Oral History of James (Jim) McCormack

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James (Jim) McCormack

Conducted by Luanne Johnson

Abstract: James (Jim) McCormack describes the founding of McCormack & Dodge (M&D) with his partner, Frank Dodge, in June of 1969 with the intention of selling programming consulting services modeled on other successful companies founded by former IBM employees like themselves. The recession of the early 1970s nearly put them out of business and, in order to generate some cash flow, they offered the Fixed Asset System they had developed at a very low price of under $500. This generated enough revenue for them to keep going awhile longer and they built on the low-price concept by offering it for sale via mail order. The resulting success led to the establishment of M&D as a major software products firm by the mid-1970s. McCormack talks about the challenges of growth, the need to establish a direct sales force as their prices went up and the introduction of maintenance fees and a extensive education program for their customers. He also discusses his decision to leave the company after it was sold to Dun & Bradstreet in 1983.

[Editor's Note: This interview was conducted in McCormack's real estate development company office in Newton, MA.]

Founding of McCormack & Dodge

Luanne Johnson: I got started on this project because Burt Grad asked me to work with him on an article for *Datamation* about the effect of IBM unbundling on the software industry. He was with IBM at the time and worked on the task force that worked out the new pricing. I thought that sounded like fun and started interviewing people who were in the industry at the time of the unbundling.

In the process of doing that I became aware of two things. One, to understand the impact of the unbundling, it really has to be looked at in the context of all the other things that were going on at the time. It certainly had an impact on the industry but there were a lot of other things happening as well. The other thing I realized was that apparently nobody has collected

this information. Nobody's gone out and talked to all the old-timers. I guess I can call you an old-timer. I'm one myself.

Jim McCormack: Oh, that's perfectly all right.

Johnson: You mentioned that Bill Aspray from the Charles Babbage Institute had interviewed you, which is great. But as far as I can tell in talking to the other old-timers, nobody has interviewed them. I decided it really was time for somebody to do that. Of course, I feel a real part of the industry.

McCormack: I think it's a nice project.

Johnson: Yes. This is ADAPSO's 25th year. So some of the material will be used for planning that celebration. I'm having a wonderful time going around talking to everybody about the old days in the software business, hearing all the wonderful stories. And I wanted to talk to you and get your story.

McCormack: Good. Can I be nosy first?

Johnson: Yes, of course.

McCormack: What's happening with Argonaut?

Johnson: I sold Argonaut to the employees about two years ago.

McCormack: Oh, okay. I didn't know that.

Johnson: I still use the title of Chairman and I still represent Argonaut at ADAPSO. But I'm not involved in day-to-day operations anymore.

McCormack: Why did you leave? I don't want to reverse the roles here.

Johnson: No, I don't mind talking about it. I loved the software business. It was so exciting and so challenging. As you well know, it constantly changes. But I got to the point where I got really tired of thinking in such short time frames which you have to do with a small company. We'd put together a plan for a year and then something would happen either in

terms of technology or in terms of our competitors or a key staff person would leave. Of course, as you know, when you're small you can turn on a dime and adjust. But I just got tired of always worrying about what the bottom line was going to be at the end of the next quarter. I had no desire to sell out to a larger firm. I just wanted to step back for a while and think longer range.

McCormack: I know I got very tired of it, too. We sold the company in May of 1983. But D&B didn't interfere a lot. As a matter of fact, they didn't interfere at all. They were very helpful. But, basically, as Chairman of the Board my job disappeared. Once you're acquired, you don't have a board. All the functions I was doing with the exception of ADAPSO and making random speeches here and there went away.

And I did a real soul search and said, gee, I'm hanging out here everyday. But I'm spending most of the time on personal business as opposed to doing anything with the company. As far as dealing with the company, I was writing and reading memos and going to overpopulated, under-conclusive meeting after meeting after meeting. I thought, I can't do this for another 20 years. This is going to drive me crazy.

So I started looking at the company and said, okay, what role do you want to play here? What do you want to do? At the time what I was doing was doing some acquisition work and speaking at different places and going to ADAPSO meetings. The only one I really had any interest in was ADAPSO because they always had a nice bunch of people. You always learned something there or enjoyed what you were doing. I started getting more involved in that.

But as I looked at the company there was nothing there that I wanted to do. I had already done everything that there was to be done in some capacity as the company was growing. As you say you can turn on a dime when you're small, but we couldn't do that anymore. When I left in July of 1984 we had 1,200 people. And believe me the company had gotten very political, and you have to get very structured. You just couldn't move anymore. The fun was gone. So I finally decided I would leave and I did.

And it's all right to call me an old-timer. Because I went to school for a year and I was the second oldest guy in the class. There was one guy who was 50. And I was 48. But the average age was in the late 20s. Even though you're sharing a common experience, people look at you as a generation removed. But it was fun.

It took me six months to get an idea of what I wanted to do. It was a generic idea of what I wanted to do, not a specific idea.

Johnson: That's interesting that you left before you knew exactly what you were going to do.

McCormack: Oh, I knew exactly what I was going to do when I left. Six months before I left I concluded that I was going to leave. I said, if you're going to work for another 20 years at something, what do you want to do? What's going to make you happy? So I started analyzing that and I came up with a set of criteria that made sense with me knowing what I like to do and what I don't like to do. I decided I wanted to do something that was value-added, like the software business is very much value-added. I really appreciated that part of it. I didn't want to be, like, a stockbroker where you're just a transaction facilitator and you don't really add anything. I wanted to do something that was value-added, that was tangible. I wanted to do something tangible. I wanted it to have a lot of different facets to it where you're not just doing the same thing all the time repetitiously, a lot of variety, a variety of skills required, if you will. I wanted it to be project-oriented. M&D was a 15 year continuum that I'd say I ran it for the first seven and it ran me for the last eight. I'm sure you know what that experience is.

Johnson: Yes.

McCormack: You just don't get off the merry-go-round. I wanted projects which is why I'm here. Real estate development is all of those things. It's project-oriented.

Johnson: You have a discrete end of the project.

McCormack: Yes, and if you want to start another one you can and if you don't, you don't. But I had no experience in real estate development. So I'm sitting there saying this is what I really should do. I have the net worth to be able to play in that arena. But I didn't know what I was doing. And I didn't want to go out and get killed.

How did it happen? On July 3, 1984 I went out to dinner with an attorney and his wife and my wife. She wasn't my wife then but she is now. And his wife mentioned the real estate development master's program at MIT inaugurated that year. I hadn't heard about that at all, so she told me a little bit about it. This is July 3rd now. I inquired about it on July 5th, which was a Monday, got literature on the 7th, got into the program on about the 11th or 12th. And I left the company on the 25th. The decision was already made.

Johnson: Once you found access to the information you needed...

