



## **Service Bureau Pioneer History Meeting: Growing and Selling**

Moderator:  
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## **Service Bureau Workshop: Growing and Selling**

**Conducted by Software Industry SIG – Oral History Project**

### **Abstract:**

The people attending this service bureau meeting represent a number of the pioneering competitors who helped form the software and services industry in the 1950s and 1960s. The discussion, begins with the varied backgrounds of the people involved in starting their businesses, and then examines the range of entrepreneurial obstacles they faced. These ranged from: competing with the dominant industry players -- IBM, SBC and the other computer manufacturers; searching for viable niches; performing creative financing; building organizations for a brand new business. They discuss the wild ride of the industry's nascent years in the 1960s, as it expanded rapidly and then the sharp decline starting in early 1969, when many companies went under. Lacking any proven play-by-play bible, each panel member discusses his or her personal choices on critical questions -- both successes and failures -- as they sought formulas to thrive in good times and survive in bad times. One distinction of this discussion is that virtually every panel member started early and then scrapped his or her way on to long careers in the industry -- even though they often took different routes.

### **Participants:**

<b><u>Name</u></b>	<b><u>Affiliation</u></b>
Burt Grad	Moderator, Software Industry SIG
Frank Casey	Custom Data Services
Jim Houtz	CyCare
Doug Jerger	Fortex Data Systems
Luanne Johnson	Software Industry SIG, Argonaut Data Systems
Jim Mann	Dynatax
Stu Miller	Accountants Computer Service (later ACS Data Services)
John Rollins	AZTECH Software
Oscar Schachter	Co-founder, Advanced Computer Techniques (ACT)
Bob Tessler	Data Processing and Accounting Services (DPAS)
Thomas Haigh	Historian, Univ. of Wisconsin

## Introduction

**Burton Grad:** First of all, I want to welcome all of you and thank you for taking the time out of your lives to come here and join us and help to collect the history of service bureaus, which were the first of the computer services. Long before software, long before professional services, you guys were there. Unfortunately, a number of other pioneers who wanted to be here were unable to do so. Two of them even chose to go to Tahiti and sail on a boat instead of coming here. That gives you some sense of their judgment.

I'm Burt Grad and Luanne Johnson and I are the co-chairs of the Software Industry Special Interest Group, which is affiliated with the Computer History Museum, located in Mountain View, California. Luanne and I started what is now the Software Industry SIG back in 2000 as the Software History Center and then we merged with the Computer History Museum in 2005. The Museum has been very supportive over that time. For those of you who haven't been out there, you should certainly put it on your agenda for next year. They're going to have a 25,000 square foot exhibit about the history of the computer industry, starting in the Stone Age and coming up to the present. The exhibit goes from inscribed stones to abacuses, through the mammoth computers that take up so much physical space, and finally to the modern devices that you can hold in your hand.

During these sessions you're being videoed and recorded, and everything that you say will be on the tape. So what are the rules? No side conversations, please. We can't hear what the other people are saying when you do that. If it's important enough to say to your neighbor, it's important enough to say to all of us. So please share your side thoughts. Shuffling of papers, moving things around, does get picked up, so again, be cautious when you're doing that. All cell phones are off. All other beepers, other kinds of alert things, we appreciate your turning them off also.

If you open your folders, you will see a list of all the people who are going to be here. The only one that dropped out, unfortunately, was David Grier, who wrote me this morning that he had to go back to Washington DC. The next item in there is the program for today. Do any of you have any questions on that? We're going to be running five different workshops during the course of the day. Each will last about an hour and a quarter to an hour and a half. The general topics are there. We're not going to be doing the linear history on each of you. We'll tend to be staying in the general chronology, but we will be talking about aspects of creating, running, succeeding, selling, failing, whatever the things were that happened during your careers.

This is the eleventh pioneer meeting we've run and it is kind of strange, since we probably should have started with service bureaus. First of all, you guys are the oldest ones, so we wanted to make sure before you all become less cogent, that we should have had the meeting. But you all seem to be reasonably alert at this point; that's a good sign. You're sort of the last of the major sections of the industry that we have done. We've done professional services, we've done mainframe software products, we've done minicomputer and microcomputer software, and we're wrapping up this sequence by doing the service bureaus.

You really set the pattern. You're the ones who created ADAPSO. You set the model for all of the other things that followed on. I know that in ADAPSO, there were often some severe disagreements between the service bureaus and the software and professional services sections. But your businesses changed a lot and that's part of what we're going to explore today: how they changed and why they changed and how you guys adapted or didn't adapt to those changes. The next things in the program are the general background about the service bureaus and how they came about, then each of the sessions is briefly described. And at the very back is our pitch about the Software Industry Special Interest Group; it shows what we've done and what we're planning to do. And hopefully, one, two or three of you will decide that this is fun and that you'd like to help participate in future work that we do, whether it's editing, running other meetings, conducting oral histories, helping to do special issues, writing articles for the Annals. There's a lot to be done, and we hope to have your help in doing it. Our mailing list is now up to 600 people. And all of those are people who've participated in one way or another in our previous meetings and workshops and in the other projects that we've done, so it's an interesting list of people.

We're going to go around the table quickly. I'm going to ask each of you to do the following: introduce yourself, what your affiliation is and what your relation is with the industry. And for those of you who are in the industry, describe briefly, in a couple of minutes, how and why you got started in the service bureau business. We're going to come back later to ask you to give more detail about your companies and their early histories which is the subject of this workshop.

### **Getting Started: The 1950s and 1960s**

**Oscar Schachter:** My name is Oscar Schachter. I joined the computer services industry on January 1, 1962 in New York City when I helped form the company called Advanced Computer Techniques. That company has now morphed into a company called Netsmart Technologies. It was, for a while at least, a supermarket of computer services. We did everything. We had service bureaus; we had professional consulting; and we eventually developed software products, and that's what the company is licensing now. It's a medical systems product. I

joined the company full time in 1966, and stayed on until 1992, when I went back into the private practice of law.

**Grad:** Who was the founder of the company?

**Schachter:** The founder of the company was Charles Lecht.

**Grad:** Any of you remember Charlie Lecht? He was one of the real characters in the industry, a very, very unusual man. The fact that Oscar continued to work with him over all of those years, and didn't kill him, is really quite a tribute to Oscar's abilities.

**Schachter:** Patience.

**Grad:** Patience, that's the word we use. Stu.

**Stu Miller:** I'm Stu Miller. I've lived in Nashville for the last 35 years. I was one of the principals with Accountants Computer Service, which eventually became ACS Data Services. It's a company that started in 1967. I actually started with them in 1973 and stayed with them until 1981. We were owned by CPA firms. Our charge was mainly to supply general ledger write ups and so forth for their clients.]

**Grad:** Thank you, Stu. Mr. Jerger.

**Doug Jerger:** Doug Jerger, having nothing to do with service bureaus. One of those software guys. We started Fortex Data Systems on April Fools Day of 1970 in Chicago. Along the way we sold ourselves to Dun & Bradstreet in about 1973. Bought it back and sold ourselves to University Computing Company (UCC) in 1979 or 1980 and then managed to stay away from that business for a while. Since then, I've been doing consulting work of various kinds, worked for ADAPSO and have been involved with SI SIG as a volunteer, a couple of years after Luanne and Burt founded it. My interest mainly is collecting material, so things you have stuck in your garage that your descendants are going to wonder what to do about, we'd love to talk to you about it and see if we can help you figure out how to share them with the rest of the world in some way. So I'll be around any time at the breaks or whatever that you're interested in talking about. I come from Arlington, Virginia, right outside Washington DC.

