An Interview with

GIDEON I. GARTNER

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Abstract

This interview is with entrepreneur and corporate leader Gideon Gartner, the founder of Gartner Group, Inc.—a pioneering firm in information technology assessment and advisory services. The interview briefly discusses his early life and education (which included a B.S. in Mechanical Engineering from MIT and a Master's from MIT's Sloan School of Management), before focusing on his founding and leadership of Gartner Group (later renamed Gartner, Inc.). After MIT, Gartner began a successful career at IBM, focused on research and market management, before shifting to Wall Street and joining and becoming a Partner at Oppenheimer & Company. Leaving Oppenheimer, he launched Gartner Group in 1979 (where he was President, CEO, and Chairman until the early 1990s)—a company that revolutionized IT advisory and investment services with deeply-researched, concise (one-sheet) reports (among other innovations). He also discusses his teaching at UCLA's Anderson School of Management. In the mid-1990s Gartner launched another fast-growing, important company, GiGa Information Group. This, too, focused on IT assessment and advisory services.

Yost: My name is Jeffrey Yost of the Charles Babbage Institute. I'm here today with Gideon Gartner in Aspen, Colorado. It's August 12th, 2005. Gideon, could you begin with some basic biographical information, where you were born, where you grew up?

Gartner: I was born in Tel Aviv, Israel, and came to the United States when I was two and a half years old. I was brought up in Brooklyn, New York. I lived in Brooklyn through high school and then I left, virtually never to return.

Yost: Were there particular subjects in school—grade school, junior high, and high school—that you found particularly interesting, or that you found that you had a special aptitude for?

Gartner: Not particularly… Perhaps the sciences, to the extent that they were taught in high school. Obviously taught reasonably well, because I was accepted by a prestigious engineering school, and was also accepted by Columbia and Cornell, and Miami University, where I thought I might go if I wished to pursue a musical career.

Yost: You were accepted because of good grades?

Gartner: My average was slightly over 92. I think my extra-curricular activities helped.

Yost: Which ones?

Gartner: I was on the chess team, first horn in the Midwood orchestra, in the band and the chorus, too. Lots of music…

Yost: What drew you to MIT and the field of mechanical engineering?

Gartner: It seemed like the best of several fields which I actually had very little interest in. Looking back, I'm shocked that I applied to MIT. I had no strong desire to pursue mechanical engineering. I was tempted by electrical engineering but did not think I'd excel, and I didn't care for courses like biology. I had been offered a scholarship at Miami U., based upon my French horn experience, having studied it since I was a high school freshman... and I was also a pianist. When I lived in London for a year after my sophomore year at Midwood high school, I was accepted into the London School Symphony Orchestra which was quite an experience. My father was much against my accepting the French horn scholarship. He felt I should—I wouldn't use the term "study a trade" necessarily—but he felt I should do something that would, for example, pay a pension. Dad was quite conservative and he was an engineer himself. I applied to Cornell and Columbia, and a backup school, CCNY in New York. I applied to MIT because I did reasonably well in mathematics in high school, and was somewhat in awe of its reputation. When I was accepted there, it was difficult to resist accepting, but frankly, I had no idea what I wanted to study, and I picked Mechanical Engineering. It just seemed like an "average" course of studies to pursue, at least to start. In retrospect, I probably should have transferred from mechanical engineering to some other course of study during my later years at MIT, but I didn't, I stuck it out throughout my undergraduate years. I'm not sure that changing my curriculum would have been easy to do.

Yost: Talk about your time at MIT.

Gartner: Sure. To a large extent, I feel that my time at MIT formed me into the person I am today. Not just the classes, though the self-imposed discipline I needed to keep up was unexpected to me, since I already was a good student. From the beginning of my freshman year, the European, South American, and even Israeli students—there were few Asians then—were light years ahead of the Americans. With great remorse, I decided to quit the orchestra after my first year, due to academic pressures. In fact I was so pressured and backlogged from academic demands, I felt I had to come up with as many ways to save time as I could. For example, I experimented with my sleep habits in order to reduce the number of hours required per night by waking myself up at 3 a.m. each morning to work for one quiet hour followed by a bit more sleep, thus surviving on less than six hours. Mind you, that initiative lasted only one month. More successfully, I figured out how to fast-shave with a razor in 12 short strokes and shower in 10 seconds; minor savings and generally ridiculous, granted, but indicative of my personality. Essentially I was questioning even the status quo of bathroom habits in order to generate more time for studies.

As a still-introverted freshman I was amazed and in retrospect quite strongly influenced by the pranks that were constantly being perpetrated by other MIT students. MIT is quite renowned for its students' pranks and there are several books describing these, for example, *Nightwork: A History of Hacks and Pranks at MIT*. For better or worse, I evolved into being somewhat aggressive for the first time in my life, although I was never in the same league as the major pranksters, who in retrospect seem ludicrous but which may have subtly affected my future. My pranks were relatively trivial, not at all like the metal testicles which the "Jolly Boys" welded to the John Harvard statue in Harvard Square, or their dressing up as auxiliary policemen and bringing traffic at Boylston and Tremont to a grinding halt, and so forth, ad infinitum.

Would you like an example of my developing extrovert initiatives? I created a short length of music tape upon which I recorded and played continuous, repetitive, and very loud sounds of belching, and another time, of barking dogs. I owned large speakers and I broadcast these tape loops out my window across the MIT East Campus whenever the mood struck. I suppose I was developing a sense of humor, though admittedly it was arguably strange and even at times a bit mean. I recall a discussion with an MIT classmate who was very smart but with zero sense of proportion; we were deciding where to play a chess game on East Campus with the late-spring sun shining bright. Should we play chess in the courtyard or on the roof of our three-story dorm? Jerry wished to play in the courtyard, and I wished to play on the roof. "Why?" he asked. "Because I'll get a better suntan," I responded. He insisted that my tan would be the same in the courtyard as on the roof, but I pointed out that we would be closer to the sun on the roof, and we continued to argue the point and I wouldn't let it drop because somehow I found it funny to make him believe I was serious, even though he and I were the only audience for the joke.

My early background should also include the various part-time jobs which possibly affected my career, like working a deal with the Metropolitan Opera House in NYC to hire me as an occasional supernumerary, those non-singing ‘extras’ onstage in operas who carry spears and thicken up the crowd scenes. In the summer, I also worked as a vendor at Ebbets Field, home of the beloved Brooklyn Dodgers, with a classmate from MIT whom I’d initially met in high school—I won’t tell you his name because he pulled a prank… well, I’ll tell you the story. Franks and beer were sold by the older regulars; we new kids were assigned ice cream, peanuts, and orange drink. A large and heavy tank strapped on our back contained the orange drink, with a spigot up front. We’d dispense a paper cup with our right hand, and work the spigot valve with our left hand. One afternoon, my buddy, who was always off-the-wall and a certified MIT prankster, had to suffer a Dodger fan complaining, “This orange drink tastes like piss.” Lloyd went to the bathroom, and when he returned he said he urinated in the tank. He then proceeded to sell the contents. I cringed but said nothing- a prank is a prank. I assume the joke was on me.

Suffering internal embarrassment was the exception, not the rule. I simultaneously had to buckle down and “cram” hard, even in summer, to fulfill my Dad’s expectations and not embarrass myself when I returned to school. But all the seemingly external and insignificant activities—not including Lloyd’s disgusting caper which stuck in my head and might have inadvertently taught me that there is a definite line not to cross, even when pranking; and perhaps it also taught me that some people have no sense of where to stop—may have contributed to my entrepreneurial inclinations in that they were light years different than my MIT studies, were activist in nature, and likely served as preconditions to what was to follow. Of course, making it to MIT itself and surviving was the most important precondition of all.

Most of my Mechanical Engineering courses at MIT bored me to tears, except for one called Creativity, which ended up being a long-term influence. We were given a 300-page manual describing a fictitious planet called Arcturus IV which was similar to, but which possessed different characteristics than Earth, e.g. gravitational pull, soil and atmospheric characteristics, plus weirdly conceived inhabitants. Our task was to design furniture, farm implements, and so on for the Arcturians, considering the fresh set of physical laws we were dealt. The course was clearly designed to push us beyond the framework of standard thinking. It's quite possible that this course alone had major influence on my thought processes; the writer Lisa McGurrin, in an article about me called "A Wild Duck Who Doesn't Follow the Leader," wrote, "creativity took precedence over accepted beliefs and going out on a limb was invariably more attractive than security." I have to say I agree with her.

Besides the ability to think outside the box, my risk tolerance, which was another trait necessary when engaging in entrepreneurial business ventures, definitely developed while I was at MIT—though not necessarily during class time. One day when the Metropolitan Opera was performing at a Boston theatre and was sold out, I found the nerve to climb the theatre fire escape, and sneaked in. Another time, sitting in the balcony at a Boston

Symphony concert in Symphony Hall, I saw two empty front orchestra seats; at intermission I ran down to grab the seats but found someone else just sitting down in them. I guessed that they had the same idea, so I asked to see their tickets. They quickly departed, embarrassed, while I took their seats. I trust this was not criminal, just somewhat opportunistic!

My big entertainment those days was attending every Boston Symphony dress rehearsal on Thursday evenings, standing on line early and rushing to grab the best seats, which I had deemed to be first balcony, first row, right above the stage. Charles Munch was usually conducting, and I learned the names of all the first chairs, especially the horns, but I had my books with me, too, and managed to study between pieces and at intermission.

At MIT, I also took my first small chances at making money, which I now recognize as early signs of my future entrepreneurial career. I started a small business on East Campus selling sandwiches to fellow students in the dorms to provide me with extra cash. My food source was the Harvard Square take-out shop called Elsie's, which made the best roast beef sandwiches ever! Later, I negotiated with a Swiss classmate friend to obtain the U.S. distribution rights to a well-known diary system called the "Seven Star Diary" which had near 100% penetration in its Netherlands home base, somewhat less in Great Britain, and virtually nothing in the U.S. Today, many firms have licensed its terrific characteristics, but unfortunately for us, somebody else beat us out to be the distributor, so that venture failed.

I finally obtained my BS in Mechanical Engineering with an average but respectable 3.65 cumulative average (at MIT, that GPA was between B and B-), and began career interviewing. I was turned down for a job at Burroughs Corporation, but Curtiss-Wright asked me to return. I had worked at Curtiss-Wright during a prior summer. Despite the fact that I already hated the idea of being a mechanical engineer, I reluctantly acceded and withdrew from the interviewing nightmare my classmates were suffering.

Yost: So upon graduation you began work immediately, or was there time between your undergraduate years and starting at MIT's Sloan School of Management?

Gartner: I was in the MIT co-op program, which meant that in my junior year, I had taken a semester off and worked for eight months with a company under MIT sponsorship. That's when I first landed at Curtiss-Wright Corporation as a mechanical engineer. CW was a designer and manufacturer of large jet engines. When I graduated, Curtiss-Wright offered me a job, which I reluctantly accepted, despite the fact that I didn't love the work itself. The company was commutable distance from home, and I knew them because of my co-op program experience. Unfortunately, by then I had become disenchanted with the entire field of engineering. I felt that I wasn't really suited for it, although I was doing reasonably well. Within the first month, I had designed a simple solution to measure the clearance between a jet turbine blade and its housing during tests of the engine designs. Despite some kudos, I was nevertheless quite depressed. I disliked my job, loathed my long commute from Brooklyn to Woodridge New Jersey, and felt increasingly hazy about my future. Remember, I was just out of the gate. My job merely confirmed my earlier frustration with engineering.

As it happened though, the head of personnel for Curtiss-Wright was a Sloan graduate from MIT, and we became sort of buddies. His influence led me to consider going for my MBA. He encouraged me to run back up to MIT and get the lay of the land. So I hopped into my Corvette, drove up in early September and spoke to Miriam Sherbourne, the lady at MIT Sloan who was the interface to students. I told her I wanted to attend business school and she said something like "Well, you haven't applied, so you can't attend." But soon after I returned home, I received a letter from her which said that I could apply to be a "special student," which meant that I would take two courses in each of the first two semesters and would simultaneously apply to MIT Sloan, and if I were accepted, I could then continue, and if I wasn't, then I'd have to leave. And, of course, while I took my two courses per semester, I would need a job. So I did that: I applied for special student status, signed up for two courses, and found a job at the Watertown Arsenal, a U.S. Army laboratory fifteen minutes from the MIT campus as a mechanical engineer. That's the story of how I managed to get into MIT Sloan School.

Yost: So you worked as well as going to school, all the time you were at Sloan?

Gartner: The only requirement was that I spend a full semester, and they suggested I do it in my final semester. So I worked while I was attending Sloan, and it took me three years instead of two.

Yost: Did you enjoy working at Watertown Arsenal more than Curtiss-Wright, or was it just work to get you through school?

Gartner: Watertown Arsenal was great; it was terrific. It was a very loose environment; quite a number of MIT people were working there on one basis or another, some of them also taking courses. There was lots of research being done at the Watertown Arsenal for the U. S. Army. The arsenal had a large foundry and I started to apply things that I was learning at Sloan to my work, to the point where they moved me from the laboratory to the management center and I became the first operations research analyst at Watertown Arsenal. I published quite a lot, and had a great time—all while I was also working hard.

Yost: What kind of great time?

Gartner: I became very friendly with someone like me who was also at Sloan. We rented a home on one of the lakes nearby, and we would drive up there, often spending several evenings, and water-skiing our heads off.

Yost: You mentioned that you also were publishing. In what types of areas were you publishing?

Gartner: Well, because I was in a foundry, I applied some linear programming techniques to a mix of metals that would be the inputs to the process of producing steel with a particular composition for some particular purpose. I recall doing another analysis regarding the optimum number of vehicles, which the Arsenal required. I wrote these up and submitted the articles to appropriate magazines, and I was very surprised when they were actually published. My resume started to look quite good. Unfortunately, I lost the actual magazines somehow while moving from one home to another.

Yost: I also understand that you used an IBM 704 when you were at Sloan, is that right?

Gartner: Yes, MIT wheeled in a 704. I believe it was the first institution to have a large-scale computer installed. Before that, I was using IBM 650s and 1401s, and there were also smaller computers. I luckily had computer experience as an undergraduate; remember this was in the early days of computing. I had taken a course called Digital Computer Logic and Programming, a course I liked so much I ended up teaching it at the University of Massachusetts in my last year of graduate school!

Yost: What exactly did you learn in that course?

Gartner: Basically, how to program the 704, and we had to do a major term project.

Yost: What was the project?

Gartner: Well, each of us had to define our own. What I decided to do was to simulate a gambling system, in order to determine whether it could be beat.

Yost: Did you find a way to beat it?

Gartner: To a point. The whole idea was to have a progression of bets on any gambling system where there is roughly a tiny bit less than a 50/50 chance of winning. So on a roulette wheel, you would bet on red/black or odd/even. The house advantage was just slight. In a geometric progression like 1, 2, 4, 8, 16, 32, before you know it you're going to reach the house limit on your bet or you're going to run out of money before you get out of a series. So the idea was to create arithmetic instead of geometric progressions where you would eventually win; you would work yourself out of the series. So on the IBM 704, I tested various arithmetic series, like for example: 1, 2, 3 or 2, 4, 6 or 2, 5, 8 and whenever I lost a roll of the roulette wheel, I would add an appropriate number to the series, and whenever I wanted a roll, I would cross off the two outside numbers which had not yet been crossed off. The point was to cross off all the numbers, at which time I would be ahead the sum total of the original series. And since in a close to 50-50 situation I would be crossing numbers off twice as fast as I was adding them, I would always get out of the series unless I exceeded the house limit or I ran out of money.

If you have a run of bad luck, however, you'd find it very difficult to get out of the series before you hit the house limit. After two years of visiting Las Vegas on a regular basis, this happened to me. In one series I had a bit of money left in my pocket, I left the table knowing that I could return later and continue my series. I went upstairs, lay down on my bed and agonized for an hour trying to decide whether to continue the series or whether to just drop it. I dropped it and I've never gambled since, never went back.

Yost: Interesting. Let's leave Sloan. Your next job was in operations research at System Development Corporation wasn't it? Or was there something else in between?

Gartner: Yes, SDC.

Yost: That was in Santa Monica. What did you work on there?

Gartner: Yes, it was a Santa Monica company, but I worked in Paramus New Jersey on the military's Strategic Air Command Control System for about six months. It wasn't particularly interesting to me, but when SDC obtained another contract for the Defense Communication Agency control system, they asked if I'd like to move to Washington, D.C., which I did. I worked on that project in Alexandria, VA. Actually, SDC was a subcontractor to Philco Corporation, which had a division working nearby. This was a really important time of my life, because my proximity to Philco created an incredible opportunity.

Yost: And that was with the Ministry of Defense in Israel?

Gartner: Yes, Philco had just sold its first large-scale computer to Israel. It was in fact the first large-scale transistorized computer, even before IBM; it was called the Philco 2000, the Transac S-2000. I asked my manager's boss at SDC whether he would let me speak to Philco because I sensed a potential opportunity based on the fact that I had a strong education, large-scale computer experience, and I spoke Hebrew! I also had a strong resume, so Philco asked SDC if it would be OK. I was gratified that SDC was so cooperative, and I was hired by Philco and sent to Israel. This was a very important period of my life because over there, I was a big fish in a small pond even though I was quite young and inexperienced.

Yost: So you got to meet a lot of people in business and government?

Gartner: In Israel? Oh, yes. It's a very small country. Philco sold the first computer to Israel's Ministry of Defense, in a large department called Mamram. The military owners realized that they could not use up the machine's capacity, and wanted to increase its utilization, so that they could bring in another one for backup and other purposes. So Philco started marketing to other governmental groups as well. Our team was actually quite small, and I was given the responsibility: That's how I got a chance to meet important people outside the Ministry of Defense. I also learned how to program commercial computers…. all my prior experience had been scientific, using FORTRAN, but now we were using Philco compilers. Most of our coding was in assembly language and I kind of became a programmer while simultaneously being the marketing person.