McCormack: Yes, all I needed was that transition vehicle. As soon as I found that, I was gone. I wrote a letter to all the employees. It was delivered on the day I left. At 5:00 o'clock, I had my desk cleared out. I just walked out the door and got in my car and drove home. It wasn't momentous at all. The decision was made earlier and now it was just being executed. But, anyway, that's not what you're here for.

Johnson: But it's interesting. Because there are some people I find in this business who are hanging on longer than they should. I went through the process of saying I've done what I can do here and what I'm interested in doing here. And now it's time for me to do something else. You did the same thing. A lot of people are hanging on past the point that they should. We won't mention any names. But there are some.

McCormack: I see that happening with a couple of people too.

Johnson: I think when you start your own company your identity gets so wrapped up in it, that some people can't let go of it even though they really should be turning it over.

McCormack: You know, if a company gets successful it gets large. There are a lot of psychological perks that come with being president of a company or chairman, whatever. You get the big office and all the attention and Sir, and Mr. this and Mr. that. Some people are overwhelmed by that and can't leave it behind because they're afraid it's too big a part of them. I guess you might say it's a bit of an ego thing. I just don't think that's all that important.

Johnson: I guess for those that like it, it's fine. But in a lot of ways I found a lot of that attention more limiting than enriching.

McCormack: In a way. I found that with M&D I never really got to know the real person that I was talking to. They always had their Sunday face and their Sunday suit on for me when I was Chairman or President. You don't really find out what they're thinking. They say what they think you want to hear. So you're somewhat isolated. You know that lonely at the top expression? There's some truth to that.

Johnson: It's very true.

McCormack: It really is. You find you stop knowing who people are.

Johnson: Tell me what you were doing when you got into M&D and how that all started.

McCormack: I was working for IBM at the time. I was a marketing rep. This was from 1966 to 1969. And while I was there I saw one, two, three different companies get started by IBM employees, John Keane was with IBM and he left and started a company, Keane Associates. Another fellow left and started a similar type firm. His name was Dick Halstead. But I doubt you'd know him, I don't think that company survived. Or if it did, it didn't survive in a way that it would have had a lot of attention brought to it. And then there was Dick Lilly and Bill Watson who started what they called Manufacturing Management Sciences which is now Software International.

What I noticed was that every one of those companies was initially extremely successful. They just got a ton of business, did very well, started hiring, growing. And watching that – I had a lot of respect for most of those people but not all of them. And my feeling was that it wasn't so much the people driving the success as the marketplace that was out there.

The experience of working for IBM is a real confidence builder. It was for me. I felt that my valuation of my personal stock went up a great deal while I was there. A lot of that's because as an IBM rep you can get in to talk to pretty much who you want to. You talk to company vice presidents, financial officers, presidents. And you talk to enough of those people and you start to realize that if they can get there, I don't see why I can't.

Anyway, it was a personal evaluation time. And getting that kind of exposure made the evaluation come out higher than it would have had I not been working for IBM. Seeing these guys go out and start businesses and be successful, I started to think that if I could get out there and survive long enough to be recognized for what I could do that it could work.

So that was my motivation. I can't say it was the unbundling that made us go in that direction. As a matter of fact, software wasn't our first thought. We were going to be a programming consulting company. That was the plan I took to the bank when we got our first credit line.

But there's an offshoot. I had one customer in Gloucester, Mass. It was Groton's, the frozen fish company. You would always wait ten minutes to get in no matter what time your appointment was or when you got there. So I was reading a magazine in the lobby. I think it was called *The Data Processor*. There was an article in there about a company that had automated their fixed asset accounting requirement. I guess it was from the accounting side not from the tax side. And I read how they had done it on a 1440 computer. I don't know if you remember those.

Johnson: Oh, yes. I started on a 1401 and programmed on a 1440.

McCormack: That definitely dates us. I started programming on a 1401 and then did some 1440 programming. So they'd automated the fixed asset accounting and it struck me as really interesting. Because right after college I worked for General Motors for six years. I was an accounting trainee for two, a programmer for two and then an accounting supervisor for two. When I left there I went to Coopers & Lybrand. I was an auditor for a year and finally became convinced that I really didn't want to become an accountant.

I then went to work for IBM And I was thinking about all of my experience with GM, all of the clients I'd worked on at Coopers & Lybrand and all the accounts that I had at IBM. Every one of them had a fixed asset requirement, a depreciation requirement for both accounting and tax purposes. But this was the only incident I'd ever heard of where a company automated it.

At the time we were thinking of going out on our own. And I said, gee, we should probably put together a package, software package, to do that. Because everybody needs it. And to my knowledge nobody had it. And that would be an income buffer while we built our reputation as consultants. So that's what the thought was. I asked Frank Dodge if he would join me. He thought about it and said he would. So we worked on the weekends and started building this software system. Incidentally, the initial package ran on a 8K 360 Model 20 card system. I don't know if you remember those.

Johnson: Yes, I do.

McCormack: So it was very tight. Later we made it into a disk system and/or tape system. Took it in RPG up to the System 360 model 30, 40 and DOS and OS over time. But we left IBM in the month that they unbundled in June of 1969. I believe that's when they unbundled.

Johnson: That's correct. That's when they announced it.

McCormack: I never frankly saw it as anything that was going to legitimize our software package. I'm not sure that it really did when you get right down to it. Well, maybe to some extent the fact that people were now going to pay for it made them look at alternatives. But I think what legitimized the software industry in many cases was that the alternatives were a hell of a lot better than what IBM had to offer. I think they are for the most part nowadays too. So IBM was developing software, I think, with a hardware strategy in mind and the regular software developers weren't. It was a computer software play for them. They weren't thinking about CPU cycles in much the same context that IBM was.

Johnson: When you say you left IBM in June of 1969 did you form M&D at that time?

McCormack: Yes, that's right. It was a two person partnership. We did some consulting. We were good at consulting, doing the tasks. We weren't good at running a consulting business. We didn't know how to price our services well. And as always happens with systems that you develop for people, what they think they want at the beginning is not what they want at the end. As soon as they see the result of what they first asked for, they start asking for more. The jobs always explode. But their perception of the price of the job doesn't explode along with it.

Johnson: Exactly.

McCormack: And we weren't bright enough early on to be cautious all the way through. We should have said, "Well, if you want that it's going to cost more." Instead we'd just do all the work and at the end present a bill and they'd be aghast and unhappy. So we weren't doing well from that perspective. We were just getting enough money to pay our what was then meager salaries.

Impact of the Recession in the Early 1970's

June of 1969 was not the propitious time to go into any business because we were heading into a recession. And by March of 1970 we were hurting. People were not hiring consultants. They were just laying low and nobody was spending money. We had completed the fixed asset system. But we hadn't sold but maybe one or two copies, priced at around $3,600. Which was cheap now but people thought it was expensive then particularly in Model 20 land.

Johnson: How'd you come up with that price?

