



## **Oral History of James L. (Jim) Mann**

Interviewed by:  
Luanne Johnson

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## James L. (Jim) Mann

Conducted by Luanne Johnson

**Abstract:** In this interview, James L. (Jim) Mann discusses his forty-eight year career in the computer software and services industry beginning with a sales position at IBM in 1960 and ending as Chair of SunGard, a multi-billion dollar company specializing in financial accounting software and disaster recovery services. He describes his early career running a small service bureau in the Midwest and developing and franchising tax return computation software called Dynatax. That business was merged with four other service bureaus and Mann was chosen to manage the resulting company, Dynafacts. He then merged Dynafacts with United Data Centers in 1972 and was involved in the acquisition of United Data Centers by Tymshare in 1974. Following a hiatus from the computer services industry, he became Chief Operating Officer of Bradford National Corporation in New York City until he was tapped by venture capitalists to run SunGard when it was spun off of Sun Oil Company. He describes the strategies including 147 acquisitions (as of 2009) that built SunGard into a major software and services company.

[Editor's Note: This interview was conducted in the offices of SunGard Systems in Wayne, PA.]

### Personal Background and Education

**Luanne Johnson:** Let's start with your background and how you ended up in the industry. What was your educational background? What was your family background?

**Jim Mann:** I graduated from Wichita State University, which was then known as Wichita University, in 1956. The reason I went there is that a lot of the student body then carried nearly full-time jobs as well as going to college and the curriculums were set up to accommodate that. So people from the Wichita area whose parents couldn't finance them to go far, far away, like to Kansas University in Lawrence, ended up going to Wichita State University. I guess I was compulsive then too, because I ended up being president of the student body and joining the Air Force ROTC and a lengthy list of other activities that I won't bore you with.

**Johnson:** What about your family?

**Mann:** My father grew up on a farm in a little town about 50 miles west of Wichita, Kingman, Kansas. He left the farm pretty much on his own, without any family help, when he was 18 and moved to Wichita, and financed himself through Wichita University. I think he stopped short of getting a degree although the University is kind enough in their recollection of him not to remember that.

He had one sister and one brother that survived childhood who were also in Wichita. In fact, my aunt is still alive and owns a business there; she's in her 80s. The rest of the family is long gone.

**Johnson:** Did she have a business all her life?

**Mann:** No, that was kind of a rags-to-riches story. Her husband had been a salesman of what was then impolitely called "janitor supplies" for many years. And after an agonizing period of deliberation, they decided to borrow a lot of money and buy the business, whereupon four months later he died of a heart attack.

**Johnson:** Oh, so she ended up with the business.

**Mann:** She did end up with the business, and she's grown it into a really huge regional business out there.

**Johnson:** Great.

**Mann:** She has the same gene that runs in the family that I have. She can't stand not being in charge of things.

**Johnson:** And what about your dad, what did he end up doing?

**Mann:** He was a partner in a commercial insurance brokerage firm. He went to Wichita State during the Depression. It was kind of remarkable that he managed to do that.

**Johnson:** My dad went to college in the Depression and the only reason he went to college was that he couldn't get a job. So he decided that he might as well go to school.

**Mann:** Well, Dad had a job. I think he worked as a dishwasher in a Greek restaurant.

**Johnson:** So your aunt certainly is indicative that there is a history of running things in the family. What did you major in at Wichita State?

**Mann:** I ended up with a degree in business administration. After having previously majored successively in electrical engineering, mathematics, psychology. *[Laughter]*

**Johnson:** Oh, okay. You finally got around to the business part of it.

**Mann:** Well, that happened kind of accidentally too, because about two years before graduation I sat down with these disparate credits and searched around to see what would require the least hours to get a degree in something. And that turned out to be Business Administration.

When I started college they were drafting people to go to Korea. Nearly everyone I knew consequently joined either the Army or Air Force ROTC, because you then were deferred while you were in college. The Air Force ROTC was perceived to be the white collar organization and the Army the blue collar one. I chose to become a pilot because you got paid, as I recall, \$100 more a month if you were a pilot. That was big money in those days.

**Johnson:** That's right.

**Mann:** I think I'd been on an airplane once, so I went to flying school. Every year they designated one of the graduates as Distinguished Air Force ROTC Graduate and they gave you a commission in the regular Air Force as opposed to a reserve commission.

**Johnson:** Okay.

**Mann:** And I took it. I thought, "Well, that's certainly a secure 25 years," and then I'd start another career. I was in for 4-1/2 years to fill out the minimum term that I had signed up for. It was clear it wasn't going to be a place for me. I'm just too restless.

At that point there was a bit of a surplus of pilots in the Air Force, and so if you knew the right guy to talk to at Strategic Air Command Headquarters, you could get out virtually instantly, which I did.

