

STRATEGY SNAPSHOT: Oracle's Brilliant Opening Gambit for PeopleSoft.

BACKGROUND: The enterprise software industry is undergoing consolidation in reaction to declining demand and changing customer agendas. Oracle launches a surprise, pre-emptive, all cash bid for smaller competitor PeopleSoft, who a few days earlier announced their own merger with JD Edwards in an attempt to re-gain industry momentum.

ORACLE'S OPENING MOVE: On the morning of Friday, June 06, Oracle announces via a PR Newswire press release their intentions to acquire PeopleSoft in an all cash tender offer worth \$16 per share. The price offers a very small premium over PeopleSoft's market capitalization. Over the next few days Oracles declares it *might* be interested in JD Edwards for the *right price and terms* and discloses that it will *discontinue selling all PeopleSoft products*.

PEOPLESOFT'S COUNTER: PeopleSoft immediately adopts a siege mentality. After attacking Ellison personally, Conway renegotiates his golden parachute then convinces his board to unanimously reject Oracles offer while girding for a battle of attrition by suing Oracle for unfair competitive practices.

ORACLE'S ADVANTAGE: Oracle disrupts operations and dislocates PeopleSoft from its intended position without firing a shot. Oracle did a masterful job of **FIRST** attacking their adversary's plans. The surprise created by the hostile offer and the perceived threat generated panic and disarray. Meanwhile, Oracle can concentrate on taking market share from PeopleSoft and JD Edwards. Oracle gains significant competitive advantage with minimum effort.

TIMELINE

FRIDAY: 06.13.03

PeopleSoft Sues Oracle, Claims Interference With Clients
 PeopleSoft ups CEO severance package
 Oracle Criticizes PeopleSoft's Entrenchment Tactics
 PeopleSoft/Severance: Says Periodically Reviews CEO Pay
 Oracles' Phillips Finds Himself Under Fire In Lawsuit
 Web still abuzz over Oracle's bid for PeopleSoft
 Oracle Earnings Bolster Takeover Bid
 PeopleSoft Fights Its Satan
 Oracle gains as volumes grow, Intel cut
 Oracle upgraded by BoA, USB Piper Jaffray, Prudential, AG Edwards
 PeopleSoft Rejects Oracle's Takeover Bid

THURSDAY 06.12.03

Lawyers Doubt PeopleSoft's Antitrust Claim in Oracle Bid
 PeopleSoft Board Rejects Oracle's Offer
 Oracle Profit Up, Sees Sales Gains
 Oracle Comes In Stronger Than Expected
 J.D. Edwards sues Oracle, execs over PeopleSoft bid
 Oracle beats earnings target, touts wins vs. PeopleSoft
 Oracle CEO would mull application, tech cos for mergers
 J.D. Edwards Alleges Oracle Interfered With PeopleSoft Merger
 PeopleSoft Tells Off Oracle
 Deutsche Bank cuts PeopleSoft earnings view

WEDNESDAY 06.11.03

Moody's Downgrades Oracle's Outlook on Bid for PeopleSoft
 Oracle upgraded by Wells Fargo
 Oracle's Ellison Wants To Meet PeopleSoft's Conway;

TUESDAY 06.10.03

PeopleSoft Customers Look Askance at Oracle Deal
 Oracle: PeopleSoft Decides Not to Begin Litigation
 Oracle may have to boost PeopleSoft bid
 SAP Launches Sales Campaign to Woo PeopleSoft's Customers

MONDAY 06.09.03

PeopleSoft Shareholders Balking at Oracle's \$16 Price
 J.D. Edwards to Oracle: Beware antitrust angle
 Oracle Changes the Date of Its Q4 2003 Earnings Announcement
 Oracle Requests Meeting with PeopleSoft Board
 Oracle-PeopleSoft bid 'makes no sense'-Edwards CEO
 Furor Builds Following Oracle's PeopleSoft Bid
 Oracle Offers \$5.1 Bil For PeopleSoft In Bid To Block Edwards Buy

FRIDAY 06.06.03

PeopleSoft calls Oracle's bid 'bad behavior'
 Oracle's Phillips: Co. 'Serious' About PeopleSoft Deal
 SAP Shrugs Off Threat From Oracle/PeopleSoft Combo

THE ORACLE - PEOPLESFT MOMENTUM CURVE

Interaction

ORACLE'S
TRAJECTORY

PEOPLESFT'S
TRAJECTORY

ORACLE INCREASES ITS INTERACTION BY:

1. Announcing positive Q4 results
2. Receiving many analysts upgrades.
3. Seeding consolidation story.

ORACLE INCREASES PEOPLESFTS ISOLATION BY:

1. Launching a surprise hostile bid.
2. Announcing intent to stop selling PSFT products.
3. Spreading consolidation story.

PEOPLESFT ACCELERATES ITS ISOLATION BY:

1. Condemning Ellison and the offer.
2. Adding to Conway's golden parachute
3. Adopting war of attrition via lawsuits

Isolation

What are Interaction and Isolation Forces? John H. Boyd in his June 1987 briefing titled "The Strategic Game of ? and ?" describes how the related forces of interaction and isolation determine success and failure. Interaction and isolation are the primary determinants of MOMENTUM. Boyd describes interaction as opening-up and maintaining many channels of communication with the outside world, selecting information from a variety of sources or channels in order to generate mental images or impressions that match-up with the world of events by avoiding mismatches between what we say we are, what we are, and the world we have to deal with, as well as by abiding by those other cultural codes or standards that we are expected to uphold. Interaction within the business environment is described by activities we willingly, offensively or proactively take designed to open up opportunities of our choosing. The higher the degree of interaction we have the greater we control our own destiny - or the less control our adversaries are able to exert over our destiny. Boyd describes isolation as severing their (our adversaries) communications with the outside world as well as by severing their internal communications to one another and by presenting them with ambiguous, deceptive, or novel situations, as well as by operating at a tempo or rhythm they can neither make out nor keep up with. Isolation within the business environment can be described as activities we undertake in order to proactively deny our competitive adversaries access to customers, markets, products, technologies, employees, practices, partnerships and other proprietary or critical business functions. Additionally, isolation means undertaking activities designed to shape and influence the perception of our adversaries within all relevant constituencies and frames of reference. Full text of this briefing and other Boyd writings available at www.belisarius.com (2002)



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