McCormack: I don't really know how we came up with $3,600. I think at the time there were 12 programs. We might have said $300 a program. Something like that. I don't know how we did that. I don't recall how we did that.

Johnson: This is something that I'm asking everybody. Because everybody was out there selling something that had never been sold before. Boy, it's all over the board as to how people came up with their initial prices. But it sounds like what you were doing is you were pretty much sensitive to what you thought the market would bear.

McCormack: A little bit of that. We also felt nobody could produce it themselves for that price or in any kind of a narrow time frame. Even at that time the system, as small as it was, was pretty sophisticated in terms of what it was doing. It did all of the accounting that was

necessary to be done from a bookkeeping perspective and it also did all of the calculating that needed to be done from the tax perspective which could be totally different from the accounting side.

We had taken on a third partner in September of 1969. By March we had spent all of the money that we had invested in the company plus we had borrowed our full line of $10,000 and that was pretty much gone. We were broke. And we were going to the bank to borrow another $5,000.

Johnson: This was March of 1970?

McCormack: Yes. And the new partner that had come in was a 20% partner so he owned 20% of the company, 20% of the debt, etc., etc. He didn't want to be involved in 20% of an additional $5,000 loan. So he left. Interestingly enough, he works for the company now. But he did leave at that time.

Frank and I squeaked up some more money. We put in $2,500 a piece initially. We put in another $1,000 which we got by selling some of our IBM stock. So that took us up to $3,500. And we were limping along with that. I had tried to promote an idea of selling our software package at very low prices, $500 - $600. The fellow that left adamantly fought that. It was worth more than that.

I remember we had a discussion once. He said, "Listen, our work is worth more than $600 for one of these packages. We shouldn't give it to them for that and they shouldn't be allowed to have it for that kind of money." I said, "Fred, are you telling me that if you had the choice of selling this package for $600 and staying alive in this business or not selling it and the business goes down the tubes, that you would choose the tubes?" And he said, "Yes." So I wasn't getting anywhere with him. And Frank didn't want to take a side.

Decision to Sell Software Via Mail Order

So we just sort of waffled along. Fred left in March. And I just said, "Frank, it's time to lower the price." So we did. I had presented the system to 20 companies in the Boston area, you know, face-to-face. Everybody liked it. Nobody bought it. So I just called them all up on the phone one day and I said, "Look, we're trying to generate some revenue. It's not the best of times. We're willing to sell the software package to you for $595. And if you buy it within the next ten days that will be the price. Otherwise, we're going to just put it back up to $3,600." Ten out of the 20 companies bought it in ten days. We had $6,000 worth of revenue which was super.

If you divide that by 200 you come up with 30, right? Divide 30 by the two of us that meant we had 15 weeks that we could pay ourselves and stay in business. Because we were taking $200 a week a piece and worrying about withholding next April.

We were really impressed that this had worked. In 10 days we sold $6,000 worth of software by putting a combination of low price and limited time frame on it. So we started thinking how can we expand on this? And the idea came to try direct mail. We bought a mailing list from a guy which we later found out had stolen it from IDC.

Actually, they discovered that we had it. Their salesman, the guy that was selling their list came in to try to sell it to me. I told him we had one and where we'd gotten it. He said, "That guy should not be selling it. He's a former employee." And they had litigation going.

So I was in a bind. And I said, "Well, look. I don't want to get into any legal hassle with you folks. If you'll give us a real, real reasonable price along with a letter absolving us of any prior guilt, we'll buy your system." Which they agreed to do. So we bought the list and cleared that up.

So what happened was throughout the rest of that year we mailed about 35,000 pieces of mail to all the Model 20 users, then all the DOS 360 uses and all the OS 360 users.

Johnson: This was an RPG version at this point.

McCormack: It was still all RPG. So in that six month period we sold $90,000 worth of software through the mail. And it was phenomenal. Frank had actually left in May by mutual agreement and took a job at Texas Instruments down in, I think it was Attleboro. He and I were working nights on some service bureau stuff that we had been doing for some people. But I was there by myself from June until December. At which time we felt we had enough money in the till that Frank could come back which he did. So he came back in December of 1970.

And we just kept beating the mails. We kept improving the product, raising the price in small notches and just kept mailing it. We did that all the way up from – well, the initial prices that we went out with the mail with were $355 for a Model 20 system. And DOS or OS were $485. Then we sort of gradually graduated up to $745, $995. $1,495 was the highest mail order price that we wound up with.

We then redid the system in Cobol and thoroughly upgraded it. I don't know if you remember, but they came out with an asset depreciation regulation called ADR. A very sophisticated set of tax regulations that were designed to simplify tax depreciation and made it just horrendous.

Johnson: They always do that.

Shift from Direct Mail to Sales Presentations

McCormack: It took us a year to adapt. Actually, we redesigned and rewrote an entirely new system to adapt to that. And at that time, which was late 1972, we went out with a price of $5,000. And we got resistance. $5,000 was too much for mail. People wanted to see your face and have you explain it.

So I got on the road in 1973. And I was on the road for five years selling that system throughout the country until finally we built a sales force in different cities. But we had a fair amount of success at the $5,000 price. At the time it was clearly the best system available.

Johnson: When you were selling by direct mail at these low prices did you get any people calling you and saying, "Well, I'll buy it for $485 but I want some references." Was there that? Or did they just sent you the money.

McCormack: We sold $90,000 worth of software in the last half of 1970 at less than $500 a package. So we had over 250 users throughout the country. I could usually refer somebody to a user on the same street and the same city.

Johnson: But did people ask for it at that price?

McCormack: Yes, they did.

Johnson: So even at those low prices they wanted references. Because software's always been such a reference sell. So even at those low prices they wanted to know that somebody else was using it.

McCormack: Initially they didn't because we didn't have any users. Initially it was sheer price that got us volume. I remember talking to a guy in St. Louis who said, When we bought it my boss said, "Suppose it doesn't work?" And I told my boss, "What do you care? It's $355. If it doesn't work we won't pay him. They're not going to chase us for $355." You know, several

states away. So it did work. And we were a bit surprised that it worked as well as it did ourselves because we never volume tested it. We only did unit testing on it. But it worked in volume as well. So we were lucky. So we had the big reference base from the low price.

Increasing the Price to Raise Credibility

At $5,000 we had to go out and see people and make presentations which I did and we had some resistance at that. This is really funny, in a peculiar way. We were priced at $5,000. Our two competitors – there were only two of them at that time – were American Appraiser and MSA. No, there was one other who is no longer in business. I can't remember what the name of that company was. They were an American Appraiser spinoff anyway. But they were all priced at around $10,000 – $9,000, $10,000, $11,000. We were priced at $5,000. I noticed that we were getting tossed out of some of the decisions because we were sort of looked at as $5,000 has to be half as good as the $10,000 system. Purely a numbers judgment without looking at the system.