**Grad:** How many years were you with ADAPSO, Doug?

**Jerger:** Early. Larry Welke, the president of International Computer Program, got us involved in 1971. I went to a salesman training session at ADAPSO that was led by Welke.

**Grad:** But then you worked for ADAPSO for a number of years.

**Jerger:** Oh yes, that's right. I was on the staff at ADAPSO, too, and Luanne Johnson was my boss. She fired me twice, or tried to fire me twice.

**Luanne Johnson:** But I tried to hire you three times.

**Grad:** Doug, you had how many years with ADAPSO?

**Jerger:** 1990 to 1995 or 1996. But we were members of ADAPSO from 1972 to 1985, until whenever we sold to UCC, then the Fortex name disappeared. I was on the CPA relations committee, as a matter of fact, trying to convince the CPAs to stay out of our business.

**Grad:** I see. Mr. Houtz.

**Jim Houtz:** Jim Houtz. I live in Scottsdale, Arizona. I started a general purpose service bureau named Cycare in 1967 in Dubuque, Iowa. After about three years, we realized we needed to specialize and we focused on large physician group practices. At one time 35 percent of the groups with 20 or more doctors in America used our system. We went public in 1981, and in 1988 went on the New York Stock Exchange.

We started with an IBM 360/20. We put one of the first set of disk drives on that machine and when the disk drive capacity went from 7.5 million bytes to 15 million, we thought we'd found the Holy Grail. It was just amazing technology. We joined ADAPSO probably in the early 1970s and found it to be a tremendous advantage to our company.

**Grad:** Okay, John.

**John Rollins:** John Rollins. I live in Washington DC, and when I moved there after graduate school, I knew I wanted to start a computer business of some kind. After calling all the firms under data processing in the Yellow Pages, my partner and I decided that the one market that was underserved was the second largest industry in the city, nonprofit associations. Of course, the federal government is number one. But there was no computer service bureau company with a specialty in serving this number two market. So in 1968, we started AZTECH and continued until 2000. We went through many, many changes over that 32-year period, from punch cards to the Web.

**Grad:** Mr. Casey.

**Frank Casey:** I'm Frank Casey. I live in Medford, New Jersey, and I got started in the computer industry with Penn Mutual Life Insurance Company in Philadelphia. I worked in their tabulating department, and they had 90-column punch cards in those days, Remington Rand equipment. I moved on from there after serving two years in the armed services. My friends and relatives volunteered me, so I got drafted. I went to a company called Lanier, which was a manufacturing company. Again, they had Remington Rand equipment, and then it became UNIVAC equipment at that particular point. The company left Philadelphia and moved to upstate Pennsylvania, where they thought the environment was much better for their personnel, but it wasn't, because the unions were tough in upstate Pennsylvania. So I left there and went to UNIVAC and I had the opportunity in UNIVAC to sit next to Dr. Grace Hopper but none of her expertise rubbed off on me, I'll tell you that right now. I became manager of the Philadelphia data center for UNIVAC, and again, it was Remington Rand equipment, 90-column punch cards. I moved on then to become regional manager of their data centers. UNIVAC had data centers all over the country and I was responsible for half a dozen data centers, Pittsburgh, Detroit, Cleveland, Hartford, Silver Springs, Nashville, so forth and so on. I worked for a fellow by name of Romuald Slimak, who was the first president of ADAPSO. He was my boss at UNIVAC and I'm sorry he's not here today to meet me. UNIVAC was constantly changing management at that point. They were bringing in all the ex-IBM guys who thought they could compete with IBM. That never did work. But anyhow, I went to a company called Management Services and it was a small mom and pop shop which was serving half a dozen companies with all individual type processing, and that's when I joined ADAPSO.

**Grad:** About what time period are talking?

**Casey:** About 1972 or 1973.

**Grad:** Oh, it's that late in the cycle.

**Casey:** Yes.

**Grad:** Because Slimak was president of ADAPSO when?

**Johnson:** He was the first, so it must have been early 1960s.

**Casey:** When I was with ADAPSO, I became a board member, way back when Jerry Dreyer was the executive director. And my experience with Management Services was that we were positioning ourselves to be acquired and that did work. We were acquired by NLT Computer Services out of Nashville, Tennessee. Doug Altenbern and Jim Barr and Tom Collins. And I lasted with NLT for about three years and saw the handwriting on the wall, because they got what they wanted from my company, which was batch processing, and they



had online services, so they had a good mixture. It justified a lot of the things. So I started my own company called Custom Data Services in 1978 and I started out of the back of my trunk. And I worked for Custom Data Services from 1978 to 1999. But I retired in 1996 and that's the end of my story with a lot of things in between.

**Grad:** That's the beginning. We're going to get a lot more. Mr. Tessler.

**Bob Tessler:** I'm Bob Tessler. I live outside of San Francisco. I actually have been to the Computer Museum several times. One thing, if you have not been, I'll give a pitch for the Computer History Museum. It takes about an hour and a half to go through there and you will see your entire career flash before your eyes. I think that's the best way to summarize it. It is fabulous. I got involved in computers and programming and processing and so on in the army in the early 1960s. After I got out of the army, I went to work for IBM. I was there a couple of years, and then left and went to work for a small startup. I lasted there two years and was no longer employed at the end of two years, so I started a business in the early 1970s, a small general processing service bureau in northern California. For some reason, there was a lot of processing activity going on in northern California but nobody wanted to do any data entry. So we ended up specializing in data entry. They call it database management now, and building databases. We called it key punching. So we've come a long way.

During my activities, I acquired a firm in 1978 called DPAS, known at that time as Data Processing and Accounting Services. One of the really nice attractions of the acquisition did not go on the balance sheet was that they were a member of ADAPSO. And that was my first exposure to ADAPSO. I went to the first meeting and just found it fabulous. I found people who understood our business, who understood the industry and who I could talk to. So we stayed with the services industry and were involved in a roll up, in a public offering in the mid-1990s. That's a brief introduction.

**Grad:** Jim Mann.

**Jim Mann:** After four and a half years in the Air Force, I went to work for IBM in the metropolis of Wichita, Kansas, which may not be familiar to many of you. It happened to be one of the hotbeds of computing, though, because of all the airplane companies there. If you had Boeing in your territory as a salesman, you didn't have to worry. My territory was banks and accounting firms. There wasn't an accounting firm in the world with a computer. However, one of them was in my territory and it had acquired an office in Tulsa that had an embryonic service bureau. And so they invited me to join them and we formed, as ACS did, a separate subsidiary that I owned a quarter of and they owned three-quarters of, and we did bookkeeping for small businesses.

