Service Bureau Pioneer History Meeting: Marketing and Sales

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Service Bureau Workshop: Growing and Selling

Conducted by Software Industry SIG – Oral History Project

Abstract:

This session examines the mechanisms that the service bureaus used to handle their marketing and sales. These approaches enabled these new service bureaus to compete effectively in what was often a difficult and even predatory industry. ADAPSO helped the leaders of these companies to learn from the experiences of others through the formal meetings and from informal contacts and Presidents' Roundtables. One of the most important subjects was the difficulties of succession. There was never a single structural "magic" solution to any given problem, but the answers varied depending on the personalities of managers and the goals of the organization. While some companies supported full-time customer service staffs, others succeeded with ad hoc groups pulled from the entire staff, all depending on the problem to be solved. The discussions covered the fact that ADAPSO's own growth into a significant organization facilitated their own business and technology success.

Participants:

Name	Affiliation
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

Mining User Groups for Sales and Information

Burton Grad: John Rollins please start by talking about your changes in marketing and sales strategy.

John Rollins: We began the user group when we began the turnkey software system in 1980. That's when our service bureau began to diverge from its roots and become a turnkey vendor or a VAR, a value-added reseller, for Data General. And we felt it was important to form a user group at this time, just because we knew other companies had been successful doing that. And when you have customers who are associations, they understand the power of joining, because they all have members that support them. And so everybody who was a customer was in favor of joining a user group. We had pretty much one hundred percent membership. They would elect their own leadership but most of the agenda was established by AZTECH management. We'd ask the elected leadership for ideas regarding the program and the presentations and that sort of thing. But really what it came down to was selling our new modules and making a credible pitch in an environment which was non-confrontational and friendly, because it was a user group environment. But basically, you're hawking your product, in a very subtle way, to the people who are in attendance.

Grad: Did they critique your products?

Rollins: Yes. We would ask for beta testers from the user group for each time we had a new module. We would ask them for feedback. That would be some of this bottom-up feedback I described earlier that would come from our annual strategic planning meeting. So we really did involve them in the business and in improving and strategically guiding the business and we sincerely wanted their input on that.

Grad: Did you have the sessions locally in Washington?

Rollins: Yes we did. We considered having them in other cities, but it would never win by popular vote because most of the members were in Washington. Even though we did have customers literally across the country, most of them either were in Washington or wanted to come and visit Washington.

Grad: Did you pay the bills?

Rollins: No, they paid for their own hotels. We covered the cost of the refreshments and lunch and that sort of thing during the meeting.

Grad: One-day meeting, two-day meeting?

Rollins: Two-day meeting once a year.

Grad: Number of people coming five years after you started?

Rollins: Let's see, we started in 1980 and it went all the way until 1999, so it went for twenty years and I'd say it grew a little bit each year.

Grad: A hundred people, a thousand people, five hundred?

Rollins: No. I'd say it was more like low triple digits; a hundred and some.

Grad: Valuable?

Rollins: Very valuable, yes.

Grad: From a selling standpoint, input standpoint or both?

Rollins: Both. We really did value their input and it really did generate new sales for us.

Grad: Here's a general question: software product companies, every one of them, had a user group, one hundred percent across the board. I've never heard that mentioned as much with the service bureau companies. Did any others of you have user groups?

<u>User Groups Varied by Structure and Goal</u>

Stu Miller: We had a user group. It had a terrible acronym. It was ACSUG, because that was ACS's user group. We did not meet every year; we met every two years. It was almost more like a focus group than it was a user group, in that they would tell us what improvements they would like to see. They would also tell us what differences they would like to see out of our customer service desk, our call center desk if you will. "I'm not being treated well. You need to pay them more," which was a good point. We really learned that we had to pay more for our customer service people, because they were the face of the company. It was smarter than bringing these people in at twelve grand a year and hoping they could do everything right. So they said, "You need to beef up your customer service, your call center," and they would give us suggestions for improvement.

Grad: So you weren't using it as a means of selling to the same extent John Rollins was?

Miller: No. We were using it as a means of improving the product.

Rollins: A focus group.

Miller: Focus group. We would get about twenty people.

Grad: Small group.

Miller: Small group. They would pay a registration fee and we would pick up the dinner. It was a day and a half.

Grad: Jim, did you do this?

Jim Houtz: Annual user meetings were big shows. We had an annual physicians' advisory group that really was helpful. We had-- I'm sure none of you guys had this problem-- we went through a period where we had some lapses in service. We had a western region user group which consisted of California and western states and had about forty members. It started out adversarial, but we had a couple of systems reps assigned to it and within two meetings, we got it turned around. They had some suggestions about improving service, which we implemented. Weren't big changes, but they really changed the perception of service, so they were good.

Grad: Did you use it as a selling vehicle?

Houtz: Yes, always.

Grad: So you had both sides of the coin.

Houtz: Our product got so complicated that hardly any one of the customers really knew everything that was in it. So we had to get them educated; otherwise they were going off making changes "because it prints red ink." "Well, ours prints red ink when you want it to." So it was some of those things. They were very helpful.

Grad: Frank, did you have anything like this?

Frank Casey: We didn't have user groups, *per se*, but once a year I took my customer base to dinner [as well as] all employees there. After twenty years, they gave me a clock. <laughter>

Grad: Was that time for you to leave?

Casey: It was. It was appropriate because we had a diverse type of customer base. I had my other big customer, the federal government, and I took them on a fishing trip out of Cape May, which was good. All the good clients up there, that was my customer base. The other ones, I couldn't mix them all because they were from diverse industries and they had nothing in common.

Grad: Bob?

Bob Tessler: When you do value pricing, you really don't want to get all your customers together. <laughter>

Grad: Good point. Bob. You keep using the term "value pricing." I've heard it as "what the market will bear pricing."

Tessler: That's what I started off [to say] and you cleaned it up. What is interesting is as the company matured, we had a vice president of marketing, which I never did quite figure what that was. But she commissioned a firm to do research on our existing accounts in terms of customer satisfaction and customer surveys and we found that to be very helpful in terms of what the response was. It told us where to expend our customer service dollars.

Grad: Good point. Jim?

Jim Mann: Well, SunGard is probably a better example than my previous companies. Each of the individual products has, I think they call it, a customer advisory group that advises and lobbies for changes in the system. And then they have one huge user group meeting extravaganza once a year, which is a selling activity, frankly. Like the featured speaker the last couple of years, Scott McNealy [co-founder of Sun Microsystems] was a featured speaker at one time. Then Neil Cavuto [Fox Business News commentator] another time. And those big meetings are expensive, but they were selling opportunities

Grad: So you're justifying those not for the feedback you're getting?

Mann: No. You can't get feedback from fifteen hundred customers.

Grad: Is that how many were showing up?

Mann: We had small groups for the feedback. But then of course, we didn't ever want to hear any bad news.

Grad: It's an interesting point. I got involved over the years with IBM and the user groups there. The two particularly I would cite are SHARE and GUIDE, and they really took the management away from IBM in both cases. The user groups became, I won't say totally, but damned near independent. They started bringing in competitive manufacturers, which IBM was not ecstatic about, and bringing in independent software companies, which IBM was not ecstatic about. They should have been, but they weren't, because IBM couldn't produce the application software. They might as well let the customers use the good stuff. It was fascinating to see how those user groups evolved and changed and how much they influenced the way IBM did business.

I was just wondering. With software products, you've always got the two sides of that thing, the feedback: here's the checklist of what we need to have happen. We'll prioritize and select because we know how much it's going to cost us and whether there's a big enough market for it, but that was a very significant thing. And of course, you were always trying to sell and pitch new stuff at those kind of things. You all brought up another thing I'm going to deal with right now too, and that is customer service. Every software company has to have a customer service operation, but most of you had mentioned that you've had something like that. Jim, let me start with you, back with your previous company -- not SunGard, but the previous one. Did you have a customer service operation?

