Oral History of James Mann

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James Mann

Conducted by Software Industry Special Interest Group

Abstract: James (Jim) Mann describes his personal and educational background and his career in the computer services industry. As an IBM salesman in Wichita in the early 1960s, he was hired by the accounting firm Fox & Company to run a service bureau operation they had acquired. He developed a successful service business processing tax returns for accountants after developing the Dynatax software and, when the service bureau operations owned by Fox & Company were merged with three other companies, he was chosen to manage the resulting company, Dynafacts. Dynafacts was merged with United Data Centers in 1972; United Data Centers was then acquired by Tymshare in 1974. He briefly left the computer services industry after leaving Tymshare but returned to the industry as Chief Operating Officer of Bradford National Corporation in New York City until he was chosen by the venture capital team to head Sun Data Corporation, a service bureau which had been spun off by Sun Oil Company. Under his leadership, the company changed its name to SunGard, and via an aggressive growth-by-acquisition strategy, he grew it to become a multi-billion dollar company specializing in financial accounting software and disaster recovery services. He describes in detail his management philosophy of allowing the acquired companies to continue to operate independently as long as they contributed to the financial growth of the SunGard parent company.

Thomas Haigh: This interview is taking place on May 20, 2010, and is part of the Oral History Project of the Software Industry Special Interest Group, which is affiliated with the Computer History Museum located in Mountain View, California. The interview is taking place at Jefferies & Company headquarters at 520 Madison Avenue in New York City, New York, and it's being videotaped and recorded. I am Thomas Haigh and I'm interviewing James Mann. I should say at the beginning for the benefit of the people who will read the transcript that this interview is not the first time that we've captured your comments. Luanne Johnson did an interview in about 2001, the transcript of which is already available on the Computer History Museum web site for public use, and yesterday you took part extensively in a roundtable discussion together with other pioneers of the service bureau industry who went on to success in different roles within the software industry.

Jim Mann: True.

Haigh: We've identified three particular kinds of things that we'd like to cover in this session. The first will be to again review the outline of your career but follow up some aspects of it that might not have been covered as extensively in the earlier materials. The second would be within that to focus particularly on the early period and the service bureau industry to go with the theme of the meeting that the interview is taking place in conjunction with. And the third would be anything that you'd like to say about the last ten years and the approximate period since you did the previous interview.

Mann: Very well. The interview with Luanne was about ten years ago. And I've had on my list of things to do to clean out my archives ever since then.

Haigh: I definitely would encourage you to do so because the interviews are valuable but the real historical meat would be in the papers.

Mann: The spirit is willing but the body is weak. <laughs>

Family Background, Education and Military Service

Haigh: To begin roughly chronologically, you can say a little bit about your early life as you were growing up.

Mann: Well, I was born a poor kid in western Kansas and trudged five miles through the snow to the country schoolhouse. Oh, wait a minute. That's someone else. I'll start over again. I was born in Wichita, Kansas. My father, however, did grow up on a farm in Kingman, Kansas, about 50 miles west, and it was a typical [nineteen] thirties and forties subsistence farm. They made no money to speak of but they were able to keep body and soul together and my father on his own left the farm when he was 18 and moved to Wichita and somehow or other decided to go to college. So he went to Wichita University as did I. He ended up in Washington, D.C., where he met my mother and moved back to Wichita and I was born about a year after they were married. So the early years of my life I remember only vaguely and just the kind of stuff that kids remember, Cub Scouts and the camps and stuff like that. I do remember that I never really had any trouble in school and consequently I had plenty of time on my hands even given childhood activities and I was a big reader when I was young. In fact, by the time I was 20 I had read almost 100 percent of the 500 western best books.

Haigh: When you were in school were there any subjects that you were particularly interested in?

Mann: Well, no, there wasn't anything I was particularly interested in. I was interested in the books I read, even the difficult ones. Math, algebra, geometry, quantitative things, were particularly easy for me which may be why I was attracted to computer programming the first time I saw it because it's a linear, regimented discipline that has its own rules and if you know them you can do it.

Haigh: You said in the earlier interview that your father was a partner in a brokerage firm.

Mann: Yes. He was an insurance salesman or an insurance broker for commercial operations.

Haigh: Where did that put you in Wichita society? Were you one of the more prosperous families?

Mann: No. I would say we were slightly above lower middle class. Wichita, like many flatlands towns in those days, had a railroad track running through it and there was the right side of the track and there was the wrong side of the tracks. When I was growing up and in grade school we lived one block on the right side of the tracks so we weren't far from the wrong side. But for some reason or other in those days, particularly when you were grade school age, kids and people didn't think much about whether you were well off or not. You just did what you had to do. In my case, when I was a sub-teenager I made my own money by doing odd jobs and I would take the bus downtown on Saturdays, which cost ten cents, invest in a movie which had cartoons, serials, and two features, which cost 14 cents if you were a kid, and then go to a public library and bring home a half dozen books. And I just didn't think about it. I thought everyone did that.

Haigh: You mentioned your project to read through the great books. Was that something you thought of doing by yourself?

Mann: Yes. I don't know how the idea occurred to me but I decided that since I can read pretty fast, I may as well read them and if there's something to be learned maybe I'll learn it.

Haigh: Do you think there's anything in that kind of exposure that shaped the way that you pursued your later career?

Mann: Well, it could be. I'm not so sure of this in a business sense though it might have rubbed off, but in the sense of following current events and politics. I'm somewhat bemused by the fact that the average young citizen thinks nothing occurred before the time that he started remembering things. In other words, ask a lot of people what World War II was all about and they don't know; ask them what World War I was about and they don't know; and if you ask them what the ancient Greeks were arguing about they have no idea. And the fact is the ancient

Greeks were arguing about the same thing we're arguing about now, whether society should be run by a small group of wise men or by everyone. <laughs>

Haigh: You mentioned that you went to what is now Wichita State University. Did it have that name when you were there?

Mann: No. It was a municipal university. It wasn't supported by the state; it was supported by the city so it was just called Wichita University.

Haigh: Did you think of going to other schools? How did you choose that one?

Mann: Well, I didn't give much thought to it because even the state colleges were more expensive than my parents could afford. I did I visit Kansas University but Wichita University was ideally tailored for people that didn't have a lot of money because you could schedule your classes to go to school from eight to noon and then you could get to a part-time job or a full-time job and if you could figure out when to get your homework done you could earn your own living, pay your own tuition because it was very cheap, and not have to dip into family savings to do it.

Haigh: According to your biography, you were president of the student body, president of Theta Phi Fraternity and one of the five senior honor men.

Mann: Yes, I was kind of hyperactive. There were actually a couple of other things that aren’t on that list. In college I had a reputation for being able to get things done and I have never been able to understand why people think it's hard to get things done because the secret to it is making a list of things to do and then scratching them off one by one, which is my principal skill even today.

So anyway, I was president of the student body, President of my fraternity, and the Cadet Colonel of the Air Force ROTC, the only non-regular Air Force boss. They had a thing called a student forum board that invited speakers to the campus and a couple of other things. I kept busy.

Haigh: When you arrived at the university did you have a clear idea of what subjects you wanted to study?

Mann: Absolutely. I wanted to be an engineer, specifically an electrical engineer. I was absolutely sure of it. That didn't survive my first year because I thought in my mind what engineers did was sit at nice desks or drafting tables and did arithmetic, figured things out and then gave it to someone else. The first engineering course I took was called introduction to engineering, and in that I learned that engineers did do a little calculating and arithmetic but their job really was to make things work. For example, one of the things we had to do was determine the flashpoint of motor oil, which involved heating it up until it began burbling and spewing all over. I forget some of the other projects but it just wasn't the intellectual exercise that I believed it to be. So I decided if that's not intellectual enough, I'll do math, so I switched to a math major. I took up through calculus but beyond calculus it was beginning to get very ethereal to me. For example, the things that have gone on since then, topology, number theory and things like that, I only have a dim grasp of whereas I can still solve a complicated algebra problem easily so the math thing wasn't working out. I did earn some money grading other people's math papers though.

So then I thought well, what do I want to do? So I majored in psychology for a year and then I discovered that it wasn't exactly a science and they really weren't exactly teaching you anything that didn't kind of involve common sense anyway, and by this time my expected graduation date was looming on the horizon and I had four semesters to go to graduate. I looked through the catalog and examined my credits to see what I could graduate with in the least academic hours in two years, and it turned out to be business and so that was the purposeful, rational way I graduated with a business degree.

Haigh: Did you have at that point any actual interest in business?

Mann: Well, frankly I didn't know what in the world to be interested in. Now I was very attracted to and very adept at accounting and I thought that, like computer programming, it appealed to me because it had logical rules. If you learned all the logical rules and followed them you could do it. In those days before the advent of calculators it also helped if you were able to add a big column of numbers accurately in your head. So I liked accounting and I thought it was a good discipline, but I really didn't have any thoughts on what to do. The last three years I was in college I was working as a shoe salesman, which doesn't really draw on intellectual skills much. <laughs>

Haigh: You graduated in 1956?

Mann: Yes.

Haigh: And you started in September 1951.

Mann: That's right.

Haigh: You mentioned your involvement with the on-campus military. Was that something that was helping to pay the tuition?

Mann: It helped a very small amount, but the Korean War was still on then. It wound down a couple of years after I started but they were drafting people for Korea, which didn't appeal to me much, and you could avoid that by joining the Air Force ROTC or the Army ROTC. The Army ROTC was deemed kind of blue collar because they actually had to march and shoot and stuff like that. The Air Force ROTC was viewed as white collar, and moreover if you were physically qualified and you could get into flying school, which I did, then you were paid a hundred dollars more a month when you were on active duty so it had all kinds of advantages.

Haigh: In the earlier interview you had said that when you went in for your five-year stint as a pilot in the Strategic Air Command of the U.S. Air Force that you thought that that would be a career thing, that you'd be in for 25 years, and in the end you finished up leaving at the first opportunity. What was different from how you had expected it to be?

Mann: Well, there wasn't really anything different. The fact is by the time I graduated I was married and had one child so I had to get a job and I had absolutely no clue what to do. It wasn't like recruiters from Wall Street companies were hanging around Wichita looking for investment bankers in those days and so I had absolutely no idea what to do. I had won this regular Air Force commission and thought, well, that sounds pretty good; I'll do that. And I also qualified for flying school and I would say I was doing fairly well in the military. On every Strategic Air Command base there was one of the flight crews that was the chief flight crew and was in charge of certifying that all the other flight crews were capable of doing their jobs. I was on that flight crew and I also gave instrument simulator checks to the other crews and that was a pretty big job for a first lieutenant in the Air Force.

So I was doing all right, and after I got a feel for the military I liked the organization. I liked their concept of delegation, which I followed subsequently pretty religiously, but it was just not moving fast enough. And besides that I've always had this urge to run things and it was kind of hard to run things when you were a first lieutenant in the Air Force and copilot of a jet bomber. So I was just restless and decided to get out. By this time the Korean War was over and the Air Force actually had a surplus of pilots and they were kind of eager for people to decide to resign that they would have had to keep otherwise. I discovered that there was a warrant officer over in SAC headquarters in Omaha and if you went over and told him a sad story or, in fact, any plausible story, he'd sign a paper and out you went. So I did and that kind of ended my Air Force career. I never participated in the reserves or anything subsequent to that.

Haigh: Following up, at that point did you consider going into civilian flight? Was that something that some of your colleagues were doing?

Sales Career with IBM

Mann: At first I had a significant disadvantage because I was five years older than the other college graduates seeking jobs and, after writing dozens and dozens of letters I ended up with a job offer from Beech Aircraft in their marketing department. That was because I was a pilot and they didn't have to teach me how to fly. I went through their interviewing process and they made me an offer. Previously, about a month earlier than that, I had visited an IBM office in Lincoln, Nebraska, where I was stationed, and had taken what they called then their Programmer Aptitude Test. They used that for many years as a principal selection criterion and apparently I blew the thing away because although I didn't hear a damn thing from them for 30 days all of a sudden I got a call from the IBM Wichita office, which is where I was by then, and they said, "Oh, we'd like to make you a job offer." I didn't know that much about computers or tabulating equipment or whatever they were calling it in those days.

Haigh: Had you come across any computers or accounting machines while you were in the Air Force?