Yost: So you enjoyed this work?

Gartner: Well, it was a very exciting period of my life. My first job had been boring, but while working for SDC, I had gotten married. I had family in Israel; I met important people there; I was doing new things. I traveled back and forth between Jerusalem and Tel Aviv, we were traveling around the country, trying to fill up the machine. We actually went overseas, believe it or not, even to Cyprus, a very small market, to see what was doing there. It was all very adventurous.

Yost: How long were you there?

Gartner: I was with Philco for a year and a half. They actually wanted me back just before the year and a half expired, presumably because my boss' boss back in the U.S. had other plans for me. But there were U.S. tax reasons why it would have been very advantageous for me to stay overseas for the full year and a half! Whatever, I don't really know what the specific reason was. In Tel-Aviv I had met some of the people at IBM; in particular, IBM's sales manager, who is a close friend of mine to this day. I asked if there were any positions at IBM in Israel. He said he realized that I was under time pressure: There was nothing that he could really do, but he'd keep his eyes open. So my wife and I started packing. Then one evening—pretty late in the evening, I think it was 10 o'clock—he called again; the #2 executive of IBM Europe was in his office. My friend, David Familiant, asked me if I could come down to the office immediately and talk to him, so I threw some clothes on and drove down to the IBM office. I met and spoke with the Assistant General Manager for all of IBM's Europe operations. His name was Alec Patterson, and he ended up inviting me to fly to Paris to interview with Charlie Swift—who turned out to be another MIT graduate—a senior IBM executive who was building the Systems Engineering organization for IBM in Europe….. This sounded like a very exciting opportunity.

Yost: Charlie Swift was from the Sloan School, like you?

Gartner: Yes, he was from Sloan, but I didn't get to meet him in Paris. The General Manager of Europe, George Lausi, offered me a job and I accepted it on the spot. I returned home, and, of course, I quit Philco.

Yost: What type of work would you be doing for IBM in Paris?

Gartner: Well, IBM was building its Systems Engineering department, and it was hiring quite extensively. The way IBM was organized, it had a general manager for IBM Europe and the four major countries reported directly to the general manager. But then they had another executive, reporting to Lausi, who covered the smaller companies in Europe. I would be working on the systems engineering staff of this executive. The countries that we would be covering were the Scandinavian countries as well as Spain, Portugal, Israel, and Greece; countries that were relatively new to this exploding field and needed much more support than the large countries of Europe.

IBM France, IBM Germany or Italy or Great Britain all had their own substantial technical staffs, but the IBM offices in the small countries had very sparse staff, and therefore needed support. I and just a couple of other people would essentially be the support group. I was told that we'd frequently be on airplanes visiting small countries. We knew our product line; we learned it. It was mostly 1400-series stuff in those days, because it was commercial applications. So that's what I did; I supported computer operations in small countries.

IBM reorganized its Israel subsidiary and they brought in a new general manager and demoted the existing general manager. They wanted a guy representing Paris in Israel, and it happened that since I had experience in Israel, they felt it would be very useful for me to be there. So they sent me back to Israel. My second child was born during the next year and a quarter that I spent in Israel with IBM. It was terrific. I became a systems engineering manager during that period, so I had people working for me. I was no longer working with the Ministry of Defense; I was working with commercial accounts. It was a lot of fun. The bottom line is, I was gaining confidence professionally. I was assuming more responsibility and having many different experiences dealing with senior people and these were wonderful experiences. Paris was a great experience too, as you can imagine. Then, I came back to the States.

Yost: You worked in New York for IBM?

Gartner: I worked in White Plains, New York, in the data processing division. I was very lucky again. What happens whenever an IBMer is repatriated to the States, he essentially has to apply for a job. He never has a job waiting for him. So I was in a pool of people who were being reassigned and the commercial analysis department of IBM needed some help—they needed someone for a project—and since I was just treading water, they asked me if I would work with them while I was continuing my search for another job within IBM. I worked on the project and they decided they wanted to hire me. So I got into the commercial analysis department, which is where I spent the rest of my years in IBM.

Yost: So that was analyzing IBM's products within the context of the products of their competitors?

Gartner: Yes. I guess I must have said at some point that commercial analysis was a euphemism for competitive analysis. There was a product group and there was a market group, and I was in the market group, which instead of trying to evaluate IBM's functions and features vis-à-vis the best of the competitive products, was looking at issues like market share penetration, a bunch of statistics—what was actually happening. We did demand functions so that we could report to management how the company was doing vis-à-vis the competition. That was also a great experience, and I did very well. I became an IBM second-level manager in that department. I enjoyed working with the people, some of whom eventually came to work for me at Gartner Group many years later. What I was doing actually led to my next position. I quit IBM to work with an entrepreneur, which was my first serious commercial entrepreneurial adventure. I had entrepreneurial experience, which we have not gotten into.

Yost: Can you go into your previous entrepreneurial experience for a bit?

Gartner: Well for one, back when I was at MIT, I was a Bridge player and there was a Bridge game that you could play with yourself, it was called Auto-Bridge, and I decided to try and invent a variant on that for chess. I worked on it for quite a while, and in the end, had designed and built a product called ”Solo Chess.” Its general concept was inspired from the combination of Auto Bridge and a Chess Review Magazine column where the reader was asked to guess each “best next move,” and was graded on the outcome of his guess. My invention was an aluminum device I had fabricated in a shop, which similarly facilitated the learning process.

Samuel Reshevsky was a chess grandmaster and ex- U.S. Champion chess player who lived in Spring Valley, New York, right next to a hotel that my aunt owned. He used to come to the temple that was at the hotel, and I had met him through my aunt. I asked Sammy to back my project, and he agreed to lend his name to the innovation, but unfortunately, I had to drop the Solo Chess project because of my MIT workload. Similarly, after a semester I dropped that sandwich business I had started, even though it was making money. Bottom line: Regardless of my insane workload, while I was at MIT, I pursued several business opportunities, and must have learned important lessons in the process!

Yost: Was it difficult to leave the stability of IBM to engage in a comparatively more risky entrepreneurial venture?

Gartner: It was very difficult for my father. He could not believe that I would do that. He saw nothing but trouble ahead, and he worried himself sick. I did it kind of impetuously, and I didn't carefully analyze all the pros and cons. It was during a period when there was a substantial exodus from IBM. Normally people stay with IBM forever. I had not been there that long – eight years is not a long time for an IBMer to be with the company. But many of the people who left had been longtime IBMers: Ten, fifteen years. I saw these people joining the pluck-and-paddle manufacturers and the leasing companies – those elements of the industry were growing rapidly during that period: It was the 60s.

Yost: Software was beginning to emerge as an industry as well.

Gartner: Yes, and IBM was a favorite hunting ground for headhunters trying to fill senior positions. Many IBMers pursued entrepreneurial opportunities. Many of them did not turn out successful, but even those IBMers mostly ended up doing very well on the second or third try. So it was risky, but I felt I should take the risk.

Yost: Can you describe that venture a bit more, and what happened?

Gartner: Well, it was just an opportunity that came up; it wasn't something I was seeking. In my department, I was creating control cards for management and reports—graphic reports, not tabular—using various measurements of the marketplace. We actually developed control cards that all the executives would carry around with them and we would produce these on a regular basis. We had our database, our marketplace database on large systems, but we also used IBM 1130s, a small scientific machine of that time. When we interfaced it all to a CalComp plotter, we were able to produce these graphic reports.

I already thought that there might be a commercial idea here because industry in general, at the management level, were receiving these huge reports that were impossible to deal with. They were too unwieldy. If you could develop good measurements, it would be very useful for executives, for the high end, to have such input on a regular basis. I felt that there might be a business opportunity here because we were selling to top-level executives. They have got the budget to invest in these applications. So I was harboring this idea.

I had met a chap who owned two computer schools, one in New Rochelle, New York, and one in New York City. I met him socially, and he was talking to me every once and a while about leaving IBM and joining him. I had no interest in joining a computer school. Although, I think even then I had kind of *interest* in education… nevertheless, I didn't think education was the mainstream of the industry. But we kept on talking, and one day, I revealed this idea to him and he said, "Well, why don't you do it in the context of my business?" We continued to talk. The upshot was that he offered to sell me half of the business, make me the president of the business, and we would try and raise money in the public market where the thrust would not be the computer school, the thrust would be my ideas in graphic presentation of data.

I said no. I didn't want to take the chance of leaving IBM before going public—the going public might never happen. So we agreed that I would not leave IBM until he was actually in registration to go public. We went out and we found an underwriter, one of these two-bit underwriters. We did a Registration A, which meant a limited-size underwriting. In those days, believe it or not (this *was* a long time ago), it was $300,000. That was a lot of money in those days. So I had a commitment.

As soon as we were in registration, I walked in to my boss, Dave Allen, and I told him I was resigning, told him what I wanted to do. I'll never forget this: He wasn't wearing his shoes, and he picked up his shoe from the floor and threw it against the wall, and he said, "Gideon, you'll never learn. You should stay here. What are you doing? You're going to fail." He gave me the whole pitch. The reason I'll never forget it is because, of course, I did leave, and I swear, within a month, he quit IBM also. And he must have known that he was leaving when he told me to stay. He left for one of those very big leasing companies, I forget which one it was, but it was for an executive job.

Well, the market turned really sour. This is the end of 1969, and nobody was doing any public offerings and underwriters were walking away from deals right and left. And our underwriter walked away from our deal. So we were left with very little money. And here I am, running this computer school conglomerate, so obviously that was a mistake to leave IBM.

I didn't know what to do, but I had a few friends whom I could speak to about it. There was one chap whom I'd met, he wasn't a close friend of mine, his name was Bob Davis and he was an MIT graduate and a Ph.D. There was a time-sharing craze during this period in the late 1960s, using SDS 940s. You know all this stuff because you're a computer engineer, right? I told Bob Davis my ideas, and I expressed our situation, and he got very excited about it and he acquired the company. So we were still alive and the idea was that I would develop the software business. But, of course, the economy continued to go south and Davis Computer Systems itself started to run into serious market problems. I saw the handwriting on the wall; eventually they went Chapter 11.

But before it went Chapter 11, I started to look for something to do. I remember interviewing with Isaac Auerbach. He put me through a whole battery of psychological tests and things, and offered me a job. I did very well, and I was very tempted, but then something else occurred, which was very interesting. It got me into Wall Street.

Gartner: Am I'm not going on too long?

Yost: No, this is great.

Gartner: In IBM, when you have a good idea, the company will very often say, "Why don't you form a task force and evaluate the idea, and present it to management at the appropriate level?" I had all these measurements that I was creating for executives and I had done work on my own, just entrepreneurially, on war rooms. I traveled around the country looking at other people's use of data in decision rooms. United Airlines, for example, had these huge panels and they had these ladders and, with chalk, they would put all the measurements on the wall. People were already using CRTs for their data and the various types of displays were coming on stream. And the idea of war rooms, which were already de facto in the military, the idea of applying them to industry was taking hold. There were a whole bunch of companies that had their conference rooms wired-up. The whole idea was to present advanced measurements that oftentimes would be updated continuously. As meetings were held, all the measurements would be on the walls.

I decided—since I had already begun with this measurements field, which had nothing to do with the commercial analysis department—that I would propose that the data-processing division of IBM implement a war room. Once your boss says go ahead and do it in your spare time, you then ask other IBMers to join the task force. I went and formed the task force. One of the people on the task force was a senior executive within the data-processing division reporting to the president of the division, Jed Wernersbach, who was in charge of all IT. He was the computer guy and the measurements guy; he had a department called Measurement Records, which did all the reports. I presented the war room idea to the president of the division, but nothing ever happened. Everybody, however, had their mouth open over the potentials of the measurements themselves. I got a lot of kudos for that, and I think it was a good experience for myself, and for Jed Wernersbach.

O.K., so several months pass. One of Jed Wernersbach's neighbors was a vice-president at E.F. Hutton, one of two VPs in Hutton who ran the research department. This chap called Jed because he knew Jed was at IBM. He said, “We’re looking for a security analyst at Hutton. Is there anybody at IBM you’d recommend? Here are the job specs.” And Jed said, “Well, I couldn’t give you the names of any current IBMers, it would be unethical. But there’s this guy who just left IBM whom I worked with, and he might be a guy that you should speak to.” So Hutton, out of the blue, contacted me while I was looking for a position. The timing could not have been better.

But I knew nothing about Wall Street, even though I went to Sloan. Sloan’s focus in those days was not finance, it was everything but finance: production, Operations Research, things of that kind, the economics of management. I really was not prepared to be a security analyst. But because in IBM I was looking at competition, I had a very good view of the economics of the industry. While most IBMers are very inward-looking, there were a few departments that are outward-looking, like we were. We really understood the business.

Hutton put me through the mill. I asked a few friends of mine, “Do you think I’m nuts for even pursuing this?” and they didn’t think I was going to get it. But Hutton hired me. I was in training for the first few months. A couple of analysts would take me out on calls to see how they interviewed the companies, and I read whatever I could. But I had to, at some point, start producing.

By the way, my salary was $25,000. They said there’s a bonus system, but we don’t know when if you’ll be qualified for it. Twenty-five thousand bucks was the same income that I was taking from my company Computer Opportunities, the same as my final salary at IBM. I'd been at that level for a while by this point. But for that point in time, it was reasonable.

There could be no logical basis for thinking I would be successful on Wall Street. I had no financial experience whatsoever. I had been hired by E.F. Hutton because of my work at IBM, where I analyzed IBM's competition. I was lucky in that soon after I was hired, IBM announced the introduction of its Copier 1, and people wondered whether this might impact Xerox, a company that was one of the stalwarts of the Nifty 50, Wall Street's name for those 50 firms which were so strong that they were undisputed "buy and hold" stocks.

The Japanese were not that strong yet in copiers, and Wall Street just yawned at IBM's announcement. However, I thought there might be an opportunity here, and I spent weeks talking to as many industry friends as I could, evaluating all the parameters where Xerox might be attacked both successfully and unsuccessfully.

Upon concluding my research, I wrote the very first negative report on Xerox, and it became such a hit with the Hutton management and its sales force, that each salesperson arranged for me to visit virtually every important bank, insurance company, foundation, and investment fund – in other words, all the important institutional investor organizations. What chutzpah of me to bash Xerox! But I wrote a very detailed report. I'd done a lot of work on it. I spoke to many people. I had many contacts in IBM. I found out what the compensation plan was and how they were selling it, what the strategy was, etc.

I came out with this negative report on Xerox and the sales people said, “Holy mackerel! The whole world will want to hear from somebody who’s negative on the Xerox Corporation.” So the sales people put me on the map. They had me traveling to visit every account in the country. I was carrying my big briefcase and I produced my presentation charts, which summarized the report. I had my desktop flip chart, I’d open it up and Wall Street had never seen a report like this at a sales presentation. So I made it very quickly on Wall Street. I was earning $25,000 a year, but about four months or five months later, right after the Xerox report, they gave me a bonus check, a quarterly bonus check of $25,000. One hundred percent of my annual salary! I went right out and bought a Mercedes!

So now I would drive to work instead of taking the train, and because I hate to waste any time, every day I would dictate a message to the sales force, a new idea, and they would call their clients and parrot back the information I gave them. “Well Gideon says….” The sales force dubbed my driving-to-work ideas “sunflowers” because sunflowers are what parrots eat and the sales people were there to “parrot” my research.

Sunflowers virtually became an institution. Since the ideas usually paid off, Hutton even covered my parking fees, which they normally wouldn’t have done. I found the whole situation terrific.

I stayed at Hutton for about a year and a half. Meanwhile, Oppenheimer, one of the Big Three in Wall Street research, was trying to get me. Oppenheimer was a block away from Hutton at One York Plaza. Every three months, the director of research at would invite me for lunch in the partners' dining room. Oppenheimer was a force in research at the time; from a prestige perspective, going to Oppenheimer was a plum. I was resisting leaving Hutton so soon. But I got involved in the politics between our department and compensation plans and things of that sort, since I was one of the big producers in the department already. At some point, I really got upset, and that day I called up the director of research at Oppenheimer and said, "O.K., I'm ready." So I jumped ship and I went to Oppenheimer in early 1972.

This was now really big time, and I had to ask myself again: how could I make a mark in competing against the awesome concentration of MBA brainpower across Wall Street? I had to figure out some way of truly being different! Not just along the trivial lines of writing a gangbuster report as I did with Xerox, but to be recognized as differentiating myself in some fundamental way, or ways!

When visiting with clients, other analysts would invariably simply chat across the clients' desk, hardly ever using props. I chose to almost always present my pitch via a presentation 3-ring binder, propped on the desk while I leafed through my hand-drawn arguments. This style, which seems trivial, definitely helped differentiate me.

Besides this, other analysts were spread so thin in their coverage of twenty or more IT firms that they missed the explicit or subtle effects IBM was having on the others. Meanwhile, I specialized in this company. I understood it from the inside. Of course, I also covered others. But being *the* IBM expert elevated me to a position where investors were interested in speaking with me and in reading my work, almost regardless of what IT company or sector they were agonizing over, most of which were seen as vulnerable.

Every morning while driving to work I'd still dictate a brief and hopefully original message to the full Oppenheimer sales organization, an idea which I felt should be disseminated to our broad client base. We still called them "sunflowers" after the "parrot food" we started at Hutton.

Well, 1972 the year I joined Oppenheimer, was also the first or second year that *Institutional Investor* named its All-Star team. I made it at Oppenheimer and I made it every year thereafter; I was either the number one or number two technology analyst every year. There were two companies—G.S. Grumman and G.A. Saxton – that had groups instead of having one analyst covering technology. They recognized that the field was so complex that you needed multiple analysts working together, and they had a whole staff of analysts. One of their groups would be number one and I would be number two and the other group would be number three. So the number one and number three would skip and I would stay in number two except for the years when I was number one. And it wasn't because I was the smartest guy on the Street, because Wall Street has many smart analysts; it was just because of my marketing sense and my knowledge of the industry, and I think just the way I sold and the way I communicated.

