Fighting talk: Oracle gets set to take on rivals

Oracle digests Sun acquisition and outputs cloud and big data strategy

After completing its landmark $7.4bn acquisition of Sun Microsystems, Oracle is positioning itself as an end-to-end cloud technology provider, with the tools that enterprises need to make money from their big data. Arif Mohamed reports

Oracle's purchase of Sun Microsystems in 2010 transformed it from being a software and consulting business into a company able to compete on software, hardware and services.

It also provided Oracle with a raft of new technologies: Sun's MySQL database; Sparc/Solaris servers; plus Sun's storage hardware and flagship Java portfolio of tools and technologies.

Oracle is headed up by the charismatic and staggeringly wealthy Larry Ellison, 67, who has been chief executive officer since he founded Oracle in June 1977. As of 2012, he was listed the third richest US citizen and the sixth wealthiest man in the world; his personal wealth of $36.5bn is a clear indication of Oracle's success as an IT supplier, since the bulk of his fortune comes from his 22.5% stake in the company.

Sun Microsystems also marked the conclusion of an aggressive spending spree that has seen Oracle buy more than 66 technology companies since 2002. These include CRM suppliers Siebel and PeopleSoft, middleware giant BEA Systems and storage specialist StorageTek.

Oracle has integrated the hardware and application suites from every merger and continued to invest resources into the diverse product lines. The fruit of its integration work was a suite of software called Oracle Fusion Middleware, which debuted in January 2011.

ORACLE

Overview

Oracle was founded in 1977 by Larry Ellison, who was contracted to develop a relational database for the CIA, codenamed Oracle. The company's revenues grew when IBM adopted the technology in 1981. But it had mixed fortunes until 1990, when it faced bankruptcy.

However, Oracle hit its stride with the Oracle Database in 1992, and eventually took the business into middleware and applications.

Between 2004 and 2010, it acquired 66 technology businesses, including PeopleSoft, Siebel, BEA Systems and, more recently, Sun Microsystems.

The purchases have helped Oracle to increase its market share massively across enterprise applications such as CRM, HR, BI, supply chain and project management. It has a growing services organisation, Oracle Consulting, and is expanding its software-as-a-service offerings.

Oracle specialises in enterprise applications, middleware, databases, servers and storage, and has 370,000 enterprise and SMB customers across the world.

Total revenues for fiscal 2012 were $37.121bn, with an operating income of $13.7bn. These were both significantly up from the previous years, despite the economic downturn.

In 2012, Oracle's software, services and hardware systems businesses represented 70%, 17% and 13% of its total revenues, respectively.

The suite unites the range of Oracle applications using a common middleware layer, and runs on optimised hardware from the Sun acquisition. The range of enterprise applications also gives an upgrade path to enterprise users of Oracle's legacy CRM and other business packages, including PeopleSoft, Siebel and JD Edwards.

Consequently, in many ways, Oracle now resembles its older competitor, IBM. IBM's market capitalisation is about $214bn; Oracle's is a respectable $144.7bn. For comparison, Oracle's other major rival, HP, is worth $105bn.

But it is the new product line that reveals the extent of Oracle's similarity with IBM more than anything else. Oracle's product range now spans high-performance and mid-range server hardware, storage and networking, databases and middleware, operating systems, enterprise applications, licences, services and consulting.

And like IBM, Oracle has moved on to offer enterprises complete cloud computing infrastructure solutions, with the development of its first public cloud service.

Like IBM, Oracle now supports a number of open source projects, most notably the Apache web server and Linux operating system. Both firms also offer cloud computing technologies, the arrival of the Sparc-based Exalogic Elastic Cloud high-capacity server being an example of Oracle optimising its software to run on hardware it gained from Sun.

"Our goal is to be the world's most complete, open and integrated enterprise software and hardware company," Oracle said in a recent statement.

The company continues to pursue an ambitious strategy today. At a recent industry event, it outlined its strategy to analysts for its fiscal year 2013, with a particular focus on public cloud, the mobile enterprise, enterprise applications, big data and analytics, customer experience, and 'engineered systems' (such as Oracle Exadata Database Machine and Oracle Exalogic Elastic Cloud).

Having digested a huge number of enterprise suppliers and output an integrated application suite, supported by the appropriate hardware, software and services,

Oracle is moving on to greater heights with its public cloud portfolio. It already boasts $1bn in software-as-a-service revenue, but Oracle clearly sees huge market potential in helping its users to create and make use of clouds.

