

Update

For Employees and Families of Amdahl Corporation

From the Editor

Ten years ago this month — in June 1975 — Amdahl shipped its first product, the 470V/6. It was a joyous event that proved to us and to the computer industry that we had accomplished our mission: developing and manufacturing large-scale mainframe computers that would run IBM software and compete with the industrial giant. The first steps toward attaining that goal occurred fifteen years ago — in January 1971 — when a group of zealous engineers got together to form Amdahl Corporation — a company that would accomplish what many viewed as unthinkable.

This special retrospective issue celebrates the Amdahl phenomenon and highlights the events that led to the company's formation. It also describes the drama and excitement that characterized the winning of our early customers, and the subsequent shipments and installations.

The stories in this issue illustrate the characteristics that successful companies thrive on: the passion to pursue a dream; the business savvy to realize it; and the ability to guide it. These are the dynamics that launched Amdahl's success — and that will ensure a future as bright as our company's past.

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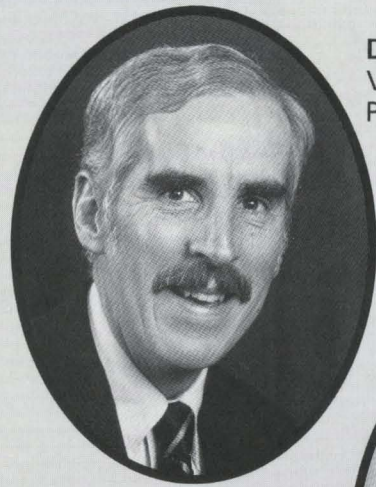
REBELS WITH A CAUSE

High-tech visionaries pioneer an alternative to Big Blue

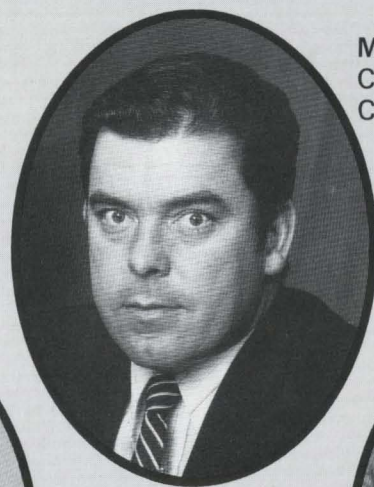
June 1975: It was ten months after President Nixon resigned in the wake of the Watergate scandal, one month before the launching of the first joint U.S.-Soviet space mission, and three months before newspaper heiress Patricia Hearst — kidnapped by members of the Symbionese Liberation Army — was arrested for robbery of the Hibernia Bank in San Francisco. In the part of the United States that was becoming known as "Silicon Valley," another historic event was taking place. Five-year-old Amdahl Corporation was celebrating the first shipment of its first product, the 470V/6, the first large-scale non-IBM mainframe manufactured that could run IBM software, and therefore was an alternative to IBM's largest processors. This meant that companies around the world that had collectively spent billions of dollars on application software were no longer confined to running that software on IBM machines. Now there was another choice — one that was less expensive and, at the same time, offered higher performance.

The genesis of Amdahl's 470V/6 goes back to the mid-60's, to IBM headquarters in Armonk, New York, where some executives decided to form a new division that would be solely dedicated to exploring the potential of large-scale processors. IBM assigned some of its most talented employees — Bruce Beebe, Glenn Grant, and Dick Tobias — to launch the Advanced Computer Systems (ACS) division in Menlo Park, California.

About the time that ACS was starting, Dr. Gene Amdahl, architect of IBM's System 360 computers,



Dave Brewer
Vice-President,
Processor Products



Mike Clements
Corporate Vice-President,
Chief Technical Officer

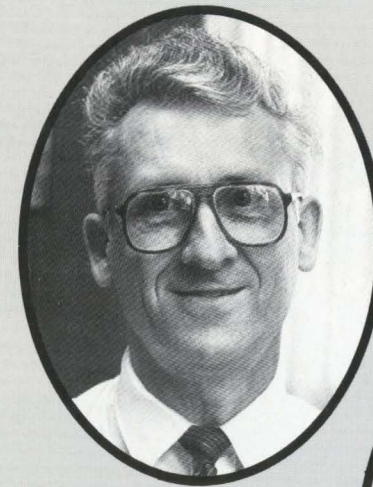


Bruce Beebe
Vice-President,
Product Operations



Richard Bishop
Director,
Advanced Systems Planning

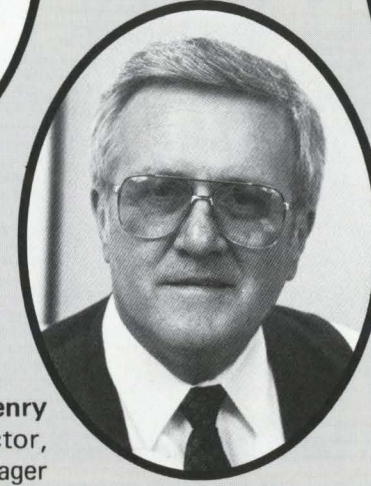
A 1985 view of eight original employees: They came aboard January 4, 1971.



