



Oral History of John Norris Maguire

Interviewed by:
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Table of Contents

IBM'S LACK OF RECOGNITION OF THE VALUE OF SOFTWARE	3
BACKGROUND PRIOR TO SOFTWARE AG.....	5
FOUNDING SOFTWARE AG NORTH AMERICA.....	8
PRICING OF ADABAS.....	9
CHARGING CUSTOMERS FOR DEMOS	11
WORKING WITH THE FBI TO CATCH A RUSSIAN SPY	12
PIONEERING SOFTWARE ESCROWS.....	14
SUPPORT AND TRAINING.....	15
IBM UNBUNDLING	15
MAGUIRE'S APPROACH TO SALES.....	16

John Norris Maguire

Conducted by Luanne Johnson

Abstract: In this interview, John Maguire describes the environment for independent software vendors in the 1970s as the industry was adjusting to IBM's decision to unbundled the price of its software. He covers his background prior to founding Software AG North America and what led him to believe that there were opportunities in the software products business. He talks why he decided to price ADABAS significantly above other software products on the market at \$120,000 and why he charged customers for demos and 90-day trials. He describes his approach to marketing software products internationally, pioneering the concept of establishing an escrow for source code, and the sales approaches he used.

IBM's Lack of Recognition of the Value of Software

John Maguire: This is John Maguire. And we're in Houston at the Western Galleria.

Johnson: Yesterday at lunchtime you said that you have not been able to identify a software product transaction prior to one that you did back in 1962. So give me the background on how that came about.

Maguire: I was with Lockheed Missiles and Space Company. I joined them in 1960 and had a lot of interesting great technical software experience. I was a hardware engineer in 1958 when I switched to get into software. And I shared an office with a fellow by the name of Roger Summit who's still President of Dialog, which is a subsidiary of Lockheed now. To help in training managers at Lockheed, he wrote a program called ABES, Aerospace Business Environment Simulator. And of all people, IBM showed an interest in it and they wanted to acquire rights to distribute it to other aerospace companies as a marketing plus. You know, it used IBM computers.

Johnson: IBM wanted to acquire and distribute it as their software?

Maguire: It was Lockheed's software because Roger and I were employees of Lockheed Missiles and Space Company. The transaction was here's the tape, here's the manual, here's the invoice, \$12,000, and the money went to Lockheed. To my knowledge -- and I've asked Marty Goetz [of ADR] and everyone else in the industry -- this is the first transaction, I believe, of the software product industry which now is worldwide maybe \$24-30 billion a year. But that was 1962. It was a \$12,000 transaction. And the price was arrived at by trying to guess and analyze what it would take IBM or anyone else to write a program similar to it. We figured six to nine months and possibly a man-year. We guessed at maybe \$60,000. So \$12,000, a relatively small fraction of that estimate, would be reasonable to charge for that package. We had no precedent whatsoever. That was the analysis that we went through and IBM said fine. So it's ironic that IBM was the first customer of the software product industry.

I think it's important that you should know that IBM, of course, gave away software for free along with their hardware because the big money income was hardware. But there was a gimmick that was executed June 24, 1969 when IBM unbundled and started charging for this software. It was a gimmick to raise prices. They reduced the hardware prices but they started charging for the software. The net effect was, as I recall, about a 4% or 5% increase in the amount of money that the IBM user had to pay each month for use of the IBM hardware and software.

At that time I was at CACI and we were struggling. I was making presentations on a report writer called Quick Query. And the typical data processing manager would say, "That's a very interesting system Mr. Maguire. I think we'll write one like it." So unbundling was a major turning point in the health of the software product industry. It helped legitimize the concept of paying for software programs. As an industry, we were pretty fragmented and small. And it was a tough, tough battle.

It's interesting to note that when IBM unbundled they had approximately 99% of the software product business on IBM mainframes. And those of us like CACI and ADR had peanuts. According to IDC data, in 1979 they had 49% of the software products market. According to IBM's annual report -- I own ten shares of stock so I get their financials -- they did less than \$3 billion software products, a line item from their annual report. They did a little over \$4 billion in calendar 1985. By various sources, Input, IDC, etc., on a worldwide basis, the software products market in 1985 was approximately \$30 billion which means that IBM has gone from 99% in 1969 to 49% in 1979 to less than 15% in 1985. Fortunately for the independent software companies, they're waking up now and realizing the importance of software.