After all, a recent Gartner report estimated that enterprise spending on public cloud services will grow from $109bn in 2012, rising to an annual spend of $207bn by 2016. The smart money is on cloud and Oracle wants to be right there at the centre.

Adding hardware

Before Oracle acquired Sun, the bulk of its revenues came from software and services. In 2009, software accounted for about 80% and services 20% of total revenues.

However, following the acquisition, Oracle added a third big revenue stream: hardware. This accounted for 17% of Oracle's total revenues, with software and services respectively representing 70% and 13%.

Oracle has matured significantly across the years, leaving far behind its reputation for being "the database company". With its middleware, enterprise applications and hardware acquisitions, the company has successfully fleshed out its product strategy to gain credibility and dominance in many enterprise markets.

The next challenge will be to continue to win customers over to its integrated product strategy, while expanding its cloud computing market and protecting its licensing revenues – and keeping on board the legacy Sun and Java users.

Integrated systems

At its OpenWorld conference in 2010, Oracle announced that, for the first time, it was able to offer its enterprise customers its own integrated hardware and software systems. This marked a shift in strategy away from software and services to hardware, software and services.
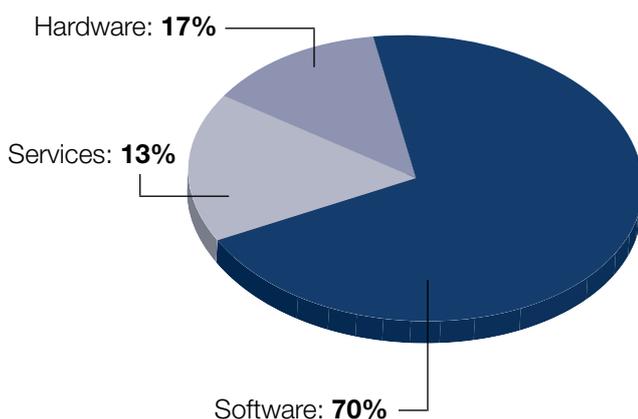
Alan Hartwell, vice-president, technology solutions and channels at Oracle, says the integrated hardware and software strategy was the culmination of three five-year projects.
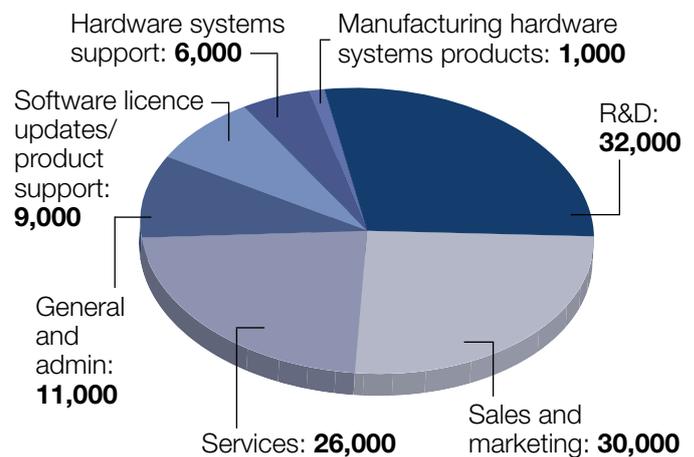
Key facts

- Revenue: total revenues for fiscal 2012 were $37.121bn, with an operating income of $13.7bn
- Specialisms: enterprise applications, middleware, databases, servers and storage
- Employees: 115,000, with 5,000 in the UK
- Customers: more than 370,000 customers in 145 countries; 870 independent Oracle user groups with 355,000 members; 20,000 partners
- History: founded in 1997 by Larry Ellison, Oracle hit its stride in 1992 with the Oracle 7 Database and emerging applications division. The company acquired 66 technology businesses between 2004 and 2010, including PeopleSoft, Siebel and BEA Systems. In January 2010, its acquisition of Sun brought it into hardware, enabling it to sell integrated hardware/software systems

Source: Oracle

Revenues by division FY2012

Hardware: **17%**
Services: **13%**
Software: **70%**

Employees by division

Hardware systems support: **6,000**
Manufacturing hardware systems products: **1,000**
Software licence updates/ product support: **9,000**
R&D: **32,000**
General and admin: **11,000**
Services: **26,000**
Sales and marketing: **30,000**

Data as of 31 May 2012. Source: Oracle

The first is the Exadata X2-8, a top-of-the-range database machine, which packages together the Oracle database with highly efficient storage and processing hardware from Sun. It comes with Oracle Enterprise Linux or Oracle Solaris 11, with the former boasting Oracle's high-performance 'Unbreakable Enterprise Kernel', a fast and reliable kernel that is optimised for Oracle software and hardware.