### **IBM Sales Job and First Service Bureau Position**

And then I had to start sending out my resume and was at a little bit of a disadvantage because I was five years older than everyone else. I ended up with two job offers; one from Beech Aircraft in marketing, and one from IBM, which was, you know, was a prestige employment opportunity in those days. Plus they paid more than the airplane company.

**Johnson:** So this would've been early 1960s, right?

**Mann:** I went to work for IBM in 1960.

**Johnson:** I didn't realize you'd been an IBM employee.

**Mann:** Well, I didn't stay there long. After the initial one-year training period, I went into sales and had a territory which consisted of about nineteen financial and accounting institutions around town. I've been exposed to banking applications since 1960.

One of my customers was what was then a large local accounting firm called Elmer Fox & Co. They were on an acquisition campaign and, in fact, ended up being the 13<sup>th</sup> largest accounting firm in the country at one point.

**Johnson:** Oh really? And they were in Wichita?

**Mann:** Headquartered in Wichita. At some point they moved their headquarters to Denver just to get a more respectable address.

**Johnson:** So they had a broader market than just Wichita?

**Mann:** Well, when I went with them they just had two offices, one in Wichita and one in Tulsa, Oklahoma. But they subsequently made acquisitions all over the country.

And just as a sidebar, the reason you don't hear that name anymore is that at some point – I don't know the date – they acquired a New York City firm which happened to be the auditors for a company you may remember called OPM, which stood for Other People's Money. These were the guys that were subsequently discovered to have literally forged lease agreements by putting a paper on a glass coffee table and tracing signatures. And the lawsuits that ensued from that really wiped out the capital of Fox & Co. and they did a distress merger with Grant Thornton. It was a really sad story, because they had been a tremendous success but all their capital accounts were wiped out to zero.

**Johnson:** So they targeted a New York firm for acquisition and it turned out to be a disaster.

**Mann:** You know, Anderson or the other accounting firms still are legally organized as partnerships with joint and several liability and when one goes down, every individual goes down. But even if I had been with them then, I would have escaped that because, not being a CPA, I wasn't qualified to be a partner. I was a principal.

The reason I got together with them is that their first acquisition was a company in Tulsa, and one of the partners had started a service bureau within the accounting firm. And it, of course,

was losing money hand over fist and no one understood the business, So they made a deal with me to come to work for them as head of their management consulting business, which then principally consisted of the service bureau.

**Johnson:** That's interesting.

**Mann:** We had a handshake agreement, but my objective really was to make the computer operation successful enough so that it could be an independent corporation. So I made a handshake deal with them that, if that ever happened, I would get a 25% share of that spun-off corporation.

**Johnson:** Okay.

**Mann:** The first product that I developed – I forget the name of it – was a classic general ledger financial reporting system. And since this accounting firm was growing, there was a built-in market for it for small businesses that hired accounting firms to do their bookkeeping. The most notable success of that era was that I took this same system and tweaked it and customized it so that it was a management system for Pizza Hut stores. A kind of turnkey system.

**Johnson:** Did you yourself do the technical work involved in this?

**Mann:** Oh, yes. In those days I designed the systems, I wrote about half the programs, I sold the product, I gave speeches.

**Johnson:** That's what running a start-up business was like in those days.

**Mann:** The reason I got into Pizza Hut accounting is that a good friend of mine from college, Dan Carney, who I still know well, was the founder of Pizza Hut. At one point we had 250 Pizza Huts using that system out of maybe 1,000. So that was a pretty successful system.

### **Franchising the FastTax Tax Return Software**

The next thing we got into was computer income tax returns. At that point, the leading provider of that was CompuTax. There was another firm in Washington called AutoTax that was second. And then there was somewhat of an upstart in Dallas called FastTax, started by Fran Winn, who just recently died. I forgot how I got exposed to it, but it was a good system. Fran was really a genius at wringing work out of small computers, so I proposed to Fran that we get a franchise from him to operate the system in several Midwestern states. The only ones I remember were Kansas, Missouri and Oklahoma..

To back up a little bit, the reason for Missouri was that, after a couple of years of making some money in that service bureau, I decided that acquiring other companies would be a good idea, and we bought a similar service bureau in St. Louis. So we had two locations.

**Johnson:** Were you still part of the accounting firm at this point?

**Mann:** Yes. I was with IBM through 1963, so that was probably 1965 or so. We ran the Fastax system for two years and it made us some money, in spite of the fact that those early systems were plagued with primitive interfaces and clumsy techniques and riddled with bugs. And the tax returns have to be delivered every year on schedule despite the problems.

**Johnson:** So accountants were the customers for this?

**Mann:** Professional accountants, yes.

**Johnson:** So you were providing them with computer services to do tax returns for their customers. You weren't selling them software to run on their own computers, you were selling them services to prepare the tax returns.

