Oral History of Bruce Coleman

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Recorded: April 30, 2013 and May 2, 2013
Via Telephone

CHM Reference number: X6825.2013

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Bruce Coleman

Conducted by Software Industry Special Interest Group

Abstract: Bruce Coleman has reviewed his unusual and extensive history as both a software company executive and as a company "doctor." Bruce joined IBM after college, but left IBM to get his MBA at the Harvard Business School. Later he became the CEO of a software company, Boole & Babbage, and then the president of Informatics which gave him solid experience in the nascent field of software products. After that his career took a different tack. He was asked to either revive or bury a large number of other software and computer professional services or processing services companies. He was usually retained by venture capital investors in the company or by the Board of Directors, frequently to replace the company founder who was unable to manage the company after it had grown to a certain size. There were more than 20 of these "company doctor" assignments over an extended period of time. Bruce was also active in ADAPSO and in YPO (Young Presidents Organization). He has lived in Taos, New Mexico for many years and has been active in charitable organizations there.

Burton Grad: This interview is part of the oral history project of the Software Industry Special Interest Group which is affiliated with the Computer History Museum of Mountain View, California. This interview is being conducted by telephone on April 30, 2013 using the facilities of freeconfernce.com which is recording the interview. I am Burt Grad. I'm located in Westport, Connecticut. And the interviewee is Bruce Coleman who's in Taos, New Mexico. Bruce, thanks for participating in this project. We'll start by asking you to talk a little bit about your family background and your education, where were you born, tell us about your parents, give us some of your background?

Family Background and Education

Bruce Coleman: Certainly. I was born in Melrose, Massachusetts. At the time, my parents lived in Waterbury, Connecticut. My father was a brass and copper salesman and Waterbury was one of the locations of American Brass. The words "born free" fit me perfectly because my mother's father was a surgeon in Melrose, and therefore there was no charge for the delivery. We moved earlier than I can remember to a little town called Haverford, Pennsylvania. I'm not even sure it's a town, but it's in Haverford County. It's a small nondescript town on the way from downtown Philadelphia on the main line. And then we moved to a second house in Oakmont, again, in that same area. We lived there until I was starting eighth grade in 1950 and then moved on to Bristol, Connecticut where my father moved to work for the Bristol Brass Company.

Grad: What kind of work was he doing for these companies?

Coleman: He was a salesman for them. He then took over a small $4 million company in Pennsylvania that they had acquired. And then when my uncle who ran the company left it to work for the administration, they promoted him to CEO.

Grad: What year were you born, Bruce?

Coleman: I was born in 1939.

Grad: Okay. Did your mother work? Was she at home?

Coleman: She was always a home mother. I'm one of four children. My sister, four years older, and then I and then another sister and a brother, each planned to be four years apart because my folks couldn't afford more than one kid in college at a time. I didn't know that until later, but I think that was remarkable planning. So, there's four years between each one of us except for the sister below me which was five years.

Grad: Okay. You had some changing of schools while you were growing up. You started out in Pennsylvania and then you moved to Connecticut. Do those things have any significance? Do you remember anything particularly about those moves?

Coleman: It was the normal change of schools. Bristol, Connecticut is a mill town. Not surprisingly, it has a couple of brass mills, Associated Spring, New Departure and a few others like that. It was very much a town that had grown up in the thirties and forties where you could be identified by the area you lived in and the Catholic Church you went to; the Irish went to one church, the Polish to another and so forth. I was never particularly aware of the geography and clusters of people until that time but it was an interesting and wonderful experience where I had a chance to live and work with people of mill town nature where a good number of my friends did not go on to college, but went to work in one of the mills in town. I had a few struggles being a new kid, but nothing of note and it was a great education.

Grad: Did you play any sports or anything else during high school?

Coleman: Well, backing up, I never played any sports in the Philadelphia area. I'm not sure why. My parents didn't discourage me but didn't encourage me. And by the time I got to Bristol I was well behind those that had played little league baseball and so forth. And therefore, I went out for the swimming team because nobody else swam in Bristol. I did reasonably well and went on in Trinity College in Hartford to swim as well.

Grad: So, you stayed in that area because Hartford is not from Bristol.

Coleman: That's correct. Twenty-one point seven miles between my house in Bristol, Connecticut and Trinity College, Hartford where I went to school, getting a degree in Economics.

Grad: Well, let's talk a bit more about your high school years and then we'll go on to college. Anything else significant in terms of your family experiences? You were obviously too young for both the First and Second World War and the Korean War and so forth. So that was not a factor in your family's life during that period of time, I assume.

Coleman: No, it was not. My father, I can't exactly remember how old he was, just missed being called up to World War II when they were beginning to call married men. The timing was right so they never called him and the war ended. So, I would describe mine as a very placid home life. My parents were very pleasant people. And I have good feelings and experiences with them. Having met people since then, the one thing I would have enjoyed was having them give me more principles, a little more direction and a way to succeed. But that would make them different from most parents and I eventually figured it out.

Grad: Had your parents been in the United States for quite a while, or had they immigrated at some point in time?

Coleman: No. My dad's family came from Ireland and that was a great grandfather. My mother's folks came over on the Mayflower and yes, she was a DAR, Daughters of the American Revolution. And the fun part of it was we found out that the man that allowed us to claim being part of the revolution was a supply sergeant who was put in jail for stealing supplies. I think that colored and gave great texture to our family.

Grad: It sounds like a wonderful background. Any other special interests when you were in high school? Did you work at all? Did you have paper routes at any time? Were there any things that went on during those periods that you want to share with us?

Coleman: I had a paper route for a while for a very good purpose, and that was it allowed me to play the nickel pinball machine. So, I stored up my money and I would go down to the pinball machines near the high school to play. And early on I figured out that my skills were better at making money than playing pinball. So, my neighbor down the street, Ono Brandy, didn't have any money, but he was extremely good at playing the machines. I would pay for him to play and he would win free games and I would play them.

Grad: Any other activities during high school that were significant?

Coleman: I always had jobs. I was a stock boy and actually a shoe salesman in two stores, a store that sold only shoes and next door to it was a small department store called Muzzy's. And the same company ran the shoe part in Muzzy's as they did in the store next door. So, I would stock and restock the back rooms and periodically sell. And then I had the normal summer jobs, like cutting brush. At 14 I started picking tobacco. It was shade grown tobacco in the upper parts of Connecticut into Massachusetts. And one day because it was not the most scintillating of jobs, I figured out that I picked somewhere around 3.4 million leaves over my career of two-and-a-half years.

Grad: The tobacco industry was a massive industry in Connecticut for many, many, many years.

Coleman: Yes, it still goes on and it is the leaves that are used as wrappers so that they have to be picked by hand so that they're whole when used. I discovered one other thing about my job and that is during the third year, rather than pick tobacco, I decided I would try strawberries. Well, even a fourteen-and-a-half-year-old back gets very sore picking strawberries. So, I went back to tobacco. It was a blessing to me that I was expected to work because we needed extra money and it did me a great favor as I think it has done with many others who've had a job, because you learn to work with people. You don't think twice about going to work after school as is the case sometimes nowadays.

Grad: How were your grades in school? What was the subject you particularly liked?

Coleman: My grades in high school were reasonably good. I can't recall now, but I don't think I got any C's. I had some B's and A's. I was not a great student because I didn't work very hard at it. I can't say there's anything particularly that hopped out as a subject at that time that I enjoyed.

Grad: Did you particularly like math or not like math? How about English? Was there anything that really turned you on? History?

Coleman: History and math were not top on my list. I liked English. In eighth grade, you will recall, the process of diagraming sentences, that was a great revelation to me where you could see how sentences were put together and therefore, from that determine proper grammar. I thought it was terrific.

Grad: Yes, I remember diagramming being a real wonderful subject, but I liked math also.

Coleman: Well, you got lucky. Fortunately, I can do lots of spreadsheets, but math was not top on my list, although not the bottom.

Grad: So, you graduated in what year, do you remember?

Coleman: 1957.

Grad: And how did you decide to go to Trinity College?

Coleman: I applied to a number of schools. I did not get into Amherst or Wesleyan. I got into Brown and a couple of others, Bowdoin and Trinity. And I liked Trinity best not so much for its proximity but the nature of the school and what it was like to visit there.

Grad: Was Trinity College a Catholic school?

Coleman: No, it was for a while an Episcopal school. The first year we had chapel credits. I can't remember how many times you had to go to chapel a month to get the checkmark. And so, we just did that. That fell away, I think, during my tenure there. The only sad thing was it was an all-male school at that time and didn't go co-ed until some time later.

Grad: Did you start by thinking that economics was going to be the area that you were going to work in? And if so, why? And if not, how did you get there?

Coleman: Well, I got there by a random walk. I think you would describe me as a gentleman C scholar which means I didn't do much of any hard work during those four years. Economics was something I was interested in, but it was that it will be okay as opposed to a passion. I spent a fair amount of time swimming. I was in the glee club. We had an octet called the Trinity College pipes and I participated in that. And then got into as much mischief as I could in between bouts of playing bridge. So that would not describe me as a very powerful scholar at the time.

Grad: Were there fraternities there?

Coleman: Yes, I was in theta xi in my sophomore, junior and senior years.

Grad: Was that significant to you socially?

Coleman: Yes, it was a good place to be and I had quite a good time. Interestingly, I was ruminating about college recently and during that time there are a couple of my fraternity mates who were very, very industrious. Both of them wanted to be doctors. They knew it then as opposed to some of us, me particularly, who didn't have a clue. They were very well organized. They worked hard. They didn't play anywhere nearly as hard as I. And when I went back to business school some time later, I thought of one of those men and how he had done and how focused he was. That was one of the images I took into business school and I had worked six years by then and saved up some money. I'll be damned if I'm going to flunk. So, I guess that was one of the lessons learned that didn't settle in until later.

Grad: You take your four years and get a Bachelor's degree in Economics. Anything else during college? Was there any computer orientation? Anything of that sort that struck you at that point in time?

Coleman: No, although there was a link. One of my part time jobs was being a bartender. I had two vests, a green one and a red one, very Christmassy, that I would use to tend bar. Somehow a man from IBM discovered me and I became the bartender associated with the local IBM office during my tenure there. They were delightful people. They paid well. And they said why don't you party with us? And I said, those are my kind of people. As a result, one of the jobs I interviewed for and ultimately took was with IBM Hartford in the Data Processing Division.

Grad: Now, Trinity is in Hartford. Did you live at home or did you live on campus?

Coleman: I lived on campus.

Grad: Was that a financial stretch for your family?

Coleman: It was okay. My dad was doing better then and it was okay. I still worked, but they were able to cover everything, but some of my expenses. I was very fortunate. But I could go home. by hitchhiking the 21.7 miles. And I would come home for important things like laundry and food and other things that college students do.

Grad: I used to send my laundry back home in a box down to Washington D.C. from RPI because my family was in the laundry business. So, I had a special suitcase that I wrapped up that I sent with the laundry and they sent it back to me. We each work out our own things. You were quite a bridge player if I remember. Is that something you picked up in college? Or had you played much before?

Coleman: My family were card players. And from as early as I could remember, we would play all kinds of card games. And some time along the way I learned how to play bridge because my parents did. And ultimately all four of us children did. It was a great social event for us. We played bridge together if we couldn't find more people. Then I played in college and bought a fair number of books. Played a little duplicate while I was there and then some after business school. I didn't play during business school. It was one of those games that I really enjoyed and I liked the puzzling aspects of it. I think it is much like chess, although I suspect I would not have had the same patience for chess.

Grad: Were you playing for money or playing for fun?

Coleman: Playing for fun.

Starting with IBM

Grad: I've had some of my computer friends who put themselves through school by playing cards. Let's move ahead. You're ready to graduate. You look for a job. Tell me about it. How did you go about the process?

Coleman: There were companies that came on campus. I interviewed with a couple of insurance companies, and with IBM and a few others. And fortunately for me, IBM gave me a job offer so I didn't have to take one of the other normal jobs in the area. Otherwise, I might have started out and ended up somewhere in the insurance industry because there was a great concentration at that time in Hartford, Connecticut.

Grad: There was no particular interest in computers, per se, though, in your taking the IBM job.

Coleman: That is correct. Back then we had abacuses, actually, if you'll recall.

Grad: No, I was already working with computers by 1957 so we won't go there. Let's move ahead. What kind of a job were you offered by IBM and how much did they pay you? Do you remember?

Coleman: Yes, I do. I was a trainee in the Data Processing Division and I was paid the handsome sum of $500 or $600 a month. And I recall at that time saying this is terrific. I can cover all of my expenses and the apartment that I shared and still have a little left at the end of the month. And over my lifetime, somehow no matter how much I made I always covered my expenses and had a little left over.

Grad: That's always a good plan. You were a sales trainee, not a systems engineering trainee is that correct?

Coleman: Well, in general, they put you through some of the same training so that it's possible you could go either way. I think they saw me as a salesman. In fact, I was very good at wiring the plug boards. A gal who was a systems engineer, who had come out of the military, one time helped me with a very intricate board. She described how you could test part by part the elements in this board and it was a great revelation. The light bulb went off and I enjoyed that a lot.

Grad: Were you learning punch card equipment rather than computer equipment at that point?

Coleman: That is correct, yes. New account territories that were given to the folks that start were almost entirely the punch card systems because of the expenses of the computer equipment at that time. There had to be a very substantial company and therefore a large sales territory before you would have the ability to sell those. Later on, when the IBM 1401 and the System 3 series came out and other smaller equipment, you were able as a salesperson to sell them to a smaller company. So yes, I went through training. And I think they came to the conclusion, after computer training on the 1401 or an earlier computer, where I had programmed, I think, six programs in assembly language, two of which ran but didn't give the right answers, that sales was my only hope.

Grad: Now, you had graduated in 1961, so you started right away with IBM. Did you take a break there or anything or did you start right in?

Coleman: I started right in. It was either that or sleep on a bench. Somehow, I guess the affluence of society, but the idea you would go back home to live was not high on anybody's possibility list, including mine. So, you got a job and went to work.

Grad: Yes, you got a job and you went to work, which is exactly what I did some years back. It's 1961 and you have completed the sales training program. Now, what's your first assignment in IBM?

Coleman: Once you're off Phase one which is how to plug boards, they assigned me to a number of accounts, basically as a trainee systems engineer/sales. I think their plan was you ought to have a sense of how these rascals install before you try to sell one. So, I had a number of accounts that were given to me where I was the systems engineer at the time. A particular one was a fuel oil company with which I got to help the programming of this board, which did degree-day accounting, a delightful experience. The man swore at me particularly when I was up all-night sorting accounts receivable and the sorter jammed on me. But it was a good experience, looking back, about understanding a little bit of what it takes to get a job done before you sell one. And I think that was a very key part of IBM's training.

Grad: What happens next at IBM?

Coleman: Then you go to Phase three which is basically teaching you the rudiments of computers. And at that time they trained us on the IBM 1401. And actually, during that training, there was an announcement on the news that men 22 and 23 were going to be drafted because of the Cuban missile crisis. My math was quite strong at that time. I figured that'd be me because I was 23. So, I decided to see if I could get into a reserve program because I really liked working for IBM and taking two or three years off to be in the military was not top priority. All of the reserve programs were closed. However, my friend at IBM who had an assignment at the Air National Guard, said you need to know how to do it. So, I said, "Okay, Tony, how do I do it?" Well, you don't go in to see the sergeant in the front who's going to tell you they're full. You come in the side door and look for Colonel Winslow. They have signs on the door. When you walk in the door, you say, "Colonel Winslow, are you the man that coaches the Windsor Locks basketball team?" So, I went in, but he wasn't there. When he came in, he said. "Son, how can I help you?" Fifteen minutes later after he told me about their basketball program he said again, "Son, how can I help you? "Well, gee sir, I'd really like to be in the Air National Guard." And, sure enough, we went over to the office and billets for air force police and cooks were open, but I also had a choice of either aircraft electrician or radar specialist. Aircraft electrician had about an eight-month training program after basic training and it was eleven months for the radar technician. I said, sir, aircraft electrician sounds right for me and off I went. And I went through basic and then the eight months of training at a lovely place called Rantoul, Illinois, that was cold as you can believe in the winter and just as hot in the summer.

Grad: Now, the training program was full time?

Coleman: It was full time, yes.

Grad: So, you took a leave from IBM during that period of time?

Coleman: That's correct. It was 1963, I think. An interesting aspect about the military basic training and aircraft electrician school is that you had inspections, you had to do everything right. You woke up at three fifteen in the morning, prepared the barracks for inspection. Went to chow. Went to school from a quarter to six until noon. And then had physical training and study in the afternoon. The point of all of this that I didn't understand at the time, is that I thought they were being very unreasonable in this silliness they had us do. But in fact, whether you're fixing planes or going into combat it's very important to do things right. You could crash a plane or get somebody else killed. So, it was a great revelation that didn't show up then. It was one of those a-ha's that I got a long while later. Then I came back to IBM and took a territory and became part of a team that sold to some accounts in the state and to some hospitals as well.

Grad: Were you still located in the Hartford Office?

Coleman: That's correct.

Grad: And how were you as a salesman, good, bad, indifferent?

Coleman: Indifferent. I made most of my quotas, but I looked around the office and the performance of others and said gee I don't work very hard at this. I like to work hard, I always have, but I was only okay. Part of it I think was that I didn't understand what selling really was. IBM taught you account relationships very well. I learned a lot more about real cold call selling, and the techniques involved in that when I began to work at other companies. They trained us for what they needed, but for the small accounts, it wasn't enough training for a person like me.

Grad: You were still in DPD at the time. And DPD, the Data Processing Division didn't really focus as heavily on the smaller accounts as it did on the big accounts, if I remember correctly.

Coleman: They were new account territories, which I had for a while, but you are correct.

Grad: Yes. And later on, a separate division was set up, the General Systems Division, to sell to these smaller companies, and the salesmen there got a different kind of training and support. What happens next? Because you obviously decided to go to graduate school at some point.

Harvard Business School

Coleman: One evening, about 7:30, I was doing some work, and looked around the office, and sure enough, typical of IBM, there was still a fair amount of salespeople and some systems engineers around, and I looked around and said to myself, "You know, if somebody were to reach in the barrel and pull out a person to take the next job, it wouldn't be Bruce Coleman." I worked hard. I was okay. But there was nothing special that made me stand out. And it so happened that looking around, my friend who told me how to get into the National Guard, had just come back from Harvard Business School. There were two others that were tin the office, and one that wasn't, who had gone to business school. They had a better focus and idea of what they wanted to be and how they were going to do it. So, I thought, "I ought to do that." I decided to apply to Harvard, Stanford and the Tuck School at Dartmouth. I was able to get into all three. My applications were good. My business boards--they had a different name then--were good. My grades in college were miserable. But I'd been out for so long, as the man in Harvard said, "You're one of the ten percent we make an exception on." I got into all three, and I was blessed that I was able to get into Harvard, because both the Tuck School and Stanford were quantitative focused. And that would have meant I had to go back to school to catch up. I didn't know that until after I'd applied, the intensity involved in that; but during the process, I discovered that.

Grad: I see. So, you decided to go to Harvard Business School. Is IBM sponsoring you or supporting you in any way while you go to Harvard Business School?

Coleman: They did, because they had a stock purchase plan. And the stock had gone up. I was able to make enough money from the increase in the stock value to be able to afford almost all of business school by what I'd made on the stock purchase plan. It was just wonderful! It allowed me to take the next step. I was not one of those folks where they said, "You know, we need to send you to business school, because you're special."