The second of the five-year projects is Fusion Applications, modular enterprise resource planning (ERP), customer relationship management (CRM), human resources (HR), supply chain management (SCM) and other business applications based on products that Oracle has acquired over the past decade. These applications are currently on version '12c' and can be installed on premise or hosted as software-as-a-service.

With Fusion Applications, Oracle revealed a modern, consistent user interface, and a service-oriented architecture (SOA) that meant applications could interoperate relatively easily with each other and with third-party software. As well as making it easier for IT departments to integrate Oracle components, it also offers a way to upgrade from legacy enterprise software systems.

Oracle has worked closely with users to develop Fusion. Tesco, L'Oréal, Accenture and Lexis Nexis have advised Oracle on the development of its Fusion Applications, while Barclays, HBO, Volvo, Nestlé, DHL, Coca-Cola and Kodak are among the companies that have assisted Oracle with its design.

Selling clouds

The third of Oracle's five-year projects is the hardware platform that runs Fusion Applications. It was also announced in 2010 and has since helped Oracle to increase its total hardware revenues from 9% of the business in 2010 to 17% in 2012.

The Exalogic Elastic Cloud server is a high-performance box that runs Oracle Fusion Middleware software, Java and non-Java applications and images (snapshots of the software on a hard drive, used for back-up and restoration purposes). It supports the Linux and Solaris operation systems, Oracle VM, JRocket and HotSpot virtual machines, and the WebLogic Java application server.

With a starting price of just above $1m, the Exadata cloud server packs a huge amount of processing power. It is designed to integrate with Oracle's Exadata database server so it can store and process the enormous amounts of data that the enterprise middleware produces.

> "Support and maintenance fees dominate Oracle's bottom line profitability and earnings predictability"
> Martin Mutch, Rocela

Products

Applications
- Oracle E-Business Suite
- PeopleSoft Enterprise
- Siebel
- JD Edwards EnterpriseOne
- JD Edwards World
- Hyperion
- Primavera
- Oracle Open Office
- Oracle Fusion Applications
- Oracle CRM On Demand

Middleware
- Java
- Application Server
- SOA
- Content Management
- Enterprise 2.0 and Portals

Databases
- Oracle Database 11g
- MySQL

OS and VM
- Oracle Solaris
- Oracle Linux
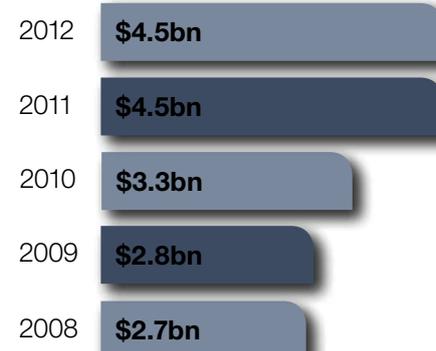- Oracle Virtualization

Servers and storage
- Sun servers, storage and tape
- Exalogic Elastic Cloud
- Exadata Database Machine

Source: Oracle

2011 market capitalisation

IBM	$214bn
Oracle	$144.7bn
HP	$105bn

R&D expenditure

2012	$4.5bn
2011	$4.5bn
2010	$3.3bn
2009	$2.8bn
2008	$2.7bn

"Everything you need is in that box, and everything about it is big," says Hartwell. For example, the Exalogic box supports up to 360 processor cores, has 2.8TB of DRAM memory and a 960GB solid-state disk. It has an integrated storage appliance with 40TB of disk space, a 4TB read cache, 72GB write cache and 40Gb/s Infiniband (a high-performance, high bandwidth internal communications switching architecture).

The server marked Oracle's entrance into cloud computing, a technology that Ellison had avoided until that point. "Previously, Larry has been a big naysayer about the cloud," says Hartwell. "But we have defined what we mean by the cloud: we will enable enterprise cloud computing. We don't anticipate being the new Amazon – pubic cloud – but will enable cloud to be built internally, or for companies in a sector."

Ironically, at Oracle OpenWorld 2011, Ellison went on to announce the Oracle Public Cloud, also based on Exalogic, Exadata and Fusion Applications, and hosted and managed by Oracle.

Oracle's big argument in favour of adopting Fusion Applications is that the company has already integrated all the applications and the hardware for the customer.

