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1 SOME PORTIONS DESIGNATED HIGHLY CONFIDENTIAL

2 SUBJECT TO PROTECTIVE ORDER

3 ENTERED ON MARCH 1, 2004

4 \* \* \*

5 UNITED STATES DISTRICT COURT

6 FOR THE NORTHERN DISTRICT OF CALIFORNIA

7 SAN FRANCISCO DIVISION

8 \_\_\_\_\_

9 UNITED STATES OF AMERICA, et al.

10 Plaintiffs

11 -v- Case No: C-04-00807 (VRW)

12 ORACLE CORP.

13 Defendant

14 \_\_\_\_\_

15 DEPOSITION OF

16 DAVID L. DORTENZO

17 VOLUME 1

18 Wednesday, May 5, 2004

19 9:24 A.M. TO 5:22 P.M.

20 held at

21 1735 New York Avenue, Northwest

22 Washington, D.C.

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1       \* \* \* P R O C E E D I N G S \* \* \*

2             D A V I D L . D O R T E N Z O ,

3       called as a witness in this case,

4       having been first duly sworn upon his oath,

5             testified as follows:

8 Q. Okay. Very good.

9 Mr. Dortenzo, for the record, can you  
10 spell your name and also state where you work, and  
11 give the address of your employer.

12 A. Sure. It's Dave D-O-R-T-E-N-Z-O. I'm  
13 a principal with Deloitte Consulting. My business  
14 address is 1000 One PPG Place, Pittsburgh,  
15 Pennsylvania, 15222.

16 Q. All right. And now, is that Deloitte  
17 Consulting LLP?

18 A. That is Deloitte Consulting LLP.

19 Q. And how long have you worked at the  
20 Deloitte Consulting?

21 A. A little bit over ten years. I started  
22 in April of 1994.

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1 Q. Okay. And what did you do before that?

2 A. I was a consultant with Pricewaterhouse

3 from 1981 through 1994.

4 Q. Okay.

5 A. I was in industry for four years before

6 that.

7 Q. Okay. And what do you do as a

8 principal of Deloitte Consulting?

9 A. I manage our U.S. operations for our

10 Oracle consulting practice. I'm responsible for

11 all of our consulting operations, our partner

12 deployment, and staff growth.

13 Q. Now, at one time were you a global

14 leader for the Oracle practice?

15 A. Yes. I was a global leader last year.

16 Q. And when did that end?

17 A. That changed in this fiscal year, which

18 began in June of 2003.

19 Q. June 2003.

20 A. Uh-huh.

21 Q. Why -- what was the reason for that

22 change?

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1 A. The reason for that change was that the  
2 Deloitte Consulting was folded back into Deloitte  
3 & Touche's parent organization, and the accounting  
4 structure within the organization is of a  
5 country-specific nature. And so the leaders are  
6 assigned to the country levels, and not to the  
7 global levels.

8 There are some global leaders that are  
9 more responsible for alliance operations,  
10 relationship-type of operations than they are the  
11 consulting operations and the actual practice of  
12 consulting in the field.

13 Q. Okay. Now, that was a lot of  
14 information. I just want to go through it so that  
15 it's clear.

16 You said Deloitte Consulting was folded  
17 back into Deloitte & Touche?

18 A. That's correct.

19 Q. What's Deloitte & Touche?

20 A. The -- there's the parent corporation,  
21 Deloitte Touche Tohmatsu, that is the global  
22 holding company.

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1 The parent organization for Deloitte  
2 Consulting is Deloitte & Touche LLP USA.  
3 Deloitte & Touche LLP USA is divided  
4 into two partnerships. Deloitte Consulting LLP  
5 and Deloitte & Touche LLP so there are two  
6 organizations that fold up into Deloitte & Touche  
7 LLP USA, and that is part of holding company of  
8 Deloitte & Touche and Tohmatsu on a global basis.

9 Q. Deloitte & Touche Tohmatsu --

10 A. Tohmatsu.

11 Q. Is that headquartered in Switzerland?

12 A. That's a Swiss Verein.

13 Q. What's a Verein?

14 A. It's a holding of partnerships.

15 Q. That's just the Swiss terminology for  
16 holding and partnerships?

17 A. Yes.

18 Q. Okay. And then Deloitte & Touche LLP  
19 USA that's the parent organization for both  
20 Deloitte & Touche and Deloitte Consulting?

21 A. That's correct.

22 Q. And you work for Deloitte Consulting.

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1 A. That is correct.

2 Q. Now, before June when there was that  
3 reorganization, how did Deloitte Consulting fit  
4 into this organization?

5 A. It was a very similar structure, but  
6 what was going on at the time was Deloitte  
7 Consulting was going to spin off from that  
8 structure and become -- it's a legal entity, and  
9 it's an organization. The partners voted against  
10 that spin-off, and that's when the organizational  
11 change took place that is reflected in the  
12 structure that I just explained.

13 Q. Okay. So was Deloitte Consulting,  
14 before June, solely a U.S. organization?

15 A. No, Deloitte Consulting was a global  
16 organization at that time.

17 Q. And --

18 A. That's when I had the global  
19 responsibilities.

20 Q. Okay. So at that time -- at that time  
21 Deloitte Consulting operated globally and not just  
22 in the U.S.

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1 A. That's right.

2 Q. Now, after the reorganization, do you  
3 still provide global services through the  
4 consulting organization?

5 A. We do. We do, through national  
6 organizations and global organizations, we're  
7 involved on a global basis in our local practice.

8 Q. So do you continue to work with some of  
9 the same people that you worked with in other  
10 countries before the reorganization?

11 A. Yes, we do.

12 Q. They've just been reorganized into a  
13 different way within Deloitte Touche Tohmatsu?

14 A. That's correct.

15 Q. Is there anybody else who is nominally  
16 the leader of the global organization for  
17 Oracle -- for the Oracle practice any longer?

18 A. No. There is a Global Alliance  
19 Partner, but they're not operations --

20 Q. Who is the Global Alliance Partner?

21 A. Jeff Plewa, P-L-E-W-A.

22 Q. And where is he located?

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1 A. Chicago.

2 Q. So he's in the U.S., too?

3 A. Uh-huh.

4 Q. And you are the U.S. --

5 A. Practice Leader.

6 Q. Practice Leader?

7 A. Responsible for Oracle operations.

8 Q. And are you a Practice Leader for any

9 other -- for any other groups within Deloitte

10 Consulting?

11 A. Not at this time.

12 Q. Okay. And have you been in the past?

13 A. Yes, I have.

14 Q. Was Retek one of those groups for which

15 you were --

16 A. Retek was one of the practices that I

17 was responsible for.

18 Q. Okay. And when were you responsible

19 for the Retek practice?

20 A. Retek was the last fiscal year, so it

21 would have been from June of 2002 until June of

22 2003.

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1 Q. Okay. And why did your responsibility  
2 for the Retek practice end?

3 A. Retek is a specialty software  
4 operation, and we folded that responsibility back  
5 into our industry practice, because the expertise  
6 required to implement Retek was very specific to  
7 our consumer business retail -- excuse me --  
8 industry segment.

9 Q. Okay. And by the way, how long have  
10 you been, before the reorganization, how long were  
11 you the Global Practice Leader for the Oracle  
12 practice?

13 A. 18 months.

14 Q. And what was your position in relation  
15 to Oracle before that?

16 A. I was the Oracle Americas Leader before  
17 that, for one year. And for the year prior to  
18 that I was the Central Region Practice Leader.

19 Q. For Oracle, too?

20 A. For Oracle. The year ... yeah, that's  
21 right.

8 Q. Eighteen months back would be about to  
9 the end of 2000 -- no, the beginning of 2002?

10 A. Should be the mid of 2002. The global  
11 responsibility that I had was June of 2002 through  
12 the calender year of 2003.

13 When I mentioned that earlier that  
14 Deloitte Consulting folded back into Deloitte &  
15 Touche, the legal date for that transaction was  
16 actually December of 2003.

17 Q. Okay. I understand.

18 A. So as we went through -- the overlap  
19 that I was trying to explain is from June of 2003  
20 until December of 2003 I was still the global  
21 leader although the organization was shifting to  
22 the country-specific organizations, so we started

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1 to ramp down some of the global responsibilities.

2 But I still had the title, if you will, through

3 December of 2003.

4 So it would have been June of 2002

5 through December 2003, eighteen months.

6 Q. And as the U.S. Practice Leader, that

7 would have been for the year before June 2002, so

8 from about --

9 A. That's correct --

10 Q. June 2001 to June 2002?

11 A. That's correct.

12 Q. And Central Practice, it would have

13 been about June 2000 to about June 2001?

14 A. That's right.

2 Q. Immediately before you became the  
3 Central Practice Leader were you working with --

4 A. I was working with Oracle --

5 Q. [Inaudible] software --

6 A. Sorry. I did have -- we have major and  
7 minor responsibilities, so I was an energy  
8 practitioner as a partner within the firm.

9 Q. Uh-huh.

10 A. I had a minor or a secondary  
11 responsibility in the software packages practice.

12 And while I was at British Petroleum,  
13 which is where my assignment was as a line  
14 partner, as the lead client service partner on  
15 that engagement, we did work with both Oracle and  
16 SAP.

17 Q. Okay. Was that your first work with  
18 this enterprise software at British Petroleum? Or  
19 had you been working for some time with this  
20 software in your practice before that?

21 A. I had been working --

14 Q. Are you familiar with the term ERP or  
15 Enterprise Resource Planning?

16 A. I am.

17 Q. What is that, or how do you use that  
18 term at Deloitte?

19 A. Well, ERP is a categorization of type  
20 of software that discusses the scope of that  
21 particular software and how it can be used within  
22 the company.

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1           So when we talk about ERP, typically we  
2 refer to software that can be used throughout the  
3 entire enterprise which takes care of financials,  
4 which takes care of order management and customer  
5 relationship management, and also fulfills supply  
6 chain applications, and business processes. So  
7 when we talk about ERP within the firm, that's the  
8 scope of processes and applications we usually  
9 think of.

10       Q. Does it include a human resource  
11 functionality also?

12       A. It can. At Deloitte we have a separate  
13 practice that's entitled the "Human Capital  
14 Practice," that also deals with human resource  
15 solutions.

16           So sometimes we do incorporate HR  
17 applications into the ERP, and sometimes we deal  
18 with them independently through our Human Capital  
19 Practice.

20       Q. Okay. And in terms of the types of  
21 software that is used for the financial management  
22 of the corporation for enterprise purposes, can

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1 you just provide some examples of that, of what  
2 that software is?

3 A. Application examples, Kent or brand  
4 names --

5 Q. Like a general ledger, for example.

6 A. Financials usually incorporates general  
7 ledger, accounts payable, accounts receivable,  
8 fixed assets, the primary applications.

9 Q. Okay. And in your Human Capital  
10 software packages, what are the types of  
11 functionality that are normally included within  
12 that area?

13 A. Basically human resources and payroll  
14 processes.

15 Q. Okay. Is an added functionality that  
16 is often included now a self-service  
17 functionality?

18 MR. YATES: Objection. Vague.

19 BY MR. BROWN:

20 Q. You can answer the question.

21 A. Okay. Self-service is a feature within  
22 applications. It can be a feature that's involved

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- 1 around human resources. It can also be involved
- 2 around customer relationship and supply chain as
- 3 well, depending on how that application is
- 4 designed.

10 Q. Okay. I understand.

11 Now, just one little piece more on your  
12 background. At any time have you been responsible  
13 for another -- any other practices at Deloitte,  
14 other than Oracle and Retek?

15 A. Yes.

16 Q. What --

17 A. I had responsibility for the PeopleSoft  
18 practice from June of 2001 to June of 2002, as  
19 well as Oracle.

20 Q. And were you the global leader for that  
21 practice too?

22 A. The Americas.

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1 Q. Americas.

2 A. That was the years I was Americas.

3 Q. All right. Now, I'd like if you could,  
4 could you just explain what a -- the Oracle  
5 practice is at Deloitte.

6 What do you mean when you say "the  
7 Oracle practice"?

8 A. We have -- we have a number of staff  
9 who specialize in implementing the suite of  
10 applications that Oracle sells in the marketplace.

11 In addition -- those could be HR,  
12 financials, same thing we talked about earlier,  
13 CRM, supply chain.

14 In addition to implementing those  
15 applications we have practitioners that specialize  
16 in Oracle technology. So when I say "Oracle  
17 technology," what I mean is the database  
18 applications, the integration of the Oracle  
19 software with any other legacy systems that a  
20 client might have within their organization.

21 And the other services that we provide  
22 around technology have to do with applications,

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1 database administration. So it's managing the set  
2 of applications, sizing those applications, tuning  
3 them from a performance perspective, making sure  
4 that the tables are set up correctly, and that the  
5 patches that come out and the updates that come  
6 from Oracle are applied.

7         So the scope of our Oracle practice is  
8 comprised of practitioners who deliver those  
9 services to the marketplace.

10         We will take those practitioners, and  
11 join them with practitioners from our industry  
12 specialties within the firm, and that generally  
13 speaking constitutes the project -- the people  
14 component of our projects as we deliver services  
15 to the market.

2 Q. Okay. By the way, with respect to --  
3 with respect to the focus of my questions today,  
4 I'm going to be asking primarily about the ERP  
5 applications dealing with finance and HR. And  
6 only peripherally covering the applications that  
7 might deal with the CRM -- I think that's customer  
8 relationship management.

9 A. Correct.

10 Q. And supply chain management.  
11 If I'm asking a question about  
12 applications, will you be sure to think of it in  
13 terms of financial management and HR management?

14 A. I will.

15 BY MR. BROWN:

16 Q. If I want to talk, or ask about the CRM  
17 or the supply chain management applications, I'll  
18 extend the question to those areas.

19 A. Okay.

20 Q. Now, can you tell me a little bit about  
21 what types of clients Deloitte works with, with  
22 its Oracle and its PeopleSoft practices?

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1 A. We practice across seven different  
2 industries to a number of client companies. There  
3 are about 2000 clients in our Deloitte & Touche  
4 portfolio.

5 Those clients, generally speaking,  
6 range in revenue size from \$500 million revenue,  
7 all the way up to the largest organizations in the  
8 world like General Motors. So multiples of  
9 billions.

10 Q. And do you recall what the seven  
11 industry practice areas are on which you  
12 specialize?

13 A. We can go through them -- I think I'll  
14 get them all.

15 It's consumer business; financial  
16 services; manufacturing; public sector; health  
17 care; technology, media and telecommunications;  
18 and energy.

19 Q. Now, when you talk about the 2,000  
20 clients that you have at Deloitte Consulting, are  
21 those the 2,000 -- are those 2,000 clients that  
22 Deloitte Consulting has for its U.S. operations?

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1 A. It is. That is our client portfolio.

2 Q. Okay. And in addition to PeopleSoft  
3 and Oracle, do you have any other -- do you have  
4 any other practices that are -- in which you  
5 provide ERP solutions to -- and that's the  
6 financial and HR solutions -- to these groups of  
7 clients?

8 A. We do. We have an SAP practice  
9 effective, as of the first of the year, as the  
10 firm is all back together there is also Lawson in  
11 our portfolio.

12 Q. Okay.

13 A. That's primarily it. Retek is still  
14 part of the industry practice, so we still do deal  
15 with Retek. And then any particular software  
16 applications that support any of these might as  
17 well be included in our ERP practice as well,  
18 because that falls under our packages practice.  
19 So if we were dealing with a specific, or as a  
20 term "bolt-on packages," something to do with  
21 sales tax, we would also potentially have  
22 practitioners who have that expertise as part of

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1 this practice.

2 Q. Okay. So now, when you talk -- when  
3 you are talking about this, this would be software  
4 that would be used together with one of the ERP  
5 packages that of, say, PeopleSoft, Oracle, SAP or  
6 Lawson?

7 A. That's right. That's right.  
8 "Complementary," I guess, might be a good term.

9 Q. Can you just give us an example of a  
10 type of software that would potentially be used to  
11 complement one of the ERP packages?

12 A. Sure. It's a company named Vertex,  
13 V-E-R-T-E-X. Vertex's specialty is to deal with  
14 sales tax, use tax, processing. So as clients  
15 look at their financial processes and have to deal  
16 with taxation issues, that software is specialized  
17 to work together with the ERP softwares to deliver  
18 that functionality to manage that tax function for  
19 our clients.

20 So we will implement that together with  
21 the ERP packages in a lot of cases.

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1 Now, you mentioned after the first of  
2 the year, your practice with respect to a Lawson  
3 was within Deloitte Consulting.

4 A. Uh-huh.

5 Q. Did any of the Deloitte groups have a  
6 Lawson practice prior to that time?

7 A. The Lawson practice was managed from  
8 our Deloitte & Touche organization prior to the  
9 reorganization of the firm, effective December --  
10 December 27th was that date.

20 Q. Why don't -- I think that's a good  
21 idea. After 2004, I think you said there's an  
22 umbrella organization, and you have -- on one side

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1 you have Deloitte & Touche and Deloitte Consulting

2 on the other side.

3 A. Uh-huh.

4 Q. And so to make the question more

5 specific, now, how was -- how are the functions of

6 those two organizations split up?

7 A. Currently they are split where all the

8 consulting, effective, again, December 27th, 2003,

9 all the consulting is housed within Deloitte

10 Consulting LLP.

11 Prior to that, and for a period of very

12 close to ten years, about the time I started with

13 the firm, the Deloitte & Touche organization had

14 commissioned the startup of a practice that was

15 called Management Solutions, which was a

16 consultancy that was more dedicated to serving

17 audit clients, and typically smaller clients, than

18 what Deloitte Consulting served in its

19 marketplace.

20 When I say "smaller," in terms of

21 company revenue, again generally speaking.

22 So over that period of ten years, the

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1 Management Solutions organization had grown, and  
2 the -- one of the services that they delivered to  
3 the marketplace was around Lawson implementation.  
4 That practice was primarily focused around health  
5 care, although there were also retail and public  
6 sector implementations of Lawson taking place at  
7 that time.

8         So they served primarily those three  
9 industries.

10         When the firm reorganized, and the  
11 Braxton separation was voted down and the firm  
12 reorganized and became effective again December  
13 27th.

14         All of the software practices --  
15 software package practices and operations shifted  
16 at that time into Deloitte Consulting.

17         Q.   Okay. Did the -- did the Management  
18 Solutions practice focus primarily on operations  
19 that were within the U.S.?

20         A.   Not exclusively. Primarily, but not  
21 exclusively.

22         Said differently, if we ran into a

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1 client situation from a solutions perspective that  
2 had global operations, again, that would be served  
3 from the company headquarters site. So if the  
4 company was headquartered in the U.S. and had  
5 tentacles into Europe or another part of the  
6 world, then U.S. firm would also serve that global  
7 client.