**Mann:** Yes, instead of an accountant sitting down with this huge file of paper, filling out a tax return and doing the arithmetic and then giving it over to the comp department to check his arithmetic, the calculation was done by the computer program. It was a miraculous improvement, not only in labor, but also in accuracy. Something like 40% of tax returns were erroneous in those days. So we were making money from our franchise of that FastTax system, which incidentally still exists and still has a constituency.

But I was dissatisfied for a couple of reasons. Number one, the author of it was a real genius, but he tended to bite off more than he could chew, which is not unusual. I've done that many times, and I admit that I may have been judging him unfairly given my lack of experience at the time. But that's what I thought, and it caused a lot of problems when you were a service provider. If someone got an obviously bad tax return and we couldn't correct it for two weeks, they got unhappy.

He had developed it originally for an IBM scientific computer, I think it was called a 1620, and by this time the 360 architecture was on the scene.

**Johnson:** Was it written in Fortran?

### **Development of the Dynatax Tax Calculation Software**

**Mann:** Yes. I thought the 360 technology would allow you to do a lot of things better than he was doing them. I didn't have any non-compete agreement with him. We had a confidentiality agreement, but no non-compete. So after one tax season I decided I could write a tax return system in nine months, no problem. And so we did. And miraculously delivered it on time, although it too was bug-ridden and slow.

Another reason for wanting to get out of that deal was that, since I was exposed to the franchising industry in the early days, I figured I could go around the country and franchise it to other big accounting firms that had an interest in computers and collect some healthy upfront fees and as well as ongoing royalties. Elmer Fox & Co. knew all of the potential customers since they were acquisition targets.

**Johnson:** What kind of computers were you using in the service bureau? 360s?

**Mann:** Yes.

**Johnson:** Did you also have a 1620 or had you ported FastTax to the 360?

**Mann:** No, we didn't port it. What we did was just rent time on 1620s when needed.

**Johnson:** Was the new system written specifically for the 360?

**Mann:** We had the 1400 series for a while. And I convinced the accounting firm early on that it was better to buy than to rent from IBM, so we actually were one of the early buyers of the 360.

**Johnson:** Through one of the third-party leasing companies? As I recall, IBM wouldn't sell them, so you had to get them through one of the third-party companies.

**Mann:** We bought it from IBM. This was just after a consent decree that required IBM to sell as well as rent. It cost around \$750,000.

Anyway, I ended up having, as I recall, three franchisees in the country, one in the Carolinas, one in Tennessee and, if you can believe it, one in New York City. And we had the usual problems with delivery. It took about three years for the system to get stable. It was called Dynatax. The Service Bureau, still a part of the accounting firm, was generating a profit by 1966, three years after I joined the company.

**Johnson:** What kind of revenues did you have?

**Mann:** Between \$250,000 and \$300,000. And then around 1968 or 1969, we bought the St. Louis operation. In 1969 our revenue was just under \$1 million and we had net income of \$120,000. And by this time that tax system was pretty well regarded in our constituency because technically it had features that were ahead of their time. I'll just mention one of them.

In those days, as you know, when you did any type of computer input, you had an input form with tick marks so you wouldn't exceed the number of letters you could put in a field. That struck me as kind of primitive, so I designed it to be a streaming input, delineated by special characters. So you just type what you want to type and then the program would decipher it and divide it up into printable chunks on the page. This was a great advance and people were astounded by it.

Well, in 1969, you'll recall, there was a huge bubble in technology, much like in 2000.

**Johnson:** Yes, this bubble wasn't the first one we've seen.

### **Merger of Several Service Bureaus to Create Dynafacts**

**Mann:** It was a huge bubble and everyone got visions of seven digits with a dollar sign in front of them. At that point, a guy from Kentucky, unknown to me, had developed a similar computer service bureau in connection with an accounting firm and wanted to merge his firm with three others plus ours, for a total of five firms. He rustled up an underwriter who said, "Well, you if you merge these companies together, you're going to have big enough numbers that you can take it public and everyone will get filthy rich. So we did it, and spent an enormous amount of money in preparation for a public offering.

**Johnson:** Was this the accounting firm itself that was being merged or just the service bureau?

**Mann:** By this time, the service bureau had been spun off into a corporation, and I owned a quarter of it and Elmer Fox & Co. owned three-quarters of it. I don't know exactly when that was done, but it was done before this or the merger could not have taken place.

The public offering was monstrously expensive and especially because the other companies had not done the kind of good record keeping that we had done.

But we got it all ready to go. I don't remember how the deal was priced, but it was ready to go to market in January 1970. And if you recall, that's when the market crashed.

**Johnson:** Oh, no. What was the name of the service company after you spun off out of Elmer Fox & Co.?

**Mann:** People liked the Dynatax name, so the company was named Dynafacts. Somewhere in my archives I've got the red herring on the thing. But the market crashed and everyone's attention turned back towards the businesses we were really doing and it turns out that, other than my business, none of them were making any money and we were really in deep trouble. I think the company was losing some staggering sum like \$50,000 a month. That was big money in those days.