Grad: Yes, that was my question. Because they had a program where some of the people who worked for me at IBM, were supported in going on for graduate degrees in various `areas. But that was not your case. So, did you see yourself at that point, being a branch manager or anything like that at IBM?

Coleman: Absolutely not. I was still single. Working hard, having a good time. Not even then thinking about marriage. It was just, you know, "What’s next?" At that time, I was not a planning person, in that sense.

Grad: Let me ask you a question; this is just for the recording purpose. I've worked with Bruce off-and-on, for 40 years probably since 1971 or 1972, and somewhere along the line since I first met you, you became very organized, very structured, very much a person of action. Did you see yourself as that type of person before you went to the Harvard Business School?

Coleman: Absolutely not. I didn't even know how to do that. And I think getting involved in assignments, that we'll talk about, after business school, I took some classes about: "How do you visualize? How do you organize?" And over time, the necessity of being in troubled businesses helped me understand what to do. But I didn't have a clue back then.

Grad: Interesting. So, in some ways, your whole manner of working changed. Did it change as a result of what you learned at Harvard Business School, or what you did afterward?

Coleman: Let me start with what I got out of business school, and that will give you the answer. The short form of which is that the organization came later. The longer answer was several things. First of all, I saw myself as a person, after graduating from college, who could have done better than a "Gentleman's C" if I had wanted to. That's not nearly as good as having done it, but that was my view. I got into a very good business school, and that was one test of, maybe I could do it. My dad called a friend of his after hearing from me that I'd gotten into business school, and he said, "Jerry, my son's going to Harvard Business School. Is that a good thing?" And Jerry said, "That's fabulous!" So, dad calls me up and says, "Congratulations, son, for getting in!" Because he just didn't know; he had just come up from being a salesman.

The second part was that you get chevrons on your sleeve, and you get a chance to try something that someone else with everything else but that credential of business school would never have a chance to do, even though your resume didn't warrant it. Thirdly, was the reinforcement that if indeed I worked my tail off, which involved about 90 hours a week the first year (and you could coast he second year), but I was learning so much that there was a wonderful correlation between work and success. And I who had been satisfied with a "Gentleman's C" wasn't that dumb and the man who graduated with high distinction wasn't that smart. But it said to me, "You know, Bruce, if you work like the dickens, you can do pretty darn well." So, I learned those things, and along with that, I learned how to think more clearly, though not necessarily strategically, depending on what had to be examined. But they taught you to look at the facts, analyze the facts, and come to some general conclusions, before you put your emotions back in. You know, here's what the facts say, "Yeah, but I don't like that." Okay, now you can take a look, say, "Is my emotion something that should drive me? Or is it something that I should ignore?" I found that extremely interesting, because the first company I worked for wasn’t in great shape, but maybe the next one will be. All 17 interim and four turnarounds that I eventually did, and a couple of others I worked for were struggling. I had to be the person to come in and look at things logically, and as unemotionally as possible, to help them make tougher decisions.

Grad: Let me interrupt for a second. Harvard Business School at that time was very much devoted to the case-study method. And this was, in effect, looking at a company and its historical experience and poses a problem and says, "Effectively, how would you solve it? What would you do?" You found that appealing, apparently.

Coleman: Yes, I did. In other schools and other training, the professors would pontificate. You know, "Here's what you have to know, and here's why." And having met a few professors, I'm sure you understand that that ain't necessarily so. What I liked about the Harvard Business School program is that the professor would be a conductor. The first day, for example, we came into the first class, and the professor said to one of the folks, "Mr. Harris, would you start, please?" "Uh, uh, uh. Professor, what do you want?" "Start." And then he gave him a little clue. "What were the facts? And what were your conclusions? And how did you come to those conclusions?" Every day we would walk into class, getting the benefit of the thinking of 80-some-odd people, and their experiences, and then a logical analysis where you or others would make a case, and then the lions around you would try to tear you into shreds. I found that very exciting and stimulating

Grad: Was this mostly a team approach, or was it an individual approach in doing the case studies?

Coleman: Primarily individual. We did have team studies, but not too many of them. It was one person who started. It was others who would raise their hands and say, "About this area, I want to add. Or I think he's wrong over here. And here's why." And there would be a discussion and melee that would follow.

Grad: How much of the analysis was quantitative? How much was qualitative? Could you assess that in some way?

Coleman: There was a lot of quantitative analysis. You ran numbers. You looked at marketplaces, you looked at the cost of goods sold. You took a lot of figures and tried to make sense of what they said to you, what was important and what wasn't. You had an opportunity to do qualitative, but not as much. I remember writing a case study-- they called them WACs, Written Analysis of Cases-- every Saturday at noon, you had to put your written analysis into a chute that would be graded. I had one on sales, and I said, "Oh, boy! Did I know this one!" <laughs> The lady tore me to shreds. She said, "You made points in this case study that you didn't defend with facts and reason. You may be right, you may be wrong, but you had to take us there." And I think the message on that was, "You had to take us there." And sometimes, with an audience, a board, management, sales, you have to get the other person to where you are now. They can't see into your head. So, in that sense, a great deal of it was analytical. Very little was, "Gee whiz, I have the sense that--," you can't tell that from a case study. You learn that in management. I learned that in management well after I left business school.

Grad: I understand what you said. And that's a very important distinction you're making there. However, I've also been told that one of the things that is most important for those who've gone to Harvard Business School, is that some of the contacts made there are invaluable lifetime contacts. Did you make any of those?

Coleman: Short answer, no. I went off into an industry, software. Went to Logic Electronics, which was integrated circuit testing for a little under a year-and-a-half, and then on to Boole & Babbage. Most people at the time thought software was underwear. So, there wasn't the association that I could reach back to of business school folks that I knew.

Grad: I'm surprised, because in many cases, people made contacts with people who became significant in the financial community, that when they needed money later on, and they wanted to start a business, that they had contacts that were valuable. None of those were particularly useful to you later on is what you're saying.

Coleman: That is correct.

Grad: Okay, fair enough. We'll move ahead from that. So, it's a two-year program. Do you consider this sort of a semi-Socratic approach to things, where everybody's challenging you and you have to defend your position? It's not, "Here's what you have to learn." It's the other way around.

Coleman: Exactly. And I view it that way. I think you would hear the same from others. The power of that, I found, was very compelling. I'd listen to professors who didn't know their tails from first base-- as I learned later-- talk about things with which they had no experience. And you as a student didn't know how to parse what the person knew and what they didn't know. You at least had here a group of students in your class carefully selected to have different backgrounds. Number of years worked, industry, military, other parts of government and education. There was a very careful selection of people for each one of the first-year classes, so there was a wide range of experiences in that classroom that could be drawn from. And that different perspective helped the analysis and helped you to learn.

Grad: Interesting thing you're just saying. It sounds like a lot of learning was because of what the other students asked and brought to the table, not so much what the professors taught or told you.

Coleman: Exactly right. Yes, the professors did not start out by saying, "Okay, here's what you need to learn." What they did was at the end, sometimes, if necessary, they would summarize to make a point, "What we've discussed today is a list. Mr. Coleman said, 'Here are the general issues,'" and he or she would go on from there and describe what learning we should have taken away in a summary form. But never did they stand up and preach.

Grad: All right. Let's move ahead. So, you graduate, I gather, successfully. Are there honors or anything like with Harvard Business School?

Coleman: Yes. High distinction is 1.5 percent of the class. I graduated with high distinction.

Grad: Terrific! So, this was a completely different experience from college. Because this is a very highly select group of people in terms of both education, skills and capability, and you ended up in the 1.5 percent range! Wow?

Coleman: Yes, surprised my mother, too.

Grad: Did it surprise you? That's my question.

Coleman: It surely did! But that was my message. I had done very, very little in college, and then I had that wonderful experience in Business School. And that's what I meant when I said, "I wasn't that smart at business school, or that dumb at college." I can't say necessarily that I was the smartest of the pack; maybe, I got lucky. But I worked like the dickens and proved to myself that I could do much, much better than before.

Grad: This sounds like a major turning point in your life.

Coleman: Absolutely. It changed my view of me. It gave me some skills that I didn't even know I needed. And it gave me the opportunity to try things like Boole & Babbage, that I never would have been qualified for. So, I was very, very fortunate. And that was a seminal event.

Grad: It sounds like it. it also apparently taught you some work habits and ways of dealing with problems that ended up being central to what you did the rest of your life.

Coleman: That's very true. Absolutely. It didn't teach me the people skills, and I have lots of body scars that taught me those, but it taught me some of the other skills. I like to work-- it helped my work habits to be more intense-- but it gave me the ability to think more clearly and articulate better, because I found that thinking more clearly was extremely useful.

Grad: But I think that you said that always had reasonably good social skills. You weren't a nerd. You weren't a techy. You had good social skills. You had sales skills. But you had to learn a lot of other skills like problem solving and the analytic skills. It seems your experiences at Harvard honed those and made you more effective.

Coleman: Absolutely.

Grad: Let's move ahead. So, how did you find your first job out of Harvard? Why didn't you go back to IBM? That would have been the obvious thing to do.

Logic Electronics

Coleman: The first thing was that I didn't see myself going back to IBM. That was going back. I loved working for IBM, but I just didn't see myself going back. One of the things that I look back on was to be careful what you wish for, because it may surely come to pass. I mean by that, people would say, "Bruce, what are you going to do when you get out of business school?" Having been a salesperson, coming up with a good sounding answer is important. I said, "I think I'd like to run a company within five years of business school." Now, mind you, this is a person who couldn't even manage himself, much less a company; but it sounded good! And after a while that affirmation began to shape me. First, some of the lectures I went to, and some of the after-time studies, got me thinking about that. Secondly, I got two wonderful offers from a Boston consulting group and from McKenzie, that perhaps, if I had not said that, I would have done one of those. I would have gone to New York, or stayed in Boston, and become much better at analytics, to what path we'll never know. But having not said, "I would like to work for somebody and ultimately get into business," I was sort of trapped by my own words.

We are also plagued by our brokers. I had this broker that put me into this Regulation A, $300,000 or less company that was bankrupt. And he said, "Bruce, maybe you should go to work for them." And I said, "Well, let me take a look at them. There were 15 people there at that time and I was going to be the number two person, and they had 11 days of cash left. And so, I joined Logic Electronics.

Grad: And where were they located, Bruce?

Coleman: They were located in Malden, Massachusetts. And I said, "You know, I think I'll try this." You could argue whether that was common sense. I would argue now probably not. But the experience was wonderful. I learned to hide from the sheriff, so that when they came to get our equipment, there wasn't either of us officers around so that they couldn't get the equipment. I drove lots of times to pick up checks so that we could make payroll. As the number two person, and because I was single, I was the next to the last person to get paid. So, I understood cash flow better. It was a great learning process. We did very, very well. We went from 11 days of cash to over 30 days when I left! And the reason I left was I'd met this lovely lady, and that came about because I was a little lean on cash. Therefore, I did some consulting for Arthur D.

Little in Cambridge, Massachusetts. I'd had experience with hospitals, and they had me do work with some hospitals and write a report for them, that covered something like three months of rent.

While I was there talking with my contact, I saw this woman go by, long black hair, very svelte looking, with wonderful legs. I said, "I saw this woman go into the room across the way. Is she Coyote Ugly, or shall I wait to see what she looks like?" And Jack said, "Well," "Oh, she's not ugly." "Oh, no! She's a very good-looking lady. But she's quite cold and business-like." "Oh, good!" So, at the end of our discussions, I followed her down the stairs to her office, asked her out, and we dated a couple times, but I was dating this other lady. And she also was dating a person, I think, an Austrian Count or something like that. Later on-- this was in 1969, in the October/November/December range--and then somewhere around March of 1970, my lady friend went home to Pittsburgh for a while. And there was a hole in my entertainment schedule, so I started dating my wife-to-be, Pam, and we got engaged and got married that fall. As a part of that, she said, "I'm going to go to part-time when we're engaged, and when we're married, I'm going to stop working." So even my analytical mind said, "Paychecks once in a while probably are not going to make it." As a result, I looked for a job, which we'll talk about later, and went up going to Boole & Babbage.

So that was the kind of the sequence of events of how I got from a company where I learned visceral things about business, what happens to struggling companies, what you have to do to stay alive to go on to ultimately the next step in my career.

Grad: So, you're in your early 30s, and you've been working at Logic Electronics, and you've turned around the cash flow.

Coleman: I wouldn't give me credit for the cash flow improvement. Let's be clear. It was better. But I wouldn't give me the credit.

Grad: But the guy you were working for, though, that was an interesting thing, because you were a number two to a number one. What kind of person was he?

Coleman: He was an older gentleman-- older-- goodness, everything's relative. Probably in his mid-60s, maybe later. He had put money in the company, and the management had botched it so badly, he took over. And as he was running the company, struggling to keep it alive, although ultimately, it was sold to its creditors. I learned, by the way, what the phrases "jointly and severally" meant. And that means that if you don't pay your payroll taxes, anybody who's an officer is going to get a call from the IRS. When I found out that this gentleman who was trying to keep the company alive, was not paying the taxes, I resigned as an officer, but stayed long enough so that those costs were covered. When I received an IRS letter even some seven years or eight years later, I could say, "Gentlemen, thank you for your consideration, however-- ."

Grad: There's a reason I'm bringing this up. Because you were dealing with a more senior person who owns the company, and you learned how to deal with that in some way. Although you were the operations man, and yet, it was someone else's company. You weren't the entrepreneur. It wasn't your company.

Coleman: Absolutely true.

Grad: And that seems to be a pattern in what you did later on. And that's why I think it's interesting, that the first company you worked for outside of IBM, has that characteristic and that structure.

Coleman: I don't know whether that was a driving force or not. I would say more likely from what I've learned about myself later, is that I'm a person who likes to fix things and solve problems. I am not, what you would describe, as an entrepreneur. I'm not that imaginative in those parts of the business. So, I think it is even more a driving factor as to what I figured out I was good at.

Grad: But my point is that there's even a pattern, though, that you may have either recognized or stumbled into, but there was a pattern. Many, many people from Harvard Business School, their first goal is to create their own company. That was true then. Dozens of people during the 1970s who had gone there, had to create their own companies; that was not your goal.

Coleman: Exactly.

Grad: Let's move ahead. You decide you need more money, because your wife doesn't feel like working anymore, and so how do you go about looking for a next job?

<u>Boole & Babbage</u>

Coleman: I went to the library at the Harvard Business School and found a book that listed venture capitalists. I also looked also other places through the alumni association and Harvard about jobs, and I applied to some. I sent out letters-- broadcast letters-- to something like 168 venture capitalists listed in that book. It was 168 back then and it got as high as maybe 1,200 or 1,400 before it then shrunk. Interestingly, it landed on the desk of three people who had a similar connection. Bill Edwards was a board member and investor in Boole & Babbage. Phil Fisher was an investor in Boole & Babbage. Pitch Johnson was the Chairman of the Board, and a major investor in Boole & Babbage. Of those, Pitch called me and said, "I'm going to be in Boston, I'd like to meet you." I had an interview with Pitch, and then we had a second one. And I should add here that there was a founder CEO, Ken Kolence, who was running the company at the time.

Grad: What was there about you that appealed to Pitch Johnson?

Coleman: My resume said that I was good at administration, I was good at sales, both of which statements turned out not to be true. But I didn't know that at the time. And Pitch, who was obviously the driving factor said, "Ken, I think we should hire him, and make him head of Administration and Sales. Don't you think so?" Of course, what could he say when the boss says, "Don't you think so?" So, sure enough, they hired me. And he said salary would be $1,800. And I was trying to figure out what the hell that was. It turns out it was $1,800 a month, and I felt that I had died and gone to heaven. I could actually pay the rent. So, I took the job.

Grad: What was your title at that point?

Coleman: Vice President of Sales and Administration. And the company was located at that time in Sunnyvale, California. I had flown out there to meet them and get started and I called Pam, and said, "They want me to stay. Could you move our things?" Well, "things" didn't require much, so she said, "Yes." And she came out a little bit later after I found an apartment in Sarasota, California, which is some 20 minutes south of where the office was. I worked there for about nine or ten months and Ken and I struggled. He was a typical entrepreneur, meaning he knew what he wanted and knew his direction, very focused, sometimes difficult. And I found that I was having trouble working with him. So, one Sunday I went to see Pitch Johnson who, by the way, was an early venture capitalist, very successful, a delightful man, and is still doing a little bit of it now in his 90s. And I said, "Pitch, you know, I'm struggling getting along with Ken. And frankly, it's not his fault or mine. We're just different people. And I'm going to quietly look for a job, and I'll support you in any way I can. This is not a criticism of Ken." He said, "Well, wait around for a while, and we'll see. Would you do that?" "Sure."

Well, evidently Ken was also struggling with the board, because they were losing money. And within a month, I was the Vice President and General Manager of Boole & Babbage. In some nine months, I'd gone from running part of it to running all of it! My first assignment was, "Bruce, you're now running the place, we have 102 people. We need to get down to 50, because we're losing money." Of course, my stomach dropped, and "Oh, goodness." Because I'd never fired anybody in my life. Didn't have a clue how to do it. And so, I'd close the door and work on things. And I think for years afterward, when people saw my door closed, they would say, "Uh-oh, something bad is going to happen!" Somehow, I got through the layoffs. I don’t think that it was done particularly well, but okay. And then I began to run the company after that.

Grad: I need you to tell me what business Boole & Babbage was in, and a little bit about how it came it came into existence. What did they do?

Coleman: Boole & Babbage was a systems software company that had performance tools for large IBM mainframes. They had two lead products. One of them analyzed programs to see where they were inefficient to help you make them run better. The second looked at the IBM operating system, and made suggestions and recommendations on how to get more out of the computer.

Grad: Who were these products sold to?

Coleman: They were sold to anyone who had an IBM System/360, the most popular mainframe back then. They sold to customers who had a 360 computer Model 50 or bigger. The Model 50, to put it in technical parlance, had enough memory disc space to make the analytics worthwhile.

Grad: And this had been founded by two people, one was Ken Kolence, the other was David Katch, I believe.

Coleman: That's correct. David had left the organization by then, and we had also gotten not only into software monitoring-- but hardware monitoring as well. In hardware monitoring you basically plugged into the back of the computer to see what was going on by collecting data from registers.

Grad: Who created the products? Was this Ken? Did you have other technical people? Was Ken really the technical leader?

Coleman: Ken was the technical lead; it was not so much that he was a programmer, but he had the vision and understanding of what had to be done. And then he had a programming staff, systems programmers, who made it happen. But he, like many entrepreneurs, saw the need and had the idea of what had to be done because he came out of the data center environment. That's typical of many entrepreneurs who are in a work environment, see a need, have a great deal of experience in the application and the potential benefits of products in that area, and then cause it to happen.

Grad: So, this is early 1972, and you're made VP and GM, does Ken stay on?

Coleman: Yes, he did not stay on operationally, although I was “blessed” with having him on the board for as long as I was there that first time. Having a founder on the board is a delightful torture. I'm being a little tongue-in-cheek. It's a very difficult situation for the person who's running the business and for the person who had run it. But we got through that okay. Actually, until the 1972 Olympics, I was Vice President and General Manager. Pitch Johnson was, and is, a very avid sports person, and he was going to the Olympics-- I think it was in Russia-- and he said, "Bruce, I'm going to Russia to the Olympics, you're in charge." And so then from that time on, I was the CEO.