So for that reason and that reason alone we just raised the price to $8,000 one month and we started selling more. We were then perceived as a competitor vendor.

Johnson: That's happened to a lot of software vendors. That happened to Argonaut really.

McCormack: Did it?

Johnson: Initially, yeah.

McCormack: Well, you were very low priced initially. I don't know if you stayed that way.

Johnson: No. We had to bring it up for two reasons. I underestimated the amount of support that would be required with accounting applications. So I had to raise it to cover that. The second thing was we kept getting beat out because we were priced too low. Therefore, it couldn't be any good. So, I said, okay, I'll raise the price a couple of thousand dollars. Go back and tell your boss that he can pay $2,000 more for the same thing. We were also impacted by that notion that the price reflected the quality.

McCormack: It's a funny perception. People don't believe there's a bargain. But we never ran into you. I don't know why. You were selling an accounting package and so were we.

Johnson: We didn't have fixed assets and never have had. Our flagship product was the payroll.

McCormack: That's why. Because we didn't have payroll until 1982.

Johnson: And what tended to happen for us is we had a few where our initial incursion would be with the accounts payable or general ledger system. But almost always our initial incursion into the customer was the payroll with the others as follow on sales. And you probably were working the other way where your initial incursion was the fixed assets system.

McCormack: Well, it was fixed assets. Then it was accounts payable. Then it was general ledger. We followed that with a work in process type of system and purchase order. Then we bought payroll from Jack Lutz. Jack's gone now. He died in 1982, four years this August. Who was the guy who was working with him? I can picture him. White-haired guy, tall, very good looking. His first name was typically a woman's first name.

Johnson: Oh, that was Bev.

McCormack: Beverly Head. So we bought the payroll system from them. And they're still working with it down in Huntsville.

And then finally, after several aborted tries. I think the company just finished an accounts receivable system late last year. So they've finally got the full set.

Johnson: Okay, so you had to raise the price up to $8,000 to convince people that it was as good as the ones that were out there at $9,000 and $10,000.

Introduction of Maintenance Contracts

McCormack: Yes, exactly. We started selling better at that point. And then gradually increased the price. Everybody kept pushing it up. We introduced maintenance sometime in the early 1970s. And then in the later 1970s, 1977 time frame, we introduced education courses where we would train people here. Then eventually expanded that to training sites in the Midwest and the West Coast.

Johnson: As I recall with the original one with that low price, it really was a real mail-order product. I had a customer where I was doing some development work in their shop that

bought the M&D fixed asset system. They got it in the mail with the documentation and that was it. Did you give customer support at all? Did people call up on the phone and say I don't know what to do with this thing. Did you answer? How did you deal with that?

McCormack: Well, we provided a set of documentation that was two-pronged. One was how you implement it. So there was a set of instructions that told you how to get it started, what to do with it. And then there was another set after you got it started that told you how to deal with it on an ongoing basis. With the initial system, we didn't get a lot of phone traffic. We really didn't. Later on when we got into Cobol and made it much more sophisticated, then that became a requirement. It's almost like the more sophisticated we made it the more support that was required.

Johnson: And you made it an option then that they could get maintenance for a price per year.

McCormack: Yes, it was like ten percent per year and we tried to bump it up. I sent a signal to all the competition one year and nobody picked it up. We weren't getting enough of an initial price for the system to cover really what it cost to put it together and to support it. Support for an application package, as you know, is intense. I almost wished I was in the systems software business sometimes because it's a lot simpler.

But I wanted to charge maintenance. You'd get the first year free. And I wanted to not do that. I wanted to charge maintenance for the first year. Over strenuous objections from our sales force I put that in play.

I said maintenance was free for the first six months. We're going to charge you for the next six months. I was hoping that [John] Imlay [of MSA] and the other guys would say, hey, look. We win some. They win some. Why not take the extra six months maintenance? But they didn't. They focused on it as a competitive point to try to win more sales. And I had to go back to giving them the free year. I really thought they might pick that up. I really did. One of my less brilliant strategies.

Johnson: It would have been a brilliant strategy if it had worked.

McCormack: Yes, I thought they might give it some thought and say, we can get this too. Why not? Instead of using it as a competitive point, let's join them. We'll all do better. But it didn't work. So anyway, we went back to one year's free maintenance.

Customer Education Courses

The thing that really blossomed was education. When I left M&D in 1984, I believe we had a training budget that was planned to teach 12,000 people that year. And they were anywhere from three- to five-day courses depending on what the system is. But we had a ton of people coming through. We used to fill up the Marriott Hotel in Newton which is a big hotel. We used to provide roughly 60-65% of their patronage during the week.

Johnson: No kidding.

McCormack: Every week. They loved us. We'd get invited to their Christmas parties. Had a complimentary room, etc., etc. It was intense.

Eventually we had to move the training into the office, to our building, and set up training facilities because the Marriott couldn't really handle it. We'd set up the room during the day and run an eight-hour course. But then you'd have to break the room down at night so they could rent it for some other function. We just couldn't do that particularly when things started going on-line. It frustrated that effort.

Decision to Get Out of the Consulting Business

Johnson: So there you were in the early 1970s with the fixed asset system. When did you start dropping out of the consulting business and then when did you make the decision to start adding other products to the product line? Those are two different decision points. And I'd like to hear about both of them.

McCormack: Okay. The consulting was a pain in the neck, frankly. We did it to stay alive. I think the last consulting job we did was in late 1972. We did a payroll system for Asiatic Control which is a large division of Shell Oil. It's their bulk division. They deal in shiploads. Enormous sums of money. But they had a manual payroll system that they were running. It was automated to the extent that the checks were printed on the computer. But up until then everything was manual.

They had a division here that they called CH Spring in Boston. And the people there got in touch with me and said, we need to have this payroll system done very quickly on a Univac 9300 which was an RPG machine. They said needed four programs: hours to gross, gross to net, checks and a check register. I said I would do it so I started traveling to and from New York and did it.

It wound up being an 18-program system. Because what they had in mind really wasn't going to do the job. It was a round-the-clock type thing. From October, we got the payroll done and produced checks in January. But now we had to finished all the tail-end stuff. It was March. I was living in New York full time and working 80 to 90 hour weeks to get it done. I finished the job, left there, and came back here and took my family on a ski vacation and broke my leg on the first hour of the first day.

Johnson: Oh, no.

McCormack: All the reasons why people have accidents. That's what I did. So I was very immobile for a period of time. And I sat with my cast on a couple of boxes of printer paper and redesigned the fixed asset system.

Johnson: That's when you converted to Cobol.

McCormack: Yes. To make it much more sophisticated. And at the same time we developed an accounts payable system.

Johnson: Okay.

McCormack: Okay. So we get to the end of 1973. We're now at $5,000 per system. No more mail order. People wouldn't buy it through the mail at that price.

