

Ed Esber on the Change at Ashton-Tate

Some feared that Ashton-Tate would follow the course set by VisiCorp. But Ed Esber helped clarify the company's goals, boosting profits in the bargain.



When Edward M. Esber, Jr., took charge of Ashton-Tate eighteen months ago, many in the industry were skeptical of his chances. Though the firm's cash cow dBase II was still generating strong revenue, pundits argued that the program epitomized old and hard-to-use technology. The company had lost its direction, they felt. Ashton-Tate looked like a VisiCorp waiting to happen.

And Esber seemed an unlikely saviour. His key qualifications were management experience at the dethroned VisiCorp and a degree from Harvard Business School. One proved he could fail. The other that he could get a job at a Fortune 500 company if Ashton-Tate didn't work out.

But the doubters were wrong. As Esber says, the results speak for themselves. While others faltered in a difficult market, Ashton-Tate prospered, more than doubling revenues in '85 to \$82 million. And it made money.

More important than short-term profit however, were several moves indicating fundamental changes at Ashton Trace. The release of Framework II demonstrated that the firm was listening to its customers. The acquisition of Multimate showed how serious it was about gaining in the corporate market. And, finally, the emergence of Esber as someone willing to "tell it like it is" gave the firm a powerful spokesperson.

Though the computer industry has been slow to recognize the change, Wall Street has discovered the new Ashton-Tate: Stock value has nearly quadrupled since Esber took charge.

—Elliot King

Computer Dealer: When you first came on board, there was the feeling that Ashton-Tate was in disarray. What did you have to do to change that?

Esber: The company's direction today is 180 degrees from what it was 18 months ago. The hardest thing was to change the culture from entrepreneurial to professional. We needed procedures, plans, controls. This company was technology driven before. I had to build a product marketing department that drove the product strategy. From the boring, Management 101 side, I had to put in a budgeting process, rudimentary controls on expenses, hiring procedures, a review process....

CD: Sounds like you really had to roll up your sleeves.

Esber: It was a dramatic change which the financial community recognizes. In transforming the company, I think we have come out ahead of the industry in several ways. We did a five-year plan about a year and a half ago.

CD: Now that is innovative in this industry.

Esber: If you told me I would do a five-year plan several years ago I would have rolled on the floor laughing. You always hear, "Long term in this business is two weeks." The important thing is five-year thinking.

CD: Okay, let's look into the future. Is the market ever going to get better?

Esber: I don't think that in the last 18 months we at Ashton-Tate have felt a big downturn. When you look at the leaders in the microcomputer software business, you still see healthy growth in the 35 to 45 percent range. That is not bad. Next year we think growth will be lower than these levels. We polled our corporate accounts and they said there is not a slowdown in demand for personal computers. Last year for the first time corporations were budgeting and planning for computers in a centralized fashion and they blew it. They spent the budget in the first four months of the year.



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CD: So sales dropped after that, making it seem that demand was weak. But has anybody new been able to muscle themselves up into the big leagues?

Esber: That is the significance of what surfaced last year. There is a grouping toward the top three software companies. As corporations moved into the marketplace in a concerted way, they gravitated toward the big three software companies. Corporations like people with history; they like people they believe are going to be around; they like people who provide service, support and training. There are only a few companies mature enough in this business to be able to provide that.

CD: What is the long-term implication of shift toward the top three?

Esber: The distance between the top three companies and the next tier is increasing rather than decreasing. As, the industry matures and growth slows, it is harder to upset the conventional leaders as long as they keep at fighting weight. Venture capital has dried up for software -companies. The three new software companies in 1985 — Ansa, Symantec and Javelin — may be the last of the venture-capital-funded companies. We certainly won't see any new ones for a few years.

CD: Won't that hurt the industry?

Esber: I don't take the jaundiced, jaded view that the entrepreneur is the only guy who can innovate. Neither new companies nor current leaders have come up with as many innovative products as the user would like to see. What we need is a new category.

CD: It doesn't seem to be very easy. What have the key developments been?

Esber: In my mind there have been four significant software events. The first was VisiCalc. The second was the Xerox PARC interface [precursor of the Macintosh]. The third was Framework. The fourth was Javelin. A lot of people recognize the first two, but there is considerable debate about the third and fourth.

CD: What has been the resistance to Framework?

Esber: Everything after VisiCalc, Lotus 1-2-3, dBase III and WordStar has been a kind of ho hum in terms of volume hit status. Not because it deserves a ho hum, but we do not guide expectations. Everybody expected Framework or Symphony to do what 1-2-3 did in terms of volume. In hindsight you could laugh at the unrealistic expectations, but we all got caught up in it.

CD: In hindsight, how do you look at advertising during the Olympics, which Ashton-Tate did?