Anyway, I became a partner eventually at Oppenheimer, and then I did something very entrepreneurial within Oppenheimer, which eventually led to Gartner Group.

Yost: Were you spending much of your time analyzing IBM at Oppenheimer?

Gartner: I had the reputation of being the IBM analyst on the Street. Now at the start of my days at Hutton, that was my focus, that's really what I knew best. I did my Xerox report, but I was commenting and writing about IBM. But obviously the more time I spent on Wall Street, the broader my coverage was, so that eventually I covered all the mainframe companies. I recommended Sperry-Rand, and I didn't recommend Burroughs, so my coverage of Sperry was a lot more in-depth than my coverage on Burroughs. But the pluck and paddle manufacturers, I mean the whole industry, was tied to IBM. So, based on my contacts, and whatever knowledge I had, I think I had a theoretical leg up on covering many of the various segments of the industry. I had a leg up on understanding the data entry companies, and all the pluck and paddle peripherals, and the memory companies, all that stuff, but I would say the reputation stuck as my being *the* IBM analyst. During the whole course of the anti-trust case between IBM and the government, I covered that very closely. I knew people who were the lawyers for IBM and they loved getting the word out, but I got insights into the case which I think were unusual, and my coverage was by far the most in-depth on the Street. I also produced a lot of written work, more so than most, which led to some of my principles when I was building Gartner Group, in terms of productivity. We'll probably get to some of that stuff later.

Yost: Were you able to communicate with old contacts at IBM or was that off-limits?

Gartner: That's a very touchy issue, very touchy. Obviously I had close friends and I didn't want to pick their brains, but I'd talk to them and occasionally I would drop a broad question and I would get a broad answer. And some of my friends probably were more open than others. We would just have conversations. I think people always thought they were doing the right thing. People talk to the press all the time. They never thought they were giving me anything that was explicitly IBM confidential, but they were giving me guidance, general viewpoints on what was going on. At Gartner Group in the early years—in part because some of the people we hired came out of IBM—we did obtain a lot more insight into what was going on there. One could say that some of this insight was on the verge of being stuff that IBM would feel was protected. I'm sure we'll get to that, because you know that IBM sued Gartner Group at one point.

Yost: Right. Did IBM make their employees sign non-disclosure statements?

Gartner: I'm sure it did.

Yost: So you were at Oppenheimer for seven years is that correct?

Gartner: Yes.

Yost: And what led to the formation of Gartner Group?

Gartner: Well, I was very jealous of these other two companies, Saxton and Grumman, because they had research groups. Oppenheimer let me hire an assistant, one person. And I had a couple of people working for me at different times; I hired them not to expand coverage (although they did expand coverage somewhat), but mainly because they were my spreadsheet guys. I didn't want to spend a huge amount of my time working on the financials; I think my added value was insight into what was going on in the industry and interpreting events, and so on and so forth. So yes, I had somebody, but at one point, I thought that I really wanted to build a group. And just as an aside, I had many people in industry already receiving my research. Every time I met an executive, I asked him, "Would you like to be on our mailing list?" and I put him on our mailing list. Some users were also obtaining my output.

Finally I made a deal with Oppenheimer. In order to get Oppenheimer to do this deal, I had to create a revenue source to help pay for it. I can't believe these companies that make tens of billions of dollars can be so cheap. But there are budgets in every department, right? And also there were jealousies in that department, so the deal essentially was that if I created a revenue source they would do the deal, and I came up with an idea; but because they were giving me flack, they didn't want to let me do it. But I put it out there. "Look, we'll do this and we'll generate revenue which will pay for the expense of bringing these new people on board." Then I hired two people in addition to the assistant that I had. One of them took the role of a sales person to generate these dollars, and the other one was another analyst. We tried to sign up large organizations. Small groups of people from our client list would meet once a quarter; they would come into our location or we would find another location. And we'd have a meeting and tell them what we thought about the industry; who was doing what to whom in the business. The kind of stuff that we were telling Wall Street… We felt that this had value also to senior executives—information is power, they like to know what is going on.

Yost: So you were dealing with senior executives more than the data-processing managers?

Gartner: These were the CIOs, or CIO-types in those days, the top dogs of the corporation. In a reasonable period of time, we built up to twelve clients and they were paying us, I forgot what it was, $5,000 a year, some small number. So it didn't cover the expense completely, but it was a nice little business, and we were in the process of expanding it.

Naturally, I went to every American Electronics Association conference. They had a great format and at that point they already had an AEA conference in Europe as well as one in Monterey every year. In October 1977, I was at the AEA conference in Monterey, California, and Neill Brownstein, who was a venture capitalist (VC), was hanging around. I had met him before, and we decided to go out to dinner together. It was the first time I ever really talked to Neill, and he asked me what I was doing, what I was up to. He knew that I was on Oppenheimer's analyst team. I told him about this little business idea I was working on within Oppenheimer, and he said, "Why don't you do it for yourself?"

I said, "Well, you know, I'm a partner at Oppenheimer." I had not yet even considered starting an external business and leaving Wall Street. But he said he thought I was stupid to stay, and if I had a good idea, and was already showing I could attract business, perhaps I could do it commercially. So I asked him about raising funds. I knew nothing about the venture capital community, what these deals look like. And he took out an envelope – he had one in his inside pocket – and on the back of the envelope, in a typical back-of-the-envelope thing, and I mean that quite literally, he structured what a deal looks like.

Afterwards, he introduced me to the remaining partners at Bessemer Venture Partners and to Warburg Pincus because he and Warburg had done many deals together. Chris Brody was the chap at Warburg Pincus, a senior partner; they sat on boards together. So I met with Chris, who knew what I was doing because he was in New York, and they decided to back me. But I was alone and I did not want to hire either of the two people who were working for me at that point in time for a variety of reasons. I had done a project for a French peripherals company with an outside person, who I had found through a mutual friend. They were thinking of acquiring California Computer. Do you remember those guys?

Yost: Yes.

Gartner: They hired us to do an analysis of Calcomp, a kind of an inside analysis of what was really going on there. And I worked with this other chap who was a very top technologist, his name was David Stein, and he was working for a telecommunications company in Florida at the time, but he had very diverse experience in the business community. We did such a thorough job. We stayed up nights doing it. Then we flew to Paris, we had no sleep and we presented it. Again they thought it was the best, the best... They could not get over this report. Anyway, I figure this guy is a real jewel, this guy David Stein, and we work very well together. So I try to convince Dave Stein to be my partner in Gartner Group, but Dave dragged his feet, he wanted to know more. The thing dragged on and on and on, this business about starting a new business, but they kept it alive. And we finally had a terms sheet that we could work with and I made some comment at one meeting—am I going into too much detail?

Yost: No. This is good, please continue.

Gartner: In one of our meetings with Neill Brownstein and Chris Brody, I said, "You know, I didn't promise I was going to do this. We're going down this path but until every 'i' is dotted and 't' is crossed and until I make my peace with Oppenheimer, don't assume that this is going to happen." Because I was a partner.

Chris Brody said, "What do you mean?" He took complete exception, was completely taken aback by my statement. He said, "We're doing all this work and you're saying that you may not do it?" And I said, "Well, look, Oppenheimer is going to try and keep me and I don't know what the terms are going to be. I would *like* to do this, but I have allegiance to my employer and I'm a partner of the firm." So I think it was Neill who came up with a suggestion. He said, "Look, why don't you…since you're going to be selling to Wall Street as well as to users and vendors" – because the idea of Gartner Group was to sell to those three constituencies at once – "why don't you ask Oppenheimer to be a partner of ours and to have them invest in this company, and they will be the distribution channel for whatever research Gartner Group does into Wall Street?" It was such an obvious idea and it was made in heaven.

One other thing I should tell you is that when I put this group together, Steve Robert, at that time the president of Oppenheimer (before that he'd been the research director, but he was really a money manager) had wanted me to sign a non-compete. I refused, and every once in a while it would come up. He'd say, "Gideon, aren't you going to sign the non-compete?" But I saw no reason to do it. I didn't know what I would gain by signing a non-compete, so I didn't. This is an important part of the story. You'll see why.

I called for a meeting at Oppenheimer. Bruce Brandeleone, who is one of my closest friends, now lives here in Aspen, he was executive manager of institutional sales. So, Robert and Bruce and Bert Fingerhut, who was then the director of research, maybe just the three of them and myself were there. Maybe there was somebody else. And I did my chart then, my flip charts, the opportunity in the market place and the fact that there are some great opportunities. And here Steve Robert is getting the picture and he's saying to himself, "If this guy had signed the non-compete, he couldn't be starting a company." But then I got to the point where I said that the VCs would like you to be a partner. And I later found out that Steve didn't like that either, because here I am, a partner of a company, and somebody else is inviting *them* to become a partner. Steve thought Oppenheimer should have been a partner to begin with. But Steve turned to Bert, I'll never forget this, and said, "Bert, did you know anything about this? That Gideon was talking to VCs?" And Bert admits he knew nothing about it. And Steve walks out of the room. The president of the company.

So then began another game, where Oppenheimer made various offers to me to stay, offered to let me build the business within the context of Oppenheimer. They wouldn't even talk about becoming a partner. But they would only advance money, which would be debt essentially, which I'd have to pay back. And it wasn't that much money. I decided to stay with the VCs and to leave Oppenheimer. Gutsy. Because I was leaving a great career. I sometimes think to myself, "What would have happened had I stayed on Wall Street?" Probably I would have been a big hedge fund manager or something.

Yost: By that time Dave Stein had also agreed to come on board?

Gartner: Yes. As soon as I agreed, Dave Stein was with me. And Oppenheimer was going to hire Dave. We were going hire Dave Stein into Oppenheimer. There were many different dynamics involved in my decision.

Yost: In the initial plan for the business, you were going to sell to users, vendors, and to institutional investors. Where did you see the breakdown of revenue between these different bases?

Gartner: All we knew was that the user market was much larger than the vendor market. But they had never purchased products of this type, so it was not clear. However, we did have that limited experience of the twelve large companies that were very interested in hearing what we had to say. We felt there was a market. It turned out that that was a very difficult market for us to penetrate on a broad basis. It became the tail that wagged the dog in terms of size. The vendor market, we knew, would be the largest market at the outset because vendors sign up research companies automatically, because they want to influence them, they want to hear what they have to say. So if what we do impinges on what the vendors are doing anyway, they'll want to be a client.

There is a very interesting story about our first major crisis at Gartner Group. We had these twelve contracts, and we assumed that these contracts would all come with us, right? So we'd start with twelve users: What an incredible base! These were Kodak, PepsiCo—huge corporations—Citibank… Important ones, thought leaders. Remember I told you that I hired an analyst and a sales person. The analyst, an Israeli named Aaron Orlansky, was already a terrific source of information. He was like a mole—or maybe he had moles at IBM—one of the reasons I did not want to bring him into the company was because of that.

Yost: Because of legal concerns?

Gartner: I just didn't…the guy was…well, I don't think he overtly…well he did. I mean, he used to have parties in Paris. He used to invite IBMers to these parties with women at these parties. He pulled these things and I really had a run-in with him, a major one when he was working for me because Oppenheimer wanted to change his comp plan and they asked me to present it to him. I did, and then he blamed *me* for it. You know that kind of stuff. He was working for me, so they thought that I should present it to him, but it was *Oppenheimer's*… I don't need to get into all that detail, but he went to Oppenheimer immediately after I left and he said, "Don't give the contracts to Gideon. I can run it, I can do it." And actually, my memory is more acute for the moment, he told Oppenheimer to do that even *before* the final decision was made, even before I decided. It was kind of like a threat, but I didn't believe it. But he then did a deal with Oppenheimer so that Oppenheimer kept… They couldn't force the issue with a client because the clients were signed up because of me more than because of this chap. So if a client wanted to leave they could. We thought we would get all of the contracts no matter what. On the other hand, Oppenheimer took the position that each of the companies had a contract and that they should live out the contract and not go with me. And that's what happened. Only two or three accounts out of twelve told Oppenheimer, "No, we're not going to honor that contract. Sue us or whatever." But the other firms said, "We have a contract."

And we got very nervous because it was a very slow start and we thought maybe we would get these clients back, but in the meantime, Orlansky would have a year to show what he could do and we had to resell them, etc. So we were really hustling. We spent a lot of time trying to get these clients right at the outset, but only three agreed. Maybe a month later, while we were still involved in the sales process, I get a call from Oppenheimer, from Bert Fingerhut, the Director of Research. He said, “Come on down real quick. I want to talk to you about the contracts.” So I come down to Oppenheimer and Bert says, “Yesterday Orlansky quit Oppenheimer. He is going to Dean Witter and he thinks he’s taking all the contracts.” Bert says, “If you want them, we’ll sign them over to you.” And of course we negotiated a deal where I had to give Oppenheimer a royalty on these contracts, right? But boy, was that one of the best days of our lives. Now we had a running start. How do these things happen? Luck plays such an important part.

Yost: How long did it take to really build up the users?

Gartner: Well, I’d have to go back to my numbers and take a look. I could estimate them for you very roughly but the gross of the company, the first year we did $600,000 in revenue. We did $1.6 million, then we did $3.2 million, then we did $5.8 million, then we did $8.8 million. I’m supposed to have a bad memory, right?

Yost: I’ve seen no evidence of that.

Gartner: $8.8 million to $12.8 to something like $17 million. That’s the way it went.

Yost: Pretty rapid growth.

Gartner: Yes, for those days, and Giga grew much faster, much faster, but Giga spent a lot more money to grow. Remember our deal with the VCs? We brought in a total of $675,000, that's all; that was their investment. They ended up making forty-four times their investment on Gartner Group. As a comparison, if you do ten times, that's good. They did *forty-four* times. It was one of their best investments. We raised another $500,000 from Paribas late in our second year. We didn't really need the money, but for expansion we did raise that, and we wanted some European presence. It is hard to expand in Europe, so we thought it would be favorable to have a European investor. And that was it, until we went public. We were a cash-generating company. We didn't have a huge amount of capital to work with at that point.

Yost: What countries in Europe were you doing business with?

Gartner: Well, we started out immediately by selling to the French and the Japanese. To the French because we already had that first contract. This was before Paribas invested, but Paribas was already a friend of the company because they were very closely tied to our VCs; Warburg Pincus especially, that was a very close, close tie. Where were we?

Yost: You were talking about the expansion to Europe.

Gartner: Oh, yes. Our first office was at Dillon Reed. I'll tell you about that in a bit. Then we moved from Dillon Reed to Greenwich, Connecticut and then eventually to Stamford. We did it all out of our own office; we didn't have any organization in Europe, and we kept it that way for a while. Then we hired a French representative, one individual guy, and slowly but surely we started to add distributors. It was a long time before we had any subsidiaries, before we actually brought in any foreign companies. We essentially used a distribution network, which is a total pain in the neck to manage, and we had very spotty results. So in the early years we did not penetrate Europe to the extent that we might have, but we also felt that we had enough of a big market in the United States, and that could become diluted in terms of traveling, in terms of figuring out all the solutions, what with all our analysts residing here. And we realized that when you start a company like this, let's say in France, French conditions are different than U.S. conditions; pricing is different, the competitive landscape is different. There were three major French companies at that time in the business, and Germany had two or three, and these companies had significant market share in those countries. We're not expert in those countries, how would we address that? You'd have to have analysts there or you'd have to have analysts here who knew those markets. There were so many complexities.

Yost: You've spoken about this a bit, but could you go into more detail on the research methodology of your company, on the model, and how it differed from what existed at that time?

Gartner: Yes, well, I think that is the secret to the company's success…of course, there are a couple of secrets, but one was our research process. The other I think was the culture of the company, which was amazing.

Anyway, where do I start? There's so much. I could perhaps give you a research notebook and you might get a feel for it. Essentially: I was a researcher, I lived and breathed research. I think today experience shows that when any company in the advisory business brings in an outside person to run it, it starts to go downhill for some reason. There are so many decisions that a CEO has to make which are research intensive, and you've got to have a feel for the marketplace and for the research process, such as it is. There are many variants.

When we started Gartner Group, there were some companies that did business in this area: Dataquest, IDC, and Input in those days, a few more technology-oriented consultancies which I wouldn't… Well, those were the big ones, so there weren't many, and I'm probably missing one or two. First of all, these other companies, generally speaking, sold to vendors only, not to users. There was very little experience with users. There was actually one company that grew rapidly in the user business after we started: Input. As soon as we got into that business, they dropped out of it completely. We ate their lunch! Took business away from them all the time. Nobody but us figured out how to go from vendors into users effectively. What they'd try to do was take their vendor research and try to sell it to users, when the requirements are different. But we, on the other hand, while we naturally also had to employ synergy, we found a way to customize the research at its point in delivery.

The other part of the triangle was the investment community, and that was our first constituency. Chris Brody introduced us to Dillon Reed, and right from the outset Dillon Reed became our sales arm into Wall Street. So when I say that our revenue in the first year was $600,000, $300,000 was from Dillon Reed. Half. The Dillon Reed contract went up linearly, it went from 3 to 6 to 9 to 1.2 and when we were negotiating 1.5, they wouldn't go. They didn't want to go to 1.5, and we wanted to go independent anyway, so we split from them. We created Gartner Securities Corporation, which later was spun out.

Yost: So before that, they were marketing it as Dillon Reed?