In 1958 I was a hardware engineer. I've got a February 27, 1984 issue of *Business Week* where the cover story says "Software: The New Driving Force." 1958 through 1984 is 26 years. And I'm very, very grateful I lived to see software get the recognition that I have long believed it deserved as a critical thing. People have asked me hundreds of times, "Why didn't IBM see this trend?" And the only answer I can give you is that their top management came up through

sales and hardware manufacturing. Their board meetings I'm sure were characterized by worrying about production capacity. And they had a conflicting motive because if they were to write easy-to-use efficient software that would affect the hardware sales.

So the basic motivation was not there as opposed to the independent software companies where we had to write software that had to be five to ten times better than IBM's to overcome their marketing muscle. And I thank God that they didn't wake up until 1985, 1986. Because their dominant position in the marketplace has been lost to the independents. Companies like Software AG, we have 2,200 installations, Cullinet has 2,000. So we've got a nice user base.

I remember when we went public telling the financial analysts the thing that's not on our balance sheet is the user base. In the last 18 months, we've introduced nine new products to sell to our user base. And they pay a \$795 registration fee to go to our annual conference where we've got a huge room. The fire marshal says no more than 4,000 people permitted in this room. I've got booths showing all our new products from 7:00 a.m. to 7:00 p.m. And so IBM has blown it.

Now they're putting a massive effort and priority into DB2 but we're going to cover that. And we've got a fourth-generation language which they claim to have but really don't. It's a collection of about eight different products with different syntax. Three years ago we had NATURAL work with VSAM then DL/1 then TOTAL. And now we're implementing NATURAL with the SQL commands and an interface with DB2 so if they succeed with DB2 we'll be there to get into that installation. And, of course, once we get that, we'll try and get ADABAS in there. So we've got all our bets covered. And it's just amazing to me that IBM's priorities were such that they have blown what has turned out to be incredible business opportunity to be the leader in software products, which they are not. And the only explanation is the characteristics of the management.

Background Prior to Software AG

Johnson: Okay. Go back now and tell me how you got from Lockheed to CACI and then to Software AG.

Maguire: Sure. At Lockheed Missiles and Space Company, I had very heavy technical experience in software. For example, in 1961 I wrote a system for users -- we didn't have terminals in those days -- to keypunch some control cards to get reports back from certain types of tapes that fit certain formats. Because I was trying to earn my outrageous \$8,000 a year salary. Some of my colleagues were busy building empires and having the users spend a year on requirement analysis. And I just went and wrote programs and I acquired an orientation of trying to help the user and making it easy for them to use computers. And that was a philosophy that I developed early trying to earn my salary at Lockheed.

In those days we used coding sheets and programmed in all those different languages including the forerunner of Cobol which was IBM's COMTRAN. I programmed Assembler, Fortran, all the languages and I'd made a couple of presentations to Lockheed management on our computer requirements, operations and research and simulation. One day a manager came into the office I shared with Roger Summit. I was using a coding tablet. The guy took the pencil out of my hand. He said, "We've got 2,000 programmers here at Lockheed. You should be in marketing and sales." And I said, "What's that? You've got to be kidding." I became kind of the computer guru at Lockheed to the marketing department so that any proposal that involved computers, I wrote that part of it and amassed quite a phenomenal track record. I batted 800. Anything I got involved in, we won.

And then the transaction in 1962 with the aerospace business environment simulator software got me on to the concept of something with a marginal production cost of \$5.00 selling for \$12,000. The key word is marginal. That got me on the track of wanting to get into software products.

In 1966, I was the project leader on a proposal to the Atomic Energy Commission for designing all the computer systems for processing the data for all the underground testing in Nevada. There were 22 bidders. Computer Sciences had hired away the guy that wrote the RFP. The two founders of CACI, Herb Karr and Harry Markowitz, figured they had a lock on it because the critical technical requirement of the design was to test it through simulation techniques. And so I was the brash young kid at Lockheed who wrote the proposal.

I remember it was August 1966 when the AEC evaluation committee visited Lockheed. I got the team together and we sat across the table from one another. I was the proposed project leader and the key guy at the AEC said, "John, how long have you been at Lockheed?" I said, "Six years. I'm very happy here. I'm about to buy a home on the side of a mountain in Saratoga overlooking the Santa Clara Valley." And they nodded and smiled and everybody was happy. They went back to the AEC headquarters and recommended giving the contract to Lockheed.

