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<td>Abstract</td>
<td>Aim: The aim of this research has been to answer the question of how and based on what combination of grand strategies, Oracle as a high-tech company, developed and improved its business and affected its competitors and other industries. Method: Analytical study of published literature and Oracle internal annual reports combined with personal experience of working with Oracle products and observing its strategies for more than a decade have been the essential part of this study. The main method of data collection was gathering information from those websites which include information and news around Oracle strategic movements. This research has applied that information to deliver an analysis of not only the Oracle current strategy, but its strategy for the future and tendency to expand its market and direct the information industry, moving forward. Result &amp; Conclusion: Being around for three decades, Oracle has had a great history of successful strategies with introducing innovation, leading software industry, and directing the future of information technology. It has been survived from many uncertainties as the nature of its business. Knowing its competitors, spending billions of dollars on research and development, filling the gaps of having the best products through acquisition, and creating valuable products and services for many industries, has brought Oracle on the top in its area. Its vision of sharing information and giving the world wide access to a comprehensive knowledge of using its products and services has increased loyalty in its customers and business partners. Oracle is a crucial company in this information age, and its products and solutions have been critically useful for a wide range of businesses. These are the facts which have been concluded in this study. Contribution of the study: Understanding of Oracle strategy is important for millions of managers, developers, and users of database systems and enterprise applications throughout the world. Being successful in their career and professional positions, they have to know where the information technology is moving and they have no choice of using those software products which a major part of it, is created or at least directed by Oracle. It can guarantee the future of information management in a company.</td>
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CONTENTS

ACKNOWLEDGMENTS .................................................................................................................. 2
INTRODUCTION .......................................................................................................................... 5
  1.1 Oracle at a Glance ................................................................................................................ 5
  1.2 Aim of the Study and Research Questions ....................................................................... 7
  1.3 Importance of the Study ..................................................................................................... 7
  1.4 Structure of the Research ................................................................................................... 8
  1.5 Summary ................................................................................................................................ 8
THEORETICAL CONCEPTS ........................................................................................................ 9
  2.1 The Nature of Success in Software Business .................................................................. 9
  2.2 Being the First in the Market ............................................................................................. 11
  2.3 Seamless Product Development ....................................................................................... 11
  2.4 Hiring Highly Qualified People ......................................................................................... 13
  2.5 Expanding Business through the Internet ......................................................................... 13
  2.6 Knowing Rivals and the Market Environment .................................................................... 13
  2.7 Acquiring Technology ........................................................................................................ 14
  2.8 Summary ................................................................................................................................ 14
METHODOLOGY ............................................................................................................................ 16
  3.1 The Method of Study ......................................................................................................... 16
  3.2 The Major Research Documents ....................................................................................... 17
  3.3 Summary ................................................................................................................................ 18
ORACLE STRATEGY IN BUSINESS DEVELOPMENT ................................................................. 19
  4.1 Being the First in the Market ............................................................................................. 19
    4.1.1 Oracle Database Major Releases ................................................................................. 20
    4.1.2 Crisis in Oracle ............................................................................................................. 22
    4.1.3 Repositioning Oracle ................................................................................................... 23
  4.2 Seamless Product Development ......................................................................................... 24
    4.2.1 Development Tools ..................................................................................................... 25
    4.2.2 Support & Services ...................................................................................................... 25
    4.2.3 Research & Development ............................................................................................ 26
    4.2.4 Public Relations .......................................................................................................... 26
    4.2.5 Partnering .................................................................................................................. 27
  4.3 Hiring Highly Qualified People ......................................................................................... 28
    4.3.1 Attracting Talents ....................................................................................................... 29
    4.3.2 High Rate of Turnover ................................................................................................. 30
    4.3.3 Loyalty ....................................................................................................................... 31
  4.4 Expanding Business through the Internet ......................................................................... 31
    4.4.1 Best-of-Breeds Approach ............................................................................................ 31
    4.4.2 Application Suite ......................................................................................................... 32
    4.4.3 E-Business Suite ......................................................................................................... 34
    4.4.4 Failing in Execution ..................................................................................................... 35
    4.4.5 Moving Business Processes to the Internet ................................................................. 35
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4.6</td>
<td>Revising the Application Suite</td>
<td>37</td>
</tr>
<tr>
<td>4.4.7</td>
<td>Market Interest in E-Business Suite</td>
<td>38</td>
</tr>
<tr>
<td>4.4.8</td>
<td>Web Hosting</td>
<td>38</td>
</tr>
<tr>
<td>4.5</td>
<td>Knowing Rivals and the Market Environment</td>
<td>39</td>
</tr>
<tr>
<td>4.5.1</td>
<td>Wild Advertising</td>
<td>40</td>
</tr>
<tr>
<td>4.5.2</td>
<td>Rational Movement in Competition</td>
<td>40</td>
</tr>
<tr>
<td>4.6</td>
<td>Acquiring Technology</td>
<td>41</td>
</tr>
<tr>
<td>4.6.1</td>
<td>Acquisition Strategy</td>
<td>42</td>
</tr>
<tr>
<td>4.6.2</td>
<td>Fusion Applications, the Future Shift</td>
<td>44</td>
</tr>
<tr>
<td>4.7</td>
<td>Summary</td>
<td>45</td>
</tr>
<tr>
<td>4.7</td>
<td>Summary</td>
<td>45</td>
</tr>
<tr>
<td><strong>ANALYSIS AND DISCUSSION</strong></td>
<td></td>
<td>47</td>
</tr>
<tr>
<td>5.1</td>
<td>Being the First in the Market</td>
<td>47</td>
</tr>
<tr>
<td>5.2</td>
<td>Seamless Product Development</td>
<td>48</td>
</tr>
<tr>
<td>5.3</td>
<td>Hiring Highly Qualified People</td>
<td>49</td>
</tr>
<tr>
<td>5.4</td>
<td>Expanding Business through the Internet</td>
<td>50</td>
</tr>
<tr>
<td>5.5</td>
<td>Knowing Rivals and the Market Environment</td>
<td>51</td>
</tr>
<tr>
<td>5.6</td>
<td>Acquiring Technology</td>
<td>52</td>
</tr>
<tr>
<td>5.7</td>
<td>Summary</td>
<td>53</td>
</tr>
<tr>
<td><strong>CONCLUSION</strong></td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>6.1</td>
<td>SWOT Analysis</td>
<td>54</td>
</tr>
<tr>
<td>6.2</td>
<td>Critical Reflection on This Study</td>
<td>56</td>
</tr>
<tr>
<td>6.3</td>
<td>Contributions and Future Research</td>
<td>57</td>
</tr>
<tr>
<td><strong>APPENDIX I</strong></td>
<td></td>
<td>58</td>
</tr>
<tr>
<td><strong>REFERENCES</strong></td>
<td></td>
<td>63</td>
</tr>
</tbody>
</table>
INTRODUCTION

Automating the process of information and analysis of high volume data has been effective in acceleration of industry and business in the new world of economy. Database, Data Warehousing, and currently e-Business systems have a vital role in this trend. I became interested in Oracle in 1993 when I started to work with release 7.3 of the its database. As a database analyst and developer, after fifteen years of working with Oracle products, I have never changed my enthusiasm about Oracle. These products changed my life style as a professional engineer.

1.1 Oracle at a Glance

Oracle is one of the world’s largest and successful software companies. They are running their business in a complex environment. Its database is a large piece of software with complexity at every level. They have been a leader in database and data warehousing for many years and now, because of all their investments, strategies and acquisitions, they are a leader in many segments of enterprise software as well. They are number one in middleware software, and in CRM, and are highly ranked in many other areas (OCAR, 1990 – 2008).

Oracle headquarter is located in a two million square foot area with a beautiful scenery, in Redwood Shores, California and its offices globally can be found in more than 100 countries. Oracle common stock, with a current share value of $19.86 per share and 20,505 stockholders, is traded on the NASDAQ under the symbol “ORCL” and has been traded since their initial public offering (IPO) in 1986. Their revenue for 2008 was more than $22 billion, with approximately $5.5 billion as net income, according to its annual report (2008). The core business of Oracle is innovating and bringing new technologies into the software industry. They are currently developing and enhancing nearly 3000 products, investing billions of dollars in research and development each year. As of May 31, 2008, Oracle employed 84,233 full-time employees, including 19,465 in sales and marketing, 7,642 in software license updates and product support, 28,215 in services, 20,607 in research and development and 8,304 in general and administrative positions. Of these employees, 28,079 were
located in the United States and 56,154 were employed internationally. None of their employees in the United States is represented by a labor union (OCAR, 1990 – 2008).

According to Oracle annual reports, Oracle technology can be found in nearly every industry around the world and are in the 98 of the Fortune 100 companies. Governmental and states organizations, top insurance companies, giant broadcasting and communication corporations, well known banks, big manufacturers, science and research associations, and many others are having at least one of the Oracle products in their database environment for a long time and they never regret of using them. Yahoo, Xerox, HP, General Electric, Toyota, Wal-Mart and thousands of companies are relying on Oracle software for their sustainable growth and development. These products enable them to transform processes and organizational structure, reduce operating costs, increase productivity and usability of their organization, leverage management supports and services, achieve flexibility to revolutionize enterprise performance, influence corporate outlook, and face increasingly competitive market (OCAR, 1990 – 2008).

Oracle is the first software company to develop and deploy 100 percent Internet-enabled enterprise software across its entire product line. It is the world’s leading supplier of software for information management, and the world’s second largest independent software company. Oracle has offered scalable, reliable, secure and integrated software solutions to adapt to organizations’ unique needs, to access and manage information at a lower total cost of ownership (OCAR, 1990 – 2008).

It is undeniable that Oracle, for all its contradictions, has become an enduring force in the technology industry. Its grasp on distributed database market and becoming a major player in enterprise applications at top companies worldwide, has made Oracle one of the leaders in this area.

What’s the strategy behind all its success in the software market for Oracle, and how it helped the businesses to achieve their goals in information management? Is it the leadership of top managers who strongly directed the company in all its falls and rises since 1977, to make it the third largest software company in the world, after Microsoft and IBM with a growing market share? Or it is the quality of principles, knowledge and organizational culture which employs creative and intelligent people with the goal of success, who can move the company to a level of complexity and competency that is somehow unimaginable for rivals to reach? Or it might be the case of worldwide alliances, partnership and aggressive acquisitions, which made them to have access to all valuable resources they needed to be strong in the market. That is the main focus of this study to find the missing parts of the reality which are rarely seen in other research documents, books and reports.
1.2 Aim of the Study and Research Questions

Oracle holds a number of corporate strategy beliefs that some of them are unique to a company of its size. In this research, those major elements of its strategy are investigated. It is analyzed how they differentiate themselves from their competitors, what is their top priority in new emerging information market; how they generate demands for their products; why they are still strong and leader in the software market while many are disappearing; how they sell their products and services to keep their customers satisfied in a long-term relationship; how they maintain their qualified executives and highly skilled employees in this global competition; what is the goal and process of too many acquisitions; and after all how they affect the business of other markets and industries to deal with their information.

Oracle has had both experiences of failure and success in its three decades of being in software industry. Two huge failures in 1990 and 2000 (Read, 2000 and Southwick, 2003) almost to the complete death and absolute disappearance from the market, caused by adopting the wrong strategies in marketing, sales, and development, could easily have placed its name in the list of failed companies in the history of business. In this investigation, the reasons for its survival are described.

1.3 Importance of the Study

Writing about Oracle strategy for me is not just about how it changed the business of many companies and organizations, it is also about changing the life of many software engineers, designers, developers, and IT managers around the world, and how it brought a decent profession, knowledge and prestige for them. It’s like being in a higher education after graduating from a regular university. In this rapid changing technology it’s very hard for many individuals and firms to choose the right directions in software technology. For me and all the companies I have worked with, Oracle has been always a right choice and bright decision. During these years I have never had any chance to study how a company like Oracle could be so helpful for business industry, and which strategy makes a company this much effective and valuable. Hopefully this MBA course has given me the opportunity to study about all I was waiting for, and I am so pleased that working on this research has not been doing only an assignment, but instead learning the great ideas and knowing the best strategies as well.
1.4 Structure of the Research

This study is organized in six chapters. The first chapter, introduces Oracle as one of the successful software companies and points out that there has to a strategy behind this success. The second chapter, conceptualizes a general framework of strategy with six factors (being on top of the market, holistic approach in product development, hiring qualified employees, moving business into Internet, being competitive, and relying on acquisition) for analyzing the successful companies in high-tech industry. In the third chapter, the methodology of this research has been described. This research is based on a qualitative method with study of existing Oracle documents, published books, and articles. There were no direct contacts in this research, because after four decades of Oracle presence in the business, finding people who know the whole history and the strategy of this company is not easy to manage in a few months. The forth chapter, explains the Oracle Strategy in Business Development. This chapter brings all the data, to show how Oracle performed its role in Software industry. The fifth chapter, analyzes the Oracle performance against the six factors to show how regardless of some failures, they have been successful as a whole. Oracle's plan for the future and the possibility of threats for this company are also discussed in this chapter.

1.5 Summary

This chapter has offered some general ideas in Oracle business strategy for the rest of the research. It is begun by taking a quick look of Oracle’s current position and its key role in the world of IT industry. Then the reason for this study and its importance has been described by asking a series of related questions which is going to be answered in this research to provide a criteria for a software organization’s effectiveness.
THEORETICAL CONCEPTS

*High technology is a “winner-takes-all” industry. Tony Seba (2006)*

**Strategy Framework in Software Industry**

Despite of many books and stories around the software companies, there is not much defined specific strategy framework to model their movements in the market. For many years it has been a secret for marketing analysts to find how some small companies, in a few decades, have converted the software business into a new giant industry. For this paper, the general concept of strategy in high-tech companies has been provided through three major books. “Secrets of Software Success” by Hoch et al (2000), is a comprehensive assessment of important issues in the software industry. Viardot (2004) in “Successful Marketing Strategy for High-Tech Firms” details the marketing principles and smart approaches that a few companies applied, to help them survive, then grow, prosper, and succeed among the troubles of the last decade, in the world of high technology. “Winners Take All” by Seba (2006), is a manifest of building a winner high-tech company, which identifies nine rules for a successful strategy in high-tech industry.