Gartner: Yes, it was "Dillon Reed Gartner Group." So the green sheets—Gartner Group's signature one-page analyses were printed on green paper, and were known as "green sheets"—said that. But Dillon Reed wasn't happy with the extent of our coverage; it wasn't Wall Street-oriented enough. We hired a guy from Wall Street who was at Hutton, Tom Crotty, and of course, I was an analyst, but that was it. We had to worry about the rest of our business as well. We never thought that Wall Street could become the major part of our business. And we didn't have the moxie or the money to actually start a broker-dealer directly, so it became a registered investment advisor. To become a broker-dealer you have to have sales people and you have to have a trading desk. It's a whole different business. And while I was an analyst at Oppenheimer, I was not a trader at all. I didn't understand the business from that perspective. At all.

So the first part of the research model is that the triangle really worked. We sold it that way. The investors wanted to know what we were telling the users about the vendors, right? And the users liked the color of investment reports. They liked tying what was happening in the marketplace to what was happening in the stock market at a high level—these were not the guys in the bowels of the company—they were senior executives who invested themselves. They were buying from these vendors; they were tracking stocks as well. I didn't describe it in great detail, but we can go back to any of these issues. What's important is there was a triangle.

Also, the format of the reports was important. All companies in the field did research reports, which tended to be lengthy reports, the kind of reports that market analysts might read if they had a need to know a particular area. But when they were sold a subscription to these reports, they'd usually sit on a credenza. They never used to be read because it was just too much. So we edited and if you think it was easy for me to make decisions and to edit things you're mistaken because I hired people with their own confidence and their views and they were strong people. We hired senior people—I'll get to that in a minute. So we created a format called the Gartner research note, which had to be limited to two sides of one page. It was very highly formatted. I got all this flack about, "Well, you know, we have more to say than can be fit on two sides!" Many of these people were used to writing reports that were much longer, and they thought that two sides of a page was an arbitrary constraint. And the way I resolved the problem was to say: "You have to learn how to chunk your research. Have a part one, a part two…" So each can stand alone, but they relate together and you can distribute them together if you want to, but they are all stand-alone pieces of research. That's the way I sold it. But the fact that it was highly formatted was new in the business.

Then we hired senior people. We hired peers of our client base. If you look at companies like IDC in those days, or Dataquest, they hired smart people, but junior; people who didn't have a lot of experience or perhaps no experience, because they were sizing markets. Essentially their role was to look at the market aspects of the companies, not the technology aspects and certainly not the user issue aspects, which was very important in our strategy.

Yost: And that was your strategy from the start, to hire very senior people?

Gartner: From the very beginning.

Yost: And the venture capitalists were comfortable with this?

Gartner: It was in the original business plan. And obviously we evolved the company—there were decisions that were made that were not in the original business plan—but the basic premise of the company, which I'm describing, was in the original business plan. Now when I tell you about the research process, if I can recall it piece by piece…. I'm not sure that the research process that I described in the original proposal was exactly the research process that I ended up developing, because my research process in the beginning was based on some stuff that I had read. There was a book called the *Tao*

Jones Averages by Bennett Goodspeed, which talked about the process of making investment decisions; knowledge management was not a field in those days, but some of the precepts were there or available. We just created a plan, and we knew that it would be arbitrary and actually the detailed one was not in the original plan, it couldn't have been. But we did speak to the fact that we would develop one. The research process was not just a document; we lived by it. All the analysts got together for research meetings on a continuous basis, where people critiqued everybody else's work. We had a very open critique culture, people could say what they thought and nobody should feel hurt. Sometimes the discussions became very vigorous and kind of contentious.

Yost: Was it difficult to come to a consensus on the position on a particular company?

Gartner: The analyst who was writing a report was supposed to be the expert in his particular field, in his area, and he had the last word. But at the research meeting, people would criticize and critique, or come up with good ideas. There was as much constructive criticism as destructive criticism. We, however, had both, because these things were very often free-for-alls. It was part of our culture. When we interviewed somebody for a job, there was a group interview, never one-on-one interviews. We threw snowballs at the guy.

Yost: Such as?

Gartner: One of my favorite questions was—I didn't use it more than two or three times, but as an example—the chap is supposed to know something about the IBM Corporation. Of course, everything flowed out of IBM even at that point. After my Wall Street days, it was still the major factor in the industry. And it's what the users wanted to know about and what the vendors wanted to know about. They were all competing with IBM. Investors wanted to know about it too because everybody had the stock, and IBM was on a high. In the early 1970s, IBM hadn't yet started to sell off its entire rental base, which was one of its big faux pas. Anyway, about the group interview, I would ask the chap to stand up at the board and make a presentation as to "how you think IBM might lose money within two years and then go bankrupt within five years." A completely stupid question given the state of IBM at that time, but it forced the guy to think outside of the box and construct some scenario, which might be a one in a thousand scenario. It could be legal action, it could be a combination of God knows what, but he'd have to be able to think on his feet and present effectively. So that was the kind of thing we did.

Yost: So you wound up with very independent-minded, creative people?

Gartner: Yes, our people were great. The marketplace had not seen people like that. They were right out of the industry with a lot of experience. We liked taking people out of the vendor community who had done, let's say, competitive analysis, who knew the competition in each sector and understood the dynamics. We had a mix and obviously the bigger you get, perhaps the lower your standards get to some extent, because you're not hiring one at a time any longer, you're hiring many at a time if you're growing rapidly. But nothing like what happened to Gartner Group after I left, when the company was really run by the private equity firm that did the deal, Information Partners. Information Partners was a part of Bain, Bain Capital, which was a subsidiary of Bain the consulting company. And Information Partners was 50/50 between Bain, actually 51 percent Bain and 49 percent Dunn & Bradstreet, D & B money. After we did the deal and we bought the company back from Saatchi—I'm getting ahead of myself obviously—they counted pencils, they wanted to drop every cost item and to hire young people and train them rather than hiring experienced people. We had to bring down the average compensation per analyst and it became a dollars-and-cents game instead of a research game. Some people think that companies like Gartner Group should never have gone public in the first place.

Yost: The plan early on was make money through growing equity, growing the company as opposed to maximizing current margins, so it was very much a long-term strategy?

Gartner: Right. The plan was not to be profitable until the fourth or fifth year. We, in fact, were not profitable until the fifth year. And by the way, I should say that none of the big companies who achieved any size were profitable in less than four or five years. META Group was only profitable in their fifth year. Just like Gartner Group, it was a spin-out. They raised money, but they couldn't manage a profit. Now you have to consider the way companies account in this field. You are understating earnings because you're accruing revenues over the life of the contract and so you're not booking revenues when you sign the contract, because you're delivering the product over twelve months. Your costs are relatively fixed, but still you're postponing your revenue base. If you could do it on a cash basis, you would be profitable sooner. Ah, the research process – do you want to finish that?

Yost: Please do.

Gartner: I'll give you a little bit more flavor.

Yost: Great.

Gartner: Scanning, for example, was element number one in the research process. We wanted everybody to be well-informed, not at the expense of being productive, but we wanted people to really be wired in to the best sources of information. We wanted them to know what was going on. Then: Pattern recognition. We were getting all this information, and our job was to come up with new ideas that nobody else had thought of before. You had to try and tie together different things that you were learning and come up with a thesis or idea that you could present at a research meeting. Then: The stalking horse. The stalking horse became part of our culture as did NCVI and CV, and the way we measured the business became part of the culture as well. The stalking horse was a visual representation of your idea, so that you could get up there in front of the whole group and they could see it graphically. It could be a small table of numbers or it could be a picture, a growth picture, a curve, or whatever. It had to describe your idea to the group in a very simple way. The idea needed to be simple, but how you got there, and your analysis, could be more complex. And then there was documentation, and then the consensus-reaching—getting to some form of consensus within the company—and then disseminating material and finally updating. That is an example of the research process from A to Z. As I said, I think that the research process is very valuable in and of itself, but the fact that you have one is more important than *what* it is. It becomes part of the culture.

Yost: And it evolved to a certain extent, but there were major concepts and principles that remained in place over a long period of time?

Gartner: Right, research innovation kept going. For example, we made a big point of G2 intelligence. We wanted to collect intelligence because Wall Street liked it, if you will remember my days at Oppenheimer. And I think all clients like to hear what nobody else knows or very few people know…. It's not that nobody else knows it, but that it's not been disseminated broadly, that's G2. We got to the point where we were making our own judgments, which we said were our own judgments, as to when the next generation of every product line was going to be announced. We just made guesses and sometimes we even concocted our own code names for a new product that would be announced. So G2 was very important. We were not in the business of market forecasting, but we put ourselves in the business of collecting other peoples' market forecasts, disseminating, and giving credit so that we could develop a consensus. Nobody else was doing that. So there's another example. Best practices. A lot of stuff that's being done now.

But the crux of the company was always research, and then our service policy, because

Gartner Group was a silo-type company. We started with one service, which was the industry service, kind of covering everything. And then we spun something out of it, and then spun something else out of it. And this became very controversial in the business, because Gartner kept on adding more and more services—to the detriment of the client, who felt he had to buy more and more services. Our sales pitch was pretty aggressive. I tried to change it within Gartner Group, change it in some meaningful way. I ran into some headwinds with the management team in trying to change from that system. There are fundamentally two issues: How do you organize internally, and what do services look like when you actually deliver them. When I started Giga, I created a single service company and no matter what we did, no matter how many hours we had, no matter what our coverage was, we had access to everything. We were priced by the interface: tried get more and more people to sign up to receive our service. Wanted to grow that way instead of growing by adding services. And we made the point. Our system was much more collaborative and effective when we killed that service structure that Gartner had propagated. But it was part of a growth engine.

Yost: Were the conferences and meetings unique or relatively unique in the industry, were they breaking new ground there?

Gartner: I tried never to do anything that wasn't unique. So our conferences, from the start, might have a keynote speaker from the outside, but we featured only our own people. And at that time, every conference in the field had invited speakers, you know, journalists, and technologists, or company executives who would pitch their own stuff.

Our premise was that outside speakers, they can't be controlled, you don't know what they're going to say, you don't know what their biases are, and you don't know if they're objective or not. We're pitching objectivity.

We had many innovations at our conferences. The biggest one was our symposium, which I designed myself from the ground up. We had a big company by that time—it was like our fifth year or our fourth year of twelve, I think roughly—when I created the symposium. I had gone to the World Economic Forum in Davos. I went three times. After my second year, I said we have got to have a conference like that. The Gartner symposium is by far the largest conference today. I'm not including trade shows, like COMDEX and things of that sort, I'm talking about conferences. It happens to have a trade show element now to tie into it, which makes a lot of money for the company. We didn't have one while I was there.

We created scenarios, which had nothing to do with the World Economic Forum. The scenarios followed a particular format. The scenarios were a responsibility of the top person in every service to develop. Underneath the scenario, you had a series of key issues. Everything we wrote ultimately was relating to a key issue or the scenario. The scenario was a macro view of the industry sector and then we worked bottom up. I could give you a list of individual innovations – from the food service that we would do, to the length of the sessions, to the way we handled Q&A, we continuously innovated.

Yost: Returning to the reports for a minute, the one-page or two-page reports, were those immediately popular or did that involve educating clients? On making certain they knew all that was there, and how it could be used as a tool to help them make decisions?

Gartner: You know, I guess in all honesty I took chances. I just had a conviction that it would be better, and I had a rationale for why I thought it would be more effective. Remember, I came from Wall Street and I knew what sold and what didn't sell. At the other end, they're very, very busy and I wanted our stuff to be read. So I think if the reports hadn't been as accepted as well as they were, I think I would have stuck with it for another year or two and they still would have succeeded. Because, I think, in absolute terms, it was just a superior approach.

That's not to say we never did longer reports, we had a separate department that did more in-depth reports and we played around with different strategies from trying to synthesize stuff that we had already done in our short reports to doing bottom-up, new analysis. It also was a great marketing tool, being different. Everybody else had these long reports…. We also tried to understand what value we were delivering. I think today if you went to the companies in the field, and you asked some salesperson, "Could you describe to me what the value is that you are delivering to your customer base, let's say to your users or your vendors or whoever?" I'll bet you'd get ten different answers and they'd hedge and they'd be flummoxed, completely. Whereas we lived by it, it was part of our research process. We had to understand the value of what we delivered.

The core values were very simple, but there were some that were obvious only after you saw it in front of you; you might not have thought about it otherwise. For example, education: Educating your IT professionals. Is that a value that our research was providing? Well, what we've said was, from a marketing perspective, our work was very strategic, and most IT professionals don't think strategically, they're very narrow despite the fact that it's important for them in terms of their career enhancement and their value to the company to understand the whole scope of IT and what's going on strategically. Any professionals who used our stuff on a regular basis would become more strategic, would become more effective: This is worth $5,000 a year per interface.

Yost: Speaking of the pricing, obviously some consulting work was unique for individual clients, but things that were standard, did those have standard prices? Or did you use discriminatory pricing based on what you felt you were giving a particular client, what they could pay, what it was worth to them?

Gartner: There are ways of doing functional pricing, but the pricing on a service basis was constant, was fixed. There were variables in terms of the number of interfaces, the number of people that had access to the written stuff and to our analysts, but the pricing schedule was the same across the board for our analysts across the constituencies. Granted, from time to time, we repackaged services—for example, for small businesses, we created a small business package for the same price with material we sourced from multiple different services; it had a different mix of content. So if they were more generalist, they got a lot more information than a normal client would get, but if they were specialists, they wouldn't get as much. Then they'd have to call and perhaps buy a different particular service or whatever.

Pricing changed over the years in terms of the details, and I was very heavily involved in pricing—always. Even though we had marketing departments with people who were focused on the issues involved, I also stayed involved because I felt that it was important. When we made a change, it had to be consistent with the kind of culture that we wanted to have, what we were trying to express to the Street, and to the fact that we were dealing with multiple constituencies. And obviously, when we had a Wall Street business with traders, the pricing changed completely. We were pragmatic.

Yost: Can you describe magic quadrants and the development of that concept and what its impact was?

Gartner: I don't think magic quadrants were anything new. My recollection is that I had seen that kind of graph somewhere. However, I think incorporating magic quadrants frequently in our output so that the customers could get used to seeing them, I think that was different. We were one of the primary exponents of that particular form of graphic presentation. I became disenamored of magic quadrants as you've probably read someplace because they were overused and abused.

Yost: During the early 1980s to mid-1980s, were other companies trying to imitate what you did at Gartner? How successful were they? Were there high barriers to imitation of Gartner's business model and strategy?

Gartner: The most obvious case of imitation was Meta Group. Dale Kutnick, whom I hired from Yankee Group, became our research director. I ultimately asked him to leave the business because our viewpoints differed fundamentally. As director of research, his viewpoint was very important—I'm not saying who was right and who was wrong—we just had a disagreement. I asked him to work with our Wall Street firm, which he did for about a year, and then he quit. When he hatched his own company, it was a virtual clone of Gartner, except for one major variable, which is where our disagreement lay. He believed that we should provide individualized service for each client, far more than we were doing at Gartner Group. Now obviously I would like to provide as much personal service as I possibly can to every client, but we had investors, and there were some financial constraints. There were some areas where we compromised those financial constraints to do what we thought was right, but this would have been a change across the board. And to really do it, instead of just to say we were doing it, would have resulted in a discontinuous change to what our margins were.

Yost: What do you mean by more personal service?

Gartner: The whole business is based on the idea that when you have thousands of clients, the average client, let's say an institutional client—a company, not an individual—is going to call you up five times during the year with questions. You had to have the resources to be able to respond to those questions five times during the year. You knew some clients only called you two or three times, and some called you twenty times; they really wanted to get every last piece of value out of the contract. You were probably losing money on those latter accounts, right? But you were working with averages. If you moved the whole distribution to the right, to the point where in fact it would be obvious to everybody that you were providing more personal service, you've changed the economics of the business. Unless your margins are very large, you'd better increase your prices dramatically. So that was his idea; that you had to provide more personal service. Now I don't see how in fact he provided a lot more personal service, but he must have done something right, because the company did grow very nicely.

Yost: Were prices comparable, or was he underpricing you?

Gartner: He was pricing below, but everybody priced below Gartner Group. You might say, "Well, it was his pricing," because many Gartner clients were frustrated with what they considered to be too-high pricing. And by the way, he was a very good personal salesman as well. He's a brilliant person and could speak to any technical problem, and spoke the client's language. People loved to talk to him. So he was a very effective salesman for Meta Group. So there was one example of a successful use of the Gartner model.

Yost: The large existing firms, companies like IDC and Dataquest, they were doing different things, and didn't change?

Gartner: You know it's like turning a battleship; it's very difficult to get these big companies to change. IDC tried to get into the user business a number of times, but they never succeeded. Dataquest today is internal to Gartner Group, because they were acquired, as you know -- Dataquest is widely criticized by the Gartner analysts as “those guys doing the number-crunching.” You know they’re doing something different. They’re doing what they used to do, which is good, they provide supply-side market forecasting essentially. In other words, they figure out—by having good contacts and relations with the vendors—how much the vendors are shipping in units, what the average dollar per unit is, etc. They have all these numbers and they come up with what shipments were in the last quarter for all the vendors and then they project it out in some way…whatever their magic is; you know, different approaches. But in a field where there is very little hard data, people are thirsty for any data, even if it’s wrong.

Yost: Was it in 1986 that you first took the company public?

Gartner: Yes.

Yost: Can you discuss that decision and the strategy behind it?

Gartner: Well, when you have VCs in the act, you know that your future is either the sale of the company or a public offering because they have got to liquidate or liquefy their investment. So it was inevitable, at some point we would do it. Now I don’t recall any special pressure from the board to go public. It’s just the kind of thing we would consider on its merits whenever a proposal came across the desk; we would talk about it for a while. There was never any particular decision to go public at that time.

Yost: It was about a year after, or two years after, you were showing profits?

Gartner: Yes, I think 1984 was our first profitable year, it might have been just the fourth quarter; it might not have even been the full year. So it was 1985. 1985 was a profitable year, and then in 1986, we went public.