**Grad:** What timeframe are we talking about, Jim?

**Mann:** This was 1963, so we did financial statements, write up works for the captive accountant base. Also, however, I was a college fraternity brother with a fellow named Dan Carney, who had started Pizza Hut, that was just getting going then. I developed a turnkey system for Pizza Hut stores and we did work for about 250 of them at one point. Then I very expensively and painfully decided to develop the fourth computer income tax return in the country, called Dynatax, with a little different wrinkle. I licensed the products to other similar organizations in the country, four of them I think, one of which was ACS. So you know what I'm talking about, the painful part. Anyway, we ended up with a pretty big company called Dynafacts, through a series of mergers, catastrophes and so forth, ended up with Bernie Goldstein at Tymshare, and, then with United Data Centers and then SunGard and here we are.

**Grad:** The United Data Center story is a very important one and how that came about, so we'll come back to that one as one of our specifics here. Luanne.

### **The Software History Center**

**Johnson:** I'm Luanne Johnson, and I'm also one of those software products people, no background in service bureaus. Started a software products company in Oakland, California, called Argonaut Information Systems in 1971 and ran that for about 15 years or so. But I think I'm most infamous for serving as the president of ADAPSO, for a time. I guess what I'm most infamous for is I was there through this terrible thing of changing the name from ADAPSO to ITAA. It made a lot of people upset. So late 1980s or early 1990s, I was at ADAPSO/ITAA and then when I left that, I went into consulting and ended up working with Burt now on this software industry history project for almost ten years now, even a little more than that. It's been very gratifying, because I really feel it's so important to preserve this history and it's been wonderful, the people that have cooperated and been willing to share their memories and their materials and so on. So it's been a great project to work on.

**Grad:** Luanne's really the force that created the Software History Center. She had the idea and roped me in. I had roped her into a previous company that I had started with women working at home, doing programming work, nothing else.

**Johnson:** Actually, I should tell the story about how we got the funding originally for the Software History Center. We'd been talking about this starting about 1998 or 1999. We're thinking, "This history's going to be lost and this is the most important industry in the world." We were trying to raise money; but nobody cared. Well, in 1999, all the magazines were doing end of the millennium special issues and *Fortune* magazine did an end of the millennium in

which they talked about the four most important businessmen of the 20<sup>th</sup> century, and one of them was Bill Gates. And in this article, it stated that the important thing that Gates did was that prior to Microsoft, there were no pure software companies. Okay, well now I had a weapon to get people's attention. This is not right. Unless we collect the history of these other companies and make sure this is preserved, this is what's going to go down in history as the beginning of the software industry. And at that point, we were able to get a few people to write some checks and we were able to get something going, so we owe thanks to *Fortune* magazine.

**Grad:** John Imlay and a few others were major contributors. Those with egos who cared about the facts. <laughter>

**Johnson:** That's what history is. It's based on what's documented like that, and otherwise the Fortune story would have gone down as the record.

**Grad:** It happened thanks to Luanne. Before I have Tom Haigh introduce himself, I want to specifically thank Oscar Schachter for helping to plan and get this meeting set up; and Doug Jerger for doing the heavy lifting of carrying all my papers and stuff in yesterday; and Luanne for helping to work with me and planning the whole meeting. We do appreciate all that they've done. Dr. Haigh, excuse me.

**Thomas Haigh:** Thanks, Burt. I'm Tom Haigh. I'm a historian who's written about a number of aspects of the history of computing. Recently, for example, I have written on the history of database management systems. But the most relevant thing I've done with respect to this would be coming from the original ADAPSO reunion. When was that? About 2003?

**Grad:** 2002.

**Haigh:** Yes. So after that, I received some funding. I was able to go to the ADAPSO archives, which are now at the University of Minnesota at the Charles Babbage Institute. I spent about a week and a half there and looked through the stuff. I finished up writing a three-part series on the history of ADAPSO, which was published in the IEEE Annals of the History of Computing. The first of those articles dealt with ADAPSO's origins and the early days with the service bureau industry.

## **Genesis of the Service Bureau Industry**

**Grad:** Tom has been incredibly prolific. Let's now go into some specifics and talk about your companies in the service bureau industry. First I'd like to ask you to talk about companies other than your own. Who, in your recollections, were the earliest companies that were service bureaus? Who were they and what were they doing? Anybody want to start with the thing?

**Casey:** Well, ADP was best known.

**Grad:** ADP, really? ADP goes back to 1949.

**Johnson:** Yes.

**Grad:** And Frank Lautenberg, who was the former chairman of ADP, was the subject of an oral history interview with us. Was the company strictly on payroll from the beginning?

**Casey:** Yes.

**Grad:** Does anybody know differently?

**Johnson:** Yes. [Editor note: ADP was founded in 1949 by a Patterson, New Jersey businessman named, Henry Taub under the name of Automatic Payrolls, Inc.]

**Grad:** Who else? The one that comes to my mind is, of course, Service Bureau Corporation.

**Casey:** SBC, yes. They were a big competitor.

**Grad:** UNIVAC data centers were also an early member of ADAPSO.

**Casey:** Yes.

**Johnson:** They were a founding member.

**Grad:** Well, around 10 companies helped form ADAPSO in the early 1960s. The organization was inaugurated in June of 1961 with Romauld Slimak, who was manager of the Univac Service Centers, as the first president. The other main organizer was C.W. Graf, who was manager of Advertising Sales and Promotion for the Service Bureau Corporation. Seven

other men gathered in the Hotel New Yorker, all but one concerned with the sale of computer services or equipment. That one dropped out before the fourth meeting in June, at which the name was decided. Do any of you remember the names? We have some of this material in file, but if some of you either worked with or knew those companies? Stu?

**Miller:** Well, the earliest one I can remember was Computech and I think that was one of Bernie Goldstein's companies originally.

**Grad:** Is that right?

**Mann:** Yes, that was Bernie's first company.

**Miller:** That would have been maybe 1962...

**Grad:** Any others you can remember from that time period?

**Mann:** I can't remember the names, but I remember the first ADAPSO meeting I went to shortly after we got in the business. I think there were about 12 people at the meeting, and I went there hoping to rub up against Frank Lautenberg and have some of his luck rub off on me. It didn't.

**Haigh:** Computech was started in 1958. What became ADP was founded in 1949, but it was a while before they automated anything.

**Grad:** Again, many of these service bureaus started as punch card companies, didn't they? That's where Service Bureau Corp got its start. These were truly service bureaus with punch card equipment. But I think all of you started as computer companies. Is that a correct statement? Any of you start as punch card companies?

**Tessler:** SBC was the one I recall that used unit record equipment.

**Grad:** I'm sure that you used unit record equipment, didn't you, Frank?

**Casey:** Oh yes. We used punch paper tape. We used punch cards. We used tabulating machines, interpreters, sorters and reproducers. We had no computer.

## United Data Centers

**Grad:** Jim, let me focus on you to start with. This relates to a story we've had from the interview with Bernie Goldstein; unfortunately, he had a board meeting out in Chicago today, and so he couldn't join us. Bernie was sent out by ADAPSO, I believe, to try to recruit members around the country. Do you know that story?

**Mann:** I think the story's a little more complicated than that. I think what happened is that Computech went away. [Editor note: Goldstein and his two founding partners sold Computech to Control Data Corporation (CDC), a Minneapolis-based computer maker that wanted to enter the New York computer services business, in 1965.] What I've heard from Bernie is that he approached ADAPSO and said, "Hey, I've got an idea for you. I will work for nothing to recruit members for you." So he did that for a year, and his idea was to learn of all the service bureaus in the country, get acquainted with them, because his next business venture was going to be United Data Centers for the purpose of acquiring as many of them as he could.