The general role of information management in revolutionizing the industry and business, with focusing on new trend toward e-Business, along with the guidelines and rules of being competitive software company have been reviewed and used for this study.

**2.1 The Nature of Success in Software Business**

Being a successful software company requires a lot of endurance: intellectual, emotional, and physical (Symonds, 2003, p300). The software industry has more uncertainty than many other industries. As Andy Grove of Intel described, “You need to plan the way a fire department plans: It cannot anticipate where the next fire will be, so it has to shape an energetic and efficient team that is capable of responding to the unanticipated as well as any ordinary event.” (Grove, 1996, p5)
Extreme uncertainty is combined with vast technological complexity; talent is extraordinarily scarce; and low entry barriers constantly attract competitors. In software development, product life cycles are among the shortest of all industries, being highly dependent on a technological environment that is rapidly changing (Hoch et al, 2000, p95-97). While the potential for creating wealth and prosperity in the software business seems almost boundless, very few remain or even became successful over time. The law of increasing returns—the more customers you have, the more you will get—allows only the top competitors to win. Oracle, Google, Microsoft, and SAP among others, are rare success cases. In fact, they are the exception, not the rule (Hoch et al, 2000, p12).

The top software players reflected more investor optimism than almost any other industry. How to survive in the software industry is a genuine challenge, and extraordinary failures have occurred along with many successes. We are witnessing many falls and rises of companies in this fast-paced environment. In their research “Billion Dollar Lessons”, Caroll and Mui (2008) studied the most significant failures of the last 25 years since 1980, most of which were working in the IT industry. Since 1980, two issues became clear in computing industry. First, software became a new industry in its own right with huge potential, and second, the uncertainty about the future, the speed of innovation, and the management challenges that it would take a tremendous amount of insight and capability for companies to thrive in such an environment (Hoch et al, 2000, p11).

Successful high-tech companies do not necessarily have the best product, but they do have the best marketing strategy. Due to the nature of the high-technology business, they have to spend more time strategizing than in more traditional businesses (Viardot, 2004,p34). To draw a framework of their business strategy, six key factors of success are examined, which all successful high-tech companies share. They are first in a specific segment of the market; they have a seamless approach in developing valuable products and are able of positioning a well-known brand in the market and extend it to related products; they have technical excellence and highly qualified people; they move faster than the others from a locally-managed business to the Internet and e-Business as an effective distribution channel. They know their market environment, their customers, and their rivals; and finally they do acquisition for the new technology, knowledge, intelligence, creativity and product innovation. These are the main element of a high-tech marketing strategy which can help them to adapt their business models to new changes of the industry, and identify their competitive advantage (Hoch et al, 2000, Intro).
2.2 Being the First in the Market

Leadership means holding the No. 1 position in a specific market. The business cannot take off at all unless it focuses to become the market leader and protect its leadership at all costs (Seba, 2006, p39). According to Seba (2006, 117), technology adoption is a social process. The majority of the market feels safety in numbers. As you gain market leadership you gain more customers, which add to your market leadership. Human beings instinctively follow leaders. Being on top of the market, high-tech firms use cannibalization as a strategic tool.

According to Hoch et al (2000, p146) continued market leadership and cannibalization (reduction in the sales volume, sales revenue, or market share of one product as a result of the introduction of a new product by the same producer) closely correlate. Cannibalization is a prerequisite for continuous innovation. In fact the cannibalization rate is one of the strongest and most distinguishing differences between successful and unsuccessful companies. It can build up a basis of trust that is required to reassure buyers of high-tech products. This is how successful high-tech firms stay ahead of their competitors (Viardot, 2004, 176). Most successful companies introduce a new product during the growth phase of the previous one, and this makes the previous one obsolete. To succeed this strategy, the customer is made to believe that the future will pass him by if he does not migrate over to the next version.

2.3 Seamless Product Development

One of the most important concepts for defining strategy for a high-tech product is the concept of “Whole Product” which is the combination of products and services along with all internal and external resources that can achieve the customer’s buying objective (Seba, 2006, p20).

Providing an open architecture, running on many platforms, minimizing the cost of ownership, investing on R&D more than competitors, creating a supportive network to build confidences and trustworthy in customer’s mind, becoming a standard technology, and positioning the brand are the main characteristics of a successful high-tech product development process (Viardot, 2004, p43-48).

Product development in high-tech industry is an expensive undertaking. Successful companies always go back to their prospective customers to validate the assumption and involve them in development process (Seba, 2006, 19). They add value to a product, not feature. They first focus on
understanding what customers do value and are willing to pay for, and then they invest their resources in delivering that value. They keep innovating in a way that makes their product increasingly valuable to them. Value generation is a never-ending process (Seba, 2006, p52-55).

Customer needs often change rapidly and unpredictably in high-tech markets. Successful companies are positioned to anticipate those needs and respond them through the development of new value-focused capabilities (Slater et al, 2007). Moreover intensified global competition and advances in technology are shortening the life cycles of products and process innovations, which make those companies to reposition themselves in more profitable industries more frequently. They are required to constantly create new technological know-how, establish first-mover advantages, adjust to new actions of their competitors, and maintain strategic flexibility (Hoyt & Sherman, 2004).

Because the current high-technology will become obsolete quickly, companies have to make major investments in research and development which are very risky and costly (Viardot, 2004, p24). They don’t define their mission in terms of the product or the technology. They instead focus on the market and the customers, because they know that products and technologies will pass but the needs and wants of the customers will continue to exist (Viardot, 2004, p33).

Positioning has emerged as one of the most important elements in marketing strategy, since Al Ries and Jack Trout introduced it to the business world in the early 1980s. They defined positioning as “how you differentiate your brand in the minds of your customers and prospects” (Seba, 2006, p86). As an effective positioning strategy, high-tech firms try to generate buzz among “influencers” instead of relying solely on traditional advertising. Only when their brand image was established they spend money in advertising to maintain that image and notoriety (Viardot, 2004, p217). They are also very savvy about the preannouncement of their product before they are ready for market. Preannouncement can help to fuel demand by creating some “buzz” in the market. It can also help customers to plan more efficiently for their purchasing and technological development. This tactic is widely used mostly to maintain a high-profile leadership position. Innovative companies use preannouncement as a way to dissuade competitors from entering the market with similar products (Viardot, 2004, p233).
2.4 Hiring Highly Qualified People

Intellectual resources are a fundamental asset for companies and having talented people could have major competitive impacts. A significant part of a firm’s competency comes from innovative people. They not only create new ideas, but also know to take ideas and move it into a customer values.

High-tech companies accommodate range of work styles and personalities to attract enough talent. They share the profits with their employees using techniques such as stock options to link performance and financial rewards, as a key factor to their success (Hoch et al, 2000, p47).

These companies are characterized by a high rate of turnover. This is mostly an advantage, because the new employees are the ones who often bring the new ideas, which is hard to be provided by the existing employees.

2.5 Expanding Business through the Internet

According to Viardot (2004, p51-52), viewing the physical operations more effectively through large-scale information systems to coordinate activities; substituting virtual activities for physical ones; building smart distribution channels, creating a network of partnership; and moving from a product-oriented company to a services oriented, are the main steps toward becoming successful in high-tech industry.

Internet and e-business technology had big role to change the scope of business from a local-based scale into a global-based, and those high-tech companies who were able to adapt quickly enough and thoroughly enough to the new infrastructure, could make the transition to market leadership.

2.6 Knowing Rivals and the Market Environment

An essential characteristic of high-tech markets is competitive dynamism (Slater et al, 2007). According to Viardot (2004, p107) successful high-tech companies outsmart their competitors. They know how to identify competitors, and analyze their competitors’ strategies, while incorporating the technological dimension. They also have organized a systematic monitoring strategy for competitive
information. They are aware that any underestimation of competitors can lead to a quick death in high-tech industries.

Successful high-tech firms are creating more markets rather than battle for existing market share. Their main focus is to understand their customer’s need in order to respond better. They are skilled in leveraging the value of their customer-installed base. They treat customers differently, on the basis of their long-run value, and consequently, they manage to increase the durability of the relationship with large and profitable customers. Moreover, they boost their revenues with selling of complementary products or services (Viardot, 2004, p93-94). They use marketing research to study user behavior, product testing, corporate image evaluation, and customer satisfaction, which improve their business processes, and accelerate the market penetration of a new product.

2.7 Acquiring Technology

Pro-active acquisition of new technologies is a normal behavior of the successful high-tech firms. All ‘Big Four’ software vendors: Oracle, Microsoft, IBM, and SAP try to fill out their product portfolios, and pursue their own distinct acquisition strategies. They use external resources, by directly buying market share and innovation competencies, rather than developing everything internally, to minimize fixed investment and accelerate the adoption of a new technology. The trend for acquisition has accelerated since the Internet bubble burst in 2000. Examples are numerous in various high-tech industries, and major innovations come from outsiders. (Viardot, 2004, p57) According to Seba (2006, p155) Integrating the acquired companies is known to be difficult for any high-tech firm which can distract the management. Cultural fit problems, technology integration problems, logistical issues, and many others can be the consequences of an acquisition. About 70% of acquisitions fail to add shareholder value.

2.8 Summary

Within this chapter, the nature of success in IT industry has been examined by introducing a business strategy in a framework of six major components: being a leader or a top player; developing the concept of ‘whole product’ by combining precious products with valuable services; hiring the most talented and qualified people; transferring into a virtual organization environment using the highest
capabilities of the Internet technology; Understanding the nature of true competition and the customer needs and desires; and finally buying the innovation competencies by smart acquisition strategies.
METHODOLOGY

The number of literatures dealing with strategy of Oracle is not to a great extent, and only a limited number of studies are devoted to this subject, paying attention to its markets, activities, strategies, competition, and customers. In most of the books and articles, authors have discussed more about its founder, Larry Ellison, and his personality, private life, and also his leadership toward Oracle success. With all the shortage of researches on these key issues, there are still a reasonable amount of information around Oracle marketing strategy, in Oracle technical documents, Oracle magazine and its twenty years of annual reports, which have been a great part of this research. Also there is a chance to find some general reports and news on the web, regarding the Oracle strategic movement and the way they compete with others, but most of that information are scattered, and it makes it hard to manage and organize them in a research document. This study is uniquely gathering those dispersed information in one single research, which is hard to find in any other researches, and it will be useful for those IT managers and professionals who are following the strategy of leading software companies like Oracle, to set the strategy of information technology in their companies, and to make a better decision in choosing their requirements for the software products. It is also a useful guideline for executives and managers in high-tech firms as the steps they need to take to increase their possibility of success.

3.1 The Method of Study

In this research, a qualitative method has been chosen to include all sources which already exist. In a period of seven months, I reviewed every book, article, and online paper regarding to Oracle strategy. Analytical study of published literature and Oracle internal annual reports combined with personal experience of working with Oracle products and observing its strategies for more than a decade have been the essential part of this study. In the reference section I have provided everything that I have studied for this research. Although some of them have not been used specifically for the purpose of this writing or eliminated during the process of modification, but they have not been removed from the list to provide a wider range of references for the reader.
3.2 The Major Research Documents

Amongst them, there are a few publications that make the framework of this research. Oracle Strategy has been specifically discussed in five major research documents:

1. “Softwar” by journalist Mathew Symonds (2003), is an exclusive insight into both Oracle and its founder, Larry Ellison. A major part of this book comes from the private interviews and close relationship with Larry Ellison which made them close friends and an also an assumption was made that Ellison was paying him to write this book in favor of Oracle and its founder. By all means this book has revealed many untold stories to the public.

2. “The Oracle Edge” by Professor of marketing, Stuart Read (2000) describes the strategy and culture that has helped Oracle survive the brutal competition and technology shift that have destroyed many software companies, and left only a few. He worked in Oracle for six years as marketing director, and he knows Oracle and its strategy and management philosophy well in detail. His book has been a major reference for this research.

3. “Software Rules” by Mark Barrenechea (2002) is a proposal for Oracle e-Business strategy, which provides a roadmap for transferring an organization’s information systems. He was working as senior vice president of CRM (Customer relationship Management) products for Oracle at the time he wrote this book. Most of the book is Oracle perspective and interest in e-Business which has been promoted by the author.

4. “The Oracle of Oracle” by journalist Florence Stone (2002) is a profile of Oracle history and its business strategies that made it a competitive company with the vision, talents, and products to survive in the economic storms. In her book, she is convincing her readers that regardless of all egoism and arrogance of Larry Ellison, most of the Oracle success comes from his personality, creative ideas that he has taken to the marketplace, and also the ability to recognize good ideas which made him an effective business leader.

5. “Oracle Annual Reports 1990 - 2008” are comprehensive reports of Oracle activities on financial performance, software and services business, competition, strategic planning, restructuring, acquisitions, and many other information. Oracle website includes a great amount of information around the company and all its products documents. In this study, most data around Oracle activities are coming directly from these major resources.
This research has applied all the information from those major books and other resources to deliver an analysis of not only the Oracle current strategy, but its strategy for the future and tendency to expand its market, and direct the information industry, moving forward.