And we had a capital investment in the \$300,000 or \$400,000 range. The guy from Kentucky who had organized the merger was a really nice guy, a really smart guy, but he wasn't really a tough guy. He had help funding his business from William T. Young, a Lexington resident..

Bill Young was an early-stage investor in Kentucky Fried Chicken and he wasn't fond of losing money on investments. So somehow or other he conferred with my associates at Elmer Fox & Co. and decided that his friend should no longer be chief executive and that I should be.

So part of my deal with Fox & Co. was that I had to pay for my 25%. A friend at a local bank loaned me \$120,000 with no security other than a personal guarantee, which of course, under the circumstances I had no way to pay. So I was considerably motivated to solve this situation.

**Johnson:** So despite the fact that you didn't go public, the five companies were actually all merged together and that's what you became chief executive of?

**Mann:** Yes, the model of the merger that we worked out was exactly like United Data Centers, Bernie Goldstein's company, and exactly like SunGard today.

**Johnson:** Okay.

**Mann:** In other words, separate entities run by presumably capable, strong executives, subject to very, very tight financial oversight. I guess the point is I'm not exactly new to what I've been doing here at SunGard.

**Johnson:** Well, you found a model that worked then you just perpetuated that.

**Mann:** Yes, and I don't know how I stumbled on to that, but just I did.

**Johnson:** Okay, so you've got separate entities with financial oversight, and you've got this personal unsecured loan, and they're bringing you in to make all this work.

**Mann:** Yes. I've got some numbers here I can check. *[Consults his notes]*. Our negative net worth exceeded \$1 million and the monthly operating loss was \$50,000. We had six data centers, because I had two of them and there were four other companies.

**Johnson:** So these guys said, “You’re just the guy to fix this problem.”

**Mann:** Yes. “We’ve got a great opportunity for you.” We got the negative cash flow turned around in about 60 to 90 days with those same damn techniques that we use now. It hasn’t changed a bit. I got the guys running the data centers together and had them come armed with what their revenue was going to be.

I cross-examined that, and where it relied on new sales, I drew a line through it and didn’t count it. And then we totaled the revenue up and totaled the expenses up and subtracted the one from the other, which gave a negative number. Then I calculated our average cost per employee, divided it into that number, and said, “Okay, guys, here’s what we’ve got to do.”

Of course, there was a lot of squealing about it so we talked it through, and of course nobody else had any other ideas other than counting on new sales. Companies got in trouble then for the same reason they get in trouble now.

Our creditors were baying at our heels by this time. Since most of the corporate records were in Kentucky, I had moved temporarily to Lexington, Kentucky and our technique of cash management was to print up checks for all the bills and line them up on a huge table outside of my office. I’d pay them depending on who was screaming at us the loudest. *[Laughter]*

I codified what was going on in the plan and had an informal meeting with the biggest creditors and they agreed to forebear because they thought they were likely to get more money in the future than they would right then.

But this million-dollar capital deficit was unsustainable, because while Bill Young had money and my accounting firm, Fox & Co., had money, no one else involved in the deal had money. And an outside investor would’ve been crazy to get involved.

### **Acquisition by United Data Centers**

So I went searching for an acquirer. When I was at the accounting firm, I had joined ADAPSO and met a couple of the guys from big companies but since I was a 30-something-year-old from the Midwest, they didn’t pay much attention to me. But somehow or other, Bernie Goldstein heard of our situation.

**Johnson:** Bernie’s got a nose for those things.

**Mann:** Yes. I think the first person I met was Al Eisenstat. I think he dispatched Al to Kansas to talk to me. And I just gave the story to Al straight, like I still do, and eventually we

worked out a deal. It was a big deal for Bernie because by 1973, when we got together with Bernie, we were doing \$11 million.

**Johnson:** Oh, by 1973 you were doing \$11 million?

**Mann:** Yes, with pre-tax profits of \$1 million at least. And to blow my own horn, 60% of that was generated from the business I'd contributed. The tax program had become a very successful program. I think the lineup at that point was about the same: CompuTax was the biggest, AutoTax second, FastTax was third, and Dynatax fourth.

Incidentally, the Dynatax system still exists under the name CCH Pro System FX Tax after several migrations.

And Bernie's company was about the same size. United Data Centers was about \$11 million, too.

**Johnson:** Oh, really?

**Mann:** Yes. They'd been pretty conservative because at that point Bernie and Al were real bottom fishers and wouldn't pay anything for anything. *[Laughter]*

And I think they had about the same number of data centers we had, about half a dozen, but they had access to money, which we didn't have. So Bernie put together this incredibly complicated deal, which is also very much like Bernie. Which meant the people with money that I knew, mainly Young and Fox, needed to cough up some cash and then effect an exchange of stock with United Data Centers. And those two guys looked at the numbers and they decided that it was a better way of possibly recouping their investment than not. So the complicated deal got together and the merger with United Data Centers occurred in 1974.