**Grad:** He has told you that was his objective?

**Mann:** Yes. He was upfront about it.

**Haigh:** It's 1965 when he sells out his earlier business and goes with ADAPSO to do the tour.

**Johnson:** And he did, by the way, recruit a lot of members for ADAPSO in the process as well.

**Grad:** Now, Jim, when did you get involved with Bernie?

**Mann:** Without getting into the complexities of it, my service bureau in Wichita morphed into part of a similar five-company conglomerate that was put together. It got into financial trouble and Bernie bought the company in about 1973, I think it was. The accurate date is reflected in Luanne's interview of me, which cannot be improved upon.>

**Grad:** So you were not there during the 1965 period; but you were involved at a later period?

**Mann:** Actually, United Data Centers, and I don't remember the numbers exactly, and my company, where I had become chief executive of this conglomerate of companies, were about the same size. So while our company didn't have a sound balance sheet, it gave Bernie

a chance to double the size of United Data Centers and was a pretty good launching pad for a series of other acquisitions over the next three years.

**Haigh:** Sorry, but actually, Goldstein's earlier company was acquired by CDC in 1965, but he stayed with it until 1967. I just want to clarify the timeline on that.

**Grad:** So it's a little later then.

**Haigh:** And then he was working for ADAPSO for a brief period before starting United Data Centers.

### **Accountants Computer Service (ACS)**

**Grad:** This period in the 1960s is what I'm trying to grasp here now. Those of you who had companies or formed companies in the 1960s, let's start with that. Stu, when did yours begin?

**Miller:** Nineteen sixty-seven.

**Grad:** Tell us a little bit about who was involved. You were not the first person there. Who were the founders and so forth of that company?

**Miller:** The founders of the company were actually five CPA firms. The leader of the group was a fellow named Joe Kraft, one of the Kraft Brothers.

**Grad:** If you have names, acronyms, things like that, please spell them out, because when they transcribe them, they haven't a clue.

**Miller:** Joe Kraft and several of his colleague companies in Nashville were just getting inundated doing the manual general ledgers, accounts payable and everything that had to go with it. Plus, they were doing tax returns. In those days, they did not have the System/32s the System/34s, any of those small machines. And Accountants Computer Service, which they formed with three principals, one of whom I think worked with Jim Mann for a while, maybe at Boeing, and then even at Elmer Fox.

**Mann:** Oh, Terry Higgins?

**Miller:** Terry Higgins.

**Mann:** He was in charge of the tax return development when we first started.

**Miller:** It's an incestuous, terrible thing here. The five CPA firms joined together and said, "We need to service our clients."

**Grad:** These were all local firms?

**Miller:** These were all local firms to begin with in 1967. They were all Nashville firms. Over the next two years, they brought other firms into it from Chattanooga, Tennessee, but all in Tennessee for a while, Knoxville, and so forth. Started with a 360/30. Went to a 360/50. Ultimately, later on the 1970s, we had a 370/135 and so forth. And then we had the DynaTax franchise that Jim Mann mentioned. We were one of the four offices in the country using it. ACS, as we called ourselves, was one of the first. It was indeed painful.

**Grad:** Why was it painful?

**Miller:** Just the logistics of it.

**Mann:** In the first place, the system is massively complicated. It looks easy now. You can buy TurboTax for five bucks or get it for free. But it is massively complicated. Unlike any other computer software product, you've got to deliver on time. If you don't deliver it on time, you don't get any income. In the early days, new systems were all full of bugs and it took about three years to get that system down to where it was reasonably stable, year to year.

**Grad:** Who wrote the programs?

**Mann:** Well, I designed it, personally. Probably wrote about 25 percent of the code in it myself.

**Grad:** What language did you use to write the programs?

**Mann:** That's an interesting sidebar here. At that point, it was just like today. Every once in a while, something new that was going to be the panacea of programming would come along. So IBM announced a thing called PL/I. <laughter>

**Grad:** That was a terrific language.



**Mann:** Well, it fit the needs of a tax return program. At least, its specifications did fit pretty well, because this application required a lot of mathematics, but it also required a lot of formatting. PL/I was billed as the ultimate merger of COBOL and Fortran.

**Rollins:** And ALGOL. It was a merger of those three.

**Miller:** PL/I. Programming Language/I.

**Mann:** So I actually wrote a demo version of the program myself in PL/I, put it on the 360, started it. Came back about an hour later and it was still grinding on the demo.

**Grad:** Speed was not one of PL/I's characteristics.

**Mann:** I decided, "Well, I don't think this is going to work."

**Grad:** So what did you switch to?

**Mann:** I went to a hybrid. I went to Fortran with a lot of assembly language add-ons to cope with the formatting and stuff like that. But another aside, at that point, the IBM operating systems were not so great either. We had to do some actual tinkering with the operating system to get the various overlays to load fast enough to do a tax return during your lifetime. But it was painful.

**Grad:** Let me go back to Stu now. You're not there now. It's 1973, but DynaTax was earlier.

**Miller:** DynaTax was earlier. The competition for DynaTax was CompuTax and FasTax. And there were other systems that were out there.

**Mann:** There were three others.

**Grad:** Why did you choose DynaTax?

**Miller:** The person that actually chose it had worked with Jim before, had confidence in him. They had worked together even on programming. The issue with DynaTax, if you will, when you're involved in the rest of the service bureau, is that DynaTax had priority over everything else. It had to get out. If you see the tables the way they are now, you could add five more tables and put small stacks every foot, and people marching around these tables to

assemble. And sometimes they assembled it right and sometimes they didn't. It was a massive data entry effort, as you can imagine.

**Grad:** Your customers were these five firms?

**Miller:** Yes, they were the five CPA firms.

**Grad:** You didn't work going out into retail, to other kinds of companies directly?

**Miller:** At that time, we did not.

**Grad:** I'm looking for this beginning period, what the initial markets were and what you were dealing with.

**Miller:** Correct.

**Grad:** Did they actually hire people to run that company, or did they take some of the people from the CPA firms to run them?

**Miller:** No, they actually hired some professionals. They hired three individuals, two of whom had worked at a [Nashville] company called FISL. And another person who had worked at Boeing and at Elmer Fox and Company, and that was the DynaTax person.

## **Cycare**

**Grad:** Jim Houtz, talk about your earlier experiences when you started your company.

**Houtz:** We started in 1967 as a general purpose service bureau. I realized when I read Ross Perot's story of his startup what one of our problems was. He started with \$1,000. We started with \$1,500 and I felt we were over-capitalized. <laughter> But our funds were \$1,500 and ten shares of IBM stock, which was worth about \$5,000. We had one consulting contract to put in a system. We shared an IBM S/360 model 20 computer with a credit union. They took half, we took half. Ten years later, we were running on much bigger equipment and we still billed them what we billed them for the original half of the model 20. Within two years we realized that being a general purpose service bureau, we were just treading water, so we decided to specialize. I think we had help from some ADAPSO conferences. We decided to specialize and we fortunately picked an industry that was just starting to grow, that being group medical practices. At that time, there were probably 320 groups in America that had 20 or more physicians. Today there are close to 4,000. So we got into a market that was growing. After

listening to the discussion about tax and PL/I, I realize now we had it made. We had a simple product. An Accounts Receivable statement system was our first product. We built microfiche, because we were replacing ledger card systems. We built a microfiche system that looked like a ledger card. In insurance, we were the first ones to write insurance reports. At that time, you do accounts receivable and they had a department of 20 people putting out insurance reports. We were probably the first in the country to do a Medicare form on a computer. It was great. The government paid for them.