3.3 Summary

Within this chapter, the qualitative method of study has been described, and with the little amount of information on Oracle's business strategy, five major resources (four published books along with oracle annual reports for two decades) have been used as the framework of this research.
After reviewing all the related literatures, and having the six major factors as the framework of the research theory, this part of study shows how a software company like Oracle as a member of the high-tech industry has accomplished by employing those factors as criteria. The general concept of these factors has already been discussed on the second chapter and this part shows the application of those six factors in Oracle.

4.1 Being the First in the Market

*It’s better to be first than it is to be better. Al Ries (#1 of the 22 Immutable Laws of Marketing)*

In June 1970, Edgar F. Codd, an IBM researcher, published an article describing a new kind of database. The article, “A Relational Model of Data for Large Shared Data Banks” was very dense material, but the theory was brilliant. In 1976, IBM published another set of papers: “System R: Relational Approach to database Management.” The collection was an instruction manual on how to build relational software (Ehrenhaft, 2001, p50). Using those instructions, Oracle, an entrepreneur company, founded by Larry Ellison, was the one who built the first commercial relational database. Ellison didn’t create the idea, IBM gave it to him, but he made himself rich through ceaseless work, brilliant strategy, unrelenting optimism, and ruthless determination (Wilson, 2002, p71). Oracle had its relational database up and running around 1977. The Oracle database software was the firm’s core product, and was sold through a sales force directly to IT managers and their staffs (Stone, 2002, p16).

CIA was the first customer for Oracle and a testing environment for its database. It took the company a couple of years to deliver something to the CIA, but for a long time what it delivered was really not usable as a database. Oracle in the early days was by no means a worthless product. People bought Oracle not so much for what it could do but for what Ellison said it could do (Wilson, 2002, p94-103). According to Ehrenhaft (2001, p61) “Ellison’s business strategy at the time, was so simple.
People at Oracle called it GTM—Get the Money, and nothing else mattered. Ellison was interested in one thing: selling Oracle, any way he could.” Initially Oracle didn’t have the best database from a technical perspective, but it got enough sales to establish first mover advantage (Southwick, 2003, p77). By selling incomplete products, Oracle was trying hard to build market leadership against its competitors who were emerging in the relational database market. Oracle knew that it was not enough to be one of the top players in database, it is crucial to be the top player. To establish its early lead, and dominate it, Oracle needed to be the first in the market. It had an advantage in database software because none of its competitors offered a similar global solution, enabling Oracle to pursue the largest deals. Two years later, they produced version 3.0, a portable database. This portability feature was a pure genius idea that became a major part of Oracle’s success (Wilson, 2002, p77). Running database across different hardware and operating systems made it invaluable. Eventually, the software became available for a range of minicomputers, as well as mainframes and PCs (Kaplan, 1999, p138).

Oracle marketing strategy was to sell on the strength of three characteristics: portability, connectability, and compatibility. Portability was the key idea that Oracle software worked on many different kinds of machines; connectability meant that users could link Oracle databases running on different machines; and compatibility meant that it was compatible with other relational database software (Wilson, 2002, p121). The choice of SQL language and the push to make it the industry standard, created a herding effect. In 1986 the database committee made SQL the official standard for relational query languages (Wilson, 2002, p129). Version 6.0 was released in 1988. It was supposed to be truly great, but it wasn’t. It wasn’t working; performance was bad; it wasn’t reliable; and a lot of features were missing. (Wilson, 2002, p186) The decision to ship Oracle 6 unfinished was the beginning of a sea of troubles that came close to overwhelming Ellison and destroying the company (Symonds, 2003, p74).

4.1.1 Oracle Database Major Releases

The company released Oracle 7 in June 1992, which hit the market and was miles ahead of products from its major competitors: IBM, Informix, and Sybase. Its launch as a real branded product saved the company from the big catastrophe in the early 1990s. Oracle database technology became a platform upon which many companies depended to build their information management system (Southwick, 2003, p56). Oracle 7 was the product that Oracle’s long-suffering customers had been
waiting for years to get their hands on. When it was released, customers loved it and the pains of version 6 were largely forgotten (Southwick, 2003, p17). Right after, Oracle introduced an inexpensive PC version of its database, which allowed the average corporate employees to become familiar with the relational database technology and SQL language. It was also a marketing strategy to make Oracle more popular (Wilson, 2002, p130).

Oracle’s market leadership was the direct result of its technology leadership and breakthrough innovation. In 1999 Oracle delivered what proved to be the most important enhancement to its database since the first introduction: Oracle 8i, the Internet version of its database and the first global and object-relational database, which had the Java programming language built-in. According to Oracle annual report (2000), this Oracle-Java combination formed a powerful platform ideally suited for developing the next generation of Web applications. Oracle itself, along with many other companies, started using Oracle 8i for its e-businesses. All ten of the world’s largest Web sites at the time, from Amazon.com to Yahoo, were relying on the Oracle database to handle huge numbers of users and enormous quantities of information. Oracle 8i was a big move from a client/server computing model towards a multi-layer architecture, which was completed on the next version, 9i released in 2001 with 400 new features (OCAR, 2000).

In Release 9i, Oracle introduced the concept of clustering, called RAC (Real Application Clusters). According to Ellison, “Clustering changes the entire computer industry. The computer industry is based on the principle of scale: a big application runs on a big and expensive computer which typically cost upward of $2.5 million, but if you can make a bunch of cheap little computers look like a big one, then you have altered the economics of the industry, and that’s exactly we have done with 9i clusters. We have been able to take a group of cheap Windows or Linux computers, cluster them together, and run the applications.” (Symonds, 2003, p255) Oracle’s RAC was not a good news for hardware companies like Sun, HP and IBM who were building big and fast computers (Symonds, 2003, p237), but Linux could make a huge additional step. Corporate data centers could now be filled with racks of cheap two-processor Intel boxes. They could provide availability and speed superior to those of million-dollar multi-processor computers or giant mainframes (Symonds, 2003, p479).

Two years later in 2003, Oracle 10g (grid) was released, presenting the concept of grid computing. Oracle 10g had an extension of clustering that made it the computing equivalent of the electricity grid, automatically balancing loads, allocating resources, and scheduling jobs. The grid
was Oracle’s answer to high-performance, low-cost, and fault-tolerant computing (Symonds, 2003, p479). In 2007 Oracle released 11g with 482 new features. In this version, Oracle offers intelligent automation tools to create a self-healing database, along with many other features to make database infrastructure efficient, resilient, and manageable.

4.1.2 Crisis in Oracle

The Oracle way in the 1980s was to sell the product aggressively to sustain sales growth at 100 percent annually; no matter what the bugs were; no matter how customers were misled; and no matter how exorbitant the pricing was. The point was to keep pumping up sales numbers (Kaplan, 1999, p140). Determined to win early market share, Oracle built an aggressive sales force. In 1980s, “double revenue every year” was the motto. Ellison was all behind the sales force. He let them do whatever they wanted as long as they made their numbers. The culture was that no one was asking questions. Everybody was doing his own way and was making his number (Southwick, 2003, p61).

The ways Oracle managed its sales force, ranging from aggressive compensation planning to complete infrastructure creation, provided insight into how a company can accelerate growth into a new market. The Oracle sales force, known as ‘cowboys’, was extreme in every way: nothing mattered but numbers, and there was no substitute for revenue (Read, 2000, p78).

Oracle goal was to gain market share at all costs. The strategy of the sales force at the time was focused on winning customers at all of the Fortune 100 companies. The assumption was that if Oracle could satisfy all of the large, demanding, high-profile organizations, it would be able to move down to smaller companies and win easily. In addition to focusing on the target market, they introduced a new sales tactic to drive Oracle’s pursuit of market share. The concept was delivering low prices through a large discount up to 80 percent based on the importance of a particular customer and the volume they were willing to buy. As was proven out, it did later cause problems for Oracle both in terms of a business and perception and it was one of the big factors that led Oracle to crash in 1990 (Read, 2000, p97-100). With its aggressive strategy in sales, Oracle doubled its sale each year in eleven of its first twelve years. There was no balance between development and sales. Ellison’s inexperience in leading a large organization and his eagerness to push fast growth blinded him to the problems that greatly affected the company two times in its history of business (Southwick, 2003, p90).
The strategies of an over-aggressive sales force and over-promising on their products came back to haunt Oracle, and outpaced its ability to manage it (Wilson, 2002, p218). For one decade, Oracle had put in place questionable strategies under the “growth at all costs” doctrine and in 1990, the company had to pay for it (Read, 2000, p183).

Many of Oracle’s missteps were focused on making the company appear larger than it really was to the outside world including ‘booking revenue early’, ‘Suffering the channel’, and ‘paying the price of the discounts’. In the late 1980s, Oracle took the most optimistic route in booking its revenue at the earliest point in time. As a result of this practice, Oracle was always a quarter ahead of itself in stating booked revenue, hoping that only a few of the current customers would return their Oracle products and ask for their money back. In early 1990, this caused the collapse, because more customers returned the software than Oracle expected and even more customers couldn’t pay their bills on time. Simply denial was the only explanation why anyone couldn’t see the crash coming (Read, 2000, p184).

In 1990, the Securities and Exchange Commission investigated Oracle, for pervasively inadequate accounting and billing practices and Oracle was forced to restate its 1990 earnings. This ended up costing the company $24 million, but the bad press was much worse and people began to doubt Oracle’s honesty. Oracle was in serious trouble. On March 27, 1990, Oracle announced that third-quarter revenue increased 54 percent, but the profit increased only 1 percent. The following day, Oracle’s stock price plummeted from $25.38 to $17.50 a loss of 31 percent. (Ehrenhaft, 2001, p71)

4.1.3 Repositioning Oracle

This crisis compelled Ellison to look outside Oracle for its future leadership. He looked for those who had worked previously in mature companies, and acknowledged that this aspect of the business was better left in the hands of someone who could give the area the attention it needed. Jeff Henley a world-class, technically competent CFO with a wealth of experience in finance, and Ray Lane, an operational manager, along with Ellison, were the troika that repositioned Oracle for its most spectacular growth during the 1990s and governed the company through another successful decade. (Southwick, 2003, p96)

Lane took on the organization challenges at Oracle as chief operating officer, reorganizing the sales force, building Oracle’s service operations, and establishing rigorous management processes inside the company (Hoch et al, 2000, p63). He put together a team of experienced people who went
through each business practice and came up with the best (Southwick, 2003, p117). He brought credibility to Oracle customers, pushed his idea of accountability to the customers throughout the organization (Southwick, 2003, p121). He brought discipline and process to Oracle. He took Oracle, as a single product technology company, and worked to re-target it, building a complete seamless product line and concentrating on building brand for the company (Read, 2000, p187). At the same time, Jeff Henley brought discipline to the operation side of the business and set new strict accounting policies (Read, 2000, p187). Most of the changes Henley made were common sense ones and only seemed revolutionary because Oracle had been lacking in common sense (Williams & Hart, 1999).

Oracle experienced the hard lessons of growth. The lessons learned positioned the firm for even greater growth (Stone, 2002, p136). The crash happened at a time when the economy was in recession, and because of it, fewer large corporate customers were investing in information technology infrastructure like database technology. As a result, Oracle didn’t lose a huge market opportunity as it was rebuilding itself, and Oracle competitors could not capitalize as much on Oracle’s misfortune (Read, 2000, p191).

4.2 Seamless Product Development

The art of marketing is largely the art of brand building. (Kotler, 1999)

After creating its first database, Oracle focused on strategies for branding and positioning the product, to penetrate beyond the large companies and make it popular among small and medium size businesses which were a larger market. After a decade of extreme advertising, Oracle realized that communicating technical product features is not the most effective way to spend marketing dollars, but it is achieved by marketing the business value proposition of products and the company brand name. According to Hoch et al Brands serve to hold the value propositions in the minds of consumers, even if the products themselves change or are discontinued. They are the key to building market leadership. Brands have the ability to convey positive images of the company and its culture. For Oracle, this becomes important for its complex product, because the product design leaves more room for differentiation in the market (Hoch et al, 2000, p137).
4.2.1 Development Tools

To support and positioning its core database software, Oracle offered its development tools, to attract more customers and help them build their own complete integrated applications and automation systems based upon the Oracle database. In 1999 Oracle released Designer & Developer/2000, one of the best database design and development tools at the time, which could be used on different platforms. It was a well-known tool for serious corporate development. The current Oracle Developer Suite is the most complete integrated development environment, combining the power of application development and business intelligence tools in a single product suite. (OCAR, 2000)

4.2.2 Support & Services

After having many challenges of being a trusted services company for a long time, Oracle now has an effective strategy in support and services, to position its core products. According to the Oracle annual report (2008), Oracle Consulting assists customers in successfully deploying applications and technology products and helps them achieve measurable business results, manage their total cost of ownership and reduce their deployment risk. In 1999, Oracle significantly changed its consulting services by introducing e-consulting, which customers have direct access to the expertise accumulated by Oracle in the process of transforming its own business to the web. Oracle Web site has become central to the company as a vehicle for delivering software, services, support, and education (Stone, 2002, p108). Oracle Web site is less about marketing and more about education. Oracle also developed the concept of ‘guided selling program’ that is used by salespeople to educate the customer about capabilities and what applications best addresses their needs (Higgins, 2002).

Oracle on Demand provides multi-featured software and hardware management, and maintenance services that deploy Oracle database, middleware, and applications software over the Internet. On Demand offerings provide customers with flexibility in how they manage their IT environments, giving an opportunity to lower their total cost of ownership (OCAR, 2008).