8 Q. Okay. I guess what I'm trying to get a  
9 more precise definition of the types of companies  
10 that were served by Management Solutions prior to  
11 the reorganization.

12 MR. YATES: Objection. That question  
13 lacks foundation.

14 BY MR. BROWN:

15 Q. Do you know what types of companies  
16 Management Solutions served before the  
17 reorganization?

18 A. I don't think it's -- I don't think  
19 it's easy to categorize those kinds of companies.  
20 I can say that the client portfolio was very  
21 similar to what Deloitte Consulting was serving at  
22 the time.

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1 Q. Okay. But --

2 A. So at the early design, Kent, I would  
3 tell you that there was intent that those  
4 companies would be smaller, and they, again,  
5 generally speaking, would be up to a billion  
6 dollars in revenue.

7 However, over time, as consulting was  
8 competitive, and as these two organizations,  
9 Deloitte & Touche and Deloitte Consulting became  
10 more involved in the marketplace, there was even  
11 internal competition that led to the solutions  
12 organizations serving very similar clients to  
13 Deloitte Consulting.

14 So if, in using the Lawson example,  
15 they ran into -- let me think of a good  
16 representative example ... there's a -- I believe  
17 an organization called . It was a large health  
18 care organization that operated nationally.

REDACTED

19 Q. It's a hospital organization?

20 A. Yes. And I was aware that there was a  
21 large Lawson implementation going on there. But  
22 this would be a, you know, a multi --

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1 multiorganizational -- very large client that  
2 typically you might have found Deloitte Consulting  
3 serving. So Solutions was in fact serving that  
4 client and delivering to a very large client some  
5 very significant services, which, again, is not --  
6 was not that original intent I spoke of, up to a  
7 billion dollars, smaller types of services.

8         So the marketplace was very similar to  
9 what you'd find in Deloitte Consulting. The  
10 specialty of Lawson existed, and was managed from  
11 Deloitte & Touche as opposed to Deloitte  
12 Consulting.

13     Q.   Okay. Now, do you know approximately  
14 how many people are working in the Oracle practice  
15 in Deloitte Consulting today?

16     A.   I do. We quote two numbers. There are  
17 about 300 practitioners that are solely dedicated  
18 to Oracle implementations. And there are 1500  
19 practitioners that we speak of in terms of global  
20 capability.

21         The difference between those two  
22 numbers represents those practitioners who have

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1 specialty in our industry practices, who as well  
2 have Oracle experience, but have not dedicated  
3 their careers to implementing Oracle applications.

4       So they may have worked in high-tech,  
5 or they may have worked in telecommunications;  
6 they may have worked in financial services  
7 implementing, let's just say, an inventory  
8 solution or some piece of an Oracle application.

9       But after that project's finished they  
10 may as well go do SAP or something else. So they  
11 specialize in the business processes, and in  
12 business transformation, but they don't specialize  
13 within any one package.

14    Q.   So, just so that I understand, you have  
15 300 who are solely dedicated to Oracle.

16    A.   That's correct.

17    Q.   And in addition you have another 1200?

18 Or would that be 1500 that you could call on who  
19 have --

20    A.   1200 --

21    Q.   -- who have Oracle expertise.

22    A.   1200.

16 Q. Okay. Now, do you have a -- and what's  
17 the size of the Oracle practice in annual revenue?

18 A. This year it will be about million. REDACTED

19 Q. Is that U.S. --

20 A. U.S.

21 Q. For U.S. only?

22 A. Yes.

10 Q. Okay. And what about with respect to  
11 Lawson?

12 A. Same thing. Lawson is smaller, though.

13 I do know that the annual revenues of the Lawson

14 practice are probably \$ million. I don't know

REDACTED

15 the number of people, though.

16 Q. Do you know how -- what type of

17 global -- whether Lawson has any type of a global

18 practice in Deloitte?

19 A. I don't know that.

3 Q. Okay. Now, do you have a practice  
4 of -- do you have practices set up to work  
5 specifically with any other ERP vendors other than  
6 SAP, Oracle, PeopleSoft and Lawson?

7 A. Those are the primary ones. We do have  
8 a relationship with Vertex, as I mentioned  
9 earlier.

10 Q. Okay.

11 A. We do have about 40 different alliance  
12 relationships within Deloitte Consulting that  
13 constitute relationships with vendors who support  
14 this marketplace again.

15 So there is a product, as an example,  
16 named Optio which is used for reporting in many of  
17 our Oracle projects. We have an alliance  
18 relationship with Optio, and that is a vendor  
19 relationship. That actually is software. So  
20 there are, again, supporting pieces that go with  
21 the ERP practice, and there are a number of  
22 alliances around that, about 40.

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1 Q. Okay. And the software that's provided  
2 by these -- by those companies would once again be  
3 used as a complement with the ERP software?

4 A. That's right. That's right.

5 Q. Did -- can you tell me in general  
6 what's the size of Deloitte Consulting's revenues  
7 all together?

8 A. About 3 billion.

9 Q. And that's relating now to the U.S.

10 A. Consulting. Right. Consulting revenue  
11 in the U.S.

12 Q. And what portion of those revenues in  
13 general accounted -- is accounted for by the  
14 enterprise software package business?

15 A. About 25 percent. 25 to 30 percent.

16 Q. Why do your clients use Deloitte to  
17 assist in -- with their ERP work?

18 A. The reason our clients buy Deloitte is  
19 because we do business transformation, which  
20 infers that we take technology solutions, and we  
21 take industry expertise, and we use the -- the  
22 technology to enable process redesign and process

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1 improvement, so that our clients achieve financial  
2 benefit and business improvement through the  
3 implementation of both the technology and our  
4 services.

5       So said differently, we try to drive  
6 performance and financial result through our  
7 implementations and that is the brand that we try  
8 to carry in the marketplace.

9     Q.   Okay. And why do you -- why do you use  
10 the -- let me focus primarily on the portion of  
11 the organization that you worked in. Deloitte  
12 Consulting.

13     A.   Okay.

14     Q.   Why historically has Deloitte  
15 Consulting used PeopleSoft, Oracle and SAP as  
16 the -- as the software with its -- with those --  
17 with the clients that it was -- that was providing  
18 these business transaction services?

19       MR. YATES: Objection. Vague.

20     BY MR. BROWN:

21     Q.   You can answer.

22     A.   Two reasons I can think of. Number

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1 one, those particular software houses are the most  
2 prevalent within the different industry practices  
3 that we talk about. Industries. And therefore  
4 become primarily the vendors of choice in those  
5 spaces.

6       Consequently, there is millions and  
7 millions of dollars of revenue associated with the  
8 implementation services that go together with the  
9 sale of that software, which is a good business  
10 opportunity for Deloitte.

11       So we have built our business around  
12 significant vendors in that space.

13     Q. Well, is there anything about your  
14 clients' requirements in general that have caused  
15 them to turn to the PeopleSoft, Oracle and SAP  
16 applications?

17     A. I would say there are a few reasons for  
18 that. One is the scope ... the application scope,  
19 of those applications, of those particular vendors  
20 have broadened their footprint, or, said  
21 differently, they have more functionality than a  
22 lot of the other softwares that are in the

00050

1 industry. So that's one.

2       Some of our clients, because of their  
3 global nature, look for solutions that can manage  
4 multinational organizational aspects of their  
5 implementations, as well as multicurrency, if  
6 they're dealing in different currency. As well as  
7 multiple language requirements. Those are the  
8 primary reasons.

9     Q.   Okay. I'd just like to follow-up a  
10 little bit on a couple of these.

11       When you indicate that -- with respect  
12 to some of your global clients, you mentioned that  
13 there was a multicurrency, multilanguage, and  
14 multiorganizational functionality that they might  
15 desire.

16       Is there also reporting functionality?  
17 That's required by a global client?

18     A.   There are statutory and regulatory  
19 reports that are required in every jurisdiction,  
20 every governmental jurisdiction, so yes, there are  
21 requirements to report financials, in particular,  
22 in many cases.

00051

1 In many implementations, there are  
2 requirements for local -- what are called  
3 localizations, that are, again, country-specific  
4 regulatory or statutory reporting requirements  
5 that require customization, generally speaking, to  
6 satisfy that requirement.

11 Q. And what's the relationship between  
12 these global requirements and the fact that they  
13 might use SAP, PeopleSoft or Oracle?

14 A. Those particular softwares have that  
15 multi capability. So they can manage the  
16 organizational setup that exists, where there  
17 might be different sets of books from an  
18 accounting perspective that are required. So all  
19 of those software products house the ability, or  
20 the capability to deliver on the multiple  
21 currency, organizational and lingo -- language  
22 requirements.

00052

1 Q. Okay. And do you know if other  
2 products have that same capability?

3 A. There are other products that do have  
4 those capabilities. There are some. I don't know  
5 how many.

6 Q. Why don't you implement those products  
7 for your clients?

8 A. Well, we do have practices, as an  
9 example, in Siebel or the things that we used to  
10 do in Arriba, I don't know details around how  
11 multicable those were. I don't have that  
12 experience.

13 We do -- did have practices in Siebel,  
14 we had them in I2 we had them in Arriba, there are  
15 several other software products that we manage  
16 that do span global requirements.

17 Q. Now, just to clarify this, if we're --  
18 if my questions today are focused on the financial  
19 management and the HR requirements of firms, the  
20 Siebel is -- provides customer relationship  
21 management software; is that correct?

22 A. That's right. That's right.

00053

1 Q. It does not supply financial management  
2 or HR software, does it?

3 A. It does not.

4 Q. And Arriba and I2 are also firms that  
5 do not supply financial management and HR  
6 software; is that correct?

7 A. That's correct.

8 Q. Now, are you aware of other software  
9 packages that your clients are using, or even if  
10 you're just aware of them, that provide similar  
11 global functionality for financial management and  
12 HR processes?

13 A. No. That's -- those are the primary  
14 ones that we support.

15 Q. Okay. What about Lawson, with respect  
16 to its global functionality? Are you familiar  
17 with its global capability?

18 A. No, I'm not. I'm not.

19 Q. Okay. For the clients with which  
20 you're familiar, are you familiar with any clients  
21 who have implemented Lawson for global  
22 requirements?

00054

1 A. I've not run into Lawson, competitively  
2 speaking, within our Oracle practice.

3 Q. Okay. Ever?

4 A. I don't remember ever competing against  
5 them.

6 Q. I just want to mention a couple other  
7 firms that have come up.

8 There's a product that is owned by  
9 Microsoft called Great Plains.

10 Is this a product that you're  
11 implementing for Deloitte clients?

12 A. Well, we -- I know that we've got  
13 experience with that, and we have implemented it.  
14 I think the comment underneath that, Kent, would  
15 be, how recently?

16 Great Plains was a financial --  
17 primarily a financial software that was popular  
18 with the middle market segment, and was  
19 implemented to manage financial applications. I  
20 don't know of any Great Plains implementations  
21 that are going on right now. I don't have  
22 responsibility for that part of our practice. But

00055

1 I have not run into it competitively, either.

2 Q. Okay. Now, is Great Plains the kind of  
3 software that Deloitte has been using to provide  
4 business transformation functions?

5 A. Typically not. Typically Great Plains  
6 would be a, what we might term, "a point  
7 solution." Something that is able to be  
8 implemented on a more rapid basis. And when  
9 you're talking about "rapid," and when you're  
10 talking about, I'll use the term "simple  
11 functionality," a lesser set of functionality.

12 We don't usually do business  
13 transformation around something that is done  
14 rapidly. Business transformation usually has to  
15 do with, you know, total revamping of the business  
16 processes. And then enabling that with software.  
17 That's not typically what we do with Great Plains.

18 Q. When you talk about "simple  
19 functionality," is there anything about the way  
20 that Great Plains has been configured or the  
21 nature of the software, that limits its use in a  
22 business transformation engagement?

00056

1 MR. YATES: Objection. Lacks

2 foundation.

3 A. I'm not familiar with Great Plains.

4 I -- again, I think that the function -- the level

5 of functionality that is delivered with the Great

6 Plains package accomplishes simple functions.

7 An example of that might be if we're

8 going to do accounts payable and we need to go

9 through matching functionality, do I have the

10 purchase order, do I have the receipt, do I have

11 the invoice, do those line up?

12 It might offer something that's simple

13 at that level. But then there are different kinds

14 of matching that some of the other products have

15 within their capability sets that Great Plains may

16 or may not have.

17 So Great Plains, again, is usually

18 something that I'm more familiar with as a

19 temporary, or a point solution, or a

20 "fit-for-purpose" is another term that we use that

21 suggests that, I just want to get something in,

22 and I want to use something simple to accomplish

00057

1 the financial requirements of my business but I  
2 don't want to spend a lot of time going through  
3 the transformation. That would be a way to  
4 explain it.

6 Q. Are you -- have you heard the terms  
7 "out-of-the-box," or kind of an "all in one ERP  
8 package"?

12 Q. Let's talk about "out-of-the-box."

13 A. Out-of-the-box I've heard.

14 Q. What does that mean in connection with  
15 the ERP industry?

16 A. It means that -- the inference is that  
17 a client can take the software -- excuse me -- as  
18 delivered, without executing a process, or on  
19 business transformation, or design. And  
20 therefore, they can use the product as it is  
21 delivered to manage their systems functions within  
22 their business. So there is no tailoring

00058

1 required, there is no specialized design or  
2 specialization around those products, that it's  
3 intended to be used as delivered from the software  
4 vendor like it is.

5 Q. How many of your clients in Deloitte  
6 Consulting have been able to use out-of-the-box  
7 implementations?

8 A. I have not seen any. Zero.

19 Q. Okay. Let me back up a little bit,  
20 just so I understand what you've been talking  
21 about, and focus on specific vendors.  
22 Are the companies for which you're

00066

1 providing business transformation services at  
2 Deloitte Consulting, are you using point solutions  
3 like great -- Microsoft Great Plains for those  
4 companies?

5 A. Typically not.

6 Q. Now, why is that?

7 A. They don't have the level of  
8 functionality that's required to support the  
9 business transformation that we've talked about  
10 earlier. You're limited in the level of  
11 functionality you've got in those solutions.  
12 Those are -- when I use the term "rapid," those  
13 are an alternative path to not spending a lot of  
14 money or a lot of time, to get something up in the  
15 meantime.

16 So typically our solution development  
17 evolves around the larger packages.

18 Q. Okay. And why would you focus your  
19 solution package -- your solution development  
20 around the larger packages? What is it about  
21 those packages that has caused you to do that?

22 A. It's the ERP functionality, which is

00067

1 broader than your financial and HR solution in  
2 most cases, and the market opportunity that  
3 exists. And the size of those organizations,  
4 frankly. Because then those organizations can  
5 also support that level of development.

6 Q. Okay.

7 A. So we require, perhaps, software vendor  
8 support in some of that solution development.

9 Q. This brings me back -- you mentioned  
10 two reasons why your clients and you are using  
11 PeopleSoft, Oracle and SAP.

12 A. Yes.

13 Q. And one of the reasons was the global  
14 nature.

15 A. Uh-huh.

16 Q. The other reason was the scope of the  
17 applications, the broader scope.

18 A. Uh-huh.

19 Q. And I'm wondering, can you provide just  
20 a little bit more information about what you meant  
21 by "the broader scope of the applications"?

22 A. That has to do with the applications'

00068

1 footprint that these vendors deliver to the  
2 marketplace. So when we talk about application  
3 level functionality, like finance or like HR, many  
4 of the cleans in our portfolio are interested in  
5 ERP level services. So again, they like the fact  
6 that these softwares can deliver back office  
7 functions, which typically the finance and HR  
8 applications evolve around. But where the  
9 marketplace is going, and where the trend in  
10 business is going, is for companies to tie  
11 together their customers and their suppliers with  
12 their ERP systems, and manage that all financially  
13 through their finance systems, and also deal with  
14 any of their employee issues or HR issues through  
15 the back office functions.

16       So when we talk about broader scope,  
17 and broader appeal to the marketplace, it usually  
18 gets into those customer relationship management  
19 applications, or the supply chain applications.  
20 As companies try to say, well, I'm going to buy --  
21 if I'm going to make refrigerators and I want to  
22 buy motors from a certain supplier, then they try

00069

1 to tie that together through technology. And they  
2 try to tie themselves together to their suppliers,  
3 as well as they try to tie themselves together to  
4 their customers, so they can manage supply and  
5 demand and profitability, and all those things.

6       So through the back office, through  
7 primarily financial applications more than the HR  
8 applications, the trend in business now is to try  
9 to build that electronic supply chain that takes  
10 it all the way from supply through customer. And  
11 through the clients' operations.

12       So typically, Kent, our client base is  
13 interested in exploiting the ERP functionality.  
14 And that's where a lot of the global companies are  
15 going in terms of trying to improve their  
16 technologies and improve their business processes.  
17 That's our market.

18     Q. Is there anything about the fact that  
19 they -- that these providers, Oracle, PeopleSoft  
20 and SAP, provide functionality beyond financial  
21 management and HR, that causes companies to use  
22 that -- those systems for financial management and

00070

1 HR purposes?

2 A. One answer I'd probably give to that  
3 question is the integration capability. So one of  
4 the things that clients will look at on that  
5 global basis that has to do with the financial  
6 systems and HR systems are, are they tightly  
7 integrated?

8 "Tightly integrated" meaning that, if  
9 I -- if I'm dealing with a supplier, if I have a  
10 supply chain types of application functionality,  
11 can I really understand the financial impact of  
12 how managing that business, so more tied into the  
13 financial integration.

14 And I think, in the vendors that we're  
15 talking about, that integration basically exists.  
16 It can be managed in different ways. There's some  
17 architectural things underneath the products, in  
18 terms of how they work, that might suggest that  
19 the integration takes place in a different way.

20 However, the integration from a buyer's  
21 perspective is there, so that if you're doing  
22 something in supply chain, you're doing something

00071

1 in customer relationship management, you can  
2 usually get that into the system which is the  
3 objective.

4       Typically there is maybe a dividing  
5 line in terms of the vendors that have that  
6 capability, and the example that you brought up  
7 earlier in Great Plains, who may not have that  
8 extended footprint, or the depth of functionality,  
9 or that global reach to do the multicurrency,  
10 multiorganization, multilanguage thing.

11       So there's a dividing line between the  
12 point solutions and the companies that specialize  
13 in just getting something done. And there's  
14 companies that have the global capability, the  
15 extended application footprint.

16    Q.   Okay. Now, I'd just like to have you  
17 explain a little bit, what -- what are some of the  
18 advantages of having this integrated functionality  
19 as opposed to having a number of products that are  
20 not integrated?