"Previously, before we bought all these companies, if you wanted that stack of software and hardware in your organisation, you had to buy all the bits and put them all together and make them work. If one of those vendors changed one of those items, you had to retest it all," says Hartwell. "You don't sell all the component bits of a car and ask the customer to put it all together. That's not how it works. [Integrating software and hardware is] our vision for the future."

However, although Oracle would like to see many customers migrating to Fusion Applications, Larry Ellison anticipated only 50 to 100 would migrate in the first half of 2011, with many waiting to see how things went.

Market strength

Commentators argue that Oracle's purchase of Sun, and subsequent integrated hardware/software strategy, puts Oracle in an even stronger position than before.

In fact, the European Union investigated the planned acquisition in September 2009, despite an all-clear from the US Department of Justice. The EU was concerned that Oracle would gain an unfair advantage in the database market, operating both its Oracle DBMS and Sun's MySQL.

Tony Baer, Ovum senior analyst, says, "Clearly one of Oracle's strengths is its market share. There's an old saying in real estate: 'location, location, location'; and in Oracle's case, it's 'market share, market share, market share'. It has acquired a lot of companies, and market share, under [former Oracle president] Charles Phillips' watch. He came from investment banking and helped to increase Oracle's value."

Martin Mutch, CEO at Edinburgh-based Rocela, an independent Oracle consultancy, says Oracle enjoys an ever-growing dominant market position. "Its increasing portfolio of products underpins the very core of contemporary enterprise level computing. From its database supremacy to its middleware strengths and applications market position and now the Sun infrastructure and datacentre position, the majority of large enterprises rely on Oracle technologies to run their businesses."

He believes Oracle's real strength is that it has created "commercial stickiness" with high value clients.

UK customers

- Argos: inventory management
- Bayer Business Services: database, security automation
- BT: BI, CRM, Fusion Middleware, Oracle On Demand
- BUPA: PeopleSoft HR
- Centrica: business efficiencies
- Comet: CRM
- Comic Relief: just-in-time intelligence
- Costain Group: collaboration
- Fujitsu Telecoms Europe: BI
- GE Healthcare: CRM
- Her Majesty's Prison Service: stock control
- Imperial College London: BI, analytics
- Lawn Tennis Association: CRM
- Manchester Airports Group: BIA
- Ministry of Justice: database security
- Nationwide: business processes
- Newport City Council: CRM
- NHS Connecting for Health: data management
- North Lanarkshire Council: load testing
- npower: automated scheduling
- Phones4u: retail apps
- Sainsbury's: CRM, SCM
- South West of England RDA: BI
- Suffolk Police Authority: Financials
- University of Hertfordshire: CRM
- Virgin Media: BI
- VocaLink: WebLogic Server
- Vodafone: communications
- Wellcome Trust: Oracle Database 11g
- William Morrison's: Oracle Data Integrator
- Yorkshire Water: SOA

Source: Oracle

Executives

- CEO: Lawrence J Ellison
- Chairman: Jeffrey O Henley
- President: Safra A Catz
- President: Mark V Hurd
- CSO: Mary Ann Davidson
- Senior VP, general counsel, and secretary: Dorian Daley
- Executive VP: John Fowler
- Senior VP, technology, hardware, and public sector: Matthew Mills
- Senior VP, NAS apps and cloud services: Joanne Olsen

UK executives

Loïc le Guisquet
Executive vice-president, Oracle EMEA
Loïc le Guisquet oversees a network of 139 offices in 61 countries. He is responsible for managing all of Oracle's operations, growth, and profitability throughout the region and serves as a member of Oracle's executive management committee. Le Guisquet has been at Oracle since 1989 in a variety of roles.

Luigi Freguia
Senior vice-president systems, Oracle EMEA
Freguia is responsible for the sales of all of Oracle's hardware offerings across the region. He joined Oracle in August 2011 from HP, where he was CEO of its Italian subsidiary. The first 20 years of Freguia's career were spent at IBM.

Andrew Sutherland
Senior vice-president, EMEA Technology, Oracle EMEA
Sutherland is responsible for growing market share for Oracle's middleware business in the region. He develops business strategies and is responsible for the interaction with product development teams. In addition, he manages a team of architects, business development managers, and technical specialists who work directly with customers.

Source: Oracle

"Support and maintenance fees dominate Oracle's bottom line profitability and earnings predictability. This cash cow is extremely robust as clients rely on new product updates and bug fixes to sustain the value from their investment in Oracle."

However, Mutch warns that Oracle's strengths could turn into weaknesses: "At the pursuit of world domination, what can be considered an arrogant corporate DNA could blindside Oracle to a backlash from the very clients it depends on, as they resist over-dependence on Oracle in a rapidly consolidating marketplace."

