

Innovation, a Casualty at IBM

This newspaper often argues that buyouts are beautiful, but that is not always the case. Once upon a time there was a software programmer who worked for ATEX, a Bedford, Mass., maker of word-processing equipment. David Erickson wrote ATEX's programs for big mainframe computers, but in 1982 he bought one of IBM's new personal computers. Mr. Erickson didn't like the text editor, ED-LIN, that was included with the machine, so he decided to write his own. In June

Counterpoint

By John B. Judis

1982, he finished the program and called it XyWrite. Together with another ATEX employee, John Hild, he decided to set up a new company, XyQuest, to sell the word processor.

From the beginning, XyWrite was the most sophisticated word processor on the market. XyWrite II, which Messrs. Erickson and Hild brought out in May 1983, had features, such as automatic footnoting and two on-screen windows, that would not become common among IBM word processors for another three years. Written in assembly language—the code computers themselves “speak”—XyWrite was also the fastest word processor available. Newspapers and magazines began using XyWrite, including the New York Times, Boston Globe, and the New Republic and two of the principal computer journals, PC Magazine and PC Week. The editors of this newspaper also use the program for writing and word processing.

But XyWrite never became a best seller like WordPerfect or Microsoft Word. For one thing, it was difficult to learn. To use XyWrite, one had to memorize commands (such as “type,” “call,” “save”) that were to be written on a command line rather

than chosen from a menu. Journalists weren't intimidated, but some secretaries were. For another, XyWrite had the charm, but also the failibilities of a small business run by MIT techies rather than M.B.A.s. Customers who called for technical support would sometimes find an obliging Erickson on the other line. But the product's reputation depended largely on word-of-mouth.

It was too bad, because by 1989, Mr. Erickson was working on XyWrite IV, which promised once more to put XyWrite ahead of the field. Mr. Erickson figured out a way to allow on-screen editing of text that combined different fonts and graphic images without sacrificing speed. And he also set up a menuing system for XyWrite that made it easier to use. But Messrs. Erickson and Hild knew that unless they found a way to market the new product, it would remain a niche product, treasured by aficionados, but ignored by the greater computing public.

Then along came IBM. Since its amazing success with the PC, IBM had a number of flops or semi-flops, from the PC Jr. to the OS/2 operating system. Its word processor was one of the least nimble on the market. Written by committee, Display Write 5 requires a gargantuan 10 megabytes of disk space, yet lacks the speed and features of its competitors. For instance, a Display Write user could not see the bottom of one page and the top of the succeeding one on the same screen.

IBM knew it needed a word processor that could compete with WordPerfect and Microsoft Word, and XyQuest knew that it needed marketing power behind its software. XyQuest had been scheduled to release XyWrite IV in Spring 1990, but in April it joined hands with IBM to produce a new word processor. For IBM, it was an unusual arrangement. Big Blue stepped back and gave Mr. Erickson and XyQuest responsibility for writing the new program—to be called Signature and to be

modeled on XyWrite IV. And it assigned Signature to a new Desktop Software Group, based in Milford, Conn., giving the group wide latitude in bringing Signature to market.

IBM and XyQuest previewed it at a Boston Computer Society meeting this March and sent out test copies that drew praise. It was promised that the new word processor would be released to the public in the second quarter. Meanwhile, IBM's Desktop Software Group released the program's code to third-party developers, encouraging them to write programs that would augment Signature's power. This wasn't unusual; it was unprecedented. IBM seemed to be returning to the free-wheeling, hands-off strategy that had produced the first PC. But then darkness descended on Milford.

The second quarter of 1991 came and went without Signature appearing. Finally, as pressure mounted from disgruntled third-party developers and from XyWrite users, who had already waited more than 18 months for an upgrade to XyWrite III Plus, IBM and XyQuest disclosed that the product would be released Sept. 17. XyQuest planned to send out upgrade notices on Friday, Sept. 13. But it was not to be. At the last moment, IBM announced that it was indefinitely postponing the program's release. IBM officials said they had to reorganize and re-evaluate the work of the Desktop Software Group, but they acknowledged that there was no problem with the product.

Some say Signature may be sold to another computer company. Asked about the future, IBM spokesperson Keith Mary Rantas yesterday had no comment. She said “the Signature announcement is on hold.” In the end—as reported in this newspaper—IBM decided to disband the Desktop Software group.

Officials at XyQuest were predictably worried when I phoned them. “We’ve had apprehensions from the first,” XyQuest

Vice President James Adelson admitted. Mr. Adelson said that if necessary, XyQuest was prepared to distribute Signature themselves. Third-party developers were livid. One software executive said, “If worse comes to worse, we’ll file a class-action suit against IBM because we all did this on promise that there would be a product.”

The XyQuest story might still have a happy ending. But this would be difficult; the computer software business lives on constant updating—old software dies. Describing the disbanding of the Desktop group, this newspaper's reporter noted that this step would have little impact on IBM's bottom line. But if IBM does finally abandon Signature, and XyQuest is forced to market it, this will be another example of how the culture of the large corporation cannot accommodate innovation. Large companies are best at winning market share and at mass-producing semiconductors and circuit boards; small are best at designing hardware and writing software.

When large companies have tried to write software by committee, they have ended up with monstrosities like Display Write or dBase IV, version 1.0. There are exceptions. Borland and Microsoft are large companies that write good software, but they are run by programmers who create within their companies the freedom and individuality of the small start-up like XyQuest, while maintaining a unified vision of their operation.

Last year, when IBM signed up XyQuest to write its own software and set up a quasi-independent Desktop group, it seemed to be heading in this direction. But in the end, IBM and XyQuest's partnership turned out to be another blind alley for innovation.

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