

Hurd's Oracle gig: Is Ellison perk or problem?

JORDAN ROBERTSON - AP Technology Writer - Associated Press

As co-president at Oracle Corp., ousted Hewlett-Packard Co. CEO Mark Hurd will have to adapt to a new role playing second fiddle to one of Silicon Valley's most domineering bosses — Larry Ellison.

Although the two men have been pals for several years, working together may test their friendship given that they have both been accustomed to being the top dog. Ellison, in particular, has never left any doubt who's calling the shots at the business software juggernaut that he co-founded 33 years ago.

"Larry is well-known for his strong personality, and there is always a possibility of a personality clash with Hurd," said Kaushik Roy, an analyst with Wedbush Securities. "Friendships are not permanent — especially not in business."

In a high-profile power struggle a decade ago, Ellison ousted a president, Ray Lane, who had played an instrumental role in rebuilding Oracle's sales force after an accounting scandal. Lane resigned after Ellison tightened his grip on the company and stripped Lane of many of his responsibilities. Many other executives have left Oracle after falling out with Ellison or realizing that he would never loosen his reins of power.

Hurd, meanwhile, knows how to serve as a subordinate, but he has been a chief executive for the past seven years and could be angling for Oracle's top job when Ellison retires. Hurd is 53; Ellison is 66.

Hurd's appointment could mean that Ellison is finally ready to groom a successor. Ellison's track record suggests that he's been cold to the idea before, but in Hurd, Oracle gets a Wall Street darling who's proven he can take a company that is undergoing a massive shift and deliver steady financial results.

Consistency is something Ellison will need to protect his legacy at Oracle and his sizable investment in the company — Ellison is the company's largest stakeholder, controlling nearly a quarter of its stock.

Before joining HP, Hurd spent his entire career at ATM maker NCR Corp., starting as an entry-level salesman and working his way up the ranks to become CEO for two years before HP poached him.

He was HP's chief for five years until he abruptly resigned Aug. 6 in a scandal over sexual-harassment claims made by an HP contractor. Although HP's board found no merit to those claims, it uncovered inaccurate expense reports, which Hurd insisted he didn't prepare himself.

Hurd's camaraderie with Ellison could be instrumental in Oracle's quest to steal

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business from HP.

But because the men are two of the technology world's biggest celebrities, if they don't hit it off as boss and subordinate as well as they have as buddies, it could create more drama to the soap opera surrounding Hurd's stunning downfall at HP.

"Marriages that seem to be made in heaven don't always end up that way," said Kenneth Freeman, dean of Boston University's School of Management. "There's a close relationship between Ellison and Hurd, but sometimes when you go from being conversant across party lines to going into the same family, the same company, things can change."

Hurd will have plenty of room to maneuver, as head of Oracle's global sales, consulting, marketing and technical support divisions, "but he has to remember that at the end of the day the CEO of Oracle is Larry Ellison," Freeman said.

Oracle declined to make Hurd and Ellison available for interviews.

Ellison and Hurd have grown close in Hurd's five years in Silicon Valley, working as partners to make sure HP's computers run smoothly with Oracle's software.

They've also bonded over their love of tennis. Hurd was a collegiate athlete, and Ellison practices with pros and even bought a tennis tournament last year to keep it from moving out of the U.S.

Ellison's decision to bring Hurd aboard at Oracle is fraying a quarter-century alliance between the two companies, one already rocky since Oracle started competing with HP by selling computer servers with Oracle's \$7.4 billion purchase of Sun Microsystems last year.

HP sued Hurd in a California court on Tuesday, a day after he joined Oracle. HP argues that Hurd won't be able to do his job at Oracle without spilling HP's trade secrets.

Although courts in California typically side with workers who want to take their skills to rival companies, Hurd's intimate knowledge of HP's businesses, and his severance package from HP that could be top \$40 million, could work against him.

Still, it's unlikely that HP would succeed beyond delaying Hurd's employment by a few months, to allow the information that Hurd possesses to become dated, said Linda Stevens, an attorney with Schiff Hardin LLP who specializes in trade secret disputes.

Oracle plans to pay Hurd an annual salary of \$950,000 and offer a bonus targeted at \$5 million in the current fiscal year. Hurd will also be awarded stock options totaling 10 million shares initially and another 5 million shares each year for the next five years.

Hurd is an operations expert who relentlessly cuts costs — including some 50,000

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jobs in his time atop HP. He also shuns the spotlight and, until last month, managed to stay out of the Silicon Valley gossip mill.

By contrast, Ellison thrives on living on the edge, racing sailboats and insulting rivals in public. He invites controversy and loudly came to Hurd's defense, calling the HP board's decision to shove aside Hurd the worst personnel decision since Apple Inc. forced out another of Ellison's close friends, Steve Jobs, 25 years ago.

(In a show of Ellison's loyalty, in 1997 he floated the idea of buying Apple so that Jobs could run it again. Jobs later returned as CEO, without Ellison needing to buy the company, to rescue Apple from an ugly slump.)

Ellison may go easier on Hurd than his past deputies because the two already have a close relationship and because Ellison — the world's sixth-richest man with a fortune of \$28 billion, according to Forbes magazine — has much of his wealth tied up in Oracle stock.

That gives Ellison incentive not to alienate an executive he may be grooming as a replacement.

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AP Technology Writer Michael Liedtke in San Francisco contributed to this report.

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