Farhan Mirza, principal of IT at management consultant AT Kearney, says, "Oracle's strengths include an installed base, technology that spans the architecture from database layer to applications and financial resources as evidenced by its recent acquisitions."

Competition

To a large extent, Oracle has knocked out a lot of its software competitors by acquiring them. It is now focused on beating its two main rivals: IBM, from a hardware, software and services perspective; and HP, with its enterprise systems, software and storage.

Mutch says, "As Oracle publicly positions itself to take on the likes of IBM and HP head on, the relative maturity and depth of client trust that they enjoy could be a formidable obstacle if such vendors continue to play to their own strengths and consolidate the market in their own way."

But Mirza also identifies other rivals. "Oracle is challenged on the enterprise side by SAP and also by Microsoft on a general technology play. It does face new rivals in areas such as advanced analytics, mobile computing, and SaaS/PaaS providers," he says.

In its 2012 end of year report, Oracle admits it sees competitors and competitive technologies across its entire range of operations: "We face intense competition in all aspects of our business."

For example, its Java technology platform faces competition from Microsoft's .NET programming environment, with Microsoft also offering the competitive SQL Server database management system.

Then in operating systems, Sun Solaris and Oracle Linux must compete with Microsoft's hugely popular Windows Server, as well as different brands of enterprise Unix, including HP-UX and IBM's AIX.

Competition also comes from commodity server, storage and microprocessor vendors, as well as software on demand and cloud services firms.

Enterprise application rivals include SAP, Salesforce and many others. Oracle also considers open source alternatives to its commercial enterprise software as posing a threat to its market share, in particular, the enterprise-class open source database PostgreSQL.

Open source competition also comes from MuleSoft's Mule Enterprise Service Bus (ESB) software integration platform, Red Hat's Linux operating system and JBoss middleware, SOPERA Advanced Service Factory (ASF) integration tool,

> "In terms of licensing, they have had a lot of shifts over the years and they have been very aggressive"
> Tony Baer, Ovum

Cult of personality

No analysis of Oracle would be complete without mentioning the personalities at the top of the company, most notably the founder, Larry Ellison, who has been Oracle's one and only CEO since the beginning.

The media is fascinated by Ellison for a number of reasons, not least his personal fortune and Oracle's impressive growth. His love of sailing has made the news, and in 2010, Oracle's yacht, *USA 17*, achieved a historic win at the 2010 America's Cup.

Ellison is a licensed pilot and owns several unusual aircraft, exotic cars and a $70m Californian estate. To give a flavour of his home comforts, *Wired* magazine reported that Ellison has a $1m entertainment system that includes a rock concert-sized video projector at one end of a drained swimming pool, using the pool as a giant subwoofer.

In August 2010, it was reported that Ellison was one of the 40 billionaires to sign Bill Gates and Warren Buffett's Giving Pledge.

"Many years ago, I put virtually all of my assets into a trust, with the intent of giving away at least 95% of my wealth to charitable causes," said Ellison. "I have already given hundreds of millions of dollars to medical research and education, and I will give billions more over time. Until now, I have done this giving quietly – because I have long believed that charitable giving is a personal and private matter."

Ellison is not the only member of the Oracle executive team to have gained media interest. In January 2010, former president Charles Phillips admitted having an affair after billboards publicising the relationship mysteriously appeared in New York, Atlanta and San Francisco.

Then in September 2010, Oracle appointed Mark Hurd as president to replace Phillips. This followed Hurd's high-profile exit as chief executive of HP, after an investigation of a sexual harassment allegation, which found inaccurate expense reports filed by Hurd, or in his name.

Hurd had been a tremendous force at HP, tripling profits by cutting costs and expanding beyond the company's core business of computers and printers, and into services. He had also overseen a $20bn acquisition strategy. Consequently, many analysts lauded Ellison's move in hiring his friend.

Martin Mutch, CEO at independent Oracle consultancy Rocela, says, "Despite clear focus on succession planning at its top table, the sheer potency of Ellison as a leader should not be underestimated and his eventual mortality will mean his withdrawal from the business at some point, leaving the next generation, such as Mark Hurd, with a big job to do."

One of Ellison's strengths is his ability to adapt. Ovum's Baer says, "Larry is willing to listen and is open to essentially changing the market positioning when conditions dictate it. I am not sure I could say the same for [former Sun CEO] Scott McNealy."

Ellison's move beyond databases, bold company acquisitions, growth into hardware, and eventual embracing of cloud computing, are all evidence of this.