Grad: After you laid off a group of people, then you were apparently able to rebuild the company and make the sales go up. What happens over the next six- or seven-year period?

Coleman: We started in survival mode, because we were short of cash. I can remember, as an example, one day our Controller, Maxine Heber, came in and said to me, "Bruce, we have a $100,000 CD in the bank." To put that in perspective, our cash flow per month was $88,000. So, what that said to me was, "You have one month free before you can't make payroll." We had had to chase payroll there as at some other places. And that news from our controller was almost like an albatross had fallen from my neck, because I now had a lot of breathing room. So, basically, we survived. I hired a sales manager, Bob Coolidge, and then hired Denny Crow, who had become a very, very good search person, and had done very well in the industry. I actually worked with him later on. So, we expanded, added some products. Some of those centered around so me accounting products and some others centered around helping the systems that we sold do better. We contacted the same person at the customer to make those sales, so the strategy was very clear. I knew when an opportunity came in, what fit and what didn't, leading into something that we'll talk about on, is a very simplistic strategy. if it fit in our marketplace and what we knew how to do, and the people we sold to were the same ones our salespeople knew, I would take a look at it. If not, I dropped it like a hot potato.

Grad: Let's stay with Boole & Babbage. Somewhere along the line you now learn how to manage people, you learn how to measure, and enough about the technical side, although you seem to ignore that when we talk. Did you hire someone to run that?

Coleman: I always had somebody who ran development. That was not and is not my forte nor was sales, so I always had someone leading sales, another person leading development. Of course, there was somebody to do the finances. But the technology made common sense to me. I liked it enough so that I could talk reasonably knowledgably about what it did, why it was good without having written any code. It just made a lot of sense to me. I wouldn't describe myself as technical, but I would not embarrass myself on a sales call.

Grad: You're there until 1978. Over that period of time, do you turn Boole & Babbage into a success? What happens over that seven years financially?

Coleman: The first year I was there, by my memory, our sales were $1.7 million, and we lost something in the hundreds of thousands of dollars. Then, the first year after I took over sales were $1.2 million, and we made $37,000. So, at the end of 1972, we were just over a million dollars in sales and barely positive with just enough cash in the bank for coffee. Over the next 6 years, by the time when I left the company in the middle of 1978, we did $7.8 million in a year and we made a profit of $2.4 million, I believe. Very profitable. Growing less than I would have liked in retrospect, but it was a good solid company.

Grad: Did you have any acquisitions during that period of time, or was it all internal growth?

Coleman: Almost all internal growth. We bought a couple of products. One of them was from a gentleman by the name of Mario Marino, who did some accounting on a particular database system called IMS. And we also bought a couple of smaller products, but no companies. We were looked at by a company called Capex, as a merger that just never happened. And it was a good thing, I think, for both of us, in retrospect. Since then I have also looked at what Computer Associates did [ed. Note: Computer Associates bought many, many companies during the 1970s and 1980s}, and said, if I were a little more clever back then, I could have done the same thing. I could have bought products with large customer bases, decided which of the products to grow, and which to put in maintenance mode. Even back then, I had a sense of how to do that, but that's just a reflection. When I left Boole & Babbage 1978, it was in quite good shape.

ADAPSO

Grad: When did you get involved with ADAPSO, which was the software and services trade association?

Coleman: I'm not sure. Do you have any sense of it, Burt?

Grad: It had to be in the relatively early 1970s. I was thinking 1972 or 1973, something like that?

Coleman: Maybe as late as 1974, but it was in that timeframe. And I went there to learn what was going on in the software industry, and I found it very educational.

Grad: Do you remember how you happened to have heard about it, or how you made a contact with ADAPSO?

Coleman: I do not.

Grad: Do you remember anything about the first couple of meetings you went to? Is there anything that stands out in your mind in terms of people, subjects, things like that, at those meetings?

Coleman: My general reaction looking back some 40-odd years was it was a very energetic group of people. They, on average, seemed very smart. There were seminars and sessions, and I said, "Oh, boy! These are wonderful! I can really learn from those." And I would get the tapes afterward, take them home and listen to them, and then give them to the people in my companies that I thought were interested. I enjoyed the people there socially, found them very energetic and smart, and it was a wonderful experience for me to work in an organization like that which was a collage of people as opposed to a structured company.

Grad: Had you been active in any kind of an associations or organizations or clubs, anything of that sort before then? You've never mentioned anything of that up to now.

Coleman: None whatsoever. I was just focused on my job and those things around me.

Grad: But you become very active in ADAPSO over the next some years. Do you remember any of the specifics? I know that you were the head of the Software Industry Association section of ADAPSO at one point in time.

Coleman: Yes, by the way, there was a man, whose name I can't remember now, who would help me get organized and write the agenda for the meetings. Does Burt Grad sound like the right name?

Grad: It's possible. You and I worked together for a number of years there.

Coleman: <laughs> It was just terrific. That was one of my learnings, by the way, how to get organized. Think about it, years later I got very good at that, but when you and I worked together at first, I didn't have a sense of it, because I'd never done that before. And at ADAPSO I thought we handled more issues of import than other organizations. I felt that when I was on a committee or running the software part of it that we were doing things, for the most part, that had good leverage. I'm not sure in looking in other organizations, industry organizations, that that might be as true and as focused.

Grad: Were you involved in the Young Presidents Organization (YPO) or anything like that?

Coleman: I was in YPO until they kicked me out at 50, yes.

Grad: Oh, so you were in YPO. I had forgotten that. And do you remember when you first got involved in that, Bruce?

Coleman: I got involved with YPO when I was working at Informatics, when I became COO. That was later on in 1982 or 1983.

Grad: So that's not in this time frame?

Coleman: Yes.

Grad: I'm going to still stay with the 1970s for the moment. So, during the 1970s, you get active in ADAPSO, you start to go to the meetings. Are any of the people that you end up meeting there during that period of time who become of significance to you?

Coleman: Yes, I joined a round table of CEOs. There are a group of a dozen of us that got together as CEOs of software and services companies, many of whom are my dear friends now. Our original premise was that we, as individuals, didn't know a heck of a lot about running our businesses and maybe we could learn from each other. We met then, and still meet now, every six months for two to two-and-a-half days, and our agendas included two days of discussions, presentations by each one of us, a general discussion and then social dinners, and maybe the third morning we would take some time off to do something social. So that was, and still is, a very powerful part of my friendships in the business and my learning experiences.

Grad: Name some of the people, who are on what was called a President's Roundtable with you.

Coleman: That's easily done: Tania Amachaev, Judy Hamilton, Rick Crandall, Dave Campbell, Jay Goldberg, Gideon Gartner, Bob Cook.

Grad: So, these are all people who were then running their own businesses, and most of them continued to run their businesses for many, many years.

Coleman: Absolutely true. Some of the people in there changed positions during the years. Dave Eskar, for example, one of our earlier members, sold Pansophic to Computer Associates, and therefore moved out of the group. Others moved in and out for other reasons. But there is a core of perhaps a half-a-dozen of us that have been there for a long while. Oh, Larry Schoenberg was involved from the beginning.

Grad: It's fascinating to me that this President's Roundtable has continued for over 35 years. As an aside, the Presidents' Roundtables became a very significant element in ADAPSO, and close to one dozen of them were eventually formed. But this was one of the earliest ones. My memory is that this was some time in the late 1970s and it was the second President's Roundtable to be formed.

Coleman: The first one was the data processing group that people like Bernie Goldstein were involved in.

Grad: Yes, that was what they called Service Bureaus and they were the first group. That seemed appropriate since they had been the ones who had originally formed ADAPSO back in the early 1960s. But this was the second one, which was a mixture of software products and professional services companies. Let's move ahead. You never became the chairman of ADAPSO, though. The software industry one was your top job there. But you were on the ADAPSO Board, weren't you?

Coleman: I was on the Board of ADAPSO. It might have come to pass when I was at Informatics that I would have become the chairman of ADAPSO, but as we'll talk about later, I moved on from Informatics and that opportunity moved away.

Grad: Yes, I remember that you were actually in line to become the next chairman. Let's move back to your business operations. In 1978, the business is doing reasonably well. It's making considerable money. It's grown, to almost eight million dollars a year in sales. Now what happens?

Informatics

Coleman: I got a call from informatics from Walter Bauer, who was looking for a Group Vice-President. Informatics had a combination of some 17 different businesses, anywhere from software to data processing services and applications software. A gentleman who was working for Walter Bauer (who was one of the founders and CEO) said that Paul Wrotenbury, who was then running a division that had systems and software utilities, insurance applications and accounting software businesses, was leaving the organization, and Walter wanted to replace him. I interviewed for the job, and somehow, at the time, it seemed that running something bigger, even though I would be one level down-- meaning a Group Vice-President as we were called then-- made sense as my next career move. I interviewed with Walter, moved down to Los Angeles, where informatics was located, and worked there for the next six years, initially as a Group Vice-President.

Grad: What did Pitch Johnson say when you said you were leaving?

Coleman: He said, "Why are you doing this? We need to negotiate." But I felt I'd made a commitment, and he was very upset. Looking back on that, I can't say staying around at Boole & Babbage would have been a better or worse opportunity. Working with Pitch was just wonderful. But it was different. I think my experiences expanded because I worked with someone else. I worked in a multi-layered organization that, in many senses, I might not have done had I continued to be a CEO in a smaller-dimensional organization, and I would never have had the opportunity to work for someone else, under the CEO, as opposed to being a salesman for IBM.

Grad: Now, the fact that you were in ADAPSO, is that how you had come to Bauer's or Wrotenbury's attention? Or is that not related?

Coleman: I don't think it's related. Walter Bauer had a search team that had found me.

Grad: What was the title of your first job at informatics? What were you doing?

Coleman: Group Vice-President running Application Software and System Software, at the time. And the Application Software was broken out between insurance software, general accounting and other business software.

Grad: Now of the total company, how significant was that part of it? Was it 30 percent, 50 percent?

Coleman: Well, when I got there, it was a $105 million business, of which my group was probably around half. Maybe a hair less.

Grad: And you reported directly to Bauer then, is that correct?

Coleman: That's correct, yes.

Grad: Who owned the company at the time?

Coleman: The company was public and traded on the NASDAQ.

Grad: That was certainly a new experience for you, too, wasn't it?

Coleman: Absolutely. I'd never had any exposure to public companies. Nor as I said before, managing within an organization that was very complex in the sense we had divisional operations, accounting, human resources, etcetera. And then the Group would replicate some functions with Corporate it. So, we had lots and lots of bureaucracy that I had no previous experience working with, and I found that, while frustrating, a good education.

Grad: You really are operating in a sense as the CEO of a division of the big company, correct?

Coleman: That is a good observation. My offices were about four miles away from Corporate headquarters. And because we had a different structure, that four miles might have been 400 miles. There was a very clear distinction between the groups, and it wasn't until later on, after I went to Corporate, that I had a great sense of the corporate part of running the business. We were almost, but not quite, a stand-alone business, and for the most part, very stand-alone in our operations.

Grad: Did you have your own technical, your own development staff? Did you have your own sales staff, or did you share a sales staff?

Coleman: We shared nothing except corporate facilities. We had finance, I had a CFO, Jim Porter. I had human resources. Each one of the divisions had a sales staff, its own development group, and some limited amount of administration. So, I had a group of three companies run by an overhead layer called Group, which I ran.

Grad: Did you feel that the skills you brought to that job were appropriate, or did you feel inadequate in certain ways?

Coleman: My first reaction was that I didn't know what I didn't know, which is the case with a lot of us over our careers. It's hard to know what you don't know until you have experience. So, I felt capable of doing the job. But I learned a great deal, and because of that, when I looked back, I said, "You know, a lot of things I didn't know." But that's the nature of a career, and that's the nature of career growth. So, I felt comfortable in the job.

Grad: In the interest again of full disclosure, I had done consulting work for Bruce at Boole & Babbage. It was actually my first consulting assignment after I left IBM. And then, again, I was brought in to do consulting work at Informatics, but not initially by Bruce, but by Frank Wagner, one of the founders and executives at informatics. But I had a chance to work with Bruce during his time at Informatics. So, some of these things we will discuss are things that I was also personally aware of. What were your major problems in running this much larger operation than you had run before? It was probably over a $50 million operation to start with.

Coleman: Let me cogitate for a minute. The first thing I had to learn was how to work within a system. There was reporting, there were calendars, there were reviews. All of which were far less structured at Boole & Babbage where I just walked down the hall. But we had one group that was in Dallas, and others that were separate enough, that I had to do the same thing three or four times to cover each. I found that I was not as hands-on as before, but rather I was an orchestrator of the people who ran each one of those divisions. Each division had a division manager, a division vice-president. So, I had to learn to work in a different structure, to be part of the overhead, to look at human resources, for example, as something that applied to divisions, to do tests of reasonability, who gets hired, who gets fired, what are the price ranges in a more structured, more global view than just a person coming in and saying, "Bruce, I want to hire a guy at this pay rate." So, it was a little bit higher level of understanding of how business works, and how you can influence the businesses without have direct hands-on control.

Grad: At the beginning, your first few years there, were there any particular problems or experiences that stick in your mind as being significant learning moments or significant accomplishments?

Coleman: The nature of Informatics was that it was a collection of seventeen different organizations, if you were to look at what the company did, there was a not a clear enough raison d'être for each business. "Why am I in this business?" "Well it seems like a good idea, and it sort of fits." So, what I'm saying is that strategically we could have been a tighter operation, had fewer operations, been more focused, and gained more specific skills. My part of it was also the same. For example, we had an application software division that was well down in the list of competitors. We weren't number two or number three, we were number five, six, seven, or eight. So, in some of the segments we faced being a small fish in a large pond. One of the lessons, therefore, is, "When do you decide to double up, and when do you decide to fold?" In the case of the application software division, we decided, Walt Bauer and I, that we should sell off that division, because it was just kind of chugging along, not going anywhere. We sold it to Ron Kupferman, who had been running that division. And Ron had started the business. Therefore, when he took it over again, he stripped out a lot of things that weren't necessary. He focused on areas where he could make money, and he was very much more opportunistic, because he was a small player.

I think that's what happens in general, when small companies are bought by larger organizations; there has to be a change of, "Are we going to double-down, or not, rather than "Gee, this looks like a great opportunity!" It's a pattern that I saw many times, where opportunistic buys were made and now we say, "Well, what do we do about it?" So that was one of the experiences where I looked at what we were doing and said, "We're not going to win in this business."

Grad: Yes, and you did that while you were still the group Vice-President, rather than the President?

Coleman: That's correct, yes.

Grad: Were there any other experiences during those first few years in terms of relationships or things like that that you'd like to focus on?

Coleman: As when I was with IBM, I thought at the time that, on average, we had a very good group of people with Informatics. Capable, smart and hard-working. I think that bears itself out with what happened with some of the people. I had a lot of relationships, some of which I still have now, with people that would either work for me, some of them; or worked in parallel, whose company I enjoyed, whose work I respected. The man who ran part of the international business, Bob Somers, and others like Jim Porter and Merritt Lutz were and still are friends, some more than others, because of our relationships there.

Grad: How long were you the General Manager and when does your role change?

Coleman: For four years I was the Group Vice-President. And then I had a discussion with Walt Bauer, and my memory is a little fuzzy, but basically, I said, "You know, I want to join the Young Presidents Organization?" To do that you have to run a business of a certain size. I qualified there. "And you have to be a Chief Operating Officer, or a CEO. Any chance that I could be COO?" Well, Walt said, "Okay." <laughs> I'm sure it wasn't as simple as that, but I became COO. I Joined YPO, and then moved from group headquarters, four miles over, to the corporate headquarters to become Chief Operating Officer. One of the interesting parts of that was my first realization of how quickly people's perception of you changes, and your perception of yourself when you put on a different hat. When I went from a Group Officer to COO, people saw me differently, and it was almost instantaneous. And I saw the world differently. It's remarkable how quickly a change in position can change your perspective. It's not necessarily for better or for worse, but just different. "I'm sounding like one of them." I can remember thinking of myself the first couple of weeks at corporate headquarters when I'm talking to others. It was a very interesting and repeated phenomenon that I experienced later on coming in as a CEO and then hiring my replacement.

Grad: Now you're the COO for the whole company. What is the size and structure of the company at that point in time?

Coleman: The company at that time, I think was in the $150 million range. I was in the corporate headquarters. Frank Wagner was running the professional services. Warner Frank was running some operations and he was the equivalent of the Chief Technology Officer, I would say, and the idea person. And then there were a series of other corporate functions like CFO, Human Resources, and Chief Counsel.

Grad: But you also had processing services operation in Columbus, Ohio, weren't they?

Coleman: That's correct. We had data processing in Columbus, and also in New Jersey.

Grad: Do you remember who was running those?

Coleman: Warner Blow was running the Columbus operation. Ken Draeger ran the processing operations in New Jersey. And then, Don Toy ran two professional services operations, one headquartered out of New York and the other in London. And he was sort of the pipe rack lean operation. And then Wilson Cooper ran technology in SPG in the software products group, but there were a couple of other executives reporting to corporate.

Grad: But did you also have other people directly reporting to you? Did the financial side still report to Bauer?

Coleman: That's right. Financial, legal, marketing, central marketing, and those sorts of things reported to Walter Bauer.

Grad: What was your relationship with Walter?

Coleman: I would describe it as mostly cordial. We got along. We were substantially different people. An interesting observation about some of the differences between us, he was a PhD and thought like a PhD. And we would be in a group of people like those I just mentioned, and we'd have a discussion. And many of us would come up with A plus B equals C. And Walt would come up with A plus B equals F. I couldn't figure out how he would get to his conclusions when others seemed more logical. My wife Pam was writing at the time, and she found a book called "Psychotic Personalities". And Walter was not psychotic, but interestingly she found the definition of a paranoid. And a paranoid, by definition, is not somebody who thinks everybody's out to get them. But rather, they start with the answer and collect data until they get the data that proves it. And I saw that trait in Walter where he would come up with an answer, maybe right, maybe wrong. And then collect the data. That's a pattern I saw in a number of other CEOs. If you think about it, I'm going to start this company. By the way, you've never run anything. You have big competitors you can't match--but I can do that. I know I can. Those are the skills that get people started. It's I know I can do it, don't give me the facts. And I think the good news is they have the courage to do things that people like me would not do. The bad news is that they're not careful. They keep on having their own answers and having trouble taking in the changing world from the one they knew. Walter had a little bit of that that made him different. And, ultimately, I think that's probably why we disagreed. And after a series of things, he finally fired me.

Grad: Let me go back. The foundation of Informatics was back in the 1960s, where Walter and a few other people, who'd been primarily performing government professional services, started the company. And that was in the Los Angeles area. And they had grown magnificently during the 1960s, and were one of the premier companies by the time that Bruce joined in 1978. They were probably the largest company in the software and services world. I think that's accurate.

Coleman: To my knowledge, yes.

Grad: Yes. They had some very significant software products, one product called Mark IV that was developed by John Postley, who had been responsible for that work. During this period of time, you develop what I've heard you call a fire, ready, aim approach-- or how did you describe that?