So I went on the road. I was on the road full time for about 4-1/2, 5 years after that. And that's when we stopped doing the consulting. We were selling packages and we had enough revenue coming in from package sales that we didn't need the consulting. And also were glad we didn't need it. We didn't want it.

What we did start doing some of then that in a way might have replaced the consulting was we'd go to some company that had a peculiar requirement. And we'd do the customization of the package for them. And we did some minor stuff that way.

We did several major, major things. We did one for – what's the big grain company in Minneapolis?

Johnson: Cargill?

McCormack: Cargill, yes. We did another one for Sun Oil and another one I can't remember the name of in Detroit. We were doing a lot of that. And we found over time that our most dissatisfied customers were in direct proportion to the amount of modifications we made to the basic system. The more we modified it the less happy they were.

We also realized that if we're going to have somebody do some modifications that are customized to a given company basically we're going to take the guy's cost and mark it up and multiply by the number of hours and that's what we charge for. You take the same person and have him put a new feature in the system – and there's always a list of things to be done to a system – and we'd become more competitive, probably sell more systems at a higher price. So we finally bit the bullet and stopped doing customization. If somebody wanted to change it we'd advise them, but we would not give an extensive commitment of time to it.

So we just tended to our own shop. And that's still the case today. They don't modify. So by the end of 1973, we had payables and fixed assets.

Johnson: Did you develop the payables yourself, I mean, with your own people?

McCormack: Yes, that was in-house.

Johnson: Did you staff up quite a bit for that then?

McCormack: No, no. We had four people there. We had hired another guy who was a good programmer, good systems guy. His name was Dudley Clark. He stayed with the company for quite a while. As a matter of fact, he left shortly before I did. Dudley was very good. And we were able to design payables.

Computer Resources Used For Development

Johnson: What were you doing for computer resource?

McCormack: We were buying time here and there. Actually we were very fortunate in getting computer time initially from a company in Boston on Albany Street – it's a shame I can't remember the name of the company. They were a customer of mine when I was an IBM salesman. I serviced them and sold them some equipment and so forth. They let us come in there at night after they were finished which would be about nine o'clock. We could use their computer all we wanted for nothing. They didn't charge us anything. The guy's name was Arnie Kantor. I'll never forget Arnie, although the name of the company right now is a blank.

But they let us do that which is remarkable when you think about it. We were in their company in their corporate offices all by ourselves unattended with instructions to make sure the door was locked when we left. I mean, nobody does that. They won't do it just for liability purposes.

Johnson: Well, they weren't as sensitive to that back in those days. But usually they expected something, either some free software. I did a lot of those kind of deals. I'll sell you the package for $7,000. Now I've got a credit for $7,000 worth of computer time from nine to six in the morning, that kind of thing.

McCormack: They were just incredibly nice to us. Then after we stopped using their machines we moved into an office where the company next door was an insurance company and we shared a system. After that we rented space at another company and actually bought time on their system. This was still Model 20. And then eventually we bought a system 360 Model 30.

Johnson: About what year was that that you finally got to the point where you got your own computer?

McCormack: I believe it would have been in 1975, 1976. But that was when a lot of those were available and it was cheap. We went through the 360 Model 30 in almost no time. Within a year, 15 months, we had a 360 Model 40. That lasted a little over a year. Then we had a 50. Then we had a 65. Then a 370/155. Then we went to an off brand. What was it?

Johnson: An IBM clone?

McCormack: Yes. Wasn't Amdahl. We looked at Amdahl. Anyway, we went to a big piece of equipment like that. And now they're into two very large IBM mainframes. But you could never buy enough computer product. It was almost like Murphy's Law.

Support for Non-IBM Computers

Johnson: Did you ever do any porting to any other types of computers? Or did you really stick just with IBM?

McCormack: We did that. We went from IBM to Burroughs, to Univac, to Honeywell, to NCR. We then went to the mini world, went to DEC, Prime. Not Data General unless maybe once or twice on a special job for Data General.

Johnson: HP?

McCormack: We did a little package, yes.

Johnson: Did you run into problems in marketing in those arenas?

McCormack: No, not really. We ran into problems in that there was never enough market in any one of those. The size of the market in any one of those was never big enough to really support it. The sale was nice; you'd get a bubble of cash or revenue come in. But then it cost you so much to maintain those systems. We maintained in the IBM mode and then we would continually have to convert it. And it would just last forever. There were hardware differences and software differences that would hurt you.

It's funny. We had all those on non-IBM. First we called it Non-IBM. Then we thought that sounded negative. So we changed it to Special Products whatever that sounds like. The company never made money on those. And we never could face up to biting the bullet and backing away from it. Partly because first of all we had made a commitment to people. You sell it to people and they ask if you're going to say with it. You say, that's our plan.

Johnson: And once you're maintaining it and keeping it upgraded for them, if another sale falls in your lap you might as well go after it.

McCormack: But it was never enough business. This is probably true today. We never made enough on that business to justify keeping it. It came up at every management meeting we ever had. Every monthly meeting. What are we going to do about Special Products? It's not making money. Well, I don't know. We just couldn't get that decision made to drop them for a couple of reasons. One, we'd made a commitment. Two, it changes your competitive posture. Our competitors that were still doing that, and I'm sure losing money as we were, would say they had a broader-based product than we did and so on. And I guess in a way even though we were convinced it was losing money, psychologically you don't want to shave off that volume.

Johnson: Yes.

McCormack: It was maybe perhaps ten percent of our business. So if we're doing $10 million, all of a sudden you're going to do $9 million. And it's a bird in the hand. And you really don't want to let go of it.

Then we sold the company to Dun & Bradstreet and we had an earn out that was based on increase in volume at a certain pre-tax bottom line. And then no way you want to drop any volume.

Johnson: Yes, sure.

McCormack: The earn out legislated against that. So my guess is that M&D still has the mini computers and the non-IBM mainframes in some form that they supply to marketing. But it wasn't big business. It really wasn't.

Johnson: Why did you go into it? Did you go into it on an opportunistic basis because you'd be contacted by a customer who says I'll take the product if you can make it run on Univac for me?

McCormack: That was part of it. It was usually a sales situation that triggered the idea of converting to that system.

Johnson: So it wasn't a matter of sitting down and saying, Univac's going to sell all these computers. We ought to get on that. It was because in a sales situation there was a demand for it and so you said, well, sure, we can do that.

McCormack: We didn't do it blindly. There were all kinds of statistics available about the installed base. So you knew how many were out there. And you'd say, well, if we can maybe get 20% to 30% of those that actually would look good. But it didn't work out that way.

I'll tell you another thing. I don't mean this in a real negative way even though it's a negative comment. You find the better data processing people in the IBM shops. That's where they want to be. The people that tended to buy Honeywell, NCR, Univac were all money savers. They were looking for a bargain. And so they would get the cheaper equipment. And they would also get the less skilled people. The real sharp people want to work at the leading edge which was always IBM.