Mann: Well, the flight simulator, of course was just a big computer but you didn't think of it that way. So IBM was also offering $50 a month more in salary than the other job and I knew vaguely that IBM was kind of considered a prestige job in those days. So I told the Beech Aircraft people with some great regret I was going to accept another offer and started with IBM and that's how I got in the computer business. That was in 1960.

Haigh: You mentioned earlier that you had been interested in accounting. Did you make a connection between computers and punch card machines and accounting or did you think it was something completely new?

Mann: Well, not really early on. When I got involved with calling on accounting firms as a salesman then I began to conceive of this idea that people might pay you to do the things that accountants were doing, only do them in a lot better way so that the results were more understandable and useful.

Haigh: Do you have any recollection of what you thought computers were at the time you took the job, what kinds of things you expected to be doing?

Mann: It was pretty vague and I'm sure IBM hired me only on the strength of that Programmer Aptitude Test because I've always had a knack for taking tests regardless of the subject matter.

Haigh: I understand in those days IBM would start people out with a fairly extensive training program.

Mann: Well, everyone started out as a Systems Engineer, which is what they called programmers in those days. I forget how many total weeks of school it was but there were at least three schools before you were deemed to be a Systems Engineer. And what you got trained on is the old tabulating equipment where you program them by poking wires into a control board. But about this time they were rolling out the 1400 series of computers, which was the first computer that was really capable of doing much real work. The ones that preceded it, like the IBM 650, were clunky and so slow that they didn't work well, but they were really rolling out the 1400, so I went to programming school and that really clicked with me. That made sense and it was very easy for me.

Haigh: Was the training taking place in Kansas or were they sending you out of state for that?

Mann: I think I went to St. Louis for the programming school and then after you got done with all that, if they deemed you fit to be a salesman, you would go to the IBM sales school, which in those days was the place to go if you were going to sell anywhere. I went to San Jose, California for that and the sales schools were specialized by industry. The one I was at was manufacturing industries and Wichita had airplane plants all over the place and manufacturing industries. I came in first in sales school, which was a big deal within IBM, and then went back home and, of course, logically, they assigned me a territory filled with banks and accounting firms. <laughs>

Haigh: Everybody would start off with the same kind of basic technical training and then programming was the second training course and sales was the third training course?

Mann: No, programming was about the third one. I forget how they divided the first two and then came sales school.

Haigh: Where they sent you after the first one would depend on how well you did in it?

Mann: I don't know. Some people chose to remain systems engineers, people who didn't consider themselves particularly gregarious or whatever, and most everyone that said they wanted to be a salesman got to be one. In fact I can't even recall anyone that I know that got turned down.

Haigh: After you finished first in your class in sales school, was it already decided that you would be going back to Wichita? Would you have had the option of going to, say, Los Angeles or another area?

Mann: No. It was just assumed that I would stay in Wichita. I didn't even bring up the possibility of moving since I was now happy and making pretty good money in my hometown.

Haigh: At that point, as a young person you never aimed to move out of Wichita. You thought it was somewhere you'd be happy spending your career.

Mann: Well, I never aimed to, nor did I aim not to, either one. I had no opinion on the matter. Well, that's not exactly true because after I had been selling for IBM for a while I was in New York City a couple times, once for a specialized banking industries training course and I thought, wow, New York is a fun place, nothing like this back in Kansas. But it didn't occur to me that it would be a great place to live until much later.

Haigh: You're back in Wichita. You're starting after these various training programs as an IBM salesperson. Did you feel your first day on the job that you knew what you needed to do and that you would be effective in this position?

Mann: Well, I had kind of mixed feelings about it. One thing was that I hated making cold calls. But I got along very well with the heads of the big businesses in town that I was vaguely acquainted with. And I had an idea I created on my own, an executive computer introduction course, and it was aimed at the executives around town who were just hearing of computers. I explained it very simply so any reasonable person could understand how a computer worked, how programs worked, how people wrote programs, and it was very popular. And through that, I had contacts and entrée with everyone I needed to sell enough to make my quota.

Haigh: Were you responsible for conventional punch card equipment and computers?

Mann: Yes. You were responsible for everything but one thing I discovered fairly early on was that it wasn't much harder to sell something that cost a lot of money than something that cost a little money. I kind of forget the sequence but at one point I was on the sales team that was handling the Boeing Company account in Wichita—this was before I got into the banking side—and the tabulating department, which was separate from the computer department, had this sea of accounting machines cranking with the print bars going up and so forth, a sea of them. And they were kind of looked down upon by the people that had the early computers going so naturally the guy that managed that was interested in increasing his prestige.

So when the 1400 series computer, namely the 1401, came along, I thought, well, that's just the thing for him because they were good. They had very fast printing. They had enough power to do what they were doing in his place, which was payroll and some other things, and so I said, "I got an idea for you to deal with those smart alecks with the big computers. How would you like to have not one of them but a whole mess of them?" And he said, "That sounds good but how am I going to do it? I have all of these wired board programs for several hundred machines, a lot of them customized, and I don't know how I'm going to replicate all of this. In a lot of cases the people that programmed them are not around anymore." And so I said, "Well, I have just the ticket for you," This was before the days of programs like RPG where you could do tasks like that pretty easy even if you didn't know anything about programming, but there was a program that had been written by some programmer, a hacker of that era. I forget the name of it but it was an interpretive program. They were on cards in those days and at about four points you stuck in parameter cards that you had developed and it would run that as a program. It was really a great idea that this guy had. I don't think the author ever really knew that this ended up in the public domain.

Haigh: That circulates within IBM?

Mann: Yes. Well, I think it was not an official circulation. It was people that had to make things work that passed it around, but there were a number of things that this operation at Boeing had to do that this thing wouldn't handle. I, of course, had already told this guy it would do everything he wanted to do so I figured well, it shouldn't be too hard to figure out how to do that. So I did something that later became fairly common. I decompiled the program. In other words, compiling a program converts it from the symbolic language into the ones and zeroes or octals or whatever and with great labor you can by hand convert the program from machine language back to symbolic language. So I did that and then I knew how this thing worked and then I knew how to modify it to do what they wanted to do. Which I did, and I got an order for ten 1401 computers with printers. I don't know how many millions of dollars it was because they rented them in those days but it was a big deal.

Haigh: In that case you yourself were doing some programming work in supporting the sale.

Mann: Yes.

Haigh: Was that common among the salespeople in those days?

Mann: No. Most of the salesmen weren't quite as analytically inclined as I was and in fact in those days this was something people hadn't done before. You were kind of inventing it as you went along but I took to it pretty easily and liked it and you're a real hero when you sell ten computers to one customer.

Haigh: You mentioned earlier cold calling. Would it be the case that most of the sales that you were making would have been upgrading existing machine accounting customers to computers?

Mann: No. That really wasn't the case. You were expected to stir up new customers, people that weren't doing anything.

Haigh: Were there lots of major financial companies, utilities and so on, in the area that were using punch card machinery?

Mann: Well, in those days, the utilities, of course, and the oil companies in Wichita were using computers. The airplane companies were always early adopters of computers. Boeing had kind of a standing order for one each of everything new that came out from IBM. But there were plenty of medium-to-large businesses that were doing everything by hand. I remember one that I courted as a customer for a long time. It was kind of interesting. It was a company that was in the business of door-to-door Bible selling nationwide and I became pretty friendly with the son of the guy that ran it who ended up running it when his father died. And it was kind of interesting because they were door-to-door Bible salesmen, which aren't deemed the most reputable of salesmen, and he was a Jewish guy, so there were opportunities.

Haigh: When you discussed the sale you had made to Boeing of the 1401s, you also mentioned your relationship with the data processing manager there, pitching in and upgrading the status of that group. How important were relationships between the sales staff and the machine accounting and data processing managers inside the companies?

Mann: Well, that's really the technique that IBM used to overcome Burroughs and Unisys and everyone in the marketplace. They would just blanket places with salesmen and assistant salesmen and maintain close relations with them. I remember the head of the IBM sales team who played golf with the head of IT every Friday and he said, "I don't know what I'm going to do. If this guy ever dies we're in trouble." <laughs> So they worked at it and they covered them and just over the years overwhelmed the competitors with that sales-service approach.

Haigh: Can you remember if there was a local chapter of the Data Processing Management Association?

Mann: Oh, yes, the DPMA.

Haigh: Did you attend meetings? Were you ever a speaker?

Mann: I don't remember any of the specifics but I am certain I attended a few meetings. That's where you went to keep contacts with people. I wasn't particularly interested in it because at that point they were still interested in the old tabulating equipment and my mind had moved on to computers.

Haigh: That's interesting. This period would be 1960 to 1963?

Mann: Yes. I was with IBM a little short of three years.

Haigh: At that point most of the installed base was still on punch cards.

Mann: Absolutely.

Haigh: You mentioned that in this one case you helped out with the programming. What other kinds of things did you have to do especially for the companies that were new to computerization? Did you for example have to explain to them what programming was? Did you have to help them hire staff to run the installation? Did you recommend where they could find an experienced manager to take it over?

Mann: Not in recruiting particularly. It's kind of hard to recruit experienced people in a discipline that's just beginning. Where are they going to get their experience? But explaining computers to people I did primarily through this executive computer course that I developed and the technical work I was doing then was simply a means to an end of getting an order. I didn't do any more of it than I had to.

Haigh: After you made the sale did you continue as the representative of IBM to that installation?

Mann: Yes, unless you got transferred and in my case I got transferred from the manufacturing Boeing sales group to the banking sales group.

Haigh: They viewed sales as something that would then transition to managing a relationship, not just as a one-time thing.

Mann: Yes, that's a good way to say it.

Haigh: In 1963 you left and we'll talk about that in a second. I was wondering if you had stayed with IBM at that point, what would you have expected your career path to be? Did you have a clear sense of what would come next inside the company?

Mann: You kind of knew what would happen. From a salesman you next got assigned to—I forget what it was—division headquarters or something as a specialist in some particular industry area, banking, whatever. And then after you worked for that for a couple of years they'd move you back to being an assistant branch manager somewhere and then you'd end up being branch manager. Branch managers were a big deal. So you kind of knew where things were going. However, I wasn't real thrilled with the culture of IBM in those days because the way you moved up was through a lot of cronyism and while I didn't think about it very much that didn't sit well with me mentally. But were I successful with IBM I knew where I would go, this path from sales to specialty sales to assistant branch manager to branch manager.

Haigh: Beyond the exposure to computer technology and the technical expertise you picked up, do you think that there's anything from the IBM culture or your exposure to how the company worked that shaped the way that you approached business later in your career?

Mann: Well, IBM had the best sales school and the best sales disciplines in the world and you just couldn't go to a better sales training spot. However, in terms of my later management, most of my style there really came from my time in the military.

Career with Fox & Company

Haigh: So in December 1963 you left IBM and went to a Wichita-based accounting firm, Fox & Company. Was that the company that you had been the sales rep for?

Mann: Yes. They not only knew me from that, but a couple other guys had attended my computers for executives course, and honestly, Wichita is a small town. I just knew a couple of the partners. A couple of the partners in the firm were guys I'd gone to college with.

Haigh: And how did you first become aware of this opportunity?

Mann: Well, it wasn't any great analytical feat on my part. The managing partner of the firm, a guy named Bob Coffman, called me up saying, "I'd like to see you one day." He called me in and said, "We merged with another firm in Tulsa, and they've got a thing that people are calling a service bureau, and it's not going well, and we'd like you to come to work for us and make it go well." Essentially they made me an offer I couldn't refuse, for Wichita. I forget what the dollars were, but it was at least double what I was making at IBM, maybe 250 percent of what I was making at IBM.

Haigh: Actually according to your old résumé from sometime in the 1960s, your starting compensation was $18,000 and your current compensation $27,000.

Mann: Yes, whatever. It was a big step. And also you got a membership in the downtown club and stuff like that. It was a big deal in Wichita, particularly when you used to live a block from the tracks.

Haigh: It says when you started off you were supervising four people and that rose rapidly. But where did they get the idea to be in the service bureau business?