Coleman: Actually, it's ready, fire, aim, to be more accurate. Somewhere in 1985, my wife Pam and I took a Myers Briggs test. It's a short form, seventy-question, personality analyzer that we found to be remarkably accurate. It turns out that one of the characteristics I have is if doing one thing it is okay, doing two is better, doing three is spectacular. If you get up to four and still chew gum, it's wonderful. This certain personality likes to get stuff done. And I think some of the people that work with me, and certainly some of my assistants who have blocked the door and not let me do things, would say, "Bruce, you're going to fix it before you even let me finish." That is the nature of my personality that I think ultimately leaked out. It has its disadvantages. In fact, in the interim CEO business, there's a lot more plusses than minuses. In those cases, things are at a state where you must make a decision that's not perfect, based on your experience and the data you collect, and get on with it. So, I think the capability was there, and it only needed cultivation. Had I worked for someone else, rather than running companies, it's not necessarily clear that I would have developed that skill, or even would have been allowed to do so.

Grad: One of the stories that I tell was about when I was doing consulting work for Bruce at Informatics. It was a wonderful relationship, but the danger was that when I would be thinking of something and talk to Bruce about it, before I would have a chance to take a deep breath, it would have been done. And we finally came to an agreement that he had to wait at least twenty-four hours before he acted on anything that I suggested, because I might well come in the next morning and say, "Bruce, don't dare do that. That's the stupidest idea I've ever had." But that was part of a great business (and personal) relationship.

Coleman: One of the things I learned later on, as a part of my introduction to companies that I ran, was what I would describe as the good news about me and the bad news. And part of the bad news is that I'm eighty-five percent on details. So, watch out; if you think it's a dumb idea, say so, or else I'm going to do it. So, I finally learned from you and others that you need to alert people so that they can be your friends and help you out by preventing you from doing some things that would have been really dumb.

Grad: You left Pitch Johnson at Boole and Babbage on very good terms. He was upset that you left, but you certainly hadn't lost a friend or lost someone who supported you.

Coleman: That's very true.

Grad: Now, I gather that leaving Informatics turns out to be a somewhat different experience. Can you describe it to me?

Coleman: Sure. Walter and I were talking one day in our weekly meetings about a division that he thought might be a good idea to sell off. I won't get into that because it's not relevant. I had found some buyers at a very good price. And he said I just can't do it. This followed another case where it was his idea that we were going to merge our insurance division with another company, because we were losing ground. It turns out the folks running that division didn't keep up with the technology and were behind a competitor. I had come up with a deal valued, as I recall, at somewhere between thirty-five and forty million dollars. It turns out that after I left, Walter sold the division for seven million dollars of bonds. So, I'd gone through two instances where we had agreed upon a plan of action, and Walt changed his mind. The boss is allowed to do that, but I said in that meeting, "Walter, I think it's important we communicate better. I feel like I've missed some of this interaction because I like working here. And we can be successful, but I get directions from you and then they change. And that's difficult for me. I want to work here, but if it doesn't work, I can get a job somewhere else. And it's okay." He said, "Bruce, if you left that would look bad for me." And a week later I was fired. I can't say that I didn't necessarily deserve some of that, but that was the way it came out. I can't say what he was thinking because I didn't go back. One could argue that firing me was good since there were some things I didn't do well, but I think that I could have made them right, and there is always the issue of personal relationships. At any rate, he fired me. And that led me to a path that I might well have never gotten to that I have found, in retrospect, marvelously satisfying.

Grad: How big was the company when you left? Do you remember?

Coleman: Not exactly, but it was certainly north of a hundred and fifty million dollars.

Grad: My memory is that it was something close to two hundred million dollars by that point. I'm a little concerned about the year you say you left. Informatics is acquired, in a hostile takeover, by Sterling Software in mid-1985.

Coleman: I think that it was in 1985 [ed. Note: Bruce left Informatics in 1984, before the Sterling Software hostile takeover; by that time the company was called, Informatics General]. After being fired, I began looking for other things to do. And I was contacted by several people who said there's an opportunity for us to takeover Informatics. And, in fact, the first thing I did was talk to some people to see if I, personally, could orchestrate buying the company because I believed that the sum of the value of the individual parts was greater than the value of the whole in the stock market. As a result of that, others became interested because it's not an industry where secrets are kept. And the result, as you described it, was eventually a hostile takeover.

Grad: Do you think that your stirring the pot in any way came to the attention of Sterling? Do you think they were aware of it because of your doing so?

Coleman: I don't know. It would be my guess that I stirred the pot. I wasn't intentionally stirring the pot, but I just saw an opportunity. My guess is that the odds are better than fifty-fifty, Sterling Williams has said that what happened was Walter heard about my questionings and said, "I need to have a white knight." And the white knight he chose was Sterling Software. And somewhere along the line, Sterling said, "Why don't I change the color of my hat from white to black and do a hostile." Never before had a primarily software company been subject to a hostile takeover.

Grad: Now, had Werner Frank left the company before you did? Or was he still there?

Coleman: I think that he was still there, but I'm not exactly sure of the timing. They had a good relationship that ultimately fell out.

Grad: A number of the executives, Jimmy Porter, who had been significant there, Merritt Lutz, a number of the senior executives, did leave Informatics and go to other companies or form their own businesses later on. So, that was a significant change. So, you did consider the possibility of doing a buyout and then you decided that that's not going to work. What happens next?

Walker Interactive Software

Coleman: Then, in parallel with this other activity, I got a call from a gentleman who was on the board of Walker Interactive Software. It was started by Jeffrey Walker, I believe around 1981 or 1982, and started out as a professional services organization that did work for large implementations of application software. He decided to move the company into application software and had built an accounts payable and a general ledger offering that was funded by a number of venture capitalists in 1983; included were Accel and Kleiner Perkins and some very strong other venture capital groups at that time. They'd invested $21.8 million dollars in the company, not an insignificant number in the 1980s; this was a very large sum of money that Jeff had managed to go through in about a year and a half. I got a call from a gentleman who said, "Bruce, I think you should take a look at this. This is definitely a turnaround." The turnaround that I got into before Boole and Babbage was one I didn't realize was one until I got there [Logic Electronics]. "Are you interested?" I said yes and went to look it over. I was greeted with a company that was losing money. The products were good. They were online versions of accounting application software. And, at that time, the client server products, where there's a latching together of personal computers, had not shown up on the horizon. And there were a lot of batch processing accounting systems that didn't update online. So, these products, at their time, were clearly leaders. Jeff Walker, the founder/CEO, however, knew how to spend money rather well, and ran out of money. I was brought in. My partner in seeing if we could sell the company was Arthur Patterson of Accel Partners.

We ran and visited everybody we could think of including MSA, Computer Associates, and some others to see if they'd be interested in buying the company. Our last chance was Computer Associates. And Charles Wang, the CEO, and his brother Tony said, "Bruce, you have less than a million dollars hard assets in the company and approximately seventeen and half million of liabilities. If we bought you for a dollar, we'd overpay." And that was the final no. I told the board and the board, understandably, said we need to do a cutback. It was a process of about two and half or three months. And then, the board led by Arthur Patterson agreed and said, we need to do a cutback.

I called the management team together and said, "Folks we've got to cut back. We're going to do it this weekend." This was on Friday. I said, "We'll get together Saturday and Sunday until we're done." We had, at that time, a hundred and ninety-two people. We did an exercise, a remarkably simple one, which should be a message to all of us that it was simple. And I said, "Folks, we're going to start out by citing what is the predictable revenue we can get." So, we started out with maintenance for the products that were installed because even if they hated us, customers wanted their applications to run. These were very large corporations, some of them Fortune 500. Second, I said we can probably sell some upgrades or features to those products.

Third, given that we are going to go into bankruptcy or at least be very shaky, the likelihood of anyone buying a new system from Walker Interactive is nil. So, we built a very predictable and conservative revenue stream. And then we did what was very logical. We said okay, let's spend in priority until we run out of money. The first thing was I've got to be here because I'm running the company. Second was who answers the phone? Third was the people who give phone support to our customers. Fourth was the people who fix bugs, and so forth. We got up to about $4.4 million dollars of expenses, and then we were done. And that translated into going from a hundred and ninety-two people to seventy-one in a day. And I recall the vice president of sales saying, "I will go out and shut down the Chicago office, and then I'll fire myself." So, that was the nature of shrinking the company. It's a fascinating process that turns out to be very logical, but very difficult to accept.

Grad: How did you come up with the idea of doing it that way?

Coleman: I don't know. It was just logical. You say we got to start with the money we have. And there's a tendency in forecasting, particularly done by sales people, who are optimistic folks, to say oh we'll get some new sales. Well, this was not an optimistic forecast. This was a decision on how do we stay alive. And so, I started from the point of view like I did at Logic Electronics, who missed some payrolls; how do we decide what really is going to come in. So, experiences from an earlier life caused me to look at things in a, I think, a clear and less optimistic way.

Grad: There are three or four things I want to ask you about that. First of all, what's happening during this period with Jeff Walker?

Coleman: Jeff Walker was fired by the board. He offered to come in and introduce me. And I said no. So, he was gone.

Grad: Okay, that's step one. Step two, you have these other people, head of sales, head of development, whatever other people you had, finance and so forth who had reported to Jeff, are now reporting to you. Correct?

Coleman: Right.

Grad: Those are the people you bring in for the weekend to say okay, how do we survive?

Coleman: Exactly.

Grad: Okay. How did they react? This has got to be an incredible experience for those people.

Coleman: It was fascinating because they, as a group, had been around long enough and seen what the problems were that they were wonderful about it. I mean the fact that a person could say okay, I'll shut down the office and then fire myself, it's just a very classy reaction in an extremely difficult process.

Grad: What surprises me is that here you are, a brand-new boy being brought in were able to do this. I assume they were unhappy with Jeff, to some extent, because he was spending the money, but all of a sudden, this new guy comes in, who they don't know from Adam, and who says that the first thing we're going to do is figure out who we have to fire.

Coleman: I think they understood, because they'd been with the business, what a pickle we were in. And there is something about when you, as a person, come in new to an organization. You have an opportunity, that first impression, to give yourself a chance. Part of that is you have to be very direct, as open and candid as possible. There are some things you cannot say. But where you can tell the truth, you tell the truth as unvarnished as possible and that helps. I've got some certain charms as a person. But it's very important to understand where you are, to keep people updated, and don't BS. So, I think I gained some respect because I'd had some good experience. And I started that way.

Grad: Interesting. You're in Walker Interactive. You go through the slimming down process. Now, what do you do? That next Monday you're telling everybody, over 120 people out of 192 that you're no longer working here. Okay, so tell me how did you handle it?

Coleman: The way that it was done was not ideal, but it was practical. I started the company meeting by saying, "As you know, we've been trying to sell the company. Nobody showed up who wants to buy it. We have to get a lot smaller if we are to survive as an organization. So, most of you in this room today won't make the cut. I'm going to read the names of the people we'd like to stay-- I'd like them to stay in this room. And then we have a meeting with Human Resources set up for the rest of you, how much we can give you for severance, training on how to look for a job, creation of resumes, and the kinds of things to help you get along with the challenges we've given you right away." I had the meeting, told them what happened and why. And then we parsed them to two small groups and had another meeting.

After that, I met with a small group of people: the CFO and the development guy were the only two officers left. I fired seven. And then I met with some second level people who were running parts of the operation, I think there were seven of us as I recall. I gathered them together. And I said, "Folks, here's what we're going to do. We are going to build a three-month plan, the goal of which is to survive. So, let's go around the room. Here are the finances that we have. Basically, let's go around the room with each one of you, and let's put up on the white board those actions that we have to take, and how we measure them for the next three months." So, we did that going around. Very simple, straightforward, what do you have to do? Communicate to people, get the renewal on your maintenance, and so forth. Provide good support for your customers. Tell the customers. We made a list of things, and how we were going to measure each. And I said, "Okay, we want to have some forward vision. Let's do the following three months not quite in as much specificity, but let's have an idea of when we get through step one, what do we do for step two." We had the to do list that was general, moved it down to specifics, how do we measure it, and who was responsible for each one of those tasks. Every week we'd come in. I'd say okay guys. Here's what was on my list. Here's what I did. And we'd go in through the organization.

It turns out that after three months, we had gotten four and a half months worth of actions taken. So, it was very simple what we had to do to survive. It was a group process. I was always the boss, but it was a group process in deciding how do we measure. I think that's what's missing in a lot of organizations. How do you know if you're succeeding? How do you know if you've failed in your objectives? A lot of them are mushy. We couldn't afford that luxury. So, as a part of that, we had a meeting that first Friday for the smaller group of us, pizza and beer, sort of a hooray that we survived the first week meeting. In that meeting, a couple of men were talking in the back. And I went over to them and said, "Guys, what are you talking about?" And they said, "We don't understand it. There was a very smart board, we think. We knew what had to be done, meaning cut the company back. What took so long?" And that's a theme that I saw so many times in my career: "what took so long?" There's something that obviously had to be done. Did you not see it, or more than likely you didn't have the courage, or you hoped that it was going to get better? I think the difference between the person who comes in as a turnaround person, or as an interim person, is your job is to find out what took so long and do those things. So, that's how that ties together.

Grad: It's a fascinating story. Now, how long did you stay at Walker Interactive?

Coleman: I stayed for a year. I had a successor lined up who took over when I had a call from Pitch Johnson, who said Boole and Babbage is in trouble again. They're now about thirty-six million dollars in revenue. When I left, he had three million dollars in cash. Well, he owed three million dollars in cash. And had lost six or seven million dollars the last year. And while there's a saying that you can never go back, but I couldn't resist. So, I went back and worked for Boole & Babbage again.

Grad: Stop a minute before you go ahead. Let's finish up the Walker Interactive story. So, you never had to deal with Jeff Walker, fundamentally. The board had fired him, and he was not in your way.

Coleman: Yes and no. After I came on board, he came in and said, "Is there anything I can do to help? I'll introduce you." I said no thanks. He said, "Let me work here." I said, "Jeff, call me in a month. You're off the payroll. Call me in a month. I don't think there's a part you can play, but come see me." He came and saw me and couldn't understand it when I said no. So, he went off and became the CFO of Oracle for a while. And then I'm not sure what he's doing now.

Grad: As a CFO of Oracle, he damn near brought them to their knees. But that is another discussion. We won't go there. How did you get your successor? That's the other issue I wanted to deal with here because in a sense, Walker Interactive becomes the model for what you're going to do for the next twenty something companies. So, tell me how you found your successor.

Coleman: Well, first, the obvious point, bringing in someone from the outside to a struggling company that I had taken through a quasi-chapter eleven would be damn near impossible. By "quasi", we did everything but file. I had a creditors committee. I reported to them. I negotiated percentages on those payables owed that they would get, all the things you would do except to file for bankruptcy. So, the likelihood of getting someone from the outside was small. There was a gentleman who ran the U.K. operation, who had good business sense, as well as understanding the product and also had good sales experience. So, he became president. And, for a while, I was the chairman sort of as a title to make sure that everything was okay. But I was able to find somebody inside who had enough of the characteristics to do it.

Grad: Very good, so this was not a case where you did recruiting from the outside or a search. But you were able to do it from the inside in that case.

Coleman: Correct.

Becoming a Company Doctor: Boole & Babbage Reprise

Grad: Pitch Johnson then comes to you. Now, what we're going to do in the interest of time, is to take a very limited look at some of the other things that you did, some of the other companies you worked with. And, hopefully, I can get you, at some point, to write an article with more depth on some of those experiences [ed. Note: see article at the end of this transcript]. But I want to try and get some highlights on some of these, the ones that were most significant, and the ones where you think either you learned the most or you were able to do something unusual. So, let's go from there. Okay, you go back to Boole and Babbage. What are you doing there?

Coleman: It's basically a turnaround. I ended up firing some people and turning the company around from losing money to making money to growing again. And that was mostly a mechanics job. I fixed it. Interestingly, I was sitting at my desk one day and I heaved a big deep sigh of stress. And I said to myself that you know the company's profitable again. It's running well. It's a company I love. But I'm sure unhappy. I talked with Pitch Johnson. And I said, "This is not right for me." And he said, "I understand that. We've got to grow the company. And I think that's something you don't do as well." So, we agreed that I'm going to go off and find something else, which turned out to be first, another turnaround, and second, the opportunity to do what I finally figured out I was good at, and that was fixing things.

Grad: So, is this the first time you decide what you really want to do, to be a company doctor or a mortician, whatever the right expression is?

Coleman: All of those terms fit. I think I had known, to a certain extent, when I was in Walker; I enjoyed the process. And the second time at Boole & Babbage, I could see that this is what I was good at. And I think I finally came to grips with the fact there that that's what I should do all the time. And once a job was over, it was over. So, that led me to my next couple of assignments.

Grad: Just to catch up on a couple of loose ends. You were active in the ADAPSO roundtable during all this period of time?

Coleman: That's correct.

Grad: Now, did you discuss this idea? Did other people at that roundtable help you in understanding what you were good at and what you enjoyed? Or was that something you did on your own?

Coleman: I did it on my own. And this is an interesting circumstance. I was not as good at talking with others about things that I figured out myself as others were. I could have perhaps sped my learning process if I had been better at it. But it was self-discovery that I did. And I think that was encouraged by the fact that, as a CEO, a lot of information came in and very little went out to anybody else. Obviously, I talked with Pam. But there's certain things you don't discuss with your board. And there's lots of things you don't discuss with the people that work for you. And that encouraged me to be more insular in my thinking in that sense, very self-contained. Let me see if I can figure it out myself. Would have been better, yes. But I was not comfortable enough doing that to have that be more effective, I suspect. Some of this has come from my analysis.

Grad: I've been hearing all along that somehow, in each of these processes, you see something about yourself that's a learning experience. And then you take that information and you move ahead in that direction. Your next project after Boole & Babbage was Information Sciences. Was that a turnaround situation? Were you able to turn it around, or did it fail?

Information Sciences and Coordination Technologies

Coleman: I didn't fail. It did okay. It was a company that sold software on an old form of database management for mainframes that was two generations out of date and had a third-generation client server system coming within six to nine months. The fundamental issues there, in addition to very hard economic times for the company, was whether it could ever succeed. I worked there with Lee Keet, one of the round table members. Lee has a skill set of grinding it out for sometimes decades to make things work. His view was that this company, Information Science, though it had no products that were competitive and no money to do anything, could be successful. Under his tutelage, perhaps it could have been. But we talked about it in the board and after two years, two very hard years, a couple of layoffs and not much new to sell, that, in my estimation, and agreed to by the board, we were too far behind to succeed. So, one of the issues all the way along with some of these smaller companies is are we too far past the curve to be successful no matter how hard we work and how good we are, always a difficult decision. But one that I participated in and in this instance, I believed, as the board did, that it was the right thing to do to stop. I redeemed myself by selling the company to Charles Wang of Computer Associates after he said no the last time on Walker Interactive. So, that was good news. We sold it to Charles, and then I was gone.

Grad: Now, there was a venture capital firm involved in Information Sciences at one time, who had bought the company at one point from Dale Learn, the company founder. Were you involved in that part, or was that finished with when Lee Keet was there?

Coleman: I was well after that.

Grad: Many people feel that the VC destroyed the company, certainly Dale Learn felt that. So, at Information Science, you say to them this isn't going to make it and you sell it off. What happens next? Do you actively start to look for turnaround assignments or do they look for you?

Coleman: Well, it's a yes and yes. As you might recall, there was a company, Coordination Technologies, that you said to me, "Would you take a look at this and tell them what you think you should do?".