Oracle provides education and training to accelerate the adoption of its technology and to spread expertise to IT professionals. They offer thousands of courses covering all products (Symonds, 2003, p150). Founded in 1999, Oracle University enrolls more than 500,000 students annually to 3000 different courses. It has a total of over 5000 employees in almost 150 countries. It’s a strategic business of the company (Stone, 2002, p111). Oracle iLearning is an enterprise Learning
Management System (LMS) and a core component of Oracle’s E-Business Suite. It provides a complete infrastructure for organizations to manage, deliver, and track training for online and classroom based environments. Its Knowledge Center is the central access point to Oracle University’s vast library of e-learning content. New courses are regularly added to the Knowledge Center, providing users with the information and training they need to master new products or to increase proficiency on earlier releases (OCAR, 2008).

4.2.3 Research & Development

Rapid technological advances, changing customer needs and frequent new product introductions and enhancements, characterize the software markets in which Oracle competes. Because of this, research and development has always been a key focus at Oracle, and essential to maintaining its competitive position (Apgar, et al, 2005). Oracle is dedicating resources to research and development efforts to maintain and improve its current product offerings, to innovate multi-platform products, clustered database, and e-Business Suite, and is now spending billions of dollars on the Fusion Applications (OCAR, 2008).

4.2.4 Public Relations

To sustain the market leadership, Oracle needed to initiate a public relations effort to build a brand name and to manifest the image of company. The opportunity came in 1993, when Oracle created a New Media division with the goal of developing database software to store multimedia data (Read, 2000, p199). The idea caught the attention of telephone companies wanting to offer video on-demand (VOD) to their customers (Read, 2000, p199). Oracle invested heavily in the marketing of New Media, but the company never gambled the entire business on the effort (Read, 2000, p199). The barrier, turned out to be economic, not technical. At the time, the market was too small to make up for it (Symonds, 2003, p109).

The next strategic move for Ellison to make Oracle popular was in 1995, with the idea of replacing the PC with a browser-based device which would be less expensive, and easier to use and administer, named “Network Computer (NC)” and then NCI as the internet version (Read, 2000, p202). The goal was cutting Microsoft out of the picture, but it came to a fight against all PC makers. In response, the rivals went on the offensive, by reducing the cost of the PC, and improving PC
usability and administration (Stone, 2002, p154). The whole idea of NC was headed for disaster, and Oracle never gave the project a chance (Read, 2000, p205).

Although both video server and network computer failed, and nothing became a reality, but the company’s visibility grew (Stone, 2002, p194) and they fundamentally changed the public perception of Oracle. At the beginning of the 1990s, hardly anyone had heard of Oracle except for IT managers, but by the middle of the decade, it was widely recognized by technology investors and readers of the business press (Symonds, 2003, p100).

As another move in public relations, Ellison’s Medical Foundation was formed based on Dr. Lederberg’s evolutionary ideas in biology (Symonds, 2003, p382), which funds research into finding cures for diseases of the elderly. Ellison is also a major owner of Quark Biotech, a firm that is seeking a cure for cancer (Stone, 2002, p182). Oracle founded “Help Us Help” as well, which donates computer equipment and software to schools and youth organizations. In addition, they founded “think.com”, a web-based educational experience, with free Web pages and learning tools for students. They also sponsor the Oracle Internet Academy, which teaches computer skills to high school students (Peters, 2003, p38).

Building trust with customers is another way of positioning, and Oracle has used the most successful techniques to build the trustworthy image. By activities such as sponsoring IT conferences, building online web communities, publishing the firm’s success stories and its own magazine, and developing methodologies or solutions that effectively can be reused for other clients, Oracle has been expert not only in establishing trust with its clients but also in deepening it over time.

4.2.5 Partnering

As a strong strategy, partnering has taken a new dimension in the software industry. There is no growth without partnering activities. Alliances are not a convenience; in most cases they are a matter of survival. Oracle found that it could not win alone in this market, realizing that partners can create market volume, fill the gaps in technology, shorten the time to market, increase market penetration, and let the company focus on its core competencies. (Hoch et al, 2000, p21)

Moreover, according to Hoch et al (2000, p201) competition nowadays, is not just between a few companies. They are competing within a business web and against the other webs. Webs are among the most competitive forms of cooperation. For web partners that are close allies, and especially those that might perform a critical piece of the value proposition, selective sampling of their performance is
critical. To do that, Oracle has periodic customer surveys about their partners and also certifies them. Being certified is a priority for Oracle partners. Furthermore, partnering in several webs, simultaneously, is a powerful way to diversify risk, and increase sales potential. Oracle has played this role for a long time by offering its software products on multiple platforms and operating systems. Oracle directly markets and sells its products and services primarily through its subsidiary sales and service organizations. It also does this worldwide, through indirect channels, who are members of the Oracle PartnerNetwork. This is a global program that manages business relationships with a large, broad-based network of companies, including independent software vendors, system integrators and resellers who deliver innovative solutions (OCAR, 2008).

4.3 Hiring Highly Qualified People

Get the best and brightest young people from the top schools, throw them in, and let them sink or swim.

Larry Ellison (Southwick, 2003, p64)

Oracle looked for the best people it could find to work on its products, particularly its kernel groups that were responsible for designing and building its core database software products. Two decades later, nearly all the people who were brought into engineering team at the time, despite middle age and huge wealth, are still involved in cutting-edge work on the latest version of the Oracle database. (Symonds, 2003, p70)

Ellison liked the idea of overqualified people in every area of company (Southwick, 2003, p37). To him, there was no power greater than the human mind. When hiring, Ellison valued integration more than experience and maturity. He insisted that his recruiters hire only the finest and the cockiest of new graduates. This culture had a lot to do with Oracle’s success (Wilson, 2002, p8). Experience didn’t matter; matching for the job—which would change in a year or two—didn’t matter. What mattered were innovation, creativity and challenging the ideas. He forced people to think through ideas to their ultimate possibilities (Southwick, 2003, p64). Oracle hires a large number of employees with little or no prior work experience. The reason according to Read (2000, p165) is because new hires don’t know any better. They don’t bring any preconceived ways of doing things to the job. They rarely say a task is impossible because they don’t have the experience to know. As a result, they put creative minds to work on a problem and come up with an ingenious answer. Oracle understands
what it takes to attract the individuals it targets and uses appealing techniques and attractive compensation packages, to get them to sign up (Read, 2000, p143).

Software development is a challenging task and a high-risk undertaking. Immense complexities and a large number of potential traps and pitfalls need to be managed. Oracle is one of the few companies that have handled it well. It has focused on finding and leveraging the most talented developers and applying a range of tools and methods to reach success. Oracle teaches its people to win, by setting down a challenge for a team and richly recognizing team members when they accomplish it (Read, 2000, p162). Oracle gives its employees power and room to excel, by giving them the freedom they need to get their job done (Read, 2000, p164). The company wants people with intelligence and ambition. You need to know how to prioritize, how to move from an idea to results, and you need strong networking skills. Oracle is divided along functional, not product lines, so employees must have solid relationships with people in the other divisions to stay on the top of things (Stone, 2002, p55-66).

Oracle puts serious effort into getting employees to personally understand that they are owners of the company and they should think like stockholders. Rarely has Oracle approved the use of a consultant or a contractor. The subtle line of distinction is drawn around the idea that Oracle wants its own employee to do the thinking about Oracle issues. (Read, 2000, p167-169)

4.3.1 Attracting Talents

Oracle’s stock option program is a major component of its people management, which is provided to attract and retain certain of its talented employees, aligning their interests with the interests of existing stockholders. Oracle is not a socialist company. Giving an employee no raise or bonus is Oracle’s way of letting an individual know it’s time for a change. Oracle does not care about seniority or experience when it chooses which employee to put in a position and what to pay to that individual. Everyone at Oracle has an opportunity every year to advance. This equal advancement opportunity is the heart of personal motivation and the reason why many Oracle employees come to work in the morning. Instead of being afraid of change, Oracle depends on it. To be able to adjust to its rapidly changing marketplace while keeping the organization alive and demanding the best from individuals, Oracle reorganizes itself every year, and that has a big impact on the sales, marketing, and product line. However, there is one exception: the core technology team that writes the software
4.3.2 High Rate of Turnover

Oracle is great for individuals who want to scale the mountain and don’t care who gets left behind. Therefore Oracle has wasted intellectual capital competing with itself. If it spent a fraction of that energy on its competition, it would be twice the size and should have become the market leader in many of its other products (Southwick, 2003, p255). Ellison tended to reach down in the organization and promote people way over their heads, then dump them when they failed (Southwick, 2003, p260). Oracle, more than any other company, has produced executives and managerial talents who have the fortitude to go off and run their own businesses, and have often become key rivals of Oracle. As a result, Oracle is surrounded by competitors and partners who know it from inside, people like: Tom Siebel founder of Seibel Systems, Craig Conway who runs PeopleSoft, Greg Brady of i2 Technologies, Marc Benioff leader of Salesforce.com, Mike Fields who runs Open-Vision, Gary Bloom who founded Veritas, Stuart Feigin of Quicken, Ray Lane and many others (Southwick, 2003, p255).

According to Hoch et al (2000, p87), the software industry deals with turnover rates of 20 percent or more. At Oracle this rate is not regarded as being too critical. After all, the software business thrives on new ideas, and turnover can support that, but it has to be a balancing act to maintain turnover while ensuring that key people stay. Oracle failed them many times. The example was Ray Lane. His departure was a tragedy in Oracle and made many people disappointed in Oracle’s talent management. He was fired on June 2000 by all Ellison’s blind ambition, insecurity, intolerance, and denial at constructive criticism (Southwick, 2003, p161). Lane was the reason everybody in the industry wanted to do business with Oracle (Symonds, 2003, p132). In the history of Oracle, Ellison had not had a strong number-two executive like Lane (Southwick, 2003, p175). When he joined Oracle in 1992, the company was reeling from a $12 million loss, layoffs and defections, and widespread distrust among customers. By 2000, when he left, Oracle was a $10 billion company—the second largest software maker after Microsoft, and had achieved a great respectability (Southwick, 2003, p8). Ray Lane’s eight years of outstanding achievement at Oracle made it a company that learned to care about its customers and preside over the creation of a large and powerful organization. He did a great job cleaning up the ‘cowboy’ sales force. He was a disciplined
and process-oriented manager who made the trains at Oracle run on time (Symonds, 2003, p158). According to Southwick (2003, p277), most of Oracle’s problems between 2001 and 2003 were related to its loss of management at the top.

4.3.3 Loyalty

Despite the political battles at the top, Oracle had a solid base of dedicated people who truly believed in the company and its future (Southwick, 2003, p112). For all the company’s reputation for revolving doors in the executive suites and a hire-and-fire culture in sales, the people responsible for creating and developing the core products, have been a loyal and stable team, and keeping the elite kernel together with accumulated knowledge and experience has been vital for improving the Oracle products (Symonds, 2003, p70).

4.4 Expanding Business through the Internet

“Our aster plan is, to be the first firm on the planet to build a full suite of the next generation of applications.”

Charles Phillips, Oracle CEO of Information (Wailgum, 2008)

Ellison recognized that the flagship business of Oracle had limited growth on database software, and new opportunities needed to be found to continue to expand the business (Stone, 2002, p149). The idea was to create a complete integrated system of applications, the way SAP, as the best known company in the application market, had been doing for a long time (Symonds, 2003, p121). SAP’s brand value proposition had a big influence in the application market (Stone, 2002, p150). Oracle was a late arrival on the scene.

4.4.1 Best-of-Breeds Approach

For Oracle, it was impossible to build the whole suite in a short time, so they embraced a best-of-breeds approach by identifying the vendors that had products that could fill the gaps in its own package and came up with a methodology for gluing them together into complete suites that would be a match for SAP. From the suite, Oracle provided only a few components, such as financial, manufacturing and human resources management. The rest came from other software firms. Oracle was serving as the system integrator and was marketing the resulting solution using its own
consultants, which came to be risky. Although the theory of this strategy to take on SAP was elegant and convincing for large and multinational companies, the execution turned out to be difficult. The customers had too much flexibility. Each implementation turned out to be unique and Oracle came to recognize that developing and selling applications was different from the database business (Symonds, 2003, p101).

On the other side, SAP had carefully nurtured relationships with the big consulting firms. Companies started off by talking directly to the software vendors. Instead they would ask one of those consultancies to evaluate their business processes and then recommend the software that would best fit their requirements. For consulting firms, recommendation in favor of Oracle’s applications would run the risk of the customer then inviting Oracle Consulting to pitch for the work. It made choosing the SAP easy. Oracle totally screwed up partnering by building a big consulting group. Oracle’s application business had been a disappointment. The attitude was code it, ship it, wait until customers complain, and then fix it. There wasn’t any testing done. According to Lane, from 1993 to 1997, Oracle competed poorly against SAP, and their applications did not deliver what the marketplace wanted. (Southwick, 2003, p167)

4.4.2 Application Suite

Early in 1997, Oracle finally managed to push its own first full-fledged client/server suite out of the door. To help its customers, Oracle offered the line of application products (release 10.7), covering most aspects of modern business management, with more than 30 integrated software modules from finance to human resources (OCAR, 1996). It was buggy, unstable, and impossible to manage. It made Lane, as CEO of Oracle, go public, saying in front of huge audiences and Oracle staff that Oracle applications are a disaster (Symonds, 2003, p132). Then after, Ellison spent three months looking at applications, and he came back to the executive committee, raging that the applications lacked competitive features and he decided to scrap everything. “Let’s start it over, develop our applications on our technology, and use a browser-based operating system on a thin client” Ellison said (Southwick, 2003, p172).

According to Ellison, client/server computing was a mistake, a misguided model that distributed complexity (Symonds, 2003, p36). He ran the risk that by pouring energy into the new Internet version they will not make any improvement in the client/server version, but customers were not interested in any architectural issues. What they wanted was reasonably stable software that had all
the functionality they needed to run their operations (Symonds, 2003, p143). Customer satisfaction was never a priority in the early years at Oracle.