But the losers, CACI, when they found out this young kid took the contract away from them, made me an offer I couldn't refuse. And they offered me the promise of stock options if I performed. They wanted me to set up the East Coast operation of CACI.

Johnson: They were a West Coast company?

Maguire: Yes, Santa Monica. I was very happy at Lockheed and I wanted to spend the rest of my life there, but I was never going to get stock options. So I took one car to the dump and sold the other one for a hundred dollars. And we got on the plane with three kids and a dog

and went to Washington with ten cents in my pocket. I operated out of a phone booth. CACI's now 1,500 people. In fact, the headquarters is now in the building where my first office was.

Johnson: Yes, I thought that their headquarters was in the Washington area.

Maguire: One of the reasons I accepted the CACI offer was that I saw it as an opportunity to pursue my interest in software products. And they already had SIMSCRIPT...

Johnson: At that time they were a professional services firm, right?

Maguire: Yes, professional services and consulting. The SIMSCRIPT compiler came out of Rand Corporation. It was a software product. After I came aboard I had a department with software products. We had a lot of software products including the report writer which was an extension of my early work at Lockheed called Quick Query. I made a lot of mistakes at their expense. For example, we ported Quick Query to the GE 600 series. Anybody who came in offering a contract, we would put it on their computer. It was a horrible mistake. And we didn't give a lot of free demos. I wouldn't make those mistakes with Software AG.

In 1971 I wanted to bring the CACI software products to Europe. I did some research and found out that most software companies who went into Europe set up subsidiaries. I wanted to do it through distributors. That's how I did it at Software AG. It minimizes the cash flow problem. And I think there's a big advantage in having local nationals as the only company to represent us in Japan and everywhere else. I found ADABAS which was easy to use and was a DBMS. It was developed in Darmstadt, West Germany, by Peter Schnell.

Maguire: So I came back to try and earn my CACI salary, very conscientious guy. I told Herb Karr that the future is DBMS because we can't continue to afford this enormous expense of having every programmer manage his own data for every application. So it's got to be the future. IBM had already committed to DL/1, and IMS. That's all well documented. And, as an old hardware engineer I said that the price of hardware is going to continue to plummet. So the critical factor is ease of use, i.e., productivity for the programmers.

And at that time we were making money with SIMSCRIPT because it had really no competition. There was just GPSS from IBM which was terrible. But all the other software products at CACI were losing money. CACI was basically in the consulting game which I didn't care for even though I was very good at it. We'd run out of backlog and Herb Karr would kick me in the rear end. I'd disappear for about a month and I'd come back with a stack of contracts and tell Herb to leave me alone. I'd give him the contracts and I'd go back to my hobby and first love which was software products.

Founding Software AG North America

When I came up with ADABAS, Karr told me to stop wasting my time with the software product nonsense. I said OK and with my own money I went over to Germany.

Software AG in Germany at that time was run by an older DP gentleman by the name of Peter Kreis and Peter Schnell. Schnell's a real nice guy now. He's matured. He's all grown up and he's great. But at that time he was from central casting as the arrogant German scientist. And here I am, the Boston Irishman. I flew to Germany and said, "Boy, have I got a deal for you." Oh, that was tough. It took about two years before they really came to respect my abilities and what I was doing.

So I founded the company all alone. I used to write notes to Don Levitt at *Computerworld* and all the people there. I wrote postcards. My daughter tried to get me in the *Guinness Book of World Records*. I sent about 10,000 postcards to prospects from all over the world. Because I couldn't afford to be there everyday. But my postcard was there from Bismarck, North Dakota and Tokyo, Japan and Sydney, Australia, Kansas City, with little tidbits.

I walked in a service bureau, PRC in McLean, and said, "Boy, have I got a deal for you. You're going to get the exclusive rights to this DBMS in Washington. But I need a little machine time and a conference room from time-to-time." So I would pick up the DBMS study group from Chase Manhattan Bank, or Citibank, at National Airport and take them to PRC. I'd run the system myself and pray to God I didn't make a keypunch error or hit a bug. We'd get the output and we'd have a technical discussion for a day. So I was all alone at the beginning.

And we sold paid demos for \$2,500. In 1973, we did a paid demo in Richmond, Virginia, Schnell and myself, for the Department of Motor Vehicles. And would you believe eleven years later they finally bought it?

Johnson: No kidding.