21    A.   The integrated functionality has  
22 everything to do with efficiencies that will take

00072

1 place within the business. Every business exists  
2 to make money -- well, not every -- I guess I  
3 should caveat that -- most businesses exist to  
4 make money, make profit, and even if not, they  
5 still need money. So within those operations the  
6 companies are interested in making sure they're  
7 efficient in managing what they do, and what the  
8 financial implications of that are.

9       If the integration doesn't exist, or a  
10 company has to extract data from a number of  
11 systems, and work with disparate, or separate, or  
12 different data to try to consolidate that data  
13 from a financial perspective, that drives  
14 inefficiency.

15       So what integration brings is basically  
16 efficiency of tying together the operations of a  
17 business with the financial management of a  
18 business. So that's typically, I think, how they  
19 come together.

20       And the efficiencies that are created  
21 in that integration is the primary reason to do  
22 it, as well as, part of that efficiency is

00073

1 supported by data, common data, or common business  
2 process constructs that exist, so that, if Kent  
3 has an accounts payable process and Dave has an  
4 accounts payable process as two parts of an  
5 organization, that we can converse with each  
6 other, we can understand how each other work, we  
7 can trade similar data and then we're more  
8 efficient, because we understand how each other  
9 works, as opposed to having non-integrated or  
10 different processes. That makes it difficult to  
11 account for your data and your business -- I  
12 should say, account for your business, as opposed  
13 to data.

14 Q. Let me just ask a couple things with  
15 respect to that.

16 With a more efficient system, can a  
17 business perform its operations with less cost?

18 A. Yes. Absolutely.

19 Q. Is that one of the reasons why  
20 companies want integrated systems?

21 A. Less cost, less people, simplified  
22 processes. Those are some of the reasons.

00074

1 Q. With integrated systems can a business

2 perform its processes better?

3 A. Yes. Typically that is the case.

13 Q. Okay. And what's the difference  
14 between a suite of software provided by one  
15 vendor, a suite of integrated software, and in  
16 terms of the functionality or the capability of  
17 the software, and a situation where there's two  
18 different applications that have been integrated  
19 via a third party product?

20 MR. YATES: Objection. The question is  
21 overbroad.

22 THE WITNESS: I'm sorry?

00082

1 MR. YATES: Overbroad.

2 BY MR. BROWN:

3 Q. You can answer.

4 A. I'd like to say there's little

5 difference.

6 From a business process model there is

7 little difference. So if we are trying to

8 establish that a set of business processes and

9 business functions exist that are supported by

10 system processes, if I use a multiple vendor

11 platform to support that, and I happen to have an

12 integration software involved that supports the

13 integration, there essentially is no difference in

14 terms of the working functionality of that

15 particular solution.

16 The differences start to enter in, in

17 terms of how much companies have invested in their

18 legacy platforms. So the last time that we met,

19 we talked a little about , we REDACTED

20 talked about the fact that they have invested

21 significantly in their Oracle suite of

22 applications. But when they acquired in REDACTED

00083

1 early 2000, or whatever the time frame was, they  
2 were faced with a question that said, should we  
3 get rid of either Oracle or SAP? What should we  
4 do?

5         And the way that they satisfied their  
6 particular situation for at least a temporary  
7 basis was to not get rid of either and make the  
8 two of them coexist, and manage their  
9 consolidation requirements using both of those  
10 products.

11         So the point I was making is, companies  
12 sometimes invest significantly in their software  
13 platforms, their business events like acquisitions  
14 or repositionings or whatever of those  
15 organizations, that beg questions of, what should  
16 our systems architecture look like, and how will  
17 we accomplish integration?

18         And if those companies leverage hybrid  
19 software models or hybrid architectures versus  
20 single platform architectures, they can accomplish  
21 the same business objectives.

22         The issues that are usually there,

00084

1 again, are the investment that's been made, the  
2 support requirements of having different  
3 platforms, and any of the consolidation or  
4 efficiency-type issues that we talked about  
5 earlier.

6 If they can get past those and they can  
7 accomplish them through other technology means or  
8 other business process means, many times the  
9 companies are okay with having a hybrid model.

19 Q. And did [REDACTED] make a [REDACTED]  
20 decision ultimately as to whether it would  
21 continue to maintain a hybrid system?

22 A. That was their strategy. I'm not

00085

1 familiar with where they're at currently. There  
2 was some discussion, ERP strategy projects done  
3 which again are sensitive, that analyzed whether  
4 or not they should be on a SAP versus an Oracle  
5 platform. They were considering moving to a SAP  
6 platform because the Oracle product was  
7 desupported in the marketplace. And that the oil  
8 and gas industry, by and large, was supported  
9 almost exclusively through the use of SAP. And  
10 that as they evaluated their strategy and said,  
11 why would we want to keep this organization on  
12 something that is so different from what the  
13 industry standard is? Should we in fact do that?

14 That was the \$ million question. That was a  
15 very large decision that would have been  
16 undertaken for them to replace their SAP -- or  
17 their ERP functionality.

REDACTED

18 Q. Did decide to  
19 standardize on SAP?

REDACTED

20 A. There was a direction -- they have not  
21 done that ... let me restate.

22 At the time that that strategy project

00086

1 took place, there was a desire to move towards a  
2 single platform and have that platform be SAP. I  
3 don't know that the company has appropriated the  
4 funding to execute that project.

5       And in the meantime what they proceeded  
6 with was a hybrid model and the use of middleware  
7 to tie it together, any legacy applications that  
8 needed to be integrated on the interim basis.

7 Q. Well, you mentioned that REDACTED  
8 decision to at least temporarily use REDACTED  
9 the -- this hybrid approach seemed -- the  
10 implication is that it's a -- at least a temporary  
11 solution.

12 A. Uh-huh.

13 Q. Are there advantages in terms of these  
14 efficiencies that you've described with a fully  
15 integrated system as opposed to a hybrid system?

16 A. Well, I'm going to answer that question  
17 generically, not in 's case. There might be REDACTED  
18 advantages. It depends on maturity of that  
19 particular company's business processes and  
20 supporting technology.

21 Said differently, if a company has  
22 evolved in its operation, to have the kind of

00089

1 information it requires to manage the sales  
2 function, to manage the materials management  
3 functions, to manage the financial reporting, and  
4 those technologies are mature and highly capable,  
5 then there may not be any efficiency to moving  
6 towards a single platform.

7       If you take two powerful companies from  
8 the example that we mentioned --

9       (REPORTER REQUESTED CLARIFICATION)

10    A.   If you take the two companies that we  
11 used as an example, and their software and  
12 business processes are matured, then there may not  
13 be any efficiencies in the consolidation of that  
14 systems platform.

15       So it really comes down, in my way of  
16 thinking, and what we refer to in the firm, is  
17 there that business transformation opportunity?  
18 Is there a process improvement? Is there a  
19 financial improvement? You know, why would we  
20 spend the money, as a client, on doing something  
21 if we weren't going to get that yield back out of  
22 it?

00090

1           So that's the way we would look at  
2 that. So if those process models, those  
3 technology models are mature and they're well run,  
4 there are companies who have made decisions to not  
5 move forward in that particular case.

6    Q.   If the company's only developing, say,  
7 it's CRM applications, or feels that its  
8 applications or business processes are not in line  
9 with its competitors, is that the situation when  
10 it might be more efficient to use a single  
11 platform?

12   A.   That could be the case. If they find  
13 that they get competitive advantage from it, they  
14 would entertain that strategy.

9 Q. And I think this would be a good time  
10 to try to put into context what we mean when we're  
11 talking about integration. And why don't I  
12 initially start with software that's provided by a  
13 single vendor.

14 Is there -- is software that's provided  
15 by a single vendor, like Oracle, or PeopleSoft or  
16 SAP, is there integration between different types  
17 of functionality that a single vendor provides?

18 A. Yes.

19 Q. Okay. Now -- is this the kind of  
20 integration that -- or kind of software that, if  
21 somebody wants multiple functionality, they'll  
22 usually say they buy a suite of software?

00092

1 A. Maybe just -- ask that question again.

2 I think you started with, is that the kind of

3 integration that they usually buy a suite of

4 software for?

5 Q. Yes.

6 A. They usually buy a suite of software to

7 purchase a set of applications that are

8 integrated. They usually implement those

9 applications in their system environment, and most

10 times those systems that they implement, which

11 they've just bought, have integration requirements

12 to other systems.

00094

1 Q. When you use a -- when you integrate  
2 the hybrids -- not the hybrid.

3 When you integrate the legacy solution  
4 with the purchased solution, does that create a  
5 hybrid situation?

6 A. It will create a hybrid situation, yes.

7 Q. Okay. And what's the purpose of  
8 integrating the legacy solution with the purchase  
9 solution?

10 A. To process data from the legacy  
11 environments, usually, into the back office, or  
12 financial environments, so you can understand the  
13 impact of a set of processes, financially.

14 Q. So the legacy system has to work  
15 with --

16 A. Oftentimes -- sorry.

17 Q. -- the purchased solution.

18 A. That can be the case. That's right.

19 Q. Is the purchased financial and HR  
20 solution sometimes integrated with another  
21 purchased application that might provide other  
22 types of functionality, like CRM, or supply chain

00095

1 functionality?

2 A. Yes, that is the case.

3 Q. Okay. Now, is that the hybrid

4 situation that you discussed?

5 A. That would be a hybrid situation, yes.

6 Q. Now, what's the purpose of integrating

7 the CRM and supply chain functionality with the

8 finance and HR functions?

9 A. The purpose of integrating it with

10 finance would be to understand the financial

11 impact and financial management decisions that are

12 required to be taken. There is usually lower, or

13 less utility to integrating HR to supply chain

14 applications.

15 Sometimes, Oracle, as an example,

16 Oracle's purchasing product requires buyers to be

17 associated with the purchasing application. Those

18 buyers' identities are housed within Oracle's HR

19 product. If you were not going to use Oracle's HR

20 product, but you were going to use their

21 purchasing product, you still need to have those

22 buyers able to be recognized by the purchasing

00096

- 1 product. So you would be required to integrate
- 2 wherever your buyers are kept from an HR
- 3 perspective with supply chain application and
- 4 purchasing in that case.
- 5 Q. Would you integrate that system, say,
- 6 from a legacy system, if you didn't use the Oracle
- 7 HR product?
- 8 A. Could be, yes. Yes.

11 Q. But just so I understand, after REDACTED  
12 acquired , it had some operations that were REDACTED  
13 running on a full ERP, including more than  
14 financial management and HR, Oracle environment;  
15 is that correct?  
16 A. That is correct.  
17 Q. And it had some other operations that  
18 continued from before the acquisition, that were  
19 running on a full ERP SAP environment; is that  
20 correct?  
21 A. In the environment, that's REDACTED  
22 correct.

00098

1 Q. Okay. And --

2 A. And they also had other ERP components

3 that were not Oracle in its legacy environment.

REDACTED

4 Q. Now, with respect to that situation,

REDACTED

5 was attempting to somehow integrate the Oracle --

6 the legacy systems and the new systems;

REDACTED

7 is that correct?

8 A. The objective was not to integrate.

9 They had financial reporting requirements that had

10 to be met, again, statutorily and legally. There

11 was a question in their mind as to what the best

12 strategy would be around their ERP systems, and

13 whether or not it was more or less expensive, or

14 if there were any benefits associated with having

15 one versus multiple ERPs, whether it was either/or

16 SAP or Oracle.

17 Q. But the solution, at least temporarily,

18 has been to have a hybrid solution that integrates

19 the and the -- or the SAP and the Oracle

REDACTED

20 solutions?

21 A. The temporary solution does not

22 integrate those two softwares. Those two

00099

1 softwares are still used to run separate parts of  
2 the business. The integration that has to exist  
3 is around the consolidation and financial  
4 reporting requirements.

5 Q. Okay. Now, with respect to the  
6 integration that we've been talking about, you've  
7 now discussed situations where the financial  
8 management or HR system would be integrated with a  
9 legacy system, with a system that might have some  
10 additional functionality like a CRM or supply  
11 chain system. And where two different ERP systems  
12 might have to somehow be potentially combined or  
13 integrated for the purposes of consolidating  
14 information.

15 Are your customers using a hybrid  
16 solution to integrate individual components of  
17 functionality within a financial management system  
18 like accounts receivable, accounts payable and  
19 general ledger?

20 MR. YATES: Objection. Vague and  
21 ambiguous.

22 A. Some of our clients integrate legacy

00100

1 applications to the software packages.

2 BY MR. BROWN:

3 Q. Okay.

4 A. Because they bought Oracle, or SAP or

5 other, does not necessarily mean that they

6 replaced their full suite of financials. Thereby,

7 they will have some needs for integration.

8 Q. So a customer that bought an Oracle

9 financial package may continue to use a portion of

10 its legacy financial system?

11 A. That's absolutely the case.

12 Q. Okay.

13 A. We have an existing engagement right

14 now, Oracle general ledger has been bought. They

15 will integrate their existing purchasing and AP

16 applications with Oracle's general ledger.

17 Q. Okay. Are your customers purchasing

18 different -- are your customers purchasing

19 different financial components for the purposes of

20 integration or is that integration generally done

21 with a legacy system?

22 A. The latter. Usually done with the

00101

1 legacy system. They're not buying the apps to  
2 facilitate the integration.

3 Q. Do you know of any customers who are  
4 purchasing a set of different financial  
5 applications to combine together in a single  
6 financial system?

7 A. I don't think so, Kent, if I understood  
8 your question.

9 Q. Okay. Well, let me make sure, because  
10 I don't want you to be confused by the question.

11 Do you know of any customers who are --  
12 who are or have purchased from third parties --  
13 general ledger, accounts receivable, accounts  
14 payable, systems for the -- and then are  
15 integrating those systems with this hybrid  
16 solution into a single solution?

17 MR. YATES: From what I understood, he  
18 gave you an example of that a minute ago with  
19 this Oracle general ledger integrating with  
20 one of the modules, but ... so I think the  
21 question is vague and ambiguous. I think the  
22 two of you are missing each other someplace.

00102

1 A. I'm having trouble with the question,  
2 because that set of circumstances that you  
3 described does not strike a match in my mind with  
4 anybody that's done something like that. It's  
5 highly unlikely that somebody would do that.

6 BY MR. BROWN:

7 Q. Why?

8 A. You don't -- you don't buy an  
9 application for the purpose of integrating. You  
10 don't buy an application to cause integration.  
11 You buy an application to get the business  
12 transformation.

13 Q. Okay. When do you integrate, then?

14 A. You integrate to pass data from source  
15 applications to cause financial reporting  
16 processes to fall into place.

17 You integrate from the back office to  
18 the operational applications to understand the  
19 financial management processes of your business.

20 You integrate when you are taking a  
21 piece of an application architecture out of that  
22 architecture, and bringing in a new piece of

00103

1 software. But the reason do you that is not to  
2 cause integration; the reason do you that is to  
3 drive improved business functionality. You  
4 wouldn't just do that for the sake of integration.  
5 You'd do that because you want to improve your  
6 consolidation and your reporting procedures; you  
7 want to improve your efficiencies and things we've  
8 talked about earlier.

9 Q. Now, I understand from the example that  
10 you're talking about, where a company has  
11 purchased a general ledger that it might use with  
12 its legacy accounts payable system.

13 A. Uh-huh.

14 Q. But I also -- I want to ask a situation  
15 about -- are you familiar with the term "best of  
16 breed"?

17 A. Yes.

18 Q. Is a best of breed situation where a  
19 company might buy software from a variety of  
20 different vendors --

21 A. Yes.

22 Q. -- to fulfill some functionality?

00104

1 A. Yes.

2 Q. Are you aware of companies that have  
3 adopted a best of breed strategy? For the  
4 components of their financial system, the major  
5 components, general ledger, accounts receivable,  
6 accounts payable?

7 A. No.

8 Q. Now, broadening the question, do some  
9 companies have a best of breed strategy with  
10 respect to, say, all financial software? Or  
11 all -- and separately, all CRM software?

12 A. You would find best of breed when you  
13 go to the ERP footprint, not within back office --  
14 typically within back office functions.

15 So as you described it you would find  
16 best of breed in those companies that extend their  
17 ERP footprint to include CRPs, and CRM. Which is  
18 when we talked about Arriba, and software  
19 applications as such, that's where you would find  
20 that situation.

21 Q. But you don't see a best of breed  
22 capability within the financial management and HR

00105

1 back office functions?

2 A. No, I have not seen that.

3 Q. And why is that?

4 A. Typically when companies make those  
5 purchases they buy those suites of products, and  
6 the example I gave earlier, there is intent to  
7 eventually incorporate the rest of the Oracle  
8 financial applications. There is a limitation on  
9 the spend. So that company right now is not  
10 interested in buying all of the Oracle financial  
11 products, implementing all of the Oracle financial  
12 products, because they don't have the money or the  
13 number of people to do it.

14 They are interested in piecemealing  
15 that in. That is not best of breed. That will be  
16 a legacy requirement of legacy applications to the  
17 general ledger, they'll eventually replace those  
18 legacy operations with Oracle, that would be the  
19 back office solution now being Oracle, over time.

20 When you start to talk about extended  
21 footprint and CRM and the other thing, yes, you  
22 will run into the application of Siebel, with the

00106

1 financials, which is what we have done with a  
2 client on the West Coast, back to that application  
3 architecture and start to replace pieces of  
4 business functions, business processes and  
5 business systems.

6 Q. Okay. Now, I want to just return for  
7 example -- for a moment to the example that we  
8 talked about.

REDACTED

9 A. Okay.

10 Q. Where there was a question of whether  
11 should stay with Oracle and SAP systems --  
12 separate Oracle and SAP systems, or go to SAP.

REDACTED

13 Do you know if there -- if it would  
14 have been economically reasonable for to  
15 consider any other ERP system in that  
16 consideration?

REDACTED

17 A. "Economically reasonable." I guess,  
18 what does "economically reasonable" mean.

19 Q. Let me just back up. had already  
20 made an investment in its Oracle system.

REDACTED

21 A. Uh-huh.

22 Q. had already made an investment, or

REDACTED

00107

1 had already made an investment in the SAP  
2 system. Is that accurate?

REDACTED

3 A. Yes.

4 Q. Was there any other ERP system that --

5 that could have used as economically, or as --

REDACTED

6 as inexpensively as it might have been able to use

7 one of those two systems?

8 A. There were no other softwares that had

9 the functionality required to meet 's oil and

REDACTED

10 gas industry requirements. Those are the only

11 two.

12 Q. Okay. So for my question, my question

13 is, perhaps, not important, because there was no

14 other possible alternatives.

15 A. That's correct. There was no other

16 alternative.

17 Q. Okay. Now, are you aware of any

18 situations where a customer's -- other customers

19 have two different systems that they're thinking

20 about -- and they're thinking about the

21 possibility of consolidating their systems?

