Software giant Oracle bids for right to destroy jobs

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One of the largest software companies, Oracle, has launched a hostile takeover bid for a major competitor, PeopleSoft, for the avowed purposed of putting its rival out of business and wiping out the jobs of nearly all PeopleSoft employees.

Oracle is the second largest software company in the world, trailing only Microsoft, and is by far the largest vendor of database software. In the market for enterprise software applications for large companies, there are three major competitors: PeopleSoft, Oracle and German-based SAP.

When Oracle first made public its initial $5.1 billion bid for PeopleSoft, Oracle Chairman Larry Ellison underlined the threat to the jobs of the workers at the takeover target. “We will not be actively selling PeopleSoft’s products to new customers,” he said in a prepared statement.

Press accounts suggested that Oracle’s real goal was to acquire PeopleSoft’s customer list and compel as many as possible to switch over to Oracle products, while the vast majority of PeopleSoft’s 8,000 workers would be let go.

The takeover bid was triggered by the June 2 announcement by PeopleSoft that it had reached a friendly merger agreement with Denver-based J. D. Edwards, another maker of business software. PeopleSoft would acquire J. D. Edwards through an exchange of stock valued at $1.7 billion, in a merger that would have vaulted the combined company past Oracle in the enterprise software market.

Four days later, Oracle unveiled its hostile takeover, declaring that it would not be committed to going through with the J. D. Edwards merger if successful in acquiring PeopleSoft. Lawsuits were filed on all sides, and PeopleSoft rejected the Oracle bid. Oracle subsequently raised its bid from $5.1 billion to $6.3 billion, but was rejected again by PeopleSoft’s board, which must waive a poison-pill provision to make the acquisition possible.

Most of the media discussion of the takeover has revolved around the issue of whether antitrust concerns could be used to block Oracle’s bid. On June 20 the state of Connecticut, which is currently carrying out a major installation of PeopleSoft software, filed suit against Oracle, claiming that the takeover would be anti-competitive and would cost the state tens of millions of dollars to replace its PeopleSoft system. State Attorney General Richard Blumenthal said that if the takeover is successful, Oracle and SAP would have more than 50 percent of the market between them.

PeopleSoft CEO Craig Conway, a former Oracle executive, denounced the takeover as an effort to create a monopoly position in business software. He compared his onetime boss, Ellison, to Genghis Khan, and said the sole purpose of the bid was to wreck PeopleSoft.

The takeover bid has already had a devastating impact on PeopleSoft’s sales, since large corporate customers are reluctant to make a major investment in business software with a company which may not be around to deliver. PeopleSoft has been compelled to offer substantial discounts to customers to complete deals which are now under negotiation.

Oracle CEO Ellison has in turn cited the competitive pressure of Microsoft, which has begun acquiring smaller business software companies and appears poised to invade the market. He denounced the Justice Department for failing to enforce antitrust laws against Microsoft and said that Oracle could maintain itself against Microsoft only through a series of acquisitions.

The Oracle boss subsequently backpedaled from his suggestion of a complete elimination of PeopleSoft’s workforce and product line. “The idea we would fire all their employees is crazy,” Ellison said June 20. “It makes no sense.” Contrary to initial reports, Oracle intends to “fully support PeopleSoft customers and products into the next decade.”

This retreat was not due to any public criticism of his threat to destroy 8,000 jobs, because, as far as the media and official public opinion goes, the rights of these workers count for nothing. It was rather the growing opposition from PeopleSoft customers, who consist mainly of Fortune 500 companies and government agencies, and who saw their multimillion investments in complex software applications going down the drain.

Ellison said that he would retain PeopleSoft’s software developers and designers, whom he called “clever,” but he added, in a conference call with the news media Friday, “there would be staff reductions. Ours is an acquisition of consolidation, which is much less risky. The overlap is where we can get savings. We can combine their human resource team with our human resource team to come up with a much better human resource product.”

Ellison enjoys a personal net worth of over $16 billion, making him one of the five richest men in America. His antagonists at PeopleSoft and J. D. Edwards rank lower on the wealth chart, but they will cry all the way to the bank if they lose the takeover battle. Some 200 executives at J. D. Edwards will receive up to $58 million in severance pay if Edwards is acquired. CEO Robert Dutkowsky alone would receive nearly $4.9 million.

Whatever the outcome of the conflict between billionaires and multimillionaires in Silicon Valley, it is the workers at the three companies who will foot the bill.