What can I say about going public? It was somewhat controversial within the company. It's always been controversial in my mind. I think I mentioned before that it may be that none of these companies should ever have gone public, but if you want to expand, at some point you need capital. And that's probably the cheapest capital that you can raise, in general. It was during a period when we wanted to expand our international presence and we felt that even though we had a sizable sales organization, it was still not providing the coverage that we really wanted. It's interesting that in the Gartner earnings call a couple of weeks ago, Gartner had four hundred salespeople; we had nothing close to that. At the time I left, maybe we had 120, 130, 140, some number like that. And Gene Hall, the CEO, felt that they weren't covering the marketplace, that all they needed to grow was to expand the marketing, the sales organization. We felt the same pressures. That was one of the reasons for going public. We also didn't have any capital, except for stock, to do acquisitions. We'd done two small ones before 1986, and I think that we felt that perhaps we ought to consider doing others, and maybe we should have some cash available for strategic acquisitions.

Yost: You felt the company or industry had grown too much to expand into new areas internally; you wanted to expand through acquisition?

Gartner: Well, we were onto a good thing, and we were growing, obviously. We were growing at higher rate than growth today because it was a much smaller company. I'm trying to think, I would have to go back to my notes, to whether there was a specific usage of funds or if it was more an effort to provide liquidity for management, people with stock options: myself and our investors.

Yost: And you went back to being a private company after a year or two, is that right?

Gartner: We went public in 1986. Saatchi acquired us in 1989. We bought ourselves back in late 1990. So it was a private company again in 1990. Then I left in 1993. I actually left the CEO position in 1991; part of the deal I made with Saatchi when we sold it to them—because I wanted to live here—was that I would stay on as CEO for two and a half years.

Yost: Can you speak about the decision in 1989 to sell to a huge advertising company, and how you thought that would work at the time?

Gartner: I'll tell you what happened in 1989 and then I'll whet your appetite by saying that the most interesting period in Gartner's life, perhaps the thing I'm not particularly most proud of—but I am in a way—between the time that Saatchi put us on the auction block to sell us, which was about seven months after the acquisition, between that time, and the time that we succeeded in buying ourselves back, that was a very fascinating period of time. But what happened… let me give you some background.

I always was interested in knowing what our value was in the market. And during the whole spectrum of the 1980s, there were people who were interested in buying our company. We always listened. We traveled to London. We traveled I think three times to the Netherlands; three different publishing companies there were after us. Dunn & Bradstreet was after us. Prentice Hall was after us. Mostly publishing companies for some reason. Publishing companies today don't seem to have a big appetite for this kind of company, but in those days they did. I think they saw that we were a publishing firm, they saw that we produced a huge amount of paper—especially when we went to the single page. A lot more than people who write long reports, because you can knock a page off at night, in two hours you can get a product out. Whereas when you have to do a 40- or 50- or 150-page document, it becomes so psychologically defeating to even think about completing it that it takes you forever. Nevertheless, you're much more productive the other way and we had everybody producing these notes, everybody who was an analyst. We spoke to these publishing firms and the terms were never right for us. We never did anything, but we knew our value in the market, at least to that part of the industry.

One of our employees who had contacts with Saatchi wanted to set up a meeting. We had a meeting and that led to another meeting and… Saatchi! The idea was that Saatchi was trying to do in consulting what they had done in advertising. They retained Booz Allen Hamilton, a leading provider of management and technology consulting, to do a study of what they should do to maintain the group, and Booz Allen came up with the idea that they should try and consolidate a part of the consulting business. That if they combined the acquisition of companies with an office which was focusing on synergy opportunities, they could build a very interesting business. So they had purchased ten companies. We were the eleventh company that they acquired. It turned out to be their last. I can evaluate their portfolio.

Of course I met their CEO again and again… CEO meetings were quarterly at Saatchi. But we were a real growth company and we had a reputation at that point and momentum in the hottest part of the consulting field. We were the jewel; they wanted us. In retrospect, maybe they should have paid more, but they felt a little over two times revenue was a good price and it really was more than two times revenue because on top of the purchase price, they put up a cash fund which became a bonus fund for employees. They were very good to the employees; the employees weren't shareholders any longer. They got paid off.

Yost: Given the type of company it was, and how the accounting was done with delayed recognition of revenue, was a price earnings ratio an effective measure of the valuation for what they were paying for the company or did that really not apply?

Gartner: It's interesting. On Wall Street, PE ratios are the major determinant, but not always, not for every industry, and not for every company, depending on where it is in its growth phase. So obviously a company that's growing very rapidly but not earning any money, you're not going to do a PE on it, right?

Yost: Right.

Gartner: Companies in our field were often measured on a price-to-revenue basis, and virtually all the discussions that we ever had were on this basis. Not that they weren't figuring out their own PE multiples two, three, four years out; if they were interested in acquiring the company, obviously they were doing all of that. The rule of thumb, however, was that companies like ours would sell at one times revenue in those days. It was a long time ago, different metrics completely. To get over two was considered a windfall. Today, it would not be considered a windfall if you're growing at the rate that we were growing.

Yost: Gideon, let's spend a little bit more time on the Gartner Group years, the years you were with the Gartner Group. Could you comment on your transition from being primarily an analyst to taking a leadership role at the company? How did you spend your time and how did this change as the firm grew?

Gartner: Well, clearly, at the beginning, I was the primary analyst. As the company grew, and as we added more people, my analyst responsibilities declined. As I recall, it was sometime during 1994 when I quit completely, said I will not be an analyst, I will not write anything. The burden of running the business was just too great. I still gave talks to clients and some of these talks were addressing the industry and the dynamics and the companies in it, so they had real content, but I think they became much more oriented towards general research issues, knowledge management issues, things that did not have to do with the IT marketplace day-by-day.

Yost: One other thing you engaged in, in the mid-1980s, was teaching a course at UCLA's Anderson School of Management. You commented that this was, if not your greatest professional achievement – your most satisfying professional achievement. I wonder if you could comment a little bit more on that, what you found so satisfying about it, and the nature and dynamics of the course itself.

Gartner: I was totally unprepared for the caliber of the students. Second-year students at the graduate school of management at UCLA. The students almost universally had experience in the industry, in other words, they did not go from undergraduate to graduate school, but they had work experience in the computer field, which made them quite knowledgeable; and in quite a diverse way, because each one had different experiences. They were very outspoken. They were great; they were fun to work with. That was one aspect of it.

The second aspect is that it was just a fun experience, which really is neither here nor there. A girlfriend of mine was at the graduate school and she audited my course. I taught on Mondays and I flew out to L.A. on Sundays. I would stay on campus, they had a place for visiting faculty at the Graduate School of Management. I taught all morning on Monday and then she and I would go play tennis. And then I'd fly back, I'd take the four o'clock, I think it was the four o'clock, American Airlines flight back.

But let me comment on the structure of the course. I did the first two lectures on my own, and the last lecture on my own, and for the other lectures, I brought analysts from Gartner Group to cover their sector. The course was on the structure of the computer industry. The software sector, the minicomputer sector -- the minicomputer sector in those days was hot. The analyst who was the most senior in a particular sector, I brought out to California with me. I would introduce them, they would speak for about an hour, remember it was all morning, and then we would have a free-form discussion, which I moderated and contributed to. So that took part of the load off me because these guys were very smart. But I did three of the lectures on my own, and moderated everything else and introduced it. So I was really running the show. And the reaction of the kids was universally off the charts.

Yost: I read some of the evaluations in the notebook; they were fantastic.

Gartner: You should read them all, because they're fun.

Yost: It sounds like an excellent course.

Gartner: I should just mention, if you don't mind my interrupting, that in a way I did a lot of teaching while I was running Gartner Group. I gave a course every year on research to the entire research department with the emphasis on new people coming in. And I guess I was always inclined towards transferring information effectively, without being, I hope, too pedantic. I built up a lot of documentation into this research notebook, which I don't think I've shown you yet.

Yost: No.

Gartner: This was also my way of educating the staff to the processes and standards, which I was propagating within the company.

Yost: The Gartner Group during the 1980s, and beyond as well, had a major influence on the development of IT and the success of products and companies. Could you comment broadly on the impact you feel the Gartner Group had on the development of information technology and the information technology business, and how this changed over time?

Gartner: Hmm. Well, the impact was variable depending on which constituency you're speaking of. I think in terms of the product plans of the various companies in the industry, it probably had a negligible influence, even though transmitting our knowledge, our views on users requirements to vendors, might have had some marginal impact. I, however, don't think that was a major factor. Our goals were to enable vendors to understand their competition better, so we were like a competitive analysis department for the vendors in the business. For the users, we were focused on saving them money, on helping them make better acquisitions decisions. We addressed decision support in general—providing decision support when they had issues in terms of internal configurations, in terms of platforms to be used, in terms of interconnectivity of the whole kludge of software.

But very importantly, we focused also on their relations to their vendors. And as we already talked about briefly, we had to take positions. And the users over time began to rely on these assessments more and more in their evaluation of vendors, especially small vendors who were coming on stream in new niches within the market. This put a tremendous responsibility on our shoulders, as it was impossible to cover all the variables. It was often very difficult to defend our positions, and many of the analysts used seat-of-the-pants assumptions in their evaluations, but nevertheless our assessments had an impact on the selection process, and probably helped some vendors and hurt others. In terms of acquisition of equipment, especially in the early years, we were very big on obsolescence rates of equipment that was on the market and when it would be replaced and what the functionality and price performance metrics would be of the generation of equipment that would replace the current equipment. We took positions on the time frame of when a piece of hardware would be replaced by the next generation, and we guessed at what specs would help determine the level of obsolescence of the existing equipment, especially if that equipment was not installed but was in the pipeline to be acquired by the customer. So we did influence buying decisions to a great extent.

Because we focused dramatically on IBM, certainly in the early years of the company and continuing to a lesser extent thereafter, we arguably affected the profit and loss of IBM. If we felt that a replacement series was scheduled within a six-month time frame of a product, it wouldn't make much sense—if the new product had a substantially improved price-to-performance ratio—for the client to acquire the current equipment. The client would postpone their decision or they would rent instead of buying, because in those days, IBM had a big rental business. So I think we affected IBM significantly.

Now another point: This may be somewhat subtle, but in the early years we were very focused on decision support, and clients would use us to solve problems. As the company grew and especially toward the latter years when I was there, and even more so after I left, clients used Gartner Group more and more to validate decisions which they had already made. Every time an in-house decision was being made, they would always invoke Gartner: Gartner says this, Gartner says that, etc. So they'd call us and then use us to help validate decisions they had already made, as opposed to utilizing us to make the decision. This, I think, expanded our influence in the users' community especially, but also in the vendor community—because these presentations were generally made to higher levels of management. Our reach extended to people above those who were actually using our data day-by-day to help make lower level decisions or to make proposals to upper management.

Yost: Were there many instances where a company came to you to get validation for a decision they'd already made, but you had a different perspective, so you couldn't give them that validation?

Gartner: Sure, if they asked, but normally they didn't. Normally they wouldn't say, "Would you support our decision?"

Yost: They were just using the data and interpretations or analysis from Gartner reports?

Gartner: They'd just read something in our literature. They would call and get a reference to one of our papers. And if it fit what they wanted to do, they would use it, and if it didn't, they wouldn't.

Yost: You spoke of how the acquisition of the company by Saatchi, Saatchi's decision to sell the company, and finally, your effort to buy the firm back, made for a interesting and intriguing year. Can you talk about that year and how the Gartner Group ran during that year and challenges it faced? Also could you comment specifically on your decision to try and acquire the company back, and how that came about?

Gartner: Well, that's a long story. And to tell it comprehensively is probably beyond the scope of our discussion. And as I mentioned yesterday, I'm working on a book to address this.

Yost: Right. But perhaps you could give a few highlights.

Gartner: Here are some highlights: Saatchi was feeling the pinch in their own operation, which is why we and the other ten companies were put on the auction block.

Yost: And these were all consulting companies?

Gartner: Different flavors of consulting companies. For example, Hay Consulting, a major human resources firm, was the one that happened to be the largest. Each one was different. I don't think there were any two that were similar. First, Saatchi pushed us to cut expenses as much as we could, and they put it in an incentive program for management based on how we would do in excess of our plan; we were looking for excess profits essentially. They applied this to all the companies and to internal operations as well to try and support their stock price and so forth. We felt the pressure ourselves and we didn't like it because we felt this would impact our growth. But they had bought us, they owned us, so we played the game.

In the auction, Saatchi received some interest and they were pretty sensitive in terms of our needs and our desires, in terms of interest from some companies that we, as a people business, had no use for at all. It turned out that none of the companies they brought to the auction were companies that we were very excited about owning us. It was Saatchi's decision because we belonged to them; it wasn't ours.

I drew the conclusion that we should try and buy ourselves back. The bottom line of that whole process was that I was at that point an employee of Saatchi & Saatchi and I owed them my allegiance, but at the same time I wanted to buy our company back, which was against their interests because when you do a leveraged buyout, an LBO, or a management buyout, a MBO, you invariably end up proposing a much lower price to buy the company than what the parent really wants and you have tremendous leverage because, especially in a people business, no company wanting to buy us would want to buy us unless management was enthusiastic about the acquisition. Otherwise morale would be bad. So the fact that a LBO was being pursued would damage the Saatchi process in this particular case of selling us to the highest bidder. At the time I think they were looking for $125 million for the company or something along that line.

Yost: They had paid $94 million for it the previous year?

Gartner: Yes, at least seven months earlier. There was no way we could come up with the money. Neill Brownstein, our original VC investor, had the idea that we should go to Dunn & Bradstreet, which owned Dataquest, and try and convince Dunn & Bradstreet to support the LBO. We had several meetings with them, and to make a long story short, they introduced us to Information Partners, which was essentially a private equity firm, to use today's nomenclature. They wanted to be our LBO partner. We did not make a decision. In the meantime, some of the would-be acquirers were brought in to talk to us. One was IDC, Pat McGovern's company. He was the chairman of International Data Group and IDC was their market research subsidiary. Pat McGovern himself got involved. Another possibility was Cap Gemini Sogenti, the French consulting company. We had long discussions with Cap Gemini but we decided that their culture was completely different than ours; it was more of a body shop, and they wouldn't understand our research business and there would be compensation implications to our people and where would the company go? Even though the company didn't belong to us, the people in the company were concerned about their own futures. And we thought that the French deal would be bad for the employees of the business.

I was walking a fine line between being an employee of Saatchi doing their bidding and wanting to do the LBO. I kept them informed of everything that was happening, and interestingly, they must have taken the position that they couldn't pull the rug out from under me completely, that they had to play ball. They could have fired me had they wanted to, but that probably would have been a bad decision, because most purchasing companies were very interested in my continuing to run the business. On an interesting side note, IDC started to put ads in Computerworld, which is their publication, knocking Gartner Group, attacking us. I wish I could show you some of the ads, I wish I had them to show you. I need to hunt them up. Did you see anything in the notebook?

Yost: No, I didn't.

Gartner: Pat McGovern himself came with some of his top executives to talk to the management team, to pitch us. It was not a friendly audience that he had to contend with. I was surprised at the aggressiveness of some of our own people asking questions, "Why do you want to buy us? What would you do with us?" Just indicating that we were not a friendly group. I believe Saatchi had a representative at that meeting; we invited somebody to sit in. It was a very unpleasant episode. We essentially chased McGovern out of the building.

Now, one of our original VCs who no longer held interest in the company because we had sold it to Saatchi, Chris Brody, also wanted to run an LBO, so we had discussions with him. I wasn't particularly enamored with the deal at the time. In retrospect perhaps it would have been in my interest, if not in the company's interest, to do that deal. For a period of maybe a couple of months, Information Partners and Dunn & Bradstreet were on the shelf, they were in the backlight, nothing was happening, negotiations for whatever reason had stopped. I think predominately because I had some questions about the deal.

One day, one of the people working for me, who was actually the person closest to me in terms of advising me as to the negotiation processes, etc., and still a very good friend of mine, just called up one of the people from Information Partners to chat with him and he disclosed more than he should have about where we stood with Saatchi. This person immediately called up the CEO of Saatchi, Robert Louis-Dreyfus. And they essentially made a deal together using the fundamental basis that he and I had been negotiating. So Saatchi, which has been dead set against an LBO was forced to make a deal, this, after a year of drama, and I'm not giving you the whole story chapter and verse, believe me. They made a deal. We then negotiated as hard as we could to get a maximum interest for the people of the company. And I'll get to that too, because it was a breakthrough kind of deal. It was one of the most attractive LBOs for the people of the business imaginable.

The employees of the company ended up with forty percent of the equity of the business. Remember these deals are done with a little bit of equity and a lot of debt and the debt was supplied by Dunn & Bradstreet. The reason they did it on very favorable terms is because they owned Dataquest and it gave them much more flexibility in terms of what they might do with Dataquest. Dataquest was a problem company for them.

Let me talk a little bit about the attitude of the company, as to what was going on. For over a year, the employees could talk or think about little else than what would happen to the company, what would happen to them, who are we talking to? The productivity went downhill so quickly it was scary, and this was true no matter what we tried to do to get people to put their heads down and focus on running the business. The management team, which felt very responsible with respect to their own obligations, really wanted to move forward. And some of them argued, "You know, let's just get this over with. Let's just find a buyer and get this behind us. This thing has been dragging on and on." So the level of support that I had from the management team to buy ourselves back as opposed to selling to one of these outsiders, was a very, very variable response. We had meetings and I wanted to include people in everything that was going on. But it was a difficult time. I had to make things happen against the objection to buy ourselves back. People also worried about what the implication was of taking on a lot of debt. You take on a lot of debt, and your parent, after you've done the LBO, wants you again to watch your expenses—what Saatchi wanted to do. Saatchi wanted excess profits. The owners always want you to generate excess cash flow so they can pay off the debt, otherwise the banks own you. The banks are the provider of the subordinated debt, in our case, Dunn &

Bradstreet.