Mann: They were on their own growth by acquisition campaign, and they were very good at it. At one point, they were the thirteenth largest accounting firm in the country after about 15 years of this growth by acquisition program. Computers were just entering the scene, and also the idea of accountants doing business consulting was beginning to rear its head. So they thought they could get a leg up on their acquisition program by looking like they were on the leading edge by having someone that was an expert on computers and doing work for their customers on a computer. So it was part of their strategy. At the same time, they also hired another friend of mine, a guy I hung out with, who had gotten a Harvard MBA. And since there were probably only three Harvard MBAs in all of Wichita then, they hired him to form a consulting division for them. So it was part of an organized plan on their part.

Haigh: So there was a big push into those new kinds of markets for accounting firms. When they made that decision, did they already have a computer?

Mann: Well, they had this operation in Tulsa, and it had a computer, but the typical thing an accountant would buy in that era was a magnetic ledger card computer, and accountants really had a hard time thinking you could do without ledger cards. And so the first computers they would buy were essentially ledger card machines, where magnetic strips on the back had the encoded information from the front of the thing. That is really an ingenious way to curtail the efficiency of a computer, to confine it to that kind of a media.

Haigh: So when you joined the company, was that still the only computer they had?

Mann: Yes, it was. And I ordered a 1401 computer immediately.

Haigh: Now, what were the similarities and differences between selling computers, that you'd been doing for IBM, and selling time and computer services?

Mann: I didn't find it a great deal different. It was a little easier because the firm in Wichita had, I think, 15, 16, 17, 18 partners, and they were all over the city, and so leads would come from that, because all of them were anxious to show off how modern the firm was, having a shiny computer. So I was just overwhelmed with leads.

Haigh: So the initial sales leads were all coming from the existing customers of the accounting firm?

Mann: That's right. My biggest problem was having to tell people that this was not a good application to do, guys. <laughs>

Haigh: And were you charging for programming work to the customers, or were you charging per transaction process?

Mann: Well, I developed an appreciation, and I don't know how, for recurring revenue. It never occurred to me that selling, and getting a one-time fee was a great deal. I mean, what do you do next year? I loved the recurring revenue. So I followed the pattern of most early service bureaus, which meant that I charged what I could up front for developing the software, and then charged transaction fees, or monthly fees, or something like that.

Haigh: Now IBM at that point, of course, was all about leasing and recurring revenue. Do you think that influenced the way you thought about things?

Mann: Could well be.

Haigh: So once you'd got the 1401 up and running, how did things develop over time with that group?

Mann: Well, I spent a lot of time talking to prospective clients, and meanwhile, in the background, I was pretty much developing this accounting system by myself based on the bootleg program that I'd adapted for Boeing. I was developing a general ledger financial statement system, because the firm, unlike the big nationals now, still did bookkeeping work for some clients, and called it write-up work in those days. So there was a whole lot of that to be done, and that was simple enough that the partners of the firm themselves could sell it for me.

Haigh: Now at that point I know IBM was coming up with assemblers, RPG, utilities like that for the 1401. Did it provide anything useful in the way of application software?

Mann: To my recollection, IBM had zero application software in those days. None.

Haigh: So all the applications that you used were developed in-house or from bits of code that were passed around.

Mann: Well, as time went on, there developed kind of an underground of software that was passed around. And then at one point—I forget what year it was—Larry Welke's software digest, where people would post stuff, came along [ICP Software Directory] . You could find some useful stuff, but it largely was in the area of what they call computer utilities. Because an accounting system for a big business is going to be a little bit different for everyone.

Haigh: Even payroll users were doing it their own way.

Mann: Well, yes. What was the guy's name from Nashville? Stu Miller? Stu said yesterday [Ed. Note: at the meeting of Service Bureau pioneers sponsored by the Software Industry Special Interest Group of the Computer History Museum] that they specialized in mine payroll. Who ever knew that mine payrolls were any different than any other payroll? I had never heard of that before. And in fact, I had visions of guys sitting outside the coal mine with shovels getting ready to hit the boss if their paycheck wasn't delivered immediately.

Haigh: That's pretty much how he described it, yes. So you started out with a 1401. How many people did you need to hire to run the operation?

Mann: Not a whole lot. I think we had a computer operations manager. He had one or two computer operators, and starting out, I think we had three programmers, and that was about it. It was an operation of probably half a dozen to seven people.

Haigh: Any keypunch people?

Mann: Oh, I forgot about that. I think we had a couple of keypunch operators.

Haigh: But you made it sound like you were doing a lot of the program work yourself.

Mann: Yes, I was, and the reason was—in fact, still is today—it's more efficient if you have in your head the model of what you want to do from a business standpoint as well as the ability to convert that into computer code. Nowadays, the specifications are developed by one group, and then the code is developed by another group. It's a lot more efficient if all that dwells in one head. So just in the interest of economy, I did most of it myself.

Haigh: So the jobs were small enough that you could combine the systems analysis work and the program work?

Mann: Yes, some of them. Well, one job—for some reason I was thinking about it last night—was pretty interesting. So I'll digress a little bit. At that point, Learjet had opened a factory about a year and a half before in Wichita, and Bill Lear was going to build the first business jet airplane, which he subsequently did. They were customers of the accounting firm and they called me in because they wanted to know how to price this airplane they were building, and they had no idea what it was costing them to build, and they wanted to know that. Well, they had what's called an engineering bill of materials, and a bill of materials is a description of assembly, subassembly, subassembly, till you get down to an individual part. Which means that from fairly simple computations, you can get down to the exact price of what they're doing as long as they give you the cost of the lowest level components.

Haigh: Yes, they call that parts explosion.

Mann: That's exactly right. Bill of materials explosion. But no one had ever done it in Wichita. I happened to know of it because of the manufacturing sales school I went to. The problem with that was is these engineering bills of materials were notoriously error-ridden. And so you'd get to a certain point on the tree, and then there was a discontinuity and you had to figure out how to solve the discontinuity. So anyway, I spent, I don't know, about a month of digging around to solve that. Meanwhile, Learjet was having trouble financially, they hadn't gotten their airplane out and had no income, and they had a huge room out there. It looked like a hangar full of fold-up tables—you know, picnic tables—all full of bills they hadn't paid. I mean, just incredible.

So I figured out how much the airplane was. I told them, and they said, "Hmm. That's about what we thought." And I said, "What do you mean that's about what you thought?" And he said, "Well, our engineers, the way they estimate it is they price out the expensive components, the engines, and then they've got their rule of thumb for so much per pound of airplane." So I thought, "Boy, I tell you, that really puts me in my place." All of this sophisticated bill of materials explosion, and correcting the lack of integrity of the bill of materials, and they were close enough they didn't need me. So that was kind of a typical assignment of those days in Wichita.

Haigh: So, over time, would the accounting customers and accounting jobs continue to be the mainstay of the work that you were carrying out then?

Mann: Yes, indeed. And as Fox & Company continued their merger program, there were more and more people to direct work to the business.

Haigh: Were you opening any satellite data processing centers, or was it centralized?

Mann: I don't remember the exact timing but during that era, we bought a similar business in St. Louis, Missouri, where we also had an accounting office. That was my first acquisition.

Haigh: Yes. It looks from your résumé that that took place sometime before 1968. It doesn't say exactly when, but 1968 or earlier.

Mann: Sounds about right.

Haigh: So from that period of 1963 to 1968, were you still using the 1401?

Development of Dynatax and the Tax Return Processing Service

Mann: Well, at some point, we traded it in for a system/360, as I was getting into the computer income tax return business. The first two years of our computer income tax return business, we were licensing the system from FastTax, from a guy named Fran Winn, and it ran on an IBM 1620 computer. And I forget whether we rented one or whether we borrowed someone else's to do the tax returns, but that's how we did it the first few years. And then when I decided to do my own system, the 1401 just wasn't up to the task.

Haigh: Yes, by then they were transitioning. So was that a disruptive kind of transition to go from the simple 1401 to the 360 series? And did you switch to disk drives at the same time?

Mann: When the 360 first came out, I think all they had was tape drives for it. But shortly thereafter they introduced the first removable disk drives.

Haigh: No, disk drives were a little earlier. You could get disks for the 1400 series, although they were mostly tape. The first disks were with the RAMAC in the late 1950s.

Mann: Yes. I should know that, because I at one point sold a RAMAC computer to Beech Aircraft that was as big as this room, and had a seek arm that was about that long.

Haigh: That's interesting. Can you remember what they were using it for?

Mann: Parts inventory.

Haigh: Yes, it seemed like that kind of thing was a popular application, because you could ask it the level of something and it would tell you fairly quickly.

Mann: But boy, they were sure clunky. They were not very reliable either.

Haigh: But with Fox, you weren't using disks until sometime after you got the 360.

Mann: Yes, we got the 360 first, and I don't remember why, but I think all it had on it at first was tape, and they had a tape operating system then as well as a disk operating system, but it didn't work so good so we got disk drives.

Haigh: All right. We've been discussing the transition to the 360 series, which in a second is going to lead us on to the income tax processing. Just before we delve into the specifics of the applications that you were doing, with the 1401, had all the programming been in assembly language, or were you using any higher level languages?

Mann: Let's see. I forget the name of the system, but we were using a symbolic language that was beyond assembly language, but we hadn't gotten to Cobol or anything like that, and we used a bit of RPG when it came out. I forget the name of that symbolic language but it was an advance on pure machine language.

Haigh: Was it Autocoder?

Mann: Yes, that was it. Now, how would you know something like that? That was before you were born. <laughs> Well, I guess you are a historian.

Haigh: Yes, I'm a historian. That's why I'm interviewing you. Now, with the switch to the 360, were you also switching to higher-level languages for the applications?

Mann: Well, like I said yesterday with some sense of irony, I knew how a tax return program needed to be structured, because of the same FastTax. I could imagine that the inside of the program was going to be a combination of complex arithmetic and formatting. I mean, that's what a tax return is. So when IBM announced PL/1 with great fanfare, which was supposed to be the ultimate language, with all the capabilities of Cobol and Fortran, and a couple of other things, it sounded like just the ticket for this application. So I wrote a demo version of the program so I could get out and be selling it to people like ACS [Accountants Computer Services] before it existed, which was also common in those days. I wrote a demo program, but all it did was compute the first page of the tax return, the 1040, which is just arithmetic—I mean, basic stuff—and cranked it up for its test run, and it ran and ran and ran. I got bored and went out to lunch and came back, and it was still running on one page. And I figured, "Oh, it would take them about three weeks to do a whole tax return." So I had to scrap that idea, and I went back to Fortran with a lot of assembly language overlays to handle the stuff that Fortran didn't do well.

Haigh: Now, you said you went back to Fortran. Had you used Fortran previously?

Mann: Well, I meant regressing in terms of going from what was alleged to be a more powerful language to a less powerful language. I had had some experience with Fortran, because that's what the FastTax system was written in, and during crisis days in tax season, when Fran Winn had more bugs than he could handle, I would help him debug the stuff, so I was exposed to Fortran. Besides, it's not so hard. You can learn it in an afternoon.

Haigh: Did you ever do anything with Cobol?

Mann: I never did.

Haigh: In your previous interview you discussed FastTax and the basic relationship with Fran Winn, and so we don't need to repeat all the details on that. It was actually interesting to me that you had begun by franchising an application that was being offered, that had been developed somewhere else. Do you know if there were a number of service bureaus franchising the FastTax software, or was this an innovation?

Mann: No, it was one-off. I don't know how I discovered him, but I loved the look and feel of his system, and he was the third in line. CompuTax was the biggest, AutoTax the next biggest, and then FastTax. Somehow I heard of him, and I loved the look and feel of it, so I took him a proposition and said, "How would you like to make some more money by having us running tax returns with FastTax in Kansas?"

Haigh: Do you know of any other service bureau applications that were franchised in this era?

Mann: I never encountered one.

Haigh: So that was unusual. And you had mentioned also—I think in the other interview and yesterday—how important Pizza Hut turned out to be as a franchise model. So do you think that your awareness of the franchise model was linked to this experience of businesses being franchised in other areas?

Mann: Definitely. I mean, most assuredly. I was a fraternity brother and contemporary at Wichita University with Dan Carney, the principal founder of Pizza Hut. As a matter of fact, he was an early franchise advocate. The only other ones that existed at that time were McDonald’s and I forget one other small one. So he was a pioneer. I definitely got the idea from him.

Haigh: That's interesting. How long did it take before you were franchising out Dynatax?

Mann: Well, actually, it was under development. The system was under development from about April 30, one year, until tax season the next year.