While Ellison’s determination to cut off client/server entirely might have looked reckless and no commitment to its customers at all, it was the only option open to Oracle that provided any chance of shaping a future in applications that would be better than its troubled past (Symonds, 2003, p148). The Internet version (known as 10.7 NCA) came out in early 1998, and wasn’t any better. For any customers who had started with 10.7, upgrading to NCA was a nightmare (Symonds, 2003, p144). Right after failing the NCA, Ellison realized that it wasn’t enough to just move the old concept of applications into the Internet. He went ahead with a new concept of Internet applications, E-Business Suite. Release 11i, the first real Internet version, came out in late spring 2000 (Southwick, 2003, p173).

Larry Ellison knew the rules of business in the new century and how the Oracle applications should satisfy the future needs of the information industry. In his mindset, businesses must wage war on complexity. The focus of business software has to be moving away from the computerization of discrete functions toward the automation of logically complete business flows. In his interpretation, the advent of the Internet meant that every business has to respond to global markets through online services, centralization of change management, and the use of strategic software. He knew that over the next few years, priorities would be different for new businesses. Companies would increasingly conduct in multiple languages and currencies. The electronic business could bring together customers, employees, partners, and representatives from both its demand and supply chains (Barrenechea, 2001, p210-214). So the E-Business Suite was introduced: the strategy of ripping out everything and doing it right at the first time. Oracle knew when its enterprise software is developed and released with all the required standards, competing with it would likely become impossible, because it would cost billions of dollars for its research and development and only huge companies could afford it (OCAR, 2008).

Ellison had been right about how the Internet would change the way computers were used (Symonds, 2003, p3). He decided to abandon all further development of client/server-based applications and concentrate the firm’s entire engineering effort on building for the new computing architecture of the Internet. He wanted to be the first mover in a new market and take over its competitors. According to him, “In the application business, you can never catch and pass someone who has dominant market share unless something else changes. If you do the same thing as a
competitor who is ahead of you, you’ll never catch up. That’s the position Oracle was in with SAP’’ (Symonds, 2003, p142).

4.4.3 E-Business Suite

With the innovation of Internet, companies became enthusiastic about deploying E-Business applications to maintain a competitive edge, improve inventory management, communication, partnership, customer satisfaction, supply-chain management, and time to market. They could also reduce operational costs; establish brand awareness; expand product and service lines; find new markets; generate new sources of revenue; create new distribution channels; and empower customers to configure products or services. (Barrenechea, 2001, p210)

In May 2000, Oracle reinforced its competitive position with the release of Oracle E-Business Suite 11i, the first comprehensive and fully integrated suite of business applications for the Internet. Oracle’s success with business applications slashed the substantial lead that SAP had won with its ERP products (Barrenechea, 2001, p212). Oracle E-Business Suite had over 55 integrated modules. It combined ERP and CRM into one fully integrated package. It can provide a company with business performance metrics, and allows upper management to access its business intelligence information and take immediate action when it’s needed (Wells, 2004, p3). With the concept of E-Business Suite, companies with all data in one place, could access and share information, have cooperation, and make better decisions. This could also be extended among all parts of business by accelerating the speed of transactions, saving time and money (Symonds, 2003, p48).

The E-Business Suite had modules designed to run nearly every aspect of even the biggest and most complex multinational company’s operations, and more than four thousand developers had been working on it non-stop. When Ellison described it as the largest and richest software product ever created, for once no one accused him of exaggerating (Symonds, 2003, p188). The analysts were saying that for perhaps the first time Oracle has a potentially appealing story for customers who were sick of bearing the risks and costs of integration (Symonds, 2003, p189).
4.4.4 Failing in Execution

Oracle did what was needed in moving to the Internet, but its failure, laid in the execution (Southwick, 2003, p158). Oracle shipped software that was so buggy in many different modules that it had needed five thousand patches to stabilize it (Symonds, 2003, p51). There were complaints about a lack of reliable information, malfunctioning modules especially CRM and order management, a constant stream of bug-fix patches, and poor support from the untrained customers service (Symonds, 2003, p195). Oracle was breaking one of the cardinal rules of the applications business: don’t release software to customers until you’ve tried running on yourself. Oracle hadn’t moved its own operations into 11i yet before it began selling it to customers (Symonds, 2003, p191).

4.4.5 Moving Business Processes to the Internet

When Oracle lost its expectations in selling 11i, it began to use the new applications itself, and test it inside the company. At the time, a few high-tech companies, like Dell and Cisco, were seen as e-business pioneers and had gone a long way toward using the Internet to put key business processes online, including their customer service, sales, and supply chains. (Symonds, 2003, p166)

Oracle started a strategic shift to move its own business to the Internet, which required them to restructure their internal business processes, as applications required material changes in the way company used to be operated. Oracle information was scattered across hundreds of separate databases. Each one of its organizations—marketing, sales, service, etc.—had its own computer system, and each system had its own database. Every organization could invent its own business processes, and then tailor its computer systems to automate those processes. Data was fragmented and it was difficult for people to find the information they needed to do their jobs. Separate databases also made it hard to share information between organizations so they couldn’t cooperate. It was lack of shared information that was limiting cooperation between groups at Oracle, and lack of cooperation led to duplication of effort and inefficiency. In Ellison’s belief, Oracle was a feudal organization run by a group of autonomous general managers. He needed to globalize not only the computer systems, but the whole business of his company. (Barrenechea, 2001, p9-10)

The process of aligning e-business strategies with corporate strategies involved what Oracle labeled “leader-led change”. Ellison personally dedicated himself to leading all activities dealing with broad-based e-business initiatives and he institutionalized e-teams to work on critical parts of the
transformation. As a part of the process, Oracle had a standing Executive Committee to review how to integrate new processes into each line of business (Stone, 2002, p176). According to the plan, the development group became intimately involved in defining and understanding the business processes that were to be implemented at Oracle, taking the final responsibility for deploying the software and validating its operational use (Symonds, 2003, p169).

The first organizational change Oracle made was to globalize IT. They decided to move all the IT people from the country and regional headquarters to a new global organization. The decision was made to provide the new global IT systems for free (Barrenechea, 2001, p10). The next move was implementing a new global e-mail project. Instead of 97 separate e-mail systems, Oracle would run on a single Internet e-mail system (called Collaboration Suite) to link everyone in the company, running exclusively on two computers at its main data center in California (Symonds, 2003, p171). The other systems to go global on the Internet were to be marketing and sales. Marketing people were left in their countries, but they now reported to a global marketing executive, only sales and associated consulting services still reported to their regional managers and even these activities were automated and monitored by a new global computer system. Because prices set at headquarters were instantly visible to customers all over the globe, countries stopped designing their own marketing and doing their own pricing. Costs dropped as duplication of effort was eliminated. There were no delays; no duplication of effort; no bureaucracy; and no ignoring policy (Barrenechea, 2001, p12-13). The new sales automation system allowed new processes to be defined and implemented across the sales forces. They had easy access to the latest data and software to run the demos and presentations through the Internet. By implementing this process, many of Oracle’s top sales people had to leave because they had no longer the flexibility they needed to do their jobs (Symonds, 2003, p173).

By streamlining its process and using its own software and the Internet to automate them, Oracle not only saved $1 billion in annual costs but became an organization that was far more responsive to the need of its customers. All this had been achieved by centralizing information and going from thousands of server computers to a handful. (Symonds, 2003, p13) It was Oracle’s strategy for winning the war on complexity. By moving all service information to the web, customer service and satisfaction increased. Problems could now be tracked around the clock, exploiting different time zones, and the best qualified people could work on problems wherever in the world the customer might be based (Symonds, 2003, p177). The targeted $1 billion dollars of saving gave Oracle the marketing message it needed to sell Release 11i. Selling brand new software is difficult until a
reference base of satisfied early customers exists. Oracle’s own Internet-derived efficiencies were the first reference. This applications suite was a cost-cutting engine that could do the same for any other businesses who used it. (Symonds, 2003, p177)

The introduction of the Internet technology led Oracle to changes in the culture and values of the company. One of the benefits of the e-business transformation has been the way people within the company now behave. As Ellison pointed out, “Oracle had been a company made up of many independent business groups, but now it’s a company of interdependent teams managed by those who value their knowledge and excel at teamwork. As a result, it’s more fun to work at Oracle these days and there’s less management conflict because decisions are based on up-to-date and shared information. Facts, not force of personality, rule the day. The more we know, the more rational our decisions” (Symonds, 2003, p179).

4.4.6 Revising the Application Suite

Because of the involvement of applications developers in the whole process of Oracle reengineering, they were able to debug the total integrated system, and a revised release (11.5.3), which incorporated everything they had learned, was rushed out to customers. It was reliable, solid and a significant improvement (Symonds, 2003, p197).

Implementing the E-Business Suite for GE in Hungry, and Dell’s decision to standardize all its applications on Oracle’s information architecture was a major validation of Oracle’s approach (Symonds, 2003, p424). Implementing the E-Business Suite into a brand-new plant went well, but large-scale upgrades from legacy client/server systems tended to be painful. Oracle, in a close relationship, was helping customers modify their processes to adapt the new applications (Symonds, 2003, p225). Oracle also planned to deliver Industry Reference Models to give customers and partners the tools and documented business processes to adapt industry best practices and to implement those processes that meet specific business needs and are protected through upgrade cycles (TelecomWeb, 2007).
4.4.7 Market Interest in E-Business Suite

The idea of the integrated suite was beginning to win acceptance from customers and rivals. Oracle’s strong strategy forced its competitors to respond to Oracle’s message and the value proposition that they desired. (Symonds, 2003, p421) E-Business Suite became a standard package of applications for automating the world’s businesses. It turned the economy of business computing on its head. Engineered for the Internet from the scratch, it is one of the biggest and most complex pieces of software ever created (Symonds, 2003, p6).

The future prospects of the E-Business Suite are now stable, mature, and comprehensive. Over time Oracle should be able to prove that architectural purity brings with it a host of real-world benefits—the promise of being able to do more with less (Symonds, 2003, p478). Oracle now has over 15,000 mostly satisfied E-Business Suite customers. It is a leading provider of management information systems to most of the world’s biggest companies, but it has never been the market leader in the enterprise application software. The German company SAP pioneered this market and has retained its grip as the leading vendor (Southwick, 2003, p29).

4.4.8 Web Hosting

The next strategic move for Oracle was web hosting. Oracle went on to suggest that the software industry will vanish and be replaced by a service industry. This service industry will no longer require that companies buy their own computers, or hire their own staff to automate their business. They will buy automation systems on the Internet. Oracle E-Business Suite will run on hosted computers at Oracle. This would have benefits both for customers and Oracle. For the customer it means a smaller upfront capital investment and no need to buy computer or network hardware, application software, or server operating systems, as well as having the most up-to-date version of any application wouldn’t be an issue anymore. (Stone, 2002, p201)

Hosting would represent a whole new service business for a software development company like Oracle and enable it to become integrated with the customer’s business, thereby establishing a higher value proposition for a continued relationship with the customer. They offer Oracle on Demand, which is outsourcing services for their applications and database technology. They also offer CRM on Demand, which is a subscription service offering that provides customers with CRM software functionality delivered via a hosted, web-based solution. (Stone, 2002, p203)
Although Oracle sees a future with this, there will be competition, because there are many start-ups promises (Stone, 2002, p206). According to its annual report (2008), Oracle may not be able to compete effectively, generate significant revenues on these type of businesses, because they are subject to a variety of risks such as facing increased exposure to significant damage claims and risk to future business prospects in the event of system failures, inadequate disaster recovery or loss or misappropriation of customer data privacy, data security and changing laws affecting use of global resources in cases of confidential information.

4.5 Knowing Rivals and the Market Environment

“You don’t survive if you fall behind. It is not an option of fast growth or slow growth. It is survival or not.”
Larry Ellison (Southwick, 2003, p86)

Oracle’s goal is to maintain the top position in the software industry. It came a long way to get to the top of the market through its harsh strategy of competition, at the beginning to survive, and revised it after it became a well-known company. According to Read (2000, p121) and Southwick (2003, p31) “what made Oracle stand out, was its strategy of attacking and, subsequently, crushing the competition”. Oracle’s stance toward any competitor was clear and direct: “Annihilate them.” Many times Larry Ellison quoted the old Genghis Khan saying, “It is not enough that I succeed; everyone else must fail.” Oracle didn’t want to beat the competitors; it wanted to destroy them. (Stone, 2002, p94) Oracle’s approach also was cutthroat sales methods like aggressive discounting under the theory that it’s better to win a customer that lose a sale (Southwick, 2003, p209). In the 1980s and 1990s, people at Oracle did not think much about cash flow or about record keeping. They thought about victory, and conquering their competitors. They believed they were at war, and if salespeople had to make special deals to win the war, then they would (Wilson, 2002, p140). If they could take a customer from one of the competitors targeted to be crushed by the organization, they got a bigger commission (Stone, 2002, p104). Oracle was surrounded by a sea of enemies and everybody in the industry hated them (Southwick, 2003, p235).
4.5.1 Wild Advertising

Oracle advertising campaigns have been described as “in your face” tough challenges to competitors (Stone, 2002, p79). Rick Bennet, an iconoclast, was a one-man ad agency for Oracle from 1984 to 1990 who crafted many ads that sealed the company’s reputation. It was Bennett who convinced Ellison that advertising was worth spending money on. His ads against ASK Computer System (which acquired Ingress database) is famous: “WE KICK ASK”; “Kiss ASK goodbye and Call 1-800-ORACLE1” (Southwick, 2003, p210). During his years at the company, advertising expenses boomed. With their ads, Ellison and Bennett established an aggressive and arrogant public image for the company (Wilson, 2002, p166). In the 1980s Ellison and Bennett fired shots like the “last DBMS” or the “fighter jet” campaign that the industry never forgot (Wilson, 2002, p168).