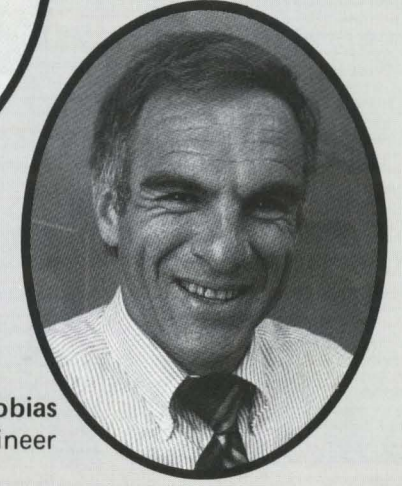
Lyle Topham
Director,
Processor Products
Quality



Glenn Grant
Director,
Design Architecture



Jim Henry
Director,
Project Manager



Dick Tobias
Consulting Engineer

was named an IBM Fellow, and was given the freedom to work wherever in the corporation he desired. Enticed by the opportunity to explore new architectures for large computers, Gene chose to work at ACS. According to Dick, "Gene wanted to show IBM that there was a technology and an architecture that could be made to work well in a high-performance market and that could result in a computer that had a higher performance than anything else IBM had yet developed."

But that goal was never reached. In 1969 ACS began focusing on disc products. Bruce, Glenn, Dick and Mike Clements left ACS and helped form MASCOR, a new startup located in Cupertino. Later other IBM employees like Jim Henry, Dave Brewer, and Rudy Bovier joined the firm. So did some non-IBMers like Russ Young, Lyle Topham, Jim Meyer, Richard Bishop, Reed Larsen, and Warren Yenny.

After a year, Gene Amdahl also left ACS to spend a summer in Europe as a guest lecturer at a NATO summer school for computer architecture. During this trip, Gene had plenty of time to ponder what went wrong at ACS. "The gestation period of Amdahl took place when Gene was thinking about what it would take to get something else going," says Dick.

It didn't take long for him to figure it out, and it didn't take long before he found an opportunity to make his plan public. In 1970, MASCOR was unable to procure the funds it needed to continue, and the company was forced to close. Gene invited some of his

former colleagues to lunch at the Santa Clara Ramada Inn. Then he unveiled his plans. He wanted to develop a mainframe that would offer better performance than the comparable IBM machine, cost less, and run IBM software.

Jim Henry recalls his reaction to the plan. "When I heard Gene give his speech, it just felt right. The time was good, also. There were many antitrust suits against IBM, so they wanted to be able to point to a startup like Amdahl and say, 'See, Amdahl just started. It has made it against us, so what are we being accused of?' Besides, Gene Amdahl is a brilliant man. We use the term 'creative' in Engineering, but I think Gene is even a step above that. I would say he is a visionary. Anybody who would say he could start a company that could compete against IBM — and make that stick — knew what he was talking about."

Bruce also recalls the historic luncheon. "Gene was very enthusiastic about his new company and at one point during his speech, he said that it would be realistic to assume that the Amdahl stock price would go to \$1,000 a share."

On January 4, 1971, twenty-two employees showed up for their first day of work at Amdahl Corporation — a company that had been in existence since October 1970, and had been staffed by Gene Amdahl, Ray Williams, a former IBM financial employee, Ralph

Rodriguez, a former Litton Industries engineer, and Marjorie Slaughter and Susie Warren, secretaries.

Joining the new startup meant something different to each employee. Glenn recalls, "I had confidence in Gene Amdahl's business plan, even though in those days, people didn't understand the concept of startups. They didn't understand the kind of successes that were possible to achieve. To me, this was simply an interesting job with interesting people."