Haigh: Do you remember which year that was?

Mann: No, I don't.

Haigh: I can tell you from the résumé, again it would have been before 1968.

Mann: Okay, that's fine. So being a salesman—that's why I wrote a demo version of the program—my intention was to raise some of the money to pay for it by collecting up-front license fees and licensing it to others. And I made, I think it was four sales. ACS, who was in the meeting yesterday, was one of them, and there was an accounting firm in New York, an accounting firm in North Carolina, and one somewhere else that I totally forget. I was able to convince them to pay me a pretty stiff up-front fee. I don't remember what it was. It wasn't $100,000, but it wasn't $10,000 either. It was somewhere in between there. So I collected money before the program existed, and then that same tax season, 1968, or whenever it was, they were actually, by the end of the tax return season, running good tax returns at each of the four locations.

Haigh: So you didn't even wait to get the bugs out before you were using the system?

Mann: Well, I'll tell you, tax returns are a terribly difficult application, because every other computer software project in the world is late and can be late. The tax system, if you're late, you don't have any income. So you had to have it ready to go every year. It always had bugs in January. Usually it was settled down pretty good by February or March.

Haigh: Now at that point, were you involved with ADAPSO?

Mann: Yes, I was.

Haigh: And is that how you knew who might be interested in it?

Mann: No, actually I knew that from another group. It was mentioned yesterday, the Accountant Computer Users Technical Exchange. ACUTE, they called it. And it had maybe a dozen members, but that's where I met all the guys that were buyers.

Haigh: That's interesting. So were the members mostly service bureaus, or was it a mix of end-user organizations?

Mann: No, all accountant-sponsored service bureaus. Every one of them.

Haigh: In this era, was there any local competition in Wichita?

Mann: No. There was another service bureau that had started. In fact, I had a partner that sold a 1401 to him. But he wasn't much of a businessman and went broke pretty quick.

Haigh: Was the ACUTE group something that you were involved in starting, or did it already exist?

Mann: Someone else started it. Once I heard of it, I joined it for the purpose of finding prospects for stuff I had to sell.

Haigh: And do you remember what happened to the group in the end?

Mann: I don't. I have no idea. I don't even remember who was the leader of that group.

Haigh: So I guess in a minute we should move along and talk about the expansion, the merger with the St. Louis operation. Up to that point, was your group growing rapidly? Did you finish up with a significant number of programmers to supervise?

Mann: No, revenue was growing, but we still had only three or four programmers.

Haigh: So it was fairly small.

Mann: And I was very conscious—I don't know why, because most fledgling entrepreneurs aren't—but I was very conscious of curtailing expenses and having a profit as opposed to a loss. So I only hired people grudgingly, when it was overwhelmingly clear that I had to have them.

Haigh: All right. So that's why you were staying more hands-on with the programming as well then.

Mann: Right.

Haigh: So how was your relationship with the company as a whole? Did you find the accountants supportive for what you wanted to do?

Mann: Oh, yes, the support was good. There was a concern the first few years of the tax return program, when it was clunky. Every tax season a lot of them were worried that it wouldn't be ready and they wouldn't make any money that year. It caused some apprehension. But the whole activity was supported with very little skepticism in the whole accounting firm. And the accounting firm by 1968-1969 was, I don't know, 18-19 offices, probably a hundred partners.

Haigh: And you had mentioned in the earlier interview that you had a handshake deal that you would have a 25 percent interest in the company if it reached the point where it would be a freestanding business. So at what point did it start looking like that was something that would be happening?

<u>Creation of Dynafacts via Merger with Other Service Bureaus</u>

Mann: Well, before the tax return program, we acquired this similar operation in St. Louis. So we had now two data centers, two service bureaus. And then after the tax return program was underway, I was approached by John Owens, an accountant who owned a similar service bureau in Lexington, Kentucky. And he had stirred up three other firms and a second-tier investment banker to put this all together and go public and get richer than sin. <laughs> I didn't organize it, he organized it, and at that point, there were a total of five service bureaus, two of which I brought, three which were already there.

So this activity began to brew around and we were going to go ahead and have this as a separate corporation. So we incorporated it. I actually paid the accounting firm $120,000 from my share—the $120,000 having come from a note I signed at the bank which was in the same building with us. And that's how the separation came about. Everyone was happy with it. The accounting firm had kind of stars in their eyes with visions of millions.

Haigh: All right. And you had discussed this previously in the context with the boom in publicly traded software and services companies at the very end of the 1960s.

Mann: 1969, specifically.

Haigh: Now, from what you've said, it sounds like the acquisition of the St. Louis data center was successful.

Mann: Yes. It was not without its problems. They lost a little money for a while, but we were able to accumulate more business through the accounting firm's St. Louis office. And it was not a big money-maker, but a little money-maker.

Haigh: Right. Whereas the other three that got merged to create Dynafacts, Inc., as you discussed yesterday, turned out to be fundamentally unprofitable.

Mann: Yes. They were not making money. For the terms of the proposed public offering, it looked all right, because you created earnings out of capitalizing software in those days. And they were all, on paper, showing a profit. But in terms of cash flow, they were cash flow negative. So after the bottom dropped out of the market and we couldn't go public, the accounting fees and legal fees in connection with the offering had probably cost $400,000. It was an untenable situation.

Haigh: And so do you remember the name of the other company or companies that were merged to create Dynafacts?

Mann: Well, I was trying to think of that the other day, because I figured someone would ask. No, not with any clarity, and I'd probably be wrong. I could look them up if I dug around in my archives. I know that one piece of the archive I haven't thrown away is the initial printing of the red herring for the company, which I've got.

Haigh: And the name Dynafacts—that's named as an extension of Dynatax, right?

Mann: Yes, that's where the name came from. But the name Dynatax—I couldn't think of any names I liked, and so I challenged all the employees to think of a name, or brainstorm names, put them down on a piece of paper and we'd pick one. And Terry Higgins, the guy that subsequently went to work for Stu Miller, thought of Dynatax. And so when the group got together, no one could think of a better name, and they selected Dynafacts, which made a little sense. At least it was simple.

Haigh: Right. Now, at the time that Dynafacts was being put together from this merger, was it always clear to you that you would be running the combined company?

Mann: Oh, absolutely not, because this guy from Lexington, John Owens, had organized it, and he had put the whole deal together. What happened was after the IPO collapsed and everyone took a look at the numbers, it was clear that the thing was in big trouble. As I said yesterday, about a half a million dollar capital deficit, losing $50,000 cash a month with no bank balance to lose it from. The two money players in the deal were Fox & Company, my accounting firm, and William T. Young of Lexington, who had sponsored the

Lexington operation, and who was an early investor in Kentucky Fried Chicken and had made a lot of money in that and a lot of other things.

The manager of that place ended up working for me for many years, a guy named Ken Adams. He went to Bill Young and said, "This thing is a disaster. You're going to lose all your money if you don't do something." So Young got in touch with Fox & Company and they had a meeting unbeknownst to me and decided that I should be appointed to turn the disaster into something other than a disaster. So they asked John to step down and he did, and I became chief executive, which was kind of a mixed blessing, because I liked being the boss but I had no idea how to cure the problems. But we did go on and figure out a way to cure the problems, and moved on.

Haigh: So what were the immediate steps that you took to stabilize things?

Mann: Well, when you describe it, it sounds almost mindlessly simple. The presidents of each of these data centers had a meeting, and I told them to bring their budget for the next 12 months, and they all brought their budgets. I looked at them before the meeting started, and I would start off with their income. In the service bureau business, you budget your recurring revenue, that you've already signed, and then you budget new sales. Well, I knew sales were already optimistic, so I scratched off the new sales on each of their budgets and said, "Okay, here's your revenue, guys." And then I added up the expenses on each one of them, and in all cases the expenses exceeded the income.

Well, in the service bureau business, or any kind of computer operation for that matter, your only variable cost is wages and salaries. Everything else is fundamentally a fixed cost. So I figured out the average cost per employee in each of these businesses and said, "You guys are going to have to reduce that many people, because we can't afford what we're doing." And there were cries of anguish, "I can't do that, or we'll fall apart." And I said, "Well, maybe we'll fall apart, but look at these numbers. We're in the process of falling apart if we don't do it." And everyone finally became convinced and we did it. But it was just that simple.

Haigh: So you just made layoffs evenly across the bureaus?

Mann: Well, not evenly. Everyone agreed at the outset of this exercise that we would protect the tax product, that it was perhaps a jewel, and that we wouldn't cut it back. And I kind of assigned the numbers based upon my sense of who was overstaffed and who was understaffed.

Haigh: And the three new centers you acquired, were they also specialized in accounting applications?

Mann: Yes.

Haigh: So, was the downsizing, cost-cutting enough to stabilize things for the next two years?

Acquisition of Dynafacts by United Data Centers

Mann: Well, it meant we were not on the brink of bankruptcy. We were still paying bills slowly, but we had enough money to pay them. But we needed capital. I mean, you can't go on paying bills slowly forever, so we needed to do something. But before I got down to figuring out what to do, Bernie Goldstein came around and made the acquisition proposal that cured the problem.

Haigh: So let's backtrack slightly and talk about your early involvement with ADAPSO. Can you remember when you first became involved?

Mann: Well, there were two episodes in the early days, when ADAPSO was very, very small. This would have been 1964 or 1965, something like that. I joined ADAPSO and went to a few meetings for the primary purpose of attempting to network with some people in the business that knew what they were doing.

Haigh: And were you successful?

Mann: Well, I don't remember specifically, but the answer is generally yes, because I bump into enough people now in sessions like this that I remember from those days. But it was a much smaller organization, and everyone was trying to figure out how ADP was doing well, and ADP wasn't talking. <laughs>

Haigh: Do you remember any specific things that you learned there that you were able to put into practice?

Mann: No.

Haigh: Was it in this era, in 1964 or 1965, that you first met Bernie Goldstein?

Mann: No, I didn't meet him until he approached us on the acquisition of our companies by United Data Centers. I never even heard of him before. I don't know why, because he was active, but our paths just didn't cross.

Haigh: Yes, in his oral history and the records, I think there's a period after he sells his first business where he's on the road for ADAPSO, going around the country. But you hadn't come across him at that point.

Mann: I do remember meeting him in Wichita on his grand tour, and I had no idea what he was, or who he was. And I think I was already a member of ADAPSO at that point. So I was nice and polite and said goodbye, and I forgot about it.

Haigh: I think that's approximately 1967.

Mann: Bernie's probably got a better feel for the date than I do.

Haigh: So then you didn't see him again until about 1970?

Mann: Early part of 1970.

Haigh: After Dynafacts was already put together.

Mann: Yes.

Haigh: If I remember right, he started United Data Centers in about 1968. So it would have been going a little while before that.

Mann: That sounds about right.

Haigh: You said he initially approached you with this suggestion and how did you react to that?

Mann: Well, having no clue how to solve this capital problem, when Bernie said, "Would you be interested in considering it?" I said, "Yes." And he said, "Well, we're going to have to gather some data." And I said, "Of course." And so I gave him data. He went away and he came back with a proposal. That's how it got started. Or rather, Al Eisenstat came back with a proposal.

Haigh: Did United Data Centers have any kind of reputation in the business that you were aware of before this?

Mann: Not that I was aware of, because they were primarily centered on the East Coast, and I was out in the wheat fields of Kansas. Our paths didn't cross.

Haigh: So as you received this proposal and you learned more about the rollup strategy, was it something that made sense to you as a way forward for the business?

Mann: Well, it was a way out of bankruptcy, is more how I would describe it.

Haigh: So I'm seeing more of a push factor from the problems than a pull factor from the opportunities.

Mann: Absolutely. I would have been open to any solution that worked there. I had $120,000 I owed the bank that I didn't have, so anything that looked like it might give me a chance to make that back I was amenable to. And plus, by this time, the leaders of the accounting firm were getting concerned also, because they had quite a bit at stake in the deal as well. And one educational experience I had with this, I was busy scurrying around, cutting expenses, getting the thing profitable month to month, and preparing data for Bernie; and I wasn't telling the leadership of the accounting firm what I was doing day by day. I just had the illogical mindset that because I was doing what needed to be done and I knew what I was doing that everyone understood that.