22 A. Two thoughts come to mind, Kent. There

00108

1 are clients where we have converted in our  
2 history, system environments that have converted  
3 two systems into one. There are a number of  
4 clients out there today who are considering what  
5 their system strategy and how their application  
6 architecture looks, who are considering going from  
7 multiple hybrid or best of breed environments to  
8 integrated environments.

9       That is the case. There are a number  
10 of clients that are considering that  
11 consolidation.

12    Q.   Okay. And how common is it today for  
13 Deloitte's clients to have more than one ERP  
14 system?

15    A.   It is very common. I'd say, probably  
16 75 percent of the cases.

00110

21 Q. Okay. And just in -- historically,  
22 when did -- did companies acquire -- historically,

00111

1 have companies been purchasing their ERP systems,  
2 disparate ERP systems, for different products or  
3 for different geographies?

4 A. That is true. It's also true that  
5 companies buy them to have common processes. So  
6 there are management philosophies that drive  
7 software buys that say, we got to have common  
8 businesses -- common business processes, common  
9 softwares, and we got to drive that from a  
10 corporate structure perspective.

11 Those are businesses that rebut that  
12 strategy that say, we need to have very specific  
13 software and very specific processes for an  
14 aspect, or a business unit of my business. So you  
15 find companies that are very distributed in their  
16 thinking, and you find companies that are very  
17 common in their thinking.

18 And those trends move, and management  
19 philosophy being what it is, not all managers  
20 always believe that one or the other is perfect,  
21 and those trends move across industry all the  
22 time.

00112

1           So you find cases of common, and you  
2 find cases of very distributed software  
3 architectures and software strategies and  
4 management philosophies. So ...

5     Q.   Okay. And I think I want to focus in  
6 on was there -- did many companies buy ERP  
7 software during the 1990s?

8     A.   Yes. That was a very busy  
9 software-purchasing period.

10    Q.   And why were they buying their  
11 financial and other ERP software at that time?

12    A.   The biggest driver in the late '90s was  
13 the Y2K phenomenon.

14    Q.   Okay. And you mentioned that today  
15 many of Deloitte's clients have multiple ERP  
16 systems?

17    A.   That's correct.

18    Q.   Is that in part the result of -- of  
19 many of the purchases made in the '90s?

20    A.   That could be the case. That could be  
21 the case. Sometimes those companies updated their  
22 systems without making software purchases, and now

00113

1 their systems are in need of replacement. So you  
2 have different rationale driving what's out there.

3 Q. But with respect to the population of  
4 ERP systems in Deloitte's client base now, did  
5 many of those disparate systems get purchased and  
6 implemented during -- in connection with the Y2K  
7 replacements?

8 A. That's true. Many of them did. Is it  
9 the majority or the bulk? No, there are still a  
10 number of companies that did not yield to the Y2K,  
11 that fixed their own systems.

12 So what we're seeing in the market  
13 right now is there is still a command to move to  
14 the ERP strategy, that says common or distributed,  
15 so that the market is, again, the market is  
16 repositioning itself.

17 Q. Okay. So let me focus for a moment on  
18 the companies that did not purchase ERP systems  
19 for the Y2K.

20 A. Uh-huh.

21 Q. Are these companies, as we are moving  
22 forward, are these companies beginning to purchase

00114

1 ERP systems now?

2 A. They are.

3 Q. Why is -- why would they purchase an  
4 ERP system, if they already have a legacy system,  
5 for example?

6 A. Two answers, I think I'd give you  
7 there.

8 One is growth. We've had clients that  
9 have grown from a couple hundred million dollars  
10 to, you know, a couple billion dollars, who find  
11 that they want more -- and this is the second  
12 answer.

13 They find they want more functionality  
14 within their softwares.

15 So we talked earlier about Great  
16 Plains, simple, rapid, those kind of things, those  
17 solutions are being outgrown based on the  
18 company's growth. So it's growth and  
19 functionality are really the big drivers.

20 Q. If the company already has an internal  
21 legacy system, is there any reason why it would  
22 want to replace it with an ERP system?

00115

1 A. The other -- I think the other  
2 rationale that we should probably list in there is  
3 also the difficulty of supporting some of those  
4 systems, and the cost of supporting some of those  
5 systems, is the answer to the question you just  
6 asked.

7 And probably a third rationale is  
8 probably moving the companies now.

9 So we talked about Baan, for example.  
10 Baan has shrunken significantly, kind of moving  
11 off the face of the earth, so to speak. It's  
12 harder to find Baan resources, it's expensive to  
13 maintain. Baan, the company, is not investing in  
14 the software.

15 Gee, if I'm running a company, I'm not  
16 sure I want to be on that anymore. So again,  
17 market forces and market changes, and a  
18 requirement of new functionality, and the cost to  
19 support those types of things are also reasons.

2 Q. Are legacy systems more costly to  
3 enhance than commercial systems?

4 MR. YATES: Objection. Overbroad.

5 A. It depends on the -- it depends on the  
6 functionality that's desired around the  
7 customization.

9 Q. Okay. In general, do -- are the  
10 companies that are purchasing ERP systems to  
11 replace legacy systems, is there an advantage with  
12 respect to lowering the cost of enhancements?

13 A. Possibly.

14 Q. Why do you say that?

15 A. I'm smiling, because the -- you know,  
16 there is a lot of sales hype in selling those  
17 solutions that suggests that support costs can be  
18 lowered. That needs to be balanced in the total  
19 cost of ownership with the requirement to develop  
20 new skills to support the new environments. So  
21 there's an offset -- there's an offset there, that  
22 needs to be investigated, and companies need to

00117

1 understand that, and that's part of what we try to  
2 help our clients do.

3 Q. Well, do the commercial companies, are  
4 they able to spread their enhancement, or  
5 development costs over a number of customers?

6 A. That is the case. Yes.

7 Q. And with respect to an internal system,  
8 the customer would have to fund the entire  
9 enhancement?

10 A. That's correct.

11 Q. Is that -- does that -- does that cause  
12 customers sometimes to replace their legacy  
13 systems?

14 MR. YATES: Objection. Overbroad.

15 Lacks foundation.

16 BY MR. BROWN:

17 Q. Has it caused customers to replace  
18 their legacy system?

19 A. That can be a driver in their decision  
20 process, yes.

21 Q. Now, you mentioned that companies that  
22 have an internal system might purchase a new ERP

00118

1 system because they have grown.

2           A. Are there other reasons why a company  
3 that already has an internal system might want to  
4 change to an ERP system?

5           A. Well, I think I said growth and  
6 functionality, was the second one.

7           Q. Okay. That's --

8           A. And the third one was the cost of  
9 support. So those are probably the other more  
10 prevalent reasons that one sees in companies  
11 trying to make those changes.

12          Q. Are there any industries for which  
13 Oracle, PeopleSoft and SAP have only recently  
14 begun to offer the functionality that the  
15 customers in those industries desire?

16          A. The public sector, particularly the  
17 federal space, generally speaking lags the  
18 commercial market space. And those software  
19 vendors have invested more monies in that  
20 particular space of late.

21                 And all believe that that space  
22 represents an opportunity, from a sales and a

00119

1 profit perspective, into the future.

20 Q. Are you aware of any -- of any  
21 commercial segments where -- where new  
22 functionality is providing an inducement for

00122

1 customers to switch to the commercial ERP systems?

2 MR. YATES: Objection. Vague as to

3 functionality and ERP.

4 A. The only thing I can think of along

5 those lines might be around health care,

6 particularly within the life sciences segment,

7 when it comes to clinical trials associated with

8 new drugs.

9 And there has been, again, some new

10 product development, some extension of softwares

11 to support those requirements of that industry.

12 That has some pretty significant dollar

13 impact and safety and product safety and FDA

14 impacts associated with it. It has become more of

15 a driving force in that particular industry.

16 But I -- it's still not as big as what

17 we've talked about in terms of the federal shift.

18 BY MR. BROWN:

19 Q. Is this -- does this have any impact on

20 any incentives of the -- of companies in the

21 pharmaceutical industry to purchase what we've

22 been talking about, that ERP software for

00123

1 financials, or HR?

2 A. Not so much financials and HR.

3 Q. Okay. Now, I want to talk about the

4 other group of customers that are not new

5 purchasers, but have already made many of their

6 purchases -- purchase -- at least purchased

7 commercial systems initially during the 1990s.

8 A. Uh-huh.

9 Q. Now, I think you are -- is it correct

10 that those customers now often have a variety of

11 ERP systems?

12 A. That is true.

13 Q. Are any of these customers today

14 considering the possibility of combining their ERP

15 systems to reduce the number of systems they have?

16 A. Some of them are, yes.

17 Q. And are you seeing that as a growing

18 trend?

19 A. I wouldn't say growing. I would say it

20 is a trend. I think that, again, companies are

21 constantly evaluating their systems strategy and

22 structures, asking the question if common is

00124

1 better, or if they should go to single versus  
2 multiple ERP system support.

3       So you know, I don't know that I've  
4 seen a dramatic shift in that, and as we're  
5 talking about this other set of clients who didn't  
6 make the decision in the late '90s, they're still  
7 evaluating whether or not they want to be common,  
8 whether or not they want to be unique at the  
9 business unit level.

10       So again, that question exists, whether  
11 it's 1996, '7, '8, '9, 2004, '5, '6, I think we'll  
12 see it in the future as well.

13    Q.   Okay. Why -- what are some of the  
14 advantages that a company might consider if it  
15 wants -- that would cause it to want to  
16 consolidate on to a fewer number of systems?

17    A.   I go back to the three answers I gave a  
18 minute ago. I'd say again it's cost of support,  
19 its functionality, and its growth.

20       On top of that, if there's a perceived  
21 notion that a company can be more efficient, make  
22 more money, again, through the use of new software

00125

1 or by changing its IT organization, or  
2 facilitating a change of the business through  
3 transformation, then they will evaluate their  
4 system strategy. They may buy a new ERP system,  
5 they may implement that at a corporate common  
6 level or they may implement at a business unit  
7 level.

8 Q. Okay. Are Deloitte's clients today,  
9 are -- are considering the possibility of  
10 implementing ERP systems other than Lawson, SAP,  
11 PeopleSoft and Oracle?

12 A. Not at an ERP level, Kent. When you  
13 say "ERP level," if I'm thinking the full suite,  
14 those are the most popular providers. Companies  
15 are thinking about looking at their ERP  
16 architectures, and they're replacing single levels  
17 of functionality, which are the companies that are  
18 doing, and executing on a best of breed  
19 philosophy.

5           Are you aware of any Deloitte clients  
6 who are considering finance and HR systems other  
7 than Oracle, PeopleSoft, Lawson and SAP?

8       A.   I'm not personally aware of an example.  
9 But do I know that, at the firm level, we do do  
10 analysis for companies that would try to help them  
11 understand if they can have a financial systems  
12 strategy that could be facilitated by any number  
13 of products, which may not be ERP.

14       Q.   Okay. And have you -- have you -- are  
15 your clients using -- are you aware of clients who  
16 are -- who are implementing financial strategies  
17 for handling their financial processes that  
18 would -- that -- let me strike that.

19           Are you aware -- are Deloitte's clients  
20 implementing financial process strategies for  
21 handling all of the integrated financial  
22 capabilities that would be supplied by --

00128

1 ordinarily supplied by Oracle, PeopleSoft or SAP

2 or Lawson?

3 THE WITNESS: You got a second? Let me

4 discuss that question. Because ... I think I

5 need --

6 MR. BROWN: Do you need a break?

7 MS. SABO: Yeah, let's take a break.

8 MR. BROWN: Off the record.

9 (OFF RECORD DISCUSSION)

10 (REPORTER READ FROM THE RECORD)

11 (OFF RECORD DISCUSSION)

12 (RECESS TAKEN FROM 12:19 TO 12:29 P.M.)

13 MR. BROWN: Back on the record.

14 BY MR. BROWN:

15 Q. Can you answer the question that was

16 posed before we took a break?

17 A. What I want to say is that, my personal

18 experience in managing the Oracle practice, I've

19 not seen any of our clients entertain the use of

20 vendors outside of the four that we've been

21 talking about.

22 I do know that, as a firm, there are

00129

1 clients that can be large or small, under many  
2 circumstances, who are interested in -- and  
3 something we've talked about earlier on -- point  
4 solutions, who will move outside of the universe  
5 of the solutions that we've been talking about,  
6 and look at different alternatives to manage the  
7 financial or back office functions.

8 Q. Well, I do want to -- who are the  
9 clients that you've heard of, who have used a  
10 different solution than Oracle, Lawson, PeopleSoft  
11 and SAP to manage their back office? And by "back  
12 office," I mean their financial management, or HR  
13 functions?

14 A. The category of those clients could be  
15 middle market, or emerging clients in our  
16 portfolio. Those clients, again, might be  
17 interested in something that is more rapid than it  
18 is comprehensive. There are also CFOs in business  
19 who are not interested in undertaking the cost  
20 associated with the caliber of the software  
21 companies that we're talking about here today.

22 Q. Okay. Now, in terms of the category of

00130

1 the middle market, or the emerging companies, are  
2 these the smaller companies with simpler  
3 requirements that you discussed earlier?

4 A. It could be smaller companies with  
5 smaller requirements, it could be simpler revenue  
6 companies, but you will find within the large  
7 corps, sometime, CFOs not wanting to spend a lot  
8 of money on their infrastructure. They might be  
9 down, you know, at a business level that, again,  
10 might be smaller, but it might not be fair to say  
11 that General Motors might have, as an example,  
12 some business unit that's 10 or \$15 million. So  
13 if we talk about General Motors at that level, you  
14 can't generalize around General Motors and say,  
15 gee, General Motors has never entertained anything  
16 other than these four.

17 You'd have to say, well, gee, all the  
18 way down at that business unit level, there might  
19 be the CFO over here that's in an emerging  
20 opportunity that's part of GM that might not want  
21 to implement a corporate standard, and he's be  
22 allowed to do that.

00131

1           So that's why I had the difficulty in  
2 trying to specifically answer that question.  
3 Because there will be situations in our firm, or  
4 our client portfolio, that people are asking what  
5 financial capabilities they need to run their  
6 business, and those companies do entertain looking  
7 at other than the Big Four.

8     Q.   Now, can you identify for me any  
9 companies who, in the last two or three years,  
10 in -- that are Deloitte's clients, that have  
11 implemented, for financials or back office,  
12 systems other than Lawson, Oracle, SAP and  
13 PeopleSoft, and with one caveat, excluding from  
14 that universe the smaller companies that you've  
15 talked about that have simple requirements?

16    A.   In my --

17           MR. YATES: It's vague as to "smaller."

18           Do you want to define that with any  
19 more particularity?

20           MR. BROWN: Not right now.

21           MR. YATES: Vague and ambiguous.

22 BY MR. BROWN:

00132

1 Q. I will have you define that later, but  
2 answer the question first.

3 A. Okay. In my practice, in the Oracle  
4 practice, I've not seen anyone look at those other  
5 vendors. That's not the space that I operate in.

6 At the firm level, I can't speak to  
7 that question with a level of specificity.

8 Q. So you're not aware --

9 A. It's just not my practice.

10 Q. You're not aware of any at the firm  
11 level?

12 A. Again --

13 MR. YATES: Objection. Asked and  
14 answered.

17 Q. You're not aware of any other -- you're  
18 not aware of that happening anywhere in the firm.  
19 Is that accurate?

20 MR. YATES: Same objections.

21 A. Not by specific identity.

5 Q. Okay. Now, I would like to learn a  
6 little bit about, what are the kinds of companies  
7 that you have categorized as emerging or middle  
8 market companies? Is there -- are there any ways  
9 that Deloitte uses to categorize those companies?

10 A. Emerging has no technical definition.  
11 Middle market, or mid count, as it can  
12 be referred to within the firm, generally speaking  
13 again, were companies under a billion dollars.

14 The market size that our Oracle  
15 practice deals with, by the way of example, is  
16 generally speaking, again, \$500 million and up.

17 Q. Okay. Now, is an emerging company a  
18 new company?

19 A. It could be a new company, or it could  
20 be a piece of a very large organization that's in  
21 startup. It could be a joint venture between two  
22 organizations; it could be any number of things.

00134

1 Q. So a new -- but it's a new operation,  
2 is one of the characteristics?

3 A. That's how I was referencing it.

4 Q. Is that usually -- is an emerging  
5 company that would have simple requirements  
6 usually have a smaller operation as opposed to a  
7 big company?

8 A. You can't generalize on the  
9 requirements. Again, if it's part of a large  
10 organization, and there are corporate policies  
11 that drive requirements, a simple company could  
12 have very difficult and complex financial  
13 reporting requirements. So that's not necessarily  
14 the case.

15 It may be the case that it is a small  
16 company who is in startup mode who is looking to  
17 get some simple financial information, that may  
18 drive them away from the spend that's associated  
19 with some of the larger software vendors.

20 Q. Are you aware of any circumstances  
21 where an emerging operation, whether it's  
22 independent or part of a joint venture, or a

00135

1 component of a larger company, that has more  
2 complex requirements, has used an ERP system other  
3 than Oracle, PeopleSoft or SAP?

4 A. No.

9 Q. Okay. And you mentioned that Deloitte  
10 uses this categorization of less than one billion  
11 in revenues for a mid market definition?

12 A. Yes.

13 Q. Now, does the amount of revenues of the  
14 company dictate whether its requirements are  
15 complex?

16 A. No, it does not.

17 Q. Are some companies with less than one  
18 billion in revenues complex?

19 A. Yes.

20 Q. And how can you -- how do you -- can  
21 you tell whether a company will have complex  
22 requirements by a factor other than just the

00136

1 revenues?

2 A. The way to tell is by analyzing that

3 company's requirements.

4 Q. Okay. Now, what are some of the

5 requirements of the company -- of companies

6 that -- that tend to -- that make them complex?

7 And for this purpose -- well, let me

8 ask, first:

9 You mentioned that Oracle, PeopleSoft

10 and SAP offer various types of global

11 functionality; is that correct?

12 A. Uh-huh. Yes.

13 Q. And I think you mentioned

14 multicurrencies --

15 A. Right.

16 Q. -- functionality?

17 A. I did.

18 Q. Multilanguage functionality?

19 A. I did.

20 Q. Your mentioned multiorganization

21 functionality?

22 A. I did.

00137

1 Q. And multi -- ability to prepare reports

2 for many countries?

3 A. I did.

4 Q. Are those the features of small

5 organizations that would tend to require them to

6 have more complex requirements? Or is there other

7 features that could also?

8 A. There can be other features. It's a

9 function of their business processes, and where

10 they're doing business, that would really drive

11 the functionality requirements that they've got.