So all these negotiations were going on. It was a dramatic time. Blackstone was the banker for Saatchi, and one of the quotes which I use all the time was a quote from Stephen Schwartzman, who is currently the CEO of Blackstone and one of the richest people in the country. At that time, he was the guy running the show for Saatchi trying to sell us. I was trying to do the LBO and he said things like, "Gideon, this is not your company anymore." I'll never forget that one. I see Steve every once in a while and we laugh about the old days. The whole reason why there was a big *New York Times* article about "over 100 millionaires created at Gartner Group" when Gartner Group went public a second time was because we owned so much of the equity of the company. In the contract which I had signed personally with Saatchi when they acquired Gartner Group, I pledged to stay for two and a half years or so, until April 1st, 1991, and that we would look for a CEO. So that's what happened. That's the story. We succeeded in buying ourselves back.

Yost: And you stayed at the company through 1992, was it?

Gartner: I stayed at the company until early 1993. I had great difficulties with the board of directors. The whole board was made up of Dunn & Bradstreet people. The new CEO we brought in, Manny Fernandez, had worked for D & B as the president of Dataquest. I was instrumental in bringing him in; he and I were talking about his coming in to be the CEO before this ever happened. But obviously when D & B became such a big factor in the acquisition, he agreed to do it. So he was on the board and Information Partners' people were on board—that was the subsidiary essentially of Bain—and D & B people were on the board, and me. So it was my responsibility to worry about the people in the business. That was the responsibility that I assumed for myself.

We had an agreement in writing but not a contractual agreement that we would bring in two outside directors as soon as it was "practical." I remember exactly what the wording was. I brought it up at every board meeting and they would just slough it off and say, "Well, Gideon, you know we're not ready." They had no intention of bringing outsiders on the board. Meanwhile, there was no way for *me* to obtain any support for any position that had to do with the progress of the company because they were running it like an LBO, which was their right because they did the deal, but they were screwing people right and left. The forty percent that we negotiated hadn't all been distributed, and I asked questions about it. We had issues. To make a long story short, there were significant disagreements among the board of directors and me, and because they wanted to control the whole thing, they asked me to leave the board.

Yost: And yet you wanted to continue to invest in the company as you had done in the past, and ensure it remained an innovative firm?

Gartner: I felt it was for the good of the company. Early on, I realized that we had to pay off the debt. I was very cognizant and sensitive to this issue, but they were managing the company to an extreme level, which may have been the right choice because we did pay off the debt and the company was able to go public again and so on and so forth. It did very well with public capital and the story was very strong. Although from a quality perspective, the company went downhill dramatically. And it was my baby, so all of these things were of great concern to me and many of the micro decisions that were being made were very unsettling to me. For example, some people who had been asked to leave had been very valuable employees for a long time, and maybe they were making too much money and the rest of the board felt they could be replaced, but I didn't like losing their experience... Just to give you a general picture.

Yost: Before you left, was there a major push to bring in less senior analysts? Or was that after?

Gartner: That came mostly afterwards. I didn't see what Manny did specifically. I think he did it very subtly at that point. I don't recall hearing about any new company policies in regards to this, but maybe they just didn't want to make it obvious to me. I saw what was happening to the senior people in the business. I can't speak to the details because there might have been various reasons why some of them were released, but it seemed to me that they were on this path. There were discussions about compensation levels, that they were too high, and that certain pockets of the business should be eliminated. Everything had to do with cost-cutting as opposed to the future of the business. Dunn & Bradstreet was really running the show. They wanted to make me the chairman emeritus; I was chairman of the board at that time. So they said, why don't you be chairman emeritus, it'll be a great deal for you. But I was very angry and I declined. I was already thinking about the next business.

And just to give you a little anecdote, my interest in a different model went back to 1985, when I had read about the chairman of one of the big Japanese companies, I think it was Matsushita, which came into their own as Panasonic. Their leader was a venerable old founder of the company and he did a 500-year plan for his firm, which is fascinating to me because obviously it's ludicrous. But what does it mean symbolically? Spiritually? Because the Japanese, you know, they think in different ways. And I always felt that the way to plan is to take a snapshot of a point in time in the future and try and identify what the world or what the situation looks like, and then figure out how to get from here to there. That's clearly what anybody who's doing a long-term plan does, you make your assumptions as to what the world will look like and then you say, "Well, how do we position ourselves to take advantage of these macro changes?"

So I did a five-year plan myself. I wrote a…wait, it wasn't a five-year plan, it was longer term. It was like a ten- or fifteen-year plan. I said, "In ten years, or whatever, how many clients will we have, how many analysts will we have, what will the world want in terms of research product?" and so on and so forth. How do we have to reorganize ourselves to put ourselves in a position to succeed in the future? Where are our current weaknesses relative to our size?" We were growing so rapidly, size would put new demands upon us. I came up with a structure for changing the service process, the service organization, where internally, analysts were organized by domains within the IT industry and they essentially competed against one another. They were compensated based on growth so they were interested in their own growth relative to the growth of the company and matters of that sort. I distributed my plan to the managers, and some of the responses were very thoughtful and interesting. I set about making some small changes to the organization, to change the service structure as it was viewed externally, because people were complaining and had been for a long time. And then at the same time, I set about making changes to the organization internally to accommodate the external change, and so on and so forth.

Yost: Were your clients complaining that it was organized by sector?

Gartner: Oh yes. Well, they didn't care about how we were organized internally. However, they did care about the fact that we would split services. When we went public, initially we had one service. When we went public the second time, in 1986, we had eight services. At this time, we had perhaps twenty services; today the company has a couple hundred services. It's a mess from the customer perspective; he doesn't really understand what each provides, he doesn't understand what the overlaps are, he can't afford to buy everything.

After I founded Giga, Gartner Group was forced to make changes so that they could provide things that looked like a single service model to the client. They couldn't go as far as we did at Giga for the same reason that we couldn't make those changes at the time, it was just too controversial as to how to do it. People were concerned about the impact of the changes on the company morale and the business model, which had worked for the company so well. Sales felt that every time there was a new service announced they could automatically expect to generate x dollars in new business. So splitting services would immediately create a bump, every time we did it. This would make it easier for sales to make its quotas, and would increase the compensation for everybody involved. Some people liked the fact that the services competed against each other. Yes, it created internal politics and internal dissention, but the people who worked in the services were so committed to winning that this internal competition had become part of the culture. People were worried that changing this structure would affect the culture.

The fact is that Gartner Group by 1985 or 1986—right before we went public—was big, but it wasn't *that* big. It just seemed that it was big because it was growing very rapidly. We all agreed I could have forced the issue, but there was so much staff work that had to be done to plan these types of changes and to absorb these changes, and there was so much risk involved that we didn't know how it was going to work. If I'd have had support across the board, I think I would have taken the chance and I would have pushed it. But, given the fact that there were some smart minds saying no, and I realized myself that it would be a huge challenge to make this happen, we went along, and nothing happened.

Yost: In the mid-1980s there was also something Gartner Group did that I neglected to ask you about so far and that's Comtec. Can you talk a little bit about that and how it worked, and how it gave the firm a competitive advantage compared to others in the field?

Gartner: Sure. The whole idea was to give us further competitive advantage, but, to be honest, I don't think we ever achieved what we set out to do with Comtec. We started out being part-owner and then we bought out the rest of the company. We had some good people in our company running the business, but the economics of Comtec worked against us and ultimately we had to fold it. The problem was that, the idea of Comtec – Do you know what it set out to do?

Yost: Yes, but if you could briefly summarize it?

Gartner: It was a highly mathematically-evolved sampling system, which would enable us to define the size of the market and to make projections about where the market was going in competition with the supply side forecasting methods and size of market methods that we discussed briefly yesterday that Dataquest and IDC and others were pursuing. So here we would talk to customers, who would be very carefully selected using this sampling analysis, and you had to spend a lot of money in retaining mathematical experts, companies that were expert in doing these things for big government surveys and so forth, so that the results would be statistically significant. The cost of generating the data and the reports that would have to be produced were substantially greater than the costs that, let's say, Dataquest had to undertake to do the supply side approach.

But that wasn't the big problem. The big problem was what we would have to charge the customer base to cover the costs to make it a profitable enterprise and it turned out that data in this business is so tricky anyway and people always want to see what everybody's forecasting but nobody has a lot of confidence in the numbers, whether you're doing it using a sampling methodology or otherwise. So it was worth something to them, but not worth what we would have had to charge. The very large companies would buy, but the smaller companies couldn't afford it, so we had to figure out what our pricing strategy would be—whether it would be a fixed priced product or whether we would charge by the size of the client. We tried everything and it appeared as though we could never make a profit at Comtec, so it did not succeed.

Info Corp was our other acquisition. Info Corp was a company that had been a spin-out from Dataquest and had some good people and ultimately we just integrated them completely and they became part of Gartner.

Yost: You talked about the ideas you had in the mid-1980s for changing Gartner Group and how it wasn't really conceivable or possible given the size of the company and the growth. Can you talk about how those ideas continued to evolve in the late 1980s and early 1990s and then the founding of Giga?

Gartner: Well, when I was telling you the story before of my ten-year plan, or whatever it was, the reason for telling you that story was that I already had in mind a better solution from the customer's perspective, which if Gartner could not implement, theoretically, someone else could. Well, as long as I was running Gartner I didn't think in those terms, I just knew that I'd done this study.

This changed, however, after I had the problem with the board and I wasn't running Gartner anymore. I was no longer on the board of directors, but I hadn't decided whether I wanted to be chairman emeritus or possibly create a new company—a company that could embody some of these ideas. When I have a new idea, I like to try and implement it. I was kind of enamored by some of the things that a new company could do in the marketplace. I think that is why I didn't accept the offer to stay with Gartner and figured, well, I really hadn't negotiated a non-compete so I was a free bird. Nobody thought that I was going to start another company to compete against Gartner Group.

Yost: How long was the non-compete clause? A couple years?

Gartner: Yes, something like that. And as long as you're not in the marketplace, you can develop your company. As long as you're not competing in the marketplace, you're free to develop. So I started to think about a new company. My favorite idea on starting anything new is just take a clean sheet of paper and just draw pictures, and just free-form it, and then erase, and just go through iterations. I tried to define what, ideally, a new company might look like. So that's the way the idea of Giga was born. I went to some of my original investors like Neill Brownstein and I went to friends of mine who were running money in different places and I found that I could come up with a friends-and-family round to help start the development of this company, which I did. I put a couple of million bucks of my own into it, a lot more money than I would put in today to this sort of company. I don't know what drove me to invest that much money.

Just an interesting thought: I don't think I would have started Gartner Group if I hadn't found David Stein to be a number two guy so I could start it with somebody else who I trusted and could work with. Neill introduced me in this time period, pre-Giga but post-Gartner, to a chap by the name of David Gilmour, who had worked for Lotus, and I met him and was completely taken by his intelligence and his knowledge. And he was available. He was, unfortunately, living in California, but I enlisted him to work with me to develop Giga. Then he became the number two guy. He was kind of the co-founder essentially. He was a junior partner, just like David Stein had been a junior partner at Gartner. I hired a couple of people, I hired one ex-Gartner person, whom I knew very well, to help develop our technology plan. I hired an ex-marketing person from Gartner, who had already left, to work on some of the marketing aspects and to help me with documentation and things of that sort. And I started the company.

Yost: Was it strange to be competing against a company that bore your name?

Gartner: It kept my blood flowing. It was fun. The idea was a little bit far out and it was an adventure.

Yost: Your name has brand value that really applies to both firms.

Gartner: Yes. I think when we were opening up new business opportunities, when we were making our first sales, I think my name helped. I think our initial momentum was helped by the reputation. What happened then was, in planning the growth of the company, it turned out that we needed a lot of capital to build the sales organization. I was convinced that we had to build the sales organization very rapidly. I had the idea that we should acquire a company that would be kind of a base, and perhaps solve some of the early implementation challenges every start-up has. In other words, there would be infrastructure that would be provided, which would hasten our ability to enter the market and would give us a revenue base.

We were very lucky to find a company called BIS Strategic Decisions, which was owned by NYNEX, of all companies. It was a market research firm in technology. It ventured beyond the scope of, let's say, the Gartner Group's technology operations. It got into printers; it got into hardware; into niches of the marketplace. It had a good reputation. It had been around and it was about a $27 million company. I asked a chap who had worked for me as administrative assistant at Gartner Group, and then became a venture capitalist in Maryland, to help me acquire this company. He was a great negotiator, one of the best I'd ever met and he negotiated the deal and we acquired this company for very little money from NYNEX. So Giga then had a base.

It almost brought us down, buying that company. Even though we did due diligence before buying the company for next to nothing, there were too many skeletons in the closet. Customer satisfaction had been declining and we ultimately decided that we had to close down virtually every revenue center of that firm at great expense. But we were private at that time so it didn't really matter. The management time that it absorbed, that was unreal. However, it gave us the infrastructure that we were looking for. We kept their events group, we took some people out of marketing, we took a few sales people, the better ones, we retained them, and a few of the analysts. So it did enable us to get a quick start.

Yost: Was it the financial implications of this that led you to seek to go public, and can you talk about getting together with Lehman about that possibility?

Gartner: The same individual who had negotiated that deal, who was then later on our board, I put him on the board a couple of years after that, in 1998 I guess it was, encouraged us to take the company public. We were on a hot streak again growthwise, growing much faster than Gartner ever grew, but we were running through cash at a rapid rate and going public was the cheapest way we could fund the growth of the company. It was a tricky time, we were about to take an investment, to accept an investment from Allen Company, which might have had some positive ramifications, but the terms were nothing close to what we could do in a public offering and I had to turn them down or renege on our situation with them with the encouragement of the board. It was my idea, but the board felt that ultimately going public was the best thing to do. In retrospect, I'm not sure that's correct. So it was a way of continuing to capitalize the company. We went public in 1998.

Yost: If you could talk about the implementation of the ideas for your continuous service model at Giga…? How the model changed and the challenges of implementing it. We've gotten into your huge upfront costs, but not the model itself, and how it worked at Giga.

Gartner: It was a very exciting model, and I have to say that we never implemented the complete model. I think if I would have been there day-by-day running the company, it would have happened. But my governance model failed dreadfully. I did not want to run the company day-by-day. I could not find a CEO. I looked. I could not find anyone who I trusted. So I retained the CEO title and I got the board to agree that we would hire a COO, a Chief Operating Officer, and he would be the CEO-elect.

Yost: And that was Henry Givray?

Gartner: No, the first one was Ken Marshall. We could attract a CEO-type person. He would know that he was in line for that position, but because none of these people would probably have a grounding in this industry and it was so young a company and we were trying to achieve objectives which were my objectives, and I knew what I wanted and the new CEO would have no idea because he would not have the experience to understand all the ins and outs and the subtleties. That was the basis for deciding that I would remain the CEO, and he would be the COO. He would be on the board and after a year, year and a half, he would be the CEO.

Well, so we hired Heidrick & Struggles. John Thompson, who is the vice chairman of the company, the top technology placement officer, was the guy… We hired the best people to find our new COO and CEO-elect. We had a few resumés that had passed their scrutiny and one individual specifically, though we interviewed a number of people, this one candidate, Ken Marshall, who they favored was an ex-Oracle executive, which is a very tough company, very hard-hitting. He was a guy with operational experience. At the last minute, after we had virtually agreed to hire Ken, one of our board members found something that he didn't like about his background. So we brought Ken down from Boston and we had a long session with him to go through what we had discovered to really feel comfortable with the situation. But we also told him that we weren't sure of our decision. We then had our meeting after the interview, the group interview. Again, group interviews were the most effective, because everybody's on the same page, everybody heard the same thing and could discuss it. We decided to go ahead. Pragmatically, we decided to go ahead and take a chance.

It did not work out. Perhaps through no fault of his. He had to live through the whole issue of dealing with BIS Strategic Decisions at the same time that we had to build up the new model of Giga. BIS was a continuous hassle in terms of what to do and how to downsize it, and what to get rid of first, and it took a while before we decided, "Hey, we gotta close this shop down." We closed various parts of it down first. So that was the situation. These were issues that took a lot of his time and perhaps distracted him from what needed to be done, but it just didn't work out.

And without going through chapter and verse, we then elevated Henry Givray. I brought Henry in because I knew Henry. I had worked with him before at the Society for

Information Management (SIM), which is a group of CIOs, a large users group of CIOs. He was the senior guy at a company called SmithBucklin in Chicago, which administered this CIO group. It is not unusual to have a professional company administering a user group. And, I'd seen him in operation over several years: I was on the board of SIM and I was advisor to the president at one point. I was impressed. He wasn't the president, he was a chief of the administrative company, but I could see him in action and I thought he was terrific and I still think he's terrific. So I brought him in as head of marketing. Then when Ken left, we elevated him to the CEO position, and I could tell you why that did not work out, but I'd have to really explain the context, it had to do with issues relating to our rapid growth. Was our growth too rapid? Were we eating up too much capital? Was it the right thing to do? What effect was it having morale-wise on the people in the business? The Sales Department was not meeting its objectives. Even though we were growing like crazy, we still fell short of our objectives.

Yost: There was a much greater proportion of sales representatives relative to analysts than you'd had in the past to generate new business.

Gartner: To start, yes. Actually no, that's not correct. See, the Giga model, one reason why it required rapid sales growth, was because we were going to be all things to all people. Giga was going to be a one-service company and we were going to deal with large enterprises. So we had to be able to respond to 95 percent of all the questions, issues which IT organizations were experiencing. Gartner started with one service and then we added another service and another service, so we grew that way and everybody knew what they were getting was a piece of the entire spectrum of IT. At Giga, from day one we had to be there with enough analysts and we hired over 30 analysts before we actually started to sell aggressively because we felt with less than 30 people we couldn't do it, we couldn't compete against the Gartner Group essentially.

