

LARRY ELLISON
CEO, OracleDate of birth: **AUGUST 17, 1944**Hometown: **CHICAGO**Education: **NO COLLEGE DEGREE**

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—James Governor, Illuminata analyst

Ellison goes back to basics

Larry Ellison is heading to the front lines. In the next year, he says he’ll spend 20 percent of his time selling, hoping to turn face time with customers into market share for Oracle.

By Wylie Wong, Staff Writer

REDWOOD SHORES, Calif.—At 57, Larry Ellison has built one of the most powerful technology companies in the world and amassed billions of dollars in personal wealth—only to find himself going out on sales calls to potential customers, the kind of grunt work usually expected of junior executives.

It is a role that Ellison has never emphasized among his duties at Oracle, now the largest manufacturer of databases, with a market value approaching \$80 billion. But the co-founder and chief executive knows that the company needs his personal attention as it tries to rebound from the industry’s brutal recession.

“Now, I’m doing more sales than I’ve ever done. I probably spend 20 percent of my time selling,” Ellison said, a significant devotion of time that would normally be spent on long-term, big-picture planning.

In many ways, it is appropriate that Ellison is doing more ground-level work at Oracle today: The company is in the midst of a transition that he put in motion with the realignment of top ranks, and it is redefining key parts of its business. The evolution has left Ellison directly in charge of many aspects of the company for the first time in years.

Although some analysts remain troubled by the departure of key executives, most notably longtime President Ray Lane, others argue that Oracle needs the kind of inspired leadership that only a dynamic figure such as Ellison can provide. And even though his background is in technology and not sales, industry veterans believe he is the perfect pitchman for Oracle, whether he is selling the company’s strategic direction to Wall Street or a new application to a database customer.

“When you are in a room with him, you feel like this guy knows what he’s talking about, and customers want to buy from someone who knows what they’re talking about,” Illuminata analyst James Governor said.

Still, the reluctance of chief information officers to make large purchases in an uncertain economic climate presents a formidable task even for the most effective salesman. The challenges

Larry Ellison | CEO, Oracle

are all the more difficult for Oracle, which is facing competition in every area of its business.

While contending with IBM and Microsoft in databases, Oracle's 111 software smacks up against rival offerings from SAP, Siebel Systems and PeopleSoft. The company also competes against BEA Systems and IBM in the lucrative market for application-server software, technology that runs e-business and Web site transactions.

Further, Oracle finds itself in the awkward position of competing against some of its closest partners. For example, most SAP customers use Oracle's database. But with Oracle entering the business-applications market, SAP has built closer ties with IBM and begun selling its software with IBM's database.

For the most recent quarter, ended Nov. 30, Oracle netted \$549.5 million, or 10 cents per share, compared with \$622.8 million, or 11 cents per

share, a year earlier. Not bad in a tough economy, but hardly enough to rekindle investor enthusiasm for this former highflier.

Yet if there is anyone who relishes a challenge—especially one that puts him squarely on the front lines—it is Larry Ellison. His mix of hardheaded business acumen, technology vision and insufferable braggadocio has catapulted this college dropout to business superstardom as the fourth-richest person in the United States.

Throughout his career, he has been consistent in one respect: His personal desire for the public spotlight has earned Oracle outsized attention. Whether he is igniting national debate involving privacy rights or racing yachts, Ellison manages to keep Oracle's nameplate in headlines worldwide.

"He's a seductive, great speaker," said CIBC analyst Melissa Eisenstat, who believes that once the economy improves and businesses start

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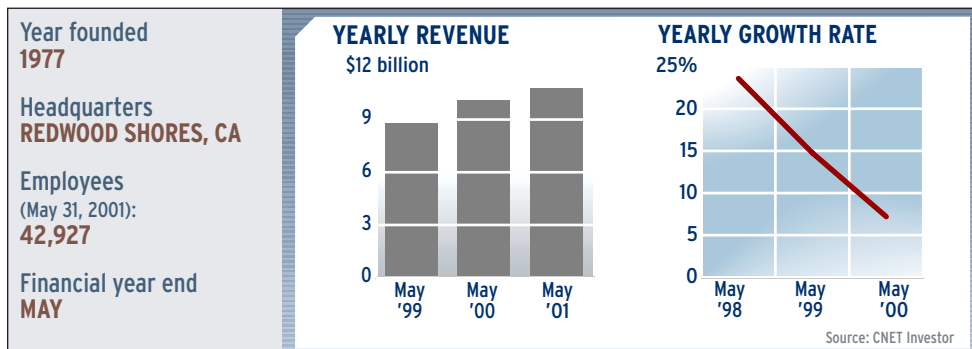
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ORACLE DURING AND AFTER THE BOOM



Larry Ellison | CEO, Oracle

spending again, Oracle's fortunes will rebound.