**Grad:** You said you used RPG to do your initial program?

**Houtz:** We used RPG then switched to COBOL when we got into bigger systems.

**Grad:** Did you have any local competition there in Dubuque?

**Houtz:** A little bit, as a general purpose service bureau. There was another accounting firm which did primarily general ledgers and financial statements. They tried to compete with us a little bit, but as we talked about in our interview, I had all the IBM manuals and Burroughs manuals and NCR manuals and we could come up with some really good systems.

**Grad:** Jim, you made an interesting point in your interview that the application descriptions that you were getting from IBM, from other companies, gave you a design and a structure. You'd have to do your own programming, but you had a framework to do it with. Is that interpreting you correctly?

**Houtz:** That's absolutely correct, right.

**Grad:** Any others of you find that of use to you? Where did you get your source stuff for the tax program, for DynaTax?

**Mann:** It happens that doing the tax return system is tough but it's not real mysterious. The way you write the program is you get the government form, you turn it over in the back, read the instructions and write the code to perform the instructions. People thought I was a great tax expert. All I knew how to do was turn the form over and read the instructions.  
<laughter>

**Grad:** And you found those government instructions were comprehensible?

**Mann:** For most things. Since we were part of an accounting firm, or were actually owned by an accounting firm, I didn't have to go far if I didn't understand how to do something.

I would say 95 percent of it, or even more than that, just tells you how to do it. The tax system in the United States still pretends to be oriented to the person doing his own taxes. I don't know who does that anymore, other than me.

**Grad:** I do.

**Mann:** Do you? Good for you.

### AZTECH

**Grad:** My company tax and my personal, I do them both. John, tell us about your starting AZTECH which is all caps.

**Rollins:** That's right.

**Grad:** This is a man with a big ego.

**Rollins:** All caps. It's an acronym, A to Z Technology.

**Grad:** Oh, is that right?

**Rollins:** We didn't publicly reveal that. The real name was just AZTECH Corporation. When we started it, we didn't know what our computer specialty would be, so we thought by saying A to Z Technology we'd pretty much cover the basics.

**Grad:** I'd never heard that.

**Rollins:** So we did our homework, as I was saying before, and went through the Yellow Pages, trying to figure out what a good business plan would be. I'd just gotten my MBA and was into business strategy.

**Grad:** Let's start a little earlier. You had a partner you worked with?

**Rollins:** Yes, Doug Fisher was my partner from the beginning.

**Grad:** You knew him from school?

**Rollins:** We met through mutual friends in Washington DC, shortly after I moved there.

**Grad:** What year are we talking about when you started?

**Rollins:** Nineteen sixty-eight was the beginning of AZTECH. We incorporated it in 1969 in March. I was actually not full time. I was writing code. I was the resource. I could program in half a dozen languages and had been involved in software since 1962 as a freshman in college. One of my professors at Dartmouth was inventing a new computer language that he called BASIC.

**Grad:** You were at Dartmouth with Kemeny and the others?

**Rollins:** John Kemeny was my calculus professor and he taught us all BASIC in a two-hour course. His purpose for inventing BASIC was so that university students anywhere could have an easy to learn, quick to learn language at their disposal as they went through school. He needed some help debugging it. It was brand new and so I was one of the students he called on to assist him in that project.

**Grad:** That's terrific. Go back to 1968, 1969.

**Rollins:** So in 1968, we're looking for a good business plan. I had my MBA and I wanted to have a strategy that would work in terms of long-term success. We decided that the niche market strategy, focusing on associations, second largest industry in the Washington area, was the right one because there was really no competition. Only SBC claimed they could provide services to associations, and we knew they weren't really focused on that industry. They'd do anything for anybody and they were very expensive, so we felt safe under that IBM umbrella that we all talk about. We started with an IBM System/360 Model 30, like many of you. It was upward compatible. It was like a dream come true for a programmer, because any program you wrote, if you had to upgrade to a 40 or a 50 or whatever later on, it would work on that computer. We used the PL/I language. It was my personal favorite, having programmed a lot of others along the way. I'd done some programming for NASA for the first lunar lander. I'd done a lot of different stuff in Fortran and ALGOL and whatnot. I bought the IBM line that it was the merger of the best of Fortran, COBOL and ALGOL in a single language that would do string manipulation of character strings. With associations, there are a lot of databases and you're trying to parse cities and states and zip codes and addresses and dues and various things in character strings. Great language for that, as well as for computation. You did have to have a fair amount of power behind it in your computer. As Jim Mann pointed out, it would run slowly on a small computer. Actually, that wasn't a problem.

**Grad:** The old joke about IBM, when I was working there for all those years, was that they didn't pay us to make the programs slower, but they didn't pay us to make them run any faster either.

**Rollins:** Actually, on the 360s at that time, writing program code was on punch cards, so you'd run one program at a time through the card reader. You'd have the whole power of that huge 64K machine to process your program, without interference from any other program, so it was tolerable.

**Grad:** Did you have your own offices right away?

**Rollins:** Yes, we rented a fifth floor office in a brownstone. It was a walk up near DuPont Circle in DC, which was luckily right in the heart of where a lot of these nonprofit associations had their national headquarters. It was a neat time, very exciting time to be there and start that. Associations were starting to move their national headquarters to Washington from other cities. Previously, Chicago had been the major association headquarter city in the United States. New York had been number two and Washington was number three. Over the period we were in business, we determined later, an average of one national association moved their national headquarters to Washington from somewhere else in the country every week over a period of decades as the importance of the federal government and lobbying and having a representative in Washington grew, just like ADAPSO moved to Washington.

**Grad:** When did ADAPSO move to Washington?

**Johnson:** They were still in New Jersey in 1973, 1974. It must have been about 1978 I think they moved to DC.

**Grad:** What's interesting here, you had a definite business strategy.

**Rollins:** Yes.

**Grad:** Each of these companies come out of a different motivation, different background, which is kind of fun.

**Rollins:** Yes. We actually wrote a business plan and met with friends and family and tried to raise some capital. It showed exactly where we thought we'd break even. I had prepared the manual ledger sheets that I'd filled in with all my projections, going out month by month for 12 months.

**Grad:** No VisiCalc yet.

**Rollins:** No VisiCalc. That was a Godsend when it came. In about 1979 I started using that VisiCalc. But the ledger sheets showed I was going to break even after ten months and

that I'd need about \$40,000 or \$50,000 of capital to do that. I remember one of my professors at Stanford teaching me that you should raise twice as much money as you think you'll need so you have a cushion. And actually we did, we raised about \$90,000 and we went through all but \$3,000 of that. So the formula worked, but barely. We broke even and kept growing and eventually moved beyond punch cards and the 360 to other things later on.