Grad: Was that in 1991?

Coleman: Yes,1991 I believe. And you said to go take a look at it and give advice to the investors. I gave them advice. Somewhere around eight or ten weeks later, they called back and said we didn't do anything you said and asked me to shut the company down. So, that was my first turnaround assignment that was really interim. So, I had an opportunity to give advice. It was ignored, and then shut a company down. Later I would shut some others down, but that was the first one. It was a short process. I want to say it took a few months.

Financial Arrangements as a Company Doctor

Grad: Bruce, in each of those other projects, there must have been a specific deal. What was the shape of your deal with Walker? Was it strictly salary? Was it salary plus a piece of the action? How did you handle that?

Coleman: It was a salary plus a little bit of a bonus and a piece of the action, options. It turned out that they're worth quite a little bit of money.

Grad: You end up making some money off the options. How about Boole and Babbage, when you went back there. What was your deal with Boole and Babbage?

Coleman: Yes, I had options there. Both times, it turned into a decent sum of money when it went public. I got a little bit of money from that. And then the other sets of options became valuable when they were acquired, as well.

Grad: Now, Information Sciences-- in each case, you were getting a salary or a consulting fee, is that correct?

Coleman: In each case, it was a salary plus bonus plus options. I was not a consultant. I am a mechanic and not an advisor. So, that distinction goes through all of my assignments. I either came in as the boss, or I didn't go there.

Grad: So, you didn't have your own corporation that was providing consulting to these people. You came in as an employee of the company?

Coleman: That's correct. Either, early on, as an outside contractor. But then, with my first public company, I think it was with Rogue Wave, they said well, you'll get better protection if you're an employee. So, for the most part, I came in as an employee with salary, bonus, and options.

Grad: Suppose you had to close the company, was there some kind of a bonus arrangement because obviously, the options wouldn't be worth anything in that case?

Coleman: That was just part of the deal. You got your salary, maybe the bonus, depending on how it was structured, and my general contract was that I will show up, I will stay there until A, you fire me; and all they have to do is say go home and pay my way home. Or B, I help find you my replacement. And I will leave when they show up. And if shutting down was part of the deal, that's part of the deal. I didn't get anything extra for that, except the pay for doing it.

Grad: What I'm driving at is did you have any financial incentive to either keep the company going, or to close it down, or to sell it? There are three possible outcomes from what you have defined here. And were there any financial incentives that would have affected your behavior?

Coleman: First, I received no incentives from selling the company, except to the extent that the options might be worth something. In most cases, they were not. Secondly, I got no bonus for shutting it down, except what I was paid. So, in general, I made my money by the salary, by a performance bonus if I earned it, and maybe by options. That's just the way it works.

Grad: If the company survived and was able to be sold at some later point in time?

Coleman: Correct.

Grad: Okay, that's what I was trying to understand. This is a very unusual model. And I was trying to see how you would make that work.

Coleman: I could have made more money by demanding more. It was just not in my style to do so. I felt I was being fairly paid. And therefore, the onus was on me to perform until whatever outcome was realized.

Grad: What amazes me here, to be very honest with you, is that you seem to be an absolutely honest broker, that you seem to be able to deal with each of these situations in terms of what's best for the company, and not what's best for your pocketbook. And that's impressive,

Coleman: I don't know where that comes from, but that's how I'm wired. Let me add, part of the reason that allowed me, when I was successful, to gain the cooperation and confidence of people is that what they saw was what they got. Ultimately, your compensation plan comes out. Ultimately, they can decide, either themselves, or because you tell them, how decisions were made. And I just found it so much easier to say, "Look, I'm going to do the best thing for the company. I'm going to tell you as much as I can all the way through." And that, as a result of that, I found people accepting the outcome, even if they went out the door more readily, because I did the best I could as an honest broker. It just made life easier.

Grad: The other piece that's been significant is that so many of the people in this industry who did consulting of various kinds, they wanted a piece of the action. I don't know whether that's an entrepreneurial spirit or something, but they wanted a piece of the action. They wanted to make money off the thing. You were very unlikely to have a bonanza out of any of these things.

Coleman: Correct. A lot of them turned out to be worth nothing at the end except the money I collected. I was okay with that. It just maybe never occurred to me, but my style is I was doing okay. And then enough of it stuck that I'm financially comfortable. And that was all I was really concerned about. Just a different way of looking at it.

Grad: Well, I had some of the same experience. And that's why it's interesting to me that you did this because with my consulting it was often the case of the client wanting to give me stock instead of the consulting fees. And my view was no. First, that would be a conflict of interest because I worked for many companies. But, number two, that's not how I'm wired. I don't want to be incented to do something for my own benefit. It's got to be the company I'm trying to serve.

You have a number of these interim CEO assignments. I've marked a few of them and just want to have you tell me whether there was anything special or unusual in those that changed your way of doing things, or where there was an unusual experience. Let me just start with the first one I'm looking at. You worked for Image Business Systems in 1993. I think that was Jay Goldberg's company if my memory serves me correctly. Do you remember that one? Anything special there?

Other Company Doctor Assignments

Coleman: I do. I guess there's an anecdote that would describe the special part of it. It turns out it was a company that had done too many things and didn't do them quite well enough. My first employee meeting, when I started on Monday, was at the end of the day. I told them the way things were, what was going to happen. And I said, "Any questions?" Finally, after some mundane questions, a man timidly put his hand up. And he said, "Bruce, do you think there's a chance we'll have any layoffs?" My answer was, "No, it's an absolute certainty because our expenses are way beyond our revenues. And I don't see short term we can ever catch up." What the man said is reflective of the general issue with people in that he said thank you. I said, "Why?" He said because you're the first person to tell the truth. So, that's the message that came out of that one. And it's a message that repeated itself over and over again, particularly with incompetent CEOs. Next.

Grad: You have Fischer International, that seemed to have been a significant one for you.

Coleman: It was interesting. A man, Addison Fischer, a very smart man who started another company with a couple of other people had this company with the first email system that I was aware of, running on mainframes. He didn't make the conversion to PCs and missed the opportunity. He was very colorful, quite bizarre. He ran the business. He promoted a man who ran the local newspaper to run the business when the newspaper failed. But it was cleaning up a mess. And I think that's all that can be said about it except there were some interesting stories.

Grad: You use the term in one of the presentations that you made. You said, "Mikey likes it." What does that mean?

Coleman: Oh, that's fascinating. I do interviews with a lot of people when I come into an organization. At Fischer, the man who was the head of the development group was very resistant to coming to talk to me. He blew me off multiple times. Finally, I said to him, "We're having a meeting tomorrow at three o'clock. Be there." And he showed up promptly. What I saw during the interview and afterward mirrors in part the kind of interviews and the kinds of relationships you need to develop, as an interim CEO particularly. First, he looked at my resume. And he commented when we got here. He says, "Well, I've looked at your resume. I guess you have a right to be here." The second thing he apparently said to himself, I realized afterward by his questions, “Was I going to do something for the company that’s going to make a difference for the better?” So, we talked about a couple of things that I was going to do right away that would make life a little bit better and he checked that off his list. Third, “Can I trust him because trust is key?” He didn’t say this, but a week later, three of his lieutenants, on the same day, decided they wanted to talk with me. And part of that discussion was that I said, “Guys, why are you here? You didn’t want to show up before. Their answer was: “Mikey liked it,” Like in the old cereal ad: Mikey liked it. The man that you talked with thought you were good enough, honest enough, and you can make a difference for him, personally, and for the company, so we want to talk with you.

That’s part of the process that people consciously or unconsciously go through when you walk in the door. You are another smooth-talking devil just like the last couple of CEOs, until you prove differently. And you’re going to be condemned to be wrong, until you’re proven right. I just got an email a week ago from Alex Yoder, who’s now running WebTrends, a company that I ran a while ago. The summary was an email from a person who was working in the processing center. “Dear, Alex, it’s been five years. I loved working for you. And the reason I stayed early on was because Bruce Coleman gave me hope.” So, in fact, part of the job of any CEO, particularly somebody in a traumatic situation, is you have to give people a reason to stay. You have to give them hope. You’ve got to do that right away. You’ve got to be honest about stuff and immediately you have to show that you’re serious, you’re fair, and you’re going to take positive actions. So, I get a little ahead of myself, but that’s basically the critical thing that you have to do.

Grad: Is WebtTends an interesting story?

Coleman: It is. I ran it in 1999, 2000. It was a small business. It closed the year in 1999 at $11.5 million of revenue. It was a distributor who had then developed its own screening software. Some of the issues -- I’m still on the board there, by the way-- some of the issues that came out for me were, first of all, having to deal with the founder. He’s still on the board, and the founder’s wife, who’s still on the board, who hated me then because I fired him after a month, and hated me afterward; and there were two venture folks. So, we had all those lovely mechanics. But some other interesting things came out. And that centered around the need to take action. I fired four people who weren’t able to do the job in top management positions. One of them was a very interesting story. The man was the vice president of product management. I was uncertain as to whether he would make the cut. After about two and half weeks, prior to a meeting with possible outside investors, we had a meeting of our group including the vice president of finance, a bright and lovely young lady. I left early to see the investors, but I heard afterward that this man just excoriated the vice president of finance; he was rude and abusive to her. So, I called him in. And I said that I heard what happened. He said, “I’m sorry. I lost it.” Well, you understand that’s not acceptable. “I know. I’ll do better.” I’m sure you will, but you’re fired because we can only have it happen once here. So, I packed him up before lunch and sent him out the door. I went out across the street to get a sandwich. I came back. And the office was a party zone. I said to my assistant, "What's going on here? Everybody's so cheery. What happened?" She said, "You know! You did the right thing." Going back to the beginning, you have to take the right actions. And those right actions can be very powerful. They knew he was a bad person, skilled or not. And they saw early on that the CEO was willing to step up and get him out of the organization. And that's part of the theme that you learn in an interim assignment is that sometimes, being a part of the process and involved in the grains of sand, you lose that intensity if you're in a job for a long while.

Grad: When you're there for a while, you sort of get married to the people who are there. And you excuse their behavior at times.

Coleman: Absolutely, and it's so easy to do. You know it's going to get better. Well, he's not that bad. I don't know how many times, Boole and Babbage being one case, where I said well, he's a problem, but-- As the man that I terminated for sales in Informatics said about one of our sales people, "Well, he's not doing well, but bad breath is better than no breath." And the answer is Heaven's no. No breath is better because you're going to get a better person, much better than you thought. And there's going to be this void that you have to fill. And I can live with that. And, honestly, if you say this guy's a C or C+, when in fact, they're a D, that's a mistake. I've gone through that so many times where after you get rid of somebody, you say to yourself, "Oh my goodness, what took me so long." There's that phrase again.

Grad: Stamps.com, you have another phrase there that you've used, "Everybody's capable of drinking the Kool-Aid." What does that mean?

Coleman: Well, this was the bubble at its height. We had a company that was selling, basically, software versions of a stamp machine. Businesses or individuals could get it and print stamps out on their envelopes, stamps of any denominations from their printer. There was a vault that the Post Office kept an eye on. That was our business. We had to get market share. We had to be the primal leader. The company, then doing about $31,5 million dollars a year, had seven hundred and fifty full-time equivalent employees, seven hundred and fifty, and was losing about $23.5 million dollars a quarter. There was no connection between common sense and what they were doing. They were going to add another fourteen people to the QA department. I don't know what that means, but they're going to add fourteen people. I said in the interview, "Do not lay off people until I, or whomever else you choose, comes in." They did it and went down to three hundred and fifty some odd. When I left the corporation, we were down to eighty-eight people, which was pretty close to a good run rate. So, the lessons there were they had consumed the Kool-Aid, even some solid business people had consumed the Kool-Aid that this was going to be an explosive marketplace. They felt that they had to get in there early, spend lots of money to get market share. There's a balance between that belief and reason that has escaped so many people in the rush of enthusiasm of a new wave. And that's what I meant by that.

Grad: Let's just do one or two more. Pick WatchGuard, WebTrends or Openwave.

Coleman: WatchGuard is a hardware protection product that strains out malware, screens software of all sorts. It's sort of a one stop protection of everything kind of software. It was run by three incompetent CEOs in a row. It was a public company that was turned private by Vector Associates and Francisco Partners. They bought out the company in a fifty-fifty split. Some of the observations there are pretty straightforward. Interesting looking back, and when I was there, I don't think there should be a fifty-fifty buy. The obvious reason is that nobody's in charge. And I think there's some question with the CEO that should have been resolved, the new CEO, that might have been easier if one of them were in charge. Along with that, there were some symptoms that should have been recognized by boards of directors that came up here. And that is the performance of the company, how many sets of management has the CEO gone through. If you're up to two or three, there's something wrong. And the boss is always, always the problem, it's never anybody else, he or she is always the problem, themselves, or because they don't take action. So, the message there was that the company was taken over. And there had been some signals that are not good signals with a CEO that, in my estimation, suggest he shouldn't be there.

Grad: How about WebTrends.

Coleman: At Webtrends, there was a division manager who stayed on to run the company after it was bought out by Francisco Partners. The message there is not only that the gentleman turned over lots of management in the two and half years before I got there, but also the quandary of a private equity firm as Vector Capital and Francisco Partners have when they try to skinny it back. Make it pay. And then sell it. When you get into a situation like WatchGuard and like Webtrends where there needs to be substantial development because there needs to be new products and new marketing that require money that private equity firms are not structured to put back in. There's that tug that I think the private equity firms need to think about, just get to the point where this is an investment. Maybe if we take our money and run, rather than to slug along when the model is such that we have to reinvent like a start up company. That, I think, is the biggest message there. The person who took over after I left was not successful. I happened to find out about it and save the defection of a number of management people, resulting in the vice president of sales, Alex Yoder, taking over and bootstrapping over the last four years, doing a remarkable job of buying technology on the cheap. He, and the organization, have had to struggle because they're competing with Omniture and IBM, and others that have big spending and big footprints, even though he's done a wonderful job. So, the message there is not only to take a look at the symptoms of CEO problems and act sooner, but what's the nature of the company. And I, as an owner, or I, as a board member, have to decide if we are fit to run that path.

Grad: Talk about Openwave.

Coleman: That was one of the fun ones. One member of the board of directors who learned of me and was part of the hiring process through Rick Crandall, a friend, who when Rick afterward asked, "How's Bruce doing?" said, "You've got to be careful. Bruce is doing a wonderful job. But if he tells you he's going to do something and why he's going to do it, he will do it right now. He will do it unless you tell him stop. That's good, but it's awesome." So, that was kind of an isn't-it-nice-to-hear. Openwave was one of those collages that was never put together, the idea that you buy something and once the ink is dry, you're done, is very popular with acquisitions. I think that they made seventeen, eighteen, nineteen acquisitions, and made a $230 million company, but the pieces didn't fit together at all. I sold off about $35 million to one firm. And, ultimately, it was shrunken down because they weren't a leader in anything. They had lost their focus. They had lost their ability to put resources into the products. So, it's strategy combined with at least three totally incompetent CEOs in a row. One left because he saw a better deal. A second was he was one of the founders. And that made sense, but there it's the strategy, "Can we win with the one product or the hundreds of products we have?" If not, do something about it. Along with a theme that I've seen because of the nature of my job, it's very hard for a board to see when a CEO must leave, very hard. I've been on two boards where I argued for a number of years to have the CEO changed. And it just took too long. It's challenge. It's one of the biggest jobs of a board.

Grad: We will bring this session to a close and schedule a follow-on session to complete your oral history. One of the things I want to discuss during our next session was your view as to why companies fail, and the other side of it, if you can, why some companies succeed. But meanwhile, tell me briefly about what you have done since 2008, which seems to be the end of your work as a company doctor.

Coleman: I have not taken any more assignments since the end of 2008, but I have mentored four CEOs. I'm mentoring one now. I was on three boards. I'm now down to one now. I won't describe why I was off one of them until later. Basically, now I'm working with Score, which is a national group that advises small businesses. Service Organization of Retired Executives is what they call it. I mentor some people in town [Taos, New Mexico]. I mentor one CEO and a couple of other people. And I'm on one public board, also two charities. And I am on the board of Mountain Home Health. I've always been interested in health since selling computers to hospitals and the like.

Grad: My question was whether you are getting paid for any of the things you're doing now besides the public boards?

Coleman: Only the one board.

Grad: So, these others are volunteer activities?

Coleman: That's correct, yes. In one of them, my cash outflow is substantial because Pam and I financially support the organization because it's fabulous. So, it's a minus cash flow. While we were not the only early donors, we donated a significant amount of money. The organization, Taos Community, is now thriving under wonderful leadership.

Grad: And where have you lived for the last many years?

Coleman: When I was running Boole and Babbage, I lived in Palo Alto for seven and half years before moving to Los Angeles. That was the longest time in seventeen or eighteen assignments or moves, that I'd lived anywhere, Pam and I were in a number of temporary places, until we moved to Taos in 1991. We've lived here now twenty-two years. Almost all of my interim assignments started when I lived here. And I went out and commuted. We can talk, tomorrow, about how that worked as a mechanic and what I've learned from that. We'll come back to it.

Grad: Okay, I think that's a good subject for tomorrow. Bruce, it's been a pleasure to get this far. And we'll finish up this coming Thursday morning.

END OF APRIL 30, 2013 INTERVIEW

START OF MAY 2, 2013 INTERVIEW

Grad: Bruce, it is a pleasure to continue our meeting today. This is May 2nd, 2013, and we're continuing the interview with Bruce Coleman, and it is, again, still being recorded by FreeConference.com. Let us continue from where we were. We were in the process of discussing the various areas where you served as the interim CEO. We covered a couple of companies and some of your insights on them. Since we have a little more time, please discuss other ones that you think would be of interest. You talked briefly about Coordination Technologies, Image Business Systems, Fisher International, WebTrends, Stamps.com and then about WatchGuard, and Openwave. Are there any others that come to your mind that were particularly significant experiences, either in terms of the people you met, what you learned, or what you were able to do? We were talking about failure. Why did companies fail?

Why Companies Fail

Coleman: I put together a few thoughts on general things and what I personally saw. One of the interesting phenomena I saw was companies that didn't have a real product or not enough product. And I think the reason they got as far as they did was money. Venture capitalists will make bets, and if they get one big hit out of twenty, that's good. If they get two medium hits out of twenty, that's good. So, they're basically creating a portfolio, which means they will bet on things that sometimes either are too late and it's a “me too” in the marketplace or they're not well enough focused to find anything and never become good enough to do so.

So, let me touch on a few of these. Vernier Networks had some venture capitalists in it and it came out of another company; it was basically a product feature that allowed better mobile transitioning of Wi-Fi. I came there to sort out a management problem, but indeed there was not enough of a product. It morphed into security for Wi-Fi, but it never had enough legs to it. But the venture capitalists said, “Well, let's put a little more money in it,” much like making an investment in a portfolio, and that's quite common. Ultimately, they put in another $15 million after I left and it didn't get anywhere.

Grad: What was the eventual result? What happened with that company?

Coleman: They went bankrupt.

Grad: So, the VCs lost the money. They weren't able to sell it to anybody or anything. They just went out of business?