But the managing partner of the accounting firm, who was a wonderful guy, called me in one day and he said, "Jim, you're screwing this up." And I said, "Why? I think we've got a way out here." And he said, "Well, you may have a way out, but no one knows it because you haven't told them." So I said, "Oh, good idea." So I went around and talked to a bunch of the senior people and told them what was up and everything was cool. And I've had to remember that advice periodically throughout my career, because I have a personal proclivity as long as I think things are going right and I'm doing what I need to do, that everyone knows that. And it's not true a lot of times.

So there was a good deal of apprehension at the accounting firm. Bernie came back with a proposal to cure this capital deficit, which was probably more than half a million dollars when you add in working capital requirements and things like that. The thing that was contentious about his proposal was for the group to contribute the five data centers, plus half a million cash to the deal for payment in stock in United Data Centers. In other words, buying stock in United Data Centers in addition to getting stock for our companies. And when the accounting firm saw that, there was a good deal of consternation. But the analytics prevailed and they saw it as a reasonable way out of a nasty situation.

Haigh: Then you became chief operating officer and executive vice president running a total of 15 data centers.

Mann: Yes.

Haigh: Was that something that was agreed at the time of the deal, or did it develop later?

Mann: Bernie and Al proposed that while we were talking about the deal. And I knew enough about deals by this time that I knew that's what anyone would say. So I didn't pay much attention to that aspect of the deal. But then when it was clear that that's what Bernie and Al wanted me to do, I was enthusiastic. One thing I discovered earlier, as I began coming to New York and bigger population centers than Wichita, is that, in New York City, it's about as easy to sell a two million dollar piece of software as it is to sell a $100,000 piece of software in Wichita, Kansas. That was a real revelation, and I went, "Hmm." Work the same amount of time, and get a lot better result. So I was enthusiastic about getting a chance to live in the center of things for a while. I moved to Greenwich, Connecticut, which is where the headquarters was. Bernie lived in Rye and Al lived further out in Connecticut.

Haigh: What was it that you think that they saw in you or in your track record to take you from the regional market and put you in charge of all the data center operations?

Mann: Well, I think two things. The fundamental thing is a lot of people fancy themselves capable, hands-on managers who aren't. And Bernie and Al never had a zest for that aspect of the business. Bernie—great strategist, great acquisitions guy—but it was not his thing to get down in the weeds and run one of these data centers. And particularly when he saw what I had done to the Dynafacts company, that was about dead and I revived it, which is what he did—he bought data centers on the cheap and revived them—he saw an opportunity. And we got along very well. I tended to running the data centers and Bernie tended to buying new ones.

Haigh: And that stayed the same basic relationship over your time working together?

Mann: Yes, it did. We had occasional disagreements on stuff, but basically Bernie was a good boss because he let me do what I do well, and he did what he does well.

Haigh: And obviously later you made rather a large number of acquisitions of your own. So would you say that there's anything in particular that you learned from Bernie's approach to the business?

Mann: Well, I learned the mechanics of acquisitions, the difference between pooling, purchase accounting, what due diligence is—the mechanics of things. I learned about earn-outs from him. But the main thing I learned from Bernie is just his style. He has the amazing ability to deliver the most outrageous arguments supporting his position with a smile and in a style, that sweetness and light, and you think, "I can't believe that the words I'm hearing go with this demeanor." <laughs> He had a genius for delivering bad news. And I thought, "Boy, that is a cool trait." So when I had occasion to get into situations where we needed to negotiate something, or we were disagreeing, I followed Bernie's lead and was incredibly gracious and complimentary, while not changing my position much. Bernie was incredible at that.

Acquisition of United Data Centers by Tymshare

Haigh: Now, UDC was sold to Tymshare in December 1974. Had UDC continued to grow rapidly after you joined in 1972?

Mann: Yes, it did. I can't read Bernie's mind but I think that he kind of sensed that we might be at some cyclical peak, and that maybe the growth would slow down. If he had figured that we were going to continue to grow 20 percent a year forever without a pause, then why would he have sold? So I think he sensed we were at a cyclical peak. And when the Tymshare deal reared its head, he was receptive.

Haigh: Right. Had UDC been making any moves itself towards time-sharing or remote processing?

Mann: Not to my knowledge, but Bernie handled all the acquisition mechanics. Not only the companies we acquired, but Tymshare acquiring United Data Centers was Bernie's deal.

Haigh: And what did Tymshare look to get out of that acquisition?

Mann: I'm not sure what they looked to get out of it. My general sense was that they had figured out that application software—in other words, software that does a task, as opposed to software that is a tool, such as a spreadsheet—was something that would be good for them to be in. So they bought it. The thing they really got—which I don't think they ever figured out what a great deal it was for them—was to run the tax system. By that time with the volume we had by then, we'd have to go out in December every year and round up about twenty 360 computers to rent for a four-month period. And it was always kind of a cliffhanger because you couldn't shop for them in the summer because no one wanted to do a four-month lease. You had to wait until it was on you and the lessors were getting nothing for them, and then four months was better than none. So it was always a cliffhanger, and it was always a huge expense.

Haigh: So what kind of companies were doing that short-term leasing?

Mann: The same leasing companies that were doing long-term leasing.

Haigh: So they had enough of a spare pool that they could support that kind of requirement?

Mann: You shopped around, found it. We never had trouble finding the inventory; it was somewhere. Tymshare, on the other hand, had just about a year or so earlier gone from having one of the early minis—Digital Equipment, maybe—to being an IBM shop as well, and had put in a couple of 370s. And they thought that the tax return system could be run remotely on 370s at night, since time-sharing wasn't busy at night, and thereby save the scramble we had every year. The fact of it was no one knew whether that was going to work, whether the communications of the day were going to be fast enough to handle the job or not. But they sent a guy from California to Wichita to make this happen, and he got it to happen in about 60 days. He later worked for me in SunGard for about 22 years.

So it worked, and we did all the tax returns at night. The way Tymshare was organized, they didn't have divisions or profit centers, and so they didn't know how to make intercompany charges. So the P&Ls on the tax return business were great, because they had no production cost in them. And so it really worked out well—a tremendously profitable acquisition for them because of that one phenomenon.

Haigh: Right. You want to give the name of the guy who you later worked with?

Mann: Mike Muratore. I later found out he had only been with Tymshare 30 days when they sent him out, and his background was not as a programmer, but as an operations guy. How in the world he got all this figured out, I don't know, but he did.

Haigh: Now, it may have changed a little bit over time, but my impression is that in the early days of the time-sharing companies, it was a very different culture from traditional service bureaus because there was all this cutting-edge technology, PhD computer scientists, custom operating work. It was real rocket science just to get the thing up and running.

Mann: Well, the biggest difference, organizationally speaking, is that Tymshare—and that's the only one I am familiar with—was a functionally organized company. They had programming, they had operations, they had sales, and they had marketing. And United Data Centers was profit-center-organized companies. We had this company charged with making money with their own ability to do it, and this one, and this one, and this one. So that's a fundamental structural difference. And Tymshare also had the belief that you could inflict a functional organization on a profit center organization, and it would make things run better, when in fact the opposite is true. So there was an organizational tension there that I didn't like. And Bernie was immune to it, because he became the M&A guy for Tymshare. And Albert Eisenstat was immune to it because he became their chief administrative officer. And I was left as the only one standing in the old United Data Centers business being viewed as kind of an eccentric because of the profit center organization compared to their functional organization, which they thought was how you should do it.

Haigh: So you became president of the Data Centers division in Tymshare.

Mann: Yes

Haigh: So did they view the whole of that division as one function within that functional organization?

Mann: I don't know how they did it. There was really a big culture gap there.

Haigh: And up to the point of that acquisition, had they had just one data center and done everything remotely?

Mann: I think they had had just one computer center. They may have had another one, but it was doing the same thing. If they had another one, it was because they ran out of space and needed more space.

Haigh: So it was a different kind of operation. Now, it says on your résumé that in six months you eliminated eight computers through remote computing technology. Had that been the logic behind the acquisition, that you would be able to switch?

Mann: I don't think Tymshare focused on it, but it was the most profitable aspect of it to them. It converted a significant production cost into zero because they couldn't figure out how to do an internal charge for it. And that really wasn't such bad accounting, because these 370 computers were not earning any money at night for anyone anyway. So it was a free resource.

Haigh: And was the Dynatax product the mainstay of the revenue that you were generating?

Mann: No, not really. I forget the numbers exactly, but it would have been well less than 50 percent of the total revenue.

Haigh: Were there any other major products?

Mann: We had, of course, our emphasis on general ledger financial statement accounting for accountants that I brought to the thing. Bernie had developed a specialty in fuel oil dealer accounting systems. They call it degree-day accounting method for scheduling deliveries so that you're not running around all over the place with an expensive truck. And so we had those three specialties: financial statements for accounting, the fuel oil dealer or degree-day system, and tax returns.

Haigh: And do you have a sense of whether the acquisition by Tymshare made any difference from the point of view of your customers?

Mann: It would have been invisible to the customers. They would have been totally indifferent.

Haigh: So we've got this kind of long period here from 1963 to your departure from Tymshare in 1977. You're basically running the same business, it's been restructured, it's growing. We've talked in some detail about the beginning when you were using Autocoder and the 1401 and were still doing a significant amount of hands-on programming work. Through 1977, what kinds of important shifts were there in the scale of things, the technologies you were using, the way that the work was organized?

Mann: There were no significant changes in the method of delivery or anything during that period. When I left Tymshare we were still doing pretty much the same thing we did when I arrived at Tymshare. By now, I had long since given up doing any actual work myself, and my job was essentially to ignore the businesses that we had that were doing well, and to fix the ones that would occasionally do poorly.

Haigh: So through 1977, was the data still coming in from the customers on paper and being punched onto cards when it got to you?

Mann: Yes, that was still the method.

Haigh: And they were still getting the results back as a printout?

Mann: That's right. Much later, when we entered the microcomputer tax return program era, it was only then that it changed. There was no interim step. There was no optical scanning of data. It was key-punching, or entering into a terminal, and then transmitting to a computer. There was really no change until TurboTax came along.

Haigh: Did any of your applications involve keeping significant amounts of data on disk, or were you just running stuff through on tape still?

Mann: On tape; it was the archival method.

Haigh: And in terms of the programming, did you finish up with a significant number of Cobol programmers?

Mann: Well, the way United Data Centers was organized was separate profit centers. Some of them were using Cobol, some of them weren't, and we really didn’t much care.

Haigh: Did the profit centers correspond to applications or to geography?

Mann: Geography. But then, within the geography, they would specialize in the accountant marketplace or fuel oil dealer marketplace.

Haigh: So it remained then quite a decentralized business.

Mann: Absolutely.

Haigh: Beyond the applications that you mentioned, like Dynatax, was there any kind of attempt to centralize technology or infrastructure?

Mann: No. Neither I nor Bernie nor Al saw any benefit to it. Some outside observers said, "Well, why don't you get all your programmers together." What's the point in it? They're working on different things. Why destabilize things? And occasionally it was, "Well, why don't you consolidate your sales force?" Well, there's not much of a synergy between a salesman selling a fuel oil dealer system and a salesman selling a tax return. And for some reason or other, outside observers that are dedicated to the notion of functionalization being efficient can't see that. So we never gave a single thought to doing that at all.

Haigh: That's interesting. And the managers at the individual data centers, were they coming up from within the data centers?

Mann: Yes. But we actually didn't have much turnover. Out of the data centers we had, which was—I don't know, 13, 14, 15, something like that—I think there were only a couple that didn't have their original bosses in place.

Haigh: So from the point of view of a data center manager that got acquired by UDC, or later Tymshare, what kind of difference actually would it make for them being part of a larger organization?

Mann: Well, most of the businesses that United Data Centers acquired, if not all of them, were in some kind of financial difficulty. The advantage to the guy running the data center is he got a paycheck after the acquisition.

Haigh: So is there anything else you want to say about that period where you're running the data center business?

Mann: No. That was about it. Like I said, there was a good deal of tension between Tymshare and the United Data Centers organization, but it didn't change my view of anything. I had not planned to stay with them very long anyway.

Haigh: I think when Bernie's earlier service bureau business was acquired, he'd stayed for two years, and that seems to have become a pattern within the industry.