**Grad:** What applications did you initially focus on for these nonprofits?

**Rollins:** Membership. That was the biggest one. They had huge databases of members that were by and large kept on Addressograph plates. You remember, the old steel plates, old two inch by four inch plates. Stack them up and use a big machine that would physically imprint the address on the envelope or the outside of the magazine so it could be mailed. We obviously had a major data entry conversion effort on the front end with each new customer that we put on computer. And about 75 percent of our customers in the early days came from manual systems. Only about 25 percent came from other computer systems.

**Grad:** So you had to key enter all the stuff on the Addressograph plates?

**Rollins:** Yes. Actually, we decided that the key punch department of AZTECH was really too expensive, because we had 029s and 129s. We discovered an optical scanning system that actually was one of our secret weapons. There was a friend of mine that had a network of women in Maryland who had electric typewriters in their homes. They would type the names and addresses, or whatever the fields of data were that were going into the database, using a ball on this electric called the OCR, optical character recognition font. It didn't have to be key verified. They would type it, and then visually verify it for accuracy, so you skipped a key verification step. Then it would be scanned at high speed and I don't remember the brand of the scanner that my friend used, but we could convert huge databases of hundreds of thousands of names more inexpensively than anyone else. So we really beat the competition on that one and grew rapidly.

**Grad:** Luanne, don't we have a story from Peter Harris in this area, doing some kind of conversion for the state of Connecticut or something like that?

**Johnson:** Yes, he got a contractor to convert the state of Connecticut Department of Motor Vehicles records. He was up in that area, in the Connecticut/New York area. There was somebody in the Washington, D.C., area who claimed they could scan those Addressograph plates, or the printout from the Addressograph plates. So it was built into his contract that he had to do this Addressograph thing. Unfortunately, they ended up key punching 95 percent of it. <laughter>

**Rollins:** The Addressograph image was not that crystal clear.

**Grad:** Stu, what were the initial applications that you were focused on, besides the tax one?

**Miller:** Payroll, and you mentioned John Imlay [chairman of Atlanta-based Management Science America], which was interesting, because lots of folks used third party software and we used MSA's payroll package, AllTax.

**Johnson:** Oh yes, Tom Connery built that.

**Miller:** We would get the updates to it as the tax laws changed. So payrolls were a huge thing that we were doing for the CPA firms.

**Grad:** So rather than their using ADP [Automatic Data Processing] or somebody, you provided the service yourselves?

**Miller:** Correct. Well, ADP was certainly a competitor of theirs, but because everything else that their clients were using was in-house by the CPAs, they trusted them to do their payroll as well.

**Grad:** Made sense. Frank.

### **UNIVAC Data Centers**

**Casey:** My experience has covered many of these points. I have in front of me a picture of the managers of the UNIVAC data centers from 1962.

**Johnson:** Great.

**Casey:** It is an old archive picture. I'm the youngest one in the picture, by the way.  
<laughter>

**Tessler:** Last man standing.

**Casey:** UNIVAC gave me a lot of experience of being the regional manager of their data centers. I had occasion to do offshore key punching, which was a lot of fun. I got to go to Jamaica. If they had offshore key punching, where am I going to, Australia? I would have been there too. But we did a lot of major conversions using offshore key punching and particularly in



Jamaica. And we had occasion one year to bid on the Philadelphia School District student records, and I think there were over a couple of hundred thousand students in those days. We wanted to bid and we did it in Jamaica and it turned out quite good. So we thought we had a competitive edge and next year bid the same thing, figuring we had some of the same records; we'd just have to key the exceptions. Well, that didn't work. They had too many exceptions in doing that. That was one of the great things we learned.

**Grad:** Frank, let me ask you a question now. We're talking about the 1950s, 1960s, what timeframe?

**Casey:** Nineteen Sixties.

**Grad:** This is the 1960s we're talking about. The UNIVAC data centers were fairly large. They were competing against SBC?

**Casey:** SBC, right.

**Grad:** They weren't local. They were all over the country?

**Casey:** All over the country.

**Grad:** So you had lots of offices.

**Casey:** Yes, many.

**Grad:** What kinds of applications were the primary things?

**Casey:** They did insurance accounting. They did some payrolls. You name it, they did it and that was it. It was a batch-type processing mom and pop shop type of process.

**Grad:** You were using UNIVAC computers at that time?

**Casey:** Yes, when UNIVAC computers came into play.

**Grad:** In the 1960s, they would have been, right?

**Casey:** Yes. You had an 1107 at Southern Methodist University in Texas. I remember that. I had occasion to go there. We had one right down the street here when we moved

UNIVAC's headquarters [to the Sperry Rand Building] at 51<sup>st</sup> and Sixth Avenue. I remember specifically when General MacArthur was the chairman of our board and he made a visit to the office one day and walked into a plate glass door-- <laughter>

**Johnson:** Did he say, "I shall return?"

**Grad:** Let me ask you a question here on the timing. So my memory is, we have a story here. Sam Wyly says he made his first deal for his first computers in 1963 with Southern Methodist University to share that computer down there.

**Casey:** Right, that was UNIVAC 1107, I believe. [Editor note: Actually, SMU was using an antiquated, vacuum-tube machine called a UNIVAC 1102, which meant the school's first IT students were unprepared for the real world. Wyly finagled a deal for a Control Data 1604 he bought at a CEIR fire sale from Bob Holland. Wyly offered to let the SMU students have the computer for teaching if he could house it at SMU -- and SMU picked up half the electric bill.]

**Grad:** Yes. So that's interesting. He cut the deal that they used it daytimes and he used it nighttimes or some such thing with SMU.

**Casey:** One of my other finest experiences with working for UNIVAC was that we became familiar with the commissioner of corrections in the state of Pennsylvania and they thought it would be a good idea to get a select group of convicts at Graterford State Penitentiary and teach them programming. And I was selected to be one of the instructors. And I spent nine months at Graterford, in and out every day mostly <laughter>

**Grad:** They didn't keep you overnight most of the time?

**Casey:** No. One time I did, because they had a lockdown there. <laughter> They had a little bit of a skirmish between two of the boys, and one of them got killed. They said, "Let's confiscate all the weapons." They ended up with a 55-gallon drum of shivs and I felt that I was the only one in the place who didn't have a shiv. I thought, "This is not for me." I have a picture of me here with the commissioner somewhere, programming I think it was the 1004 at that time, where it was a wiring concept. There's a couple of convicts there and that's me and that's the commissioner, and a fellow by the name of Frank Clayton.

**Grad:** Were they good programmers?

**Casey:** Well, one was a good programmer and he got paroled. He was in there for holding up a couple of banks. And two weeks after he got out on parole, he held up another bank. <laughter> That's where his programming expertise went.

**Tessler:** He managed to upgrade to white collar crime.

**Grad:** Frank, how long did you stay with UNIVAC data services?

**Casey:** I was with UNIVAC from 1957 to 1972.

**Grad:** So this whole time period you're there, but you didn't actually join ADAPSO until after you left?

**Casey:** I may have joined ADAPSO before. It's hazy at that point. I don't remember when I joined ADAPSO, but I was on the board with Frank Lautenberg, so I don't know when that was, and Bernie Goldstein.

