Oracle Corp. on Wednesday reported flat earnings for its fiscal third quarter, hurt by a continued drop in sales of hardware systems and a surprise decline in sales of new software—which the company attributed to a lackluster performance by its expanding sales force rather than lack of demand.

"While our overall business remains healthy and we saw excellent pipeline growth we're not pleased with our revenue growth this quarter," said Safra A. Catz, president and chief financial officer, in a conference call with analysts.

She added that Oracle saw a "lack of urgency" in its sales force during the quarter that pushed deals into the fourth quarter from the third. Shares of the business software bellwether tumbled in after-hours trading on the weaker-than-expected results.

Hardware systems revenue dropped 16 percent. Revenue from new software licenses and online or "cloud" subscriptions, a closely watched figure, fell 2 percent year-over-year to $2.3 billion. The company had predicted that number would rise by 3 percent to 13 percent. Oracle, like other established software companies, is facing increasing competition from rivals that sell software as a subscription service rather than a packaged product.

Oracle said it has been adding thousands of new sales reps around the world—and they need to be trained more on hitting quarterly rather than
annual targets. That said, the company was also conservative with its fourth-quarter guidance.

As one of the world's largest makers of business software, Oracle's numbers help Wall Street gauge the direction of corporate technology budgets. When Oracle's earnings are lackluster, it's often a sign that companies are concerned about the economy.

But Oracle also depends on international markets for a major part of its revenue. Europe's economy is still limping amid worries about unwieldy government debts and China's economic growth has been slowing. That said, Forrester analyst Andrew Bartels thinks it will take earnings reports from other technology vendors before it becomes clear whether the problem is Oracle-specific or reflects broader demand. He thinks it's likely both.

He said it was unfortunate that Oracle's quarter included all the worry about the 'fiscal cliff.' December was filled with concern about the automatic tax increases and spending cuts that threatened to drag the U.S. back into a recession until the issues were partially resolved on Jan. 1.

The company also faces the challenge of drumming up demand for Fusion, its new, cloud-based applications business, Bartels said, since many of its customers are content using its older Applications Unlimited program.

Oracle earned $2.5 billion, or 52 cents per share, in the December-February quarter. That compares with $2.5 billion, or 49 cents per share, in the same period a year earlier, when it had more shares outstanding. Adjusted earnings totaled 65 cents per share in the latest quarter.

Revenue slid 1 percent to $8.96 billion from $9.04 billion, hurt in part
by the stronger dollar.

Analysts polled by FactSet had expected earnings of 66 cents per share, excluding charges for past acquisitions and other costs, on revenue of $9.38 billion.

"Looking forward we're encouraged by the tremendous pipeline growth," Catz said. "But clearly we have work to do in training new reps on managing the sales process and (on the) importance of establishing a quarterly rhythm" with their deals.

For the current quarter, Oracle expects new software license and online subscription revenue to grow by 1 percent to 11 percent year-over-year. The company is forecasting total revenue to range between a decline of 1 percent to an increase of 4 percent and adjusted earnings to range from 85 cents to 91 cents per share.

Analysts are expecting adjusted earnings of 88 cents per share and revenue of $11.5 billion, an increase of 5 percent. Oracle called its guidance conservative.

Shares of the Redwood City, California, company fell $2.56, or 7.2 percent, to $33.20 in after-hours trading following the announcement. The stock had closed the regular session up 8 cents at $35.76 before the report.

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