Coleman: That's correct. Matter of fact, all four of these that I'm going to speak of were shut down, for different reasons or with variations on that theme. One company, Percipient, had a very good product that analyzed the stock in a supermarket, allowing them to manage inventories and to automatically order or not order a lot closer to real time than other inventory management products. They started out with a computer services offering, and somewhere along the line they said, “We need to have a product.” So, they sold the software product to Kroger, got a lot of money up front and gave up a lot of processing revenues in exchange. And the interesting thing was they had to be in one market or another, either software or services. I guess I would've picked services. The second part of the problem was if you look at the total marketplace of supermarket chains, there were not enough buyers who were big enough to make it a meaningful marketplace. And I was put in an interesting position. The third day on site, the gentleman who had invested and his boss came to see me, and the boss who was a very meticulous man and who took good notes, said, “Mr. Coleman, should we shut it down?” And I gave him an honest answer. I said, “I don't know. I've been here three days and I'm not an expert. I would ask you folks, because it's your business to figure it out, but the answer is I don't know.”

Later on, this man who was a VC and ultimately went out on his own and I were talking about whether the business should have continued. And I said that I wasn't firm enough to say, “I don't think so.” I gave him the reasons for closing, but I didn't say, “I think you're crazy. You should shut it down.” He was pressured, because he started in the venture business and around 2000, and many, if not all, of the funds never made much money, and a great percent of them in that time frame lost money, because prices for companies had inflated based on the last series of successes. So, another part of that is looking at not only is there a product, but whether you can survive for different reasons. And my challenge was not just telling the truth, because sometimes I didn't know it, but deciding when I as a mechanic have better advice about investments and futures and being an entrepreneur, none of which I felt I was. So, there's an interesting mix of why do people want to keep companies open and keep them going and the skill sets required, as well as the courage to make those decisions.

Grad: So, what was the end result at Percipient? Did they also fail? Did they go bankrupt as well?

Coleman: Yes, that's correct. All four of the ones I will touch on here went out of business. One company was a variation on managing a channel through distributors. Escend Technologies provided software for high-tech industries focusing on a distribution chain. They didn't have enough of a product. The reason that it kept on going despite all the indications it shouldn't was the lead investor had a conference coming up, and he didn't want to have to admit to a failure before he talked to his fund people. So, there are interesting variations on why we do or don't do things. He said, “Well, what the heck? I'll just leave this on until after the conference, because I don't want to admit a failure.” And thereafter, they continued to put $10 million or $15 million more in, again, with the result being failure and shutdown.

One that worked better was Open Horizons. It was a company that raised money from U.S. Venture Partners, and as soon as they raised the money, they said, “Well, no, we want to build something else,” so that was the first glitch. And they did build a product, a Java-based product that wasn't quite enough of a product, although not a bad idea; it was a development tool, but it was going to take too long, the investors thought, to make it successful. Irwin Federman, who was the lead, was a very successful businessman in high-tech and led U.S. Venture Partners. When I came in, he said, “Bruce, we're not going to put more money in. Here are the reasons. Let's talk about that. Let's attempt between the two of us”- “two of us” meaning me, mostly-- “to sell the company. If it doesn't sell, we're going to shut it down.” So, I said, “Irwin, I'd like to deal with that right up front with the team. So, with your help-- you don't have to be there, but I'd like you to be there-- I'm going to tell them what the business plan is.” And the sum of it was I said, “Folks, no more money's coming in. We are going to make sure that either we sell the company and that you move on as a team, or, if not, if we shut it down, you will get as much or more as anyone else we have laid off in the past.” This meant that rather than running out of money and going to zero, as many companies did, I said, with Irwin's agreement, “We're going to keep enough money in the bank so that you will not be hurt by hanging on.” Interestingly, we had 17 high-tech developers who were very good. The day I shut the company down, all 17 were still there. We were up front with them. Irwin Federman was very bright and very supportive, and a decision was made in a more timely fashion, rather than running to the end and not paying your people at the end, as some have happened, and hurting your accounts payable. So, this was another learning process I had which was let's look at the company. Is there enough there to make it a real company? And, if not, how do you gracefully exit? Many, and I'm sure you've seen them-- many of them don't do well. So those four were all shutdowns, three of which were not managed well, one of which was, and I credit Irwin Federman for the fact that he was a very smart man with integrity, and we did it well.

Grad: When you speak of managed, in this sense you're talking about managing the shutdown, managing the failure rather than managing the company. Is that a correct statement?

Coleman: That is correct. I'm starting from the fact that there's something flawed and you need to, number one, own up to it and, number two, do something about it.

Being a Company Doctor

Grad: Let me go back. As an interim CEO-- we're talking about this period in your career, which has lasted a lot of years, about 20 years or so, I guess, when did you were really actively become a company doctor?

Coleman: 1991 I think was my first assignment.

Grad: Yes, 1991 was Coordination Technologies. You had a little bit of that same role, in a sense, with Walker Interactive, though your position didn't start out that way; and you had a little bit of that with Boole & Babbage and with Information Sciences, but each case you really were the CEO and it wasn't necessarily viewed as an interim position, though it turned out to be. Is that a fair statement?

Coleman: That is correct. The interim assignments started with Coordination Technologies, and that was very interim and very clear, followed by Viewpoint Systems. Viewpoint Systems was a $4 million company. Again, the venture capitalists said, “We're not going to put more money in.” It was a small product but not big enough, and the deal was there: Sell the company. In that case, we did sell the company, but that was the first truly interim assignment, where I knew my role and the people knew my role.

Grad: And that's what I want to explore a little bit there. We talked a little bit about that as you were working at Boole & Babbage and Information Sciences, and certainly after your Walker Interactive experience, there was apparently somewhat of an ah-hah moment when you said, “This is what I'm really good at and this is what I really enjoy doing. Can you talk about that a little bit more?”

Coleman: That was at Boole & Babbage, because you want to go back home, and the ah-hah moment, as we talked before, was I'm not having a good time, and looking forward, given my skill sets, not clear that I should be the person to run this, because it is now in a growth mode, and I only did okay in growth mode. And, although I'd liked doing it, I think I was better at sorting things out.

Grad: Stop a minute. So, here you had the ah-hah moment. You had this insight as to what you enjoyed most and what you thought you were best at, but then you did take on Information Sciences as the CEO.

Coleman: That's correct. Nobody said I was smart.

Grad: That's what I was trying to get at, because I always thought you were smart.

Coleman: Well, we'll get back to that later. Actually, I went to that one. I got it, and then I went and fixed something, and I can't tell you whether for sure I would've said the same thing, "It's fixed now. I want to move on." I don't know, because before that happened, I said, "This is a dog that's not going to hunt, in my estimation, and we need to do something about it." So, the ah-hah moment took a little while to get there.

Grad: I see, because that's what I was wondering. Because you had mentioned the fact that at Boole & Babbage, that's where you sort of got the insight as to what you enjoyed most and what you're best at. The next question: Did you know of anyone else who was doing this sort of thing, this kind of an interim CEO role, either in some other industry or in this industry?

Coleman: I did not. Early on, and maybe for as many as 10 or 15 years, it did not seem to me, at least in our industry, that there was anyone else doing that. There were some variations on the theme, "I'll come in and look at it, and if it's good for both of us, we'll keep on going," sort of assignment, but no one raised their hand and said, "I do interim, only interim. I'm going to come in, help you sort it out and then get somebody else." For a long while I never saw anybody else that seemed to have that same job description.

Grad: Why did you think that you could make a living doing this?

Coleman: Well, a couple of things. First of all, I had just enough money in the bank that I didn't have to have a job. It was not forever, but I could go a year or two without worrying about it. Secondly, it turned out fairly early on that I made enough money in six to nine months that it was fairly close to what I'd make being a regular CEO, and it was more fun. So, there was enough money on the table that it was okay, and it was much more satisfying to me.

Grad: Next question: Did you feel that because of your work with Pitch Johnson, at Boole & Babbage, and with some of the other VCs that you had met through Walker and through Information Sciences, that you had enough contacts that you would get the call, because there was really no way to market your services, was there?

Coleman: Not that I figured out, and, yes, you're right. And in fact, among those people and later on with boards of directors and people I knew that either had worked with me on an assignment or who had heard of me, that's how I got all my business. It was all word of mouth. So, indeed, you're exactly right on that.

Grad: So, in effect, you did not market the service, but it was a referral business because people know you can do it, and when they have a problem, you hope and even expect they will come to you. Did you do any formal networking in order to keep that flow of business going?

Coleman: No, and what was so surprising was that I didn't have to. After a while, the phone would ring. I remember after the third or fourth assignment , and it had been over three months, and I was pacing, “Gee whiz, maybe I'll have to go and look for a job.” And within a day, literally, the phone rang and the caller said, “Hi. I think we need your help.” So, surprisingly, at that time, I didn't have to do any marketing, it was just word of mouth.

Grad: So, that's my next piece. A typical assignment apparently ran six to nine months. Is that fairly accurate?

Coleman: Yes. I averaged them out and it was no more than seven and a half months. Because of my agreement, it could've been a lot of numbers, the agreement being I will be here, fix the company, help you recruit and not leave until that person shows up. So, it could've extended. For example, at Stamps.com it was a little bit more than nine months because they wanted to try to sell the company that needed a lot of cut-down and work before they took any actions like layoffs. But, in general, I think the shortest one was Websense, and it was five and a half months. There is a cycle about them. At first, I said, “Before we do a search, let me spend a month, a little more, to figure out what kind of a person we need.” After that, I'm not sure where along the line it became clear that you could start the process right away, because you could come fairly close to identifying the kind of person and begin the cycle with search firms and that sort of thing without having to know everything about the company. So, it tended to end the same way, starting off and looking later or almost immediately in less than a month picking a search firm and beginning the search. It all ended up with roughly the same number of months.

Grad: But how about those that worked out, Bruce? Did that end up being a shorter cycle? Did they still take around five, six, seven months?

Coleman: They all did. I don't know whether we can draw a conclusion from that, but they did. The ones that failed, the Open Horizon assignment with U.S. Venture Partners was seven and a half months and we were running out of money. The others, I found someone else to take over, so we continued the process. They failed anywhere from a year to two years later.

Grad: How did you convince someone to take the job when it looked like a failure situation?

Coleman: Well, there were a couple of things. First of all, with the right people and money-- and all of these had money-- it wasn't necessarily a failure. There was a company that was a development organization. They had some market presence. It was not clear to me then that you couldn't find enough product improvements to have a real product. Now I might have changed the conclusion. All of this is hindsight. Today I might have come to the conclusion earlier on one or two of them, but nonetheless more money was available, and we could've made it happen. I think that Percipient, the one that had services and a product for grocery stores, I was convinced by the end of assignment that it was not going to work, but the venture capitalist had his job on the line, and he managed to convince somebody else to come in. So, I assisted, but I was only an assistant as opposed to somebody helping sell the deal.

Grad: See, you've been very clear in the discussion so far that you believe in telling things as they are, at least as you see them. You don't sugarcoat; you don't lie. Didn't you have difficulty in a case like that telling the new guy when he comes in, “Hey, this is a dog and it's probably going to get anesthetized fairly soon”?

Coleman: No. Let's back up a little bit. With the exception of Percipient, where I didn't get involved with the recruiting-- the venture capitalist did that -- so I didn't have to tell him what I thought. One of my friends, Jay Goldberg, looked at it, and I was conflicted because I thought it was going to be a tough road to hoe. I gave him the information. That's where you have to be a third party. You can't tell Jay something different from anybody else, but he came up with the right conclusion. So, in that one, I didn't have to sell. In the other ones, as best I could, I was scrupulous about what we had, what we didn't have and what had to be done. And the people involved said, “I can do that.” So, I didn't try to sugarcoat it. I thought there was hope; otherwise I would've said so to the owners.

Grad: One of the things you said before was that people delay doing the things that they obviously know they should do, whether it's cut down the number of people, change the product, change the service or do something like that. About half your situations either failed or shut down. Some of the others did grow, but I don't know how well they grew, but it looks like you sold off some; but most of them were in bad situations. They wouldn't have called you in in the first place if there wasn't a problem.

Coleman: That's true.

Grad: In most of those cases, would they have been better off for you to come in, look at it for three days and say, “Shut the door”? I have a list of them. I can read you names, if that'll be helpful to you.

Analyzing Business Situations

Coleman: I'm just going through them now. The bigger ones, for example, Openwave, Webtrends, WatchGuard, Rogue Wave, Websense-- because it had a real product-- Computer Network Technology, Fisher, Resumix, all of those had enough heft, enough market presence and could make a profit so that it turned out that all of those survived and some of them did well. A couple were sold off ultimately or bought at decent prices. So, in that category, where there's enough market momentum and a demonstrated product need that was macerated by the CEO or CEOs before me, those were ones that could and should survive. The others, some of them were a toss-up, and going through some of the others, particularly with hindsight, I would've said, “Well, maybe this isn't going to make it.” Two examples: Open Horizon, we made the decision. Viewpoint Systems, the VC decided to sell it. Image Business Systems is, as a matter of fact, one that I got through Jay Goldberg, who ran it. I decided in less than a month's time that it needed to be shut down and, in fact, talked with Jay and other board members and said that it should be shut down. Interestingly, 18 months after a public offering, we shut it down with no suits. That was something I'm a little proud of. So, there are several categories.

Grad: But it still took you some months from the time you first walked into Image Business Systems before it was shut down. Isn't that correct?

Coleman: That is correct, yes.

Grad: Why?

Coleman: Well, first of all, you had to get the answers. Second of all, you had to figure out if you're going to shut it down or is there a possibility someone will buy it first, because that will help the shareholders more. Second of all, if you don't have a buyer, how do you protect your customers as best you can to give them support? In this instance, Michael Juseum, who ran the services, and a couple of others were vying to give support to the customers that we already had, many of which were Fortune 500 clients. So, I had to find an answer for that and implement that as a part of failing gracefully.

So, there are things that have to happen. First, you have to make the decision. Second, you have to convince your board. Third, you have to figure out are there pieces you can sell? Are there ways you can support it? And, fourth, they have to be implemented before you pull the plug, and then all the mechanics of what do we do with the offices? How do we fire people in the right sequence? Is the person providing services going to take part of the staff who knows what’s going on?” So, there’re mechanics involved, even if you decide in Month 1 or Month 1.5, whatever that was, that that was the right thing to do.

Grad: Did you find that in most of those cases that you had an intuition within the first month about what the result was going to be?

Coleman: In some, yes. I wish the intuition showed up in a lot more, but it did in some of them, but it wasn't an automatic decision.

Grad: So, it's not in your first three days that you can say, "This dog ain't going to make it," or, "Hey, this is a real goodie and I can make this thing sing."

Coleman: No. It wasn't that simple, or I wasn't that prescient. I'm not sure which. There are lots of variations on the theme between the issues of: is there a product? Can we sell it? How are their sales? How is their marketing? Is it management? Is it technology? Do we need more cash? All of those factors you got to figure out, and then it took me three to four weeks to get the first look, the first-blush sense of where the business is and probably two and a half to three months before I got down to the second layer of issues, and some of these came in the second layer. It just took a while.

Grad: That's interesting. Let me go further. I worked as a consultant for almost 200 software and services companies. And in most of my assignments-- the ones with you at Boole & Babbage and later on Informatics were longer-term assignments-- a lot of them were basically a week, 10 days at most, often less than a week, and I was supposed to come up with an answer to a specific question. And I could do that in relatively quick time, but you're saying, "Hey, looking at the business as a whole, the entire picture, that takes a bit longer to really get a picture and get a sense and a feel about what should be done and how it has to be done."

Coleman: And a part of that is the assessment of people. That doesn't come overnight. Starting with management, top down, you have to figure out what you have for people. With a good staff, you have more opportunities. With enough of a cluster of good staff, you have enough opportunities with skill sets to buy time if you want to implement changes, particularly in technology, sales, and that sort of thing.

Running a Company Doctor Business

Grad: So, who are the people who are calling you to come in? Was it primarily VCs?

Coleman: There were a lot of VCs. About 15 of the 18 were VCs.

Grad: Was there a particular one or two VCs you worked with most of the time, or was there a wide range of VCs?

Coleman: A wide range. I did have multiple assignments with some people. Actually, Francisco Partners was involved in WatchGuard and Webtrends. I did a couple of assignments with some, but they all came in through word of mouth. I got one of them actually from Gordy Davidson, who runs Fenwick & West. That was the first one. He was on the board of Viewpoint Systems and said, “I think this man could use help.” That was Resumix. I got a call from Gordy when I was doing Viewpoint and he said, “Bruce, there’s this young man running the company that needs your help. Could you spend time?” I said sure. So, while I was running Viewpoint Systems in the Bay Area, this man came up. We met for three hours and I went down to his place, collected information, talked with him back and forth a couple of times to give him assistance, and as part of that, he said, “When are you going to finish your assignment?” I said, “Two weeks, because we’re in the closing.” He said, “Would you come down and tell me what I should do to run the business better, what the company needs itself and whether I should run the business myself?” He was the first and last person to ever ask that question of me as a CEO. I said, “I would be pleased.” So, I did a study that I think it took a week, and I said, “Steve, first of all, here are the things that need to be done. Second of all, here’s how you organize them. Third, in my estimation, you’re not the person to run the company, and here’s why. When you can put everybody in a conference room and kind of manage the chaos, you do very well. Early stages, you have a good time at it. When it gets bigger, you don’t like to do that stuff in the organization. You’re not good at it. You shouldn’t do it. I would take the 22 percent of the company I had now and go off and start another one. And if you’re good at it, do another one.” And that’s what he did, and he started at least one more company. So that’s one of those interesting events that should happen more often, but in the 18 I did, that was the only man who said, “Should I be running the business?” So, cycling back, the VCs were the biggest source of leads, and there wasn’t any particular one.

Eliminating the CEO/Founder

Grad: Let’s keep going. In most of the cases that you were brought in, was the founder of the company still involved in running the company?

Coleman: There were only two instances where the CEO, not necessarily the founder, was still there. My deal was, “You want me to fire the CEO when I come in, I’ll do that. But I would recommend, since you’re the board of directors, you ought to do it.” And in all but two cases, they did that. One of them was a company in Minnesota, Computer and Network Technology, where the board said, “This man may be good at something else. He seemed to be good at products and that sort of thing. Try to keep him on; see if it works,” and with that one and Websense, same kind of thing. I said, “I will do that if I take the assignment and you agree, only if I have the silver bullet,” meaning I can fire that person any time I want, no questions asked. And, in fact, both of them were fired. So, in the normal case and what I would recommend is to get the CEO out of there. The king is dead; long live the king. A CEO or a CEO/founder knows people, develops a network around the new person, and it can be very, very difficult and not effective.

Grad: I remember that you, in some of these situations, you had the issue at Boole & Babbage with Ken Kolence still there. Even though he was just on the board, he was basically still there. You had the issue with Informatics, because Walter Bauer and some of the other founders like

John Postley were still there. You didn't have the situation with Information Sciences, because I believe Dale Learn was gone by that point in time.

Coleman: And there was a CEO after him. Actually, I was the 12th CEO, so I can't even remember now who the CEO was, but he was gone.

Grad: But there was a whole bunch of them that had been brought in partly through Bruce Anderson when they worked out the deal to invest in the company and eliminated Dale Learn. Information Sciences had a fairly complex deal with Corn Products, which was going to buy them out and it went sour.

Switching subjects, Luanne Johnson, you and I once did a humorous session at an ADAPSO meeting regarding how do you deal with a CEO/founder when you come in to be the new CEO at a company. And you provided, if I remember correctly, the examples that we were using for that session, without naming the companies or naming the people. We had someone whom no one at ADAPSO knew to play your role.

