

Despite EC Decision, PeopleSoft's Future Remains Uncertain

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The European Commission (EC) has removed the final antitrust obstacle to Oracle's takeover offer for PeopleSoft. But the company's future is still unclear, and customers must prepare for several possible outcomes.

NEWS ANALYSIS

Event

On 26 October 2004, the EC unconditionally approved Oracle's proposed \$7.7 billion bid for PeopleSoft. PeopleSoft continues to resist Oracle's unsolicited bid.

Analysis

Now that antitrust challenges in Europe and the United States have been set aside, PeopleSoft's remaining defenses against the Oracle takeover center around its "poison pill" provisions and making the case that its net present value is greater than the Oracle bid. The poison pill is now being contested in the Delaware courts; PeopleSoft's quarterly business results have met management expectations, but — partly due to the threatened takeover — they do not show acceleration.

A series of management changes at PeopleSoft — including CEO Craig Conway's replacement by Dave Duffield, executive vice president Ram Gupta's replacement by Stan Swete and board member Aneel Bhusri's acting as strategist — have increased market anticipation of PeopleSoft's future strategy. The company's recent partnership with IBM complicates matters further. PeopleSoft must move to reassure its customers, especially those acquired during the past two quarters, and must declare its support for the current EnterpriseOne and World product strategies.

Gartner sees four possible scenarios for PeopleSoft through 2006:

- PeopleSoft will remain independent in its current form (0.2 probability).
- Oracle will acquire PeopleSoft (0.5 probability).
- An entity other than Oracle will acquire PeopleSoft (0.1 probability).
- PeopleSoft will make itself "too big to swallow" by acquiring another company (0.2 probability).

Recommendations: Don't try to predict the outcome of Oracle's takeover bid. Instead, consider each possible scenario and how it will affect your specific circumstances. Assess your tolerance for risk and weigh the possibility of a shift in PeopleSoft's product strategies against your ability to exploit the present uncertainty to gain favorable prices and contract conditions from PeopleSoft.

Analytical Sources: Jeff Comport, Lee Geishecker, Yvonne Genovese, Gartner Research

Recommended Reading and Related Research

- "PeopleSoft Aims for Composite Applications With IBM Alliance" — PeopleSoft has aligned with IBM to counter SAP's NetWeaver service-oriented business applications architecture. But PeopleSoft must articulate a road map and product plans. **By Lee Geishecker and others**
- "Oracle Overcomes One Obstacle to Its Bid for PeopleSoft" — A court decision removed the antitrust objection to the PeopleSoft takeover, but significant hurdles remain. **By Jeff Comport and Lee Geishecker**

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