Customer Service Started with the Receptionist

Mann: Well, we didn't. Back in the accounting firm software days, we didn't have a customer service organization because frankly, we weren't that organized, period. And the customer service would usually get directed to someone in the development group who knew something about what was being called about. Sometimes they'd get to me first and I'd steer them there.

Grad: But people using your tax packages and so forth, like Stu, they would run into technical issues. Did they also run into usage issues? What were the kind of things they would run into?

Mann: In the early years, I'd say the first three years, all the things were reports of stuff that didn't work right. Program errors.

Grad: Was that your development people who were handling that?

Mann: Oh yes. We had a formal system where the customer, if he wanted to get it fixed, would have to write it up and attach documentation, because you can't debug something that complicated without knowing exactly what's happening. Then he'd send it in, and we'd have a procedure where it had to get assigned to a programmer. We had a separate weekly quality assurance run on the system, so we didn't put out something that crashed when the remote locations got it. And at that point, the output from that quality assurance run was compared to the problems that were allegedly solved. And if they were solved, they were checked off, and if they weren't they went back in.

Grad: That's a very different form of bug handling.

Mann: Well, it was necessary, because there were so many of them and they were so complicated.

Grad: Later on, though, that wasn't necessary?

Mann: No, it continues, I think, probably to this day. In fact, that system still exists to this day, after two or three or four corporate evolutions and technical evolutions. This product is essentially now CC&H's **Pro**SystemFX. It's amazing how much the look and feel of **Pro**SystemFX looks like the old DynaTax.

Grad: Bob?

Tessler: I'm thinking, our ears to the customer were really via the receptionist and the drivers. The drivers would deliver finished product to the customer. Usually the driver knew what was going on. Of course, if someone called, the receptionist was our first line of defense, and if we had a really good receptionist, and if there was a problem, it got to the right place very quickly, because we found if we ignored a problem, it only got worse. We had project managers for the projects, and we also had functional managers, operations managers, and so on. All of these people were involved in customer service during development of a project, during processing of a project, and even at the conclusion of a project.

Training Before and After the Sale

Grad: So it's not a separate customer service organization. It was just part of the job of the people who were responsible?

Tessler: Right.

Grad: How about you, Frank?

Casey: We had customer service in all aspects -- programmers, the operations people. That was one of our strong points, that we responded to our customers' needs. And that's what kept us in our clients for a long, long time. If they had a problem, and there were problems, we responded really quickly and tried to resolve it.

Grad: Did you have separate customer service people or was it just the job of other employees?

Casey: No. We weren't that big. We didn't have that kind of division. But we had people in operations. My operations manager would jump on it. My programming manager would jump on it. And I would be there with them.

Grad: Makes sense. John, how about you?

Rollins: Yes, AZTECH definitely had a separate customer service area. We had a fantastic receptionist who would take those calls. It was a hotline they would call into, in theory. It was just actually another part of our switchboard and the calls would go to this one lady who just had a great customer facing personality, very friendly and got along with everyone. She would fill out the form and take the description of the problem. Occasionally, she got to the point where she could answer the problems, but more routinely, she would fill out a form, assign it a number and someone in the group who specialized in that area, whether it was accounting or membership or whatever it was, would call back and get the details. If it really was a bug, then of course you go through the bug tracking process, like Jim was talking about, and assign it a number for tracking through the software development group. But it's important to have that voice on the phone that's friendly, makes a good impression right up front. You can't beat that.

Grad: And she was able to sort it out to who should pick it up next.

Rollins: Exactly.

Grad: Important. Jim, how about yourself in the different areas.

Houtz: We had a special area, maybe fifteen, twenty people, based on where we were in the cycle of our growth. Our president, Ray Maturi, came in and he was really a good, service-oriented type individual. He had a concept that there's two kinds of service you have in customer service: the real customer service and the perceived customer service. He said, "I'm going to make sure that we have the highest perceived customer service in the industry," and he did it by doing one thing. Every time we'd get a customer service call, we'd record it. The customer service rep, if they could answer it right then, would say, "I'll call you back in twenty-four to forty-eight hours." And we called them back. We might call them back and say, "Hey, I'm researching this. Got a programmer working on it. I don't have an answer yet. I'll call you back again Thursday." And we started doing that, and I don't think we changed anything else in terms of how we got projects done faster, but our perception of customer service went way up. Our service level stayed about the same. <laughter>

Grad: What kind of people did you hire to do the customer service?

Houtz: What kind of people? They were programmers who could speak.

Grad: Oh, really?

Houtz: You just can't put programmers in there, but programmers who could speak English. We had some systems reps who were tired of traveling.

Grad: So you had knowledgeable people, because in most cases, almost across the board in software companies, that was the lowest level job. You brought people in who had a good voice, but who knew little about the product.

Houtz: We started out that way; it didn't work very well. We started putting better and better people in customer service.

Grad: Interesting. Stu?

Miller: Well, when we started, we didn't have a customer service department, *per se*. What we had, we referred to as major accounts, small accounts and no-accounts. <laughter> The major accounts were, just as they sounded, from the large revenue producers. We would know somebody who knew every aspect of it, from the programming side to the operations side to the back office side to the billing side. That took some work. It usually had to be somebody who had been there two or three years. Same thing for the medium or the smaller accounts. We finally got smart, because it was eating up so much time of these folks who were either a programmer or an operations manager, that we did hire three customer service folks. Like John said, the receptionist knew where to route these calls, but we were hiring people from the phone company-- not Lily Tomlin, necessarily-- but people who were used to dealing with people who were upset on the phone and knew how to balance that out; people who knew how to escalate the problem if they needed to do that, and who knew how to tell the people, "We'll get back to you." If we had told them forty-eight hours, they would have hung us, so it was more like two to four hours. But that's how we actually spent the money on at least three good customer service people and we paid them pretty well.

Grad: So it wasn't the lowest level job.

Miller: No, it was not. Key punchers were paid the least.

Tessler: I would like to add one more thing, if I may. I found early on that customers who were dissatisfied, if they were particularly not vocal, they would express themselves by not paying their bill. So I had this great strategy. I slept with the accounts receivable lady.

Grad: You want that on tape?

Tessler: Oh yes. My wife did our collections. <laughter> And she was very good at it. Every night, I would hear about the receivables and I would hear who was unhappy, and I could deal with it the next day. The nice part about that is, I always got the true story.

Mann: Did she work on commission?

Tessler: No, but her benefits were fabulous.

Grad: Let me ask one other question on customer service and we'll switch onto the next. How many of these were problems that they didn't know how to use something -- what you had written up or given them or trained them wasn't good enough. And how many were really technical issues, bugs, things like that?

Rollins: That was the most challenging part of the job. The customers who hadn't been properly trained, or who had slept through the training class, or something like that, would call in and say they had a customer support problem. Really, what they were trying to do was get trained over the phone. The challenge for the staff was to not train them over the phone, but to get them to come back and take another class.

Grad: Did you charge for the classes?

Rollins: Absolutely, yes. It was a profit center.

Grad: Other people? Comments on that?

Houtz: Same approach, except we tried to get them to pull out the documentation manual on insurance and look at page seven, the third paragraph. We tried to teach them how to use the manuals that they had.

Grad: I've seen statistics from software products companies that said that over eighty percent of the phone calls that came into customer service were really usage errors.

Houtz: Right.

Grad: You know the joke," *I hear the rustling of paper. I think they've finally opened the manual*," kind of thing. Do you remember the same kind of experience?

Miller: A tremendous number of our calls were from new employees at the client. We had had training, but we would also train the trainer, if you will, and someone at the client was supposed to be training new employees. It rarely ever happened properly, so we were getting calls from new users who were flying blind, quite often. I would think that would be fifty percent of them. Fifty percent of the calls were from new employees.