In the earlier times, Oracle aggressively attacked Ingress, Informix, and Sybase each of whom built database products that competed with Oracle. Oracle took on several of the major hardware companies including IBM and DEC that had undertaken projects to build their own database software for their own particular platforms (Read, 2000, p122). Southwick (2003) and Read (2000) brought examples of how Oracle has insulted its competitors by running advertisements that have been individually reviewed by Ellison.

4.5.2 Rational Movement in Competition

In the beginning of the second decade of the new millennium, the competition for Oracle is different. At this time, the fundamentals of the software product business allow only one or two companies in each category to become true winners. To reach and sustain a global market leadership position, outstanding product marketing is the critical requirement. (Hoch et al, 2000, p20) Being competitive, Oracle executives know that they have to focus on their customers, pricing, and better products to maintain their leadership. They know that rivals are sniffing around and looking to win over customers, and are trying their best to win on pricing war and strong products. Rather than advertising product features, Oracle is advertising its brands. It cannibalizes its current products by introducing new ones. It is applying creative software entry-pricing techniques to build its customer base, and it is taking an innovative approach to establishing new marketing alliances through acquisition strategy.
In the sale of database software, scalability, reliability, availability and security are key competitive differentiators against its major competitors: IBM, Microsoft, and Sybase. Oracle’s ability to continually innovate and differentiate its database product offerings has enabled it to maintain its leading position in database software over other competitors (OCAR, 2008). A fast growing competitor to the company is Microsoft, which has been making headway in the market through its involvement in small and medium-size businesses (Apgar, et al, 2005). Microsoft with its new SQL Server is targeting Oracle’s customers. Price and simplicity are Microsoft’s biggest advantage. It gains another advantage by bundling its database system with its BackOffice suite. Today, Microsoft with 17 percent of market share is behind Oracle with 45 percent and IBM with 22 percent. SQL Server is a real enterprise which is growing faster than its competitors. (OCAR, 2008)

The enterprise software industry is fragmented, competitive and evolving. The sale of applications software is changing rapidly due to the development and deployment of Service-Oriented Architectures, web services, and software as service offerings. As a result of acquisitions of PeopleSoft, Siebel and others, Oracle offers product lines that are suited for different needs of customers in different industries. One of the main competitive differentiators in applications software is their ability to combine best-of-breeds software, Suite software and their Application Integration Architecture, while shielding the end user from complexities. In this area, Oracle is competing against SAP and Microsoft Dynamics (OCAR, 2008). Oracle with 25 percent of market share is behind SAP with 43 percent. In competing with SAP, Oracle has a big challenge. It competes with the same software market it relies on to help sell its database. SAP is using Oracle’s database as an engine, and it helped Oracle to drive a high percentage of its database sales. (Stone, 2002, p93)

In the sale of middleware products, Oracle offerings include application server, business intelligence, application integration, business process management, Service-Oriented Architecture, collaboration and content management. In this market, Oracle’s major competitors are IBM WebSphere and Microsoft Visual Studio.NET. (OCAR, 2008)

4.6 Acquiring Technology

“We like our acquisition strategy and we like our ability to execute it.” Larry Ellison (Waters, 2009)

Oracle thought that it could build innovative products internally. This changed as Oracle moved into the applications market and needed to ramp up quickly. To accommodate this, it began buying other
companies. Over past years, Oracle has showed consistency and success in Merger and Acquisition (M&A) approach, and is now in a position to battle SAP and IBM.

4.6.1 Acquisition Strategy

According to Wailgum (2008), the reasons behind acquisitions are: obtaining a customer base that increases market share and revenue; buying into a new product line that fills a market gap; and improving a technology core capability.

Some business analysts and Oracle’s competitors believe that the way Oracle is acquiring other companies is not because of the revenue they make for Oracle but rather Oracle wants to prevent them from affecting its market share, and forcing the customers to use Oracle products and technology in the long term. According to this group, feeling that Oracle can no longer grow market share, acquisition becomes the only route available. This is the strategy of taking a potential rival out of business (Southwick, 2003, p242). As Stone (2002, p103) pointed out, Oracle wants to minimize the likelihood of losing customers by minimizing the number of competitors in the market.

According to Datta (2009) acquisition was a strategy that has played out well for Oracle. Through its acquisition activities, Oracle sought to strengthen its product offerings, accelerate innovation, meet customer demand more rapidly, be a market leader, and expand partnership opportunities. Innovation through acquisition has been one of the simplest ways to differentiate Oracle from other companies (Datta, 2009). By making these acquisitions, Oracle is reducing complexity. Many applications have been developed that IT staffs now spend much of their time getting the disparate systems to work together (Trent, 2007). By acquiring those applications, Oracle will be responsible for integrating them and therefore customers would benefit as their systems integration costs go down while system performance, reliability and security go up (Talamelli, 2009). One concern investors have about Oracle’s strategy is that the frequent acquisitions make it difficult to measure how well the company is growing. Another risk is that each acquisition carries integration challenges; it means another product to be integrated and delays to be faced. It increases complexity for the customers, because the uncertainty about the future upgrade plans is something customers would rather not face (Trent, 2007).

Since 2004 Oracle has bought 41 technology firms in 45 months. Some were well-known and divisive, while most of the others were less rancorous deals that filled out Oracle’s war chest of applications (Wailgum, 2008). They invested over $35 billion, to acquire a number of products,
services and technologies. According to Gardner (2009) Oracle has proven that it is not possible to be successful as an industry leader, without major technology acquisitions. No other company has shown an ability to merge and integrate at the massive scale and complexity that Oracle has. Its acquisition spree is unprecedented in scope and level of success. Oracle has been aggressive with acquisitions, averaging about one a month in five years, and integrating them into its operations (Wilcox, 2009). The latest results demonstrated that Oracle’s strategy of recent years, based on acquisitions to improve the company’s economies of scale with a wider range of products to sell to existing customers, was working well. According to Ellison, one of the key reasons that Oracle’s acquisition strategy has been successful is because it buys companies with market-leading products (Waters, 2009). In the following, Oracle’s major acquisitions are described in detail in appendix 1.

On January 2005 Oracle bought PeopleSoft (along with J.D. Edwards) for $10.3 billion. This acquisition provided Oracle’s customers with a one-stop global shop for databases, applications and other technologies. Regionally, Oracle bypassed SAP in North American as a result of this acquisition, although SAP retains a wide lead in Europe. (Datta, 2009)

On January 2006, Oracle bought Siebel Systems in a deal valued at $5.8 billion. It positioned Oracle to become the world’s largest provider of CRM software (Lauchlan, 2005). Oracle needed to make Siebel’s CRM functionality an integral part of the product integration efforts and its next-generation product line strategy known as Project Fusion, that has been primarily based on the existing Oracle E-Business Suite (Hamerman, 2005).

On March 2007, Hyperion was purchased by Oracle for $3.3 billion (Niccolai, 2007). Hyperion brought to Oracle financial planning, consolidation, and multi-source OLAP technologies. Oracle is using the Hyperion acquisition to take aim at its rival SAP, because thousands of SAP customers rely on Hyperion as their financial tools.

On April 2008, Oracle acquired BEA Systems—a leading provider of enterprise application infrastructure solutions—to expand its offering of middleware products. The total purchase price for BEA was approximately $8.6 billion (OCAR, 2008). For Oracle, this deal was a very big step toward completing its vision of becoming the strategic enterprise software of choice for its customers with industry leading products and world-class technology solutions at every level of the stacks and across industry verticals (Kawamoto, 2008).
On April 2009, Oracle acquired Sun with the value of $10 billion. Sun would bring Oracle the MySQL open-source database, Solaris, Red Hat Linux, Java, StarOffice a Microsoft office competitor, and virtualization technology.

4.6.2 Fusion Applications, the Future Shift

Oracle’s effort to merge the best of software products as the result of its acquisition strategy is on track. Oracle Fusion Applications, which has not been released yet, is the next generation of enterprise. This is the Oracle main reason for the acquisitions over the years. According to Oracle Annual Report (2008), Oracle believes this suite of applications will deliver a superior ownership experience through improved usability, adaptive business process automation, built-in business intelligence and industry-specific capabilities. Approximately 700 customers had been participating in three years of Fusion Applications research, including Coca-Cola and FedEx. As Wailgum (2008) pointed out, it’s a killer enterprise application suite; a combination of the best features and functionalities taken from Oracle’s expansive E-Business Suite, J.D. Edwards, PeopleSoft and Siebel product lines”. Some industry analysts and Oracle watchers believe that when Oracle delivers on what it has promised with Fusion Applications, it will change the landscape of enterprise software (Wailgum, 2008). It will leverage the industry standards and technologies to transform organizations. It is Oracle’s deepest dive yet into enterprise software (Teter, 2008). Although it will take time, Oracle’s Fusion platform aims to integrate all of the applications –both internally developed and those acquired. This is the way Microsoft’s Office platform worked together that shifted the market share permanently in Microsoft’s favor (Trent, 2007).

Users don’t care about the underlying technology of their application, but they do care about what that technology can do for them. Better integration capability means a seamless and transparent transition when they use multiple applications. Good technology foundations reduce development time and efforts and provide more and better functionality at a lower total cost of ownership with ease of use, all of which can speed implementation (Jutras, 2008).

The first Fusion applications are set for a 2010 release. For the first time, Oracle is taking a new likeable approach to software release with Fusion Applications. It has promised a standard of higher quality in the first release. The strategy is not ‘release early, release often’ anymore, it’s that the Fusion Applications 1.0 should be a stable release, as near to zero defects as possible (Teter, 2008). Fusion vision dominated the company’s message since 2005, but there is skepticism about this plan.
Analyst Josh Greenbaum said the Fusion strategy is growing complex with each Oracle acquisition, and Mark Lange of SAP argues that Oracle will have a hard time delivering all the software projects it has promised, but many believe that the size of company—and its $2 billion annual research and development budget—allows it to commit the resources necessary to building out its product lines (Frauenheim, 2006).

The study of AMR Research in 2007 shows that with all acquisitions of well-known companies as part of its best solution for the future of industry, Oracle is maintaining the existing customer base and delivering on its Applications Unlimited promise to keep enhancing these products. There are still complaints about losing the connection and influence over those products as Oracle absorbs its acquisitions and staff in its Fusion Applications strategy. Over time, Oracle will shift more of its efforts to newer products, but they won’t kill off any products as long as there is a maintenance revenue stream coming in.

In its strategy, Oracle is not planning to combine the code bases of all the products it bought into one product, instead it is tapping the best ideas and designs from each product as it builds new ones and, in some cases, redesigning the function if none of the products did it well, which will make Fusion Applications attractive. Oracle has a special team working to simplify setup, configuration, and administration of the applications (Swanton & Geishecker, 2007).

4.7 Summary

In this chapter it has been focused on how oracle applied the six success factors as part of its business strategy.

1. Oracle was the first in commercializing a relational database, which improved it from an incomplete product at the beginning, into a real solution for data management. It went through a crisis of over-aggressive sale, misleading customers and losing the market share, but it was able to reposition itself by looking for the new leadership, reorganizing the whole company and defining the new strategies toward customer satisfaction.

2. Oracle worked on strategies to market a brand and create values, by adding complements to its database. They used effective strategy in support and services by e-consulting and iLearning to educate and train customers and developers. They focused on research and development to offer new products. They initiated public relations strategies to manifest the image of company and
make it popular. Finally they defined a new business web of partnership to manage business relationships with a large network of companies.

3. Oracle focused on hiring intelligent and ambitious people, teaching them to win, and giving them space to excel. Using different strategies such as stock options for employees, giving them opportunities to grow, having a high rate of turnover to bring fresh ideas and talents, kept it market leader in its activities. It also had wrong strategies in firing managerial talents which have often become its competitors, but it never happened in its kernel team which has always been loyal to the company.

4. Oracle entered into the application business with a best-of-breeds approach by gluing products from different vendors together, which became disappointing for its customers. They also started to build a big consulting group which was not a successful strategy. Later they offered a client/server based suite of integrated software, which also became a disaster. Eventually by innovation of Internet they found the right direction toward building a complex E-Business suite and use it as strategic shift to move its own business to the Internet. This involvement made the software stable, reliable, mature and comprehensive and attracted the market interest brought many satisfied customers for Oracle.

5. In the earlier times, Oracle aggressively attacked its competitors by running wild advertisements and taking on major hardware companies which had their own database. It took a decade for Oracle to start outstanding product marketing. Oracle realized that advertising its brands, cannibalizing its current products, introducing more scalable, reliable, available and secure software, focusing on their customers, and applying creative software entry-pricing techniques to build its customer base, are critical requirement to maintain the leadership.

6. Oracle invested billions of dollars to acquire a number of products, services and technologies. After two decade of being a strong leader, Oracle realized that it is not possible to be successful as an industry leader, without major technology acquisitions. Oracle has proven the ability to merge and integrate at the massive scale and complexity into its operations. Buying PeopleSoft, Siebel, Hyperion, BEA Systems, and Sun as the major acquisitions demonstrated that this strategy of improving the company’s economies of scale with a wider range of products was working well. According to Oracle, Fusion Applications are the main reason for the acquisitions over the years. Oracle believes this suite of applications will deliver the best class of integrated suit in the near future.
ANALYSIS AND DISCUSSION

In the second chapter of this research, the main idea of being successful in the software industry was described and a framework of strategy with six factors was introduced. In the fourth chapter Oracle activities around those factors were examined. Now, in this chapter, Oracle activities are analyzed and compared against those factors.

