FRONTLINE SYSTEMS

April 13, 1990

Robert L. Bartley, Editor
The Wall Street Journal
200 Liberty Street
New York, NY 10281

Dear Mr. Bartley:

Your front page article on Edward Esber Jr. and Ashton-Tate (April 11) fell far short of the Wall Street Journal's normally high editorial standards. As founder and CEO of VisiCorp, Mr. Esber's former employer, I've known Ed, as well as nearly every other person quoted in your article for as much as ten years. Your review of Ashton-Tate's problems, Mr. Esber's actions, and the industry issues involved was simplistic at best and flawed at many points.

As one who has personally watched Ed test and evaluate PC software, I sincerely doubt your story's lead-off assertion that he didn't know how to use dBase. More important, the notion that a CEO could simply "load up and run" the program and thereby know how 500,000 lines of code would fare in the hands of tens of thousands of users is just silly. Software quality assurance problems have stung every major software firm, not just Ashton-Tate, as the complexity of products has increased.

Your story makes much of the fact that Ed and Ashton-Tate "missed a chance to exploit ... Structured Query Language." The million readers who accept this simplistic report (and perhaps even your reporter) might well be surprised if they ever "load up and run" dBase IV and encounter its built-in Structured Query Language (SQL) capability. Even granting the problems Ashton-Tate has experienced with its new SQL Server, your story's faulting of management's direction is way off the mark.

Nor did your reporter have any sense for the difficult job of a real-life CEO, or he would not have been so quick to criticize Ed for hiring as chief operating officer a man whose "only experience in the PC industry was as an operations executive" (in fact, senior vice president of operations) "with Businessland, Inc., a computer dealer" (merely the nation's largest and fastest-growing retail chain). Even more amazing, your reporter suggests that Ed compounded his mistake by giving his new COO "his whole-hearted support". What CEO wouldn't? What's missing from your review is any acknowledgement that Messrs. Esber and Nussbaum did, in fact, come to grips with a management situation that wasn't working out -- one of the hardest jobs for any management team.

As for your review of acquisitions made, deals not made, and "failed" product development efforts, the main difference between Ashton-Tate and its rivals is that its "dirty linen" has been aired so publicly. There are very similar stories behind the scenes at most of the large software companies, including the current industry stars. When Ashton-Tate was on the rise, many industry analysts specifically cited Mr. Esber's management as the prime reason for its success. Now, he is "widely viewed as an executive who was in the right place at the right time." The Ed I know, like most real-life characters, is neither as great nor as miserable a manager as the analysts and press have made him out to be.

There's no doubt that Ashton-Tate has its share of problems. But from the standpoint of momentum, customer loyalty and employee morale, the company's biggest problem is the one magnified by your article: Perceptions (some right, some wrong, some exaggerated) of its difficulties have become a force in their own right. Ed needs to act to reverse this trend. This, of course, is tough, hard, slogging work that will take many months. Fortunately for Ashton-Tate, what-ever weaknesses Ed Esber may have, a lack of fortitude is not among them.

But you could avoid contributing to problems like these if your reporters were less impressed with the number of people they can find who once had something to do with a company or CEO having current problems and who now can recall with self-serving 20/20 hindsight what the other fellow (not they) did wrong. The man or woman in the "hot seat" (the CEO) is usually too busy trying to fix the problems to do justice to their side of the story. And real-life business decisions are rarely as simple as the seemingly obvious "mistakes" recounted in your story on Ashton-Tate.

Sincerely yours,
Daniel H. Fylstra President
Frontline Systems, Inc.

WALL STREET JOURNAL.
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***Computer* Glitch** How Ashton-Tate Lost Its Leadership In PC Software Arena

Acquisitions, New 'Products Have Been Disappointing, And Critics Blame CEO

Rocky Road for dBASE IV

By G. PASCAL ZACHARY

TORRANCE, Calif.—The chief executive of Ashton-Tate Corp., Edward Esber Jr., waxed enthusiastic about the company's new dBASE IV computer program. He even said, at the October 1988 press conference unveiling it, that delays in completing the program had been helpful because they gave the programmers time to ensure that it would meet "quality standards" and would be "everything we'd said it would be."