Rollins: So would you cut them off at some point and say, "I'm not going to train you over the phone?" Or would you try to be more patient?

Miller: I would tell them who to go to who had already been trained, and "that is your person who can answer these questions for you. If that person cannot, then you can call back."

What the ADAPSO Forums Delivered

Grad: Switch subjects now. We've been alluding to ADAPSO [Association of Data Processing Service Organizations] off and on and all of you, I guess, had some involvement with ADAPSO over the years, some more than others. So Jim, you seem to be very positive about the ADAPSO experience and what it meant to you. Why don't you tell us about some of the things you felt you got from your membership.

Houtz: I had a customer we built a great application for. It was route accounting. It was a bakery, had like one hundred and fifty trucks and route accounting was used to make sure the drivers don't steal you blind in reconciliation. The president of the association of that bakery industry was a great guy and became a good friend. He didn't recommend that I go to my association meeting; he *demanded* it. He said, "You've got to get involved in your trade association because it will help you as much as it's helped me," and he was really forceful about it. So I joined ADAPSO.

I didn't know very much about it except it was an association, and I remember my first meeting to this day. I walked into a room about like this, and there were about six guys in there, talking about, "What do we have to do to keep the banks out of the computer services business?" I don't know if you know this. My reaction was, "Oh, Christ, these guys are crazy. They're never going to be able to do that," but they did. They worked at it and worked at it, and I don't know how long we kept the banks out of the data services business, but it was for a long period of time. That really let a lot of us get started without any competition from banks. That was my first experience. I heard about specialization at ADAPSO. I sat in a session about it. I sat in a session about custom programming and one guy is talking about the benefits of custom programming and how much money you're making. The other guy gets up and talks about custom programming, why you want to get out of that business as soon as you can and get into a package, which made a lot more sense to me. So they usually would have in those seminars, probably every company in the group except ADP [Automatic Data Processing] was very open, would tell you almost anything. I was telling somebody earlier, there was a guy by the name of Art Kramer, who was really a good guy.

Rollins: Sure.

Houtz: I walked in on one of his seminars, and I knew a little bit about manufacturing, not very much, but he sold and built a material management system. Art was talking about manufacturing reports and his manufacturing system and his billing materials and his market. I thought, "Boy, this guy has really got his stuff together. He must be all over the United States and Europe and Canada." Finally, someone says, "Art, how big is your market?" and he said, "Oh, south side of Philadelphia." <laughter>

Rollins: He'd also been to New Jersey.

Houtz: I got to the point where I would go to an ADAPSO meeting and before I left, I'd try to figure out what were the two or three biggest problems that I had in the business. If I had a good mentor who knew everything, what would I ask him? I would go to those meetings with those problems and invariably, I'd find solutions for two or three of them. I remember when John Imlay [MSA, Management Science America] told me one time. He said, "You're just like a sponge. You come here and you're not doing anything. The next meeting when we see you, you're doing what these guys taught you?" <laughter> It was a great, great experience for me.

Grad: Were you on any committees while you were there in ADAPSO?

Houtz: I was on the ADAPSO board for several years. There were different boards.

Grad: The service bureau board, I believe, and the software section?

Houtz: And I was on the service bureau board, then on the ADAPSO board, then probably the service bureau board again. There couldn't have been more than six guys in there. The guy that ran it, Rick Crandall [founder and chairman of Comshare, Inc.] was conducting a seminar about software. "What are we going to call software? Brainware?" They had names all over the blackboard and I don't know who it was. I think it was Larry Schoenberg [CEO of AGS Computers]. "Why in the hell don't we just call it software?" End of discussion: software.

Grad: I have a question to ask all of you. How many of your boards has Larry Schoenberg been on? I know SunGard. Any of the others? Larry was a very interesting board member, I would gather.

Houtz: I've got to tell you one more thing and then I'll shut up. We had a roundtable of company presidents that Gil Mintz [founder of Broadview Associates, specialists in mergers and acquisitions in the software industry] put together, which was the first one. We get in and there's Art Kramer, the manufacturing guy. We all had to present our development program for the next year to the other nine guys. We're all getting suited up and we're all trying to impress each other. Kramer gets up and he gives his development plan for the next year, and he's all done. He turns around and looks at us like, "Okay, now it's time for you guys to applaud." Larry Schoenberg was sitting there and he says, "Art, you've got to be out of your goddamn mind to do that." <laughter>

Grad: Jim, does that ring true to you?

Mann: With Larry, it was never hard to understand his position. <laughter>

Houtz: We all laughed so hard, but over the next two weeks, I guess Larry worked with Art and he got him to see his point and Art changed his development approach totally.

ADAPSO Was a Business, Technical, Social Mecca -- and Insurance Agent

Grad: Stu, were you active in ADAPSO? What did you do there?

Miller: Our firm were members. But I never attended an ADAPSO meeting. There it is. We were members in I think 1973 to 1975.

Grad: Who came to the meeting?

Miller: Bill Grey and Tom Neuman.

Grad: And they did not find that an enriching experience?

Miller: They may have, but it did not get communicated to me.

Grad: Interesting.

Miller: That's not to say that they didn't get anything out of it. Sometimes I just think they believed that I was so buried in what I was doing, I didn't have time to listen to anything new.

Grad: They didn't come back and say, "Look, we heard this, this, this. Won't you try that?"

Miller: Not that I can recall.

Grad: John, you were very active in ADAPSO for a lot of years.

Rollins: Yes. AZTECH was a member for I think about twenty-five years from the early 1970s to the late 1990s. We did get a lot out of it. Every time someone mentions a name like Art Kramer, I can see his face and remember talking to him. I guess there were really three major benefits that we saw in being members of ADAPSO. First, the management conferences, where you did all the networking and met everybody and took your problems and attended concurrent sessions and took notes about how to improve your business and that sort of thing. In fact, when I really personally got active, in 1977, they asked me if I'd chair ADAPSO's 25th management conference, which was going to be in Washington, D.C. in September of 1978. It was at the Shoreham Hotel. I remember it well, because ADAPSO had just moved its headquarters to Arlington, Virginia. And we had meetings in [ADAPSO President] Jerry Dreyer's office, planning that management conference. I was one of the so-called chairmen. Can't remember how many, but we'd sit on the dais and introduce speakers and that sort of thing. It was sort of fun. I'd never done that before. I really sort of got sucked in, in 1978. Then 1979, I was invited to join a roundtable, which I would definitely list as one of my top three experiences with ADAPSO. I didn't realize it, but it was going to be the first of four roundtables over a period of years. This was the service bureau roundtable that was the first one. Then there was another roundtable when that one folded. Each time one would fold, or disintegrate, companies would get acquired or whatever, and then I'd go back and say, "I want to join a new one." So my second one was doing turnkey systems, which was perfect at that point in my evolution. Third one was doing data processing and consulting, where I met a guy named John Puhala who later, in about 1990, acquired what was left of my legacy business, the batch processing business, when we became completely a software and turnkey oriented company. And the fourth one was I guess around 1992. I joined a software roundtable, which I'm still a member of.

Personal Memories of the ADAPSO Experience

Grad: There were a number of these presidents' roundtables-- I'm going to ask some of you to describe it-- that are a few still actively going. Many of them are not in businesses anymore. I know Larry Schoenberg's active in some, George Raymond [Automatic Business

Centers, Inc.], Doug Altenbern [NLT Computer Services], a number of these. They have become social in most cases. But there are a lot more than social. Apparently they assist in their own personal planning, their estate planning, things of this sort are all part of what they go through and discuss. I don't know who wants to describe it.