Bernie and Al didn't see themselves as operating guys, and now they had enough data centers that they felt they needed someone who could run things from an operations standpoint. So I moved back to Greenwich, Connecticut, where their headquarters was, and became – I forget what my exact title was – but basically chief operating officer. We had a big office and Bernie was here, Al was there, and I was over here, and there were a couple or three other people. A huge office.

**Johnson:** So how many total data centers was that now?

**Mann:** When we ended up we had 18. I think at that point we had around 11 or 12. The ones that Bernie and Al had were all the same model, you know, a president of each data

center, some good and some not so good. But their financial control system was a little more ad hoc than what I had developed.

In the early days of service bureaus, what most people did is go out, look at the situation, develop a custom system, build it, and charge for it. But as you can tell from the products that we had, early on I decided it was a hell of a lot smarter to try to build something specialized that you didn't have to redo every time, i.e., the accounting system and the tax system. Even ADP was an early stage advocate of that. They'd been doing that sort of thing for a long time.

Bernie also had a nose for that very early on and his specialty at the United Data Centers at that point was accounting systems for fuel oil dealers.

But the tax return program was more glamorous, it just had more caché than the fuel oil dealer program, so that quickly became our lead product in terms of public presence. Not that we did away with anything else, but that's what we talked about. And we also propagated that with all the data centers Bernie had, so instead of covering six geographic locales, we covered about 12. In those days, since stuff was not transmitted, geographic proximity was an issue.

**Johnson:** Sure.

**Mann:** We'd tell people, for example, in Syracuse, New York, "Hey, bring your tax returns by and we'll do them. If you send them to CompuTax, they're going to be in the mail for six days." Fed Ex wasn't around then either.

**Johnson:** Right. At the ADAPSO Reunion, Frank Lautenberg in talking about the early days of ADP, said that their big technology advance was a Volkswagen because it could slip through traffic faster and deliver faster.

**Mann:** Yes, we also had pickup and delivery service.

*[Consults his notes.]* I'm trying to get my dates straight here. The numbers I gave you before were wrong. The \$11 million in sales was in 1973, when we were part of the United Data Centers. That was United Data Center sales. And that is pre-tax.

**Johnson:** Okay.

**Mann:** Going into United Data Centers, my part of it was about \$3.2 million.

**Johnson:** One of the things that was funny at the ADAPSO reunion, when people were talking about their companies, they would say, "Well, we were only doing a couple million at that time." But that was *big* money in those days.

**Mann:** Oh, yes, it sure as hell was.

**Johnson:** Then they'd put their hat on differently and remember that they were making about \$12,000 a year running that operation and that a couple of million dollars was big money then.

### **Acquisition of United Data Centers by Tymshare**

**Mann:** During 1974, Bernie, who had a great nose for timing, decided that, based on the 1973 revenues, it was a good time to see if we could find a buyer for United Data Centers. And he found one, Tymshare, Tom O'Rourke's company.

So, by this time, when we merged with Tymshare, United Data Centers, as a result of subsequent acquisitions, was up to 18 data centers, and \$14.5 million in revenue.

With the Tymshare merger, Al and Bernie went on their board, I didn't go on the board, but we all remained employed. Al moved to California and became a head administrator or something out there. Bernie was their acquisition watchdog. And I ran an \$18 million division. We had two-year contracts, as a result of the acquisition.

The highlight of the acquisition was that, much to the amazement of everyone, the people who had been the original investors, i.e. Elmer Fox & Co., W. T. Young, myself, actually made money when we were acquired by Tymshare. From a company that had been totally underwater. It wasn't a huge profit, but I think I made \$150,000 above paying back the \$120,000 loan.

So we made money after a lot of struggles, and it was a real bonanza profit-wise for Tymshare, To support this huge tax return business, we had to go out every year about September and rustle up 20 or 30 temporary 360 computers.

**Johnson:** Oh, okay.

**Mann:** Just for tax season, this huge bubble. And because we were trying to get them for a short-term period of time it was very expensive. Well, Tymshare said, "We're in the time-sharing business. We've got IBM mainframes; we'll just do it all centrally. And since they're not used much at night, you can do your stuff at night, and we'll save a bundle of money." Which made a lot of sense to me. And that's not withstanding that your telecommunications speeds in those days were not good. But we figured out ways to cope with that.

So starting about midsummer, we converted the system to run remotely on those 360s in California and we burned no bridges. We didn't go out and rent alternative computers, so, damn, it had to work.

By January 1, it did. And the interesting sidebar to that is that Tymshare sent to Wichita (where I had moved because that's where the action was on the tax return business) one guy to orchestrate this technical changeover working with our people there. And much to the astonishment of all, it worked, and it worked well.