But there was a problem: Mr. Esber didn't know how to use the new program "Ed didn't use dBASE," says Roy Folk. then head of Ashton-Tate's product development. "He couldn't just load up dBASE IV and know its condition." Thus, Mr. Esber didn't know that the program was marred by thousands of errors.

"This ishis company's cash cow, and he can't even use it," says Pat Adams, a New York consultant. "That's like Lee Iacocca not being able to drive a car."

No one else at Ashton-Tate recognized the product had so many flaws, either. Within weeks, irate customers complained that dBASE IV lacked important features and was too slow and too likely to crash.

To quiet critics, Mr. Esber promised a corrected version, but some 18 months later it still hasn't appeared. Mr. Esber now declines to say when it will.

The episode is one of a remarkable string of major mistakes. Ashton-Tate has botched three acquisitions and at least two major product-development efforts. Mr. Esber named a chief operating officer who irritated many members of the staff and eventually left. Mr. Esber lost Ashton Tate's key engineer. And he irked Apple Computer Inc.'s chief, John Sculley, who then turned over a data-base product and other software designed by Apple to two new companies, now Ashton-Tale rivals.

Heavy Toll

The errors at Ashton-Tate have taken their toll. The company was once one of personal computing's Big Three software concerns, along with Microsoft Corp. and Lotus Development Corp. Its flagship product, dBASE. drove the acceptance o1 personal computers in the early 1980s by giving users a flexible way of organizing and retrieving large amounts of data. Yet today, many experts consider Ashton-Tate among the software companies that have faded from leadership to being also-rans.

Mr. Esber remains optimistic about Ashton-Tate's future. He Insists that It remains "the dominant player" In PC data bases and that he has sorted out Its technical problems. Although he still won't predict when the long-overdue revision of dBASE IV will be shipped to customers, he says a test version is good enough that some evaluators are "crying out that we should release it." He adds: "We're alive and well and putting out good products."

Still, while Lotus and Microsoft grew rapidly during the past two years, Ashton-Tate has posted losses for the past three quarters. Its revenue has slumped to $62.1 million in its fourth quarter, ended Dec. 31, from $87.3 million In the quarter ended Jan. 31, 1989. Its share of the data-base market fell from 62.5% in 1985 to 43% in 1989, according to International Data Corp. And Ashton-Tate failed to exploit a new approach to data bases that enabled Oracle Corp., a rival only one-fourth Ashton-Tate's size in 1985, to become more than three times as large as it is today.

Marketing Man

Simply fixing dBASE IV won't reverse Ashton-Tate's revenue slump. "That's a Band-Aid." says Rick Sherlund. an analyst at Goldman, Sachs& Co.

Ashton-Tate's decline shows how fleeting success can be for high-tech firms, especially in software, if senior management doesn't include people with the expertise to keep up with innovation in the field. Mr. Esber is a marketing man leading a company that has virtually no tradition of product development. In his five years atop Ashton-Tate, he has emphasized packaging over technical expertise. In contrast, Jim Manzi, the chief of Lotus and another marketing man, rescued his company from mediocrity by adding to his management team Frank King, a technical ace from international Business Machines Corp. "Every technology company needs a visionary who can perceive the general dlrection of a market," says William Davidow, a venture capitalist and writer on high-tech-company management. "Without one, a company very quickly loses its technology position."

Nevertheless, things could be worse for Ashton-Tate. It hasn't any debt, and it slashed expenses by laying off about 15% of its 1,700 workers last August. It still has the most customers of any data-base producer, having sold more than three million copies of Its dBASE programs to date. With a few breaks., the company could rebound, it not to its previous glory, at least to consistent profitability.

"If you asked me a few months ago if Ed could fix things, I'd have said no," says Cary Prague. assistant director of finance at Travelers Insurance, a member of an Esber advisory group. "But I've seen significant progress lately. If dBASE 1.1 (the corrected version) comes out and it works, customers aren't going to remember the problems."

But many analysts believe that Ashton-Tate has squandered its once-dominant position in database software. Although the company chalked up a 30%r annual growth rate in the five years beginning in February 1954, Mr. Esber is widely viewed as an executive who was in the right place at the right time. His path to the top was paved by the sudden death of George Tate, Ashton-Tate's chief executive, in August 1984. And three months later, David Cole, Mr. Tate's second-in-command, left for another company.