The Walker Interactive situation one was another one, of course. Now, Walker was gone at the time you walked in. Is that correct?

Coleman: He was fired by the board. But he came to see me and said, "Do you want me to introduce you?" and I said, "No thanks.".

Grad: So, my question is this: do you have any experience that says that founders shouldn't keep running the companies after a certain point in time?

Coleman: That gets a little bit into the issue of why do these companies fail, and there's lots of reasons. My view in running a company was that if things are going well, it may not be my fault. If they're going badly, it always is my fault, and I believe that is true with every single CEO that runs a company.

Grad: You believe that about yourself?

Coleman: Absolutely. When it didn't do well, it was my fault. When it did do well, maybe it was me, but maybe not. You don't want to take enough hubris along with you to think that if it does well, it's you. And, in fact, at Computer Network Technologies, the man who ran it had 35 percent annual growth in profits and revenues for five and a half years. The board thought he walked on water, and, frankly, he was certainly not even competent.

It's a lovely word. The board was mesmerized in this case by the fact that Matt could talk technology and just stun them. Their board members weren't technologically based, and they're saying, "Well, it doesn't make sense to me, but he's doing really well." So, the basic issue is the boss is often the problem. If there's a CEO, particularly a CEO/founder, my belief is they go instantaneously never to come back again. The one time you might be right to keep him is offset by the literally 99 times that it doesn't work, and it doesn't work for lots of reasons. The first reason is that the person failed, simple as that, or else they wouldn't be gone. Second reason is you as the new person have to build a team. You can't have somebody nipping at your heels, and these folks can be very Machiavellian. And, as you may recall from our discussions a couple of days ago, one of the issues of a founder is paranoia, meaning, "I know the answers." And in many cases for the first product, they do. Whether they can implement or not, they see a need, but the flipside of that is, "I still know the answers. La, la, la, I'm not listening," and cause a great deal of problems no matter where that person is in the organization.

More Reasons Why Companies Fail

Grad: Let me take the next step. There are a lot of reasons why companies fail. You've discussed some specifics. I want to take it on a broader basis, Bruce, if I may. The primary elements in these kinds of companies, the software companies and services-- you did both software products, processing-services companies. Did you ever do any professional-services companies?

Coleman: Some. It was a part of the business as opposed to the standalone business.

Grad: There are four elements that come to my mind as being essential to the operation of the business. One is the technology and the implementation of it. Another is the financial management. A third is marketing and the ability to sell, and fourth is the operational elements, running the business. Did you find any one of those four as being the particular causal factor for the failure or success in these companies?

Coleman: Let me come at it another way and lead into it, because I'm not sure necessarily there was one particular element. And you mentioned four large categories that're good, and I would give a little tweak to some of them. If you look at starting companies first as opposed to those that I took over that were running, the person running the company or the founder almost never, unless they're in a second or a third company around, had the skill sets to run a company. Particularly in tech, they knew technology in some way. They may be a good marketer or a CFO financial type, but almost never do they have the skill sets to run a company, even a small one. In my case, it took me literally years to figure out all the elements of running a business. Given the time frame of how fast companies in technologies needed to move even back then, and now it's even quicker, it's not unusual that the CEO would be missing at least one of these elements, if not many of them. And you don't know what you don't know says that, "I don't know how to run-- pick a subject: marketing, sales, finance, but I don't even know what I don't know." So, the part that is venture-based or startup-based requires many skill sets.

You can have a product, and you have to start with a product. I'll touch on a couple of thoughts on that later. You have to have a product first, but that's only getting you in the game. You then get into it on the technology side, for example, not only is it a real product, is it implemented well? Are you a product/professional-services company which means your first, second and third customers get whatever they want and you may not be able to maintain it as a real product. Are you focused? And then the next step is if I have a product out there, am I adding more features that may or may not be needed, or am I looking at the quality and finish? Obviously, I mean the product's got to run. It's got to be supportable. There have to be the wrappings around it so it fails gracefully, so that someone who doesn't know the product as well as the user has enough support and documentation and built-in assists to make it happen. Is it differentiated? All of these things are normal when you get 10, 20, 30 years in the business or if you've been a developer or, better yet, a marketer, as opposed to a salesperson, for a while.

That's one area, even if you have a very good product, I see people going off the rails. They get their first customers. Customers like it. The customers arm-wrestle them to give them stuff. The quality isn't good because they don't understand quality. They don't know how much support or lack thereof hurts your ability to succeed. One example was in Webtrends, the fifth day in I called seven customers and told them we couldn't implement the product and we're giving them their money back. One of them was The New York Times. I had a conversation. We had $400,000 or $500,000 of services business, and then, revenue recognized, probably $600,000 of product revenues. They had given us much of that cash up front. My conversation was, "Folks, we will not be able to implement this product for you. It's a great idea, but we can't develop it in a reasonable time to satisfy your needs." Their question was, "Well, can you get us something? How long will it take?" And I said, "I'd like to tell you that. That's the easy way out, but the answer is no. We're prepared" -- this was Friday-- "to send you a check by Tuesday. We'll support you in any way we possibly can, and I want you to take a look at the services, and you tell me what's fair from your point of view for the credit for that. How much helped your current product and how much was future-related?" And at the end of the day, we gave them a large check on Tuesday, and four years later they became our largest customer. But you have to go through those cycles and understand what you're trading off in terms of putting features on, telling the truth, stalling people, to know that. So, just in the product side, that's an issue.

And if you're a good product developer-- the second part you talked about, the product-- they sell themselves. I'm going to build that mousetrap and watch them hop into it. Sales is an anathema to many technological developers. Why are we paying commissions in the first place? So, the second part is lots of these folks didn't have a clue about sales, how to organize, how to motivate, how to respect the sales people. A number of my friends, not just the people that I replaced, hated to write commission checks. Darn fools. That's where the money comes from. Marketing probably was well down the list of all of these folks, because they didn't understand it. It wasn't sales, making the sale. It wasn't building product. It was something else, and so each one of these legs has an opportunity to sink the ship.

I guess that I would pick, to start with, the implementation of the product, because you have to have a product to start. So, going down the list, it would probably be, first, the product; second, managing the financials to know what you have and being honest about it. It's some of these forecasts by folks asking for money, and people when I came in were wonderful at forecasting. Tomorrow things were going to be so good, but they didn't touch reality. If you recall, we talked about doing the re-forecasting of Walker and that we forecast a little over $4 million of business, with no new sales.

That's the second area, understanding your costs, understanding your forecasting and being honest about it, how long it takes. What's the product life cycle? I sold two or three people early on that are willing t to step in front of bullets. Well, then I should be able to sell 200 or 300, but if you look at the product life cycles, there are the early adapters, and then there's kind of a lull and then the second wave. So, secondly would be financing and third would be sales, and it's a tough thing between sales and financing and, fourth, marketing. You mentioned Jeffrey Walker and the fact that he almost sunk Oracle by his lack of skills as a VP of finance. Well, the one thing about sales in Oracle is they sold enough that they survived. Now, mind you, I think they sold things that didn't exist, and that wouldn't fit in my scheme of being an honest broker, but Larry Ellison can buy a lot more boats than I can. So, I would sequence, in terms of the four key areas that I think you're right on target with, that kind of a flow.

Self-Education in Business Management

Grad: Was that opinion of yours formed through your experiences with these 18 companies that you were interim CEO, or was it just a more general background? What forms those conclusions?

Coleman: I think mostly the answer came through experience. I think because of my skill sets, the first thing I caught on to was finances and forecasting. That was easy to figure out. I came in from the outside and could be more honest. Secondly would be sales, where I needed some more experience. For example, at Boole & Babbage, the first company I ran, I was running sales, knew I didn't know anything about it, and when we got stable enough, I got my first vice president of sales. That not only made life easier, but I had a chance to get educated on how things should have been done before. And I just didn't know any better. So, finances came first. Hiring of people who were good at the job and I knew I needed was my second education. And I went to seminars and those kinds of things, for example, going to the industry association, ADAPSO. These were great sessions to bring somebody like me up to speed with sales, in marketing, with quality, for example. That helped speed the learning process, and that mixed well with experience.

Grad: You never seemed to have gotten too deep into the technology side. Is that a fair statement?

Coleman: I was a technology maven, but I did hide it well.

Grad: I see. You hide it very well.

Coleman: That was a tongue-in-cheek. That was a big tongue-in-cheek. I knew enough to be dangerous. It was not my background, nor my forte, but it was important to have enough common sense and experience about technology, about the tradeoffs between putting new features in and improving quality, for example. You needed to have that base. I can remember my first learning curve, when we sent out a version of a product at Boole & Babbage. The next day, the QA manager came in and he said, "Bruce, I did the unforgivable. I put a patch on after we ran through the QA cycle. We have 234 customers that if they install the product, they're going to bring down the system." So, of course, we got on the phone immediately, a gang of us, and called people and, "Don't put it in." That was my first real experience of taking QA very, very seriously. So, it's a combination of learning and those visceral experiences, saying, "I'm not sure I want to do that again." So, in the technology, I understood both by reading a little bit and having the experience of not managing it directly but watching good people manage it.

Grad: Obviously what you must've done when you were running the companies is to make sure you had someone strong to run the technology for you.

Coleman: Absolutely.

Grad: This is part of what you said about recognizing what you can do and recognizing what you don't do well and making sure you have the backup for those areas that you don't do well.

Continuous Improvement

Coleman: That was on the top of my priority list, because I knew, particularly over time, what I didn't know. Other places, if we had a hole, I could help them get through for a longer time, but you can never do two jobs, it turns out, but the first one that I had to fill was the head of technology. One other interesting facet: lean programming techniques and some of the books I've read that are fascinating, where I knew there was a rapid development process. But it's become more mature now, and one of the great experiences I had at Webtrends was implementing that. We had a product and it was one big behemoth product that analyzed what came out of your log records for the computer. And to change it took a long while. I asked early on, "There are three features our customers want. How long would it take to get them?" Eighteen months. There are only three features but it was that big, that cumbersome it couldn't be done. I hired a man to run technology who three and a half years later was able to do on that product and the others that we acquired four spins a year, four different product releases from idea, implementation, quality documentation, into the customer's hands.

The other thing that happened over time was the change in using the so-called Waterfall approach where we design it, then we build it, using general plans and then implementation plans and when you add all this up it's 18 months to do anything. And I think what I've learned over time is my belief that the best way of implementing is not a long-term implementation plan or a long-term strategy, but the idea of continuous improvement where you do something small and measurable, you test it, see what works, see what doesn't work and fix it again. So, overriding all of these things, I would say that that's a way that companies nowadays must operate. And the bigger you get as a company, the harder that will be.

Grad: This is what they call an iterative development process. Try it, fix it, try it again. When it's good enough, send it out.

Coleman: One item on that. The obvious conclusion is that this is not just development, it's every single thing you do, every process you do as a company. And not just building the code, but it's receivables, it's finance, it's key measures, all of that.

Grad: That's an important point. So, you're saying that this concept of continuous improvement is a better way than the strategic feature change approach.

Coleman: I believe that.

Grad: Interesting. I'm not sure I agree with you, but it's interesting.

Coleman: Well, Burt, you're rarely wrong so I'll forgive you. <laughs>.

Grad: But this is one of those cases. And it maybe depends on situations too. I wonder to what extent that's colored by the fact that you're going into companies that are in trouble.

Coleman: Well, I'll offer a couple of thoughts for you. One of the books I read was 'Implementing Lean Programming Techniques' by the Poppendiecks, a husband and wife team. What they did was go through not just development but support in other areas and made a good case that it was not just in development. There's another book that I read I would say 30 years ago called 'Competing Against Time.' One of the case studies was a garage door company and that's not high technology, it's just building doors. They had a great advantage because they could do everything faster than the competition from shipping, from designing, from implementing, from getting back to customers. So, read those two books and we can talk further. I'm a believer.

ADAPSO Revisited

Grad: Talk to me about your experiences in ADAPSO. We talked about that briefly before and you said that you had become involved probably sometime in the mid-1970s, and then you stayed very active for quite a while, not just in the Presidents Roundtable, but you stayed active running the Software Industry Association. What were the primary values to you? What were the primary problems, if any, in being a member of ADAPSO?

Coleman: The values to me first were exposure to other people and other businesses. You can become insulated and very insular running a company. When I got into ADAPSO, for example, we had services, processing, software and the variations on the software. So simply by going to those conferences I had a chance to meet people, learn about different businesses. Even within the structure of our overall organization they provided great exposure. One conclusion I drew from my work at Boole & Babbage I think illustrates what you can learn from others. I came to the conclusion that after I saw minis and then PCs and the next variations on hardware that if you wanted to build a systems tool for computers, you had only to look back to those products that sold on mainframes because they replicated themselves lots of other places. You may not get $100,000 or $200,000 for a database or more that's not on a mainframe, but it was the same problem that was being solved.

Using that as an analogy, I could go to other businesses, professional services for example, and see there are lots of analogies that can be gleaned from how other people do business successfully. So, the first benefit was the exposure to people and other industries. What are the new ones coming up? How do other people do business? Are they successful? If not, what's their problems? Great learning experience. I'd mentioned before also that we had some very good seminars, I think they were on average something like an hour and a half where you get a lot of nuggets that you couldn't get when you're sitting at home trying to run a business. Third, obviously was the friends I've made. I've made many, many wonderful friends over the years through the trade association. So yes, it started as business, but it's very much social as well. Those are the three driving factors that would cause me to go and to continue to go.

Grad: There were a number of special committees and things like that. Do you remember any of those as being particularly significant in your participation or your work with?

Coleman: Not really.

Grad: So, it was the conferences each year, and the interaction with people and then your President's Roundtables that really were most valuable

Coleman: Yes.

Grad: If I remember correctly, you used to always take home a bunch of tapes, the recordings from the various sessions, the ones you couldn't attend when you were there, and would listen to those. Did you find that a very effective way of learning?

Coleman: It was. Nothing's perfect, but it was a great way of learning. When I was commuting, I would put them on in the car and listen to them a couple or three times and then you do the next logical thing which is to give them to people within your organization so they could listen to them and pass them around and then I kept a little library of them. It's just a wonderful way of extending learning in sound bites and in timeframes that were convenient even back then. You couldn't get onto a video conference back then, but you can now, but a tape you can play anytime you want, you can play it over and over again. So that was a very effective way to learn.

Grad: The second point, you also have done a lot of reading. I know that you've read a great deal in the industry as well as outside. Did you find that they just complemented each other, or did you prefer one mode of learning to the other?

Coleman: I think that listening is my most preferred way of learning. We all have the one way that we like the best. Some people would say here's a big tome of what I want to do. Okay. With me it is: tell me in short form what it is that you want to do and why. That was just because my verbal skills were better maybe. I don't know. That was a way of getting the essence then I could choose to read afterward but maybe not in as much detail. That was part of the driving factor. But the flipside of that is periodically there are ways of learning things not just in the audiotapes but in books, some particularly good books that collected a lot of experience and put it together, some of it a bit ponderously but nonetheless well researched. I prefer books not written by academics because they'll have no skin in the game, but somebody who is not only a student but has actually implemented things like 'Lean Programming Techniques' for example. Those folks not only were experts, but they did it. They put their money where their mouth was. That's a preference for the people I would choose to read. And in some instances, like 'Competing Against Time,' the person didn't do it but articulated some case studies that were very, very good; what they did, why it made sense and the specific measures of the result. So, there's a combination for all of us of ways to learn. It just so happened that listening was my preferred method.

Grad: Okay. When you solved problems, did you solve them by talking to people, by writing? How did you go about solving a problem, working out a solution?

Coleman: First, by talking with people to get a sense going back to that's the way I like to start, getting data involved in the issue. Okay. Here is the issue; here are the general decisions we have to make. I may in a group articulate that or by myself think about it and come back. Here's some of the data that I think we need to get. What else should we get? And then what are the key issues that we want to measure that data against? That's the thinking process, some of which I did in writing, some of which verbally, and a fair amount is getting data to back it up. Then in coming to a conclusion, if it was not fairly obvious at least in its ultimate decision, I would outline. I liked outlining as a way of thinking. And I described just then the process I went through is okay, what are the issues, let me insert the key points under each one of them, rearrange them until I have a structured outline that says what's the issue, what are the problems, how are we trying to decide, what are the facts, what are the tradeoffs; this is my answer. And if it was a single person's decision I'd make it, if it weren't, as a part of that process many times I would create the outline then ask the management team or those that were appropriate to the decision to sit down and say okay, I've made a structure here. Let's talk about the structure first. How would you change it? Now the bullet points underneath it, what are the other issues? Let's talk about the facts. We'll create it together on flipcharts or whatever and then we'll talk through it and make a decision. That's the process that I would use. So, it was listening, get data, outline, and then cycle around depending on the number of people involved.

Grad: And when you finished with that, you normally presented it orally or did you present it in writing? What was your preferred mode of presenting your conclusions?

Coleman: Orally to the board of directors if they were involved, I would present it in glorious outline form. Text got in my way, outlines didn't. I like getting to the point early and if there's a lot of fluff it's hard to sort out. And when you have to say to somebody, "What did you mean by that?" that's not a good sign whether it's written or it's verbal. It could be a content phrase, "What do you mean by that?" So, with a board of directors what I would do is alert them in advance, we'll come back to the board in a minute, I'd alert them in advance what the issues were, tell them what we were going to do, when we were going to deliver. I'd then come back to them with a written but more concise form of the issues and where appropriate almost all the time our general conclusions. And then I'd get together with the board and take them through it and we would talk about it. And if there were issues that we'd missed we'd go back and get more data and lead them through to a decision that was either one we recommended or we'd learned something and they or the management team before that had said, "That's not the best answer." We'd lead to the best conclusion we could and then do it.

Let me finish my discussion about the relationships with the Boards of directors. Over time, what I did was the following. First, I would say, "I will give you an e-mail every Friday. I will tell you in general what's happened, what were the issues we were tackling, the commitments from last week, did we make them, what's coming next?" I did that for the simple reason that they'd sit there worrying and they want to know that you're making progress. Some directors would say, "I don't really care. As long as Bruce is solving the problem, I'm okay." But they were exceptions. The modification I made to that that I liked and I got it from the chairman of Openwave. He said that we're going to have a call every week. I'm saying to myself, "Ah heck. I got to sit down and talk with as many board members as I can on Thursdays," that was the popular time on Thursdays at 7:30 AM. "I don't know whether this is effective." It turned out to be very effective. It was a talking and interactive e-mail. And what happened was not surprisingly, we'd do it every week, things would settle down, and it would become every two weeks, and then it got to be monthly. But it was a very effective way of keeping the board involved, getting their input and having them both see progress and suggest directions where they had them, and also cause me and my management team every week to make commitments that I'll be damned if I was going to miss. It was wonderful motivation and a clear way of making week by week assignments, measurable results. [Interviewee note: I made commitments in weekly emails early on with the effect that my management team was pressured to live up to these weekly commitments because they went to the board.]

Working with VC's

Grad: Okay. You worked with a number of boards, and a number of VCs. Please pick a couple of the VCs you worked with. I want you to start with Pitch Johnson. You didn't work with him truly as a VC, but he was certainly seminal in your development. What was he like as a VC?