That guy's name is Mike Muratore and I didn't find out until later that he had only been with Tymshare about 60 days. He's now one of SunGard's three division executives and runs about \$1 billion of business for us.

**Johnson:** Ah ha.

**Mann:** So it pays to bump into people here and there.

**Johnson:** Especially a guy who, with 60 days under his belt, can get something like that up and running.

**Mann:** He didn't know what he was doing and we didn't know what we were doing and Tymshare didn't understand that. It's a software business, you know.

Anyway, so after that successful conclusion to something that started back in 1960, Tymshare wasn't a very comfortable place for me because they were a centralized, hierarchical organization and it just wasn't my taste. I also decided that I really didn't like being a small percentage owner in a public company. So I checked out and I took my money and decided to become a sole proprietor, which created a gap in my resume. *[Laughter]*

And the reason it created a gap in my resume is I went back to my old friends in Wichita, who'd made lots of money on franchising businesses, in particular Taco Tico, Rent-a-Centers, all kinds of things that started there. And I said, "What's the hottest deal in town?" and they said, "Godfather's Pizza."

By this time it was June of 1977 and I said, "Great." The guy that was the founder and, at that point, the sole proprietor of Godfather's Pizza was one of the world's great eccentrics, a guy named Willie Thiessen. He had stumbled onto this by owning a bar and inventing a new pizza recipe. Things were a little chaotic in those days. So for about four years, I was a pizza entrepreneur. I had a total of five restaurants. They all started off big and went downhill after that. It was a lot of fun, but the upshot of that was I lost all of my money.

**Johnson:** Uh, oh. During the time you were a pizza entrepreneur, did you ever get sort of homesick? Did you feel like you wanted to get back into the computer service industry or?

**Mann:** Well, not really, because running pattern restaurants like that is a lot like running multiple data centers.

**Johnson:** Oh, okay.

**Mann:** You've got to have tight financial control, you've got to have a good manager, and so forth. And a lot of people have made tremendous amounts of money in that business. Of the people who got Pizza Hut franchises from my friend, Dan Carney, in the early days, some of them have cashed out, but most of them have retained 150 to 250 Pizza Hut franchises each.

**Johnson:** Oh, wow.

**Mann:** And those 25-year-old franchises, bring in a couple thousand a month net cash flow each, because their initial investment is long since written off. So you multiply that times a couple hundred, you've got a nice situation.

**Johnson:** Sure, yes.

### **Career at Bradford National Corporation**

**Mann:** I didn't think that I wanted to go back to running a data center, but what I did conclude was that I was better at running big, complicated things than I was at running simpler things. So guess who I called: Bernie.

**Johnson:** Ah.

**Mann:** I said, "Bernie, I need to get back to work." He said, "I told you so." And he connected me with Bradford National Corporation in New York City. Where, incidentally, Al Eisenstadt had worked for a while. Bradford National ran through a chief operating officer about once every two years.

But since I had no better prospects, I thought that sounded pretty good. At least it was a paycheck for two years and I still had some lingering debt from the pizza business that I had to take care of. So I moved to New York City. The CEO of Bradford National was a fellow by the name of Peter Del Col, and he's another real legendary figure in the business. But his focus was on not computer software service bureau work, but for lack of a better term, what I'd call it full-service outsourcing. For example, we had a big operation over in Fort Lee, New Jersey,

that was essentially an outsourcer for Chase Manhattan stock transfer work. In addition to a computer center over there, they had 1,000 or so clerks doing support. Peter was a charming, innovative guy that put together a huge company for its day. I forget, but I think it was \$120 million or something. But it seemed like things were always in a state of chaos with the company.

So I became chief operating officer of that. It happened my background was fairly good for it because they were in financial systems accounting. In fact, about half of their business was what we call investment accounting. So my knowledge of that helped and I was also experienced in running multiple separate, independent profit centers. And so we did that for two years, from February 1981 to March 1983.

### **Origins of SunGard**

Then, at that point, Bernie steered me to another thing, namely Bruce Anderson at Welsh Carson, who was putting together SunGard. SunGard at that point was known as Sun Data Systems.

**Johnson:** I thought so. I remember that Sun Data Systems had been a member of ADAPSO, represented by John Ryan, I think.

**Mann:** John Ryan was the CEO.

**Johnson:** So Bruce was putting together a deal with Sun Data Systems?

**Mann:** A deal to buy it out. He was the lead venture capital; there were six venture capital firms involved. Someone ought to write this story sometime too.

The way it got started is back in the late 1970s there was a period of oil price depression when prices were really low and every oil company said, "Aha, we'll diversify." That was when Mobil or Standard, one of the two, even was making electric typewriters. Do you remember that at all?

**Johnson:** No, I don't remember an oil company producing electric typewriters.

**Mann:** And then by the early 1980s, oil prices had recovered and the oil companies discovered that they weren't particularly good at running these diversifications and they started to divest them.

