

Analysis: Crowded Oracle management bench could mean friction

Reuters

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Two's company, but three could be a crowd at the top of Oracle Corp.

Larry Ellison, co-founder of the world's No. 3 software maker, risks friction with his top lieutenant and perhaps eventually himself by bringing on board his old friend and former Hewlett-Packard Co Chief Executive Mark Hurd, experts warn.

"They're building in a structure of potential conflict," said Ben Heineman, a Harvard law professor and former general counsel for General Electric Co. "That doesn't mean it won't work out, but you have to ask the question."

By appointing someone of Hurd's stature, Ellison runs the risk of upsetting co-President Safra Catz, long viewed as Ellison's heir apparent.

It is unclear whether Ellison -- the hard-charging 66-year-old sailing aficionado who has shown no signs of retiring -- plans to eventually hand the helm of Oracle over to Hurd, who would likely make it a more conservatively run company.

"Ellison is a risk taker while Hurd is not," said Sameet Kanade, an analyst at Northern Securities in Toronto. "Oracle needs someone like Ellison to take over. Investors in Oracle are different than investors in HP."

Hurd, who resigned from HP in August after a scandal involving expense reports and a female contractor, is credited with reviving that company by slashing costs and diversifying the technology giant through a string of acquisitions after joining in 2005.

His appointment, replacing Co-President Charles Phillips, who resigned this week after struggling with the public airing of his own extra-marital affair, helped Oracle's stock rise 6 percent on Tuesday.

At Oracle, 53-year-old Hurd will oversee sales, marketing and support -- similar to the position that Phillips had previously occupied. Catz will remain in her role handling financial matters and acquisitions.

Some say potential friction with Co-President Catz is the major issue.

"Not every president is created equal. They have different strengths and weaknesses. It's a great opportunity to leverage that in these kinds of relationships," said Bruce Avolio, a management professor at the University of Washington's Foster School of Business.

In the colorful technology industry, it's rare to see power sharing at the top of a big company, but there are precedents. BlackBerry-maker Research In Motion Co-CEOs Mike Lazaridis and Jim Balsillie have divided their responsibilities and built their company into a leader in smartphones.

"They've worked very well as the operational and the visionary guy," said Scott Sutherland, an analyst at Wedbush Securities. "You see Larry Ellison as more of a visionary -- and maybe he does decide to step aside and race sailboats for the rest of his life."

A university drop-out, Ellison co-founded Oracle in the 1970s and expanded it to challenge the likes of International Business Machines Corp, making himself the world's sixth richest man along the way, according to Forbes magazine.

Oracle is a major partner of HP, as well as a rival, and Ellison slammed the company's decision to oust his friend, calling the actions of its board "cowardly."

Hurd's hardware experience is seen as particularly valuable to Oracle as it integrates its \$5.6 billion purchase of Sun Microsystems earlier this year.

If Ellison is not planning to step back, Hurd's knack for operations should give the CEO more time to focus on strategy. But even with divided responsibilities it is unclear how well two executives who are used to calling the shots will work together.

"They really are both dominant personalities and that hasn't been a formula success in the long run," said Kim Caughey, an analyst at Fort Pitt Capital Group.