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HP Adviser APCO Built Crisis Unit Handling WorldCom, Vioxx

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By Sarah Rabil

Aug. 11 (Bloomberg) -- APCO Worldwide, the public relations firm that advised Hewlett-Packard Co.'s board after accusations of harassment against its chief executive officer, has handled crises from Merck & Co.'s Vioxx scandal to WorldCom Inc.'s fraud and now is helping Wall Street earn back America's trust.

HP's board decided to disclose the allegations against CEO Mark Hurd partly based on advice from APCO, a person with knowledge of the matter said, even as an investigation found he didn't violate the company's sexual harassment policy. The board sought Hurd's resignation after it was found he made inaccurate expense reports.

Companies look for advice from consultants such as APCO, a 26-year-old firm, to manage public perception amid a crisis, said Matt Eventoff, a communications strategist. Since Hurd's ousting Aug. 6, the stock has fallen 8.6 percent and Oracle Corp. CEO Larry Ellison has criticized HP for pushing Hurd out. It may have been worse if APCO had recommended keeping the accusations private, Eventoff said.

HP's stock would have fallen a lot more if the allegations had leaked from a source other than HP, Eventoff, who coaches executives on public speaking and crisis management, said in an interview. "It was a bad situation. It's not a good situation, period."

B. Jay Cooper, a spokesman for Washington-based APCO, said the firm doesn't discuss its clients. Mylene Mangalindan, a spokeswoman for Palo Alto, California-based HP, the world's largest personal-computer maker, declined to comment.

Merck, Ford

APCO is no stranger to controversy. The firm was in the trenches at WorldCom as executives testified on Capitol Hill in 2002 for falsifying profits.

Kent Jarrell, a senior vice president at APCO and director of the litigation communication practice, worked on public relations during Merck's Vioxx painkiller lawsuits after a study found the drug doubled the risk of heart attacks and strokes. He also worked with Ford Motor Co. when Explorers with Firestone tires were blamed for fatal crashes, and Alaska Air Group Inc.'s Alaska Airlines after a flight crashed in January 2000.

Former government officials, journalists and business executives have joined the firm's ranks over the years, including Gordon Johndroe, a former White House deputy press secretary; Anita McBride, former assistant to President George W. Bush and chief of staff to Laura Bush; and Anne Womack Kolton, former director of public affairs at the U.S. Department of Energy.

The 'Worst' Decision

The decision by HP to ask Hurd to leave has drawn some censure.

In a letter to the New York Times, Oracle's Ellison said the company "just made the worst personnel decision since the idiots on the Apple board fired Steve Jobs many years ago."

HP's board determined Hurd submitted inaccurate expense reports and concealed a personal relationship with a contractor and reality show contestant named Jodie Fisher, who accused him of sexual harassment.

An APCO representative wrote a mock sensational newspaper article demonstrating what would happen if the accusations leaked without HP's disclosure, according to the Times, which reported earlier on APCO's advisory role.

While companies should bring in fresh eyes amid threatening events, boards also typically seek advice from lawyers, investment managers and in-house corporate communications, said James S. O'Rourke, management professor at the University of Notre Dame.

"But all of it is just advice," O'Rourke said in an interview. "Ultimately, the board is accountable for the decisions it makes."

Wall Street's Image

APCO is one of three firms leading a public relations campaign to help the Financial Services Roundtable, a main lobbying group for banks and insurance companies, regain trust and goodwill after the recession and criticism from Washington.

Margery Kraus, APCO's CEO, founded the firm in 1984 and has expanded it to more than 550 consultants in 29 offices around the globe from an office of five people in Washington.

Kraus started APCO as a consulting subsidiary of Arnold & Porter, a law firm known for its work in the tobacco industry. By 2008, the closely held company's annual revenue climbed above \$100 million, according to APCO's website.

While the debate continues in Silicon Valley as to whether HP's board made the right call or received the right advice, Eventoff says the public disclosure businessweek.com/.../hp-adviser-apco-...

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has at least allowed HP to have more control over the storyline than if the news leaked, as was the case with with BP Plc's oil spill.

"How's it going to end? No one knows," he said.

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