**Grad:** That would have been in the 1960s and early 1970s.

**Casey:** Yes, so I was a member then.

**Grad:** When did you leave Univac Data Centers?

### **Management Services**

**Casey:** I left Remington Rand in 1972. I then went to a company called Management Services out of Norristown.

**Grad:** What were they doing?

**Casey:** They did batch processing and they had a Burroughs computer at that point. We did a lot of services in local municipalities. We did real estate processing, personal property. We did a lot of work for one of the big counties in Pennsylvania, Montgomery County. We did their voters' registration. We did their personal property. We did their real estate taxes. We did processing and all that. We were acquired by NLT Computer Services in 1975. Then I went to work for NLT.

**Grad:** Did you help to form Management Services or did they exist before?

**Casey:** No, they existed before. I went there to run their data center. I ran it and we had such distinguished customers as the American Baptist Convention, which was in King of Prussia, Montgomery County. We had Sacred Heart Hospital. We used paper tape. We had a lot of insurance things, we had a lot of tax billing for all the municipalities in and around Philadelphia, and that was one of our specialties. We did real estate tax billing, personal property and then we became earned income tax collectors.

**Grad:** So it was application specialized.

**Casey:** Yes.

**Grad:** Bob, your turn next.

### **Data Processing and Accounting Services**

**Tessler:** My first experience was with an IBM 650 with vacuum tubes and air conditioning. During years in 1963 to 1965 there was a UNIVAC 1104 with a plug board and so on. My first real service bureau experience started in 1965 with SBC. That of course gave me the background to move forward and at that time, there were no other service bureaus that I knew of in the mid-1960s. If they were, they were local-- other than ADP, which everyone knew at the time, but I don't recall any major competition in the mid-1960s. I was in the Dallas area, which was the hotbed of major startups. I started my business in 1971, so I'm going to stick to the 1960s. One experience I do recall, during my SBC experience they were kind enough to send me out to San Jose. I had to look on the map to see where San Jose was at that time, and it was in California, but that was about it.

**Grad:** That was then.

**Tessler:** That was then, yes. Anyway, so I did get to San Jose and I was a programmer in a larger group that was supporting IBM development activities. That group grew larger and became supported at non-IBM activities. But one of my experiences, I became the manager of that group and there was a young fellow that came to work for him by the name of John Moore's. John's company was BMC Software. So John and I became pretty good friends professionally and socially. We decided we were going to start a business. So we started a tax service. It was a first service bureau type activity. So there were three partners, he and I and a CPA. The CPA finked out and that was the beginning and end of our first service bureau experience. That's what I remember about the 1960s.

**Grad:** Tell us about your own company, beginning in the early 1970s.

**Tessler:** I started in the 1970s. There were three people I had thought about working with. One was Ross Perot, and another was Sam Wyly. As I mentioned, I lived in Dallas the time. The third fellow was by the name of Swede Lorensen

**Grad:** Spell it.

**Tessler:** He was an SBC executive. Swede Lorensen, who was an SBC executive and lived in the New York area. So being the superb judge of character I am, I turned down Perot and Wyly and went to work for Swede Lorensen, who we all know very well. <laughter>. So, in any event, their model-- this was in 1969-- their model was taken after those who had been successful in the industry. I had the northern California area and I did find other customers who needed servicing. We put them all on the same machine and started our business in that manner.

**Grad:** Who were your partners, besides Swede? Was there anyone else?

**Tessler:** Yes, a fellow by the name of Wayne Cutler who came out of SBC. The money came from a fellow by the name of Lynn Williams, Jr. Lynn Williams was the son of A.L. Williams, I think he was president of World Trade Corporation of IBM at that time. So as an aside to that story, I do recall being called by Lynn Williams at 6 o'clock in the morning in California. I'm sleeping and the phone rings. "Yes, sir. Yes. I know there's a flight to Dallas." My wife could tell what was going on and she said, "We have a dinner party tonight. We have a dinner party tonight." Well, that's the first experience I had with flying from San Jose to Dallas, interviewing at the Atlas Club for an hour and turning around and coming back on another airplane.

**Grad:** What was the application focus that you were going after?

**Tessler:** We were general. All we were concerned about was turning that revenue into a bottom line and eliminating hardware costs, and reducing labor costs as much as we could. We really didn't care.

**Grad:** But where did you get the application code from? Did you build your own?

**Tessler:** At that time, it was furnished by our customers. We were strictly a consolidator at that point.

**Grad:** So you were providing the machine time for them to run their programs.

**Tessler:** Exactly.

**Grad:** These other people were application builders; you were not.

**Tessler:** Right. We just took the programs and had to run and service the accounts. Now as time went on, we started doing some applications for those firms that did not have their own computers and were going from manual systems to automated systems.

### **Other Service Bureau Stories**

**Grad:** Let me ask a general question around the table on these things. You can just see even in these six companies the differences in approach, strategy, so forth. But one thing I didn't hear from anything is that you really had very little local competition. You did with your UNIVAC data service centers because you were competing against IBM.

**Casey:** Right.

**Grad:** But was the decision to go with IBM rather than you depend upon the hardware, or didn't that matter? Was it strictly application?

**Casey:** It was application driven. It wasn't hardware at all.

**Grad:** Didn't matter.

**Casey:** No. It was how you serviced the client and sometimes who you knew, the client.

**Grad:** Now your case, Bob, because the application would run on so and so's hardware and you had that hardware, that gave you the door opener.

**Tessler:** We were hardware-specific.

**Grad:** How about you, Jim. Why would the company come to you rather than to X, Y, or Z?

**Mann:** I was an early convert to specialization. I did a few custom systems when we started out and discovered it wasn't fun. They weren't repeatable. So we ended up specializing in financial statements for accountants and big businesses and tax returns, because you didn't have to keep reinventing the wheel. So we were an early convert to that. The local competition in our neighborhood was the Service Bureau Corporation, which wasn't much competition; and

a local competitor that I had sold a 1401 computer to when I was an IBM salesman, who wasn't much of a businessman and soon went broke. Observing him made me an early convert to the concept of cash flow, which I remain to this day, much to the chagrin of some people who have worked for me. <laughter>

But in the 1960s, the thing that happened to my company, in 1969, if you recall, there was a huge bubble in computer service, an enormous bubble. A lot of people that had anything to do with it got their tongues hanging out with visions of a dollar sign with seven digits following it, going into their pocket. And a guy in Lexington, Kentucky had an accounting firm that had a service bureau and he put together my company. By this time, I'd acquired a data center in St. Louis, and so we had two centers. He had one, another one was in Hackensack, New Jersey, and I think the other one was maybe in Miami. We put them together, organized by one of the investment bankers of that day, with a view to going public and capturing these millions of dollars of equity, we thought. It was a lot of work, because my companies were organized, the corporation. We had good records. The other ones were kind of blended in with their firms and they had to do a lot of accounting work to split them out.

**Grad:** They were all subsidiaries of some other companies?

**Mann:** Of accounting firms, yes. They were all accounting firm related. So we got them put together and we even got to the point where we had a red herring for the public offering, which went effective on January 8<sup>th</sup>, I think it was, 1970. Thomas, you may have the exact date of the crash. <laughter>

**Tessler:** But the window closed.

**Mann:** The window not only closed; it slammed down on your fingers, stuck in the sill.

**Grad:** Any others of you try to go public in the late 1960s? As he points out, there were dozens of firms in 1967, 1968, a lot of IBMers looking to become entrepreneurs.