Esber: It was a great learning experience, the experimentation period with TV. Still, nobody has ever proven to me that TV advertising increases purchases in software.

CD: What does increase sales?

Esber: The biggest indication is word of mouth and recommendations of friends.

CD: Some of the problems we are having as an industry seem self inflicted. What is the most self-destructive thing the industry is doing right now?

Esber: We keep going after each other's chips, market share. We should focus on innovation. But you don't plan innovation. You create environments where it can flourish. Most of the time you have to be content with evolution, not revolution.

CD: What are dealers doing wrong?

Esber: It's the same old problem in retailing: thinking that price is the only way to compete. The lack of health in the distribution channel is one of the major problems the industry faces. It has to be solved this year.

As John Roach of Tandy said recently, retailing has had problems since the beginning of time, and you can't solve them. Pricing is like traffic; one person can screw it up for everybody. Alternate channels of distribution will emerge. I'm not saying that we will sell direct.

CD: Based on your experience with Multimate, is acquisitions the path to growth for Ashton-Tate?

Esber: We will continue to be acquisition receptive. But how many companies that size or bigger with reputations and a franchise are there? Not that many.... With Multimate, it was a "make versus buy" decision. We wanted to get into the word processing area. There was no clear leader, and we felt our expertise could help Multimate's momentum. Of course, there is one competitor in word processing that we don't have in data bases, and that is IBM with Displaywrite3.

CD: Do you want to get into spreadsheets also?

Esber: Eventually, But there is no sense going up against an entrenched competitor unless you come up with significantly new technology or the competitor has been slow to upgrade that product. Lotus has succeeded in keeping us out on both counts.

CD: On the other hand, Ansa and Microrim are taking direct aim at you. How does that make you feel?

Esber: Competition is healthy. It helps us keep doing our job right, and it keeps egos down. It keeps us nimble and humble and listening to our customers. There is always room for a number two. People want a choice. And there is always room for a good product in the business.

CD: Sometimes number two becomes number one. What went wrong with VisiCorp, and what did you learn from that experience?

Esber: I am eminently qualified to talk about that. I was stock holder number three and employee number nine. A number of factors contributed to VisiCorp's downfall. It didn't protect its market area soon enough. It didn't redo VisiCalc fast enough for the IBM machine. Then there was the lawsuit with Software Arts. It didn't go public when it had the opportunity. It would still be around if it had. Then there was the VisiOn preannouncement. Finally, there was the arrogance of management.

CD: There were smart people up there. How did they let Lotus slip in?

Esber: Arrogance. I like to think of myself now as the humblest guy in the business because of that experience. In the early days of the business you could become so successful so fast that you began to believe that it was you. The reality is when the market grows at a couple of hundred percent a year, that covers a lot of management mistakes. That carries you and makes you. You begin to believe that your customers can't live without you. My advice to new companies is that just about the time you begin to think that you are Superman, the supply of Kryptonite increases exponentially.

CD: So how do you avoid that?

Esber: We try to listen to our customers. I try to keep humble. I am the beneficiary of the work of all the employees here, and I get all of the press. So the person I have to control the ego the most for is me.

CD: How are you doing?

Esber: I think I am doing all right. When I am not, I go home and my wife tells me.

CD: What kind of image do you want to project personally?

Esber: I believe in honesty in the business and telling it like it is. When we make a mistake you will hear about it. I believe what happens to this company comes from us doing a good job or a bad job. If we are doing well, we are doing something right. If we aren't, we are doing something wrong. It's our fault.

CD: What is your role as a leader?

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Esber: I have to set an example. Businessmen can be honest. You can treat people as human beings. In business schools, everybody thinks that to be a good manager you have to be like Mr. Dithers in the Blondie comic strip. Everybody has to cower when the boss comes. I don't want any Mr. Dithers or Dagwood Bumsteads in this company. My door is open. I want people from the lowest levels up to be able to talk to me.

CD: What are your proudest accomplishments?

Esber: I am very proud of the image Ashton-Tate has now compared to 18 months ago. I am also proud of the growth and maturity in the management team. What they don't teach you at Harvard Business School is the people side of the business. Everything is not strategies or schedules.

CD: What do you see as the ultimate potential for a company like Ashton-Tate?

Esber: I think you will eventually see a microcomputer software company in the Fortune 500. There is plenty of growth left in this market for people willing to innovate, who are technically superior and willing to serve the customers.

CD: How do you see Ashton-Tate in five years?

Esber: We want to transform our-selves from a microcomputer software company to a computer products and services company. Right now most of us are selling packages. We need to begin to sell services. We need to begin to smell, feel and sound like the IBM's, the Cullinets, the EDS's of the world. We have to get closer to our customers and listen closer. Now that we have built an engine that is running pretty well, we have to make sure it stays tuned.

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