In many ways, Mr. Esber. who joined Ashton-Tate less than a year before as a marketing vice president, wasn't an obvious candidate for the top job: Though trained as an electrical engineer, he didn't write software applications, and he had clashed with the management of his previous employer, VlsiCorp.

But Ashton-Tate's board of directors gave him the job. "We looked outside but decided Ed was the logical candidate:' says Jill Weissman Tate, Mr. Tate's widow and a director.

At first, the decision seemed wise. Mr. Esber, a Harvard MBA who had worked at IBM, was strong on procedures and marketing. He also kept close to the ranks and, in odd contrast to his combative relations with other executives, won a reputation for geniality among some employees.

"We used to call him 'the pussycat,' " says Mr. Folk, the former product-development chief, who followed Mr. Esber to Ashton-Tate from VisiCorp and now is at another software company. Mr. Esber often relied on humor: he once came to a staff meeting dressed as Gen. Patton.

New Operating Chief

By mld-1986, Mr. Esber felt he needed help managing daily operations because he was trying to transform Ashton-Tate from a one-product data-base supplier into a software supermarket. As the new chief operating officer, he chose Luther Nussbaum, whose only experience in the PC industry was as an operations executive with Businessland Inc., a computer dealer.

Although credited with expanding Ashton-Tate's European operations, Mr. Nussbaum angered many people at Ashton-Tate by belittling and refusing to listen to them. "My first meeting with Luther went pretty badly," recalls Robert Gafford, then the company's chief of customer service. "He said, 'I understand you're the best manager in the company.' Naturally. I took that as a compliment, but he quickly added: I'm not impressed with you " Mr. Nussbaum declines to comment.

Mr. Esber offered little comfort to senior executives chafing under Mr. Nussbaum's barbs. Instead, Mr. Esber traveled frequently and "got caught up in the idea he was a visionary," says Mr. Gafford, who left Ashton-Tate in 1987 to head customer service for Claris Corp., Apple's software unit.

According to colleagues, Mr. Nussbaum seemed to have Mr. Esber's wholehearted support. "We didn't feel we had to go to Ed" for decisions, says David Micek, dBASE IV's product manager. "If we got approval from (Mr. Nussbaum), we went ahead. Everyone knew he was boss." Mr. Esber won't comment about Mr. Nussbaurn.

In the end, Mr. Nussbaugm took the rap for Ashton-Tate's problems, which included an embarrassing failure to handle inventory properly. He quit last July.

Diversification Moves

At the same time as Mr. Nussbaum was roiling Ashton-Tate internally, Mr. Esber was overseeing a diversification plan based on his view that software was essentially a packaging business. "There was a feeling that all we had to do was slap the Ashton-Tale name on products and they'd sell," says Ron Posner, an Ashton-Tate alumnus who now heads Peter Norton Computing Inc., a software maker.

To expand the product line, Mr. Esber went shopping. In 1985, he spent $22 million on Multlmate International Corp., which owned a popular word processor. But key Multlmate managers and engineers. whose knowledge of the product was irreplaceable, soon left. For years, Multimate's sales stagnated. Recently, It released its first substantially improved version of the word processor—after competing products have become entrenched.

Next, in 1986, Mr. Esber paid $512.9 million for Decision Resources Inc., a maker of graphics software. Demand for graphics software has exploded, but competitors had raced past Decision Resources by the time Mr. Esber bought it. Today, Ashton-Tate's graphics sales are only 1% of the company's total revenue.

And In February 1988, Mr. Esber bought into the burgeoning market for Macintosh software. He thought he had acquired two products, a word processor and a graphics package, that would bring Ashton-Tate to prominence among Macintosh users. Today, however, sales are weak, mainly because the products were illconceived. The word-processing program, for instance, requires twice the amount of costly computer memory as rival programs.

Defending his acquisitions, Mr. Esber says, "If there was any mistake we made, it was in how we integrated those companies." But critics say he couldn't measure the technical worth of software products nor develop them once the managers of the acquired companies left.