Yost: How did the company go about integrating knowledge from the various IT fields or sectors?

Gartner: Oh, the analysts had different responsibilities and we had it on a chart and we'd say what our knowledge base was compared to the total number of dimensions there were to the very complex IT world, and if we covered enough, we were ready to go. But already it was costing us money to put this analyst team together. Before there was any revenue whatsoever, there were very high fixed costs.

You could draw a diagram: If you have a very high fixed cost and you and your revenue grows, let's say, in a straight line, you're going to have a break-even point, right? Well, if you grow slowly, your break-even point's going to be way out into the future, you're going to run out of cash. If it's too far to the left, if you grow too rapidly then…you had to pick a happy medium. But fixed costs were so high that we felt we had to have a fast ramp in terms of sales to survive.

Once we had the team, we said, "O.K. we're now going to deliver our first product." This was in April of 1996. April 1st. We felt we had to have enough sales people in place to grow rapidly. So the ratio of sales to analysts at that point may have not been as high as what the Gartner ratio was. But it grew; they both grew. We had to increase the analytic organization and the sales organization. But we did grow the sales organization faster. So at its peak, what was the ratio? I don't remember. I would compare it to Gartner, they're both moving targets at any one point in time.

The issue of are we growing too fast or not, came up, and to this day I'm amazed that the board of directors and Henry did not understand that we had to grow fast. There was no choice for many reasons. Let me give you one other reason as an example. We were competing against Gartner predominately. Our service, because of the single-service approach, was much more cost-effective than Gartner's. It was hard to compare. It's not apples to apples, it's apples to oranges. But in general, with our cost effectiveness, because of the single service, somebody could get access for a broad spectrum of knowledge for a lot less money with Giga than with Gartner Group. Gartner had to have layer upon layer of services to have equal coverage.

We knew that Gartner would respond to us by cutting price. If we grew slowly, if we didn't have complete coverage in the United States, then every time Gartner was in a difficult competitive situation they would drop their price, doing whatever they had to do to keep the business. I knew the way they thought. I would have done the same thing. If you're competing across the board, then they have to cut the price across the board essentially. In other words, instead of picking and choosing where they cut price, they would have to at some point in the exercise, instead of having price differentiation, at some point, it doesn't work any longer to be arbitrary that way. They would have to cut across the board. They, however, wouldn't be able to afford to do that because they were a public company and at the very least, it would affect short-term financial performance, it would affect their profit and loss dramatically. Because they'd have the same cost structure they'd have to cut price across the board. It would be right off the top. That was a strategic reason why we had to grow rapidly.

O.K., the other problem with Giga was that we were a virtual company. At the Gartner Group, for the first several years, all the sales people were in one room, all the analysts were in one room; it was a chain. At Giga, I set the wrong tone when I allowed David Gilmour to be in California, the number two guy, with me living in New York City, and the company being in Boston—because BIS Strategic Decisions was a Boston company. A part of this virtual company thing was an experiment. We felt that technology had moved so rapidly that we could use the latest electronic meeting and communication techniques, tie everybody in, and be effective. Of course, the bulk of the company was in Boston, but the management team was stretched. We opened up offices perhaps too quickly in districts, we moved sales out too rapidly. We probably should have kept sales in one location and had the salesmen fly to their territories.

Many of these decisions were not mine because I had a COO who was there every day and who was being groomed to be the CEO and I wanted this person to have leeway. I worked my ass off. I was working probably harder than any of the COOs, the three of them. Ask some of my girlfriends; I was working all night and traveling. And of course, I would go back and forth to Boston and to all of our conferences, and when we had a meeting, a sales meeting in Chicago, I would go there. So I would jump around. I was not running the company day-by-day. But I was communicating, except when I was out there in the market. I was talking to our people. Most of my governance communication, however, was with the COO. I would send emails and be on the telephone with the COO constantly. So I was hitting the COO from one side and the COO is dealing with the sales manager, the CFO, the marketing guy, and the guy who was running research everyday all the time. And he was getting it from the other side.

The growth issue, for example, became a major issue during Henry Givray's period as Chief Operating Officer. Being the operating guy, he saw that there was a cost, both a tangible cost and an intangible cost when you grew as fast as we were growing. You get a little bit sloppy in terms of who you hire, you're not as rigorous as perhaps you should be. Sales productivity may go down from that perspective; you have training obligations that perhaps are more than you can handle as a small company. And we had very steep objectives. He felt that we were setting terribly high objectives for the sales people, and additionally, because we weren't making those objectives there would be morale issues.

When I learned what was going on, I was in shock. It was so sloppy. My attitude was that from an operational perspective they weren't doing a good enough job. Why didn't they have better training in place? I looked at the hiring procedures and I went up to Boston after we'd been in business for a couple of years, and I looked at how we were hiring people, what the process was, and I changed everything. I was the CEO, I had the right.

But, on an absolute basis, it was embarrassing.

So the COO had a big job. We were growing fast; we had the complex businesses. It was very difficult. He was an outsider, not sure what to do. Everybody was trying to influence him. I saw growth from a strategic, big picture perspective, it was essential to grow rapidly. Ultimately I felt that Henry was undermining me with some board members with this whole growth issue. I had to get rid of him, I had to fire him. I fired him too late. He's a great guy and a good solid professional. In this context, in the context of Giga, it did not work out. And then I brought in James C.R. Graham.

Yost: And how did that work out?

Gartner: Graham?

Yost: Yes.

Gartner: Not particularly well, and that coincided with my total acquiescence in our going out to hire a CEO from the outside, a CEO direct. The COO strategy had not worked for one reason or another. I think I explained some of the dynamics. I took some of the responsibility; some of them were forced measures. The virtual idea did not work out as well as it should have, and so on and so forth. But they are all, except for Ken Marshall, they are all still close friends of mine.

In the meantime, the company is growing like no other company has ever grown in this business. There wasn't a penny of revenue coming from the BIS side except for conferences, but even conferences changed. From the revenue standpoint, I think we kept two for a while and then we only kept one of the conferences. It was just such a profitable conference, we had to keep it. It was nothing IT, nothing that we were doing. We kept it going because we had a good guy running it. We grew from zero on April 1st, 1996, when we shipped our first product, when we booked our first revenues, to an excess of $65 million run rate at the end of 1999. That is three and three quarter years. Remember Gartner Group's growth?

But we went through a lot of cash and the board decided to slow our growth, to slow down. That was the beginning of the end. I wrote emails and I visited with them and I said, "You're making a major mistake because just by slowing the growth, your growth is going to disappear. Look at how fast we're growing. We will be profitable, just extend the revenue and the cost lines, we will be profitable before the end of 1999." As it turned out, we weren't profitable until the end of 2000, and barely. The board was all over the new CEO; we had to make money. But we brought in this guy who did not know what he was doing. He was a complete and total disaster. And that together with the slowdown of growth. That's the Giga story in a nutshell.

Yost: In addition to using advances in computer networking technology to manage the company, it was also important to the services delivered with GigaWeb. Can you talk about GigaWeb and the use of changing technology to provide and deliver services in new ways to customers?

Gartner: Yes. Well, GigaWeb was, relatively speaking, plain vanilla. It was an advance compared to what any of our competition was doing but there was nothing in it that was so technologically superior that somebody else could not emulate it—technologically or functionally. But one day, one night, because I used to dream these things up at night, I was scratching out an idea on a piece of paper. I said, "Wouldn't it be nice if…", and I drew a web page with a piece of content in the middle, and by the way our content got briefer and briefer at Giga, it was even more concise than Gartner—remember the Gartner note? That was two sides. We had Gigabytes and the Gigabyte was very brief.

Yost: So what was the length, just a paragraph?

Gartner: Half a page. But because I wasn't running the company day-by-day, it was exceeded and people went on, rambling too long, could never get it straightened out. Failure in operations, I guess. Because we didn't have fixed space, it was too loose. I wanted to give them some discretion, but the standard was half a page or less, single-spaced.

So what I wanted to do was, I wanted to see content streaming in to the web page from a variety of sources and I came up with a whole series of functions, some of which we were already using in our hard copy. But I wanted it to be on this web page. I called it "Knowledge Salons." I called up the senior guy in research at the time and I flew up to

Boston and I met with him and two other people at the airport because I had to fly back. So we met at the airport and I laid out Knowledge Salons and they said, “This is what we’ve got to do.” And that, I think, was in theory a major advance.

And that idea plus refinements is going to be an element of the next company, if I ever get it off the ground, called Responsa.

To get back to what I was saying: through Dave’s kind of tangential friendship with Steve Ballmer, we visited him two or three times—just the CEO and me. We said, “Look, this is what we want to do. We think that if we do it using Microsoft capabilities, Microsoft technologies, etc., you’ll have some indirect benefit, because people would want to know who did it. And we might even put something in along the lines of ’implemented by Microsoft’ or something of that sort. And, does it fit?” We had a sense of what was coming down the pike, because we were always intelligence-oriented and some of their capabilities were in the enterprise market, not in the consumer market that they were pushing dramatically. Their service strategy was in full blast at that time. This was 1996 or 1997.

He agreed and they set up a team of Microsoft people who came to Boston and they worked on developing Knowledge Salons. But there were many problems…again partly because I wasn’t there everyday and partly because of pragmatic decisions, we had to compromise on various things and leave out certain functions. It was technologically challenging, but still relatively advanced.

Yost: Can you discuss its reception a bit?

Gartner: Structurally, our functionality was the most obvious thing, and the thing which clients actually reacted to the most. This is what the sales force elected to sell the hardest, perhaps because it was the easiest sale, and perhaps some of the other things were not ready for delivery or they were too difficult to explain or whatever. Every client could relate to the advantages of the single-service concept. Our pricing was vastly different from Gartner's, and I won't go into all the details but it took a different set of business practices to support it. Our customer support was different; it all related to the single service.

Yost: You generally had larger customers across the board with Giga compared to the greater range you had at Gartner?

Gartner: Well, at the start, sure, we were selling top-down. We weren't selling to small companies except in the vendors' space, where you were trying to close all the vendors, and there are a limited number of vendors so… Our top salesman year after year after year was a guy in Silicon Valley who was just closing business hand over fist. Of course, we lost a lot of that business in 2000 and 2001.

Yost: Was Y2K compliance work something that brought in interest?

Gartner: Not as much as for Gartner. We started it a little bit late. We finally came up with a very good strategy, which was implemented I think rather poorly. You'll hear me say a lot about implementation. Implementation issues in all companies are difficult, but I think in this business, which is a people business, it's exceptionally difficult. If you're interested in what our Y2K strategy was, which was really neat, eventually I can get into it but not now. I'd have to refresh my memory to articulate it properly. But I don't think we benefited as much as Gartner did.

We had GigaWeb. What everybody else was doing at the time was just porting their published information to the web. That's all it was. GigaWeb was interactive and it was not that difficult to do. It had many advantages compared with our competitors' websites. Still, I don't think it ever put money in our pocket. I don't think people ever did business with us because of GigaWeb. Now maybe it was in the context of a whole group of functional ideas that were attractive, so it helped. But I don't think it was that critical by itself. Whereas single service, that was critical by itself.

Then there was a research functionality that we introduced. Some simple things that Gartner had never done, though I was running Gartner for all those years, but that I implemented for Giga and that worked in the context of a new company. Now some of these, as I mentioned before were not implemented well. I'll give you an example. Whenever we wrote a GigaByte or brief piece and we were talking about any company in the industry, *every company* – except the very small ones – would have somebody designated within the company who had a relationship with the research company to explain their product line, to answer questions. These were investor relations people – or in bigger firms they might have a consultant relations person – it would be the same person if they were a small company. Whenever the vendor's name was mentioned, we would take what we wrote, and it wouldn't affect what we published, and we would send it to our counterpart at that particular vendor and ask for him to respond to us within 48 hours with any comments about what we wrote. To respond! By telling us whether he agrees, whether he disagrees, to what extent he disagrees, or he might agree in this context or for this type of customer in this platform but not in the context of a different IT internal structure etc. We would get comments from the vendor. Vendor response would be right there on the same page. You'd see the piece of research and you could scroll and acknowledge their response or click on it. (In those days, we couldn't yet navigate all over a screen.)

This process required implementation. You'd have to have somebody assigned to read everything, to contact all these people and to set up the system with each vendor. They would know that we were going to contact them, and that we expected them to respond. It was a great function for the vendors and a fabulous function for the customer to get both sides of the picture, to get a balanced view. So there's an example of functionality.

Another one was something similar, which was called "Alternative View." Whenever one of our analysts wrote a piece, they took a strong position. We didn't do wishy-washy stuff; it was straight op-ed pages, these were not mere reporters writing. The author himself had to write an alternative view. He had to be cognizant of the fact that there would be another perspective and that some people might object to what he was saying. This was totally my concoction. The idea was, if what you're writing about isn't controversial, don't write about it. I don't want to hear about it. I'm running the show, right? We thrive on controversy. If everybody agrees, why is the customer interested? So the author himself, the analyst, had to be able to write the alternative view, had to be cognizant of it and be able to articulate it.

But operating management was so weak that some analysts did it, and some didn't do it or merely did it sometimes. When I would take a look a few years later, I'd find guys that wrote two sentences of something sloppy. Who hadn't paid much attention to the alternative view responsibility. Who knew they had to fulfill it, so they wrote a sentence or two, which wasn't content-rich. You really couldn't understand what guys like this were getting at and it wasn't as valuable as it should have been.

Yost: Did you want to say anything else about functionality?

Gartner: Sure. The third element was a new product line, which was a hybrid service. It had an advisory service and consulting services.

Yost: It seems that the businesses you started in advisory services represent an industry sector of the larger IT services trade. Could you broadly characterize this a bit—the nature and role of this industry sector?

Gartner: This industry became an objective observer of vendor claims, in other words, vendors always made wild claims and users could never really evaluate them. But now you had a presumably objective source for reacting to vendor claims—positively, negatively, or “in certain conditions this is true, but in other conditions it’s not true,” etc. So it forced more honesty in the industry. In other words, this industry has helped users deal with vendor selection more objectively, and helped with negotiations by providing more intimate information, not necessarily confidential information. This helped vendors assess the competition and understand user requirements better. Some of this might be redundant to what I’ve said before. This sector of the industry, the advisory industry, can move markets. It does have a lot of influence, especially Gartner Group, because of its size, because its clients number among the largest corporations and enterprises in general, including government organizations, etc. So it can move markets.

Yost: Is the military a major user of Gartner?

Gartner: Yes, all the government agencies are. I don’t know what percent is currently government business, but I presume it would be about fifteen percent. It could be higher. It can also impact Wall Street because now Wall Street listens to these companies. They’re clients of these companies.

I mentioned the fact that the primary use used to be decision support, and now, it’s the verification of decisions. “Gartner says this, Gartner says that, therefore it must be true,” that kind of thing. In other words, the brand name is becoming very strong and people do listen. You know there are cynics out there as well, and Gartner is not always right. Then one thing that I have not mentioned: This industry has created a whole new career path for IT professionals, the analyst had never before existed. You had people working for IDC and Dataquest, as we discussed, and those tended to be people right out of school and they were essentially number crunchers. They weren't trusted counsel.

Yost: You mean, that they hadn't spent time in the computer industry, like most of your analysts.

Gartner: Right, right. And what we set out to do, I'll just put it in a different perspective, is to treat the analysts just like Wall Street treats its analysts, so the compensation level is very high. We could attract much more senior people, if they felt it was a new career path. For some people, was a good career path and for others it wasn't. But it was a new career path that still employs a lot of people today.

Yost: You were talking about functionality and a third element of the hybrid systems with regard to Giga.

Gartner: Right, so the idea was, and this is an opportunity still because it was never implemented to its logical conclusions, there would be a different service. Just like Gartner had multiple services, Giga would have multiple services and each one was oriented towards a particular job function within a typical user shop. So the person who was responsible for end-user computing, your support of the end-users, and the help desk for the end-users would be one type of service. The person who handles all the financials for an IT operation—there was some equivalent of the CFO for every large IT organization because you have all the charge-out systems and you have to keep track of all your assets and you have to value all the assets for your balance sheet for the corporation—so there is a tremendous amount to do and you were responsible for all the negotiations and all the contracts—that's another one. Then the CIO was one. The person who was responsible for architecture was one. The person responsible for development was one of the most important ones.

So you had these job functions. Each service orients towards best practices. The way it worked was that the person for a particular job function who was running the service was responsible to collect from public sources and from interviews, whatever, from his clients, best practices and to document them. In other words, how do people who are serving in that particular job function, how are they doing their jobs best, how do they communicate with their people, what software products have worked best for them, what level of integration do they use, to what extent do they use outsourcing, who do they do outsourcing with, how do they negotiate these contracts, how do they communicate with their boss, with maybe the CFO of the corporation so that the boss understands and is educated and so on and so forth and on and on and on. So there'd be hundreds if not thousands of best practices that work for certain clients. That's the research part; collecting these and documenting them.

The consulting part is that the head of the service—and when the service gets large then somebody else helps on a periodic basis depending on the price, it could be once per quarter, it could be twice a year, those are the typical frequencies – spends a full day with the client, with the person who is implementing that job. A full day of consulting. The objective of this get-together is to discuss those best practices which might be most appropriate for the individual client given the client's own organizational environment and technology environment, etc.

So what's the point of collecting all of this data? Well, at some point, you want your client corps reading them. Because the head of the services is a peer, used to doing this functional job, and because he's the one who collects all this information, and because he's an analyst and a professional, he's very knowledgeable. Over time, he really learns the environment of the particular client. After the second and third visit, he really understands it even better, and over time he can be more and more helpful to discuss the whole best practice issue as to how he does all these things and what we have in our library, how other people do it and what works, what doesn't work and so on. So that's the consultation. There are meetings and other things bundled into the service. That was an attempt to have services so that you could grow by adding services, but designed totally differently than the advisory services, which would have maximum value. Now this is a business opportunity for somebody to do still. We did it, but it ran into profit-and-loss issues and cost issues and at Giga, at some point we had to cut back.