12 Q. And are you aware of any firms that --

13 with less than a billion dollars in revenues, that

14 have sufficiently complex requirements that they

15 would have to use an Oracle or PeopleSoft or SAP

16 for their ERP systems?

17 A. Yes.

18 Q. Can you just give a couple examples?

19 A. The one I think about was

REDACTED

20 Company.

REDACTED

21 Q. Is that a client of yours?

22 A. It is a client of the firm.

00138

1 Q. What's the revenues of that company?

2 A. \$600 million.

3 Q. Why does it have complex requirements?

4 A. It does business globally; it's got  
5 mixed modes of manufacturing. It has acquisitions  
6 and shedding of companies in its portfolio. It's  
7 got cost accounting requirements that are rather  
8 significant.

9 Q. Do you have a client -- do you have any  
10 specific clients with -- that -- with less than a  
11 billion dollars in revenue, who have complex  
12 requirements that are sufficient to require them  
13 to use PeopleSoft, SAP or Oracle?

14 A. We do.

15 Q. I'm talking about, not "we," but you  
16 yourself?

17 A. Deloitte does have clients that use  
18 those softwares that are under a billion dollars.

19 Q. Okay. But let me just ask the question  
20 one more time. I'm talking about you personally.  
21 As opposed to Deloitte.

22 Do you have any clients? Not you --

00139

1 A. Yes --

2 Q. Not you, not the client -- but

3 Mr. Dortenzo.

4 A. Have Oracle clients? Yes, I do.

5 Q. Can you give an example of one of the

6 clients or two of the clients with less than a

7 billion that you have that have those

8 requirements?

9 A. We are in discussions right now with

10 . We are in discussions right now

REDACTED

11 with . Both of those are smaller

REDACTED

12 concerns.

13 Q. Now, what about -- what about

REDACTED

14 makes -- makes it a company that has

REDACTED

15 sufficiently complex requirements to require the

16 use of SAP, Oracle or PeopleSoft?

17 A. They have financial reporting

18 requirements that have to do with FERC accounting,

19 which is regulatory for the industry.

20 Q. Can you, for the record, say what FERC

21 stands for?

22 A. Federal Energy Regulatory Commission, I

00140

1 believe.

2 Q. Okay.

3 A. They have complex numbers of  
4 operations, and maintenance and repair operations  
5 that they want to account for their materials and  
6 supplies for, and expenses associated with those  
7 things.

8 They have customer information systems  
9 that are significant in terms of number of people  
10 served in the marketplace, and the account  
11 information that's required to satisfy the  
12 management processes associated with that.

13 Q. How does that last category relate, if  
14 it does, to the financial or the HR systems?

15 A. Well, the customers have to be billed.  
16 So it strikes right to the heart of the  
17 receivables process, and strikes right to the  
18 heart of their market, and the financial systems  
19 are pretty central to that operation.

20 Q. Okay. Is there any other functional  
21 requirements that -- or did you mention most of  
22 them?

00141

1 A. I think I got most of them.

2 Q. Okay. Now, is [REDACTED], an electric

REDACTED

3 company that has global operations?

4 A. No. It does not.

5 Q. So are there domestic companies in just

6 the U.S. with complex requirements that require

7 them to use SAP, Oracle and PeopleSoft?

8 A. In addition to the ones we've just

9 said? Sure.

10 Q. Like [REDACTED] ?

REDACTED

11 A. Yes.

12 Q. Now, what is it about [REDACTED] that

REDACTED

13 creates a complex requirement for it?

14 A. This is a global distribution --

15 manufacturing and distribution company who make

16 health supplements, I guess is the best way to put

17 it. Pills and vitamins, and different supplements

18 that people would take.

19 They distribute through a number of

20 both distributors, broker/dealers, and their own

21 network on a global basis. So managing the

22 inventory requirements, managing their capital

00142

- 1 investment to make that inventory requirements,
- 2 measuring profitability associated with the
- 3 particular products, and managing customer
- 4 information associated with all that is important
- 5 to them.

12 Q. Now, with respect to your clients who  
13 have multiple ERP systems, that are considering  
14 the possibility of consolidating, are you aware of  
15 whether any of those clients are considering  
16 consolidating onto ERP systems other than Oracle,  
17 PeopleSoft or SAP?

18 A. No, I'm not.

6 Q. Let me ask you: Do you have a client  
7 now that is using Baan?

8 A. We do.

9 Q. And it's a -- what client is that, by  
10 the way?

11 A. The client's name is , REDACTED  
12 , Incorporated. This is also highly REDACTED  
13 confidential.

14 Q. Is -- how long has Diebold been a Baan  
15 customer?

16 A. Probably five to seven years.

17 Q. And is it in -- is it now considering  
18 whether or not it wants to change its ERP systems?

19 A. They are doing that. They are changing  
20 their ERP systems.

21 Q. Why is that?

22 A. To move to a common global structure.

00144

1 Q. Okay.

2 A. Business process and business systems.

3 Q. Okay. And what systems are they

4 considering moving to?

5 A. They've made a decision to move to

6 Oracle.

7 Q. Did they consider any other systems in

8 evaluation?

9 A. They consisted--I'm sorry, considered

10 SAP; they considered the best of breed strategy as

11 well.

12 Q. And by "best of breed strategy," what

13 vendors were considered in the best of breed

14 strategy?

15 A. It's a combination of Oracle, and some

16 of the other vendors that supply SCM and CRM

17 applications, Siebel, Arriba. There are some

18 independent HR vendors that were associated with

19 that particular decision.

20 Q. So, just so that I understand, with

21 respect to the financial aspect of the best of

22 breed, Oracle was the company that was being

00145

1 considered in the best of breed strategy?

2 A. Oracle was the company being considered

3 as the homogenous strategy. Right.

4 Q. Yes. And then did you say that, if I

5 understood you correctly, that for the best of

6 breed strategy, it was Oracle, plus other vendors?

7 A. Yes, I'm sorry, that's right.

8 Q. And so that -- and Oracle would have

9 been under consideration for the financial

10 management side?

11 A. That's right.

12 Q. And with respect to the other HR

13 vendors that were considered in the best of breed

14 strategy, which companies were that -- was that?

15 A. I'd to have go back and look. The one

16 I think I remember was Tesoro, which is a best of

17 breed, HR offer. The other thing they looked at

18 was the use of ADP as an outsource provider.

19 Q. For -- for HR for payroll --

20 A. And payroll. HR and payroll.

21 Q. And Tesoro, is that -- what type of a

22 services does that company offer?

00146

1 A. Human resource software.

2 Q. It offers a software package?

3 A. (Nodding head)

4 Q. Do you know what area of the world it

5 covers?

6 A. Geography?

7 Q. Yes.

8 A. I do not.

9 Q. Do you know anything at all about the

10 functionality that Tesoro offers?

11 A. I do not.

12 Q. Do you know if your -- Deloitte's

13 customers, other Deloitte customers, are using

14 Tesoro, as a HR package?

15 A. There are other customers that have

16 that software, yes.

17 Q. Which customers are using Tesoro?

18 A. I don't have specific names.

19 Q. Do you know, is there anything about

20 the requirements, the HR requirements of certain

21 customers that would allow them to use the Tesoro

22 HR as opposed to PeopleSoft or Oracle, or SAP?

00147

- 1 A. I think the offerings were similar.  
2 Tesoro was a very popular vendor back in the '90s  
3 marketplace. Tesoro. There was another one named  
4 Tesseract, T-E-S-O-R-O, and T-E-S-S-E-R-A-C-T.

9 Q. Okay. And you said Tesoro was a  
10 company that was around in the '90s. Are you  
11 aware of new installations that Tesoro has made?

12 A. I'm not.

13 Q. Do you have any information as to why  
14 it has not made new installations?

15 A. I do not. I don't follow the company.

16 Q. And what about Tesseract? Are you  
17 aware of any new installations of Tesseract?

18 A. No, I'm not.

19 Q. Or any new sales?

20 A. No.

21 Q. Does Deloitte implement Tesseract  
22 software?

00148

1 A. It has in the past.

2 Q. Has it in the 2000s?

3 A. I don't know the answer to that. I'm  
4 not aware that we have.

5 Q. Okay. Was PeopleSoft considered in any  
6 way in connection with the evaluation?

REDACTED

7 A. I don't remember PeopleSoft being in  
8 the field of contenders there.

9 Q. Okay. What did -- was Baan considered?

10 A. There was a question of whether or not  
11 to keep the Baan software in place.

12 Q. Okay. First of all, why was there a  
13 question about whether to keep the Baan software?

14 A. The company was considering a strategy  
15 to be common and global in their business  
16 processes.

17 Q. Okay. And what is there about Baan  
18 that would have caused the company to have a  
19 question about Baan?

20 A. They implemented Baan specific to some  
21 of their geographies, so they had two or three  
22 instances of Baan implemented that were not

00149

1 common.

2 Q. Okay. What are -- was there any  
3 other -- was there any other issues that caused  
4 the company to have a question about whether it  
5 wanted to continue with Baan?

6 A. I think they were questioning Baan's  
7 market strength and its positioning into the  
8 future.

9 Q. Why is that something that a company  
10 like would be concerned about?

REDACTED

11 A. They only like to do business with  
12 significant vendor partners who have growing  
13 business and financial health and strength.

14 Q. And why is that -- why would that be  
15 useful, or important for a company with respect to  
16 its business application software for finance or  
17 HR?

18 A. It brings into question whether that  
19 particular software concern would be strong enough  
20 to be part of its systems architecture in the  
21 longer term.

22 Q. Why does a company like want --

REDACTED

00150

1 care about how long it will have the software?  
2 A. Well, because they don't want to invest  
3 a lot of money into their systems support  
4 structure. Often. So if they were going to make  
5 an investment at one point in time, they wanted to  
6 make sure it was the right investment, and that  
7 they considered all the components of that  
8 investment, and they don't like to spend money on  
9 systems, so therefore, they were trying to  
10 minimize their spend.

11 Q. Okay. So --

12 A. And make sure they had a long-term  
13 strategy in place, so they wouldn't have to spend  
14 again, or spend more.

11 Q. And would that mean that the Baan  
12 software may not be a particularly good  
13 alternative if -- with the changes?

16 A. The -- if they went to common systems,  
17 they would either have to select Baan over another  
18 platform, and if they used Baan, they would have  
19 to make Baan common and reimplement Baan across  
20 its operations.  
21 So that the question in their strategy  
22 was whether they wanted to do that, or whether

00152

1 they wanted to do other than that, and use another  
2 player.

4 Q. Okay. And what was the decision with  
5 respect to whether they wanted to use Baan to  
6 reimplement Baan?

7 A. They decided that they wanted to go to  
8 a new platform, and they did not want to  
9 reimplement the Baan software.

7 Q. Was the company -- was REDACTED  
8 concerned about -- about Baan from a financial  
9 perspective?

10 A. I don't -- I wouldn't use the term  
11 "concerned." Again, I think they had the question  
12 of, in its longer term business strategy, how did  
13 they -- who did they want to partner with; what  
14 kind of solution did they want to use in terms of  
15 common global versus not, and what was the right  
16 answer.

17 I don't think there was concern, per  
18 se, over financial viability.

19 Q. Was the -- was concerned about REDACTED  
20 the lack of development, or enhancements that it  
21 had received with respect to the Baan software?

22 A. That was not an issue.

00154

21 Q. Have -- but has Baan fallen behind

22 Oracle, PeopleSoft and SAP in comparisons with the

00155

1 functionality that it has to offer -- to provide?

2 A. I don't think the -- I don't think the

3 functionality is that different. Baan's sales

4 have declined over time, and I think over time the

5 financial viability question has come in. I don't

6 know that that's directly impacted their release

7 strategy or the level of functionality.

4 Q. Have any of your clients today

5 considering -- let me rephrase that.

6 Do you know of any of Deloitte

7 Consulting's clients today, who are actively

8 considering performing Baan ERP software?

9 A. No, I don't.

10 Q. And with respect to the clients that

11 you're aware of that are -- that are making any

12 judgments with respect to Baan's software, the

13 decision whether to replace the platform?

14 A. It is whether to replace the platform,

15 or maintain it.

11 Q. Are they -- of the platforms that  
12 they're considering, is it platforms that they  
13 already have some work with in one division or  
14 another?

15 A. Yes, it is.

16 Q. Is that a factor that a company that's  
17 considering consolidating on platforms will  
18 usually consider?

19 A. Sure is, yes.

20 Q. Now, why is that?

21 A. They have familiarity with the degree  
22 of complexity, the cost requirements, the

00162

1 technological sophistication, number one, so they  
2 know what they're getting into.

3         Number two is, in the cases where the  
4 companies already have that platform, they are  
5 just about guaranteed to have skill sets in that  
6 platform. The question is, do we have enough  
7 skill sets to drive across the entire corporation,  
8 so they may have to grow that skill set, but they  
9 usually have it. So they'd look at that.

10         Then ultimately what they're trying to  
11 discern between, is this product versus product B  
12 cheaper to run? Better to run? Do we get more  
13 out of it from a business case? A financial  
14 benefit perspective? So those are really kind of  
15 the way they're looking at those situations.

16     Q.   Okay. Now, in comparison with  
17 considering a product that you already have  
18 installed and are familiar with in the case of a  
19 possible consolidation, if you're already using  
20 the product, and part of the company is already  
21 using the product, and part of it's operations, is  
22 it less expensive to implement the product over

00163

1 additional than it would be a new product over the  
2 entire organization? Or can't you say that?

3 MR. YATES: Objection. Overbroad.

4 A. It's not easy to generalize. It could  
5 be. It doesn't necessarily have to be.

6 Part of the answer to that, Kent,  
7 depends on that company's strategy around their  
8 infra -- technology infrastructure.

9 Said differently, if they are trying to  
10 give the business units autonomy, then those  
11 business units are either on computers or servers,  
12 that infrastructure. And if they're going to  
13 install their own softwares on top of that, that  
14 could be just as expensive, a different brand than  
15 what they've already got.

16 If they're going to consolidate, go  
17 more towards a shared or common environment, then  
18 they might be able to enjoy some of the economies  
19 of scale that come with that, than staying on one  
20 product would, most of the time, be more  
21 economical, and they would get more leverage from  
22 the skills that they've already developed.

00164

1 BY MR. BROWN:

2 Q. Okay. Is there -- would it be less  
3 risky for a company who is considering  
4 consolidating platforms to use one of the  
5 platforms that it is already using?

6 A. Yes, I think so.

7 Q. Now, why is that?

8 A. I think, again, they understand the  
9 requirements associated with that particular  
10 software.

11 B, they have some sense of how to size  
12 those applications. So if they understand their  
13 transaction volumes, they understand, generally  
14 speaking, the capability of the software to manage  
15 those transactions, and when they get underneath  
16 running the software and they look at the  
17 technology infrastructure required to support  
18 that, the server architecture, the network  
19 architecture, those types of things, then they've  
20 at least got some internal benchmarks of how that  
21 works.

22 Or -- so they could take a look at

00165

1 their number of transactions today on the type of  
2 infrastructure and say, okay if we're going to  
3 double that tomorrow, then, do we have to go to X?  
4 Something like that.

5       The other thing that they have a degree  
6 of comfort around is that they're processing an  
7 accounts payable transaction, and they note today  
8 that it takes a minute. Just because more  
9 transactions are going to go through, there are  
10 some concerns with processing times, but they know  
11 it will take about a minute.

12       So if a minute is acceptable -- which  
13 is a long time -- but if a minute is acceptable,  
14 then they feel good about that. So they have some  
15 process-oriented benchmarks and they know what  
16 they're getting into, from the standpoint of  
17 running their business.

18       That becomes more important if you  
19 have, you know, a customer service person on the  
20 telephone taking a call from the consumer, and  
21 they have to look up something and it takes  
22 forever, and that consumer is saying, it is taking

00166

1 too long to get this done.

2       So those kinds of familiarity start to

3 come into play, and you do leverage what you know

4 about the product. So that makes them feel that

5 the risk equation has gone down in terms of

6 staying with a particular software that they may

7 have in place.

12    Q. Are there differences today in the  
13 functional capabilities that are provided by  
14 Oracle, PeopleSoft and SAP, in terms of their  
15 financial and HR management software?

16       MR. YATES: Objection. Overbroad,  
17 compound.

18    A. At the grossest level -- at the  
19 applications level, yes, they are HR and they have  
20 benefits administrations, such as we talked about  
21 earlier.

22       The way to really understand that would

00167

1 be to analyze the specific business process  
2 requirements and/or information requirements that  
3 exist at a company requirement level, and then  
4 compare that to the different softwares.

5       So broadly speaking, an application, or  
6 maybe even a business process level, you could  
7 generalize and say, a lot of them do the same  
8 things.

9       When you get down to the specific  
10 methods or ways that the softwares manage a  
11 transaction, they may be different. The market  
12 has matured to a point where, when I talked about  
13 Tesoro and Tesseract, those are sort of  
14 last-generation players. As we look at how SAP  
15 and Oracle and PeopleSoft, et al., have tried to  
16 mirror that market, and then actually improve  
17 their products to exceed that market, each of  
18 those vendors have invested significantly in their  
19 HR products, and brought those products up to a  
20 level that meets or exceeds Tesoro and Tesseract,  
21 and some of the older softwares that are out  
22 there.

00168

1           So by and large, though, that  
2 functionality level is fairly equivalent at the  
3 higher level, and then when you get into the  
4 requirements, that's where you might see some  
5 differentiation.

7     Q.   Okay. Let me just try this a little  
8 bit different: I just -- on a very -- basically,  
9 is there a difference in the functional capability  
10 provided by SAP, Oracle and PeopleSoft? Focusing  
11 on those three vendors, do they offer the  
12 equivalent functionality for finance and HR? Or  
13 is there even differences between their softwares?

14       MR. YATES: Same objections. Also  
15 asked and answered.

16     A.   I think basically they offer the same  
17 functionality.

18 BY MR. BROWN:

19     Q.   Okay. And has that always been the  
20 case?

21     A.   No.

22     Q.   When -- about when, or over what period

00169

1 of time did the functionality that's offered by  
2 those three companies start to converge?

3 MR. YATES: Objection. Overbroad.

4 Compound.

5 A. The market leader in human resource  
6 products was originally PeopleSoft. And that was  
7 probably the case -- mid '90s is probably a good  
8 time frame. At that point in time SAP and Oracle  
9 both started to invest more heavily in their HR  
10 product sets. I think SAP matured faster than  
11 Oracle, and that maturation, probably around the  
12 year 2000, and then Oracle just a little bit  
13 behind that.