Dick reflects on his reasons for joining the new startup. "Dr. Amdahl was the greatest optimist in the world," he says. "He was the shining light. He had fantastic goals, as far as how much the 470 would cost, how quickly it could be developed, how much it would be sold for, and what the performance would be. He was optimistic, and as it turned out, unrealistic. The goals were so high, though, that it didn't really matter if they were reached or missed by a factor of two or three. Also, I knew from my experience at MASCOR that failure wouldn't be catastrophic to my career. The people from MASCOR already had been through failure. We were motivated in part by the attitude, 'Let's do this so we don't fail again.' We knew it didn't feel good to stand in the unemployment line. We knew what *not* to do, because of our previous experiences."

Jim and Bruce had more practical reasons for working for Amdahl Corporation. "When MASCOR folded, we didn't have the opportunity to go back to IBM,"

says Jim. "When you leave IBM, it's like leaving your family. You get disowned. They don't take you back."

According to Bruce, making the decision to join Gene Amdahl's new venture was very simple. "MASCOR had just closed the doors. We were on the street without a job. Gene had money and a plan for a challenging product. It was an easy decision to make."

The venture was on, and so the work began. "We simply transferred the MASCOR organization to Amdahl," says Dick. "We worked in the same areas we had worked in at MASCOR. My specialty was the storage system portion of the mainframe; Glenn worked on instruction sequencing; Mike worked on the E unit; Richard Bishop, on the I/O System; and Jim, on the console. We were a group of people who knew what each other could do. We could start, almost from the first day, developing a product."

Russ Young, who was hired in March 1971, observes, "The original Amdahl employees were the cream of the crop. They had been pre-selected by IBM. They were committed computer designers who had been at ACS, seasoned their skills at MASCOR, and were now ready to tackle the challenge of working at Amdahl."

By the end of 1972, just two years after founding his company, Gene Amdahl had raised more than \$27 million. Fujitsu Limited and Heizer Corporation, the Chicago-based venture capital firm, were the primary backers. According to Dick, "Fujitsu invested

in Amdahl because it was a way for them to acquire the new technology that Amdahl was developing. They liked what Amdahl was doing in the area of semiconductors and packaging technology. About fifteen to twenty Fujitsu engineers worked with us side by side in the development portion. Some of them stayed here for two years.”

Hard times for any new venture are usually inevitable. Amdahl met adversity in August 1972 when IBM announced its first computer with virtual memory. Amdahl was forced to scrap its plan for a non-virtual computer, a machine that would not be competitive with IBM’s new product – and concentrate instead on one that would be.

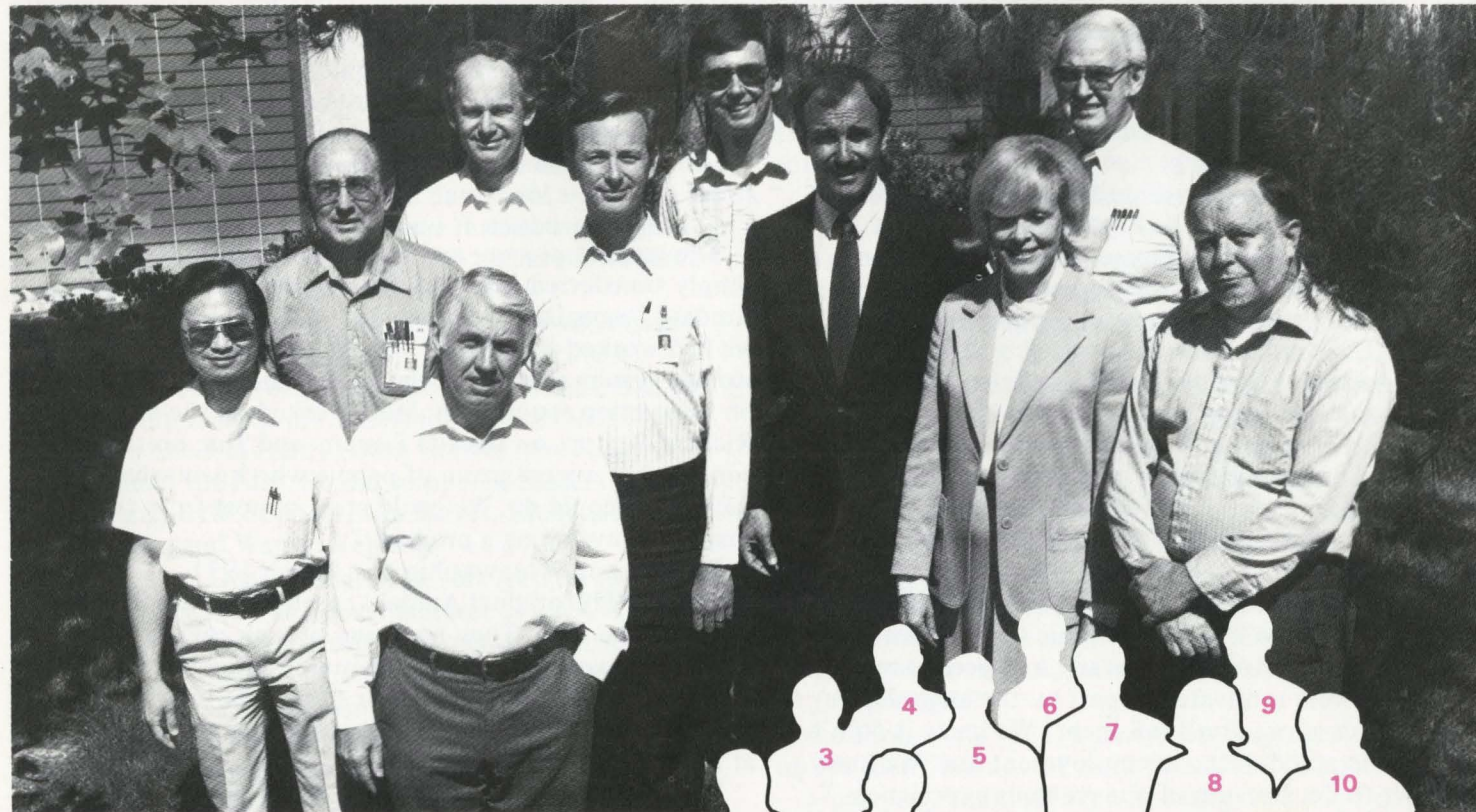
Enter Eugene R. White, former key senior manager with General Electric’s Computer Operations, and a highly respected businessman with the reputation for making organizations work. In February 1974, the board of directors asked Gene to serve as a consultant to Amdahl. They gave him a big job: reorganizing the company, defining the work that had to be done, refining the business strategy, interviewing candidates for company president, and identifying sources for raising money.