**Schachter:** ACT, Advanced Computer Techniques, went public in May of 1968.

**Grad:** You got in early.

**Schachter:** We got in early. We came public at \$7 a share. It went to \$28 on the first day, on the opening. By 1971, I think it was down to \$2 a share. So we went through an entire cycle.

**Mann:** Our stock was zero per share.

**Grad:** That's an interesting point though, that CAI went public, ADR went public. There was a whole bunch of companies.

**Schachter:** Computer Usage Company also.

### Refining Business Models

**Grad:** Computer Usage, Computer Sciences, all of them went public. We've got a few minutes more for this session. As Service Bureaus you were talking about specialization and that custom work didn't make sense. Jim, getting the repeat business running your machines made a hell of a lot more sense than doing the custom work. And yet at the same time, we have the professional services companies being built up for just the purpose of doing that custom work. So they're making a business proposition out of it that to some extent has lasted to this day on a custom basis. And yet your model, because of the hardware investment, the economics didn't make sense. The model just didn't work.

**Mann:** In those days, when someone came to a service bureau or service bureau-like organization, they didn't expect to have to pay for the software up front, so you were really constrained on how much of your investment you could get back. And of course, the investment was always five to ten times larger than you estimated. <laughter> Your twice the estimate cost ratio wouldn't have done it.

**Grad:** Did any of you stay in the custom one-off business?

**Tessler:** Yes, we did.

**Grad:** You were that smart?

**Tessler:** No, I think we were just opportunistic.

**Casey:** We tried to do custom work. We were constantly trying to find a niche. Custom was our bread and butter. Sometimes, in my experience, we found the niche and I got involved in multilevel marketing processing and that hurt badly.

**Grad:** What do you mean?

**Casey:** The type of customers-- and I shouldn't say this-- the type of customers in multilevel marketing are people that are selling space and air and they're here today and gone tomorrow because they're promising all these salespeople multi multimillions of dollars and they



don't make it. So consequently, you as a provider of the software and doing the commissions and everything else, you're stuck with the bill, and we got stuck with many, many bills, because the companies went belly up

**Grad:** Give me an example.

**Casey:** Without saying specific names--

**Casey:** There was a minister who was pictured in *Time* magazine down in Virginia Beach and he had a multilevel marketing company selling something from the Aegean Sea. He was going great guns until the people stopped donating to his fund and he stuck us with about \$50,000 worth of programming. We made a lot of money off of him in the beginning and we didn't take our safeguards and we just let him go and go and go, until it was too late. He would say, "I promise you, I'm going to get it for us," and never did. And many, many other companies were the same way.

**Grad:** How did you find these companies?

**Casey:** Through an association, through multilevel marketing. MLMIA was the association. Well, there are some great ones in like Tupperware and AMWAY and Mary Kay. But there are a lot of them that followed in their footsteps and thought they were going to make a killing and never did make it.

**Mann:** I've got an aside for you, Frank. SunGard, to this day, has a Unisys backup recovery center in Pennsylvania.

**Casey:** Do you?

**Mann:** And that's still making some money. It's impossible to kill. <laughter> It's just impossible.

**Casey:** You had one in Phoenix too, didn't you?

**Mann:** Yes. Well, we've got them all over the country. The only remaining Unisys one I think is in Pennsylvania now.

## Roles in Start-ups

**Grad:** Let's go quickly round the table and ask those of you who were involved, what specific roles did you play in the company? What was your primary role? Were you primarily in marketing, sales, development, technical, management? Oscar, what role did you play in ACT?

**Schachter:** Well, I was hired as the first non-technical person in the company, and I was very non-technical.

**Grad:** You were a lawyer.

**Schachter:** I met that criteria very well. To handle the financial and the administrative part of the company, I then went on to run the company in the 1980s.

**Grad:** But that's a later time.

**Schachter:** Yes, a much later time, yes.

**Grad:** How about you, Stu? What was your role when you joined in the 1970s?

**Miller:** I was director of systems and programming. I had a background in programming since the early 1960s.

**Grad:** So on the technical side.

**Miller:** Technical side.

**Grad:** Jim?

**Houtz:** I was CEO for 29 years and I sold my ass off all 29 years.

**Grad:** You were a hell of a salesman, I think.

**Houtz:** I was very good. I wasn't quite as good as I thought I was. <laughter> But I was good enough to be out there and beat just about everybody else. I was a good leader, not a good manager, but I hired some of the best managers you could possibly imagine.

**Grad:** You brought in a technical man early on, Dick Burgmeir.

**Houtz:** He brought in several other technical people, great operations people.

**Grad:** And you let them run the technical side.

**Houtz:** He ran it. Later I did the same thing in accounting, brought in a CFO [Chief Financial Officer]. He ran it. All those years I kept real close touch in marketing and I worked on a lot of deals with the sales people.

**Grad:** You were very much the entrepreneur and financial leader.

**Houtz:** Yes.

**Grad:** How about you, John? What were the primary roles you played in the company?

**Rollins:** More like Stu, I had a technical background, as I discussed earlier. But then I'd gone back and got my MBA, so I started out as the CEO, but I was also writing code in my spare time, and did that off and on until the company grew enough that I could hire people who knew more than I did about writing code. So I wrote the initial group of programs that would be sold through the service bureau. But again, you couldn't charge. If you were a service bureau, you didn't really charge for the programming that much. People didn't understand the value of software quite yet. That came later, so the business model was one of selling outputs. So we would charge for each invoice we'd print, for each mailing label, for each membership ID card, all these outputs we'd create for the associations, we'd charge per item.

**Grad:** I think this is one of the very fascinating differences between the software sale, which is the package, the upfront, the maintenance, and the model here, which is a usage oriented model, a value based model, which is very fascinating. Very few software companies went that route until we got into the micro field.

**Rollins:** It's a great model for recurring revenue.

**Grad:** Absolutely. But software companies didn't do it.

**Rollins:** One of my board members used to make an analogy to a laundry. People are always going to be bringing their clothes in dirty and you have to bring them back to them clean. Just day after day after day, they need the outputs and you charge for the outputs. It's just a wonderful recurring revenue model.

**Grad:** We're going to talk later about the pricing model. Frank, what were the primary roles you played?

**Casey:** Primarily I played a technical role, sort of a combination of programming and systems analysis and so forth and marketing and administrative. You had to wear many, many hats. Opportunities came, you rose to them.

**Grad:** Bob, yourself?

**Tessler:** I started off as a one-man show. I went and found the customer, went and found the equipment.

**Grad:** So you did the selling, you did the whole bit?

**Tessler:** Did everything until I got two accounts at one time and that was the end of that. <laughter> I figured I was a better salesman than I was operations.

**Grad:** Did you then focus primarily on sales and management?

**Tessler:** Mostly on sales. Somewhat on management, but I'd say primarily sales.

**Grad:** How would you characterize your early roles, Jim?

**Mann:** Well, my role from when I got into the service bureau business in 1963 was as a part owner, chief executive, sales executive, chief system designer, chief programmer. Now I did hire computer operators and it stayed that way until about the first, second year in the tax return business, when I was just overwhelmed with getting that thing to work. And then I hired another ex-IBM guy who I had known in college to be chief operating officer and he then did everything that I had been doing while I burrowed my head into the complexities of making a tax return every January 1<sup>st</sup>.

**Grad:** With that we will close the first session and reconvene in a few minutes.