14 So for -- probably about 2001 for  
15 Oracle.

16 So our experience, in Oracle, for  
17 example, in the past two or three years, is that  
18 it's pretty fully equivalent to the other  
19 offerings out there, and the market is beginning  
20 to believe that. So we've seen an uptick, as an  
21 example, in our Oracle HR implementation business  
22 based on its ability to compete with the other

00170

1 products.

2 BY MR. BROWN:

3 Q. Okay. And with respect to financial,  
4 the PeopleSoft financial capability, how does it  
5 compare with the financial functionality provided  
6 by Oracle or SAP?

7 A. I think in some parallel -- well, not  
8 parallel -- I would say Oracle had the strongest  
9 financial package and product, suite, in the  
10 beginning.

11 PeopleSoft was very good, and very  
12 close, and both of those products were able to be  
13 used in a best of breed environment.

14 SAP by its own architecture and its own  
15 nature is less friendly, less -- it's more  
16 difficult to break SAP apart, because it's built  
17 on a very integrated business process and  
18 information process model.

19 So to understand that, when you enter a  
20 purchasing transaction, and purchasing always has  
21 to go through accounts payable and the general  
22 ledger, in PeopleSoft and Oracle those

00171

1 transactions are managed separately from a cueing  
2 and a processing perspective.

3       In SAP, it's all highly integrated, so  
4 when you enter that purchasing transaction, it  
5 goes straight through to AP, straight through to  
6 GL. There are not three transactions. It's one  
7 transaction that goes that way. (Indicating)

8       I'm sorry, that performs on an  
9 integrated basis.

10    Q.   GL means general ledger, AP is accounts  
11 payable --

12    A.   Yes. And PO, purchase order --

13    Q.   I'm sorry, did you finish --

14    A.   Yes, okay. So I would say that Oracle  
15 was the strongest.

16       In terms of functionality, again, like  
17 the HR applications, all three of them have very  
18 strong financials and are all viable in the  
19 marketplace in terms of processing your financial  
20 requirements.

16 Q. So in terms of what is happening today,  
17 it's not typical that you'll see a company  
18 purchase Oracle financials and PeopleSoft HR  
19 today. Is that what you're saying?

20 A. That's correct. That's what I'm  
21 saying.

22 Q. And that's because now the functional

00175

1 differences between Oracle and PeopleSoft for the  
2 financial HR package are sufficiently small that  
3 it doesn't -- it's not profitable for a company to  
4 invest in two different products.

5     A. They're insignificant. And not  
6 profitable really is -- it's difficult for a  
7 company to support two different tools. So if the  
8 functionality's equivalent, then the question  
9 inside would be, why would we want to do that?  
10 Because all that's going to do is increase costs,  
11 and we'll have to have skill type A, skill type B,  
12 and that doesn't make a whole lot of sense.

15 Q. And what would be the benefit to the  
16 company of consolidating its financial management  
17 and HR systems?

18 A. It primarily goes back to, you would  
19 have a common support mechanism, a common set of  
20 skills, a common maintenance program that comes  
21 from a single vendor, as opposed to a  
22 multiple-vendor strategy. So it conceivably is

00177

1 more efficient, and easier for a company to run  
2 one platform than multi.

3 Q. And in general, is it less costly for a  
4 company to be able to reduce the number of  
5 software packages or platforms that it runs?

6 MR. YATES: Objection. Overbroad;  
7 lacks foundation.

8 A. I would say that, generally speaking, a  
9 common systems strategy is less expensive to  
10 manage than a multiple systems strategy.

11 BY MR. BROWN:

12 Q. And what is your basis for saying that?

13 A. Primarily the difficulty associated  
14 with managing the releases of several vendors'  
15 products on a concurrent basis, and then having  
16 the requirement to have to interface those  
17 particular applications together, in that, if --  
18 in the Olston example, if Oracle releases  
19 something that changes something in the financial  
20 management -- or the financial package  
21 environment, then that might cause a requirement  
22 for something to trickle through and change inside

00178

1 HR, then that's a maintenance and a development  
2 function that has to be undertaken by that  
3 company.  
4 Same thing, if PeopleSoft releases  
5 something the next day and then it trickles back  
6 into the financials, then they have to keep that  
7 up. So conceptually the company ends up with  
8 deeper and more hours required to maintain two  
9 products, and keep those products in synch, than  
10 it does having a single product, or you would  
11 expect that vendor, the single-product vendor to  
12 manage that process for you, so that they're  
13 synchronizing the requirements and their  
14 package -- or something in their package impacts  
15 finance, you would expect them to be an R & D  
16 function -- research and development, before  
17 anything ever gets to you, the user.

14 Q. Well, SAP was -- was SAP originally  
15 developed and focused on companies in the  
16 manufacturing industry?

17 A. That was its biggest target group. I  
18 think that's a fair statement.

19 Q. And does it -- did SAP build rich  
20 functionality into the software to serve  
21 manufacturing companies non-discrete and process  
22 manufacturing companies?

00180

1 A. They did do that.

2 Q. Now, did that functionality, and the  
3 fact that it was built into the product, create  
4 any complexities for firms that didn't need it?  
5 Such as a services company?

6 A. Typically not. They could opt out of  
7 using that functionality. Most times that kind of  
8 functionality is not required functionally to make  
9 the product work. It's functionality that you  
10 elect, through the setup of the software, to use.

11 Q. Would you agree that there have been  
12 issues with respect to SAP over the years that  
13 it's too complex of a product for certain  
14 industries or customers to use?

15 MR. YATES: Objection. Vague; lacks  
16 foundation.

17 A. There are market perceptions that SAP  
18 is more difficult to implement than an Oracle, as  
19 an example.

20 There are arguments that would also  
21 suggest that the functionality in Oracle and other  
22 products is actually deeper than what's in SAP.

00181

1           The market argument used to be that SAP  
2 came fully integrated so you didn't have to build  
3 in any of that integration. That building of the  
4 integration, the development of that, and the  
5 interfaces between systems, is very expensive and  
6 complex.

7           So SAP sold on the platform that  
8 suggested that their software was highly  
9 functional and highly integrated, although, in a  
10 head-to-head competition, if you got down to just  
11 a business application or business -- business  
12 application level -- I was going to say business  
13 process, but -- business application level -- that  
14 its functionality may not in fact be as rich or as  
15 deep as what you might find in products that were  
16 competing on a best of breed basis, to include  
17 Oracle and PeopleSoft, as I said earlier.

18           So SAP sold integration; the others  
19 sold depth of functionality.

00182

21 Q. Okay. Let me just focus, then, again,  
22 on the oil and gas industry, because that's one

00183

1 where you mentioned.

2 A. Uh-huh.

3 Q. Did you say that Oracle has desupported  
4 its oil and gas product?

5 A. It sold those products away from its  
6 portfolio. Sold the products to other vendors.

7 Q. Do you know why it did that?

8 A. The company purchased the downstream  
9 applications -- there's upstream and downstream at  
10 oil and gas. They purchased the downstream  
11 applications from who developed

REDACTED

12 them internally for their own use. The  
13 applications were considered to be very rich in  
14 functionality, and Oracle's strategy at that point  
15 in time was, because SAP had cornered the market  
16 on the very large oil and gas players, that there  
17 were a group of companies called the independent  
18 producers in the oil and gas industry, which were  
19 companies such as ARCO, which were very large  
20 concerns in terms of everyday thoughts, you know,  
21 companies that are, you know, 10, 20, 30 billion  
22 in size, as opposed to companies like , today,

REDACTED

00184

1 who is 150 plus in size.

2 So Oracle's perception was that they

3 could buy this product from and

REDACTED

4 then sell, on a more competitive basis, on a cost

5 basis, against SAP in a market where had

REDACTED

6 actually evolved this functionality to work for,

7 and within its own business.

8 And so to be able to take 's

REDACTED

9 reputation, and build that software into a

10 marketplace where they would be able to go, and

11 then corner the middle market, the middle oil

12 market being the small oil companies, 10 to 30

13 billion, they put a sales campaign together.

14 ARCO was the first company that bought

15 into that strategy. ARCO was eventually bought

16 out by as well. So ARCO never

REDACTED

17 got the Oracle energy downstream -- which is that

18 product that they bought from -- never got it

REDACTED

19 implemented. And Oracle was unsuccessful in

20 pushing its sales strategy into the other oil and

21 gas companies; therefore, it did not make money.

22 And Oracle was very aggressive about managing its

00185

1 software portfolio.

2 And after about two years of not making  
3 money, the Board of Directors and company  
4 management said they decided to get out of that  
5 business. So it didn't ever blossom into a highly  
6 profitable operation for Oracle, and they sold  
7 out.

8 Q. Was the software that developed and  
9 sold to Oracle, which now Oracle has desupported,  
10 was that financial management software?

REDACTED

13 A. No, it was not financial management  
14 software. It dealt with their downstream  
15 operations. So it dealt with everything that  
16 happened after the refining operations. So once  
17 crude is turned into petroleum products, it dealt  
18 with the post-refinery process from the gate of  
19 the refinery out through the terminal and  
20 distribution networks, out into the dealer/broker  
21 networks in terms of gasoline distribution.

22 So it was everything between the

00186

1 refinery gate and the final -- and the final point  
2 where the consumer buys the product. So it was  
3 all operational.

4       The thing that had done was, they  
5 had interfaced that downstream product set with  
6 Oracle financials. And so again, Oracle was  
7 trying to sell the integrated ERP, for downstream,  
8 consisting of Oracle financials plus the  
9 downstream applications, into that market segment,  
10 and that did not work --

REDACTED

12   Q.  Is --

13   A.  I'm sorry, the strategy did not yield  
14 the desired financial result.

15   Q.  Does -- is Oracle continuing to sell  
16 its financial management and HR software to oil  
17 and gas companies?

18   A.  To the best of my knowledge, yes.

19   Q.  And has it been successful in selling  
20 its financial management, or HR software, to oil  
21 and gas companies?

22   A.  To a small number of companies, yes.

00187

1 Q. Okay. But even for financial  
2 management and HR functionality, SAP is the  
3 leading vendor?

4 A. SAP still is the dominator.

5 Q. Is SAP's advantage in financials and HR  
6 related to the additional functionality it  
7 provides outside the financial and HR area?

8 A. That's my belief, yes.

9 Q. Okay.

10 A. With some experience in that industry,  
11 yes.

12 Q. Now, there are industries where Oracle,  
13 or PeopleSoft, have become the leaders, based on  
14 the -- on the greater depth of functionality that  
15 you've described?

16 A. I would think that -- yes. Oracle, in  
17 my mind, enjoys an edge in the marketplace in the  
18 financial services industry. They have penetrated  
19 that market space more than its competition. Let  
20 me think of other places -- I think that might be  
21 it, really.

22 PeopleSoft, on the other hand, had

00188

1 enjoyed an advantage in the higher education  
2 marketplace, with its -- mostly its HR  
3 applications that focused on student information  
4 systems and big university settings, and some of  
5 the HR applications in the public sector space.  
6       Those are probably the two more  
7 prominent places for those two vendors.

8    Q.   Okay. Does Oracle have an advantage in  
9 the discrete manufacturing industries?

10   A.   Not -- no.

11   Q.   Not in comparison --

12   A.   Not more than anyone else, I guess --

8 Q. In your experience, how often has SAP  
9 been sold or offered as a module that has been  
10 combined with a -- PeopleSoft or Oracle?

11 A. In terms of percentage, Kent? How do  
12 you want me to answer that? High, low, medium,  
13 that kind of thing?

14 Q. No. First of all, are you aware of  
15 that happening?

16 And second, if so, how often?

17 MR. YATES: The question is vague, and  
18 now it's compound.

19 A. I have seen many queries in our  
20 national system about coexistence of the two  
21 softwares and companies making switches from  
22 strategies. So I know that they exist -- they

00191

1 coexist in certain clients. I don't know how

2 many.

3       And I would say that the circumstance

4 where they coexist is low in number. That's the

5 best information I've got.

7     Q.   Yeah. Have you ever seen a competition

8 for financials in which, for any of the Deloitte's

9 customers, for just the financials involving SAP

10 and Oracle? Not involving the integrated

11 manufacturing functionality.

12     A.   Sure. Absolutely.

13     Q.   When -- and in what instance was that?

14     A.   In our public sector practices I know a

15 lot of the state and local governments have looked

16 at, again, back office solutions. And we've done

17 some work around the requirements of those back

18 office solutions that involve those various

19 vendors.

20     Q.   Okay. And you have -- and you have --

21 and SAP has been involved in a major competition

22 for just its financials --

00192

1 A. Yes.

2 Q. -- without its manufacturing --

3 A. Yes.

4 Q. -- functionality.

5 A. Yeah. You can implement SAP financials

6 standalone. And I guess the other thing I'd add

7 to the earlier conversation is that SAP, to my

8 knowledge, started to believe that maybe they were

9 losing, in a lot of those contests where they were

10 involved, and people assumed they had to buy

11 everything to implement the SAP software.

12 So my understanding is they started to

13 evolve their architecture, in particular the

14 financials, to a point where the financials

15 systems could stand alone, and could accept,

16 through program interfaces, automated program

17 interfaces that SAP would provide, transactions

18 from other systems so that it would be easier to

19 use SAP in a limited application -- let's back up

20 a couple words here.

21 Be easier to use SAP in the sense where

22 you just wanted to buy financials. That's

00193

1 probably said better.

2 Q. Is SAP's -- are SAP's efforts to be  
3 able to sell its software in a way that would  
4 allow a company to just use financials, is that a  
5 development that has taken place in the last  
6 couple of years?

7 A. I would say it's probably the last --  
8 sorry -- five years.

9 Q. In the last five years?

10 A. I'd say the last five years, at least  
11 to my knowledge.

12 Q. And before that, five years ago, SAP  
13 was offered as an integrated system?

14 A. Integrated, uh-huh.

9 A. Why don't we go back and restate. So  
10 it was for companies buying ERP? How do they make  
11 use of customers references?

12 BY MR. BROWN:

13 Q. Yes.

14 A. They do make use of customer  
15 references -- some don't. Some companies are very  
16 interested in speaking with other customer sites  
17 that have implemented softwares that are being  
18 considered. Some aren't interested in hearing  
19 other people's stories, because a lot of times the  
20 companies' culture, business, and there's some  
21 factors associated with implementations that  
22 aren't common across the different prospects, I

00195

1 guess.

2           So I would say maybe 65, 70 percent of  
3 the time clients do ask for references. I would  
4 say on probably 60 percent of those occasions they  
5 follow through in calling those references.

6           The references are usually very  
7 important, and can certainly make the decisions  
8 for companies more comfortable in terms of their  
9 companies' thought processes. So they can use the  
10 reference checks as a means to validate their  
11 decisions, would be the way to put it, in a  
12 business sense.

13    Q.   In terms -- to continue to have a  
14 vendor be considered as a viable alternative --

15    A.   Uh-huh.

16    Q.   -- how important is it for the vendor  
17 to be able to offer customer references?

18    A.   It's critical --

19           MR. YATES: That's overbroad.

20    A.   Critical.

21 BY MR. BROWN:

22    Q.   Why do you say that?

00196

1 A. Well, any firm that sells intangibles,  
2 shall we say, whether it's software or  
3 professional services, relies heavily on its  
4 reputation and its ability to deliver into that  
5 marketplace.

6 So a firm's ability to have its prior  
7 customers, or current customers, speak in favor of  
8 it can be an influencing factor in a purchase. So  
9 that's a fairly important factor, if the  
10 purchasing company believes that's an important  
11 part of their validation process.

12 Q. Okay. Now, in terms of the nature of a  
13 reference customer, what type of a -- of a current  
14 user would a new potential customer want to talk  
15 to?

16 MR. YATES: Objection. Overbroad.

19 Q. Will your clients who are considering  
20 purchasing a new -- a new ERP software consider  
21 what type of likely new developments will come in  
22 the future of this -- in the future?

00201

1 MR. YATES: Overbroad.

2 A. It can be a factor in their decision

3 process.

4 BY MR. BROWN:

5 Q. Okay. And why would that be a factor?

6 A. Prospects don't like to be obligated to

7 customize the software products. Sometimes they

8 are wishful that the functionality that they are

9 desirous of be incorporated into the standard

10 product of that software vendor.

11 Q. Okay. And how would that benefit the

12 customer?

13 A. The customer then does not have to pay

14 for that customization for services, or doesn't

15 have to take the time to incorporate that

16 customization. Or down the road, when the

17 software vendor releases an update or an upgrade,

18 or a patch that's associated with any of that

19 functionality, then the customer doesn't have to

20 maintain that separately from their maintenance

21 requirement that comes from the software vendor.

22 Q. So is it a circumstance that -- that

00202

1 customers might initially customize an ERP  
2 solution, but in a future upgrade they'll be able  
3 to eliminate that customization?

4 A. If the vendor incorporates that  
5 customization into their standard offering, yes.

6 Q. Is that scenario a benefit for the  
7 customer?

8 A. Usually, yes.

9 Q. Why?

10 A. I think I answered that a minute ago.  
11 Because they don't have to maintain that  
12 customization, and then they would not have to pay  
13 for that customization into the future.

14 Q. Is it -- is there -- if they have to  
15 maintain the customization, would one of the  
16 issues involve the need to continue integrating  
17 that customized software with the ERP software?

18 MR. YATES: Objection. Overbroad.

19 A. Not typically integrating it, Kent.  
20 If -- that's probably the last thing that happens.

21 Once the integration is done, the thing  
22 you have to worry about around the integration is

00203

1 the date of change, the construct of the date of  
2 change. Did something change in the feed of that  
3 data? Did something change in the parent system,  
4 in the core system?

5         It's not so much you have to pay for  
6 the integration again. What you have to do is you  
7 have to make sure that that customization is  
8 retrofitted, and regression tested, to the newer  
9 software.

10         So if you did a customization in  
11 version one, and then SAP or Oracle releases  
12 version two, you have to take your customization  
13 and make sure that works with version two. That  
14 may require additional customization; it may  
15 require an update to a table or an update to the  
16 data. It may be very simple.

17         It doesn't mean you have to redo the  
18 customization. It means that you, in a minimum,  
19 have to make sure that you test it and make sure  
20 it works with version two. It could mean that you  
21 have to do some more integration. It doesn't  
22 necessarily mean. So hopefully that answers your

6 Q. Do you know whether potential customers  
7 of the -- of the Deloitte's clients are -- who are  
8 potentially purchasing financial management, or HR  
9 software, are willing to be the first customers to  
10 use a new system?

11 A. I do know that. Sometimes they're  
12 willing, and sometimes they're not.

13 Q. Okay. Why would they -- why aren't --  
14 the ones that don't want to use the new system,  
15 what is the reason for that?