Mann: Well, Bernie was never a long-termer at Tymshare either, but he is an ultimate gentleman, and he did what he felt he was obligated to do—stayed there two years and then moved on to form the most successful investment banking firm specializing in such businesses.

Haigh: At the time of the merger, did you have a similar kind of two-year expectation for how long you'd been staying?

Mann: You know, I really didn't have any game plan then. At one point I made a proposal to the chief executive of Tymshare that I would form my own company and my own business, the purpose of which would be to port the tax return system to a small computer. And I thought that would be a real winner and a real profit opportunity for Tymshare. VisiCalc had been around for a couple years; this was when the Apple III was a pretty potent computer, just before the PC era. No, I think it was after the PC era had started.

Haigh: So this is some years after you had left Tymshare.

Mann: No, this was during the time I was with Tymshare.

Haigh: Well, according to your résumé, you left in May 1977, and I believe the Apple II was introduced in 1977 for the Apple II, or 1979. Anyway, the point is VisiCalc was certainly not introduced while you were at Tymshare.

Mann: You're absolutely right. I was mixing up early SunGard experience. There were some pretty potent small computers on the scene other than the Apple II, which I wouldn't consider a real potent computer. There were others on the scene, and what I proposed they pay for it, and then we'd split the profits after the thing was done. But Tymshare thought time-sharing was forever, and they didn't feel threatened by the early small computers that were coming out. Tymshare's biggest application of the sort was a job for the military, which was essentially a spreadsheet program, and I could see that that was going to be duplicated on these small computers pretty easily. So, anyway, Tymshare wasn't thrilled with that idea, and I slunk away.

Going into the Godfather's Pizza Franchise Business

Haigh: So you went into the Godfather's Pizza franchise business.

Mann: At that point, I had, for whatever reason, concluded that I didn't necessarily like being a corporate executive and wanted to be an entrepreneur.

Haigh: You know, it was interesting in the meeting yesterday that people talked so much about professional manager versus entrepreneur. Was this something that people talked a lot about in ADAPSO circles?

Mann: Well, that's always bemused me, and I think you could translate that a little differently. This may sound ironic, and if it does, it's because it is. But I think when people talk about professional versus nonprofessional, what they mean is Harvard MBA versus work-your-way-up-from-the-bottom. I think that's what they really mean, because I have considered myself, ever since I got into business, a pretty professional manager, and I would suggest that all the guys in the room yesterday were pretty professional managers, or they wouldn't be there, they wouldn't be survivors. So there's a little bit of reverse snobbery in that notion, I believe.

Haigh: I guess it's also the question how specifically tied you would see management skills as being to a particular kind of business. Would you buy into the General Electric model, that you can manage the light bulb division and then the steam turbine division and then the computer division, because the skills are transferrable?

Mann: I wouldn't go that far, because I think there's a big difference between a consumer-oriented retail business and a business-oriented business service. There's a huge difference. And I know that from personal experience, because my second wife and her mother were in the ladies ready-to-wear business, and I did some work for them occasionally of a computing nature. And no way could I have made any money in that business, because it just requires different skills. It's not a management skill; it's a merchandising skill.

So I don't totally subscribe to the GE theory, although I think there's a lot to it. Because when I got back in the computer business, I went to work for a company that was not a computer specialist, they were a full service outsourcer, and I didn't have any problem running those things. So I really think if people are honest about their terminology, what they really mean is a manager who has gone through the school of hard knocks, or some smart aleck that comes in with a business plan from the outside, is what they mean. <laughs>

Haigh: All right. But, presumably, going from the computer services industry to the pizza business, that seems definitely throwing yourself into the entrepreneurial camp, as opposed to the career corporate manager track.

Mann: Well, I was late getting into the game, but when franchising first started, particularly with pizza, you could, if you found the right real estate deal, get a Pizza Hut opened on $50,000 capital, most of which you could borrow. And if it was a good one, it would have a cash flow of one to two thousand dollars a month. And once you got the momentum going, you had enough cash flow that you were building literally several of them a month. And if you stopped building, you had all of that cash flowing into your pocket. That's how a lot of early franchisees—and not only pizza, but Burger King and Arby's, and all of them—got a lot of money. A lot of those franchisees, not well known to the general public, are mega-rich guys.

And I knew all that because of my business involvement with the Pizza Hut. So while it seems eccentric, in my case it wasn't totally eccentric. And at that point, the Pizza Hut franchise territories were all taken up, and Dan Carney himself told me, "The hot thing now is Godfather Pizza." And in some venues, it was hot. The venue I had, which was Wisconsin, would start out hot and then nosedive.

What counts in a fast food franchise business is management. You don't have to know a thing about cooking. No one that works there has to know a thing about cooking. It's management. It's keeping the place clean, keeping good service. So it's not that much different from running a service bureau.

Returning to Corporate Management with Bradford National Corporation

Haigh: So in your return to life as a corporate manager from 1981 to 1983 you were president of the Bradford National Corporation which according to your resume was a New York based computer services and software company.

Mann: They went beyond just computer software; they were a full service provider for back office Wall Street applications. It’s in the resume, it’s just a little simpler to say they were computer service people. But, for example, Chase Manhattan Bank totally outsourced the stock transfer business to them. They had all the clerks, all the computers, all the everything. Chase just put their name on it.

Haigh: And how did you come across this opportunity?

Mann: Well, when I gave up on the pizza business, I called Bernie Goldstein and said "Bernie I need a job." <laughs> And he said "I'll keep my eyes open" and he did and steered me to Bradford. Bradford National Corporation had been founded by a colorful character in the New York banking world named Peter Del Col who was from Citibank. He started it and grew it to $120-130 million. But it always seemed to have something going wrong somewhere and so he'd had a succession of chief operating officers—kind of a revolving door. I stepped into that revolving door and the first task I had was running this stock transfer business for Chase Manhattan that Bradford was doing and then after that I moved down to New York proper and became President of the whole company.

Haigh: So the company was running its own data centers and outsourcing some of the business processes?

Mann: Yes. The reason they were in a state of a chaos in the stock transfer business is they had previously been running at Two Broadway in New York and they decided it would make sense to move the whole operation to New Jersey and they rented space in Fort Lee just over the other side of the George Washington Bridge. They had a thousand employees that they attempted to get to go to New Jersey, but only about half of them did. They had trouble filling slots that required knowledge and the move was just generally a debacle. When I arrived on the scene their books on the Chase account were just incredible for that day and age. They were $500 million out of balance. <laughs> And now, $500 million is kind of like pocket change but then that was a huge amount of money and they just had piles of un-reconciled stuff all over the place and it was just generally a mess.

Haigh: It's kind of ironic, since they were outsourcing other people's business.

Mann: Made it worse instead of better, yes.

Haigh: Now let me see, it says here that you turned a $25 million stock transfer business employing 1,150 people from a million dollar loser to a million dollar earner by eliminating 215 employees and renegotiating an untenable contract with a $13 million customer where there was little negotiating leverage.

Mann: Correct.

Haigh: Is that a much bigger group than you were responsible for in your Tymshare days? It sounds like a large operation.

Mann: You know, probably in terms of number of people it may have been a little bigger than the United Data Center's section of Tymshare. In terms of revenue I think it was smaller. In fact I know it was smaller.

Haigh: Because this was still a labor intensive business?

Mann: Yes.

Haigh: Much of it would have been key entry work?

Mann: Yes, right, and in Wall Street terms, you know, they just were spending too much money. And in Wall Street terms you cure that by shooting clerks. <laughs> So we did that but also we had to have more revenue. The guy that was in charge of it at Chase Manhattan, of course, was enraged at the chaotic service. So I met with him and said "Look, I'm going to fix this. I don't know how soon but I think you'll see progress every month. But I've just got to have more money or I'm not going to be around to fix it because they're expecting me to turn this into a winner from a loser." He grumbled but we tried to work various formulas, where we'd get more money if we did this and that. I finally said "This isn't going anywhere. I'll tell you what, if you would agree to pay us an extra $500,000 every month that you see noticeable progress, I'll pile ahead full steam and we'll get things fixed." And he agreed to that amorphous proposition and paid us a half a million more every month thereafter until the thing was tranquilized.

Haigh: That's interesting.

Mann: And that may be an example of Bob Tessler's theory of management which is make a buck somehow or other. <laughs>

Haigh: On the one hand that's negotiating. On the other hand it's interesting, at least through this stage in your career, how much of it was about operations and operational efficiencies which is not the kind of thing you think of at all when you say software business.

Mann: Well, you actually couldn't do much to speed up the process of reconciling these imbalances; you just had to work through this enormous amount of paper until people got it done. So other than introducing a little intensity on the scene, you really couldn't do much about that. It was either going to solve itself or it wasn't. Another thing I learned then about these Wall Street back office businesses is no one seemed to be concerned about this $500 million out-of-proof condition. What they told me, and what I subsequently understood from my personal experience with it, was "Oh, we'll find debits here and debits there and credits here and credits there and we'll owe someone interest for something done wrong, they'll owe us interest for something they did wrong and it'll all wash out." And, lo and behold, that was true and one of the astonishing things I learned then was how many dollars in the Wall Street back office operations are directed by nothing more than the customs of the industry and a set of contracts. Literally true. Say a guy gives you a million dollars to buy bonds and you fail to buy them for him, the custom is that you'll owe him interest for the amount of time you had his money and didn't deliver it. So it's really an amazing situation and it hasn't changed much either. And all the guys working in the back offices are from Brooklyn. <laughs>

Haigh: So how much lock-in did you have with the customers? If you hadn't managed to convince them that you could turn it around, would it have been easy for them to start sending the work somewhere else or would it have been a wrenching process because it was entangled with their own operations?

Mann: Well, they were kind of stuck because with any big change in one of the Wall Street back office operations, things get screwed up. I mean, it's just a question of how badly they get screwed up. So I'm sure a customer such as Chase felt trapped because they knew if they took it over, it was probably going to get worse at first instead of better and so I could understand their frustration. So the customers were locked into that particular business more by the difficulty of changing suppliers then by contract.

Haigh: You also say here you took full charge for all profit centers and staff departments, except legal, to conduct a successful divestiture program and to pursue major new business opportunities. As you were more exposed to the Wall Street back office businesses, was that something that you thought you would want to stick with?

Mann: One thing that surprised me was how much of that worked on custom and force of habit and so forth as opposed to contractual terms. I was also surprised at how little understood it was outside of the community of Wall Street back office people and it served me in good stead when I went to SunGard because SunGard had three businesses they'd acquired that they thought were banking services. What they really were, were investment accounting services and, because of my exposure through Bradford, I knew that there were all kinds of niche applications that people were delivering that would provide an opportunity for acquisitions. So it opened up my eyes to that particular area of expansion.

I also had to become a banker pretty quickly. They had a bank in New York called Bradford Trust Company but what it did was act as a clearing agent for municipal bonds and treasury bonds. What would happen would be that someone would buy the bonds, Bradford would get an agreement saying that the bonds were collateral for a loan that Bradford was making temporarily to buy the bond and then the people would pay the bond the next day. So it was like a 24 hour process but for an overnight period Bradford had laid out millions of dollars that they were going to be paid the next day. Where that million dollar loan came from was their debit balance at the Federal Reserve Bank in New York. They would just write checks and write checks—I'm simplifying it—and then they would generally carry a half a billion dollar overnight debit with the Fed which would get cleared the next day. The money wasn't at risk because they had treasury bonds and municipal bonds as collateral, which are worth what they're worth and they don't go down like a stock quixotically.

For some reason or another the New York Fed was always discomforted by this big debit every night and so Bradford had to produce the representative of Bradford Trust Company to explain this to them. Not just explain it, you have to defend it. In terms of my sophistication, I was about five days off the boat from Italy. I had a dark banker-looking suit and a banker-looking tie and I went over and sat down with the management of the New York Fed and explained to them how they were at no risk here. At the conclusion of the meeting, they said, "Well we still don't like it but maybe you're right, we'll call you." So that was one of the kind of amusing things, I think, in my career posing as a banker defending a half a billion dollar overdraft at the Federal Reserve Bank after having been exposed to what they were doing only about ten days previously. <laughs>

Haigh: Yes, that's true, before which you had been trained to sell pizza in Wisconsin.

Mann: Yes, that's right. I didn't mention that defending the overdraft.