5.1 Being the First in the Market

Being the first in the market is a key element of Oracle strategy. It is about three decades that Oracle has been able to maintain its market leadership in the database segment, by actively removing the chances for competitors to jump into its position. It has done this by using the concept of cannibalization, which is a defense strategy for releasing new products at very close intervals. Oracle is a perfect example of this strategy. By presenting a great amount of new features in upcoming products, Oracle’s customers have had no choice but to purchase upgrade releases or new versions. This was not only a revenue source for Oracle, but it was also a guarantee that the customer won’t switch over to a competitor’s product. Oracle has been successful by developing outstanding database software as the core product, and presenting new releases through the cannibalization method.

Another strategy for Oracle to keep its position on top, was being rush to get products out into the world. According to Hoch et al (2000, p144), this is what software companies often make compromises. Selling incomplete products is common practice, and so is the acceptance of bugs in the products. This is especially true for companies that are still on the way to market leadership. The idea is to stay ahead of the competition, but there are limits to the benefits of speed, and introducing incomplete or bug-ridden program can be a serious mistake when the product is a mission-critical system, like database. Oracle made this mistake and after a decade of all its development efforts and aggressive sales, it was about to fail in 1990, and it took eighteen months to recover from this crisis, but they learned the lesson and they were able to reposition themselves to the top again.
For three decades, Oracle has been an industry leader in database management systems, and one of the world’s largest enterprise software companies. They develop, distribute and service database, middleware and software applications, with over 100 world-class solutions, in a broad choice of technology infrastructure, which can address business requirements for every industry, whether it is a midsize business or a large international firm. Oracle has invested in building a unified, worldwide brand. Oracle doesn’t waste time in improving the quality of its products at the first step. Coming to market as soon as possible is a bigger priority in its strategy. With each new version, Oracle raises the criteria on which software is judged. It has the most standard relational database in the market. Based on its efforts, many companies who are producing database software have improved their strategy by following Oracle’s leadership in this area. Many competitors, partners, users, and executives respect what the company has accomplished technologically, especially with the database. Oracle has leveraged its core database technology more effectively than any other company in the industry. Oracle has always pre-announced its products, and this strategy has been effective, because it not only shares with the rest of the company the vision for future products, it also keeps customers aware of new trends in the strategy of Oracle products.

5.2 Seamless Product Development

Being successful is not all about having great software, there has to be a seamless approach with superior service and Support, better education system for employees and customers, a strong relationship with partners, and many other complementary businesses to keep the core product safe and fresh.

Oracle is the master of developing a whole product, with providing all complementary components of its core products to influence the customers. Producing integrated development tools, having multiple levels of support and services, focusing on research and development, building trust and growing visibility through public relations techniques, and partnering in a large scale are the techniques Oracle is using to attract its customers. It has the ability to respond to change quickly. It manages the pace of change, partnering, and marketing. Oracle manages for tomorrow. Within software development, it created a balance between shortening time to market and delivering program features and the highest quality. Within marketing, Oracle built its brands with and beyond single customer relationships. In partnering, Oracle has involved in everything from R&D all the way
to software implementation and maintenance. Partnering is one of the most crucial management issues Oracle was facing for years. The company has shared a great amount of free information with the world for educational purposes, and has created thousands of jobs for people by giving them free access to this information. Being an Oracle expert is a reputable profession in any workplace anywhere in the world. It has also created new businesses, and has helped companies and organizations through its software and business processes. Oracle has researched and worked on behalf of all its customers. It has put all its thoughts and methods in a few packages and introduced them to a wide range of industries. It has improved businesses in the world which are dealing with data and information. From the beginning, Oracle has promised to run its software on any platform, and this promise has established its market, although this strategy has created a huge challenge to manage.

5.3 Hiring Highly Qualified People

Oracle knows well the role of people in a company. For years, Oracle has sought after those who are bright, entrepreneurial, self-motivated, and able to handle the rough-and-tumble Oracle culture. The company created a balance between utilizing its employees efficiently in the short term versus investing in opportunities for them to grow personally and retain them over the long term. It managed to grow and retain their best people using methods ranging from stock options and attractive work culture. Oracle not only assigned its people to revenue-producing projects, it also creatively made a balance with the need for its top people to market the company through attending conferences, writing articles, and conducting other public relations-related activities. With their teamwork, flat hierarchies, and informal communications style it has built an organization that has attracted people.

Oracle, by hiring innovative and creative employees has managed its success in different areas. Its high rate of turnover, made the company qualified for each movement into new technology and change where Oracle depends on it.

Oracle has always looked for the best and brightest in its two key areas: management to lead the company to the future, and kernel group to work on the core products. Oracle has created an entrepreneurial environment where people are excited to work, giving them rewards and idea of independence to succeed or fail on their own. Over time, it has had large turnover, shaking the structure of the whole company. There is one exception to that turnover: a small team of engineers,
known as the “kernel group”, who design and build Oracle’s core database software product which is the heart of Oracle’s technology.

Along with all its strengths, there were also weaknesses in this area. Oracle in the long term had many challenges in retaining its intellectual capitals. In some occasions those people that Oracle let them go, proved to be the best intellectuals who became the key competitors, and Oracle was forced to pay billions of dollars to buy their ideas.

For two decades, Oracle was not able to satisfy many of its creative people and they were either attracted to other companies or they built their own software companies and started to compete against Oracle as new rivals.

Another major challenge for Oracle in the future, is that it may not be able to hire enough qualified people or it may even lose its key employees. In the software industry, there is substantial and continuous competition for highly skilled personnel. Oracle may not be successful in recruiting new personnel and in retaining and motivating existing ones. Many employees have left Oracle over the years for a variety of reasons, and no one can assure that there will not be additional departures, which may be disruptive to Oracle operations. According to Oracle Annual Report (2008) Oracle continually focuses on improving its cost structure by hiring personnel in countries where advanced technical expertise is available at lower costs, but it is experiencing increased competition in those countries as the trend toward globalization continues which may increase the company’s expenses in an effort to offer a competitive compensation program.

5.4 Expanding Business through the Internet

Oracle made a big move into application software from the client-server to the Internet to create an integrated e-business suite. It could be risky and hard in nature for any company, even for Oracle, to challenge in the new market.

To build an enterprise application, Oracle began with the role of system integrator who was attaching products from different vendors. It came to be a poor strategy which forced it to do another mistake to push its own integrated product on the old model of client/server. For being a strong player in the application business, there was no other option than moving to a new internet-based architecture of application suite in a global scope. E-Business Suite 11i was the answer. Although it was a comprehensive solution but it failed in execution. The main reason was a strategy of denial to
test the software in a real environment. After learning the hard lessons, Oracle decided quickly to internationalize itself, knowing that the race for market leadership is not local, it’s global. It started to use its enterprise software internally, and move all its own businesses to the Internet. This process with all complexity became an experience and forced Oracle to change the company, and revise the application software. After all, the market was interested to new release of E-Business suite and Oracle became a leading provider in this market.

5.5 Knowing Rivals and the Market Environment

It is important to know the rivals in a hyper-competition market. Oracle in the past tried to play with no rules, to get to the top, but they changed to a rational move in competing with others.

When the goal is crushing competitors and taking them out of the game by having no tolerance for possible co-operation, and not developing a new technology to provide proper services for the public, it’s easy to go wrong. 1990 crisis was not an accident; it was the consequences of those wrong strategies. Since then, Oracle has changed its aggressive behavior against its competitors and customers and has given them respect, by contributing them in different seminars, user groups and forums. Many customers are voluntarily testing and debugging Oracle’s new products, and Oracle receives ongoing feedback on existing product shortcomings as well as innovative ideas for new products. In a rational competition, and as part of its strategy, Oracle has created a significant barrier against its competitors which is the issue of customer cost in switching from an Oracle product once a customer has locked into it. The more data you put into the database the more value it has and the more difficult it is to transfer the data elsewhere. The cost of switching away from a database can be impossible. That’s why Oracle has a hold on customers once they commit to its databases. It has also built a tremendous barrier to entry for new entrepreneurs. These barriers are high enough that is unlikely the market will see a new viable competitor.

Regardless of all Oracle competitive and strong strategy, there is no security at the top. Oracle’s leading position, may not last long. A technology shift or an aggressive pricing move on the part of a fast player into a product field can change the game. To be competitive in technology, Oracle has modified its pricing strategy to be able to compete with other companies, specifically Microsoft, which is selling its products cheaper to gain the market share. Oracle has also focused on lowering the total cost of ownership of its products by improving integration, decreasing installation times,
lowering administration costs and improving the ease of use. This strategy can create more demand for Oracle products and services, with a competitive advantage.

5.6 Acquiring Technology

Oracle’s followed the strategy of filling the gap in its knowledge of new technologies by acquiring other well-known competitors. They had five major acquisitions and many others. This strategy moved Oracle higher than its main competitors in some areas like application software. Oracle’s latest strategy is building an application bundle “Fusion Application” as the software for the future industry.

For two decades, Oracle’s revenue growth had been managed without acquisitions and on the strength of home-grown database products. This self-propelled success could be viewed as a proof to the quality of the core database engine and the marketing skills. However, when Oracle needed to be a leader in enterprise applications, it realized that there is a gap in its market share and knowledge of application development compared to its competitors. To cover both deficiencies, Oracle started a two-fold strategy, buying any company who was considered as a competitor, and having needed innovation in Oracle favorite concept of revolutionizing the enterprise application industry by announcing its Fusion Application. Companies like PeopleSoft, Siebel, Hyperion, BEA and recently Sun, all were in this category. If Oracle delivers on its promise to bring the new software to the market, customers who have fewer complexities in their processes and can adapt, will use the integrated suite, and those who can’t, will benefit from its individual applications, until they change their processes with the new strategy of Oracle helping customers to define and modify their business processes. For the most existing customers, Fusion Applications is the future option. This is a promise that Oracle has made and it invested to make it happen and that is the reason for all its acquisition strategy.

For Oracle, Acquisitions have also presented many risks, and it’s been hard for the company to realize the financial and strategic goals that were considered at the time those acquisitions have been made. Things like paying more than what the acquired company or assets are worth; facing liabilities or other shortcomings or challenges of an acquired company or technology; weakening relationship with current and new employees, customers, partners and distributors; having difficulty incorporating acquired technologies or products with existing product lines and maintaining uniform standards,
controls, procedures and policies; having higher than anticipated costs in continuing support and development of acquired products; and many others.

5.7 Summary

Within this chapter, Oracle strategies in business have been analyzed through the six factors.

1. By following solid strategies, Oracle in long term, has been number one in database market and one of the top players in related products like application development tools, data warehousing, and E-Business Suite.
2. Oracle followed a holistic approach in developing its products by using an effective strategy in research, support and services, consulting and training its customers through direct or virtual courses, public relations to build a brand name, and partnering activities.
3. Oracle managed the hiring of the best people, to win the challenge of complexity in high-tech industry.
4. Oracle expanded its products from database to application systems, and moved from the simple concept of gathering the best products of different vendors to a web-based integrated suite by deploying E-Business applications. Oracle success in this new trend was highly motivated by implementing the new concepts in its own company through a big movement of all its processes and information to the web and making them available globally.
5. Oracle shifted its strategy in competing with other firms from a destructive war into a balanced approach of accepting rivals as a need for improvement.
6. By maintain a solid acquisition strategy, Oracle brought strength in its products offering and managed to keep itself innovative and responsive to the rapid changes of high-tech market.
CONCLUSION

In this study a framework of business strategy has been developed to evaluate the strategies of successful Software companies in general and Oracle in specific. This framework has considered six criteria as the baseline for this evaluation.

6.1 SWOT Analysis

The SWOT analysis shows that Oracle has generally been successful in majority of its management styles and business strategies and it also provides a brief answer to all the research questions.

- **Strength**: financial power; strong strategy in terms of research and innovation; comprehensive road map in management and ready to transfer it as business solutions to its clients; remarkable customer support strategy; very qualified core of software management; complexity of environment; presenting total solutions for the whole life cycle of systems; availability on different platforms and industries; and being the world level class of standard in database and applications suite; are the key strengths of Oracle as successful IT company.

- **Weakness**: Unclear vision and strategy in acquisitions; and less effort in leveraging client’s interests in its new products and solutions through advertising and publishing, are the major weakness of Oracle strategy.

- **Opportunity**: Taking over SAP by having a leading position with Fusion Application Suite and integrated solution as the next generation of management systems; taking over IBM by focusing on consulting and presenting management and business solutions; taking over Microsoft by strong positioning in the segment of middleware and application development; and introducing Java environment as the standard platform for the future applications; are the biggest opportunities for Oracle in the future.

- **Threat**: Major changes in infrastructures, technologies, and standards that have not been defined in Oracle products and solutions; world economical changes and global recessions; and being unable to attract enough talented people in the future are the main roadblocks for Oracle’s success.
Oracle is competing with three leading companies, SAP, IBM, and Microsoft in the areas which has been dominated by them for a decade. For Oracle this is a real competition with major risks. Oracle has no intention to fail. It needs to be strong not only for the sake of its company, but for crating values and presenting better solutions for many areas of complexity in IT management, and forcing the other competitors toward the same direction.

Regarding those six success factors, Oracle strategy as a general, is not much different from its competitors, because those factors are the basics for any successful company in high-tech industry. The only difference in strategy is the point of entry in that business. For example, Oracle has no choice of being a follower in integrated application suite for a specific time, because for a decade SAP has been a strong leader in this area. This concept can adjust the strategic movements accordingly. The same concept is true for the other competitors when it comes to Oracle leadership in database industry. They either have to use Oracle technology or being follower for a while until they catch the most public interest.

