

Here is his stock history, using the first day of his appointment, the last trading day of his first month, and then using the day he was terminated/resigned, 22 September 2011, and the last trading day of that month, 30 September, 2011.



Source: Yahoo! Finance

CEO for 10 months... but King for a day? When Léo the Lucky took the HP reins on 1 November 2010 the stock was \$38.57, and when he was terminated on 22 September, the final stock price was \$20.64. In the 10 month period, the stock ended lower by **-\$17.93 overall, based on the price when he joined as CEO.** (This final amount does not include inflation adjustments, dividends, splits or other adjustments).

In this time period, Apotheker had the title of 'Chief Executive Officer of HP and President' and he smiled a lot. Under his watch, the stock dropped nearly 40% and he was responsible for losing [webOS](#) and buying British software firm [Autonomy](#) for a lot of money! ^{(2); (3)}.

His brief reign of 10 months ended with a golden parachute of \$13 million in compensation, \$7.2 million in severance, and HP shares worth \$3.6 million. ⁽²⁾

Apotheker moved to Paris, France, laughing all the way to the bank (those dumb ol' yanks!)

Despite his short reign as Léo the Lucky, he got to keep his severance package and was treated better by Meg, Ray Lane and the rest of the board than Hurd. One would think Mark Hurd would still have a lawsuit opportunity to get back his severance based on how unfair he was treated by the HP Board.

1

http://h30261.www3.hp.com/news-and-events/news-library/2010/30-09-2010.aspx?jumpid=reg_r1002_usen_c-001_title_r0001

2

http://en.wikipedia.org/wiki/L%C3%A9o_Apotheker

3

http://h30261.www3.hp.com/news-and-events/news-library/2011/18-08-2011a.aspx?jumpid=reg_r1002_usen_c-001_title_r0030

4

<http://www.bloomberg.com/news/articles/2014-10-05/hewlett-packard-to-split-says-wall-street-journal>

5

<http://www.bloomberg.com/bw/articles/2013-01-10/can-meg-whitman-reverse-hewlett-packards-free-fall#p5>

Meg Whitman, AKA “I’m Meg Whitman and I’m an *eBay* guru; *CA Governor Candidate*; *Mitt Romney Cabinet Member* (dagnabit! I really wanted that gig!); *HP CEO/Chairman of the Board.*”

If she had a motto, it might read “Tell the suckers what they want to hear!”

Whitman became the CEO and President of Hewlett-Packard (HP) on 22 September 2011. Ray Lane, Executive Chairman of the Board of Directors, said at that time, “We are fortunate to have someone of Meg Whitman's caliber and experience step up to lead HP.”

“We are at a critical moment and we need renewed leadership to successfully implement our strategy and take advantage of the market opportunities ahead,” he continued. “Meg is a technology visionary with a proven track record of execution. She is a strong communicator who is customer focused with deep leadership capabilities. Furthermore, as a member of HP's board of directors for the past eight months, Meg has a solid understanding of our products and markets.”⁽¹⁾

Whitman, who had previously appointed Ray Lane to the Board in the first place⁽²⁾, responded with, “I am honored and excited to lead HP. I believe HP matters - it matters to Silicon Valley, California, the country and the world.”⁽¹⁾