Rollins: The one I'm in now is sort of dissolving, because some of the last members have sold their businesses. Mike Blair [founder and CEO of Cyborg] sold his business. SPSS was acquired by IBM last year, so we're down to almost nobody who still has an active software business any longer. Our last meeting was a year ago and unless somebody steps up and sponsors the next meeting, that may have been our last one. But that was a great benefit. I said there were three benefits. The third one was sort of an obscure one. ADAPSO offered a group insurance package, which none of the brokers I talked to could beat for price. It was underwritten, as I recall-- medical insurance for your employees-- it was underwritten by Prudential. I actually went on the board of that. Letterman-Gortz Corporation, here in New York, was the broker representing Prudential, and they actually set up a board for the ADAPSO plan. I served on that for several years and once or twice a year, we'd get together for a meeting in New York. It was a tremendous plan in terms of how much it saved me and my employees.

Grad: I was told by a number of companies that when they joined ADAPSO, the insurance and medical plans paid for their membership, because of what they could save getting on these plans.

Rollins: It was a great benefit of being a member.

Grad: Were you active on the service bureau board?

Rollins: Yes, I was active on several boards, and then I was on the main ADAPSO board for ten years. There's supposed to be a nine-year term limit, but I actually had to fill out one year for the guy before me when he dropped out of ADAPSO. I was vice-chair of our board. When I became chair, it was a great experience. I met a lot of people on that board who enabled me to make connections that have lasted a long time.

Grad: I'm going to come back to the presidents' roundtable in a minute. Were you active at all in ADAPSO at any time, Frank?

Casey: Oh yes, very much so. I can remember when I first joined ADAPSO, I used to be frightened, because the very first thing they did was to have you stand up and give your name and where you were from. I was kind of shy and that bothered me, but then I overcame that. I was on the ADAPSO board many, many years ago and the same year that Frank Lautenberg

[ADP] was on and Bernie Goldstein [Broadview International], and I don't know how many other people were on. I kind of forget at this particular point. I remember the meetings in New York and the meetings other places. ADAPSO was very beneficial to me in many, many ways. It gave me the opportunity to meet a lot of different people, gain a lot of different information, solve some of the problems I brought with me that needed to be discussed with people. I was instrumental in networking and putting people from NLT together with my people. We were acquired by then.

Grad: Many people talk about ADAPSO being a marriage broker in effect, either directly or indirectly.

Casey: Yes. Then of course, I belonged to a president's roundtable. Tessler was one of the members. We met regularly, sometimes twice a year, didn't we, if the weather wasn't good? <laughter> But we met and we had people from all over the country on our board. We started out with ten or so and it dwindled down to a certain number. We last met only on a social basis. That was my experience.

Grad: Bob, what about yours?

Tessler: ADAPSO allowed me to keep my sanity during my active employment years. So many wonderful things happened as a result of ADAPSO. I learned so much. I'm thinking back and I made some notes. I learned as much in the halls as I did at the formal sessions. I recall at one of the big sessions when Walter Bauer from Informatics and either Sterling Williams [president of Sterling Software] or Sam Wyly [chairman of Sterling Software] got into it about an unfriendly buyout [Sterling Software took over Bauer's Informatics in a hostile takeover in 1984]. I remember [attorney and author] Milt Wessel saying, "You have to manage your attorneys and your accountants." I remember that vividly, because to me, that was an extremely valuable lesson. I thought that they were deities and of course they're not. [Family business author and consultant] Leon Danko I talked about it previously. He talked about succession planning. I can remember vividly. I can see him and his wife in front of a group at the general session. He said, "When you come home for dinner and you're sitting at the dinner table and you tell your kids, 'The receivables are too high, the help doesn't show up. It's just terrible, I can't make the payroll. It's just awful. And kids, someday this is going to be yours.'" <laughter> And then you wonder how come your kids don't go into the family business.

Houtz: So your succession plan got screwed up.

Tessler: That's right. I served on the service bureau board for years. I served a couple of terms on the ADAPSO board. One of the things I recall is a theme that went through ADAPSO for at least one decade was entrepreneur-managed firms versus firms that are professionally managed. What are the differences? What are the similarities? Which ones are run better?

Which ones are more profitable? I found that to be just an extraordinary presentation. I co-chaired conferences. I got an opportunity to meet more people as a result of being active. I never got a customer, never got a vendor from ADAPSO. It was strictly education, learning best practices.

Grad: Did you ever acquire any company as a result of being there?

Tessler: No. Most of my companies were acquired through an organization called DEMA, which is Data Entry Managers Association. Now that was interesting. As I say, I got absolutely no financial benefit. Yet that's not true. What really happened out of ADAPSO which is extraordinary and beyond belief for me, is what I alluded to previously. Two people, promoters I call them, were putting together a roll up. They chose the data processing industry, got names of firms from ADAPSO and met or knew some of the people. They were from Dallas and they contacted Chick Young, who was president of Affiliated Computer at the time, and asked if he would run the consolidated firm and he said no. He had retired, I think, by that time. But he said, "There's a guy in California by the name of Tessler. Make sure you go out and see him." So the two fellows came out and interviewed me and gave me the liquidity event in the public offering that I otherwise would not have had. I waited twenty years with ADAPSO to get the big hit at the end, but I'm forever grateful for ADAPSO and for the contacts and for the people and for the education, from the first day I went to the last day.

The President's Roundtable Adhocracy

Grad: You were in a president's roundtable as well?

Tessler: Yes.

Grad: How long?

Tessler: I think since the second year I was there, so it's probably fifteen, twenty years. It's still going on and yes, we talked about business until there was nobody left in business.

Mann: It was all gone.

Tessler: It was all gone, right.

Casey: It's now just him and me.

Tessler: We're the last. Unfortunately, we've lost one of our members. There's only one person left in business. I don't know why, but he still is. Also invaluable, it's like a support group for addiction, and we were all addicted to our businesses. If someone had a problem during the year, we would do a phone conference with each other. I remember I had a situation that was awful. I called a group meeting and everybody came to Chicago for half a day. We flew in, we met for the day, we solved my problem and everybody went home. I found that support to be extraordinary. I can't find that anywhere else. I don't think any other industry offered that kind of support.

Grad: I don't know, but I know that they're special here. ADAPSO for Jim Mann, then I'm going to talk about the characteristics of those presidents' roundtables and close that up. Jim?

Mann: I had two spells with ADAPSO, one in the late 1960s and early 1970s, when I had my first start-up business. Then, frankly, I went to the meetings mainly for networking, because I was out in that hotbed of business sophistication, Wichita, Kansas. I was a graduate of that hotbed of MBA education, Wichita University, when it was a municipal university. I didn't know anyone, so I needed to meet players, and I did meet a few of them. In my naïveté, I tried to learn a little bit about Automatic Data Processing from Frank Lautenberg and discovered, as everyone else did, that I learned nothing from him about that. Then I was out of the business for a while and came back when I joined SunGard about 1982 or whenever it was. My memory now is kind of strange. I'm like a 64K memory that's full. So when I want to remember something new, I have to evict something old.

Rollins: Hard drive is full.

Mann: That's why I said that. And so I don't remember a hell of a lot of specifics, but the one thing that struck me was, they had some wonderful meetings back in that era. I remember one meeting I went to, there was a panel and the panel consisted of Larry Ellison, CEO of Oracle, and I forget the guy's name who was running dBase then. You remember that meeting?

Luanne Johnson: Yes.

Mann: Anyway, they were having a debate on the relative merits of their database operating systems. Larry Ellison was in true form: he was arrogant, dismissive, condescending and just tore that poor guy a new one. Then I remember another one that struck me. It was after Microsoft had gone public, but Bill Gates was speaking on something, and I was speaking kind of near him. He came trucking in without any entourage, with his laptop computer in his hand. Went up, plugged the damn thing in himself and started talking. I thought, "That is wonderful. If this guy had been a Wall Street guy, he would have had twenty assistants, plugging stuff in." I was also at the meeting where John Imlay [MSA chairman who used tigers for promotions] brought the tiger that got loose and bit someone.

Grad: She went to feed him. She came up too close. I was there.

