The risks to international sales and operations

When one thinks of leading multinational corporations, mature companies such as GE, IBM, and Johnson & Johnson generally leap to mind. However, in 1977, only a quarter century ago, Larry Ellison and two partners founded Oracle Corporation. Oracle, widely regarded as one of the world's largest software developers and providers second only to Microsoft, has grown swiftly in its brief history.

With fiscal year 2002 annual revenue surpassing $9. 7 billion, Oracle maintained its status as the number one enterprise software company in the world, and also fully embraced the power of the Internet and other fast growing technologies such as voice and wireless. The analysis that follows investigated Oracle further to assess its many attributes that have contributed to its success, and also looked at some of its failures and the challenges it still faces as a multinational corporation.

Finally, this analysis shifted to the future and assessed Oracle's strategies moving forward as Ellison aims to steer the Oracle ship toward continued market and financial success, while avoiding the many pitfalls that still remain. 1 In its relatively brief history, Oracle has captured a robust worldwide presence. With offices in more than 60 countries and 52% of its sales coming from outside the United States, Oracle is truly a global organization. 2 However, as many other multinationals have learned recently, a strong global presence provides no guarantee of success.

While Oracle's annual revenue rose 7. 2% from fiscal year 2000 to 2001, fiscal year 2002's revenue decreased somewhat dramatically by 10. 9%. Though the weakened U. S. economy and uncertainty throughout the world

had much to do with the drop, other factors have played important roles. 3 Oracle Successes It would be remiss to begin any Oracle success story without first paying homage to Ellison. A thirty-one year oldHarvardMBA when he helped to create Oracle, Ellison remains today the dynamic visionary leader of the organization.

Viewed as ultra-competitive and known to not shy away from risk, Ellison devotes much of his time recently toward his quest to win the America's Cup Challenge sailboat race. In the footsteps of another business icon, Ted Turner, Ellison hopes his corporateleadershipskills will carryover and help him captain Oracle Racing to victory in sailing's most prestigious event. Perhaps the cornerstone of Ellison's success with Oracle hinges around one key term-innovation. " When you innovate, you've got to be prepared for everyone telling you you're nuts.

" In these words spoken by Ellison just last year, he provided a glimpse into the overall success of Oracle. Since its inception Oracle has relied heavily on innovation. In 1979 with co-founders Bob Miner and Ed Oates, Ellison developed Oracle's first success with its SQL relational database management system (RDBMS). Through continual innovation, Oracle has developed a best-in-field reputation in data warehousing and has amassed a huge installed base of clients and software throughout the world.

One of Oracle's most recent successes both financially and from a transnational standpoint involves its groundbreaking Oracle 9iAS Application Server. Lauded by eWeek Magazine as a one-stop applications server shop, and by PC Magazine, which deemed it 27% faster than IBM DB2 and 200%

faster than Microsoft SQL Server, 9iAS's revenues have increased by 31% for fiscal 2002. 5 However maybe even more impressive than its financial success has been 9iAS's worldwide acceptance from a user perspective. Forrester Research, Inc. recently awarded its top prize to Oracle's 9iAS for its multilingual capability.

The only globally complete suite of e-business applications, it supports 30 languages, all character sets, unique global business practices, and even local regulatory requirements. The success of this product has allowed Oracle to uniquely position itself to serve the needs of other multinational organizations looking to realize the benefits of a global platform that standardizes processes, yet still provides a single view for each customer. Being an integrated global organization benefits Oracle in other ways as well.

The diversity page of Oracle's website states, " to effectively compete on a global scale, we believe it will take the strength of a unified workforce fully engaged in meaningful work. " 6 Although Oracle's research and development costs rose 12% in fiscal 2002, expenditures actually decreased due to the hiring of employees in India and China where personnel costs are much lower than in the United States.

A key component to Oracle's overseas recruiting success is the Internet and an online recruitment strategy. In addition to its own site, www. oracle. com, Oracle uses twelve Monster. com sites across Europe in its continual efforts to higher the best and the brightest-not just in the United States, but also throughout the world. Oracle Failures/Challenges While Oracle has certainly experienced its share of success, it has not come without failures and

challenging obstacles to overcome. Interestingly, a major challenge involved the release of the 9iAS Applications Server. In what one reviewer deemed " a really gutsy advertising gimmick," 7 Oracle spent $100 million touting it as unbreakable and completely safe from hackers.

Though many observers viewed this as an Ellison ploy to tweak the competition and to feed his large ego, the product withstood upwards of 30, 000 hacker attacks per week during 9iAS's infancy stage. A far greater challenge to Oracle as a multinational corporation is its overall role in the international arena. The risks to international sales and operations include some of the following potentially adverse possibilities: In many ways the above noted items present, and will continue to pose future challenges and risks to Oracle.

Though not something the organization can control itself, the present world economy is a tremendous cause for concern and is the main reason for Oracle's recent drop by nearly 11% in its fiscal 2002 revenues. As a world player, Oracle faces the constant challenge of conducting over half of its business in currencies other than the United States dollar. Hence, its operating results fluctuate based on foreign currency exchange rates. Recently, the dollar has weakened against foreign currencies, a phenomenon that has negatively affected Oracle's 2002 revenues and operating results.

To reduce the impact of currency translation gains and losses, Oracle enters into foreign exchange forward contracts that act as a hedge against translation expenses in major currencies such as the euro and the yen. 9 Oracle has had its share of failures. For example, Oracle made a prodigious

investment in a company called Liberate Technologies. In fiscal 2000, Oracle possessed a net investment gain of $432 million in the maker of interactive TV products and satellite communications products. By fiscal 2002 that number had dropped precipitously to a total net loss of $173 million.

This represented a total negative delta of a whopping $605 million. 10 Oracle Strategies A key part of Oracle's overall strategy involves offering customers a complete, integrated package of software, or suite. The suite allows Oracle to own every part of the client's software needs including its financials, manufacturing, sales force, logistics, and e-commerce. One analyst astutely describes it as providing solutions, and not merely providingtechnology. Clearly Ellison agrees with this assessment and adds that Oracle's success depends on a two-pronged strategy of developing new solutions and enhancing existing products.

Another part of Oracle's strategy may involve future price cuts. As the dot-com commotion continues to subside and the economy tightens even further, cost conscious companies may start looking for lower cost answers from some of Oracle's competitors such as IBM, Microsoft, and Business Objects. Though 9iAS proves to be superior, it also comes with a high price tag-one that Ellison realizes may work against Oracle in fiscal 2003. In addition, the software industry as a whole is much more competitive now. A past strategy of Oracle to stay competitive includes a reduction in prices.

It may need to apply this strategy in the future if other software companies offer deep discounts. 10 One more tactic that Oracle relies on entails alliances and joint ventures, as opposed to acquisitions. Though the Liberate

debacle faired poorly, Oracle maintains no fewer than a dozen relationships with other multinational and niche organizations in an effort to stay competitive and to explore growing markets. Geared heavily toward the Internet, these alliances and joint ventures include well known companies such as Dell, EMC, and SUN Microsystems, as well as lesser known companies that include Telenor, Conxion, and Wingcast.

Preferring to partner rather than to acquire gives Oracle the strategic advantage of having many oars in the water at one time without the burden of full ownership if a product or solution does not flourish. Oracle Conclusion Though hampered by an increasingly difficult world economy, Oracle remains a strong and durable organization. Led by the dynamic Ellison, a diverse globalculture, and the continued drive towards innovation, Oracle will no doubt carry on as one of the world's most competitive and successful multinational corporations.