So you had more difficulty getting systems installed properly in those environments than you did with IBM. Also, if you had difficulty with any, say, systems software or hardware quirks in non-IBM equipment, you didn't have the definite support from those companies to get answers.

So it became very difficult. It's a tough market. I left M&D with the attitude if you want a computer Big Blue is the way to go for most of the commercial computing that's being done now. Although I think some of that's going to change with some of the parallel processors that are coming out. Are you familiar with the parallel processor world?

Johnson: Not much, no. I've been so out of touch the last two years except what I read in *Computerworld* and so on.

McCormack: Well, it's something new. As a matter of fact, this is a prospectus on a company that has a parallel processor.

Johnson: What's the name of it?

McCormack: It's called Thinking Machines. And their computer is called the Connection Machine. Think of a typical IBM computer or Honeywell or any of them, the way they process data. Let's say you want to find out how many employees cashed their check last Friday. So you go into whatever your check file is. And then you process through sequentially keeping count.

A parallel processor looks at all the records at the same time and develops the answer that way. And the way it does it is that inside this machine there will be 64k of processors. There will be 65,000 individual CPUs in there. Each of them has 4k memory attached to it. And they're all connected by a combination of hardware and software communications grid. So that each employee record would be assigned its own computer. If there are 65,000 employees there'd be 65,000 CPUs working on them at the same time. And that's how they work. They're tremendous for artificial intelligence applications.

Johnson: That's where I first heard about it was in reference to the artificial intelligent work being done.

McCormack: It's incredible. This company was formed by a bunch of MIT people which is how I happen to be familiar with it. The fellow who directed the program that I went through over there became involved in a company. His employer was one of the initial investors I guess. He knew my background and he invited me to go over there and talk with them which I did. And I went over last month again when they had their initial product announcement.

Johnson: Surely IBM's got research going on.

McCormack: They may. I'm not sure. There are a lot of parallel processors. Ken Fisher, the guy who left Prime and started – what's the name of the company? Encore, I guess it is. They have a parallel processor that they're producing now. But it's like 10 or 12 processors.

Johnson: The Japanese are doing a lot of work on parallel processors too, aren't they?

McCormack: I would guess they are. I don't know how many. But it's incredible. They took a problem, something like two or three months of Reuters' news dispatches which is an incredible volume, a huge, huge file of data. And they attacked it with the largest CPU IBM has. They were looking for articles that had certain information that we wanted. It might have been, for example, the Chernobyl disaster.

The IBM equipment scanned the whole file and did the job in something like, I think it was six hours. They used the Cray machine for the same task. And that did it in fifteen minutes and this machine did it in two minutes.

Johnson: Wow.

McCormack: So it's a rifle shot machine for specific applications. Some applications it won't do well. But for applications that are intensely data manipulative, incredible calculation type things it's outstanding at that. Also artificial intelligence, data retrieval.

Johnson: So maybe Big Blue's going to get a run for its money?

McCormack: Well, I don't know. Big Blue has always made its money by getting people to upgrade, upgrade, upgrade. And they keep feeding you the additional power in handfuls. You know what I mean? So they get you to pay max for every little pinch that you get.

The IBM micro, the AT, was getting hurt by the Hewitt Packard machine which is 30% faster. But IBM just came out with an upgrade of the AT that is 30% faster than its old one. They didn't leap frog. They don't have to. So they never give you any more power than they feel they have to, what the marketplace is doing.

This type of equipment may wind up working as sort of an off load. Take the applications that don't really run well on IBM or on a serial processor, I should say, and pull them off onto the parallel processor and free up capacity on the other one. That might be the way this thing really takes off just by getting to offload to it the applications that make sense for it. And the

justification then would be to keep your other serial mainframe in place longer before you need an upgrade. Because you've taken work away from them.

So it's kind of fascinating. I'm thinking of investigating it seriously. So that's why I'm reading this.

Impact of IBM Competition

Johnson: Okay. I think you've probably given me a pretty good picture of the development of M&D. If you don't mind, talk a little bit more about IBM as a competitor. I keep getting two sides of the story about IBM unbundling. You've said it really didn't motivate you. It didn't have any real direct impact on your decision to start a company.

Some people have said, well, it wasn't that IBM was an unfair competitor because they were giving things away free. But the impact was when they began to price software it legitimized the concept. In any case there certainly is a myth that persists that when IBM unbundled it created the software industry. I believe at this point that it is a myth.

McCormack: I think it is too.

Johnson: But it's a very strong myth because it keeps cropping up. I've seen it in print at least four times in the last several months since I've started this research. Why do you think that myth grew? What caused that to happen?

McCormack: Think back. At the time, there was very little application software being sold. As a matter of fact, I don't think there was really much of any being sold in the late 1960s. So I can't say that it created that marketplace. There was some system software being sold. And maybe that's where the myth came from. Because now people are saying, well, look if I'm going to buy a DOS or OS operating system, maybe I should look at the other ones that are out there

Johnson: It wasn't so much the operating systems. But Lee Keet's [of Turnkey Systems] product Taskmaster was a CICS competitor I believe.

McCormack: I never was familiar with his products.

Johnson: But I think that was a case, for instance, where they were offering a better access method than CICS. And they were having difficulty competing against a "free product" from IBM.

McCormack: It might have legitimized the idea of looking at system software to purchase it. You're going to have to pay for it from IBM. I frankly viewed the unbundling as a price raise. It was a price increase that was somewhat poorly masked by a new policy, a new product policy. But again, the myth might have started on the basis that people now were looking at it and realizing that there were better operating systems that they could buy for the same kind of money or less.

Johnson: And the interesting aspect of that is that IBM did not actually unbundle the price of their system software until late into the 1970s. I mean, they resisted that. They didn't start pricing the real system software separately until much later. As I mentioned Burt was on the IBM unbundling task force and he will tell you that this was not a price raise. It was a totally defensive move to avoid the antitrust suit. I don't know if you know that story, by the way.

McCormack: No, I don't.

Johnson: What happened was they were very concerned that the Justice Department would file an antitrust suit. They made the announcement in November of 1968 that they were going to change their pricing policy and that they would announce the new pricing on July 1, 1969. So they were committed publicly to a product policy change without saying what it was going to be. And within IBM it was felt that this would deflect the antitrust action. Apparently they even thought they had some sort of an agreement with the Justice Department.

McCormack: Were they buying time? Is that what they were doing?

Johnson: No, they thought that it would prevent the suit from being filed. The antitrust action which was filed against IBM was filed on the last day of the Johnson Administration. It was the last action that they took.

Nobody knows to this day whether they were just trying to dump it on the Nixon Administration desk, you know, to leave them with a mess to clean up. Or whether Ramsey Clark, the Attorney General, had really felt that it was valid and left it to the last minute.