Maguire: Yeah, ADR screwed up my deal with the New Jersey Department of Motor Vehicles. But in Virginia, my son lost his registration. He got a new registration in eleven seconds. And I said, "Do you realize why? That's NATURAL and ADABAS behind that system down in Richmond."

But, anyway, we did the paid demo, loading the files and converting the programs. And then I used them as references even though they didn't buy it so I could gain credibility. That's the most important thing with a new program.

Larry Welke [of International Computer Programs] taped me doing a demo to show at the ICP Million Dollar Awards, which was a great idea. He taped several people: Dave Eskra [of Pansophic], John Cullinane [of Cullinane Corporation] and some others. We had to respond to a bunch of questions. One question was: What's the significance of the ICP Million Dollar Awards? I said, "That's easy. It's called credibility. You sell a million dollars in software products, you're credible." Because that was the biggest problem I had with any product in getting established was credibility.

So here I would be making these claims. I'd gone to Dayton, Ohio, everywhere. I'd do an eight-hour presentation to the technical people. In those days the users weren't involved, it was all tech people. So I had to be tech. I'd go into elaborate detail about how the recovery procedures of ADABAS worked and so on and people wouldn't believe it. So I would use as a reference somebody I sold a paid demo to that saw that, hey, it really works.

Pricing of ADABAS

Anyway, it was 1973 and I went to New York to Larry's first ICP Million Dollar Awards program. I would guess there was 20 or 25 of us there. Lee Keet [of Turnkey Systems] and Marty Goetz were there. There were so few people there that each one of us got up and made a speech. I made a speech on how to run a software products company. I had a little message note with notes on it and that was my speech. I talked about the concept of maintenance. I talked about the concept of value pricing.

I priced ADABAS at \$120,000 when the most expensive package in 1972 was \$9,000. Lee Keet tells me that he was willing to take out his wallet and bet on the table that this crazy guy Maguire's going to fail. There's no way he can succeed with these revolutionary concepts. Paid demonstration? You have prospects pay you to see the product? I sold about 50 or 60 of them. Value pricing? I mean, it's the hardware that's the value. And I said, "No, no, no." And the concept of maintenance. I pioneered that at CACI. After the first year we had people pay us money to get the enhancements.

Johnson: The other vendors weren't doing that. They were just shipping out the enhancements.

Maguire: No. And so that was an uphill battle. It's all over the world now. The last bastion of resistance was Japan. I had an awful time there. The manufacturers used to give away the software and maintenance for free. It was terrible. We finally educated the market there; we've got 155 installations in Japan.

Johnson: One of the things I find really interesting about all you software pioneers is that you were doing this for the first time without any models to go on.

Maguire: No models, zero. A little experience and mistakes I made at CACI which was very helpful.

Johnson: And, of course, your approach to the pricing was totally different than anyone else's. What made you come up with that concept of how to price it? If TOTAL was the highest priced at \$9,000, what brought you to the point where you thought that you could sell a product for \$120,000?

Maguire: Well, because I knew TOTAL very well and I knew IMS. ADABAS was far superior in terms of its cost effectiveness as to what it was able to do. And, of course, I spent my life in data processing. I knew what it cost to develop information systems for the old technology. And I knew what it would take to develop these same information systems with ADABAS. We're talking about in order of magnitude difference at least. A lot of people asked me why didn't I price it at \$12,000? I couldn't support it. I would sell too many. I just wanted to find a few customers that would realize the cost-effectiveness of the software product and realize that they would be investing a million dollars in developing information system instead of \$10 million. And that the price of the package at \$120,000 would be a modest fee to save that \$9 million. But it meant searching, which was very, very difficult, for those visionaries who could understand what I believed in my heart and I knew were the facts. And it was a tough search.

I told you the stories of the 1960s where the DP manager would say, "That's an interesting system, Mr. Maguire. I think we'll write one like it." Let me tell you the stories of the 1970s. The typical data processing manager grew up when people were cheap, \$8K for someone with a Master's degree from MIT. A typical response would be, "All those things you're talking about, Mr. Maguire, they're very interesting. It's a different architecture and I'm really confused. And I know IMS is a dog. But I'm trying to decide between TOTAL and ADABAS. TOTAL takes 20k of core and ADABAS takes 160k of core. So the decision is crystal clear to me. I must buy TOTAL." And I said, "But you've got to look at the big picture from the organization's point of view in terms of cost effectiveness."

