Oral History of Burton Grad

[ADAPSO, Heights Information, and CustomerCare, Inc.]

Interviewed by:
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Burton Grad – Part 2

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Abstract: In this interview**,** Burt Grad covers four different subjects. He reviews his personal history and education. Then he discusses his work with ADAPSO, first as a representative from IBM and later when he had his own consulting practice; he reviews a number of the issues that ADAPSO dealt with and the various committees that he helped to initiate and describes many of the key people who were involved in ADAPSO and their roles in the Association. Next, he then talks about forming Heights Information Technology Services (with Luanne Johnson) which provided off-site programming support for various customers, modeled on the success of F International in the UK; he also describes how and why this business failed. Finally, he talks about CustomerCare, Inc. which published a newsletter and a survey in the software company customer service field.

Luanne Johnson: It is November 29, 2007, and I am Luanne Johnson at the Computer History Museum with Burt Grad. I'm going to interview Burt for one part of his oral history. I want to start by talking about your personal background, so just tell me the story. All I really know about your personal background, up to the time that you went to college, is that you grew up in Washington, D.C. in a building that's now a hotel – because we had dinner there one night – and that your grandparents raised you. Is that right?

Family Background

Burt Grad: Pretty much. I was born in Philadelphia in 1928, and a whole group of Jewish families moved from Philadelphia in 1932 during the depression to Washington, D.C. They apparently felt that with the new Franklin D. Roosevelt administration coming in, there'd be a lot of new employment and there'd be opportunities to make a living there, which they were having a tough time doing in Philly.

My mother's parents had come from Russia, from the Ukraine. My grandfather came over in about 1912, and then a year or so later, he brought my grandmother and my mother over. My mother was seven years old when she came here. Then gradually, the rest of the family – sisters, brothers and cousins from Letichev – all came over, including a sister of my mother's. These people all lived in Philadelphia; many were in clothing trades, things like that.

A whole group of them – eight families – moved from Philadelphia to Washington in 1932 and became laundry owners. Only one of them had ever operated a laundry business before. They set up eight separate stores in different parts of Washington, D.C., and interestingly enough they all prospered. There were a lot of young men there working for the government who needed white shirts and needed to dress nicely. They set up laundry and cleaning stores. My grandfather set up one, and my father, with a brother of his, set up another one of those stores.

My mother and father separated when I was five years old and then got divorced, and I went to live with my mother and my mother's parents, in a building in downtown Washington at 10th and Massachusetts Avenue. My grandparents had a store right across the street in what was called the Carpenter's Building. I used to go there after school to help out. I remember learning to do calculations when I was probably seven or eight years old. I started pricing laundry tickets. I learned the 12's table since we were charging 12 cents a shirt.

My mother had a store two blocks down at 10th and I Street. I was there much of the time when school let out. I went to Strong John Thompson School just a couple blocks away at 12th and L Street. One of the things I remember about the school was there was a fairly long playground. At the other end of the playground, beyond the steel fence, was a newspaper building that had a back wall where all the windows were glass. Some of the kids, even at the grade school level, were pretty big, and the sixth graders would sometimes hit the ball and break one of those windows in the building. The school is still there. The playground that we had is all paved over and is used for parking cars today.

I lived only a block away from the very large Central Public Library in Washington. I would go there all the time starting when I was probably eight or nine years old. I'd walk down the block, cross the street and get books, and read and read and read. Reading and playing baseball were my two favorite pastimes. It was an interesting experience growing up there. My grandparents were very loving, very caring, so I never felt any lack of people caring for me. If anything, it was maybe the other way around, that they focused more on me than I really wanted; it made whatever I did wrong a very serious problem. It was, "Don't fall off the bike. Don't do this. Don't do that." As result of a lot of these worries and dangers, it made me fearful about stuff like swimming or bicycling. But, generally grade school was fun. I skipped a couple of half grades while I was going to school there, so by the time I got out of the sixth grade, I was a year younger than most of the other kids.

High School

Johnson: Did you go to high school there?

Grad: The system they had in Washington included three years of junior high school. You went to the seventh, eighth and ninth grades in junior high. That school was quite a

distance away. To get to the junior high, I took a 25-minute public bus ride to a totally different neighborhood. It was funny the way the structure was. Washington was a totally segregated city at that point. This was late 1930s, early 1940s. While there were some junior high schools for black students nearby, we couldn't go to them. We had to go to the nearest white school which was Langley Junior High School.

Johnson: You took a city bus?

Grad: Regular city buses. We just took them out to Langley. I'd played the violin as a kid and I was singing in the chorus. My voice has deteriorated since then…some people think it was never that good. The friends I had when I was in grade school were a mixture of religions. But the closest friends I had at junior high were mostly Jewish kids, and some were very strange kids. One kid was a great trumpet player, and at the age of 13 or 14 he was playing at the Gaiety in Washington, which was a burlesque theater. At thirteen years old it must have been quite an experience.