16 A. Well, it's not always fun to be first.  
17 Because there could be difficulties in terms of  
18 how well the design has been thought out; how well  
19 that design has been tested; how the data flows  
20 through the software product. And if a company is  
21 considering being number one, and that product  
22 then doesn't work, the company may suffer a delay

00205

1 associated with the implementation; it may suffer  
2 a malfunction of the software; it could lose a  
3 customer; it could incur greater costs; it could  
4 mean that, you know, a project gets delayed and  
5 they have to invest more people to fix that.

6 All the above, or any of the above, and  
7 any combination of the above could be the  
8 rationale that clients don't like to be number  
9 one, or alpha or beta test sites, as they're  
10 referred to.

11 Q. Now, I'm focusing -- remember, we're  
12 focusing on the financial management and HR  
13 software.

14 A. Uh-huh.

15 Q. Are you aware of clients who, for that  
16 functionality, are interested in being the first  
17 users of a new product?

18 MR. YATES: Objection. The question is  
19 overbroad.

20 A. Yeah, I'm not sure that question  
21 applies to the current market status. Because  
22 particularly as we talk about finance and HR,

00206

1 maturity of those products is very high. So you  
2 won't find, even with new releases -- financial  
3 system requirements within these products are very  
4 well articulated, and highly developed and evolve.  
5 So you don't find a lot of breaking  
6 functionality -- I'm sorry, emerging, or new, or  
7 newly required functionality that is being built  
8 into the products.  
9       So being number one is really kind of a  
10 moot issue any more. There's really -- you're not  
11 number one. You just can't be number one, because  
12 the products are that mature.

9 Q. Okay. Now, I'm once again focusing on  
10 your clients, Deloitte's clients, that have  
11 requirements that require them to use PeopleSoft,  
12 SAP and Oracle.

13 A. Uh-huh.

14 Q. Are you aware of any company today who  
15 is at a stage where they're looking for clients to  
16 test their software to build that track record?

17 A. For back office, for the financial and  
18 HR applications?

19 Q. Yes.

20 MR. YATES: Let me interpose an  
21 objection. It's argumentative in light of  
22 the witness's previous testimony.

00212

1 A. We receive offers, through our alliance  
2 programs, with our various vendors to become  
3 involved in the testing of any new product, or new  
4 product development. And sometimes we do  
5 participate in that process.  
6 BY MR. BROWN:

7 Q. Okay. So are you aware of any  
8 companies -- let me -- I just want to rephrase --  
9 restate the question, because the question was a  
10 little different than what I think your answer  
11 was.

12 Are you aware of any companies who are  
13 in the process of looking for potential customers  
14 who will -- that they can use to test, and serve  
15 as reference customers to basically build the  
16 track record to compete for the clients that now  
17 require the use of PeopleSoft, Oracle or SAP for  
18 their back office software?

19 MR. YATES: Same objection.

20 A. No, I'm not.

22 Q. And --

00213

1 A. Let me ask a question, if I may. There  
2 are new product developments within companies that  
3 we're working with. So within Oracle there is a  
4 new product that we've been asked to test, that  
5 we've been asked to potentially get a market with,  
6 where Oracle are seeking new clients.

7 Q. I understand.

8 A. That was not the condition that you  
9 were asking about?

10 Q. The condition was with respect to  
11 companies other than Oracle --

12 A. Other than. Okay.

13 Q. -- SAP and PeopleSoft.

14 A. Then I answered.

17 Q. Does Deloitte assist companies or  
18 organizations from time to time in selecting the  
19 ERP software?

20 A. There are occasions where Deloitte is  
21 involved in software selection. Up until -- this  
22 is confusing for everyone.

00214

1 Up until the December 27th date when  
2 Deloitte Consulting folded back into Deloitte &  
3 Touche, the policy internally was to not get  
4 involved by role in software selections, and we  
5 tried to steer away from that particular business.

6 Q. That would have been at Deloitte  
7 Consulting.

8 A. That's right.

9 Q. Before December 27th?

10 A. That's right. Right.

11 Q. Okay.

12 A. If a set of circumstances came up where  
13 a client said, I would like you to evaluate my  
14 total cost of ownership between vendor X, Y and Z,  
15 we would entertain those types of activities.  
16 That may not infer selection, but it could  
17 certainly result in a selection.

18 There were some projects that I'm aware  
19 of that were on our list, where there was some  
20 selection work done. So the policy was not to do  
21 it, not to get involved, because the consequences  
22 are rather costly from a firm perspective to get

00215

1 involved, based upon the fact that you can  
2 alienate your vendor partners and things like  
3 that. So the policy, by and large, was not to do  
4 those things, unless client circumstances dictated  
5 that someone would entertain within the  
6 partnership accepting that kind of a job.

7 But typically we did not do selection  
8 work. We tried to stay away from it.

9 Q. Now, you have done a few selection  
10 projects over the -- over the last few years; is  
11 that correct?

12 A. A few.

13 Q. And based on the selection work that  
14 you have done, do you know whether -- do you know  
15 whether the selection of a vendor product is a  
16 short process or a long process?

17 A. Those processes can vary.

18 (LAUGHTER)

19 A. Sorry. It's a consulting answer.

20 (LAUGHTER)

21 A. You know, Kent, in my twenty-plus years  
22 consulting, I've seen clients take as little as

00216

1 four weeks, and I've seen them take up to eighteen  
2 months, that's another reason I personally don't  
3 like to do consulting work -- I'm sorry -- oops --  
4 let me back up on that, let me strike that.

5 (LAUGHTER)

6 A. Especially if Deloitte is going to read  
7 this.

15 From the four weeks to eighteen months.  
16 That's why I don't like to do selection work, and  
17 the firm doesn't like to do selection work,  
18 because by and large, there's not a lot of value  
19 added there to a company. We're not making  
20 widgets faster, we're not reducing inventory,  
21 we're not driving toward that business transaction  
22 result that I talked about earlier today.

00217

1           So that phenomenon, together with the  
2 fact that if we're in an Oracle versus PeopleSoft,  
3 or SAP versus PeopleSoft, or whatever the  
4 situation, we're going to make one of them mad if  
5 we do the selection. So Deloitte's policy was to  
6 not do them as a rule.

7           Those processes can take anywhere from  
8 four weeks to eighteen months. And they do. It  
9 depends on the client's ability to make a  
10 decision. Our policy is not to make a  
11 recommendation but to present factual results  
12 associated with the products, if we were to do  
13 one.

14          And ultimately we are always precluded  
15 and prohibited from making a decision based on  
16 internal policy and some other SEC policies and  
17 different things like that.

7 Q. And during the course -- the selection  
8 projects with which you're familiar are at least  
9 four weeks long?

10 A. I can't think of anything that's  
11 shorter than that.

12 What I was quoting with the four weeks  
13 was my own personal experience. From the firm's  
14 perspective and my Deloitte Consulting  
15 responsibility perspective, I was only aware of  
16 very few in our record that were done, and I think  
17 all of those did exceed four weeks.

15 Q. Mr. Dortenzo, did you find out what --  
16 how many people you have, or Deloitte Consulting  
17 has, in its SAP practice?

18 A. I did.

19 Q. And how many people does SAP have in  
20 its -- or Deloitte have in its SAP practice?

21 A. Dedicated SAP practitioners, 675.

22 Q. Is that in the U.S.?

00229

1 A. U.S.

2 Q. Okay. And how many all together, or

3 resources, can Deloitte call on for its SAP

4 practice? Or did you not have that?

5 A. I didn't get that count.

9 Q. Let me just ... (Searching)

10 How many people does SAP -- does

11 Deloitte have in its PeopleSoft practice?

12 A. PeopleSoft is about 400.

13 Q. Does that include both J.D. Edwards and

14 PeopleSoft?

15 A. That does include the combination of

16 those two, in the U.S.

17 Q. And that's U.S. only?

18 A. That's U.S. only.

19 Q. Okay. And how many people does SAP

20 have in its Lawson practice?

21 A. Lawson is 70.

22 Q. Seventy?

00230

1 A. How many does Deloitte have, not SAP;

2 correct?

3 Q. Yes.

4 A. Just checking.

5 Q. Deloitte Consulting has 70 dedicated

6 people in its Lawson practice.

7 A. Yes, it does.

8 Q. Do you know if it has more people

9 outside the U.S. in its Lawson practice?

10 A. I don't know that answer for certain,

11 Kent.

19 Q. Okay. The document says that,  
20 "Deloitte has over 6,200 dedicated SAP  
21 practitioners. And we are able to quickly put  
22 leading professionals on the ground anywhere in

00232

1 the world to quickly address your business

2 challenges."

3 A. Uh-huh.

4 Q. Is that -- do you know whether Deloitte

5 Consulting on a global basis has 6,200 dedicated

6 SAP practitioners?

7 A. I don't know the certainty of that

8 number -- what I would tell you that I do know

9 this number includes would be those practitioners

10 with SAP experience that are also in our industry

11 practices. So as I differentiated earlier,

12 dedicated Oracle practitioners versus Oracle

13 practitioners with industry experience, this

14 number would include the industry experience, is

15 my understanding.

16 Q. So this number would be more related to

17 the 1,500 Oracle practitioners as opposed to the

18 300 Oracle practitioners.

19 A. That's right. That's right.

00233

1 MR. BROWN: Let's see, I want to now  
2 mark another exhibit as Government Exhibit  
3 102.

4 (DEPOSITION EXHIBIT 102  
5 MARKED FOR IDENTIFICATION)

6 BY MR. BROWN:

7 Q. Mr. Dortenzo, our Government Exhibit  
8 102 is a document produced by Deloitte Consulting  
9 in response to a Civil Investigative Demand issued  
10 to it in The Department of Justice's investigation  
11 in Oracle's proposed acquisition of PeopleSoft,  
12 purports to be an SAP HRMS Assessment dated May  
13 2000, prepared by Deloitte Consulting.

14 Do you know whether this document is a  
15 summary of a vendor selection engagement for  
16 ?

REDACTED

17 A. Yes, I do. My understanding was that  
18 this document was not a summary of a software  
19 selection project, but a respond to a question of,  
20 should we use SAP HR? Will it work? And if it  
21 won't work, why won't it work?

22 So it wasn't a selection -- it wasn't a

00234

1 runoff between two software companies. My  
2 understanding was it was more of a validation of  
3 SAP as the answer in this particular situation.

4 Q. Okay. But this was -- this document  
5 was prepared for ; is that correct?

REDACTED

6 A. That's my understanding, yes. This is  
7 a document.

REDACTED

8 Q. And this document involves -- involves  
9 an engagement with respect to -- with respect to  
10 ERP questions that raised for Deloitte  
11 Consulting?

REDACTED

12 A. For the HR application.

13 Q. Yes. And was this document prepared  
14 and capped in the ordinary course of business at  
15 Deloitte Consulting?

16 A. Yes.

17 Q. And was it also -- was the information  
18 in this document also provided to ?

REDACTED

19 A. Yes.

20 Q. And I noticed in the document the  
21 company's name, , as being used as company

REDACTED

22 X, as opposed to the name .

REDACTED

00235

1 A. Yes.

2 Q. Can you explain why that's the case?

3 A. This document was pulled from our  
4 Internet web site. And when we store documents on  
5 that particular web site, we usually do strike the  
6 client's name to protect the client  
7 confidentiality, which is the policy of the firm.

8 Q. Okay. And so was this document put on  
9 the Internet web site so that it would be  
10 available for other -- others in Deloitte  
11 Consulting to see and use after it was prepared?

12 A. Yes. Potentially the documents are  
13 stored on the web site to have an electronic  
14 record of our deliverables from our engagements.  
15 Other projects, if they're searching the web site,  
16 they certainly would have an opportunity to read  
17 them.

18 Q. Okay. And do you see, midway down on  
19 the right-hand side of the page on this document,  
20 there's some characters that say "DEL000673"?

21 A. I see that.

22 Q. These are Bates stamped numbers that

00236

1 are assigned to this document by Deloitte when it  
2 produced the document. And if you could, please  
3 turn to the Bates stamp numbered page DEL000682.

4 A. Okay.

5 Q. Now, there's -- there's several  
6 characters on the page that look like little "U's"  
7 on the left-hand side. Do you see that?

8 A. Yes.

9 Q. And for the third "U" it says, "SAP was  
10 compared to Oracle and PeopleSoft due to the fact  
11 that they are the only other viable vendors for  
12 global HR and payroll solution."

13 A. Okay.

14 Q. Do you know what that -- what that  
15 means in terms of what -- what the analysis of  
16 this document ...

17 A. was considering whether or not  
18 they should use SAP or they should investigate  
19 whether or not to go with an alternative solution  
20 set. Their internal perception of viable  
21 candidates, to my knowledge, only included Oracle  
22 and PeopleSoft as alternatives.

REDACTED

00237

1 Q. Okay. And is that the conclusion that  
2 Bechtel had reached? Or is that the conclusion  
3 that Deloitte reached?

4 A. My understanding, that was 's REDACTED  
5 conclusion, and we reflected that in a document.

6 MR. BROWN: Now I would like to mark  
7 for you -- well, I want to talk about an  
8 exhibit that will be marked as Government  
9 Exhibit 103.

3 (MR. BROWN DISPLAYING  
4 ELECTRONIC DOCUMENT VIA  
5 ON-SCREEN DEMONSTRATION)

6 BY MR. BROWN:

7 Q. Now, Government Exhibit 103 is a  
8 three-page spreadsheet that was produced by  
9 Deloitte in response to a subpoena issued in this  
10 investigation.

11 This is the second page of the  
12 spreadsheet. It says "U.S. work region."

13 A. Uh-huh.

14 Q. And I think that the first page is U.S.  
15 summary.

16 And the third page is the CA-Latin  
17 America work region.

18 A. Uh-huh.

19 Q. Have you seen this spreadsheet before?

20 A. I have.

21 Q. Okay. And I want to ask you, during  
22 the course of the government's investigation of

00239

1 Oracle's proposed acquisition, do you know whether  
2 Deloitte produced another spreadsheet to the  
3 government on about January 12th, 2004, in  
4 response to a Civil Investigative Demand?

5 A. There was production at that time.

6 Q. Uh-huh. And did you provide a  
7 declaration relating to that spreadsheet that was  
8 produced at that time?

9 A. I did. Yes, I did.

10 MR. BROWN: I'd like to mark as  
11 Government Exhibit 104 ...

12 (DEPOSITION EXHIBIT 104  
13 MARKED FOR IDENTIFICATION)

14 BY MR. BROWN:

15 Q. Is this a copy of the declaration that  
16 you produced to the government in connection with  
17 the spreadsheet that was provided to the  
18 government by Deloitte on January 12th, 2004?

19 A. Yes, it is.

20 Q. And that spreadsheet was produced in  
21 response to a Civil Investigative Demand 22613.

22 A. Yes, it was.

00240

1 Q. And your declaration was produced in  
2 response to another Civil Investigative Demand  
3 22614; is that correct?

4 A. Yes.

5 Q. Now, is the spreadsheet for -- I want  
6 to turn to "Work Region." Is the spreadsheet for  
7 U.S. work region that is in Government Exhibit 103  
8 the same as the spreadsheet for the U.S. work  
9 region in Government Exhibit January 12th, 2004,  
10 with one additional fact? And that is that there  
11 are client -- the client and the client group has  
12 been listed?

13 A. Yes. That's my understanding. Yes.

14 Q. Okay.

15 A. That was the difference.

16 Q. Other than that, the spreadsheet is the  
17 same as the spreadsheet for which you produced the  
18 declaration that's Government Exhibit 104?

19 A. Yes.

20 Q. Okay. And I just want to ask you:

21 Does this spreadsheet list -- list all of  
22 Deloitte's ERP-related work, and for ERP, that

00241

1 means work that involves solutions that involve  
2 financial management and HR Management Solutions  
3 for the period FY01 through FY04, approximately  
4 November?

5 A. Yes.

6 Q. Or approximately October 10th.

7 A. October 10th.

8 Q. 2003.

9 A. Yes.

10 Q. And do you know where the information  
11 for this spreadsheet was taken from?

12 A. Yes, I do. It was taken from our  
13 system -- internal system named Target which is a  
14 Siebel application that we use to manage our sales  
15 pipeline.

16 Q. And is information about Deloitte's  
17 ERP-related projects capped and maintained in the  
18 ordinary course of business in the Target system  
19 at Deloitte Consulting?

20 A. Yes, it is.

21 Q. And is the information -- and is that  
22 information with respect to the ERP-related

00242

1 projects that Deloitte Consulting does, entered  
2 into the system at about the time that it becomes  
3 relevant to Deloitte Consulting?

4 A. It's -- it's entered as soon as we know  
5 that it is a qualified lead.

6 Q. So it's entered soon.

7 A. Which would be -- yes, upon  
8 identification.

9 Q. And does Deloitte Consulting use the  
10 information in the Target -- in the Target  
11 application for its business purposes?

12 A. Yes, it does.

13 Q. Okay. Now, I want to focus in on some  
14 of the columns in this spreadsheet, which are  
15 listed as A through ... and I forget the end of  
16 them, so ... (manipulating the screen) ... A  
17 through Y.

18 And now, with respect to the columns,  
19 or the rows beginning on row 6, does each row  
20 provide information about a separate project that  
21 was entered into the Target application?

22 A. That's correct.

00243

1 Q. And does the first column, column A,  
2 identify the -- who the vendor is that was the  
3 vendor of the ERP project -- of the ERP software  
4 involved in the project?

5 A. Yes.

6 Q. Okay. Now, if you -- if you -- I push  
7 this, it appears that, on this column, there  
8 are -- there are several vendors listed:  
9 J.D. Edwards, Oracle, PeopleSoft, Retek, and SAP.

10 Are those all the vendors that were  
11 listed in this column when you looked at it?

12 A. Yes.

13 MS. SABO: And just let the record  
14 reflect Mr. Brown was pushing what's referred  
15 to as a drop-down key for column A.

16 MR. BROWN: Okay.

17 BY MR. BROWN:

18 Q. Okay. Do you know of any other vendors  
19 that are listed in this column, in column A?

20 A. No.

21 Q. Okay. And in fact, if you look in  
22 Government Exhibit 104, in paragraph 10, it says,

00244

1 "There are five firms listed as vendors in the  
2 selected package column. SAP, Oracle, PeopleSoft,  
3 J.D. Edwards, now owned by PeopleSoft, and Retek."

4 And so that's all the firms that were  
5 listed in the selected package column that were  
6 listed as ERP vendors in this database; is that  
7 correct?

