



At PeopleSoft, Hard Opposition Employees Back Management's Response to Takeover

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PLEASANTON, Calif. -- Within the boundaries of this small but feisty high-tech town, Oracle Corp. chief and billionaire Larry Ellison has become public enemy No. 1.

He is the man behind Oracle's hostile bid for local software maker PeopleSoft Inc. Storefronts here display placards that proclaim their support of PeopleSoft and ask citizens to keep the city clean -- by throwing Oracle in the trash. PeopleSoft employees sport buttons with "Oracle" crossed out with a big red slash; many wear white T-shirts with a defiant double entendre: "Larry, Kiss Our Apps."

There's even a song. Written by PeopleSoft employee Eric Tamm, it bluntly declares that the man who might well become his new boss should be behind bars.

"Lots of people here view Larry Ellison as someone who operates in gray area of ethics and sometimes legality," said Tamm, a 47-year-old who works in marketing.

"Hostile takeover" doesn't even come close to describing the vitriol between software giant Oracle and rival PeopleSoft. In the six weeks since Oracle announced its intentions to buy a resistant PeopleSoft -- the bid now stands at \$7.3 billion in cash -- the battle between the two companies has degenerated into a chest-thumping, name-calling spectacle the likes of which few in the high-tech world have witnessed before.

"This is a deal in a category by itself. . . . People in Silicon Valley are looking at it with sort of appalled curiosity," said Paul Saffo, a director of the Institute for the Future, a regional think tank.

Oracle's offer of \$19.50 per share expires on Aug. 15, but the fight will probably continue to roil the high-tech industry for months. Even if he loses the stockholder vote -- only about 14 percent of PeopleSoft's shares have been tendered so far -- Ellison said he's prepared to escalate matters by trying to gain control of the board of directors, which has now twice rejected Oracle's offers. And swallowing PeopleSoft is but the first step in what Ellison recently described as a massive plan to buy up parts of a software industry ripe for a wrenching round of consolidation.

Appearing recently before Wall Street analysts at the company's Redwood Shores, Calif., headquarters, Ellison mentioned other companies that he said were vulnerable to acquisitions -- Siebel Systems Inc., which makes customer service software, and

Commerce One Inc., which specializes in business-to-business software. "There are lots and lots of Silicon Valley companies," he said with his trademark bluntness, "that need to go out of business."

PeopleSoft chief executive Craig A. Conway, normally an understated kind of guy, has referred to Ellison's company in public statements as "diabolical" and compared him to Mongol warrior Genghis Khan. Conway has said he felt that by making its offer, Oracle was buying his dog only to subsequently take it out back and shoot it. To which Ellison replied, at a meeting last week with Wall Street analysts: "If Craig and the dog were standing next to each other, trust me -- I have one bullet -- it wouldn't be for the dog."

Oracle and PeopleSoft are in the "enterprise software" business, meaning they code, sell and service large software systems that make companies run. Those systems include functions such as accounting and personnel and inventory management. Oracle and PeopleSoft are the second- and third-largest companies, respectively, in this industry, after Germany's SAP AG.

Oracle built its empire on selling technology for managing large amounts of data; the software's popularity exploded through the years, and it is now used in industries around the world, powering trading systems, retail sales logs and criminal databases, among other things. PeopleSoft's story is the opposite: It started out by focusing narrowly on addressing personnel matters and then found that its technology could be used just as well in other fields.

The companies' personalities are very different, too.

Oracle's cluster of showy, shimmery silver buildings in Redwood Shores is just off the fabled Highway 101 that cuts through Silicon Valley. The area is by all accounts a cosmopolitan nexus, home to many powerful and fabulously rich people. PeopleSoft is headquartered here at a growing but still sleepy tech center half an hour east of San Francisco. It's filled with chain outlets such as Chevys and Burger King and mom-and-pop watering holes such as the Ya'll Come Back Saloon.

"The macho technoculture that is Oracle is very different from the touchy-feely, people-oriented culture that PeopleSoft grew out of," said Joshua **Greenbaum**, principal of Enterprise Applications Consulting, which follows the business software industry.

Measured by number of employees, Oracle is about three times as large as PeopleSoft plus its new acquisition, J.D. Edwards & Co.; by sales, it is some 3 1/2 times as large. While Oracle is known for its anonymous efficiency, PeopleSoft is known for its customer service. In fact, when Conway arrived in 1999, he had to add the word "competitiveness" to the company's mission statement. Yet he also strived to maintain the company's casual and collegial culture that PeopleSoft founder David Duffield believed in.

Oracle is and always has been a reflection of Ellison.

