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## Oracle's Bid for PeopleSoft: Update 1 July

**Betsy Burton, Bruce A. Bond, Jeff Comport, Robert P. Desisto, Lee Geishecker, Simon Hayward, Karen Peterson**

With its tender offer for PeopleSoft, Oracle is attempting to gain more control over broader markets. Gartner advises how this offer could affect you.

## NEWS ANALYSIS

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### Event

As of 1 July 2003, the latest developments in Oracle's unsolicited bid to acquire PeopleSoft include:

- On 30 June 2003, the U.S. Department of Justice issued a second request for information from Oracle and PeopleSoft. The two companies must provide more information, in greater detail, than they did for the first Justice Department request. Oracle wants the Justice Department to follow the same procedure for PeopleSoft's planned acquisition of J.D. Edwards.
- Gartner's recent research indicates that Oracle's bid has complicated PeopleSoft's ability to close deals with some customers in 2Q03.

### Analysis

The request for more detailed information does not predispose the Justice Department's antitrust investigation to one outcome or the other. Conventional wisdom holds that the request aids PeopleSoft's attempt to thwart Oracle's takeover bid. However, the request could also extend the final resolution of Oracle's takeover attempt and the uncertainty regarding PeopleSoft's future. Gartner sees this uncertainty damaging PeopleSoft's business as companies delay closing deals with PeopleSoft. The longer Oracle's bid remains unresolved, the more we believe it will harm PeopleSoft's business.

Ironically, enterprises that are interested in PeopleSoft products but that delay signing a deal or try to negotiate for extremely favorable terms contribute to a financially weaker PeopleSoft. These companies therefore may unintentionally aid Oracle's efforts to own PeopleSoft. Although consolidation is natural and generally healthy in a maturing market, it does not always benefit users ("Consolidation: A Reality That's Not Always Good for Users").

Many clients are under pressure to execute planning and deployment schedules for products from the vendors in this fight. Since the outcomes of the various lawsuits and shareholder votes remain extremely difficult to predict, we are delivering research that provides advice for a range of client situations based on where they are in the application life cycle, their risk tolerance and their own assessment of the likelihood that Oracle will complete the acquisition of PeopleSoft. (see "Short-Term Advice for J.D. Edwards Customers, Prospects" and "Short-Term Advice for PeopleSoft Customers and Prospects"). We see some evidence of PeopleSoft trying to calm customers' concerns by offering to add contingency clauses to contracts that take into consideration a potential change in ownership (for Gartner's advice, see "Contractual Protections for PeopleSoft Customers").

Gartner continues to work on research related to the individual markets affected and the impact on customers of other vendors. We encourage clients to review our current research, and if you have specific questions, talk with your Gartner analyst — by phone (United States +1 203 316 1266, Europe +44 1784 267770) or e-mail (bizapps@gartner.com, euro.inquiry@gartner.com). Gartner offers the following research:

- "Consolidation: A Reality That's Not Always Good for Users" — To be safest with a smaller independent vendor's products, build strategies based on how those products complement or compete with those vendors best positioned to survive consolidation. **By Betsy Burton and Jeff Comport**

- "Contractual Protections for PeopleSoft Customers" — PeopleSoft customers and prospects should *immediately* audit contracts and seek specialized legal advice to ensure they have sufficient protection if the company is acquired. **By Alexa Bona and Jane Disbrow**
- "What PeopleSoft Customers Can Expect if Oracle Succeeds"— We believe that during the first two years, Oracle would work very actively to satisfy and thus retain PeopleSoft customers. This focus would begin to wane in subsequent years. **By Simon Hayward, Betsy Burton, Lee Geishecker and Kristian Steenstrup**
- "Short-Term Advice for J.D. Edwards Customers, Prospects" — While uncertainty lingers, don't stop all J. D. Edwards deployments. Assess your risk tolerance and acceptance of the product "as is," coupled with your assessment of how J. D. Edwards will emerge from this event and how its condition will affect its product enhancement. **By Brian Zrimsek, Jeff Comport, Yvonne Genovese, Tony Humphries and Kristian Steenstrup**
- "The Deeper Implication of Oracle's Bid for PeopleSoft" — The battle for market control rewards vendors that own both applications and infrastructure but can limit customer application choices. **By Simon Hayward, Betsy Burton and Jeff Comport**
- "Frequently Asked Questions on the Oracle/PeopleSoft Deal" — We answer some of the most common questions our clients are asking about Oracle's unsolicited bid for PeopleSoft. **By Betsy Burton and others**
- "Oracle Could Change PeopleSoft BI and CPM Product Plans" — If the proposed acquisition of PeopleSoft by Oracle takes place, and if you use PeopleSoft business intelligence and corporate performance management products, you should formulate the terms under which the impact and cost of migration might be justified. **By Bill Hostmann, Brian Wood and Frank Buytendijk**
- "Short-Term Advice for PeopleSoft Customers and Prospects" — Gartner provides a framework to help clients make decisions. **By Brian Zrimsek and Jeff Comport**
- "Oracle/PeopleSoft Deal Would Greatly Affect ERP Market" — If Oracle's bid succeeds, PeopleSoft customers would have to undertake a disruptive migration at some point, and J.D. Edwards' customers may not see any major new functions. **By Karen Peterson, Yvonne Genovese, Lee Geishecker and Betsy Burton**
- "Oracle's Bid for PeopleSoft Won't Alter Its CRM Position" — Even if Oracle accomplished a seamless acquisition, the deal would not allow Oracle to overtake Siebel Systems or SAP in the CRM market. **By Robert DeSisto and Michael Maoz**
- "PeopleSoft and J.D. Edwards Fit, but Merger Will Be Complex" — Customers will likely not feel an impact from this acquisition until at least mid-2004. **By Lee Geishecker and Jeff Comport**

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