So there was IBM having already made the announcement with the intention of preventing the antitrust suit from being filed. And the suit was filed anyway. So the internal philosophy of the

task force was to hold the line and separately price only what they absolutely had to. And they were able to hold the line on operating systems, for instance, until the late 1970s.

McCormack: What were they unbundling initially? Utilities or something?

Johnson: Initially it was just strictly applications programs

McCormack: They had very few out. IBM was never a competitor to M&D.

Johnson: No, really not to any of the applications vendors. Even when it was free it was such poor quality stuff that nobody wanted it.

McCormack: Yes. They weren't good at that. As a matter of fact, I never worried about them coming in the applications business. People thought I was being cocky about that. But I wasn't.

At M&D, twelve hundred people over fifteen years became a very substantial base of knowledge. There was a lot of the substance in the company that knew how to deal with software in the applications that we were running. IBM doesn't have that. My feeling was the only way that they could really get that would be by acquiring us or some other company like us.

Johnson: My own view is that the software companies that were starting up in the late 1960s, early 1970s had much greater problems in terms of human resource and financial resource than they had in terms of competition with IBM. Those were really the things that people were struggling to overcome.

Challenges of Fast Growth

McCormack: That's true. We were finding the people. Dollars was the big issue. Because we were growing so fast. We used to have an annual Christmas party and an annual outing. And each of them would be preceded by a two- or three-hour business meeting where we sort of described the state of the company to all employees and take questions and what have you. In 1980 we had this meeting in which we announced that in 1979 we had done $3.1 million. In 1980 we did $7.5 million. We had a real good bottom line that year. Our expenses were $6 million. So we had a 20% bottom line pre-tax. But I was telling the people at this meeting that we sold a total of $3.1 million in 1979. That was the total revenue we brought in. In 1980 we

spent $6 million. So it's obviously hand to mouth. All the revenue that comes in goes right back into the machine to keep it working.

But we did funny things in that timeframe. And Imlay did the same thing too. I don't know if we did it first or he did it first. I think we did. But he always used to take credit for it.We instituted a multi-year maintenance for that purpose. We would sell a three-year maintenance package. It had to be discounted, but people would buy it.

Johnson: This was to front load your cash flow.

Problems in Obtaining Bank Financing

McCormack: Exactly, exactly. Even though you're stealing it from the future. But we needed it because we were growing so rapidly that fueling the thing was incredible.

And banks didn't understand this. Banks did not understand software companies. Up until 1980, that was the only time we started getting a bank to really understand this. We interviewed three different banks. One of them had a perception of what we were about. The other two didn't. And the one that had the perception was the Bank of New England. They had a high tech loan officer who made it a point to try and understand the industry. And I think he succeeded.

But what the banks were looking at was a company where you can show them a $7.5 million income statement for a year with a good profit on the bottom line. And you can show them a balance sheet that has cash accounts receivable on it and furniture and fixtures. But the assets that we had that were generating all the revenue, they weren't anywhere. They weren't listed on the balance sheet as inventory or anything of value. And they couldn't grasp that these products could keep generating millions of dollars and growing at rates of 100% per year or better. They couldn't see where that anchor was. How am I going to get my money back if they don't pay?

The Bank of New England finally saw what the thing was about and they loaned us unsecured money. We started out with a million and a half line of credit in 1980, that went to $2.5 million in 1981. When I left M&D we didn't need it anymore but in 1983 just before we were acquired by D&B we had a $5 million credit line which was something we couldn't find in the 1970s.

We had been using the Bank of Boston all the time. We were using a loan officer who is retired now, a wonderful guy named Harvey Willis. We would call in Harv and he would

deposit the money in the account. We would pay it down. Sometimes it would take longer than we thought. Other times it would be shorter. We were in and out anyway.

Then all of a sudden we were assigned a new loan officer. The guy didn't understand us. And I honestly think he didn't like us either. But we needed money. We were in our first quarter. You know the software business. Our sales would be 10% in the first quarter, 20% in each of the second or third quarters and then 50% of the business would come in in the last quarter and the bulk of that in December.

Johnson: That's another reason that I quit the business. I wanted to have a decent Christmas season.

McCormack: Oh, yes. You worried all the way through December 31st. That's one of the reasons I got out of accounting. Because in accounting you're always doing month-end closings. On the first day of the month you're doing what you were doing on the first day last month and so on all the way back.

It took a long time to get the banks on our side. And that's why things like multi-year maintenance came up. We needed a way to get cash to get you through that doldrum period. And multi-year maintenance did.

Education helped a lot too. That gave me somewhat of a smoothing of revenue. Although it wasn't the bulk of it. Let's see, I believe education was approaching 10%, 15% of the revenue when I left, very strong and very profitable. Extremely profitable business.

Then we wound up going to venture capital, but our first deal with venture capitalists was more for principles to take something out which we did in 1980. It's funny. We sold 25% of the company to a consortium of venture capitalists in 1980 for $3.5 million. Five hundred thousand came into the company as additional working capital. Three million was distributed amongst the owners as their share. And retrospectively it should have been exactly the other way around.

Because for some reason or other, this was 1980, the sales stretched worse than ever. Our skew was worse than it had ever been before. We wound up making the year but not until December 31st. And also not until we had gone back to the venture community on our hands and knees and didn't get a very good price for what we had to sell at that time.

So we did sort of a private for personal use venture thing in June of 1980. And 1981 was when we had the difficult year and October of 1981 when we went back for more money. It's not the way to approach venture people. We approached them from strength the first time and from weakness the second time. They had all the cards.

That was October 1981. We sold the company in May 1983 which is roughly 17, 18 months later. And they all did tremendously well. So I assume they're happy.

Johnson: I've really gone through all the questions and the things that I wanted to trigger. It's just a question of whether you have other comments and other areas that you'd like to discuss.

Hardships of Traveling

McCormack: Okay. I'm just running through my notes. I'm sort of trying to fan through those years and see what was an issue. Traveling was really tough.

Johnson: Yeah, I'm sure that was true. You must have been on the road almost continuously

McCormack: I was. And the thing of it is I was ignorant as to what intensive traveling does to you. I wound up having some physical problems as a result.

Johnson: Really?

McCormack: Well, I'll give you an example. This would be a fairly typical week. And this is one trip that I had. I don't know why it sticks in my mind. But I got up Monday morning and went to the airport and flew to Houston. And in the afternoon I made a presentation to a company. At that time our presentations were roughly two hours. A two-hour stand up pitch. I'll talk a little bit about that after I finish this. I stayed overnight in Houston. And the next day I talked to two companies in Houston, one in the morning, one in the afternoon. I might add that selling software on the road is a bit of a lonely thing. Because it's not like you're traveling with other people in the company. You're by yourself. And you don't know anybody there. Your prospective clients don't really want to do anything with you in the evening. So you're on your own. It took me a while to learn how to be alone.