Speaking of moving beyond databases, in June 2012, Ellison bought 98% of the island of Lana'i, the sixth largest in Hawaii, for an undisclosed sum.

SpringSource's enterprise Java development suite, the Spagic middleware platform, and the WSO2 ESB integration platform.

Open source

For Oracle, open source presents both an opportunity and a threat, says Gartner distinguished analyst Massimo Pezzini. "Sun had a very aggressive, although not very effective, strategy regarding open source," he says.

Sun made available to the open source community many of the technologies underpinning its software products, including GlassFish Enterprise Server (which hosts Java applications), GlassFish ESB (which integrates them), Mural (which manages Master Data), Liferay, a web portal project, the NetBeans Java environment and development tools, and OpenSSO, a web access management server platform.

Some observers, including Gartner, thought Oracle would continue to maintain some degree of commitment to these open source products, with the aim of building an 'open source stack' that would primarily compete against application infrastructure middleware suites from open source specialists MuleSoft, Red Hat, SOPERA, SpringSource and WSO2.

Instead, Oracle adopted a more pragmatic approach. Only certain products play a significant role in its strategy, says Pezzini. This is because they may have a sizeable installed base and proven business model, such as MySQL, the database Oracle inherited from Sun.

Alternatively, they may have specific technical merits or strategic relevance for Oracle, an example being GlassFish Enterprise Server, which is an important reference project for the Java community, and by extension for Oracle.

"All the others essentially have been put into a sort of limbo and have to prove to be able to stand on their own two feet to survive in the long term," says Pezzini.

"Such an attitude is, in part, a reflection of Sun's ineffectiveness in executing on its open source software vision. It is also a consequence of Oracle's down-to-earth attitude: a product is either technically sound or not, it either sells or it doesn't, irrespective of its open or closed source nature."

For Oracle, it does not want to jeopardise revenue streams from its profitable closed-source products, such as WebLogic Server or Oracle Service Bus, by backing much less profitable open source equivalents, such as GlassFish Enterprise Server or GlassFish ESB.

As for the open source community itself, it is largely in favour of Oracle's open source prospects, according to a recent poll of 130,000 developers and enterprise users.

Some 43% of respondents believe MySQL development and innovation will improve under Oracle. In addition, 80% believe the Java process will improve or stay the same. Most large organisations said they planned to use more Java than before.

Brian Gentile, CEO of Jaspersoft, which carried out the research, says: "It's clear that our enterprise customers and community are prepared to give Oracle the benefit of the doubt. And it's likely that the software industry may see a resurgence in the use of Java – good news for the massive investments made by many organisations and professionals in this programming language."

"It was a misconception to think Oracle would kill off MySQL," says Michael Fauscette, group vice-president of software business solutions at IDC.

In fact, Oracle has reorganised and established a separate MySQL business unit from its traditional relational database management system (RDBMS) business. It includes separate and dedicated engineering, professional services, sales and marketing.

Fauscette adds: "Oracle is not new to open source software with projects like InnoDB, Unbreakable Linux, Berkeley DB, and so on, and with the addition of Sun's portfolio of OSS, Oracle arguably became the world's largest OSS vendor.

"Oracle continues to target MySQL to areas of the market where it is a good fit over Oracle's database products – small and medium businesses, for example. What's interesting now is seeing if Oracle can improve transparency and openness and foster stronger communities, something Sun was consistently criticised for."

Licensing criticisms

Another area where Oracle has frequently been criticised over the years is licensing.

In 2002, it released a 40-page software licensing guide for users, designed to answer up to 90% of the questions users had about the company's pricing models. They were generally finding them complex to understand and manage.

Then in 2005, when multicore processors began to hit the mainstream, Oracle responded to user criticism of its policy of licensing software per processor core. The company had previously counted each core as a full processor, but changed its rules to count each core of a multicore chip as three-quarters of a processor, lowering licensing costs slightly. The move followed Microsoft and IBM making licensing concessions for multicore chips.

In 2010, Oracle's licensing revenues spiked 25% on the previous year, and new software licences currently account for 27% of total revenues, with database and middleware products representing 70% of new software license revenues in fiscal 2012. Its two primary software licensing models remain licensing per named user, and processor-based licensing.

But a couple of years ago, the company began to offer the unlimited licence agreement (ULA) to its larger customers, and faced criticism once again.

The ULA is intended to be a convenient 'all you can eat' option, where enterprises pay a single upfront fee to gain an unlimited licence for a pre-identified list of Oracle products for a limited term, typically three years.