Mann: So anyway, those are the things that I still have room for in my memory. Luanne can probably cite a better history of it than I can, but it was a wonderful organization.

Grad: Did you use ADAPSO as a vehicle in acquiring companies?

Mann: No, never caught an acquisition.

Casey: I have one further question. Am I correct, in ADAPSO, didn't they tape their sessions on cassettes?

Grad: Yes.

Casey: I thought that was a big benefit of ADAPSO. If you didn't attend a meeting or a session, you could buy a cassette and take it home with you and play it.

Johnson: Would you believe that when they went through that whole reorganizational thing, they really had to compress and cut back and they got rid a lot of stuff. We rescued a lot of it, got it sent up to CBI [Charles Babbage Institute at the University of Minnesota], but they threw out all the copies they had.

Casey: Oh my!

Johnson: Jim didn't mention the fact that he then was chair of ADAPSO, or ITAA. When was it, 1995?

Mann: I forget the year. That's a memory thing. It's full of something else. It's occupied by the names of my grandchildren. <laughter>

Grad: Jim, you must have been active on some of the boards and so forth.

Mann: I went from being a rank and file to being the chairman.

Johnson: There was this real concern within ADAPSO in the early 1990s, that there were so many professional managers now that were participating in ADAPSO as opposed to the founders. They said, "We really have to get back to the point where we have somebody who's running a company running ADAPSO. That's what made this organization great. We have to get back to that." They went through all the possible candidates. One was John Keane, and he served in 1993 or 1994. And then Jim Mann. So the board literally went after Jim to say, "We want you to come in." He says, "I haven't been active for a long time." "Doesn't matter. We need somebody of your stature who's running a company to come in and chair the board."

Rules of the Roundtable

Grad: There are too many things up in the air here. We want to come back to this issue of professional management and the conversion of the companies run by professional managers rather than entrepreneurs. But let's finish up on the roundtables. What were the rules? Gil Mintz helped to start the first few roundtables, and Larry Welke [president of ICP, a publisher of software journals] was also very much involved, I believe, in helping to start some of the roundtables. Luanne, am I correct on that?

Houtz: I think Gil Mintz started the first one.

Grad: But I think some of the later ones, Larry was involved. Sticks in my mind. I may be wrong with that.

Johnson: He certainly was very active in a couple of them, actually.

Grad: What were the rules of a roundtable?

Houtz: The only rule that I remember was that the guys are all in different industries.

Johnson: No direct competitors.

Houtz: No direct competitors. You set your own agendas. "I'm not going to do the work for you," said Gil. He had the first agenda for us, and then he said, "Hey, you guys have got to do it from here on yourself."

Grad: Typical meeting, one, two days? What was typical?

Houtz: Most of them were two days.

Grad: As I remember, anything that was said at the meeting stayed at the meeting. People have used the term with me that this was a peer board of directors.

Houtz: Right.

Grad: People who really knew something about your business.

Casey: The first meeting we had in our president's roundtable was held in Chicago, in February I believe. We made another rule up after that, that there would be no more meetings in cold weather. It would all be in warm weather and conducive to golfing and having fun in the sun, and we did that.

Tessler: I remember, you had to play golf, whether you played or not.

Casey: Exactly.

Tessler: And no price fixing.

Grad: In some of the areas -- I don't know if it's true in yours, in service bureaus -- maybe it was okay to get ten guys who were not direct competitors, in geography or market. In the software area, that really wasn't feasible. Companies were in there who were literally direct competitors in some areas. That was a very tricky ballgame.

Rollins: In our software roundtable, the one that just met a year ago, for maybe the last time, we were very careful not to have direct competitors. So we got a dozen people that were in different vertical spaces. So we could really talk openly on any topic at any meeting. One of the other rules that we followed in our roundtable is if you're a public company, and we had a couple of those, even though nothing left the room, you would make it clear before you revealed any inside information, that you were revealing it so that it couldn't be used for private gain.

Johnson: I know of instances where somebody would have to drop out of a roundtable because their company would be acquired by a company that already was a competitor with somebody. So there were some roundtables that really enforced that.

Grad: There were a lot of roundtables, weren't there, Lu, at one point? Ten, fifteen?

Johnson: I don't remember how many there were. ADAPSO would start these and send them off on their own. There was never any record keeping or any official knowledge within ADAPSO as to who they were and how often they met.

Grad: So the first one was about 1979, something like that? Is that the right time?

Rollins: That's when I joined my first one, in 1979. Gil Mintz, I think, facilitated one of our first meetings in early 1980. That's just as we were starting to offer the turnkey product and the major topic of discussion at that meeting was Gil leading a discussion about how you can turn this turnkey opportunity into a real profitable business. His message was, find a source of continuing revenue, ongoing revenue through the obvious answer: a support package that's rich, that you can charge a lot for on an ongoing basis. Although he had a secondary message and that was that if you sell a turnkey system to someone, still offer the opportunity to process their data in your service bureau, because we all had service bureaus, since we were evolving into turnkey vendors. And do the printing of reports or the processing on your mainframe, so as to offload work from their in-house minicomputer. That never worked quite as well for us as it did for some companies. You mentioned, Jim, that you did some of that.

Houtz: He must have given that to our meeting too, because that's what we did.

Grad: After the initial meetings, did you have outside speakers or outside leaders come in? Or was it self-maintained?

Rollins: We self-maintained ours.

Houtz: We had speakers come in, and good ones. One thing I was going to mention was that the people you met at ADAPSO were really bright people in specific areas. We hired four of them in different areas as consultants. Phenomenal results. I think we had more fun than any other roundtable. We went to fun places. We'd work hard for a little while, then we'd go play, and go sail boating or whatever the hell we did.

Grad: Did people become personal friends?

Houtz: Yes.

Grad: Pretty much across the board?

Rollins: Yes.

Casey: Yes.

Tessler: Some of my closest friends.

Grad: Did you have trouble getting people off of the roundtable if there was personality conflict, this kind of thing?

Casey: We had one, and it was no problem.

Grad: He or she was not welcome.

Casey: We didn't have any she's.

Grad: Ah, excuse me. I was trying to be gender neutral.

Casey: Sorry. We had the wives with us, though.

Grad: Did your wives come to most of these things?

Casey: Oh yes.

Tessler: Oh yes.

Rollins: There was one other thing we did that I think helped engender the friendships. We would have two meetings a year. The winter meeting would be in the Caribbean or someplace warm, and the fall meeting, which was usually in September or something like that-- so February and September would be the two meetings-- September would be in someone's office. So we'd move it around the United States and somebody would host it. When they came to Washington, I put everybody up at my club, where we could play golf and do stuff like that. We'd meet in my office for the actual sessions, so it personalized it a lot more and you really get to know people when you see their offices.

Grad: Their own environment.

Rollins: Take a tour. We'd always get a tour of the facilities as part of the visit.

Houtz: We had two trips with part of the group and families, the kids. Schoenberg's kids, Eric, just a riot. Genius type.

Grad: Those have been terrific. As I say, there's still some: George Raymond's roundtable is still going. I know Larry Schoenberg [the late founder and CEO of AGS Computers, Inc.] is still involved.

Houtz: We went to Europe, China, both places.

Grad: Is that right? Wow.

Tessler: You did have fun.

Houtz: Oh, we did have fun.

Recapturing ADAPSO's Mission

Grad: I'm going to go ahead to another topic. Let's talk about this succession issue that you talked about, the professional manager issue versus the entrepreneurial executive. How do or did each of you deal with this? Did those of you who started your own companies ever bring in and hire what you considered to be professional managers? Stu, let's start with you on this, since you contributed nothing to the other discussion. <laughter>

Miller: And I will contribute nothing to this one. We did bring in some consultants to try and address how we were marketing and whether we were marking in the proper vein. We even brought in a salary consultant to evaluate our compensation plan. But in terms of how exactly we were running the business, we did not bring any [new managers in]. But we did have on the board four outside people, including one of the original founders from the original CPA firm.