Haigh: So, as you were getting back into business but now in the Wall Street context, you mentioned your surprise at how much stuff was running on trust and habit. Aside from that, did you notice any big difference between the culture, the kinds of people you were dealing with here and the people you had been dealing with in the service bureau business?

Mann: Well, not really. Of course, when I was in the service bureau business, the production operation, the key punching and the computer operation, was an area of small concern. Your concern was your programmers and system developers and so you didn't really have much contact or worries with the production people and these business like the stock transfer business that's what it was, production people. Having been kind of insulated in the Midwest, I was surprised at the huge variety of ethnic types in these businesses. Egyptians seemed to be attracted to clerical work, we had a lot of Egyptian clerical employees. Of course, a lot of Puerto Ricans and just all kinds of ethnic backgrounds that you don't see out in Kansas. When you're new to it you have to get used to the idea of hearing accents that are hard to understand and so forth. They do good work but it was just a culture shock for someone from the Midwest. Aside from that there were no practical difference, running things is just about like it is running things anywhere.

Haigh: How did you come to leave Bradford National?

Becoming CEO of SunGard

Mann: It was a combination of positives and negatives, the positives were that Bernie approached me with another opportunity out of the blue which was this SunGard buyout and which he thought, and I agreed ultimately, was a major opportunity because it gave me a chance without any capital to get an equity stake in a business that might make a lot of money one day. The negative aspect of it was that this was during one of the leverage buyout bubbles and a group in Oklahoma City, or Tulsa, one of those places, had been buying up Bradford stock and was getting ready to, and subsequently did, make a buyout proposal, a bottom fishing buyout proposal. For some reason or another, Bradford stock was below bottom fishing and they were in the process of losing this debate. As a matter of fact the Oklahoma people did ultimately take over the business and they didn't do too good with it because they didn't understand the banking business. They ended up liquidating it and selling its parts to various companies. Part of it ended up in Chase Manhattan and part of it ended up with Bank of New York and so forth. That was kind of playing out as Bernie was bringing me SunGard and so it was a combination of a bleak future outlook at Bradford with a possibly very good future outlook at SunGard.

Haigh: So at this point SunGard, as you had mentioned, came out of Sun Oil. So who had owned it previously? Was it public? Was it all owned by Sun?

Mann: Oil prices were low and oil companies were diversifying in the 1970s, so Sun Oil formed this company called Sun Data Corporation and immediately became its biggest customer. They started off with $120 mmillion worth of business. There wouldn't have been anything to buy had that been it, but they also went out and bought five other service bureaus and they were losing a lot of money because they were running it like an oil company. They had a corporate staff of 200 people, I had a corporate staff of 3, to give you an idea. And so they were losing money and they were getting tired of these diversifications. They'd also, just as an aside, bought a long haul freight company, and they'd bought a shipyard. and Mal Rudock, the head of acquisitions for Sun, spent about 10 years buying all these companies and the next 10 years selling them all. So they put Sun Data up on a block and the Sun business didn't come with it, which it should not have because that would have been an impossible situation to manage. So it was losing a couple, three million a year and the venture capitalists led by Welch, Carson, Anderson and Stow and J. H. Witney and Company bought it for a net cash investment of $3 million plus $16.5 million worth of debt.

Haigh: Did the Gard part of the name refer to disaster recovery?

Mann: No that's a weird story. The company was known as Sun Data until 1986. As we were getting ready to go public in 1986, at the very last minute we got a notification from a lawyer from down south somewhere that said “My client is seeking an injunction to keep you from using the name Sun Data because it’s his name.” I didn’t take it too seriously because, you know, Sun’s been around forever, how could we not use that name? Our lawyers thought that as well and so we were within, I don’t know, about a month of going public and we didn’t have a name settled on yet. So I and one of the lawyers journeyed down to Atlanta to the federal court down there to win our case and be able to use the name and, guess what, the good ole boys won and we were enjoined from using the name Sun Data. The name SunGard, however, which they had invented for the disaster recovery business, had been very scrupulously patented, copyrighted and everything. We didn’t have any time to think about it so we picked that name that was already safe to go public with, SunGard, which has confused people ever since. <laughs>

Haigh: So you said previously that when you took over you cut corporate staff. And then there were a bunch of separate operating businesses that had been acquired and so you got rid of some of those to focus on the disaster recovery and three financial services businesses?

Mann: Yes.

Haigh: And as you had said previously the financial services business was an extension of the experience you’d already had with Bradford National, so you realized the potential in those?

Mann: Yes. I wasn’t an expert in all aspects of that. For example, I can’t solve the Black–Scholes options value equation <laughs> but I knew what was going on.

Haigh: So let’s talk a little bit about the disaster recovery side of things. I think you’d also said previously that that was started up in 1978 prior to the spin off and at that point there was basically very little competition in disaster recovery.

Mann: Well, in 1978 I think there was no competition, but by 1979-1980 Comdisco, the leasing company, had gotten into the business and so there was one competitor.

Haigh: Why do you think that was? I mean, in retrospect, it seems like something that would naturally follow along with facilities management and that kind of business, so why do you think it was that it was so slow to develop?

Mann: Well, why didn’t someone think of VisiCalc before Dan Bricklin did? How do you answer such a question? <laughs> The fact is no one thought of it and Sun Data stumbled into it. They and about 20 companies in the Philadelphia area got concerned with what would happen if their computer center had a fire, flood, or catastrophe and they got together and formed a co-op to run a separate data center to stand by in case they had troubles. In fact they went so far as to sign a lease on a full floor at 300 North Broad Street—I may be off on the address—in Philadelphia which is where it's still located. And then they had another meeting after doing that and someone had worked out the math on how much it was going to cost and they said "Well here's how much it's going to cost, how much are you stepping in for?" And no hands went up. <laughs> None. Everyone wanted a free ride and so after some thought someone at Sun said, "Well, I tell you what, guys, we will take over the expense of this thing and we will charge fees to defray our costs. How many of you will sign up with us for that?" All the hands went up. So they took it over, started paying the bills, signed the salesmen to sign up the customers. It took two years to sign all 20 up and, meanwhile, they were selling other people. It was a serendipitous historical accident. <laughs>

Haigh: And so that was another business that developed with the regional centers model?

Mann: Well, there's a little nuance in that Comdisco had a big advantage as a competitor because they were a leasing company. If they had a computer that they couldn't lease, they'd put it in the recovery center, and it was free as far as they were concerned. So they competed on having more centers with geographic proximity; they had 20 centers at one point. We just couldn't afford to do that and so, out of necessity, we focused on having the biggest and best center as opposed to the most of them. And the biggest and best was not only rhetorical, it was actually the fact. Our centers were bigger, they were better equipped and so forth. Looking down the road, I thought that was probably a better position to be in because I suspected that telecommunications was going to continue improving and that ultimately people wouldn't care about geographic proximity. They would care about horsepower and being able to run it from their own PC at home, if they had to. And that's what ultimately worked out. Therefore we didn't regionalize it. We had a big Philadelphia center and we had one in Chicago that was kind of big and that was it for a long time. Meanwhile Comdisco had 20 of them around the country.

Haigh: Now as the businesses developed was there any particular synergy between the disaster recovery and the financial services?

Mann: When I was asked that in investor relations presentations, I could think of several synergies. I don't think that any really ever existed, however. We did co-locate physical facilities, like one of our computer services business was headquartered in one of our centers, but they just had offices and desks and we could have had those anywhere.

Haigh: With respect to disaster recovery, obviously you need a data center, but beyond that did it involve producing, for example, specialized software tools to get the data transferred, that kind of thing?

Mann: No, not really. It involved a good deal of customer service because in order for it to be effective, the customers had to test that they could bring up their operating system and their applications on our computer. If they never tested it, they wouldn't know whether it worked or not and that involved technical customer support and adapting the operating systems to the sometimes a little bit different configuration. But I'd call that more customer service than technical help.

Haigh: So there weren't any big technical challenges that you had to face?

Mann: No, business has changed a little bit subsequent to that, but that was the case then.

Haigh: In the beginning was it obvious how the services should be priced and sold?

Mann: They kind of made it up as they went along <laughs> but the fundamental logic of it is just like an insurance business, you spread the risk. So in fact we used to call it operational insurance. We would formulate it that we'd have a CPU, a computer, and we would sell 50 subscriptions to that computer. So the odds of having conflicting disasters that couldn't be simultaneously handled were 1:50. Well, whatever the odds are of having a catastrophe, which are huge, and then having two of them at once which are even huger. You could visualize it this way: add our profit to the cost of running these centers, divide it by 50, you've got a hell of a lot lower number than someone doing it for themselves.

Haigh: That's true.

Mann: So it's insurance; it's spreading the risk, only it's operational insurance, you don't get paid in money, you get paid in computer facilities. A very simple business model.

Haigh: I could imagine scenarios like an earthquake or a terrorist attack where you might have several companies afflicted at once. Did those kind of considerations change anything in the business later on?

Mann: Well, fortunately, we didn't have any multiple simultaneous disasters until we'd gotten a lot bigger and we had enough horsepower around the country to handle all of it simultaneously. In the first place it was—I forget exactly—but it was at least 12 years after the business was invented that we ever had a disaster that we had to service. I think our first multiple disaster was the first World Trade Center bombing. I think we had about eight customers go down in the New York area.

Haigh: Did you ever find anything to do with the computer centers while you were waiting for disasters, other than practicing recoveries?

Mann: There's no way you could use that capacity because when you're handling service bureau customers you've got to deliver the work to them and you can't do that when at any moment someone may appear and say "I've got the computer now, you get out."

So we never figured out a way to leverage the hardware costs. Now it's a little different these days, they've got this thing called virtualization where if you've got a big enough computer it can act like it has multiple computers embedded in it. That hasn't been fully implemented into the disaster recovery world yet but it will be ultimately.

Growth-by-Acquisition Strategy at SunGard

Haigh: Then on the financial services side, you started off with those three businesses, so over time you obviously made a large number of acquisitions prior to going public in 1986. At the beginning, did you have the idea that the way forward was to follow Bernie Goldstein's example and get serious about acquiring companies or was that something that developed as a strategy as it went along?

Mann: Before I even set foot in SunGard's door that was the plan that I had and it was also the plan the organization itself had at that point. And just to kind of correct the record, the first acquisition was done after we went public. We did two divestitures before we went public.

Haigh: So when you went public, the pitch to investors was that you were essentially buying a holding company that would be using the returns of the offering to make acquisitions?

Mann: That's correct, although we didn't have to talk about that much because the novelty of the disaster recovery business was usually what caught people's attention and they wanted to talk about that more than the other aspect of our business. Now disaster recovery is about $1.3 billion out of $5.5 billion so the interest has shifted now.

Haigh: So what were those three original businesses?

Mann: Two of them I remember very well. There was a business in Chicago that was essentially providing big ticket software to the big Chicago banks for the purpose of doing whatever the 401K plan equivalent of the day was and they did it largely on a custom basis charging by the hour for the development. There was one company in Charlotte, North Carolina that specialized in providing trust accounting services for medium to small banks. And the other one was a business in California that provided accounting for mutual funds like DST does.

Haigh: So those are services businesses rather than software product businesses?

Mann: Well, the one in Chicago was kind of a software products business except that they were largely developing each system they sold from scratch. The one in California and the one in Charlotte, North Carolina were existing service businesses.

Haigh: So you were starting out with those three profitable but tiny niches in this huge diverse ecosystem of financial services. As you moved forward, was the idea just to kind of keep grabbing niches or was there some kind of strategic plan to start filling in the gaps between all these little areas.

Mann: See that's the kind of a question that an investment analyst asks, it's not a question that I or my other colleagues yesterday would ask because if something's working and it's profitable, why mess with it?

Haigh: So you would never, for example, draw up some kind of grand map of the business on a whiteboard and put little dots where you've got things and start circling?

Mann: The easy answer to that is no. I was pretty candid with the audience about that. I said "Look, we intend to keep buying companies in this investment accounting niche and some time we will have enough business in dollar volume that we'll begin to be noticed. Our name recognition will then cause the thing to accelerate." And people would ask if we intended to do any integration of them, and I'd say "You can't integrate. How can you integrate a mutual fund accounting system with a 401K accounting system in Chicago? How are you going to do that?"