At the end of this period, enterprises must document the deployment of all products obtained under the agreement, because these quantities determine the number of licences they receive at the end of the ULA term. On expiry of the agreement, enterprises must provide a signed document to Oracle that describes how many products have been installed, along with pertinent data used to license the Oracle software, such as number of processors and usage type.

However, the ULA carries risks, says Patrick Gunn, EMEA sales director at software license management firm Flexera Software. He says the ULA is most attractive when enterprises expect to see significant growth in their use of Oracle products over the term of the contract. They typically get an attractive discount.

Timeline

2012
- Oracle's first public cloud service due to be commercially available from summer 2012.
- Oracle's next-generation '12c' applications are due out by the end of 2012, including Oracle Enterprise Manager 12c and Oracle WebLogic Server 12c.

2011
- Oracle acquires six tech firms and releases Java SE 7 – the first release of the Java platform under Oracle stewardship.

2010
- At its annual user conference in September, Oracle OpenWorld, Oracle announces a hardware/software strategy, which includes Fusion Applications, a cloud computing server, and high-performance database appliance.
- HP's former CEO, Mark Hurd, joins as president and member of the board of directors, replacing Charles Phillips.
- Oracle has purchased 66 companies in six years, including Sun Microsystems in January 2010. The Sun acquisition takes Oracle into hardware for the first time, giving it Sun servers and storage, Sparc processors, Java, Solaris and the rival MySQL database.

2009
- Among other firms, Oracle acquires Primavera, a portfolio management software specialist, popular in engineering and construction, aerospace and defence, utilities, manufacturing and the public sector.

2008
- Oracle acquires enterprise application infrastructure firm BEA Systems.

2007
- Oracle buys BI software provider Hyperion Solutions.

But he warns that the first risk is that enterprises may not, in fact, grow as much as they predicted and could therefore overpay for their licences.

The second area of risk arises after the agreement expires. Enterprises may make less use of Oracle software but are still required to pay the same maintenance as they did during the ULA.

Making a final account to Oracle after the ULA expires is complex. It requires IT departments to calculate processor-based licences where they use server virtualisation. Another problem is tracking all Oracle deployments and usage. Developers and database administrators may have made installations outside the datacentre, for example.

The fact remains that licensing is a huge money maker for Oracle. "In terms of licensing, they have had a lot of shifts over the years and they have been very aggressive. To Wall Street it's a strength. To customers it's a weakness," says Ovum's Tony Baer.

Winning over the users

Oracle has created a strong position from which to challenge IBM and HP in hardware, software and services. Many Oracle customers are considering their options as Fusion Middleware and Applications, the Exadata database appliance and Exalogic cloud server get their latest revisions.

For example, during 2011 and 2012, Oracle continued to improve performance and innovations for Exadata and Exalogic systems, as individual components such as CPUs are refreshed and increased optimisation takes place within the Fusion Middleware stack, says Ovum analyst Tim Jennings. "A good example of this is the inclusion of Oracle Virtual Machine (OVM) 3.0 in the forthcoming Oracle Exalogic 2.0 software, which will improve its ability to run multiple workloads."

He adds: "Oracle is aggressively ramping up marketing for the newer members of the engineered systems family, including Oracle Big Data Appliance and Oracle Exalytics In-Memory Machine, and with strong customer interest in big data, Ovum anticipates high demand for these products."

Mark Wilkinson, vice-president of applications at Oracle, says, "Customers want more integration, and ultimately all customers want more for less. We are trying to deliver this through Fusion Apps, Exalogic and Exadata: a more pre-packaged solution that will enable them to get a faster return on investment."

The UK region continues to grow, with Oracle's UK team standing at 5,000 people (3,500 before the Sun acquisition), with no job losses through the downturn.

Retail, financial services, transportation, communications and media, commercial services and the public sector are profitable for Oracle in the UK, although its database business cuts across the spectrum.

Oracle's consulting services arm is also healthy in the UK, according to Wilkinson.

"We have a very sizeable consulting business within Oracle. What we have seen in recent years is that customers want the vendor to have some skin in the game. But we would never profess to be able to deliver change management to a customer. If it is pure implementation, then Oracle Consulting is a very good option. But we would never profess to be a soup-to-nuts services organisation."

Timeline

2005
- Oracle acquires competitor Siebel Systems for $5.85bn, massively expanding its CRM market share.