Grad: But for the operation of the business, did you go out and try and hire MBAs or experienced professional managers?

Miller: We were looking for people who could do the work. We felt that the four of us who were managing the company were as good as we were going to get, unless we wanted to pay a whole lot more and we did not. We were spending money, but in those days, the ones that were really getting money were software programmers, as they called themselves, more specifically the operating system programmers. They were getting more than some of our managers. So we had to put the money where the revenue was going to come from, and that was on the programming side. We did not bring in any professional managers, other than ourselves.

Grad: Paying for salespeople, did you have significant commission plans? Was there major money for your salespeople or not?

Miller: The four principals were the sales team.

Grad: So you were the ones doing it.

Miller: We were the ones.

Finding and Choosing Managers

Grad: Jim, you brought in three different presidents of the company.

Houtz: I brought in, one at a time, three presidents. I didn't enjoy management, so I must not have been a very good manager, but I enjoyed being a leader, cheerleader, and I felt I could bring people in who could do a far superior job in managing a group than I could. I brought in a guy who had been at Warsaw Insurance Company. He came in for about five years, did a good job and he went off to start his own insurance company. Brought in a second guy who ran a banking facilities management software company down in I think Arkansas or Alabama. He's the fellow who brought the concept in of, "Hey, we're going to create an image of high service. Then we'll get the service corrected later."

Grad: Perception more important than reality?

Houtz: Perception's more important. He did a great job. Our third guy was an internal guy who had always been recognized as one of the best managers but not a salesperson. He'd been our director of operations, our computer [facilities], but he did an outstanding job.

Grad: These all sound like, let me use the term, professional managers.

Houtz: They were professional managers.

Grad: As against entrepreneurial-type people.

Houtz: They were professional managers.

Grad: Difficult for you to let go of stuff and let them do it?

Houtz: Oh, yes. Why do you think we started CyData?

Grad: Had to do something to keep you busy!

Houtz: Yes, I'd drive everybody nuts if they didn't keep me doing something.

Grad: John?

Rollins: Again, my experience is very similar to Stu's, as it has been in other questions that you've asked. We really stuck with our existing management team. I already had my MBA.

My partner, Doug Fisher, earned his at night while he was working for AZTECH, and as I mentioned, we brought in a third senior manager right at the beginning in 1971, who was also an MBA. We never hired any other MBAs or professional managers at any higher level. Sure, we'd recruit people for specific slots as needed in marketing and sales. I think we had a guy named Ron George who sold our turnkey systems very, very effectively, and he probably had a bigger W2 number than I did certain years. That was wonderful, as far as I was concerned.

Grad: I remember Larry Schoenberg [president and CEO of AGS Information Services] complaining about Tony Stepanski making more money than he did at AGS. He had the AT&T account for Larry. And Tony was a hell of a salesman.

Rollins: We had to grow as managers too. ADAPSO University was where I did my growing and learning how to do an annual retreat and update my business plan and stuff. What I was describing earlier, that was all stuff I learned through ADAPSO.

Grad: I think it's interesting, pretty much around the table here, that each of you did grow in the jobs, didn't you? Jim Houtz learned what things he liked to do and didn't like to do, and was willing to let go. Some founders have great difficulty letting go. I've heard the stories of course about Larry Ellison. We had a meeting on relational database management systems out in California a couple of years ago.

Johnson: About two years ago.

Grad: We had a man who was the number two employee. He was the longest living person in the company, in Oracle, except for Larry Ellison. He said, "When Larry Ellison retires, I get the company." <laughter> We said to him, "Every other manager has been fired. So how come not you?" He said, "I never did anything that was important enough for Larry to pay attention to." So he was always in a niche. Jim, I'll go on with you about professional management. Do you consider yourself a professional manager, an entrepreneur or both?

Mann: Now I'd consider myself both. In the early days, when we were doing tax systems and stuff like that, in the computer software business, there were no professional managers. We were all totally new to it. With my MBA from Wichita State University and school of hard knocks, I figured I was probably the best manager I could find anywhere. The business was just too small. In SunGard we have rarely recruited outside, because the acquisition program gives us a continuing flow of proven executives. I've discovered over the years that, in my view, getting things done is more important than how elegant your strategy is. I've seen a lot of brilliant strategies fail because of poor management and a lot of mediocre strategies, or in my case, absent strategies, do pretty well. So our experience, where we have gone to outside professional managers, has not been good, but it's a population base of one, so how can you generalize from that?

Grad: You certainly have developed your professional management skills, I'm sure, over the years.

Mann: It depends who you ask.

Grad: I asked Larry Schoenberg, and he thought you'd done pretty well on that.

Johnson: I think the shareholders of SunGard would probably agree too.

Grad: Yes, I think so. Bob, how about yourself?

Tessler: Gee, I haven't thought about that for a long time. There was a period, I guess maybe mid-1980s or so, I was stressed out. Something happened, I forgot what it was, but I banged my hand on the desk and it hurt so bad, I thought I broken my hand. I said, "Something's not right." So I went and found the best professional executive I could find from our industry and I hired that person. He came in with I think two other people. One wrote a strategic plan; the other was doing some management work or something. I left the office the day that he was hired and I didn't go back for several months. I didn't even go to board meetings; I didn't talk to anybody. I ran away. This is painful. I haven't talked about this in a long time. Anyway, I bought a little office condominium. I went and took some courses and did a lot of reading and a lot of thinking, and during that period started a couple of other businesses and kind of disassociated myself from the processing services business.

And then I guess about nine months after I had left, I received a call from our human resources director. She said, "We have a problem here. The president, name not to be named, had hit on the receptionist and she was very unhappy and very angry and made a big stink about it and I think you need to come back in." Well, what really surprised me is that the receptionist was a known lesbian. So I figure, if this guy is not bright enough-- <laughter> I have Mr. Wrong Person. So I went in and let him go along with his entourage -- remember, we're in San Francisco. I let him go. I let his two other people go. One of the greatest things that he did was he took a computer operator who couldn't juggle cards very well, and couldn't program very well, and made him a senior manager.

Mann: Was he cute?

Tessler: No. This guy was fabulous and became president of my firm. He was and is very active in the community and civic affairs and is just extraordinary. So all the things that happened to me, that's probably the best thing that he did. This fellow was with me ten or fifteen years and made money during the public offering and did very well. I didn't have a problem letting go because I felt I was mentally forced to let go.

Grad: When you came back in, how did it feel?

Tessler: Oh, I was raring to go.

Grad: You were re-energized.

Tessler: I was hot. I was angry. I was pissed! <laughter> Apparently, people were happy to see me. We scrapped the strategic plan and went back to making a buck. I found it was very satisfying.

Grad: That's was what the mission was, right?

Tessler: Yes, that's what we did. During that time, we started a letter shop, a direct mail place in the fulfillment business. I got active in real estate at that time also. It was a good time for me to go, and a good time for me to come back. One of the things that I recall is I debated in front of people all the time regarding entrepreneurs versus professional executives. We would always participate in some sort of a seminar regarding professional executives and entrepreneurs. It was fascinating.

Grad: The point is, there were a variety of debates about succession particularly in relation to when founders should move on. For example, in many cases the founder didn't have the right skill set for a company that had reached five to ten million dollars, and you need to bring in a professional manager. A number of these cases where they replaced the founder turned out to be disasters but in other cases it was the smartest things they ever did. I don't know if you remember Bruce Coleman [former president of Boole & Babbage and Informatics]. He actually became a sick company "doctor" and was brought in to try to turn companies around or to close them down.

Mann: How about John Sculley [former VP of Pepsi until he was made CEO of Apple Computer from 1983-1993]?

Grad: You think that was a good decision there? Was that useful or not useful for Apple?

