

PeopleSoft founder Duffield not content to be retired in Tahoe

By Ashlee Vance, Bloomberg Businessweek

At 71, Dave Duffield ought to be retired. He's spent a half-century starting technology companies and is worth billions. He has a \$35 million Dassault Falcon 900EX jet, homes in the Bay Area and Palm Springs, and a seven-building vacation compound on Lake Tahoe with plenty of space for his wife of 28 years and their 10 children, the youngest of whom is an adopted daughter, age 2. On a sizzling June afternoon, Duffield stands in his hangar at an airfield east of San Francisco before a flight to Reno-Tahoe International Airport. "I just bought this Chevy Camaro," Duffield says, gesturing to the black car parked next to his jet. "It's probably the only one around with a baby seat in the back."

Duffield did take a break from the tech game, briefly. After his most successful company, PeopleSoft, was acquired in 2004 for \$10.3 billion, he unofficially retired. With his thin frame and rich head of silver hair, he'd sit in a rocking chair on his porch in Tahoe overlooking the lake. The relaxing, family-filled glide into his golden years lasted about three months. "I was rocking away and getting bored," Duffield says. When he told his wife, Cheryl, that he was starting another business software company, later named Workday, she cried, but didn't try to stop him. "She understood the higher calling," Duffield says.

One of the first things Duffield and his Workday co-founder Aneel Bhusri will tell you is that their company is not a revenge plot against Larry Ellison, the founder and chief executive of Oracle (ORCL). It was Ellison who bought

PeopleSoft eight years ago—a hostile takeover by the most hostile guy in tech. Ellison lowballed PeopleSoft’s shareholders, threatened to fire thousands of the company’s employees, and insulted Craig Conway, then PeopleSoft’s CEO. “It’s normal for Larry to do that kind of thing,” Duffield says, sitting back in one of his plane’s beige leather seats. “He threatened to shoot Craig’s dog at one point.” Bhusri, 46, sitting next to Duffield, cuts him off. “We don’t think about Larry or have any animosity,” he says, which will be a refrain over the next few hours. Back on message, Duffield adds, “You have to bless Larry’s heart for giving us this opportunity. I would never have been part of this Workday thing without Larry.”

The “Workday thing” threatens to upend the business—or enterprise—software market. It sells software that corporations use to keep track of their employees and finances. Normally such applications are expensive, a pain to use, and, because they become so entwined in a company’s operations, rely on a kind of monopoly of inertia. Workday’s software for filing expenses or approving a hire, on the other hand, is about as easy to use as Facebook (FB). It’s an example of cloud computing, selling software as a Web-based service rather than a product customers install in their own computing centers.

Workday now has 310 corporate customers, from Sallie Mae to Chiquita (CQB). The company won’t disclose its revenue, though people familiar with Workday’s financial performance say its bookings (a reflection of the value of multiyear deals) should reach \$500 million this year. Investors, including Michael Dell, founder and CEO of Dell (DELL), and Jeff Bezos, founder and CEO of Amazon.com (AMZN), have backed it with \$250 million in funding, valuing the company at more than \$2 billion. Their reward could come soon: Workday is expected to file for an initial public offering this month.

What does Ellison think of all this? He declined to comment

for this story, but said, "I won't mention Workday by name," during a June 6 press conference at Oracle's Redwood Shores (Calif.) headquarters. Oracle used the event to, at long last, unveil its competitor to Workday, called Oracle Cloud, and Ellison did in fact mention the company often by name in order to dismiss it.

Together, Duffield and Bhusri own a little more than 50 percent of Workday, and they see the company as their chance to fulfill a grand vision. Business software should not be arcane and ugly. It should have spit and polish and be tuned for the cloud-computing and mobile revolutions. Make the software good enough and mortals—rather than HR and accounting specialists—will be able to use it and learn more about their business and their co-workers. Duffield says Workday could be bigger than PeopleSoft. "You don't know this when you're young, but over time you see that great companies are usually built at a special point in time," he says. That time, it goes without saying, is now.

Enterprise software makes the corporate world tick. Oracle and SAP (SAP) sell applications that track everything from inventory to insurance policies to health-care plans. It's a huge business. Bhusri figures the market for HR software alone is about \$10 billion a year, while financial application sales run about \$30 billion per year. As it happens, the purveyors of such software aren't known for their warm relations with customers. "Just picking the right mix of stuff is complex and fraught with issues," says David Smoley, chief information officer of Flextronics International (FLEX), the giant electronics manufacturer and Workday customer. "Oh, and by the way, the motivation of an Oracle or SAP is to sell you a huge pile of software."

It's not uncommon for a buyer to spend years installing a new version of Oracle or SAP software. The process requires the purchase of an expensive, long-term license and a ton of computer hardware. Then you need a team of experts to make the

components work together and another team of experts to configure and customize the system for every peculiarity of a company. Year after year, Oracle and SAP levy maintenance fees to keep these customized machines humming. Call it a “thanks for being our customer” tax. For years, software makers would offer discounts to customers if they bought long-term licenses for, say, 40,000 expected employees instead of the 20,000 current employees. “You spend \$25 million instead of \$20 million for what’s billed as this super, smoking deal that will give you room to grow,” Smoley says.

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