Various start-ups over the years have tried to develop the ultimate securities accounting system. They've all gone broke. <laughs> It's just too complex an area. In fact the most notorious one—I don't know how many years ago it was—but it got in the *Wall Street Journal* that the Bank of America had taken a $50 million charge because of a failed effort to develop the ultimate securities system that was being undertaken by a company from Pennsylvania. We later bought that company after it had gone through two bankruptcies and the price finally got down to where I liked it. We bought that company and it is one of our good products nowadays.

Haigh: So it seems from what you said in the discussion yesterday that when you acquired a company you did very, very little in terms of trying to integrate it. What things would you do? For example was there a standard human resources system you would put all the companies on, anything like that?

Mann: No, the only thing that we would absolutely require was that they immediately adopt our internal accounting system and our internal budgeting system and that was it. In fact, I didn't see any point in spending anyone's time fooling around with merging the HR system. I mean, who the hell cares? What money is that going to make you? The answer is none. <laughs> Although after you get big enough, you can save some money because with 22,000 employees, SunGard now gets a hell of a lot better rate on administering the health plan, for example, than they did with a thousand employees.

Haigh: Was there anything you tried to do in terms of instilling any aspects of a shared culture between the different businesses?

Mann: Well, like I said yesterday in the meeting, this may be an eccentric belief, but I believe that that happens over time in any organization that has the same high command for a period of years. It happens over time and as the result of reverse natural selection. People who are not happy with whatever that culture is, leave and go to one they think they may be happy with. So other than retaining people who didn't need to be un-retained, I didn't make any overt effort and I figured it'd just happen.

Haigh: You mentioned that your style was to have a much smaller corporate staff than the oil industry would have, so how big a group did you finish up with at the corporate level?

Mann: Well, when we went public we had no more than half a dozen people on the corporate payroll. Literally, no more than half a dozen and four of them were accountants doing the books.

Haigh: What was the corporate office like physically? Did you all sit in one little section with a few cubicles?

Mann: Well, you didn't need any cubicles for six people. <laughs> No, the accounting department was the accounting department and, actually, I think it was five people for a long time and the rest of the corporate staff was me so I just entertained myself however I could and I spent most of the time on the road.

Haigh: That's interesting. So after the public offering, did you finish up with an expanded staff of assistants and specialists and finance people?

Mann: No. <laughs> No, if it didn't make sense before, why would it make sense after? We had a subsequent convertible offering in 1987 and by this time our cash flow was building and building, so our war chest for acquisitions just never ran dry. It seemed as the acquisitions got bigger our cash flow got bigger and took care of it. But we only had a corporate staff out of necessity and when we were about $2.5 billion, for example, we had 15 lawyers at corporate and every year they'd lobby for more and every year I'd negotiate and give them a little bit more. And, of course, the accounting department expanded over time. I mean, you can't imagine how much work it is to do the tax returns for all of the countries and jurisdictions we're in. Our tax returns would fill this room.

Haigh: Now at some point with the conglomerates of the 1960s and the diversifications of the 1970s, this idea of a business as a layer on top of a whole bunch of separate things kind of seems to have gone out of fashion. Did you have to work on persuading people that you're not a conglomerate or explaining that really this is all very focused and it makes sense to do it this way?

Mann: Well, I had to answer questions like that on every conference call and every investor meeting but as long as your earnings per share are growing and as long as your stock is trading at a decent multiple, people aren't inclined to be too critical.

Haigh: So you were able to let the results speak for themselves then?

Mann: Pretty much, yes. We had a couple of dips and I figured this out once because it made a good speech line but, let's see, out of 87 quarters that I was Chief Executive we missed analysts' expectations three of those quarters. Three out of 87 and our stock would go down when that happened but that's still a pretty smooth pattern for that many quarters.

Haigh: With such a small corporate level of staff, was there any kind of path for managers of the individual businesses to move between businesses or move up in any way?

Mann: Well, as we got bigger and had more and more business units, we had to create some management stratums and now, as of today, the various businesses have been organized into seven groups according to the type of customer and application they serve. For example, there's a group that handles derivatives and there's a group that handles stock lending and related applications and if you were a SunGard company president, you could aspire to being a group executive or a division executive. We have one guy running financial systems US, one guy running financial systems Europe and Asia, a guy running disaster recovery, and then below that they've got another layer of organization. And we're in the process of moving from about 22 different physical data center processing facilities down to half a dozen.

Haigh: That was something I was going to ask about. So the businesses have been physically consolidating?

Mann: Not necessarily. Some of the services have been consolidated like six computer centers going into one, but that doesn't mean the business is consolidated. It could mean that but it depends on how you account for it.

Haigh: That's true. I think you mentioned yesterday that there have now been 220 acquisitions.

Mann: Yes, that's the count as of about today.

Haigh: And will those people still be spread physically over more than 100 locations or have they been moving into shared offices?

Mann: Oh, I have no idea how many physical offices we've got around the world but we've probably got a hundred in Great Britain itself let alone in the United States, Europe, China and Japan.

Haigh: And I guess the argument is that a lot of businesses have got things spread out in different areas to serve different customer bases. But in this case, was it just that it's never been a priority to try and physically consolidate the businesses into office parks somewhere instead of having them remain all spread out?

Mann: Not unless it would save money.

Haigh: It does seem like a very interesting approach.

Mann: Well, only doing things that make money has kind of been my bias forever. To me everything else seems eccentric.

Haigh: Would managers or staff ever be moved between the different businesses?

Mann: Yes, people have moved around. There's a guy from Tymshare with no college education who started as a computer operator in Palo Alto and ended up as Chief Operating Officer running the entirety of one of the businesses. We've got a couple of other executives that worked their way up in a similar way.

Haigh: So you started at SunGard in 1983 and I know your role changed in 2005. From 1983 up to 2005 were you basically just doing the same kind of thing?

Mann: Yes.

Haigh: But just had a larger number of business units?

Mann: Yes, and because of the way we're organized with those independent business units, when something extraordinary came along I had plenty of time to spend on it. Because I just ignored them if they were working good and if they weren't working good I didn't ignore them so it gave a good deal of flexibility and that's why we never had a big corporate staff. Like we just had one M&A guy doing all the deals until about five years ago.

Haigh: And you'd know if they were doing well by looking at the financial results?

Mann: Yes, that's the scorecard.

Haigh: So is there anything else you'd like to say about SunGard, how it changed over time?

Mann: Well, I think the bottom line I would say is I could never have imagined back in 1983 if someone said 27 years from now, SunGard is going to have 21,000 employees worldwide and be doing $5.5 billion. I would have said "What have you been smoking?" <laughs> It's an unimaginable growth rate except when it's occurring and you're in the midst of it, you don't really think of it in those terms, you're so busy doing what you have to do this month or this quarter that it just kind of happens around you. But a fairly extraordinary story. The only disappointment—this is a bit of a joke—is when it was announced that SunGard had been sold for $11.3 billion, I had some remote relatives back in Kansas that had the idea that I got the whole $11.3 billion. From their lips to god's ears, I'd love to have that be true.

Haigh: From the initial public offering, were you able to finance growth after that by issuing new shares for the major acquisitions?

Mann: We did—I don't know how many—a handful of acquisitions for stock for stock but most of them were for cash. Quantitatively, I don't know how many out of the 142 on my watch were stock but the minority, maybe half a dozen.

Haigh: Right, so then most of the acquisitions resulted from the reinvesting the profits?

Mann: Yes.

Haigh: You told the story yesterday about being approached by Silver Lake Partners and the offer getting better and better and better and people starting to smile. Why do you think it is that through the previous 20 years and all this amazing amount of consolidation in the software and services industry that SunGard had remained independent? That you'd always been the one that was doing the acquiring rather than being acquired?

Mann: Well, I think it's because we're in kind of a little obscure set of niches so that no one paid any attention to us for a while and people that paid a little bit of attention, particularly when they looked at the financial service investment accounting side, said "Holy smoke, I can't figure out what they're doing." And then after we got bigger and bigger, we were indigestible to most acquirers. You know, IBM could afford us, Hewlett Packard could, but who else could until the ready credit and aggressiveness of the big private equity players came along?

Haigh: So you think because you were still in these niches and services that IBM or Hewlett Packard could have afforded you but presumably they would have seen it as being too far outside the mainstream of what they were doing?

Mann: Yes. There was no one even doing close to what we were doing in our established area of expertise in investment accounting so someone buying that which was now the most valuable part of the business is going to be getting into a new business and when they look at it, it is hard to understand. For example, we make a lot of money off of securities lending. You say that and people look at you like what the hell is that. And we make a lot of money providing analytics for derivatives traders. Congress is getting ready to regulate that and I doubt if a dozen members of CongressSo you've got a big business, it's going to be a big price tag, you can't figure out what it does, who wants to acquire it?

Haigh: With the financial services, did you see a lot of consolidation among your customer base?

Mann: Yes, that's always been an issue with us and even to this day we'll have attrition there from acquisitions. The most recent one was when Wells Fargo acquired Wachovia, I believe, and we lost some business with that but we were able to make up for it where we gain business and that's a factor that's been going on for 10, 15 years.

Haigh: With all your businesses being run independently, if two big banks merged that must have an impact on potentially dozens of the separate businesses, wouldn't it?

Mann: We've got a total of about 300 different systems and subsystems. If you look at our biggest customers, they may be using 10 or 15 of those and in those cases, yes, we do have over run.

Haigh: So you still have a lot of stuff that goes beyond the big Wall Street companies then?

Mann: Oh yes, absolutely, including insurance companies.

Haigh: So that level of diversification then, I would imagine, shielded you from most of the really bad things that could potentially happen.

Mann: Well, except these periodic swoons that the financial services industry takes like we're in now. When they come along, no matter what caused it, everyone seems to swoon. It seems like everyone's says "Oh, something bad's going on, I don't want to spend any money yet." And it takes them about a year historically to get over that and start buying again and we're seeing accelerated purchase decisions just now after the crash of 18 months ago.

<u>Conclusion</u>

Haigh: I think that concludes the areas that I'd made notes to discuss. I have got a couple of just general wrap up questions but before I ask those, is there anything that you would like to say more about that you think is worthwhile to cover? I don't know if you want to talk about what you've been doing since 2005 when you kind of stepped down from day-to-day with SunGard. Do you have other corporate boards, involvement with any ADAPSO or any other associations?

Mann: Well, I can do that pretty quickly. I am back on the SunGard board, four meetings a year, it's pretty perfunctory. I am on the board of a growth company called Athenahealth, that does $220 million, and has a 30 percent growth rate. I am the chairman of the Compensation Committee that I spend some time on. I own a couple of small businesses in Steamboat Springs, Colorado and I don't know what I do with the rest of my time, but I'm always busy. <laughs>

Haigh: So then I just have the two concluding questions that I like to use and I'll give you both of them now, and you can take a second to think if you'd like. The first one of those would be looking back over your career as a whole, what would you say is your biggest disappointment, possibly in terms of something that you did that you regret or perhaps something that you think should have worked out but for some reason external to you, didn't and the other one, the more positive reverse of that, would be again looking back over your career as a whole, what's the single accomplishment that you can say that you are most proud of?

Mann: Well, the first, the semi-serious answer to the biggest disappointment, I have from time to time sat down with a pencil and paper and figured out what my net worth would be, had I never sold any SunGard stock from the time it started until the buyout. I sold quite a bit and my net worth would be 2½ times as big as it is had I said, "I'm not going to sell any stock, I don't need the money." I think a lot of people who had been Chief Executive of a successful business for a long time could probably do the same calculation with the same result.

I really don't have any period of my life, even what you would call the unsuccessful ones that I look back on, and don't think it was really okay. The Air Force was a good experience, IBM was a good experience, I even thought the pizza business fiasco was a good experience because I learned something from it. The biggest excitement I guess is that SunGard really was a massive success from a very unpromising looking beginning and whereas I would have made more money had I never sold any stock, I made plenty. And even though I really never went into business with a view of getting mega rich, I occasionally got distracted by that. Like in 1969 when we were getting ready to go public and make a lot of millions for a lot of people, you get distracted by it, but I never really was motivated by that. What I've always seemed to be driven by is a compulsive desire to learn things, to be the boss, and to have whatever that I'm into work good. It sounds kind of stupid but that's what I like doing and the fact that I've gotten to do it all my life is probably the thing I'm most happy with.