But anyway, that was Tuesday. Wednesday I got up early and flew to Dallas and talked to a company in Dallas about our product. At noontime I flew from Dallas to Corpus Cristi and

talked to a company down there about the product. And then in the evening I flew back to Houston and got my bag out of the locker and flew to New Orleans where I spent two days at a UCC convention pitching the product to people there. Then I flew home on Friday night. I'd be just really a bag of rags I'd be so exhausted. I didn't realize what that much time in pressurized cabins and that stale air does to you.

So I wound up getting to a point where I would get light headed at meetings. I couldn't tolerate the caffeine level in a cup of coffee. At a couple of meetings I had a couple of cups of coffee. Let's say it's a give and take meeting where they're asking questions and you're working on a blackboard or flipchart.

Johnson: So you're bouncing off of seven or eight people all at once.

McCormack: Yes. And they keep sipping coffee. And I almost passed out. You know, I felt the blackness closing in. I just hung on. Because you don't sell products by passing out at the presentation.

Johnson: Yes, right.

McCormack: But I changed my lifestyle a lot because of that. It was frightening. And it was happening to me a lot. I would fly into New York and go up 30 stories in an elevator. When I got to the top I didn't know if I was going to be able to stand up. I would get very dizzy. And this awful feeling if you're in a formal meeting, a business meeting with people that themselves were very formal, very correct, and you're sitting there and you're losing it. It's an awful feeling.

I did a lot of things. One thing, I stopped drinking hard liquor. I just gave it up and would only drink beer or wine. I stopped drinking coffee. I stopped smoking. I started exercising. Then I started running. I've still stayed with that program although I don't do much running anymore. And it worked. It helped. And then I stopped traveling which *really* helped.

Johnson: Which really helped, yeah.

Basis of M&D Sales Technique

McCormack: I don't know if it's important or not, but what happened at M&D happened accidentally. By the time I got into the software business I had an accounting degree from Boston College. I wound up getting an MBA from Boston College as well. But I had an

accounting degree. And my background from GM was two years of accounting training. I was a programmer for two years on a 1401. I was also an accounting supervisor in pretty much all of the accounting departments that they had there. I spent a year in accounting with Coopers & Lybrand.

So I had a pretty well rounded accounting background, educationally and experience-wise. I knew data processing from a programmer's perspective. I went to IBM and in the training process became more technical but brought a lot of technical stuff with me. So I was probably the most technically-oriented IBM salesman during the timeframe. And I did sell for two years.

So when I got into the software business I had the accounting knowledge to design the system, to know what had to go in the system. I had the data processing background to be able to design it and did some of the programming although Frank did the bulk of the programming. I had enough of an education to document it well enough to work. And I had experience as a sales person.

So I would go out and do a presentation on a product. I would go by myself. And I could talk equally well to the data processing guy and the accounting people and relate them to each other. And there wasn't a question I couldn't answer because I had designed the system, knew the accounting, knew the data processing. And it worked.

Because of this accident of experience – I wish I could say I planned it – our presentation wound up becoming like a tutorial. It was totally different from MSA's. MSA would go in with a lot of flash. That would be the salesman. But he would bring in a technician to talk to the data processing people. And then down the line, they had to bring in somebody that really knew the application.

We could do that all with one person in one shot just because of the way it happened. I don't know how many presentations I went to where the people would be nervous about bringing you in. Whoever the project leader is that calls you in is worried that you're going to be real bad. And he wastes a lot of people's time and looks bad himself.

Johnson: Sure.

McCormack: I don't know how many times it happened. I'd be in the lobby. A guy would come out and look around and say, where's the other guy? I'd say, what do you mean? He'd say, are you the only person? I said, yes, I'm it. They'd have a panicked look on their face. And I would say, relax. We'll cover everything you need to cover at this one meeting. You needn't worry about it. And it worked.

So we wound up eventually, as we added salesmen, we wound up staying with that same approach. We trained the hell out of everybody, really trained them. And sold from a totally different perspective than I think pretty much anybody did. So I guess, in effect, my background caused a type of selling position to evolve that probably otherwise wouldn't have. It was totally accidental.

Johnson: But it also meant that you had to carry that burden of being out there on the road.

McCormack: Initially I did, yes.

Johnson: That's something that I wonder if it's kind of unique to this particular industry, the software products industry. Because, for instance, the guys in professional services have a very geographic, a regional orientation. They may do a lot of selling but they're selling within a certain radius.

McCormack: They have to deliver a body.

Johnson: If they have to expand geographically they go buy another body shop someplace else. The software products industry from the day you open the door you're at least national, if not international.

McCormack: That's true.

Johnson: So if you're going to make presentations you're talking about traveling all over the country. And I wonder if there's any other industry that has quite that same need. You either have to go out and open up a sales office everywhere, which MSA tried to do, or you've got one guy based in Boston or California who's going back and forth everywhere.

McCormack: Yes, why would it be that way? First of all, they're all start ups. They're all new companies. And basically it's a whole new product concept selling something that's intangible. There's no point in putting in a shelf for somebody to see it. It has to be explained.

Johnson: So it's an interesting aspect of this business that other people don't have to contend with.

McCormack: That's true.

Johnson: I mean, I did a lot of that myself. I remember one time at a party someplace in California, talking about all the traveling I did. And this woman said, "Oh, I'm from Tulsa, Oklahoma. Have you ever been to Tulsa?" And I said, "I don't remember for sure if I have or not. I probably have." I went back and looked. And, yes, I had made a sales presentation in Tulsa.

McCormack: Hotel Taft.

Johnson: And it was one of those five cities in three days kind of thing.

McCormack: Wears you out.

Johnson: But I honestly couldn't remember if I had been there or not. And I thought, gee, that's awful.

McCormack: I remember Tulsa. I was invited to a southeastern software conference down there by a guy who's name actually was – his initials were E.Z. and his last name was Million. E.Z. Million. He said, come down and make a presentation. I'm going to have 200 people in the audience. I went down and he had eight people. And I spent the night in Tulsa at the Taft Hotel. The only hotel I've ever been in where the people come into the dining room, the guys, and they eat with their hats on. I'm serious. A bunch of cowboys in there. And I was clearly out of place. But the traveling, it was interesting, I guess. I saw a lot of the country but in an odd way.

Johnson: Yeah, you see the airport. You see the hotels. You see the conference rooms.

McCormack: Yeah. Also I did a lot of car renting. And so you'd drive around to places and see what's there. But I wouldn't do it again. I would not do it again. Nor would I ever have done that for another company.

Johnson: Sure. You do that only for yourself.

McCormack: Yes, exactly.

Johnson: Okay. I think that really covers what I wanted to talk about. Thanks so much for your time.

McCormack: Thank you. It was fun.