8 A. Yes.

9 Q. Okay. Also -- now, I'd like to refer  
10 you to paragraph 11 of your declaration. In that  
11 declaration, paragraph 11 -- and I just want to  
12 read this to put it in perspective:

13 "Of the five listed vendors in the  
14 suspected package column, only SAP, Oracle and  
15 PeopleSoft/J.D. Edwards provide financial  
16 management and human resource management ERP  
17 software solutions. Retek, listed as the vendor  
18 in only a few project lines, provides  
19 merchandising, inventory, supply chain, space  
20 management and point of sale solutions for the  
21 retail industry. However, Retek does not provide  
22 ERP functionality that includes financial or human

00245

1 resource Management Solutions. Rather, Retek  
2 customers use Retek's software, together with  
3 financial management and human resource management  
4 ERP solutions provided by other vendors."

5 Does -- does Retek supply software that  
6 is used together with the financial and HR  
7 applications provided by Oracle, PeopleSoft and  
8 SAP?

9 A. Typically Retek supplies that software,  
10 and more often the case is that it's used together  
11 with Oracle software than the other providers. Or  
12 it may be used with other legacy systems.

13 Q. But for the situations involving Retek  
14 on Deloitte [sic] Exhibit 103, is the Retek  
15 solution used with Oracle or SAP or PeopleSoft?

16 A. Not necessarily. It can be a  
17 standalone.

18 Q. Okay. I'm going to sort to Retek,  
19 using the drop down menu. And there are, on this  
20 column, it says, at the bottom, do you see where  
21 it says there are seven instances on the left-hand  
22 side?

00246

1 A. Right.

2 Q. And I'd like you to look at these, if

3 you know.

4 Do you know what financial management,

5 or back office software Retek has used with, in

6 ?

REDACTED

7 A. No, I don't.

8 Q. ?

REDACTED

9 A. No.

10 Q. Was that BSAP at , or do you

REDACTED

11 know?

12 A. I don't know.

13 Q. Okay. ?

REDACTED

14 A. I'm not positive. I thought they were

15 an Oracle financial shop.

16 Q. Okay. How about ?

REDACTED

17 A. I don't know.

18 Q. And how about the U.S. Postal Service?

19 A. U.S. Postal Service uses some Oracle

20 applications.

21 Q. For financial management?

22 A. For financial management. Primarily

00247

1 general ledger.

2 Q. Okay. Okay. I'm using the drop-down

3 menu to return to the original screen now.

4 Now, in this -- in this exhibit, do

5 some of the projects that are listed in this

6 exhibit involve situations where the software that

7 is being installed is a point solution that is

8 being used with the ERP solution?

9 A. Yes.

10 Q. Such as, perhaps, a CRM solution, or

11 a -- or maybe a consolidating solution?

12 MR. YATES: Objection. Vague.

13 Compound.

14 A. CRM or perhaps a -- SCM, I might say.

15 I don't know necessarily a consolidation.

16 BY MR. BROWN:

17 Q. So there might be -- so, for example,

18 where -- if the -- for a situation that lists

19 Arriba, that would be a supply chain management

20 solution?

21 A. Yes.

22 Q. That would be consolidated or joined

00248

1 with the ERP solution that's listed in column A?

2 A. That's correct.

3 Q. Okay. Now, in column A, there are --

4 there are several -- there are several categories.

5 One is called "NA/Other."

6 Do you know what that stands for?

7 A. That would be products other than the

8 named products that might be involved in the scope

9 of the implementation.

10 Q. Okay. Now, in your declaration, did

11 you -- if you look at 13, did you talk about that

12 NA/Other category?

13 A. Yes.

14 Q. Okay. And in -- and did you say in

15 paragraph 14 of your declaration that some of

16 these projects involve work for a company that

17 does not yet have an ERP solution?

18 MR. YATES: Objection.

19 Mischaracterizes.

21 Q. Well, let me just read paragraph 14.

22 "For some of the projects in which no vendor is

00249

1 identified in the suspected package column, no  
2 vendor could be identified, because the project  
3 involved work for a client that did not yet have  
4 an ERP vendor. This type of client engagement can  
5 often be identified from the information provided  
6 about the project in the opportunity and  
7 description columns."

8       So in some of these NA/Other columns,  
9 do some of these NA/Others -- do some of the rows  
10 with NA/Other, and the suspected package column  
11 involve projects for companies that did not yet  
12 have an ERP solution?

13       MR. YATES: Overbroad. Lacks  
14 foundation.

15       A. That may be the case.

16 BY MR. BROWN:

17       Q. And is that what you said in paragraph  
18 14 of your declaration, Exhibit 104?

19       A. Yes.

20       Q. And are there some entries where  
21 NA/Other is listed where there just was  
22 insufficient information in the Target application

00250

1 to identify the vendor of the ERP solution?

2 A. Yes.

3 Q. And is that what you said in paragraph

4 15 of your declaration?

5 A. Yes.

6 Q. And now, to the best of your

7 information, are there any other -- are there any

8 other vendors, ERP vendors, that should be --

9 should have been included in this Target

10 application printout of your ERP projects?

11 A. No.

12 Q. Okay. Now, I just want to go through

13 some of the columns. It says, in column D it says

14 "client."

15 Is that the name of the customer?

16 A. Yes, it is.

17 Q. And in client E, it says "client

18 group"?

19 A. Uh-huh.

20 Q. Is that the -- what does that mean?

21 A. Column D, "Client," could be a business

22 unit within the larger corporation, which would be

00251

1 reflected in column E, client group.

2 Q. Okay.

3 A. So it could be a business unit, a  
4 division, a subdivision, where we're doing  
5 business directly at that level which could be  
6 part of a larger conglomerate.

7 Q. So client E could be -- could be a  
8 parent company, perhaps?

9 A. Yes. Yes.

10 Q. Okay. Now, were these -- are the --  
11 are the projects listed in the U.S. Work Region,  
12 do these involve work for clients that is taking  
13 place in the U.S.?

14 A. Yes. That's the case.

15 Q. Okay. And the -- and I -- let me open,  
16 just for a moment here, the CA-LAM [sic] work  
17 region, and ask you a question about this.

18 Is this a similar spreadsheet that  
19 shows for the same time period, or for FY01  
20 through FY03, the ERP work that Deloitte  
21 Consulting has done for Canadian and Latin  
22 American clients?

00252

1 A. Yes, it does.

2 Q. Now, would these clients now be covered  
3 by, after December 27th, 2003, would these clients  
4 now be covered by a different entity in the  
5 Deloitte Touche Tohmatsu corporation?

6 A. Could you explained "covered"?

7 Q. Well, if they're outside the United  
8 States, would another entity other than Deloitte  
9 Consulting be responsible for dealing with them?

10 A. Not necessarily. Deloitte Consulting  
11 may still support that particular pursuit, or  
12 there could be a consulting operation in country,  
13 that potentially could support that group.

14 Q. Okay. Now, is it true that many of the  
15 companies that are listed in the Canadian/Latin  
16 American work region spreadsheet have work  
17 requirements in the U.S.?

18 MR. YATES: Objection. Overbroad.

19 Lacks foundation.

20 A. That may be the case.

21 BY MR. BROWN:

22 Q. Uh-huh. I'd like to refer you to

00253

1 paragraph 6 of your declaration, where you say,  
2 "Information has been grouped on separate pages of  
3 spreadsheets for ERP-related projects for U.S.  
4 customers and ERP-related projects for other  
5 customers. Most of the non-U.S. customers for  
6 which we've listed projects are multinational  
7 organizations with operations in the U.S.,  
8 although it was not possible to determine from the  
9 information in our CRM application and database  
10 exactly which U.S. customers have U.S.  
11 operations."

12 Does that refresh your recollection as  
13 to whether most of the companies listed on the  
14 CA-Latin American work region probably have work  
15 requirements in the U.S. for these projects?

18 A. The answer is yes.

19 BY MR. BROWN:

20 Q. And what is your refreshed  
21 recollection?

22 A. Each of those companies do have U.S.

00254

1 operations. The scope of our involvement in those  
2 operations may vary, based on what work was taking  
3 place, how the pursuit was being organized, where  
4 the skill sets reside that would support that  
5 pursuit.

6       So you may have exclusive U.S. teams;  
7 you may have combination teams of U.S. and other  
8 resources.

9     Q.   Okay.

10    A.   And some of these companies may have  
11 based the location of that pursuit, since these  
12 are all sales opportunities, pursuit versus  
13 project. They may have based that pursuit either  
14 in the United States, or in some of their other  
15 operations.

16    Q.   Okay. I want to turn back now to the  
17 U.S. Work Region. And I want to ask you about  
18 column C. There's some abbreviations in column C.  
19 One is IES. Do you know what that stands for?

20    A.   I do. That's Integrated Enterprise  
21 Solutions.

22    Q.   Now, is that your ERP-related work?

00255

1 A. That was the predecessor acronym for  
2 what is today termed the EA, Enterprise  
3 Applications Practice. It's the same reference to  
4 the ERP practice, per se.

5 Q. Okay. And that -- and that -- I just  
6 want to focus in on a couple lines here. For  
7 example, line 10. There's a -- if you look where  
8 I've highlighted it up on the top, in the browser  
9 window.

10 A. Right.

11 Q. It says "TI 50 percent, IES 50  
12 percent."

13 Most of the other lines say 100  
14 percent.

15 What does "TI 50 percent" mean?

16 A. E-TI is e-Technology Integration. It's  
17 another service area of the firm which houses  
18 staff that have different skill sets than ERP  
19 skill sets.

20 In this particular case, this job would  
21 include services that requires skill sets from  
22 both our IES or packages practice, and our e-TI or

00256

1 integrated technology integration practice.

2       So we would leverage a combination of  
3 staff who possess different skill sets to meet the  
4 client requirements.

5    Q.   And are the percentages an allocation  
6 of the work across those two organizations?

7    A.   An estimation, yes.

8    Q.   An estimation?

9    A.   Yes.

10   Q.   Okay. Now, I'm using the drop-down  
11 menu on column B, and I just want to show that  
12 there's several different categories. And I'm  
13 going to -- and I'm going to sort out to the  
14 category that uses customer -- or custom -- oops,  
15 excuse me, I'm not going to do that.

16               (LAUGHTER)

17   Q.   Okay. This category which is line 905  
18 to sort out shows "change (50 percent) IES, 5  
19 percent." What does "change" mean?

20   A.   Change infers changed leadership which  
21 has to do with the organizational and people  
22 requirements that correspond to ERP

00257

1 implementations.

2 Q. So that would mean that different

3 people were allocated to the project?

4 A. Correct. Again, a combination of

5 skills. People with -- we talk about our people

6 competency. "People that may be more oriented

7 towards changed management, changed leadership

8 requirements, sometimes E-learning requirements,

9 and skills of that nature."

10 Q. Okay. Now, in client -- we've talked

11 about columns D and E. This is the client, and

12 the client group.

13 A. Uh-huh.

14 Q. And I only want to ask you column F and

15 G.

16 One says "opportunity," and client

17 column F. And column G says "description."

18 Do these two columns provide

19 descriptive information about the project?

20 A. Yes.

21 Q. And do you -- one -- there's an

22 abbreviation that I see in the first column that

00258

1 says, "SII money movement implementation."

2 Do you know what SII stands for?

3 A. No, I do not.

4 Q. Now, are the -- are the columns -- are  
5 the fields in columns F and G, are those free text  
6 fields for the person who enters a description of  
7 the project?

8 A. Yes.

9 Q. Okay. Now, there's a -- column H is a  
10 column that says, "Current phase amount, USD."

11 Does that mean that this is the amount  
12 that Deloitte expects to obtain for this project  
13 in United States dollars, or is that different?

14 A. No. You -- how you stated it, it is  
15 correct, Kent.

16 Q. Okay. Then what does the total  
17 opportunity in U.S. dollars mean in the next  
18 column?

19 A. There might be perceived follow-on, or  
20 downstream sales activities that might relate to  
21 potential revenue that the firm could be involved  
22 with at these particular pursuits.

00259

1 Q. Okay. So that would require -- to take  
2 advantage of the additional opportunity would  
3 require -- would require you to be selected for  
4 another project; is that correct?

5 A. Subsequent effort.

6 Q. Would that also take into account a  
7 situation where this might be the third project  
8 out of many? Would it take into account the  
9 earlier projects? The total opportunity?

10 A. The third project made sense. The  
11 earlier projects, no. So it would just be a  
12 prospective looking.

13 Q. Prospective --

14 A. If we had already done a million  
15 dollars worth of work you wouldn't expect to see  
16 an incremental one million. That should be  
17 further up in historical data.

18 Q. And that one million would be  
19 eliminated from the total opportunity?

20 A. Right. This would be the opportunity  
21 looking forward from this particular vantage  
22 point.

00260

1 Q. Okay. Now, in the column J work area,  
2 or work region, it says "AM-West." Is that for  
3 western United States?

4 A. Yes. America's western region.

5 Q. And for "AM-East," that's the eastern  
6 United States?

7 A. Correct. There were three regions,  
8 east, central and west United States.

9 Q. Now, the next columns, K and L. In  
10 this column K says it's an "industry," and L is  
11 "Industry Segment."

12 Can you describe what those two columns  
13 mean?

14 A. We spoke earlier about seven different  
15 industries that Deloitte focuses its practice on.  
16 Within each of those industries is terminology  
17 referring to industry segment. And it is a  
18 further breakdown by industry specialty of a  
19 market segment that is related to the overall  
20 industry.

21 Q. So the seven industries are listed in  
22 column K?

00261

1 A. That's right.

2 Q. And then a further breakdown within

3 that industry is listed in column L?

4 A. That's right.

5 Q. And what is column M? "Competencies"?

6 A. We categorize our staff into three

7 different competencies, or general categories of

8 skill sets.

9 There's technology, there are strategy

10 and operations, and there are people competencies.

11 So our staff are, again, categorized

12 into those three areas, and recognized to have

13 that kind of capability; therefore, they practice

14 in that particular area. So all of our EA staff

15 are categorized as technology staff.

16 The changed leadership staff that we

17 talked about earlier would be people competency,

18 because they deal with cultural change, or change

19 of leadership type of issues. So we leverage

20 different categories of skill sets at these

21 pursuits. And there is a lead competency that's

22 designated in this.

00262

1 Q. Now, I want to ask, column N is W-L-A  
2 system date. What does that mean?

3 A. That's win, loss, or abandon. And  
4 that's the date that that particular designation  
5 was put on to that pursuit.

6 Q. Now, since these are -- are all the  
7 projects in this sheet projects that were awarded  
8 to Deloitte?

9 A. No. Not necessarily. These could  
10 be -- there could be losses in here as well.  
11 Remember that these are pursuits. So if we win,  
12 of course, then it gets a W designation.

13 Q. On the top of the page does it say this  
14 is "EA wins"?

15 A. It does say that.

16 Q. And does that refresh your recollection  
17 as to whether all of these are -- the projects in  
18 here are just projects that were awarded to  
19 Deloitte?

20 A. That suggests, yeah, that this is sort  
21 of what's in the system on an overall basis, that  
22 this does reflect the wins.

00263

1 Q. Okay. And also if you take a look at  
2 paragraph 4 of your declaration, paragraph 4, the  
3 second sentence reads, "the spreadsheets provide  
4 information about the Enterprise Resource  
5 Planning-related projects in North and South  
6 America for which Deloitte Consulting was retained  
7 in its fiscal years 2002/2003."

8 Does that mean that -- does that  
9 refresh your recollection?

10 A. That does reflect the wins designation  
11 on the top of the spreadsheet.

12 Q. Okay. Now, there's a -- in column P,  
13 it says, "Lead Partner Region."

14 Is that the area of the U.S. where the  
15 lead partner has his offices? His or her offices?

16 A. That's right.

17 Q. And then column Q is "Opportunity ID."

18 Is that just a specific designation that's  
19 assigned to that project?

20 A. It's a unique identifier.

21 Q. Not for the firm but for the project;  
22 is that correct?

00264

1 A. That's correct.

2 Q. Now, there's two columns listed here, R

3 and S. One says "Fiscal Year," and one says

4 "Calender Year."

5 Column R, Fiscal Year, is that the year

6 in which the project was awarded?

7 A. Yes.

8 Q. And similarly, for column S, that that

9 would be a reflection of the calender year in

10 which the project was awarded?

11 A. Yes.

12 Q. Now, for columns T through X, was this

13 information that was added to this spreadsheet,

14 based on questions that the Department of Justice

15 posed?

16 A. Yes, it was.

17 Q. And so you don't have a company's list

18 in your spread -- in your database; is that

19 correct?

20 A. That is correct.

21 Q. And does column T -- was -- did you

22 designate on column T as to whether the project

00265

1 was with a client that was included among a list  
2 of companies provided by the government?

3 A. Yes, that is the case.

4 Q. And this was done at a time in the  
5 initial spreadsheet, when the government was  
6 trying to help Deloitte avoid identifying all the  
7 clients; is that correct?

8 A. That is the case.

9 Q. And we were trying to help -- we were  
10 trying to get some information about the -- about  
11 the projects but without having to identify  
12 everything.

13 A. That's correct. That's why the Xs are  
14 on. And then if a company was not on the list  
15 that the government provided, we did identify that  
16 company within column T.

17 Q. Uh-huh. And for column U, is -- did  
18 the same thing occur but with respect to a list of  
19 higher education institutions provided by the  
20 government?

21 A. Yes.

22 Q. And with respect to column V, was the

00266

1 same work done but with respect to a list of  
2 federal agencies provided by the government?

3 A. Yes.

4 Q. And with respect to column W, was the  
5 same work done but with respect to the states and  
6 Puerto Rico, and the District of Columbia?

7 A. Yes.

8 Q. And finally with respect to column X  
9 was the same work done but with respect to a list  
10 of cities and counties provided by the government?

11 A. Yes.

12 Q. Now, column Y, the last column, is  
13 this -- in this column, does -- did -- does  
14 Deloitte indicate what was the type of work done  
15 on the project?

16 A. Yes. That is the case.

17 Q. Uh-huh. And there is a note that  
18 occurs to help explain how Deloitte made those  
19 designations; is that correct?

20 A. Yes.

21 Q. Okay. I just want to go quickly to the  
22 first page of the spreadsheet, which is titled

00267

1 "U.S. Summary."

2 Is this a -- this page was not included

3 with the document that you originally produced on

4 January 12th; is that correct?

5 A. That's right.

6 Q. Is this a document -- so this is a

7 document that was added since that time; is that

8 correct?

9 A. Yes.

10 Q. And does spreadsheet for U.S. -- for

11 U.S. companies basically list the companies that

12 are on the U.S. Work Region spreadsheet? And then

13 indicate how many projects each company has for

14 each of the calendar years covered by the

15 spreadsheet?

16 A. That's right.

17 Q. And at the end of the -- at the bottom

18 of the spreadsheet, are the project numbers summed

19 for the total number of projects? I'm almost

20 there.

21 A. Yes.

22 Q. And altogether on the U.S. Work Region

00268

1 spreadsheet, there were 1,108 listed projects?

2 A. Right.