

Turmoil at the top rocks Ashton-Tate's strategic year

By Christine Winter
Chicago Tribune

LAS VEGAS—At Ashton-Tate's booth at the Comdex computer show here, officials from the country's third-largest independent microcomputer software company were as eager to present a unified management team to the public as they were to present recently introduced software products.

The year was supposed to have been a strategic one for Ashton-Tate, which is the second-largest publicly held software company after Lotus Development Corp., but no one could have predicted just how traumatic the summer of 1984 would be.

Cofounder George Tate, chairman of the company, died suddenly Aug. 10 at the age of 41. Tate was giving a lot of his attention to a chain of software-only stores, known as Software Centre International, at the time of his death.

David Cole, 32, who, as chief executive officer and president, was running the company, was made chairman and remained chief executive after Tate's death. On Oct. 29, Cole resigned from the company, based in Culver City, Calif., and moved to Greenwich, Conn.

THOUGH INDUSTRY pundits suggest that Cole found Ashton-Tate empty without his close friend Tate, others say he had frequently talked of moving on to new ventures as Ashton-Tate grew into a major operation. No one at Ashton-Tate seemed to have expected him to move on so quickly.

Cole has said publicly only that he will be going to a large East Coast company that would not be in competition with Ashton-Tate. Again, industry rumors have him landing anywhere from Pillsbury to Ziff-Davis, the New York publishing firm that includes a stable of 11 computer publications.

Carmelo J. Santoro, of Silicon Systems, an outside director at Ashton-Tate since October, 1983, became acting chairman after Tate's death while stating he had no intention of becoming chairman. Obviously, he meant it. Shortly after Comdex, on Dec. 3, he too resigned.

"Everyone at the company knew that George was planning to step down and that David was thinking of leaving at some time in the future," said Edward Esber Jr.

ESBER CAME to the company to be its executive vice president in charge of sales and marketing in May, 1984, and was made president and chief operating officer after Tate died.

At the end of November, he indicated that he was handling, unofficially, the jobs of chairman and chief executive officer.

When Santoro left as acting chairman, to be replaced by an executive committee, Esber officially assumed the title chief executive officer and kept the title of president. There will be no chairman for the time being, and Santoro will serve on the executive committee, along with Esber and director and cofounder Hal Lashlee.

A spokesman for Silicon Systems, where Santoro is president, chairman and chief executive officer, said he had only assumed the title of acting chairman as an interim position to "ensure continuity."

SOME PEOPLE apparently misunderstood that he didn't intend to spend all his time at Ashton-Tate when that announcement was made, he added.

"If anything, George's death merely postponed changes that already were in the works," Esber said, in an attempt to make all the changes look less spontaneous. "Though we knew David was thinking of leaving, we obviously didn't expect it to happen so soon, or we wouldn't have named him chairman for a month and a half.

"Our new management team is just about in place," Esber concluded, discussing the turmoil that has raised some questions among industry analysts about how the company can navigate the choppy seas of the software marketplace without its well-known founder—or his second in command---at the helm.

Esber comes from a background in computer engineering and had served as a consultant for Ashton-Tate, Future Computing Inc. and Dayflo before joining Ashton-Tate full time. Esber was with VisiCorp from 1979 to 1983, during the heyday of that company, which is now in trouble.

MICHELE S. Preston and Catherine C. Norton, research analysts at L.F. Rothschild, Unterberg, Towbin, a N.Y. securities firm, pointed out in a recent report to portfolio managers that Tate's involvement in the daily operating responsibilities of the company had been minimal for more than a year.

"The management team that Cole has built in the last six months should successfully bridge the transition with little near-term disruption," they wrote. "The new management team has more pragmatic and realistic objectives that could have a positive impact on Ashton-Tate over the long term."

Ashton-Tate, which was started in 1980, made its mark in the software world with dBase II, a relational database management system that has become the flagship of its category. More than 300,000 copies of dBase II have been shipped since Ashton-Tate introduced it in 1981.

A DATABASE management system is a program that allows users to enter data, file it and sort it according to a variety of criteria, as well as relate it to other sets of data that have been filed. Such programs are typically slow, complex and difficult to use, dBase II especially so.

"Even satisfied users will tell you it's the most frustrating program in the world.... Yet despite its limitations, dBase has become the standard against which we must measure all others, because of the widespread, consistent support that exists for it—it's a marketing success," said Tony Fanning, a reviewer in "The Whole Earth Software Catalog."

In June, 1984, Ashton-Tate introduced dBase III, a version of dBase II designed specifically for the more powerful 16-bit machines. The new version has not wiped out sale of the ever popular dBase II, which was designed for 8-bit machines but also runs on 16-bit machines.

IN THE first quarter of 1984 dBase II accounted for 89 percent of Ashton-Tate's \$11.2 million in sales. In the second quarter, when dBase III was introduced, the new program accounted for 36 percent of the \$19.1 million in sales; while dBase II still accounted for 32 percent of revenues.

During the fiscal first half of 1984 Ashton-Tate profits tumbled, as the company concentrated on heavy spending in research and development and marketing and advertising. The company introduced not only dBase III but another major product, Framework, an integrated program designed to compete with Lotus' popular Symphony, which has, so far, shown disappointing sales. It also introduced four minor products and built a new salesforce.

In the half, ended July 31, Ashton-Tate reported net income of \$831,000, or 9 cents a share, down from \$2.8 million, or 38 cents a share, a year earlier. Revenues were \$30.4 million, up from \$14.8 million. The company's stock which is not alone in the high-technology sector in being near its 52-week low (\$6), closed Tuesday at \$6.75 bid in the over-the-counter market.

ANALYSTS expect the company to return to more traditional levels of profitability in the third quarter and Esber says third-quarter results, which should be available in a few weeks, "will show a significant multiplication from the entire first half."

"We will return to appropriate profit levels in the third and fourth quarters," he said. Preston added that Ashton-Tate is expected to report revenues of \$25 million and earnings of 25 to 30 cents a share for the third quarter, which ended Oct. 31. She estimates a "flat fourth quarter" and lists her recently revised annual earnings estimate as 65 to 70 cents a share, on yearly revenues of \$65 million to \$70 million.

Chicago Tribune December 5, 1984