Ranked the sixth-richest person in the world by Forbes magazine last year, Ellison is one of the high-tech industry's most notorious figures. He's a daredevil who is both

hated and admired for his ruthless success. He's not one to conform to prevailing standards, whether in or out of the office. At the peak of the Internet boom, in 2000, he admitted that he once hired a private investigator to go through the trash of a pro-Microsoft Corp. trade group during the rival's antitrust trial. And instead of observing the curfews at San Jose's airport, he regularly flew his Gulfstream V jet into the facility after 11 p.m. He preferred to pay the fine rather than rearrange his schedule.

It is with that same attitude that he has approached the PeopleSoft battle.

Hostile takeover attempts are confrontational by their nature, but until now the high-tech world has been mostly exempt. The value of companies in this industry is typically measured by the caliber of its employees, the thinkers and tinkerers who create the products meant to transform the world.

A hostile bid for a software company is a bit like "setting off a neutron bomb" and then buying the place, explained John C. Coffee Jr., a law professor at Columbia University who specializes in corporate governance. Employees could flee and "you would have a hollowed shell. Software companies don't work well without human capital."

Ellison departed from that principle: He initially said he would fire all of PeopleSoft's 8,000-plus employees except for the top programmers, then discontinue the PeopleSoft product line. But after drawing fire from PeopleSoft customers, he reconsidered and said he would continue to support and even enhance its software for at least 10 years.

That did little to placate Conway and PeopleSoft.

Since receiving the 4 a.m. fax on June 6 from Oracle telling him his company had just become the target of a takeover attempt, Conway has tried many ways to stop Ellison.

Among Conway's biggest victories so far is his move to wrap up a merger with software maker J.D. Edwards, which Ellison opposed. Conway also put in place a customer-rebate program that not only helped reassure nervous customers but would saddle Oracle with extra costs if its acquisition effort succeeds. The program will give companies that purchased PeopleSoft products a rebate of up to five times the amount they paid if an acquirer were to stop supporting the system within a certain period. The refunds could potentially total \$375 million.

Pleasanton residents and PeopleSoft employees, too, are doing their best to fight back -- in officially unsanctioned but unofficially supported displays.

Pleasanton and PeopleSoft grew up together. As recently as a decade ago, it was just one of the many bedroom communities for people commuting to Silicon Valley or San Francisco. Then PeopleSoft built its 56-acre campus and other tech companies began to set up shop. PeopleSoft's \$800,000 a year in property taxes is now only a small percentage of the city's operating budget of \$74 million, but many people who live here regard the company as a historical icon that should be revered.

When Doreen Martin, 41, whose family owns the RPL Graphics printing shop, heard about the Oracle's takeover attempt, she offered to create about 400 "We proudly support PeopleSoft" placards free.

"Everybody in the area is afraid. . . . The fact is PeopleSoft would change if Oracle bought it, and I don't think any of the changes would be for the good," she said.

Last week, Mayor Tom Pico joined PeopleSoft employees in taking Martin's signs and walking door to door to businesses on Main Street, urging the owners to display the placards in their store windows.

Much of the resistance is being coordinated by a group of about 40 PeopleSoft volunteers who call themselves the "Power to the People" committee. They have distributed about 300 "Larry, Kiss Our Apps" T-shirts and 10,000 anti-Oracle buttons. They have tied sturdy blue ribbons around each of the 2,000 trees on the PeopleSoft campus, signaling support for their leaders. In addition, the rebels have set up a Web site, www.pttp.org, where people can learn how to help.

One founding member, 34-year-old Jeff Stalcup, said Ellison's recent comment about Conway and the dog has dominated conversations at water coolers and in hallways at the campus and solidified employee resolve to resist the acquisition with all their strength.

"It makes me happy I work for PeopleSoft. I can't imagine working for somebody who would say something like that. It's unconscionable," said Stalcup, who works in human relations.

Tamm's song about Ellison has become a rallying cry of sorts for the employees.

Written to the tune of "Jump, Jive an' Wail," it was called "Dumpster Dive An' Go to Jail" and referred to Ellison's sorting through trash in search of a rival's corporate secrets as well as to his attempt to buy PeopleSoft. It talks about "goin' to jail" and about "blackmail."

Tamm said its message is that "if competition-killing, hostile-takeover bids like Oracle's for PeopleSoft aren't against the law, they should be."

The song became a rallying cry for some. Among them is Jason Blessing, a director of information technology who came to PeopleSoft eight years ago after turning down a more lucrative offer from Oracle because he said he liked PeopleSoft's culture more. "It's a popular pastime here to make fun of Ellison," Blessing said.

The company's feisty response to Oracle over the past few weeks belies its image as a laid-back place. A recent cartoon in the San Francisco Chronicle put it this way: Ellison, portrayed as the Incredible Hulk, is having trouble crunching down PeopleSoft employees. "People NOT Soft," he says.

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