Gene Amdahl (left) and Gene White are all smiles on a September afternoon in 1975 – when the NASA/Goddard Institute for Space Studies formally accepted P1, Amdahl’s first production 470.



Gene Amdahl (third from left), Ned Heizer (fifth from left) and other Amdahl employees and well-wishers toast Amdahl’s success at the company’s groundbreaking ceremony.



First-year employees hired after Day One: 1) Anthony Wong, 2) Uli Spannagel, 3) Seymour Stern, 4) Robert Maier, 5) Allen Buskirk, 6) Russ Young, 7) Dave Anderson, 8) Rudy Bovier, 9) Chuck Ramba, 10) Warren Yenney. (Not pictured: Jim Meyer and Steve Tulloh.)

“During those few months as a consultant,” reflects Gene, “I grew increasingly more enthusiastic about Amdahl. I appreciated the technical skills and the competence of the staff. The job was full of challenge and excitement. I felt as though I was pioneering a new concept in the marketplace that could have significant impact – and of course, it did.”

In August 1974 Gene White became president of Amdahl Corporation. Through Gene’s superb management skills, Amdahl eventually was transformed from a financially faltering company to one that had a sound economic base, loyal customers, and a growing reputation in the computer industry. One of Gene’s early business decisions was especially significant. “The original business plan was to lease our equipment,” Gene recalls. “We soon realized that this would not be financially feasible. In February 1975 we decided that we could only sell our equipment. The customer would have to pay cash – upon acceptance – and wire-transfer the money. Many people at the company said, ‘It can’t be done.’ I insisted, ‘It’s the only way.’” With that, Gene took the next step.

“I went to the initial customers and said, ‘Give us a \$4 million check and have faith that we will be here in five years supporting you.’”

Gene got the checks. In the next decade, many other customers were to benefit from the talents, integrity, and commitment of Amdahl Corporation.

Due to the company’s rapid growth in the mid-seventies, Gene knew the time had come to search for another talented executive who could help guide the company to even greater success. In 1977 Gene recruited John C. Lewis from his post as president of Xerox Business Systems. John became Amdahl’s chief operating officer. In 1983 he was promoted to chief executive officer.

The entrepreneurial spirit that launched the company can serve as a modern-day model for conducting business today. Bruce attributes the success of the 470 to “significant team accomplishment. Many people gave much of their lives to making the product successful,” he reflects, “and there was a lot of pride and enthusiasm when the product went out the door.” □