At that point Sun Data Systems was a \$120 million or \$130 million company by virtue of the fact that when they spun it off, they became their own biggest customer. Most of the business was from Sun Oil.

But they did two things that created the basis for SunGard as it is now. They set about doing some acquisitions, and they concluded that financial services was a good acquisition area. So they had about five companies in various aspects of service for banks. And then somewhat accidentally, they started the disaster recovery business.

**Johnson:** So that actually goes back to Sun Data Systems.

**Mann:** Yes. They started, in 1978, the first commercial disaster recovery business in the world.

**Johnson:** Was that because Sun Oil felt that they needed disaster recovery capability?

**Mann:** Well, it's a little more complicated than that. They had decided they needed disaster recovery and convened a meeting of 30 other big businesses in the Philadelphia area, and said, "Why don't we all pool our resources and create a disaster recovery system?"

So they went out and leased 30,000 square feet of space at 401 Broad Street, which is where they're still located, and put a computer in there. And after they had done this they had another meeting of these 30 people and said, "Okay, here's what we've committed to and here's how much it's going to cost for each of us to do it. So who's ready to put up their money?" No hands went up. *[Laughter]*

No hands at all. And so they said, "Well, suppose we commercialize it. Would you all become customers?" And all hands went up.

**Johnson:** Sure. Let us pay for it as we use it.

**Mann:** So that's how it got started. By the time they got ready to sell it out, no one knows how much money it had lost the year before the buyout, because they must've had a corporate staff of 200 people in this operation. By my reckoning, they were losing at least \$2 million to \$3 million a year, and this is after they left behind all the staff people and separated from Sun Company.

They were hoping to find a commercial buyer like EDS or ADP but couldn't get them interested. And Ryan couldn't put together a management buyout for the same reason. The numbers were just too bad.

So along came Bruce Anderson and the deal he worked out was that the putative purchase price was \$19.5 million. Ten and a half million of that was an unsecured promissory note to Sun Company from the spun-out entity that had a face value, probably of zero at the time. And then they were able, primarily based upon the reputation of the venture capitalists, to borrow \$6 million from a couple of banks against the assets of the company. And then the venture capitalists, six of them, divvied up the cash put into the business. It was a total of \$3 million.

Considering that our market cap is now somewhere around \$7 billion, it's been a fairly good run.

**Johnson:** Indeed.

**Mann:** So, anyway, I became president and chief operating officer. Welsh Carson was not noted for being opulent in their sharing of equity with management. But I got some options in the company and we started off. So it's the second time when I had a turn-around on my hands. And we achieved a positive cash flow within six months.

**Johnson:** Same technique as before?

**Mann:** Well, in this case, there were a total of about seven or eight businesses in the whole company and we shut down a couple of them and sold a couple of them for next to nothing. And pared it down to the disaster recovery business and three businesses in financial services. Sun Company really didn't realize this, but the areas of financial services they had were all securities processing and investment accounting, which then was very, very fragmented. Not a lot of people even recognized that it's distinctive are from, say, demand deposit accounting and credit cards and things like that. It's a very much different animal.

So we pared it down to four things; disaster recovery and the three financial services businesses. Disaster recovery was not real popular with the venture investment board because it was still cash flow negative but it was the first application software that I'd seen in a long time where you didn't have to scramble with competitors in a mature marketplaces. Most markets were pretty mature in application software. And although it was against my inclinations, and cash flow negative, I thought we should hold on to it for awhile. And as luck would have it, by the end of that first year the recovery business was cash flow positive as well, so it survived.

In the other areas of the business, we really set out to be a consolidator of what was in a very fragmented area, mainly investment accounting systems for back-office processing, stocks, bonds, mutual funds, etc. etc. etc.

**Johnson:** You set out to be a consolidator by acquiring all the companies that were doing it?

**Mann:** Yes. The buyout was in 1983. We spent the first three years building a track record of what we had, so we could get better financing. We got financially solid enough to go public in 1986 and we made our first acquisition in 1987. Since then we've done 147.

**Johnson:** 147 acquisitions?

**Mann:** And 117 or 122 of those have been in the financial investment accounting business, about 25 or 30 of those are disaster recovery. It was always my thought that this was kind of an overlooked area because when you get into the innards of back-office securities processing, it's very mysterious. I mean the customers are guys from Brooklyn running back offices and you can't understand the logic of what they're saying, and sometimes you can't understand their accent.

And the operations that use the computers are populated by legions of clerks, often with limited English, and the reason it was fragmented is that's the way products were built in the early days of applications and nobody had seen the opportunity to consolidate.

So we were able to become *the* consolidator of the business. There's only about three companies of our size, or even half our size, left. SEI is one, and about half of that business was investment advice and consulting. A company called Advent is a couple hundred million, and DST, a shareholder accounting firm, which is kind of closely aligned with what we do, is about \$600 or \$700 million.