In the constellation of tech leaders, Ellison clearly stands apart as one of the few executives who, like Bill Gates, can convincingly set an agenda for the wider computer industry. Also like his Microsoft rival, Ellison is an amazingly successful entrepreneur who built a company from scratch into a multibillion-dollar concern. In 2000, Oracle held the greatest share of the \$8.8 billion relational database market, with 34 percent, ahead of IBM's 30 percent and Microsoft's 15 percent, according to analyst firm Gartner.

With Oracle's annual database growth expected to increase only 10 percent to 15 percent, however, Ellison must move the company beyond its roots as a traditional software maker. Under his watch, the company has developed software products that move the functions of a customer's business onto the Internet. Oracle envisions deriving half its revenue from sales of application software, a market that's bigger and growing faster than the company's mainstay database business.

It's not an unblemished record. Ellison was overly optimistic about the popularity of Internet gadgets, and his predictions for network computers failed to account for the subsequent

emergence of PCs that sell for less than \$500.

More recently, Oracle was forced to reprice its database applications after it antagonized customers by launching an unpopular fee based on the amount of processing power they used. The company also had to work out kinks in its bug-ridden 11i e-business software package and has faced criticism for hard-sell business practices.

For the record, Ellison dismisses suggestions that there were any negative repercussions from the first 11i release. Every software company has initial problems with new products, he said, and this was no different.

"The bugs are behind us now," he said. "Our customers understand the product is ready for prime time. It's a huge release, but it took us a year to stabilize."

At the same time, Ellison complains that critics overlook the fact that Oracle earned between \$500 million and \$800 million in each of the last three quarters, mainly by tightening costs and moving business operations to the Web. With new versions of every piece of Oracle software in the pipeline, Ellison believes the picture is a lot brighter than conventional wisdom might suggest.

He also is betting heavily on the acceptance of Oracle.com, the company's 3-year-old application service provider that rents business software to companies and houses their information in Oracle databases. Ellison expects Oracle.com to account for half the company's database and applications revenue by 2005.

"We're the last ASP standing," he says. "It looks like our fastest-growing business. It could turn out to be our largest business."

This is the kind of trademark bluster that has historically turned heads on Wall Street and helped promote a cowboy image of Ellison among some of Silicon Valley's early entrepreneurs. In private, however, people say there is a dark side to the CEO's ego that drives people too hard—and sometimes away.

Four senior executives have left the company in the past 18 months, including a top salesman in December, at a time when Oracle needed continuity to carry out a concerted sales campaign.

"It's not helping the business to lose senior executives, and the business has under-performed, partially because of management issues," Banc of America Securities analyst Bob Austrian said.

Larry Ellison | CEO, Oracle

Ellison, who has restocked his executive team with people from within Oracle, dismissed suggestions that the company is suffering through a brain drain. Oracle has a deep management team, he said, and turnover is part of the natural life cycle at any company.

“Almost every enterprise software company—except SAP—is run by an Oracle veteran, and some people say that’s a negative?” he asked rhetorically. “For Oracle, that shows our incredible depth. I’m sure more will leave and become CEOs. There’s nothing wrong with that.”

Some, such as Siebel Systems Chief Executive Tom Siebel, have even come back to haunt Oracle as formidable competitors. Other alumni include Veritas Software CEO Gary Bloom and Beatriz Infante, chief executive of software maker Aspect Communications.

“Oracle is a great training ground because Larry is brilliant and a tough, ruthless individual,” said Infante, who recalls being on the receiving end of more than a few Ellison verbal lashings. “And because of that, you learn survival skills inside the company.”

Now Ellison will be putting those skills to use in the field—this time as a Willy Loman dressed in an Armani suit. ■

REPORT CARD

LARRY ELLISON

CEO, Oracle

Overall grade:



LEADERSHIP: Built the No. 2 software company in the world. A strong personality, he’s butted heads with colleagues, and the result is needless executive turnover.



VISION: A longtime opponent of Microsoft’s PC-centric view, Ellison believes in network-based computing, and that vision is taking hold with the advent of the Internet. But he was surprised by the emergence of sub-\$500 Wintel PCs.



EXECUTION: Built what is arguably the best database around, but flopped with the buggy first release of Web-based software for managing business operations. Also ticked off customers with an unpopular pricing plan.



STAR POWER: You want headlines: Hey, the guy nearly died in a yacht race! Ellison has a knack for capturing attention, whether it’s his calls for a national standard for ID cards or the jailing of senior Microsoft executives.