They could not see beyond their nose which meant that I had to go talk to hundreds and hundreds and hundreds of people before I could find some that were intelligent enough to

understand what it takes to develop a computerized information system in terms of people, in terms of hardware, in terms of time and everything else. And it was a very long frustrating...

Johnson: So you had an immense prospecting problem.

Maguire: Oh, yes, I dealt with hundreds of prospects. I ran ads in *Computerworld* and *Datamation*. I actually made up the ads myself. I went to the print shop and got the little letters. I made my own slides with colored ink and went to the photo store and said I want 35mm slides from these little pieces of paper.

I flew to Boston to talk to Don Levitt at *Computerworld*. I flew to LA because *Datamation's* offices were then in Los Angeles. Just to get a little mention in *Datamation*. Because this was 1972 and I got a lot of attention because I asked \$120,000. No lease plan available yet, purchase only. I was going to charge maintenance after the first year, one year of maintenance for free. These were outrageous concepts.

I would go anywhere. I remember when we had our third users' conference in 1976 in San Francisco, after the conference that Friday afternoon, Amdahl rolled some buses up to introduce them to Amdahl Corporation. So Schnell and I went down and met with Gene Amdahl. This was when they were struggling against IBM. Peter Schnell says, "What's your marketing strategy?" And Gene looked at him and said, "We'll go anywhere and talk to anybody that will listen." I said, "See, Peter? That's the same as my strategy." That's true. I swear to God.

Charging Customers for Demos

Johnson: What decision did you make in terms of the amount of support and the amount of training?

Maguire: Well, we started doing the paid demos. Schnell did the first ten or fifteen and then I hired some technical people like Jim Addis, who's still with me. We've had practically no turnover in technical.

Johnson: Oh, really? That's impressive in this business.

Maguire: Well, of my first five employees, four are still there.

Johnson: No kidding?

Maguire: Technical. David Del Rio in California, a woman named Jane Weinkauf. I was hiring and promoting women 25 years ago, long before it became popular.

Anyway, Addis wrote this funny memo about five or six pages long titled "A Successful Demonstration." It talks about the knights of the round table and Sir John of Reston. We had a chance to do a demo but we found bugs in the system. ADABAS wasn't really tested. It was a nightmare. I called Addis at home at 10:30 on a Saturday night. I said, "Jim, were you planning anything for tomorrow?" He was on a plane to Southbend, Indiana, at 7:00 a.m. the next morning.

And then he wrote a story which is really clever. But it gives you the flavor of what we went through in the early days. It talks about importing swords to kill dragons. Paul Peterson, who's still with me, is in there. Addis says he was up all night testing the sword, cutting off rhinoceros legs. The dragon of CICS is charging and Sir James is there with the sword. Sir Paul says, "Did you test the tip?" And he plunges the sword into the dragon and the tip breaks and the dragon bites off Sir James' arm. And then it goes on how Sir John comes forward to talk to the dragon. The dragon is huffing and puffing and the whole countryside is terrified. And Sir John is calmly facing him but with microscopic beads of perspiration on his forehead.

Sir John is able to communicate with the dragon and the dragon gives up and runs away. So the prospect says he'll buy the swords and gives Sir John a bag of gold. And there's a line in there that after the dragon runs away, everyone was applauded except, of course, Sir James who lost an arm.

Johnson: Oh, that's great.

Working with the FBI to Catch a Russian Spy

Maguire: And then another story is how I worked with a Russian agent. I worked with the FBI and a Russian agent for about seven months which may be of interest.

Johnson: Oh, really?

Maguire: Yes, that was spooky. He wanted the source code for ADABAS. I was so mad, I put my life on the line to protect U.S. technology and to protect the company. We finally nailed him. He was facing 40 years in jail. Mark DeGevter, a Belgian working for the Russians. I

really put my neck on the line. I met with him at the TWA Ambassadors Club one day for three hours. The FBI wired me at the police station at National Airport.

Johnson: No kidding.

Maguire: I've got all the hardware taped to the small of my back. And my t-shirt's got the mike. I'm about to meet the Russian agent. And they warned me, he's a European. This is something I never knew but when two Europeans go in the doorway, the second European will put his hand on your back. It's a different culture. And they said be very careful because he'll be able to feel the tape recorder. So when we went into the office, I told him to go ahead. But he insisted that I go first. So I nearly flew through the door because he did just what they warned me. He put his hand up and missed my back by about two inches. There was a little hole in the wall, an eighth of an inch diameter, and behind it in the next room was a TV camera. Unbelievable. And they coached me and the pitch was that I'm afraid to sell the source code because I'm afraid that you represent IBM or Cullinane.