Coleman: First of all, to give you an age perspective, he had gray hair when I met him. I was 33, he was only 44, but back then that was an older guy. I'm changing my viewpoint now obviously. So, Pitch was more successful, more skilled in my mind than he was at the time. He's a fabulous man. He's very good at what he did. Economically, he was sharp early on and I didn't understand that. He was a person that gave you confidence, helped you, was a wonderful person that you could trust. So, it started out with the skill sets of being a good VC and he was, but equally he took chances on people and he helped them. He picked me and hired me into Boole & Babbage and then gave me the reins. And with hindsight, with a lick of common sense, he shouldn't have done it from my viewpoint, but he gave me the opportunity to succeed. It took a while, but I never would have had that opportunity were it not for Pitch. Later on, I'd see him occasionally and he was just a great starter; he has done extremely well as a venture capitalist and I learned from him, I didn't have enough time to spend with him when I was younger to learn more, but he was a great jumpstart. And yes, it was a seminal event working with him.

Grad: Now when he brought you in, he had other investments besides Boole & Babbage at the time?

Coleman: He had a fair amount and they grew over time. Once he became successful, meaning really successful, he had more of them. But I recall as an example he had a passion and still does for flying. When I came to Boole & Babbage, within two or three years he had purchased a Beechcraft Baron which is a twin non-pressurized plane. He loves to fly. He didn't try to justify flying in that my time is worth so many thousands of dollars an hour, therefore it's worth it; he said, "That's my passion." He then did a little bit better and he got a Cessna Duke which is the same plane pressurized, got a King Air, and then finally, well after I moved out of the area, he ended up getting an Astra Jet. It's an Israeli jet. Pitch had always said, "I'm going to keep the King Air because the airport is 10 minutes from my house, and I can land at Palo Alto and not have to go down to San Francisco." Some years later, Pitch, his wife, Cathy, and Pam and I went to dinner and he said, “Well, I did it.” “Pitch, what did you do?” “I got a jet.” <laughs>. And so, I said, “You said you were not going to do that. Why did you do it?” And he said, “Because it goes faster than Don Valentine’s.” Don is another fabulously successful venture capitalist. Pitch is just a wonderful man.

Grad: Just as an aside, one of the reasons I was asking about Pitch is that the Computer History Museum is setting up to interview VCs and Pitch Johnson and Don Valentine are at the top of their list of people to talk to.

Coleman: I think that’s a delightful story about a person who has done extremely well, who has been a great inspiration to a wide number of people including me and knows what’s important in life.

Grad: Pick one or two other of the VCs you’ve worked with that you found particularly interesting or dangerous.

Coleman: I mentioned Irwin Federman of US Venture Partners. He had run a semiconductor company and had done extremely well, so he was a very solid operator. And when I worked with him, I was impressed not only by the fact that he was a venture capitalist and a darn good one, but he had all of the skill sets to run medium and large companies. Combine those too with the fact that he was a mensch, and you can translate that better than I, but he was a person of soul. He was one of the people that I would say is another one of the very classy operators. He just was a good man, very skilled both in operations and in investing. So those, Pitch Johnson and Irwin Federman, stood out. There’s another man that I worked with at Boole & Babbage, Bill Edwards of Bryan and Edwards, who was an investor. He’s also a very capable man. And I went back a number of years later and had lunch with him and throughout my work at Boole & Babbage he was very supportive, second to Pitch in that Pitch was the lead and the chairman. But I thought that going back and spending a little time with him later on he gave me an assessment of the company, and of me, of where I did well and where I didn’t do well and what was next. It was fabulous. He was also a very classy man. The two of them on the board were particularly good. I would put him in that cluster as well.

Recent Activities

Grad: Okay. Talk briefly about what have you been doing since 2008? You mentioned yesterday, some boards you’re on and some of the nonprofit stuff you’re doing.

Coleman: Sure. I have been on the Webtrends and Websense boards. About a year ago I got off the Webtrends board. We disagreed on a few things, great fun, I’ll tell you offline sometime. So, I was there for three and a half to four years. I got on the board because I called up the company to find out how things were going with the new CEO. And they said, “It’s a disaster and some people are going to leave." As I mentioned before, Alex Yoder, that I encouraged them to promote from being a sales VP to run the company was weeks away from taking a CEO job somewhere else. As a result of that, Alex said, "I'd like to have Bruce on the board." I still mentor Alex and we're very close. So that's one of them and I still mentor him but I'm not on the board. I'm still on the Websense board since 1999, I believe, and that's the only real board that I'm on. In town, I am a part of and on the board of the Taos Community Foundation, a charity that I'm passionate about, and there are a lot of charities in the world that in my estimation are disappointing, community foundations in general. The Taos Community Foundation that we started from scratch is different from that. They try to create enough earnings from their investments so that they can have companies that they can support charities, not just raise the money this year and spend it. They help, they educate. That's one of the areas that I spend time on.

I'm on the board of a home healthcare organization, Mountain Home Health, that is in the need of a little business help. They have a typical cluster of doctors, of local people. And my friend and also my physician, Mike Kaufman, who is chairman, said, "Bruce, we need somebody who's a businessman. It's about time now because life is going to get more challenging in healthcare." So, I'm doing that. They are in a challenging situation, but they're doing well and responding. And I'd like to get on the board of the local hospital. There are two challenges, the biggest of which is the hospital puts board members on by location; for example, Taos, Red River, south of Taos. So, you get local people that don't necessarily have business or hospital experience; that makes it a little hard to break in.

Those take up a fair amount of my time and I'm in an organization as I mentioned called SCORE, Service Organization of Retired Executives. It's a national organization with chapters around the country. The idea is to provide entrepreneurs with help getting started in business or causing their businesses to succeed. It's a completely charitable organization where you give your time and experience to people who want it. They can either do business through a national database by finding you there and matching skill sets and you deal with them by phone and e-mail, or I have clients locally that I spend time with for whatever time they need. So that's the other part of how I spend my time.

Grad: It sounds like a pretty active business-like schedule in addition to your travel plus your own physical activities. I'm going to draw this to a close. This was a superb interview and I do appreciate your taking all the time and doing this.

Coleman: Sounds super. Thank you. It was a pleasure.

Interviewer Note Error! Bookmark not defined.**:**

Bruce Coleman in his usual thorough, well-organized fashion provided a wealth of material in advance of the interview, one of which we have included below: the personal biography which he used as a software company "doctor."

In addition, after the interview, Bruce wrote a paper describing the principal things that he learned as an executive and particularly as a sick company "doctor." We have included this paper as an appendix to his interview.

Bruce Coleman Personal Biography

Role

Interim CEO for turnarounds, and growing computer software and services firms.

Mentor

Objective

Manage the operation and hire a permanent replacement, or sell/merge the company

Experience

Managed twenty-one companies in internet services, systems software, applications software, hardware, turnk systems, computer processing services, and professional services

Recent Assignments

Openwave - software applications and infrastructure designed for the mobile phone business.

WebTrends – Various Web analytics products for the internet

WatchGuard, Inc – Turnkey security products for the internet

Vernier Networks – Security products for the Internet

Percipient – Software, consulting and ASP services to the consumer products goods manufacturers and retailers

Escend Technologies – XRM software for high tech industries

Stamps.com – internet postage provider to small business *

Rogue Wave – C++ components company P

Websense – URL filtering, blocking and reporting software for the Web *

Open Horizon - Java-based Publish/subscribe software

Computer Network Technology, - Networking hardware and SNA servers

Fischer International, - software for e-mail, EDI, and security

Knowledge Systems, - object-oriented software services & education

Resumix - turnkey systems tools to aid in the recruitment process.

Image Business Systems, a workflow and imaging company *

Viewpoint Systems, a software firm specializing in GUI and client server tools.

Coordination Technologies, Inc. a groupware software company

Traditional CEO Assignments

Boole & Babbage Inc. – Systems software for client-server and mainframes *
Walker Interactive Products - financial software packages
Information Sciences Inc. – Human Resources software and services *
Informatics General (COO) – Software products, professional services, processing services *

Education

Harvard Business School -- graduated in the top 1.5% of class with high distinction
Trinity College -- received a B.A. in Economics

Boards

Websense *
WebTrends

* = Public

<u>Lessons from a Software Company "Doctor"</u>

Abstract: This article is a composite of several stories with leadership and management messages from the author. For much of his career he was an interim, or a turnaround software company manager, so his views are shaped to some extent by working with businesses that were broken or in difficulty vs. those that were running well. This article is about avoiding or minimizing painful mistakes. Even good, healthy businesses have many of these same issues, but because they are running well, it actually may take them more time to recognize and fix problems or exploit opportunities.

Because I specialized in fixing or burying companies that were already in trouble, I saw (and probably made) more mistakes than the average executive. I realize that you have probably heard many of these observations before, but because the general management errors come in different flavors and disguises, these examples may help you see the problems with a different vision and hopefully a lot earlier. While the lessons and rules are general, and there were exceptions, there are not as many exceptions as you might expect.

This will give you some sense of my experience as a company "doctor:

- 17 Interim Assignments over 18 years
- 12 successful turnarounds, 5 grew and 7 ultimately sold
- I shut down 3 businesses and another 4 ultimately failed
- 2 CEO/COO Assignments

How did I become an Interim CEO?

I did not wake up in college and say “I want to be an interim CEO. I graduated from Trinity College in Hartford, CT with a degree in Economics and went directly to work for IBM, first as a sales trainee and then as a territory sales rep with relatively small accounts. I did OK, but I was not the top sales rep in the office. One night when I and another 20 salesmen were working late to make quota, it occurred to me that while I was reasonably bright and hardworking, nothing distinguished me from most of the others in the office. But four of the group had been to business school and they appeared to have a clear sense of their direction and where they wanted to go. So I decided to apply to 3 business schools and, somewhat to my surprise, I was accepted in the MBA program at the Harvard Business School, which turned out to be all I had hoped for. It helped me to think more clearly, added the chevrons of graduating with an MBA, and showed me that I was much better than the gentleman C student I had been at college.

When asked what I would do after graduation, I said that I expected to be running a company within five years. Considering that I had yet to even manage myself very well, much less manage a company, this was a pretty bold statement. Yet, I turned down offers at McKinsey and Boston Consulting Group to work for an almost bankrupt integrated circuit company in Boston in order to get instant management experience. I was able to help keep the company afloat for almost a year, but getting married encouraged me to find a company that would give me a regular paycheck. After a lot of letters sent to venture capitalists, Pitch Johnson, the principal owner and Chairman of the company, offered me the position of VP-Sales and Administration at Boole & Babbage, a small computer software company in what is now called Silicon Valley. The next year I was VP and General Manager and a year later became the CEO. One of my first jobs as the CEO was to lay off over half of the 100 employees so that the company could stop bleeding money and become profitable. This was sort of a portent of what I would eventually end up doing.

My next step was to leave Boole & Babbage, which was still a small company (under $10 million in sales), and become a group vice-president at Informatics, probably the largest IT software and services company at the time. I was running a division that contributed about half of the company’s revenue (and profits). A few years later I became COO of Informatics, but after some strategic disagreements with the founder/CEO, he decided to fire me, and I now had to find a new way to make a living and I was determined to have fun doing so.

I had been very active in ADAPSO, the software and services industry trade association, and had also met a number of venture capitalists in the Silicon Valley area. I contacted some of these people and was asked if I would be willing to go into a software company in the San Francisco area which was losing money rapidly and see if I could turn it around. That was my first formal Interim CEO job.

The rest of this article consists of a series of stories based on my personal experiences as a company “doctor” and while the names of the companies and the people have been changed (to protect the guilty), the events and quotes are real and the lessons are vital.

What Took So Long?

In the corporate IT world, the 1970’s and the 1980’s were a time of mainframe computers largely doing batch processing with some online and timesharing applications (today we call it “cloud”). My first turnaround assignment was a mainframe financial applications software company, which had started life as a software professional services firm providing assistance to Fortune 1000 firms implementing business applications. But as at many other companies during that time, management had decided that there was more profit to be made by offering their own packaged software in addition to their professional services offerings.

The company had obtained over $20,000,000 in venture capital funding (which was a lot of money at that time) and began development of general ledger and accounts payable programs. The technical approach they took was very clever: their applications updated the financial data in real time. Thus, financial reports could be run at almost any time, covering any selected period. The marketing approach at trade shows, in their advertisements, and in company sales pitches stressed that batch processing was outmoded and that online, real time application processing was the way that the customers needed to go. Because their products had distinct technical and business advantages they sold quite well to a receptive market.

Enter the problem: “You don’t know what you don’t know!”

As a company that had previously modified other vendors’ programs and written custom applications, management did not fully understand the significant additional requirements needed in order to build packaged software which had to run effectively in many business environments and on multiple platforms. As a result of this lack of understanding, there was more time spent selling the concept and features than in doing solid development work on the system capabilities and operational functions. Commitments were made to operate on non-IBM platforms that were never kept. Sales and services staff were hired before they were needed. And since they had the buffer of substantial VC funding, they spent the available money enthusiastically for many non-essential activities.

By the time I was hired to help to turn things around, cash was low and payables were high, leaving a very short runway to permit the company to continue to successfully operate. The Board decided to first explore selling the company. But after a lead board member and I knocked on the doors of all potential buyers without getting any interest, the Board chose to have me do a turnaround.

Management and I met on a weekend and built a business financial plan. We began with just the *predictable* revenue and then added up the critically necessary operational expenses until that money ran out. The result was that we had to reduce staff from 192 to 73 employees on the next Monday morning. It was a very painful day.

On the following Friday we had a “We made it through the week” party. In the back of the room two employees were murmuring so I asked them what they were talking about. One said “We knew what the Board had to do. What took so long?”

How often do the employees know what needs to be done when management and the board seem to be either clueless or feckless? Problems can fester for months or years with no action. There are a number of reasons: unwarranted hope, blindness, politics or just plain cowardice. Of course, this is not limited to business. Family and personal issues can be even harder to see and face.

Hiding from problems compounds the issue for a founder and the company moving into a second business area. The very skills that enabled a company to succeed in the first area give management a false sense of confidence; when they shift into a new unknown area, they don’t know what they don’t know!

The Lessons:

- Listen to opinions that you don’t like.
- See what outsiders are writing or saying.
- If something is gnawing at your gut, have the courage to look more deeply.
- Bring managers into the company who have experience in the new market or technology and hear what they have to say.
- A problem might not be a big one, but if it is, get on with dealing with it, and adapt quickly. I cannot think of a time when I personally acted too soon rather than too late.

Mikey Likes It!

There was once a Life Cereal ad on TV where two older children get Mikey to try the cereal before they decide whether to eat it. “Mikey Likes It!” was the punch line. This is also a good clue as to how people will first assess you as a leader.

On another assignment I was brought into a company that was started by an entrepreneur with earlier business success and lots of good ideas. Revenues came from mainframe email products, EDS software, and a suite of security offerings. Unfortunately, a weak management team and an inability move quickly into the client/server and PC arenas had put the company in a bind. As a result, I was called in to sort out the technical and business issues by the owner/founder.

However, the development team and its leader were unwilling to meet with me one at a time. So, I gave the leader an opportunity to speak with me that he could not refuse. The sequence of how the discussion went was very revealing.

The development team leader (Mikey) had read my resume and commented that ”at least on paper” I was qualified, so his first goal was to determine if I had a lick of common sense. Second, he wanted to see if I shot messengers. In all first meetings, I stress that discussions are completely confidential unless the other person and I explicitly agree to reveal information or I discover something that is dangerous or illegal. Mikey then told me a tidbit to test my ability to keep a secret. Lastly, he made some suggestions to see if I would act on them. We discussed the longer-term action plan as well as two actions I could make immediately. With that the meeting ended.

Over the next ten days, I implemented the improvements he had suggested and that I had committed to. And, he heard no leak of the tidbit he revealed to me about the company. As a result, three of his top developers called to get on my schedule individually.

I asked the first of them why he now volunteered to speak with me. His answer was, “Mikey liked it!”

***The Lesson*s**:

- Be conscious of how you are being evaluated as a new leader
- Does your resume match the job? If not, think of why it makes sense for you to be there
- Be conscious of your first impression. Give clues that you are a seasoned leader.
- Don’t shoot messengers by blaming them. Get the facts over time and then decide.
- Be careful to earn (and keep) trust. If you are given information in confidence, do not violate that confidence, PERIOD.
- Prove your worth by improving the situation with early positive changes.

- Be conservative in commitments and live up to them
- Live by these rules and your team will help you succeed and even forgive some of your imperfections.

The Boss Casts the Longest Shadow

In a number of the companies I took over, the board worried about what to do with the CEO being replaced. They worried about these issues:

- Is his/her knowledge still critical?
- Will loyal employees leave?
- How will customers feel about the change?

The CEO was a problem in ALL of the companies with whom I worked. In only two of the firms that I worked with as a company doctor, one an early entry in the Internet market and another in networking, did I agreed to keep the founder/CEO in some capacity in the company. In both cases that was a mistake.

One board suggested that the ex-CEO fill another role such as Board Chairman, CEO (with my being COO), VP Development or VP Marketing. In the other case, the CEO became VP Marketing after a short time.

In all of my other assignments save these two I required that the CEO leave. In these two instances, I agreed to keep the former CEOs on but with the proviso that I had complete authority to terminate them at any time for any reason. The individuals involved were aware of the stipulation as well. Neither situation worked; both of the founder/CEO's departed. Neither had been a capable CEO and they could not handle nor were they competent in a lesser role.

Many times the company grows faster that the CEO is able to develop the needed management and leadership skills. Think how long it takes to personally learn to manage and lead. More than technical, marketing or sales skills, the expertise to lead and manage takes a longer time and requires learning some painful lessons.

This may seem a harsh assessment. However, I have been involved with other situations where the CEO stayed on the board or was still involved with the company in some non-management capacity. Even that didn't work. The employees and board may have mixed allegiances, or employees will exploit the situation by lobbying the board or the former CEO. At the end of the day, you must face the fact that the CEO has failed for one reason or another and has to be separated from the company if there is to be any chance of salvaging it.

The Lessons:

- The boss casts the longest shadow.
- Changes MUST be made from the top down.
- As a leader, “If things are going well it might not be your fault. But if things are going poorly, it’s always your fault.”

No Breath Is Better Than Bad Breath!

There are two incidents early in my career that centered on a person in a job who was a marginal performer. One came about when I was reviewing sales for a division, I just took over with the Vice President of Sales for that division. The product was a development platform used in many mainframe sites. It had sold well initially but a saturated market and fresher competition had hurt sales. One sales rep was only 40% of quota after 9 months and had performed at that same level the previous year. When I asked why the person was still with us the VP said, “Bad Breath Is Better than No Breath.”

The other situation related to a product offering that optimized COBOL programs in a systems software firm I ran. The product sold well but was very hard to maintain and enhance. The one and only developer had written monolithic code that was very complex and difficult to maintain. I was reluctant to address the issue because he was “the only game in town.” As a result, maintenance got slower and slower and no new features were added.

Five months later the decision was made for me when the developer left the company for another position. We put two bright but inexperienced programmers on the project and within three months the product was reengineered into multiple modules, bug levels went way down and we added our first new features in years.

From these experiences I learned the obvious. If something is broke, you need to address it now.

The Lessons:

- Poor performers are always worse than you thought
- Removing the problem forces you to hire and fix the issue
- Usually the fix is not as traumatic as you feared
- No breath is better that bad breath!

I have invariably looked back and thought: “What Took So Long?” And that may be the general theme of these vignettes.