2004
- Ellison embarks on strategic acquisitions to broaden Oracle's market share. The company invests more than $25bn in three years to buy a range of firms, large and small. These include software specialists in retail inventory and logistics, CRM, data management and identity.
- Oracle buys PeopleSoft at the end of 2004 for $10.3bn. It then acquires retail software developer Retek.

2000
- Oracle releases its integrated application suite, Oracle E-Business Suite11i.

1997
- Oracle announces the Oracle 8 Database, designed to work with Oracle's network computer.

1992
- Oracle releases a new version of the database program, Oracle 7. It makes Oracle the industry leader in DBMS software. The company's stock regains much of its previous value. Oracle gains new customers, including many US banks, airlines, car companies and retail giants.

1990
- The company posts its first losses. Oracle's market capitalisation drops by 80% and the business appears to be on the verge of bankruptcy.
- Larry Ellison becomes chairman of the board until 1992 (again from 1995-2004). He replaces many original senior staff members with more experienced managers.

1987
- Oracle creates an applications division, initially with seven employees.

Wilkinson cites BI, CRM, financial applications, SaaS, HR (particularly in banks to deal with regulation), and supply chain products (that can deliver efficiencies for businesses). He is confident that users will respond positively to Oracle's new integrated IT approach. And in general, analysts have welcomed Oracle's integrated hardware/software strategy.

"Oracle wants organisations on its complete infrastructure, DBMS, middleware and application stack, and will provide the modernisation approaches, particularly in conjunction with partners, to get them there," says Gartner research vice-president, Dale Vecchio.

But Rocela's Mutch warns, "The very complexity of growth by acquisition and the monumental engineering requirement of developing such a wide portfolio, could see it struggle to deliver future product generations while retaining goodwill from its existing client base."

"People are leery about having their fate tied to one single vendor and Oracle has a reputation for being very aggressive in its sales and pricing," adds Ovum's Baer.

However, he recognises that Oracle may well find success with its Fusion/ Exadata/Exalogic strategy. "Exadata has a billion dollar sales pipeline and that's pretty serious stuff. The future is in major optimised systems and Oracle has been showing some pretty impressive performance figures [with Exadata]. Software alone will only get you so far when it comes to scaling."

Following the 2012 analyst strategy conference, Ovum's Tim Jennings comments, "Oracle does have a credible story to tell. Its broad and deep portfolio of hardware, software and services is among the strongest when it comes to trying to provide a one-stop shop for IT. Even though the portfolio still has gaps and some of the elements are integrated only at the brochure level, the tens of billions spent on R&D and M&A over the past decade, driven by a reasonably coherent vision and strategy, is starting to show promise.

"One important point to consider, however, is that Oracle has created a parallel Rubik's cube of complexity that is Oracle itself. A complex global corporation built on organic development and serial acquisitions means that it has a difficult task of rationalising products, technologies, cultures and go-to-market activities."

Most enterprises will have Oracle somewhere in their IT infrastructure, either choosing to become an Oracle house, or running technology from one of the IT suppliers Oracle went on to buy. Some users may fear vendor lock-in as Oracle talks about providing the whole IT stack, but others will welcome Oracle's broad and deep approach. In general, analysts feel that Oracle is making progress with its hardware, software and services strategy.

For the majority of Oracle users, it's business as usual as organisations plan their move to the latest 12c versions of applications such as Enterprise Manager and WebLogic Server – part of the Fusion Middleware range. Meanwhile, they will kick the tires of the new public cloud service and new big data BI and analytics applications.

For now, Oracle is signalling that it will continue to support the vast majority of the applications and technologies it has gained over the past few years. And with the forthcoming Oracle Public Cloud, the integrated hardware and software server appliances, increasingly rounded range of enterprise apps and continued investment in Java and Sparc, Oracle is sending out a clear message that it is here for the long term – and it's a message that may even appeal to IBM or HP stalwarts looking to switch suppliers. ■

Timeline

1986
- Oracle goes public, raising $31.5m with its IPO. Oracle revenues reach a record $55.4m.

1985
- Oracle revenues reach $23m.

1981
- IBM adopts Oracle for its mainframe systems. Oracle's sales double every year for the next seven years.
- Ellison renames the company Oracle Corporation, after its best-selling product.

1980
- The company has only eight employees and revenues are less than $1m.

1978
- Ellison's company finishes the project a year ahead of schedule, and uses the extra time to develop its system for commercial applications.
- Ellison serves as president of Oracle until 1996.

1977
- Ellison and two of his colleagues found Software Development Labs with Ellison as CEO.
- They win a two-year contract to build a relational database management system for the CIA. The project's codename is Oracle.