Mann: I think probably Jobs needed to have something change, because I don't think he was much of a manager. But Sculley was even worse, so I don't think that did any good for anyone.

Grad: That's an interesting question. In a lot of the bigger companies they looked to have ex-IBMers come in and become the professional management people. They felt that these IBMers would bring a lot of special skills, but to the best of my knowledge, that almost invariably failed. The joke that I heard was that you never put an ex-IBMer in if it's his first job out of IBM. It's the second job when he finally has learned his lessons that he becomes useful. Don't know if any of you had that experience of getting ex-IBMers.

Schachter: We did. We hired a couple of IBMers. The president of our company was enthralled by IBM,

Grad: IBM was not enthralled with him.

Schachter: No, but he thought that IBM could do no wrong. All of them turned out to be too used to a large company with all the support that they had around them in the large company. Something needed to be Xeroxed, we would go and Xerox it. IBM had a secretary who had to Xerox it. That attitude carried down through the company. Very few of them made it.

Valuing IBM Managers and Succession Issues

Grad: Frank, how about your experiences?

Casey: Well, the experience I had with the IBMers was with UNIVAC. UNIVAC was notorious for hiring ex-IBMers to try to get UNIVAC more competitive in the marketplace. My boss at UNIVAC was a fellow by the name of Andy Fisher. His brother ran a branch in SBC and he came in as branch manager. One of the reasons I left UNIVAC was my experience with hiring professional managers. I hired a retired federal government employee as a marketing consultant. He had all kinds of contacts in the federal government and knew the places to go; he knew how to work his way around with all the competitive bids and so forth. He was very valuable to me in doing these competitive bids with the federal government. And as a result of his expertise-- he wasn't a programmer, he wasn't a manager, he was a former employee-- we did a lot of business for the federal government. He more than paid for himself over the time.

Grad: But you were not buying him for his management skills, but for his knowledge skills.

Casey: I was buying him for his knowledge.

Grad: Interesting point. So you had no succession issues that you were worried about in that regard.

Casey: I had my son in it.

Grad: Was he in the business?

Casey: No, he was in it, but then unfortunately, he had a health situation. At a very young age, he developed a tumor and had cancer. He'll be fifty in July, so he's doing very well now. He had to have his leg amputated and had to go through years of chemotherapy at Sloane Kettering. The protocol he had gave him an enlarged heart which does not allow him to work these days. But he's still pretty lucky.

Grad: You, Bob, were the first one who first mentioned succession. You were hoping your family would be involved. Did any of the rest of you want to have your children, family or anybody get involved?

Tessler: I was going to continue on with that, because I had the opportunity to see that from the other side. The company we consolidated with was called FYI and there were seven companies that were all operated independently and we kept our chairmanship and president and so on. I learned, after a very short period of time, that I was not qualified nor interested in being involved with a public company or as a manager. So I think that I decided that I'm an entrepreneur. I will continue to be one. I am not adaptable to a large organization, unless I'm in charge. I decided I'm not a team player. It was something that I didn't quite know what to expect. I'm clearly not gray. I'm clearly black or white, which surprised me.

Johnson: At this point, I would like to make the comment that I was going to make earlier based on my interviewing all these software people, and giving a lot of thought about what makes an entrepreneur and what doesn't. And this is supplemented by an experience I'll tell you about in a minute. I think one of the most striking characteristics I found about people who started companies is that what other people consider obstacles, they consider problems to solve.

Tessler: Opportunities.

Johnson: Opportunities, yes. It kind of goes to Jim's comment about being confident. You know you're going to be able to solve that problem. The experience that kind of reflects on that, or shows the other side of that' is back in the early to mid-1990s. Mario Marino [entrepreneur, philanthropist, investor and co-founder of Legent Corporation] decided that there was an issue in Northern Virginia where you have a great resource of very highly skilled people, but you didn't have a lot of new companies, a lot of start-ups. So he formed the Morino Institute, which was going to support start-ups, encouraging people to create start-ups and start new companies. So he had asked me to be on his advisory board and we worked with that. We started talking to a lot of people. The thing we would find defined the different types of managers. As an example, people would say, "I would start a company, but there's just no way I can raise the money." Whereas an entrepreneur has got the same obstacle, but he says, "I'll solve that problem somehow." He's got the confidence and he knows there's an opportunity there, so he just figures that it is a problem to solve along with all the others, whereas these people who weren't doing that were the ones who saw that as an obstacle they just couldn't get past. So I think that's one characteristic of people who go out on their own: They have the attitude that, "We'll solve it somehow; we'll figure it out."

Miller: We had a peculiar problem. If you want to think about succession, we had four partners. Actually, the way we decided who was going to be president was by flipping a coin, because there were two people who were interested in running the company, and there were two of us who were not. So the two who were interested flipped, and one was the president and the other was an EVP, which stands for *extra* vice president. <laughter> Then I had the software and development side and we had the other fellow who had the DynaTax side. They got to the point, and I mentioned it earlier, where we were in a position where we were looking for capital and we thought maybe the best way to do it would be to sell the company. But the other reason for selling the company was that we had no succession plan. There was nobody within the company who we felt was qualified to run it, and of the four of us, the two who were running it wanted out, and the two who didn't want to run it wanted out. That may be the subject of your next session: *How did you get out of the business or how did you sell it?* We sold the company because we had no succession plan.

Grad: Let me ask a question. He raises a very good issue. Was your management a single layer? It tends to be so because of age or years with the company. You didn't have a staircase. Jim had a little bit. Jim did create more of a staircase, people of different ages, different experience levels I think. But most of the rest of you, as you're describing your companies, I see either yourself and everybody else, but I didn't see a sequence story. Am I missing something? Certainly what you're describing is exactly that.

Miller: I think the age difference between the four of us might have been two years. After that, ten years or fifteen years.

Grad: Doug, you had a different kind of company. You weren't in this particular business, but did you have that same kind of an issue in terms of succession? Was there just you and Hendrickson, or was there another layer of people ready to take over?

Jerger: Well, there were really three of us at Fortex. There was Bob, Art and me. Then we had great technical people and we had great sales people. There were a couple of guys in the sales area who could have maybe come up. But we were still too young. We didn't have children who were yet ready, so that wasn't an issue at all. They were too little. We didn't even think about that at that point. We didn't really give it much attention.

Grad: How about you, Jim? Did you think about a succession issue? Was that an important thing to you?

Houtz: I didn't think about it too much, but I had fifteen guys who thought they could run it better than I. <laughter>

Grad: What did you think?

Houtz: I think probably five or six of them could have, with a couple more years of experience. In fact, one of them quit and I tried to hire him back a couple of years later as a president. I thought they were good. I had fifteen to sixteen guys or women went on to own or run their own businesses. What we did probably as well as anybody was when we had an open spot that was in management, we didn't take the first warm body. We tried to get the best person we could.

Grad: Were you primarily hiring from outside?

Houtz: A lot of them were, yes.

Grad: Rather than just from inside?

Houtz: Well, we had guys we would promote internally, but when you're growing real fast and all of a sudden, you want a new product, like an HMO product, you need somebody who knows something about HMOs. You've got to go get him and that's what we did.

Jerger: Can I say, we didn't have a plan for getting people. It was kind of like Stu was saying. But we actually did give some thought to it. We also had the insurance programs, all that kind of stuff, in case one of us died. Could we get the cost covered to get somebody new in there? So to that extent, we didn't totally disregard it. We just didn't have people identified in any formal process.

Houtz: At the American School for Presidents, they have a set up. The presidents come one week for five days and then the vice presidents come a week later for four days. Then the managers come for three days. The guy says, "You know, when we asked the presidents how many people you have in your company that can run the company, other than you, no hands go up. When the vice presidents come, we ask them, 'How many of you can run the company better than the guy that's running it?' Every hand goes up."

Grad: What about you, John? What was your thought? Your company stayed a long time, you had the three people from the beginning.