Disaster recovery was a really tough business at first. Our principal competition was Comdisco and they had the advantage of essentially free hardware to populate their centers. They had – properly, from their point of view – a strategy of having lots of centers. They had 26 or 27 centers and we just couldn't afford that. So we pursued a strategy of having the biggest center in one place that we could muster up. And, other than the necessity because that's all we could do, there was a certain logic to that because I felt ultimately communications speed and costs were going to improve to the point where you didn't need to have geographic proximity to have a sales point. Which ultimately worked out. In the meantime, we had to become a very tough selling machine because Comdisco was a very tough selling machine.

As it worked out, we finally acquired Comdisco and by that time it was clear that geographic proximity was not a real issue and we were better off to have the most horsepower we could in one place.

**Johnson:** When was the Comdisco acquisition?

**Mann:** That was in 2001. Acquiring Comdisco was kind of a capstone to the business which no one thought we could do because no one thought we could beat the bankruptcy court

and the anti-trust people, because the acquisition doubled our size. And then we were also able to buy the biggest European provider earlier this year, called Guardian IT. That means that we're now the biggest European provider as well. Essentially the only large competitor we have is IBM. There are lots of competitors, but IBM is the only large one.

To back up a little bit, when IBM announced they were going to go into disaster recovery, their stock took a real swoon, because everybody said, "Oh, that'll kill you." But it didn't.

**Johnson:** That's great. From tax returns in Wichita to being head-to-head competitors with IBM.

**Mann:** Well, we've tended to maintain a low profile, especially outside of our expertise area. I'm certainly not well known outside of my circle of industry associates. And I've always thought that served us well. But what that means is everyone thinks that SunGard came upon the scene as this huge cash-rich, \$2.5 billion company, and they don't realize that I've been working at it since 1960. Forty-two years.

In terms of the history of the software industry, what I've been involved in since the 1960s, is application software. What I have believed, like Frank Lautenberg, is the real thing you've got to sell is not zingy technology, but solutions to problems that work better than whatever people are doing now.

**Johnson:** Right.

**Mann:** And at every stage of the way, all the technical developments have merely been enablers. And that's bullshit about the Internet changing everything. It opened up a lot more opportunities, but it didn't change anything. It was just another step in what I see as the increasing sophistication of an industry over many years.

And I think part of the evidence of how the applications are the real driver is the fact that it's so hard to kill an application software product. About 15 years ago we acquired a company that had a big product and they had a little product that duplicated one we already had. They had eight customers for this product which handled back office investment accounting, a niche in the business.

Well, our product was very well known, very well regarded. So we went to these eight customers and we said, "Look, we've got a great deal for you. We're going to give you a free copy of this much better system because we don't want to maintain this other system." The response to that was zero acceptances of the deal because they didn't want to change.

So we went back and said, "Well, we have another deal for you, a deal you can't refuse. We're going to stop maintaining the software you have and we're going to give you a free copy of the better system." They said, "How about if we pay you to maintain that software?" To the man they said that. And we said, "Okay, as long as we're bringing enough money to finance our costs to maintain it." That thing lived for ten years after that with eight customers.

**Johnson:** I had a similar experience a couple of years ago. When I was in the payroll business back in the 1970s, we gave our customers source code for the check-writing program. So if they wanted to use their own check format, they could modify the source code to print on their own checks. But if they didn't want to modify the code, we gave them the name of a guy, Jim Llewellyn, who had a printing business and would provide checks in the format used by our program.

So after I moved back to California a few years ago, and moved into the little town of Benicia, I ran into a guy in a restaurant who looked familiar and I realized that it was Jim Llewellyn. So I stopped him and said, "Do you remember me?" He says, "Sure." And then he told me that, up until three years ago, he had been supplying payroll checks to a companies that were still using that payroll system. The last of his customers had just switched from that system in the late 1990s. So with all the other options that people have now, they were still clinging to that payroll system written in COBOL for the 360 in the 1970s, even though there hadn't been a company providing maintenance on it for years.

**Mann:** Well, our mutual fund accounting system has coding in it that's 25 years old. Which I think just validates that what people want and need from computers is solutions to problems, not technology, because when they get a solution that works, they want to hold on to it.

**Johnson:** Well, thanks so much, Jim. It's been really interesting and I really appreciate your taking the time for this.

**Mann:** Thank you. It's been fun and I really appreciate what you are trying to do because I think it's important that the information about how this industry got started, and the people who did it, gets preserved.

[Editor's Note: In April 2009, Mr. Mann updated this transcript to bring the information regarding SunGard's acquisitions up-to-date and added the following note.]

**Mann: An Update.** SunGard continued to grow after 2002 and in 2005 was the subject of the, then, second largest buyout in American business history, 11.2 billion dollars. The acquiring group was led by Silver Lake Partners and KKR. Under my successor as Chief Executive, Cris Conde, revenue has further grown to over \$5.0 billion.