The other thing was that we knew he was a mercenary. So I told him that *if* I sell this, I want to put the money in a Swiss bank and not have to pay Uncle Sam taxes. He told me everything he knew from the KGB and the Russian spy organization, who's on the hit list and everything. Unbelievable. For three hours.

Johnson: No kidding?

Maguire: We nabbed him eventually. He wanted to validate the source code in Belgium and pay me off in Switzerland. But the FBI wanted the transaction in the States in their jurisdiction. So I went to the federal court in Alexandria as a key witness. And something happened behind the scenes -- I've never found out what it was -- and they let him off with seven months, the time that it took to find him, not with 40 years. I end up testifying before Senator Nunn, the Senate Investigation Committee, saying, "Senator, I call this recruiting for the KGB." And there's a hundred reporters there. Nunn says to the guy from Justice, "How do you respond to Mr. Maguire's allegation?" And he says, "That's confidential information. I'll have to discuss it with you in your quarters."

So we got a lot of publicity but I made such a stink and I was ready to talk to any reporter, *New York Times*, everything. So you'll notice from 1983, 1984, 1985, 1986 when anybody got caught they got the book thrown at them. That was my personal vendetta. I was so mad.

Pioneering Software Escrows

Johnson: Well, sure. I have a question. For \$120,000 what all did the customer get? They obviously got object code.

Maguire: Object code only. I was a pioneer in software escrow. I called Larry Welke and told him that I had some prospects that were scared to death that since we were so small we might disappear. I needed an escrow agreement and told him he was the logical person to do it. He had never heard of it but I had done the first one with Citibank in which there was a vault that they had to have both my key and their key to open. They were an early customer, maybe the fourth in the U.S. And they wanted the escrow.

So I called Welke in 1974 and we went to a bank in Indianapolis and Welke arranged it. It turned out that I was the only customer. There was no demand for it and Welke couldn't make any money on it.

So eventually we worked a deal with the Bank of Virginia as the escrow agent. We came up with a procedure to verify the code. Welke's guy was there and a representative of the Software AG users' group. We had the source code that we used to assemble the production system. We had them randomly pick a module and we printed it out so they could look at it byte for byte and compare the object code module selected with the object code of the production release system to verify that it's the same. I mean, that was pioneering. That was 1974. No one had ever heard of it.

People had heard of funds in escrow when you bought a house or something. But this was pioneering. Now it's quite common. In fact, I got a letter on my desk the other day from a company that's offering escrow services now in 1986. But this was in 1974 when I said, "Hey, Larry. I need help." He cooperated but he couldn't make any money on it at the time. But now I guess he can.

We've got 2,200 users around the world and they're very happy with the escrow agreement. They get a copy of the contract that we have with the Bank of Virginia. Whenever we come out with a new release we go through the same procedure and put the source code in the bank vault. Because they're our bank anyway. They owe us.

Support and Training

Johnson: For the \$120,000, did customers also get a certain amount of installation and training?

Maguire: Yes, we did the technical training. Of course, we've got an education department now at each location. But in those days I had to use the super technicians to do the training. So it was pretty bad. Because technicians and trainers are two different kinds of people. But we did the best we could.

I sold trials too. I sold the paid demos. And then I had 90-day trials. I had five or six employees and in doing the paid demos and the trials, I would rotate the whole company through the customer's site. Each technician would spend two or three days there helping. And then the next week it would be another one.

Then I was setting up all the distributors throughout the world. My first question when I hired someone was, "Do you mind travel?" And these are system programmers, heavy tech. And I said, "Do you have a passport? If you don't mind travel, you're hired. Get a passport right away." Because when I set up the distributors in Brazil and Australia and Japan and elsewhere, I interviewed prospective local distributors.

I watched Tom Nies [of Cincom], for example, who went into Japan and put an American in there as president of his subsidiary. That was a disaster and it cost a fortune. I did just the opposite. I talked to four candidates in Japan and then selected one who was willing to invest some money. They sent two technicians over, I think it was the summer of 1974, to go along with our technical people so they could learn to do the demos and the support and everything. And then they'd go back to Japan. And then I would go sell the first one, two or three systems in each country. And I'm an American but I had to go do it because they just didn't have the skills. And even though I'm selling to Japanese prospects, there was no one else who could do it until they learned.