Rollins: That's right.

Grad: Did you ever have a succession plan?

Rollins: We did not. My partner, Doug Fisher, is seven years older than I am, so it was not a good succession plan. He retired before I did, actually. The third one left and started his own business after about 12 years. I was kind of the youngest. I always had people reporting to me who were older than me and I never considered a succession plan. I always figured the plan would be-- and this is what we talked about in the board meeting when we decided to convert to Sub-S-- our long-term strategy was to wait and be acquired. So that would be the exit.

Grad: So your exit plan was to be acquired, not to have another generation taking over.

Rollins: Exactly. And my kids weren't old enough, or interested enough, when I retired in 2000 and sold the business. I knew from my own personal experience with my parents, who had their own business, they had wanted me to take over their business, and I had no interest in it. I didn't want to put my children in the same awkward position that my parents put me in.

Grad: But the other thing that I see happen sometimes, you have some key people working for you who you think really are outstanding, special, and deserved some opportunity. You want to keep them in the company and yet they are not good enough, in your view, to take over. Did you have any of those kind of people, besides that third person?

Rollins: No. That third person would have been the one.

Grad: Did that really hurt when he left?

Rollins: No, it didn't really hurt us that much.

Grad: No, I mean did it hurt you personally that he decided to go off on his own and not stay with you?

Rollins: At the time, I think it did. But you get over it and move on, bring in somebody else.

Houtz: The first couple who leave really tick you off. <laughter>

Grad: Five, ten years later, it doesn't matter very much, right?

Rollins: Yes, you try to recruit somebody really good to take over and actually we did that. You get over it. It's like everything in life. You have to get past it.

Grad: Jim, when you came into SunGard, was it a public company at that time, or did you go public later?

Mann: No, it was venture capital owned for three years. We went public. The thing was spun out and bought by the venture capitalists in 1983. We went public in 1986.

Grad: You in a sense were brought in as a professional manager. Whether you had the skills or not is a whole debate. But you were brought in as a professional manager.

Mann: Well, you know, I wasn't a highly visible one nationwide, but I had the good fortune of knowing Bernie Goldstein well. Bernie persuaded me that I had experience doing turnarounds.

Grad: You said because of the level and number of acquisitions that were made that you felt you had a very strong resource of people who were probably entrepreneurial in their attitudes and backgrounds. Is that correct?

Mann: And we did. I began thinking seriously about succession in about the year 2000, which is when I was 68 years old. So you can see I wasn't real hot on the project. I picked one of the division managers and made him chief operating office for about a year. Then I decided I had made a mistake -- a bad thing to do -- so I had to tell him I'd changed my mind, which meant he retired shortly thereafter, although we still get along.

Then I picked another one of the division managers, a fellow named Chris Conde, who is a Chilean by birth. English is his second language, although you wouldn't know it. He came to us with a 1987 acquisition, where he was a partner in a business that was one of the first developers of analytical software for trading options: puts, calls and so forth. When he came in, he was the sales arm of that business. A tremendously good mind. He can do mathematical problems in his head that I couldn't do with a calculator. But he had some problems first on, so when I made this change, I said, "Chris, you can become chief executive someday, but you've got to do this different." And I've never had much faith myself in mentoring or tutoring or educating executives of managers. I figure they either figure it out themselves or they're never going to figure it out. But I've got an exception to that. I think very smart people can change something if they think it's important. So he apparently took me at my word that it was important, and changed. He became chief operating officer for two years. Then he became chief executive officer and I became chairman. And then at the time, and I didn't have any particular urge to go to the beach, because I like to be active, but when the leveraged buyout came around, since it wasn't a public company anymore, and there wasn't any reason for me to stay around in a full time rule, so it worked out well. In fact, one of the business magazines, either *Business Week* or *Forbes*, it had a short write up, complimenting SunGard on their smooth transition of management.

Grad: That's very interesting how you did that.

Mann: I was around him and observing him from 1987 until 2000, so I had plenty of time to observe his strengths and weaknesses.

Grad: You had a very large company with people all over the country, all over the world maybe?

Mann: Twenty-two thousand people, yes.

Grad: How could you maintain contact to see who were the best people? How would you tell?

Mann: We were divided into divisions and groups of companies and maybe half a dozen people that you know well. That was all I really had to know to keep track of what was going on. Another kind of theory I've developed over the years about businesses is that when you have the same management, the same individuals in charge of a company for many, many years, that through a process of natural selection, nearly everyone thinks like the guy in charge. The reason is that the people who don't like thinking that way get uncomfortable and move on. So I think any company develops a personality of its own if the management hasn't changed for 20 years. In SunGard, you really didn't have to look down two or three layers. You knew what they were going to be doing. They were going to be making a buck and next year, making a buck ten.

Grad: This is almost an anti-Darwinian theory, isn't it? Instead of variety and changes, you're saying in some sense in the company, they take on the character and shape and form of the leader?

Mann: One of the few management books I read I thought was dead on because I agreed with it, was "Good to Great" by Jim Collins and it pointed that out. Not in those words. I'm curious, how many around the table agree with my "anti-Darwinian theory" of companies?

Johnson: I do.

Tessler: I do.

Johnson: Yes, there are corporate cultures in which they talk about exactly that. And what's interesting is that I think IBM is an interesting company in this regard. It acquired the original Thomas Watson, Sr. style. And because the people in the next layer begin to think that way, it goes on for long after the founder's gone. If it's really strong, it goes on a long time. That culture stays within that company.

Grad: What's fascinating is to carry that a step further. To get IBM back on track after Tom Watson, Jr. retired, and T. Vincent Learson, who was sort of a clone of Watson, retired, you then had Frank Carey and John Opel and John Akers [as executives who did not change the culture]. It took Louis Gerstner to put that company back on track. That was almost twenty years, twenty-five years after Tom Watson, Jr left the company.

Johnson: Right, exactly. He was an outsider.

Grad: I could not believe that an outsider could come in and succeed. I knew IBM. I'd worked there eighteen years. There was no possible way an outsider who didn't know the industry could be successful at the company. I was dead wrong.

Mann: I thought he'd be a dud there. It's like trying to make a U-turn with a battleship, or with an aircraft carrier at a hundred yards.

Grad: Did many of you read Gerstner's book, *Who Says Elephants Can't Dance?*

Houtz: What did he do to shake them up?

Tessler: He let everybody go. <laughter>

Grad: No, he did not. He brought a different point of view. He challenged people. He brought in outside consultants to help him understand what was there. He was one hell of a management consultant who had good management skills. His book is superb. Two books I read at the time, the Welsh book on GE *[Winning]* and the Gerstner book. You couldn't imagine two more different books or two more different styles of people. And yet both Welsh and Gerstner were very successful in what they did. We will now close the session.

The editor appended a glossary to clarify the meaning of some of the terms in this session:

<u>Glossary</u>:

ADAPSO -- *Association of Data Processing Services Organizations*

Customer Service -- *The distinctions between "real customer service" and "perceived customer service."*

Entrepreneurial Managers -- *The start-up executives and their strengths and weaknesses*

ITAA -- *Information Technology Association of America*

Presidents' Roundtables -- *ADAPSO forums where top executives shared strategies, tactics and ideas for problem solving*

Professional Managers -- *Outside executives brought in to manage large-company issues*

Profit Centers -- *Whether and how to make a profit in customer service*

Software -- *Preprogrammed instructions for applications (e.g., banking or manufacturing) or to improve computer functionality*

Software services -- *Services provides by custom programmers and service bureaus*,

Succession -- *Issues involving the new leadership at companies*

Turnkey Systems --- *Computers, software and services that are sold together -- in effect, "Just turn the key to start."*

User Groups -- *Gatherings of computer and software users who work with, and learn from, vendors*

VAR -- Value-Added Reseller -- *A vendor who buys computer equipment, adds value in terms of software and functionality, then resells it.*

