

Oracle and PeopleSoft, Take 2

September 29, 2004

They're at it again — Oracle and (reluctantly) PeopleSoft — like siblings in the back seat on the ride to grandma's house. Now that a federal court has said that Oracle's pursuit of its rival is OK on anti-trust grounds, Oracle is trying to clear the remaining hurdles — such as the European Commission's potential objections — and PeopleSoft's executives are spending valuable cycles inventing poison pills.

On September 22, Oracle president, Charles E. Phillips Jr., sounded positively humanitarian in describing the reasons why his company sought to acquire PeopleSoft. In an interview with SearchOracle.com Phillips said. "I think the payoff in the PeopleSoft acquisition is in terms of financial returns and the number of customers who will feel safer in their software investment and that will more than offset anything that's going on with our public image."

Safer? Did we miss something? Isn't that what the free market is for? You know how it works, if you don't feel safe with your choice you can either not buy it or, if the purchase is already in the rear view mirror, choose something else.

Maybe this is Oracle's way of getting into philanthropy following the example of Oracle alumnus Marc Benioff, CEO of Salesforce.com. You might not know it but Salesforce.com donates a small percentage of its profits as well as its people's time for good works projects around the world. Benioff even wrote a book about it, "Compassionate Capitalism: How Corporations Can Make Doing Good an Integral Part of Doing Well".

But just when you are getting used to the idea of Oracle as a philanthropic outfit, you read the Phillips interview further and find this nugget: "The PeopleSoft acquisition will obviously help because we'll have more customers to sell to," Phillips said.

CONVERGING CHALLENGES

It seems two related issues might be converging that Oracle is not happy with. The first is declining applications sales — the company had its weakest quarterly business application sales in five years recently posting a year over year decline of 36%. The second issue involves what Oracle sees as a declining number of customers, which Phillips noted in a Q & A session after a keynote speech to 700 Oracle users at the New York Metro Area Oracle User Group Day in Manhattan on September 21.

After the keynote, someone asked about the reason for the PeopleSoft acquisition to which Phillips responded, "There aren't a lot of new customers out there so it's better to have existing customers, and this is all part of an industry shakeout."

Time out. New customers? What about new products and services that drive the creation of new markets and new sales to customers? Heck, what happened to what the estimable Peter Drucker liked to describe as "innovation and entrepreneurship"? Drucker wrote a classic book by that name in 1984 that is still relevant, still worth studying, and I hope still in print.

When you start thinking that we're running out of customers you have stopped thinking like a company that listens to customers and invents products; one that builds things and sells them in the marketplace. You have crossed into the dark side of finance.

THE DARK SIDE

I am not picking a fight with my friends in finance but I am calling attention to what Kevin Phillips called, "over financialization" in his book, *Wealth and Democracy*. This Phillips' point is that you can concentrate too much on the financial aspects of *running* a business and lose sight of the things that truly *are* the business — such as researching

and developing products, servicing customers and the like.

Over financialization puts a price tag on those things and over time it has a stifling effect on everything in the business other than making the quarterly number. It puts you on a treadmill where you no longer have time to deal with anything but making the number and you end up buying another company to get its customers because you've run out of ideas for making and selling products that will garner you more new customers and a bigger share of the market.



And service? Over financialization puts a price on each customer interaction that must constantly be lowered so that at some point you can't afford to invest your own employees' time in customer service so you out source the activity to those who can do it even faster or at least cheaper.

ORACLE'S FUTURE IS ON DEMAND

In another bit of news last week Oracle announced the appointment of Juergen Rottler as Executive Vice President for Oracle On Demand. Rottler came from HP where he was Senior Vice President for HP's worldwide Public Sector, Health and Education business.

It's no secret in Silicon Valley that the seminal ideas for the on demand model came out of Oracle, though it took IBM to give the idea its name and Oracle has hardly capitalized on the concept. Smaller companies have led that charge.

We have seen plenty of examples of great new technologies like the on demand model that were invented by one company but never blossomed until they were championed by another. The GUI, computer mouse, and Ethernet all came out of Xerox's Palo Alto Research Center, and IBM standardized the PC just to pick two examples.

In listening to and watching the moves made by Oracle in the PeopleSoft acquisition, one wonders if Oracle might be inadvertently positioning itself to follow in those inglorious footsteps. The business applications business might be slow right now, but Oracle's path out of the doldrums is to forge ahead, not to over financialize.

About the Author



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