



UNIVERSITY OF COLOMBO, SRI LANKA

UNIVERSITY OF COLOMBO SCHOOL OF COMPUTING

DEGREE OF BACHELOR OF INFORMATION TECHNOLOGY (EXTERNAL)

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IT5105: Professional Issues in IT

Case Study

HP CEO Forced Out; Lands on Feet at Oracle

In early 2005, Mark Hurd was hired as the CEO of Hewlett-Packard Company (HP). Under Hurd's leadership from 2005 to 2009, the HP share price more than doubled, while its revenue grew over 40 percent to \$115 billion. This was accomplished by extreme cost-cutting measures, including the reduction of 50,000 jobs and the acquisition of several major technology firms, including Palm, 3Com, and Electronic Data Systems.

In June 2010, an HP contractor accused Hurd of sexual harassment. The contractor's work involved planning various HP-hosted CEO forums over the course of two years, and she often dined alone with Hurd following these events. She claimed that her work for HP stopped after she refused Hurd's advances. During the ensuing investigation of the sexual harassment charge, HP found evidence of false expense reports covering payments made to the woman. While HP executives said that the sexual harassment charge could not be substantiated, they did find that Hurd had violated HP's standards of business conduct. Michael Holston, HP executive vice president and general counsel, stated that Hurd's actions "demonstrated a profound lack of judgment that seriously undermined his credibility and damaged his effectiveness in leading HP." The board urged Hurd to resign from the company.

Hurd, married with two children, denied making any advances toward the contractor and stated that he never prepared his own expense reports. He refused to resign and instead offered to reimburse the company the disputed expense payments. After numerous discussions with members of the board, Hurd finally agreed to resign and to repay HP the disputed expense payments. He also settled the sexual harassment charges out of court, agreeing to pay the woman an undisclosed amount of his own money.

Within a month of his resignation, computer technology giant Oracle announced that it had hired Mark Hurd as its new co-president. The hiring raised several issues as Hurd's severance package of \$40 million included a confidential nondisclosure agreement restricting what Hurd could tell future employers about HP plans and operations. HP filed a lawsuit asking the court to prevent Hurd from taking the job with Oracle, saying "HP is threatened with losing customers, technology, its competitive advantage, its trade secrets and goodwill in amounts which may be impossible to determine."

Hiring disputes are common among technology companies. However, in California (where both Oracle and HP are headquartered), courts have encouraged employee mobility and allowed people who change jobs to continue working in their area of expertise.

Within a month, HP and Oracle settled the dispute and "reaffirmed their long-term strategic partnership." Hurd agreed to "adhere to his obligations to protect HP's confidential information while fulfilling his responsibilities at Oracle." In addition, Hurd agreed to waive his right to over 345,000 restricted shares of HP stock valued at \$13.6 million.