IBM Unbundling

Johnson: Let's talk more about IBM unbundling little bit. The initial assumption was that when IBM unbundled they eliminated the competition against products that would be given away for free and that's what affected the industry. But what I'm also hearing people say is that what IBM did was they created acceptance of software as a product.

Maguire: Yes, I think that's the more important aspect of unbundling. At that time I was at CACI, we were offering my report writer, Quick Query, and the simulation language, SIMSCRIPT. Our claim to fame was that, sure, IBM had a report writer, RPG, and they had a simulation language called GPSS. But they were lousy. So our claim to fame was that we don't have income from hardware. We have a software product that's far superior to what is offered for free from IBM. And don't you want to do the best job possible for your organization?

In spite of that it was very, very tough. It was very tough sledding. But after they unbundled, it started to legitimize the concept of paying for a software package. And that's when they had 99% of the market. Because Marty Goetz and I and all the kids were struggling. We were just barely making it payday to payday.

In the tape that I made for Welke, he asks, "What are the most significant events in the history of software products industry?" And I said, "There's two. One is the unbundling that really established that software is a product. And the second thing was in the early 1980s with the proliferation of PCs in the user community and for the users to understand the value of software to help them do their job." Those are the two I think most significant. I mean, that one in the 1980s is the afterburner. We never saw users in the early days. But starting in the 1980s, a committee of five would visit Reston. There'd be three users and two from DP. We'd be polite to the DP guys. But we'd show how easy it is to bring up applications with NATURAL and ADABAS to the users. The users would be turned on and we were on our way. That was the afterburner on the rocket, in my opinion.

At IBM, it was a blatant gimmick to raise prices. That's really, in my opinion, what was behind the scenes. Because I remember *Computerworld* writing articles about the users complaining about how the DP budgets had just skyrocketed. And IBM, as I recall, they reduced the hardware prices by three percent.

Johnson: That's right.

Maguire: But in effect they were charging for software. So at the IBM installation, expenses went up. That was 1969. So that really helped. By 1971 when I found ADABAS, I could see, thank God, it's true value.

Maguire's Approach to Sales

Johnson: When did you actually start Software AG?

Maguire: February 1972. Herb Karr said, "Hey, you're wasting your time with software products." And I said, "Bye, bye." I had Schnell come over and install the system at PRC. I spent days with him, put it all on tape. So when I'd be driving into town, I'd have eight tapes of technical discussion with Schnell so I could travel without him.

And that's how I trained the early salesmen who would travel with me and listen to tapes and listen to me. And go to dinner at night in the hotel at Mansfield, Ohio or someplace. Anybody that would call in. I must have stayed in 200 Holiday Inns.

I remember one time I had to leave home Sunday morning. It was the State of South Dakota. I was doing a DBMS study. Six vendors. And I had to fly through Indianapolis or some such place. I finally get to Pierre, South Dakota. It's the capital, 10,000 people, little airport. And there's the capitol with the trees around it. There's an 80 year old man in this van to drive me into town to the Holiday Inn on Sunday night. It's still early, still light out. We're going past the capitol and he turns the other way and points down the main street and says, "There's the picture show." And I said, "Oh. Thank you so much. But I've already seen it."

What I would do, for example, like on that call, I'd buy the local papers. I found out there was a mudslide flood outside of town where some homes had fallen down. I got a cab and I went to see the houses. It was still light out. Saw the damage. I went back to the Holiday Inn. I was the only one in the restaurant. I felt sorry for myself so I lived it up and ordered a steak. It was like shoe leather. I called the manager and found out -- I didn't know, I grew up in the East-- this is grass fed beef as opposed to corn. And that's the way it is. I didn't know that.

So there I am with a committee of 15 the next morning. Here I am from Washington, D.C. and I'm telling them that I went out to see the houses that slid down the hill. And I've got everybody in that room on my side. So I tell these young salespeople, you don't need to be brilliant. You just need to be able to relate to the customers on a personal level. Okay, where were we?

Johnson: I've covered all my questions. But if there's anything, other comments, anything else, any other anecdotes that you'd like to add, I'd be glad to hear them.

Maguire: Well, this history has never been preserved and I'm just delighted that you're doing it now. Thank you so much.

Johnson: And thank you for spending the time with me.