Applying the six success factors shows that Oracle is operating as a winner in high-tech environment. It has been successful in its internal management areas, such as people management and human resources, software development, marketing, partnering, globalization, and service strategy. It has also been creative to define processes and create software in those areas and sell them to customers who needed these.

The secret of Oracle’s success is that it is led by an innovative management team who are mastering a balancing act; setting the right priorities; and finding the best mix of actions within key management areas such as leading the market, developing the whole product, people motivation, growing globally, knowing the rivals, and buying external technologies.

The four basic measures of any corporation’s success are market share, revenue, cash flow, and profitability. Reviewing Oracle annual reports for these measures, from 1986 to 2008, shows that this company, with few exceptions, not only didn’t fail, but it had a growing trend going forward, always better than before, but there is still many threats of failure for any company in a high-tech industry. Failure is common in software business. External pressure from marketing, customers, and management can make a software project fail easily. Oracle is not an exception. They failed many times. Being unable to manage its ‘cowboy’ sales force, using wrong methodology in finance operations, and disrespect to its customers, created the first earthquake at Oracle in 1990. Again in 2000, by releasing Oracle Application 10 with thousands of bugs, and jumping to Version 11
disconnecting the support of the old one to force customers to buy the new version, was another wrong strategy that again put Oracle on the verge of failing, and showed the world that Oracle is still not respecting its customers.

Oracle software and services are inherently expensive and supporting a large company can cost millions of dollars. Because of Oracle’s cost, many of its database customers are shifting their data to its new strong competitor, SQL Server. The next important threat as stated in Oracle annual report (2008) is industry standards. Oracle’s success depends upon their ability to develop new products and services, integrate acquired products and services, and enhance their existing products and services. It is difficult to provide any assurance that the standards on which they choose to develop new products will allow them to compete effectively for business opportunities in emerging areas. No one knows if the Java framework can compete against the .Net framework. There are many open questions in this area that are hard to answer.

Keeping its intellectual property is another threat mentioned by Oracle. Oracle once stole a major part of it database theory from IBM so others can easily do against it. Oracle may not be able to protect its intellectual property rights. Like any software company, it relies on copyright, trademark, patent and trade secret laws, confidentiality procedures, controls and contractual commitments to protect its intellectual property rights. Despite of all its efforts, these protections may be limited. Unauthorized third parties may try to copy or reverse engineer Oracle products and use its intellectual property. As well, the laws of some countries do not provide the same level of protection for intellectual property rights as do the laws and courts of the United States. If Oracle cannot protect their intellectual property rights against unauthorized copying or use, or other misappropriation, they may not remain competitive.

Oracle has also a challenge to stabilize its leading position over time. Oracle’s future depends on its ability to hold the database market and deliver the promise of the fusion application into a viable line of business. With no new creativity, Oracle will face tough battles in expanding its market, which accounts for nearly all its profits.

6.2 Critical Reflection on This Study

The concept of strategy in high-tech industry in many aspects is different from the other industries. To demonstrate a more reliable research on the strategic elements of a software company
such as Oracle, it cannot be referred to those works which have been done only in a classic marketing, because they cannot model this new phenomenon of modern industry in a logical way. Therefore, this study has used the proper references such as Hoch et al (2000), Viardot (2004) and Seba (2006) that are directly focusing on a better and more realistic modeling based on investigation of hundreds of high-tech companies which have grown outside of the classic rules and procedures known in traditional marketing. The new modeling has replaced most of the physical properties with intellectuals that have been less studied in typical marketing researches. This is a new trend in marketing studies and has not been matured yet, so there is a better chance of being expanded and validated in the future.

This study has also tried to use the most original and authentic sources such as Oracle internal reports and the reviews of business analysts on these reports, to adapt the Oracle strategy with the success factors in high-tech industry, which can effectively confirm the validity of this research.

In addition, as part of the research process, the opinions of all those who opposed Oracle's strategy in the past three decades have been mostly reviewed regarding the success factors, and it has been hardly found any difference between those ideas and many who have accepted that Oracle is moving to the right direction in software industry.

### 6.3 Contributions and Future Research

This research has focused on Oracle as a single company and it has uniquely investigated its business strategy, in a framework which is hardly depicted in any other researches. This will be useful for those who are chasing the strategy of leading software companies like Oracle, to set the strategy of information technology in their companies. Although knowing Oracle strategy is vital to guarantee the future of information management in any organization, but it could be extended through comparing with other leading companies in software industry and their competitive strategies, and affects on each other and the industry. Companies like SAP (Systems Applications and Products), IBM (International Business Machines), and Microsoft are the most eligible for future research. This extensive research could also be more effective to know the future trends of the information technology.
APPENDIX I

Oracle Major Acquisitions

1 - PeopleSoft & J.D. Edwards

On June 2nd, 2003, PeopleSoft acquired J.D. Edwards to be able to leverage itself to become the second largest business software applications company with 25% of the global application market, after SAP with 54% share, overtaking Oracle with 16%. By JDE’s strong selling channels coupled with PeopleSoft’s marketing muscle, they were aggressively targeting the SMB (Small & Medium size Business) area. This was not enjoyable for Larry Ellison and his dreams for Oracle to be a leader in the applications market as they were with their database. Oracle wanted to tap a new business growth, and target PeopleSoft’s customers who were using databases from IBM and Microsoft and sell them its own database products (Datta, 2009).

On January 2005 Oracle bought PeopleSoft (along with J.D. Edwards) for $10.3 billion. No one can resist these types of temptations. Citing the benefits of the consolidation, Ellison stated, “The joint company will have a larger consumer base, expanded brand reach, and critical mass in more industries. It will also be able to provide substantial business support, and will be more competitive against SAP, Microsoft and a wave of new outsourcing companies.” (Datta, 2009)

Oracle’s acquisition of PeopleSoft provided Oracle’s customers with a one-stop global shop for databases, applications and other technologies. In 2005, IDC reported that after the PeopleSoft acquisition, Oracle had a market footprint in several key applications markets, particularly human capital management, financial applications, business performance management, procurement, and customer service/call center on a worldwide basis. Regionally, Oracle bypassed SAP in North American as a result of this acquisition, although SAP retains a wide lead in Europe. (Datta, 2009)
2 - Siebel Systems

Tom Siebel left Oracle in 1990. Once he said, “Most of what I learned about management I learned at the feet of Larry Ellison. I do exactly the opposite.” When he founded Siebel Systems in 1993, he created a company that above all else, placed the customer at the center (Southwick, 2003, p249). An Oracle-Siebel deal was difficult to imagine, and it was difficult to believe that Tom Siebel would remain to work for his old boss. If Siebel did move back to Oracle, it would be a remarkable detente for two very different men (Kerstetter, 2005). Siebel Systems was the market leader in CRM, a niche that enterprise applications vendors like SAP and Oracle missed because no one except Siebel thought it would be a particularly large market (Southwick, 2003, p250). Siebel was an attractive target for Oracle with its blue-chip enterprise customer base, leading CRM functionality, and a growing hosted subscription offering, Siebel On Demand (Hamerman, 2005). Oracle had failed to gain market share against Siebel in the CRM arena and so Ellison put Siebel on his wanted list.

On January 2006, Oracle bought Siebel Systems in a deal valued at $5.8 billion. It positioned Oracle to become the world’s largest provider of CRM software (Lauchlan, 2005). Tom Siebel described it as a necessary move from the concept of best-of-breeds to the integrated suite of applications (Kawamoto & Kane, 2005). According to Oracle president, Charles Phillips, “The two companies’ customers, a number of whom they share in common, wanted a single enterprise applications vendor to hold accountable and eliminate the headache of having to deal with inconsistent pricing terms, upgrades and integration that arises from using multiple vendors.” (Kawamoto & Kane, 2005) Hamerman (2005) has described three major factors which made this move appropriate for Oracle:

- Better CRM capabilities. The PeopleSoft acquisition added credibility in that area, but not enough for Oracle to compete strongly against Siebel and SAP for enterprise deals. With Siebel, Oracle gained the leading enterprise CRM solution as well as a strong offering in hosted sales force automation.

- The grab for customers and maintenance revenue. With approximately 4,000 customers and 3.4 million licensed users, the Siebel acquisition enabled Oracle to gain the leading CRM market position in North America and compete more effectively with SAP worldwide.
- A stronger play in the growing software-as-a-service market. For Oracle, an attractive aspect of Siebel’s business was the growing Siebel On Demand hosted offering to compete with focused software-as-a-service companies such as Salesforce.com and NetSuite. Another reason for Oracle was that it needed to make Siebel’s CRM functionality an integral part of the product integration efforts and its next-generation product line strategy known as Project Fusion, that has been primarily based on the existing Oracle E-Business Suite (Hamerman, 2005).

3 – Hyperion

Hyperion’s focus was on business-intelligence software that help companies collect, analyze and share data about how their businesses are performing. This was becoming an increasingly important field as businesses seek to extract more usable knowledge from their growing repository of business data. At the time, Oracle has been a relatively minor player, in this hot field (Vara, 2007).

On March 2007, Hyperion, which had 12,000 customers and 2,500 employees spread over 20 countries, was purchased by Oracle for $3.3 billion (Niccolai, 2007). Phillips described it as a strategically important acquisition and a continuation of a very successful plan to create the most comprehensive and open enterprise software stack in the industry. Hyperion brought to Oracle financial planning, consolidation, and multi-source OLAP technologies. This acquisition was the latest move in what Oracle called it ‘surround SAP’ strategy, which is designed to expand Oracle’s offerings to SAP customers.” (Brousell, 2007) According to Colbert (2007) Hyperion’s core products have a loyal client base. These products will find a permanent place in the future Oracle product suite. Oracle is using the Hyperion acquisition to take aim at its rival SAP, because thousands of SAP customers rely on Hyperion as their financial tools. According to Larry Ellison, “The acquisition of Hyperion makes Oracle the category leader in the high-growth enterprise performance management market, a single source for financial, operational and transactional systems.” (Kawamoto & La Monica, 2007)

4 - BEA Systems

On April 2008, Oracle acquired BEA Systems—a leading provider of enterprise application infrastructure solutions—to expand its offering of middleware products. The total purchase price for
BEA was approximately $8.6 billion (OCAR, 2008). According to Pezzini et al (2008), market share, increasing sales and support capacity, customer base and maintenance revenue, entry into the Chinese market, expanded partnerships, and strengthening product portfolio were the motivators for Oracle buying BEA Systems. BEA has a leading set of Java middleware products built around its WebLogic Java application server. It was the second largest market-share in middleware, with IBM in the first place and Oracle in the third. BEA’s software was mature and proven in 15,000 companies worldwide. Innovation, standards compliance, ease of use, and technological advantages over similar Oracle products and Microsoft’s .Net, are the main strengths of BEA solutions which made it the leader in Service Oriented Architecture (SOA) market.

For Oracle, this deal, according to Ellison, was a very big step toward completing its vision of becoming the strategic enterprise software of choice for its customers with industry leading products and world-class technology solutions at every level of the stacks and across industry verticals (Kawamoto, 2008). With this proposed combination, Oracle will be able to provide a comprehensive set of middleware solutions based on best-of-breeds technologies incorporated into a standards-based, hot-pluggable Fusion Middleware platform (Datamonitor, 2008). As Rosenthal (2008) says, this move will lead Oracle one step closer to its main competitor, IBM. “BEA is J2EE market leader as well as Oracle, so the acquisition could increase Oracle’s installed base in comparison to the leading competitor, IBM.” According to Phillips “The acquisition of BEA will accelerate innovation by bringing together two companies with a common vision of a modern service-oriented architecture infrastructure. Together, Oracle and BEA will provide a series of complementary and well-engineered middleware products.” (Kawamoto, 2008)

Mixing the BEA platform with parts of Oracle’s solution, building a coherent architecture, and moving it into its next generation of enterprise, will be a big challenge for Oracle, but it would be a big technological advantage (Rosenthal, 2008). Oracle has stated that Fusion Middleware will be the center of its current and future middleware and applications strategy, and WebLogic and other BEA technologies will be an increasingly important part of its offering going forward. Moreover, the transaction will significantly strengthen the Java community, powerfully advancing the vision of open, standards-based computing. (Jutras, 2008)
5 - Sun Microsystems

On April 2009, Oracle announced an agreement that it will acquire Sun, which IBM had failed to do earlier. The transaction value is $10 billion and the deal will be closed soon. Sun would bring Oracle the MySQL open-source database, Solaris, Red Hat Linux, Java, StarOffice a Microsoft office competitor, and virtualization technology. Oracle and Sun have had complementary businesses for years, and a significant of Oracle’s installed base has been on Sun hardware and its Solaris operating system (Kovar, 2009). Phillips described the acquisition as a natural process that customers needed most (Talamelli, 2009). Java as a key software asset and one of the computer industry’s best-known brands and most widely deployed technologies, may be the most important software, Oracle has ever acquired (Talamelli, 2009). Ellison pointed to only two key elements of Sun which were Java and Solaris, but Galinko (2009) believes that the unmentioned key to this acquisition is MySQL, the open source database that Sun acquired in January 2008 for $1 billion. MySQL is the king of open source databases, receiving the lion share of support and development effort. The software has a dual license, meaning that commercial entities must pay to use the database while individuals can use it for free. MySQL was a long term threat for Oracle. With the acquisition of Sun and MySQL, Oracle seeks to control this open source database, and most important, takes advantage of its licensing for commercial use. Oracle has not been an open source software provider, and for all his talk of open source, Ellison is at heart a capitalist and will look to find ways to create profit opportunities which might raise many concerns for the open source communities in the near future.
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