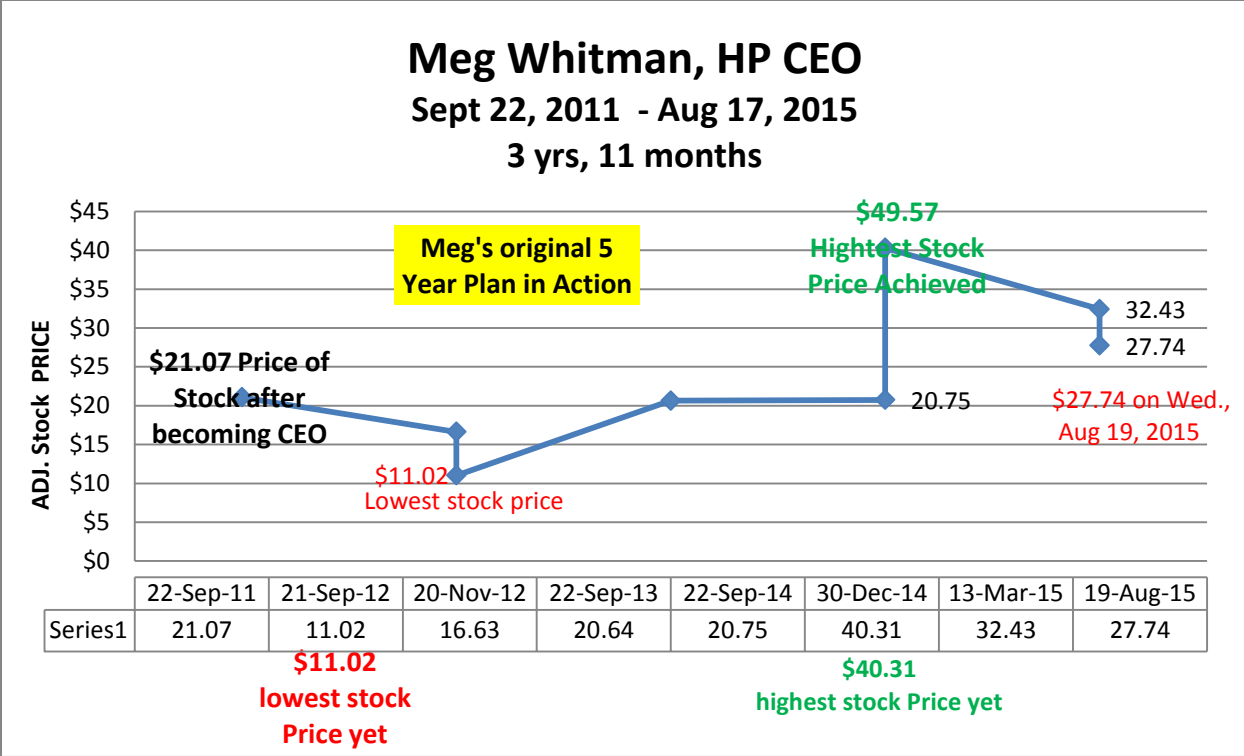
(Doesn't “HP Matters” sound like a slogan?)

And to throw our former friend Léo completely under the bus (or did he have a contract?), Lane continued speaking on the board's behalf:

“We very much appreciate Léo's efforts and his service to HP since his appointment last year. The board believes that the job of the HP CEO now requires additional attributes to successfully execute on the company's strategy. Meg Whitman has the right operational and communication skills and leadership abilities to deliver improved execution and financial performance.”⁽¹⁾

Here is Whitman's stock history, using the first day of her appointment and showing the lows and highs of the stock under her original “five year plan” to turn HP around. This chart below shows the facts based on stock prices of the last three years and 11 months:





*Source: Yahoo! Finance

When Meg started at HP, the stock price was \$21.07. She was Captain in the Chair when the stock hit \$11.02. She was able to bring it up to \$49.57 two years later, but has largely destroyed those gains. In the three years and 11 months so far, the stock ended lower by **-7.54 overall, based on the price when she joined as CEO.** (This final amount does not include inflation adjustments, dividends, splits or other adjustments.)

This chart above will be updated for Part II: *HPQ – What’s happening to HP?* A subtitle might be, “The Corporate Handbook on How to Ruin an Iconic Company—perhaps intentionally”.

My firm, Acosta Associates Business Innovation & Strategy, like most research, analysis, strategy, & innovation firms, provides or has provided research, analysis, advising, and/or business innovation & strategy consulting to businesses.

In the case of Hewlett-Packard, I was a past employee of 9 years with the last two years of my former employment in the business innovation & strategy space of their managed or “enterprise” services area. I currently do not hold a position at HP nor (thankfully) do I hold any HP stock.