Yost: Retention of both analyst and clients is key for this model to work, isn't it? Was that an issue?

Gartner: That was not a problem, no. It never got to the point where we had so many clients that retention of clients was an issue. We retained clients and then ultimately everything got closed down. But we never built it out to where we had even eight services, we had a couple of services. That’s all. And it was a failure that we didn’t, because I’m totally convinced that this is a great product for the industry. Think about it. It’s exceedingly helpful on paper. We’re back to implementation issues and cost issues. We were doing very well, remember; in our base business, we were growing rapidly and that’s what the salesman was selling and selling it successfully and that’s where the money went. So it was very difficult for some of these other functions of Giga to see the light of day, or they saw the light of day but never truly had legs.

The final major structural differentiator which I ought to mention was something that was called ExpertNet and it was something which was free to our clients. The idea was that our full-time analysts were strategically oriented. But we also retained experts from outside the company that were not on our payroll. We compensated them based on the frequency with which they were used by our clients. The idea was that they would have the operational experience whereas the analysts had more strategic knowledge. This never really took off at Giga, but it may be the basis of my next company if I do it.

Yost: And can you discuss how Forrester Research operated and potential synergies there, or was it difficult for the two firms to integrate? I guess it would be best if you could begin with the decision to merge with that firm, and then get into the integration issues.

Gartner: Oh the decision was simple. The stock was languishing at a very low price per share and there were management issues. Under pressure, Robert Weiler, who was chairman, president and CEO, finally quit. I mentioned to you that my successor was, in my view, not effective, and I think I'm being extraordinarily generous. That's assuming that there was an absence of positives, but I think there were a great deal of negatives.

Yost: And you were spending an extraordinary amount of time involved with the company's management because of that?

Gartner: No, at that point I was out of the business. I was on the board—actually I had quit the board. I tried to buy the company myself, so I could bring it back to where I thought it ought to be. Then when Weiler left, we hired a new CEO. It wasn't clear whether he would be able to really do the job, and the board thought that if it could sell the company, it should sell the company. I'm trying to think the extent to which there was a formal action to sell it but it became known that the company was on the market although it wasn't. The sale process wasn't structured like the sale processes normally are: Through an auction, which an underwriter handles. We were not doing an auction. But Forrester had an interest and we talked to Forrester from time to time. It was an incredible deal for Forrester and it was a good deal for the shareholders because it was a multiple of where the stock price was at the time and the future of the company was in question. I was out of it at that point completely, except as the largest shareholder.

Yost: Are you aware of the extent to which the model that you had sought to implement at Giga was continued at all, or was it abandoned by Forrester?

Gartner: Well, the Giga model, including all the differentiators, was never really implemented. The only part that really had legs was the traditional advisory part, which had some outstanding analysts, a sales organization, and the single-service model. It also had some individual research differentiators in terms of the research process. But I think the advantage of its Web presence probably was diluted over time as other people improved their own Web presence. I know I mentioned that the Knowledge Salons idea was never implemented fully, it was only implemented partially. ExpertNet, if it didn't disappear then, it may have disappeared by now; when I left the company it was not a major factor at all in the business. The hybrid services between consulting and advisory, those never saw the light of day. They were cancelled.

Yost: What about the single service?

Gartner: That was retained. The basic advisory structure, the pricing, the structure and the organization, that was retained.

Yost: And was that different from what Forrester was doing? More what Gartner Group was doing, or Giga?

Gartner: Neither. Forrester was more of a high-level consultant and advisory company. They did very little advisory except in recent years. For a long time they just sold reports. Most of their growth came when they were selling reports during the hot period of the late 1990s, that's where their growth really took off. After that, their growth came to a grinding halt, as it did for many other companies. But Forrester was significantly negatively impacted because they were not as helpful explicitly in decision-making as were the advisory companies. It was "nice to know" information which everybody was buying; everybody in the business would buy Forrester just to know what their projections were. They were like IDC: they sized markets, they also projected niches very effectively and they projected every little niche imaginable. They did it very early, and as these niches grew, they projected the trends, the major trends in the industry. But it was all done at a very high level, they didn't get down to the nuts and bolts of what IT installations or organizations might require on a day-by-day basis.

The Giga acquisition was actually an add-on to what they did. It wasn't like Gartner Group buying MetaGroup where they had to integrate MetaGroup because they did fundamentally the same thing. It was an add-on and people who have analyzed—and I've looked at it as well—the profit and loss of Forrester could see that in the year after Giga was acquired, the Giga business held up the company. The Forrester business would have declined even more, so Giga I think was a very strategic and very sound and valuable acquisition for Forrester.

Yost: And they got it at a good price given difficulties?

Gartner: From their perspective, they got it at a very, very good price. You might say that Gartner overpaid for MetaGroup because they were eliminating a competitor. Forrester, relative to what they needed in the market, got the company at a very attractive price, they underpaid. And yet it was good for the Giga shareholders as well.

Yost: Is there a greater tendency to outsource research and advisory work now than ever? Has it continued to grow rapidly? Can you speak to the issue of whether much of significance is going on in-house versus outside?

Gartner: I know of very few companies that have anything in-house comparable to what this industry provides. So by definition any company that signs up is outsourcing something they probably could not have implemented internally. Think of the number of analysts a typical company has. To support that cost function for the purpose of serving one enterprise would not be cost-effective. When you create these large advisor companies, you're leveraging your capability over many large enterprises. They are all paying only a fraction of what they would pay for doing it in-house, for access to these same analysts.

Yost: So is it generally one or a small group of employees of these companies that are the firm's liaisons with the consulting advisory experts?

Gartner: Well, different companies have different practices. They make individual decisions as to how many of their in-house people should be exposed to the advisory companies. Many of them create one interface and that's their library. They say, "We're going to buy all your stuff and our librarian will file everything and make copies when appropriate, in response to questions." They educate their in-house professionals when they have questions to ask the librarian. Others designate a dozen top people, let's say the first-line managers who work with the CIO, as their primary interfacers. Others buy only within a particular function, so the content may go to lower-level people.

Remember I talked about the education value? Those who see that as a positive may elect to have much broader distribution of the material, although they may or may not give each individual direct access to the analysts because the company is charged for that. As part of the annual contract, direct interfaces are allowed to call directly, but written product can go to many people below the interface level.

Yost: Do the contracts specify a certain number of interfaces and a certain price for them? If a company during the year wants to have more interfaces, is there a set price that has already been established or is it negotiated?

Gartner: A company would be happy to modify the contract in midstream. But every company has its own business practices. Pricing in general is the same, in that most companies deal with one year or multiyear contracts, and each contract calls for a designated bundle of deliverables.

Let me give you an example of how some companies operate. Some use service units as part of the contract; their plain vanilla contract will include one hundred service units and these service units can be used by anybody within their organization to come to conferences or to sign up for the audio conferences, which were very popular, conferences that you essentially do by telephone. There were often other features that one could use these service units to acquire, and you could always buy more service units. You keep your standard contract, but at any time, there's a service unit price, it's like a quantity discount for access to these services. Other companies don't use the service units of course, so that's a variable in the industry. And there are many other variables as well.

Yost: Was misappropriation of the intellectual property you were selling a very significant issue in the U.S. or abroad, in other words, unauthorized use of reports, unauthorized reproduction of reports, etc.?

Gartner: Very early in the life of Gartner Group, we had to make a decision, in the first few years, of not allowing the press to any of our events. We wanted to keep the information very closely held so that it would have maximum value. But we recognized that some clients took the written product and made dozens or hundreds of copies and disseminated this to people in the company, even though they were not paying for that level of distribution. We called it the Xeroxing problem—in those early days, we still called every copy a Xerox. We did a study and we were fairly small at the time, it was perhaps in our third or fourth year, of who was doing what, and we interviewed people and tried to draw conclusions. Rightly or wrongly, we determined that only certain segments of our clients Xeroxed: Very small companies did, but they had a small client base anyway. The very large companies had strict rules internally against doing things of this sort and they knew that everything was under copyright, but there might have been occasional misuse. The segment that Xeroxed most extensively was the leasing companies; they just had that mentality to cheat.

We decided not to worry about misappropriation. We said, "Look, every time something is misappropriated and sent out, they use our name and our content. Is this really such a big deal? I mean, how many people are going to do this?" To the extent that they use our name, they propagate it, and we become more famous, and other people may become our clients in the future. So we decided not to make a big deal about it.

At the press level, we went from not allowing the press to attend to selecting only specific reporters whom we could trust. The biggest problem with bringing the press into any of the conferences was that some of the press people would work the crowd. They wouldn't just come and talk to our analysts and listen to the presentation and take away some ideas and maybe publish something; they would make it their business to talk to our captive high-powered audience and to interview them for their own purposes. That was not why people were paying us money—to be abused, as I thought, by the press. So we created very strict rules in writing and we asked only certain people who agreed to abide by these rules to attend our meetings.

The other extreme was Forrester. Forrester did things such as compensate their analysts for quotes in the press; they wanted to maximize name recognition and they didn't worry at all about exclusivity of information. When people pay a lot of money, they like to think that what they're paying for is not in the public domain—that cheapens the value of the information dramatically. But Forrester's attitude was that all press was good. I think it worked for them. It was more consistent with their business model.

Yost: A lower-priced, more standardized product?

Gartner: Well, yes, their unit prices were lower than Gartner unit prices but they had a much broader base of people buying the low price content, and one reason was because of the press notoriety which Forrester had achieved.

Yost: Were there any companies that sought to analyze and synthesize the various reports of the different companies to provide consolidated analysis or to essentially grade how the different companies were doing? Or would that have been a violation of copyright?

Gartner: I knew of no such companies back then. There are companies that in recent years have started evaluations. Not the research that they were doing per se, but the impact of the companies, their revenue, how they do in the marketplace, perhaps their business practices. One of the companies of this type is called Outsell, it's a private company that comments on the information industry in general. The advisory industry and IT are only one part of what they try to cover. But they do have an analyst who covers this base.

There are other companies that focus on the relationships between vendors, those vendor-designated interfaces with the consultants. They would provide information about all the consultants: who the best individuals were, what they were saying on the outside that was public and so on and so forth. But nobody, as far as I know…well, first you'd have to have a contract with the company, otherwise it would be a violation, and you could end up in a lawsuit. So it would have to be a customer; you'd have to pay the money to be a client of these companies. Then you'd have to have analysts to analyze the content.

We would like to have a function in this company that dramatically documents reviews it gets from the marketplace. Not just reviews of products. *PC Magazine,* among other publications, offers all sorts of reviews. And if you go to the website of specific products – mostly consumer products, not that much on enterprise products—you can find reviews. Our idea is to have reviews of products, as well as of other people's market forecasts, of websites, technology websites, of IT publications, of IT conferences and going on and on to the point where any time we see a proclamation by a Gartner or a Giga or whoever or a review or discussion, we could instantly ferret up an alternative view. I can't say that that this function will ever be implemented, there may be barriers to doing that effectively. It's an interesting possibility for the future.

Yost: Can you talk about what you've done so far with regard to implementing these different ideas with a new firm? Is it still in the planning stages?

Gartner: It's been planned but obviously it would evolve once you start actual development. This is a model of the industry that I have been working on for several years. I think it is very interesting. But I do not want to start another venture, so I avoided raising venture capital. I had a couple of false starts with some people who I retained to work on this with me, but I didn't feel it was the right group. I decided I would look for an acquisition that could be a platform for this company, like we did with Giga. I can disclose that I've bid for two companies, each one an auction that I didn't win. I worked with a private equity firm in one case, and I worked with another company, which would have had a strategic relationship with the company that we would have acquired, but the one that we would have acquired would have been a better platform for my ideas. But we were outbid in each case.

Yost: So you remain on the lookout for a company?

Gartner: Yes. And I should say the reason I'm talking relatively openly about this is because I have been considering seriously just putting these ideas in the public domain. It takes too long to develop a company. And at my age you know, big deal, what's it going to do for me? But perhaps it would be fun to see, if it were in the public domain. I could do a lot of the documentation; it would keep me busy.

Yost: That's very interesting. You've also worked on several IT boards, for example, Proactivity and TIP. Can you discuss that work a little bit?

Gartner: I was on several boards of companies that failed during the early 1990s to the early 21st century. A couple of them were terrific, but if you didn't have a lot of momentum going into the fallout, you were in trouble. And if you were at the cusp of raising money, the underwriter couldn't do the deal. If you had negative cash flow, you couldn't survive. Recently though, I've only been part of a few companies, one of them is a security company, another one is a market research company, another one is a company in IT education, a small company. All small companies because I find those to be a lot of fun. But they…you know I'm on the board of Proactivity. Do you know what they do? Business process engineering. I'm on many more boards and national councils in the cultural and arts sector.

Yost: Can you speak about your different cultural activities?

Gartner: Many of them are Aspen-based because even though I spend less than half the year in Aspen, Colorado, it still has captured more than fifty percent of my allegiance. In New York, besides being an active concert-goer and contributing a significant amount to organizations like Carnegie Hall and the Metropolitan Opera, I'm on the board of OONY, the Opera Orchestra of New York. This is a unique organization. They do opera in concert form, four concerts a year. They've been doing it for over thirty years, and every concert is sold out. It's a real icon in New York. I was also on the board of the New York Festival of Song, but I resigned.

In Aspen, I'm on the national council of a number of different organizations. I'm a trustee of the Aspen Music Festival and School, which is a worldwide well-respected organization. Its music school is tops. Some of the great musicians of the world graduated from its music school. It has over 750 students every summer and employs musicians during the summer… It seems like the faculty hold appointments for life almost because they want so much to come here every summer. The faculty includes first-chair musicians from major orchestras and some of the top instrumentalists in the country. Half of Juilliard—half is an exaggeration—but a large part of the Juilliard faculty is at Aspen as faculty. It's just a major force in music education. But its festival—I believe it is the largest music festival in the whole world in terms of attendance and number of performances. The quality is top-notch in terms of the musicians on the conducting staff, visiting conductors, incredible visiting musicians who come in. The faculty has a very active opera program. It's such an important organization!

Yost: In other areas of education, you've also written opinions or editorials about the United States and its relative lack of commitment and resources to education with regard to some other countries, such as Japan.

Gartner: The whole Far East and now all of Europe.

Yost: You have advocated that education be examined from a more quantitative standpoint in terms of resources and time. Has that remained a continuing interest and can you speak about that?

Gartner: Education is definitely a continuing interest. We've allocated part of our foundation to supporting educational institutions, ones that do things along the lines that we're interested in. We've not actually implemented anything yet. We're looking for the right organization. We thought about creating a 501(c)3 to do think-tank work along the lines that I believe in. Unfortunately what I believe in is not at all that popular. There are so many issues relating to the inadequacies of our education system, therefore there are many dimensions which you can attack to try to fix the problem: teacher salaries, quality of teachers in general, programs such as Head Start, should you extend the school year, should you have pre-kindergarten? The money issues: Is there enough money being spent? Is there too much? Some people think there's too much money being spent. Curriculum reform… It goes on and on and on. Let me go back to a point I used it in one of the editorials I wrote: the analogy of my father.

My father went to school in Eastern Europe in a one-room schoolhouse. He started very early and they spent maybe ten hours a day in class with a lot of homework. It's all he knew. I mean, that's what his parents told him to do. He's influenced by his parents and it's what people in his community were doing. He studied philosophy and history; he learned Latin and Greek. He learned mathematics. He learned all this at a relatively young age before he even went to college.

The capacity of young people to learn is unreal. Young people, as it's been shown, young people who are exposed to two, three, four different languages can learn all these languages and be fluent by the time they're ten years old. It's strictly a matter of capturing their time and motivating them very early to study.

I’ve used the word “discipline,” but I didn’t mean discipline in the sense that headmasters in England used the cane to discipline students. I used it in the sense that here’s what we do, here’s the way we operate. We go to school; we love it because we’re learning. We may not love every teacher but we’re learning and learning’s great. As soon as the student learns, you give them reinforcement. Yes, I did do comparisons with the number of hours per day and the number of weeks per year and the number of hours per day of homework that students have to do and we in the U.S. are becoming so undisciplined. So that’s why I make the use of the term “discipline,” and it is the reason I’d like to go back to a more disciplined environment.

I think that we also need to move away from the school district and the state’s rights approach where every state does what it wants and every school district has tremendous degrees of freedom to do what they want. We have to have a national program to propagate some of these theories that I’m mentioning, in conjunction with other pedagogy. I’m not getting into all the details of the education process. I’m not getting into the curriculum. I think the curriculum hardly matters actually if you solve that problem. And if kids don’t want to study, send them to a foreign school. We’ve got to… It’s like going to the Army. We’ve got to do this because this is the most critical issue with respect to the future of this country and you’ve got to do something dramatic to turn the tide. So many of these experiments are just experiments and there’s no national backing for them and they affect a small part of the population and time is running out.

Yost: From all your years examining the IT industry up to the present, can you talk about future trends you see, given the past?

Gartner: I could give you predictions but you could read similar ones anyplace. I not a futurologist, I'm not an analyst any longer. I'm much more into knowledge management issues and research process. That's another contribution I think we made. I think if I wrote a book on research process, it would be popular. What we did at Gartner Group was so formalized… It goes beyond IT. Yet we've not popularized it; we've not disseminated what we have done. It was all done internally. If I weren't already doing so many other things, i think it would be attractive to popularize some of the research process principles we pursued and lay out some of the discipline on paper. I used the word "discipline"—because if we hadn't had the discipline, we would have been like any of the others; we never would have penetrated the marketplace like we did.

Yost: Thank you so much. We very much appreciate you taking all this time to do this interview.

Gartner: Well, I appreciate you taking all this time and putting in all this effort to delve into this. It's an area close to my heart.