An Acquisition Missed

Ironically, one acquisition that Mr. Esber failed to make still haunts Ashton-Tate. In early 1981, he nearly bought Fox Software Inc., a closely held data-base company. After months of study, Ashton-Tate's engineers agreed that Fox's technology could lay the basis for a new generation of database products. But the deal fell through. "They could've bought us for $10 million, but they chose to haggle us down," says David Fulton, Fox's president. "In the end, top management bought into the idea that they didn't need us, that they could push forward without us."

In 1988, Mr. Esber sued Fox, alleging copyright infringement because Fox sells a data-base program that shares some features and the same computer language as Ashton-Tate's dBASE. The case is pending in federal district court In Los Angeles. Today, Fox is winning over many Ashton' Tate customers.

Mr. Esber's acquisitions might not have hurt Ashton-Tate if it had produced a stream of new products. It hasn't. "Ed views programmers with great disdain," says Ms. Adams, the consultant. "He thinks these people are all interchangeable."

Shortly after taking over as chief executive, Mr. Esber clashed with Wayne Ratliff, then the company's guiding light for data-base products. The feud simmered for years, then erupted in early 1981 when Mr. Ratliff resigned in a blaze of lawsuits and began writing software for a competitor.

On the technical side, Mr. Ratliff was central to Ashton-Tate's success. In the early 1980's, he oversaw the design of the original dBASE In his spare time while working at NASA's Jet Propulsion Laboratory in Pasadena, Calif. He tried to peddle the program on his own but failed. So he sold it to Ashton-Tate. which renamed it dBASE II (because it sounded high-tech and implied an improvement over a nonexistent dBASE I). Ashton-Tate, which had never developed a software product on its own, had one of the infant PC-software industry's few runaway hits.

A Technical Star Needed

Since then. Mr. Esber has hired a succession of top engineers, but no one has really replaced Mr. Ratliff. Mr. Esber hasn't filled permanently the job of heading the critical data-base group. "Ed's got to find someone with technical vision, and he hasn't done that," says Stewart Alsop, the editor of PC Letter.

Without this vision. Ashton-Tate's product-development efforts have floundered. For example, dBASE 3 Plus, the predecessor to dBASE IV, was initially felled by manufacturing and possibly programming errors. Ashton-Tate was forced to withdraw at least 24,000 copies of it shortly after its Introduction in January 1986. The mistake, though quickly corrected, cost the company nearly $600,000.

The company faced more problems with a version of dBASE for Apple's Macintosh (dBASE had worked only on the IBM PC or compatible computers). The program was revised so often that Ashton-Tate printed three different user manuals—and destroyed the first two. In September 1987, the company shipped the program, but sales have been weak.

And finally. dBASE IV, the biggest project of Mr. Esber's tenure, is so complex that it outstripped the company's testing procedures and crashed on takeoff.

Admittedly, the task was difficult. To fit the roughly 500,000 lines of code for dBASE IV (four times the size of its predecessor) into the standard memory limitation of the operating system requires ingenuity. "We have had a hard time controlling" the code, says Harry H.T. Wong, a data-base expert who joined the company in 1987. (He says Ashton-Tate has solved this problem by chopping up the program into many pieces, which are then swapped in and out of the PC's memory as needed.)

Ashton-Tate also missed a chance to exploit a new approach to enabling a mix of different brands of computers to store and retrieve data. Called Structured Query Language, it was adopted by IBM and has Spread throughout the computer industry. Oracle has built a business around SQL software, but Ashont-Tate still doesn’t have a hookup to SQL Engines.

The decline of Ashton-Tate has clearly mellowed Mr. Esber. At a gathering of PC executives last September, he requested advice from several competitors on how to improve software-design practices. And he has asked major customers to advise him on technical matters.

To his credit, he isn't hiding from critics. Early this year, he met with one customer calling for his removal and, in April, appointed him to an advisory group. "I still think Ed should go,” says Michael Masterson, the customer and the head of the largest dBASE user group in Silicon Valley. But he adds lately that Mr. Esber Is "doing more of the right things."

Ashton-Tate's board agrees. "If you look back over. the years, critics have counted us out in the past, but I'm betting heavily" that Mr. Esber can revive the company, Mrs. Tate says.

Mr. Esber insists he can, but concedes that competition is tougher than ever. Once king of the database, Ashton-Tate, he now says, lives in a world where "no one company is going to lock up all the data repositories."