At No. 3 software producer, 43% profit gain just isn't good enough

BY BOB HOWARD

Edward M. Esber Jr. got more than one of the highest-profile jobs in American industry in August 1986 when, at the age of 34, he was named chairman of Ashton-Tate Corp.

When Esber became head the Torrance-based producer of personal computer software, he also became heir to a tradition. Ashton-Tate

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is the stuff that high-tech industry legends are made of — a company that was literally started in a garage on a shoestring budget and grew to become an industry giant. (Co-founder and high-school dropout George Tate and partner Hal Lashlee began with a $7,500 investment in 1980. Ashton-Tate is now the world's third-largest producer of personal computer software.)

Esber: 'I don't think we're a mature industry'

Esber: Quick rise

Although Esber says the software industry today is "still in its infancy," the world he stepped into in August 1986 was already significantly different from the world in which Tate and Lashlee founded their company. For one thing, the software industry even by 1986 had evolved from its garage-level roots to become a much more corporate, more sophisticated business. For another, Tate had died of a heart attack in 1984, leaving the company without one of the men who had provided leadership even after he stepped out of the chairmanship in 1982.

That left Esber in line for the chairmanship at an age that would be considered tender in most industries, but the young personal computer industry has spawned a host of young founders and chief executives. Chairman Bill Gates of Ashton-Tate rival Microsoft, for example, is 32

Esber was faced with the challenge of maintaining the entrepreneurial spirit that had vaulted Ashton-'Tate into a leadership position while at the same time continuing to build the corporate management and marketing structures for a company doing business nationally and internationally.

Judging by the numbers, Esber has met the challenge thus far, Ashton-Tate earned a record $43 million profit on revenues of $267 million for the fiscal year that ended Jan. 31. Ashton-Tate's revenues would rank it third in the personal computer software industry, behind Lotus Developmea Corp. of Cambridge, Mass. ($395 million; and Microsoft Corp. of Redmond, Wash, ($345 million).

Despite Ashton-Tate's 43 percent increase in profits for the past year, Esber himself says the company's performance "wasn't good enough" compared to previous years for the software producer, which had doubled or nearly doubled its earnings for each of the two fiscal years preceding the one that just ended.

"We did have a good year, but last year for the first year we did not have the same growth rate as some of our competitors like Microsoft did," says the now 35-year-old chairman. I won't rest on the laurels of last year. That wasn't good enough for me.

What is "good enough" for Esber?

Emphasizing that the company is second-largest in his field, he declares: "Nobody likes to settle for number two. We certainly don't. We're going for number one."

Another reason the company needs to stay on its toes, Esher points out, is the volatile nature of the software industry.

"I don't think we're a mature industry at all. I think we're still in our infancy," he says. The business has a "predictable unpredictability such that a major event might happen every six months or so that. causes you to rethink your strategy and to make different decisions that could potentially change the balance of power in the industry."

Despite Ashton-Tate's favorable financial performance last year, the company came in for what one financial analyst calls "Tate-bashing" in the trade press during the year.

"Last year it was popular in the media to do a lot of Tate-bashing. It was a sport," says Teresa Y. Lotzgesell, an analyst with securities brokerage Cable Howse & Ragen in Seattle.

Lotzgesell and several other analysts say the press raised a number of questions about Ashton-Tate, among them whether the company will meet its previously announced July 1988 deadline for producing a new dBASE IV version of its popular dBASE data base programs. A data base, in simplest terms, is a computer program for storing and retrieving information. Ashton-Tate's dBASE data base programs have been some of the biggest sellers in 'the industry and a major source of revenue for the company.

According to Lotzgesell, "Prospects for dBASE IV look good, so the media are much more positive about the company now, and I think Ed Esber is a big part of that. He has invested a lot in new products and strategic alliances with other companies that are going to be good for the future. He has also been very available to the financial community and has been very straightforward about what they're going to do with their products."

Lotzgesell says Cable Howse has had Ashton-Tate stock on its recommended "buy" list for more than a year. Other analysts say they, too, have the stock on a

recommended list even though it has not exactly been shooting through the roof. Shares have traded as high as $33 in the past year, dropped from $29 to near $20 in last October's stock market crash. But the stock has regained much of that lost ground and was trading near $27 last week.

"Of the three major software companies, Ashton-Tate is the one we're recommending currently," says Al Tobia, an analyst with securities brokerage Mahon, Nugent &Co. in New York.
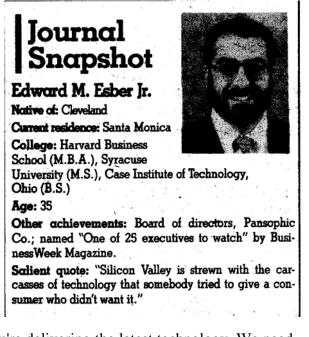
Robert M. Therrien, an analyst with PaineWebber Inc. in New York calls it "one of the best-positioned companies in the whole computer software industry" and calls Esber "one of the most competent CEOs in the software industry." Esber has both bachelor's and master's degrees in engineering and an M.B.A. from the Harvard's Graduate School of Business Ad-ministration, but Therrien says, `It's not just his training. He's one of the smarter guys around."

Esber himself says he isn't sure the engineering training makes him any more or less qualified to run the world's second-largest personal computer software company.

"I think it's important to understand technology. But whether that requires an engineering background or a programming background, I doubt it," he says.

But Esber is sure that companies like his need to avoid the temptation of introducing new technology just for the sake of new technology.

"Silicon Valley is strewn with the carcasses of technology that somebody tried to give to a consumer who didn't want it," Esber says. "The key for companies like ourselves is to not try to deliver technology to the user just to say you're delivering the latest technology. We need to deliver usable, understandable technology."

Despite nearly two years as chairman and a number of years in executive posts before that, Esber says he is still not comfortable exercising what he calls "hierarchical power" by which some executives merely issue orders to underlings.

"My management style tends to be more delegative and participatory," the chairman says. "I enjoy good, healthy debates in a meeting where I can approach someone as an equal because that's how you get the most information. I guess I'm not comfortable evoking organizational power because I think any idiot can get somebody to do something if they say `I'm your boss. Do this or I'll fire you.' You, can see it in somebody's face when they're hesitating because what they want to say contradicts what you're saying. But you have to draw it out of them because you get the best decisions when you get that kind of input.

Esber believes his company's key to pursuing that No. I ranking he covets will be to "outperform the rest of the industry." The key to doing that, he says, will be the company's data base programs.

Another element of maintaining the company's lead and gaining ground on Microsoft, Esber says, is encouraging a spirit of entrepreneurship within a large corporation, sometimes called ``intrapreneurship."

"There are many different approaches to bringing intrapreneurship into large corporations. They all boil down to cutting your company into small pieces that feel like entrepreneurial organizations. So what Ashton-Tate has done in the past few quarters is to divide itself in the IBM area into three business units and also to form a Mac (Macintosh) division," Esber says. He points out that the IBM division works on software programs designed for IBM computers while the Macintosh division does the same for Macintosh computers made by Apple Computer Inc.

Esber jokes about another not-so-serious idea he had for intrapreneurship, one would return Ashton-Tate to its roots: "Based on the old garage analogy, what I wanted to do was to go to Silocon Valley and build a bunch of garages and put $200 in each of them. Then I would tell people, 'If you open this door and take this money, you have to sign a contract to give me 10 percent of your company, God bless you. Go for it'"❑

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