I started playing tennis then with one of my friends. His last name was Izzy Moskowitz. On Saturday morning, we used to take the public bus up past Langley to where there were tennis courts, and we would play for three, four or five hours. Washington, D.C. is a little warm in the summer, and we would play out there for three or four hours in this crazy heat, then I'd go back and work in the store. When I started doing that, I was probably around 12 years old. I started playing tennis then.

Junior high school had some good teachers, and some good experiences. As to hobbies, I was playing the violin and playing tennis, and working at the store. There wasn't much going on outside of that. At thirteen I got Bar Mitzvahed. There was a lot of preparation for that, taking Hebrew lessons and studying the special service that I would help to conduct.

Johnson: At what point in time did you see yourself on a tangent for a technical career?

Grad: No idea. I never thought about it. I was always good at math and science and I was pretty good at writing and history and English. I could memorize pretty quickly. I always liked to talk. That hasn't changed much. I was never involved with any technical projects. I never built radios, never did any of those technical things. It was just not part of my scene.

I went to a three-year high school, Central High School in the middle of downtown Washington up in the Pleasant Park area, which was racially changing at that time. High school was interesting because that was during the war, and I became a messenger as part of the civil defense group, so I was out there at night. When you heard the siren go off, you didn't know whether it was for real or whether it was a test. When all of a sudden the sirens would go off, you went out. I had a special hat. I had my bicycle. I was carrying stuff around and they would

also be shooting off anti-aircraft guns, and you didn't know whether it was for real or not. It was a pretty scary thing for a 14 year old.

None of my family was involved directly in the fighting except for the husband of my cousin Sylvia. While we were right there in Washington and it was a very real, an immediate experience with some fear, it wasn't a personal thing in some sense. We didn't have any realization of what was going on in Europe as far as the concentration camps were concerned. The connection with Russia was lost in the 1920s since all of our relatives and friends had migrated to the US; there was nobody left there that we were still in communication with. It was not as though you had someone in your close family who was fighting. The parents were all in their 40's by that point in time. The connection was intellectual but not visceral.

Johnson*:* That connection to Russia was really cut, in other words. There wasn't any connection left?

Grad*:* There was nothing, no connection, so we had no one that we knew of that got lost in the holocaust, for example, from any of the families that were there. They had cut the connection because people had either left there or died before the others had left. There wasn't an older generation that was still there. The war was not the same experience as if you had a brother in the army or a father. It was a different experience in that regard.

High school was a blast. Things were very interesting. They had an organization called the High School Cadets, which was a really big operation. It had been operating in Washington since the early 1900s, and it was a competitive activity. Instead of sports, this was a way of competing. You'd start as a private and you'd work your way up. If you were lucky enough, good enough, you'd become a captain of a company in your final year. Then there were drill competitions in Griffiths Stadium, which was where they played professional baseball and football [the Washington Senators and the Washington Redskins]. I became the Captain of Company C in my senior year.

I was very active in a lot of things in high school. Some of the things were connected with the cadets like map reading. I helped to start two fraternities; one was a Jewish fraternity and the other one was a cadet fraternity. It was a way of collecting a very large group of friends during that period of time.

Summer Work

I worked summers. In Washington during the war, there was no difficulty finding summer work. One summer, I worked at the Weather Bureau. I was a file clerk, and got to read all these crazy letters that people sent to the Weather Bureau. One woman would send a 10- or 15-page letter every week; and I was in charge of filing all of them. They thought it was a full-time job, but it

turned out to be about an hour a day as far as I could tell. I taught myself to touch type that summer since I didn't have much else to do except read old files.

The summer after I graduated from high school, in 1945, I worked at the Pentagon, doing statistical analyses of the US Army Air Force training flights in the United States where there had been deaths or injuries during the year to try and find patterns as to which planes needed to be examined, and what aspects of the planes caused the crashes.

Johnson*:* How did you get a job like that at your age?

Grad*:* You just found them. There was no difficulty in getting them. They were looking for people, and I had a good math background from high school. I don't remember whether I had a recommendation from anybody or not. I don't even remember where I applied, but there was no problem. I worked there. I was using punch card equipment for the first time, but I had no particular interest in it as a process. In my junior year in high school, I took a course in Physics from Hester Cronquist and she was a superb teacher. She got me interested in science other than just as an intellectual thing. She was saying, "You should be a physicist."

I guess I never really thought much about not going to college, although no one in my family had ever gone to college. I just sort of took it for granted that it was going to happen. My family had a laundry business. They had survived the depression. They lived comfortably in this fourth floor apartment on 10th and Massachusetts Avenue in downtown Washington. By my last year in high school, they moved to what was then a suburban area a long ways out of downtown, so I had to reverse commute to come back to Central High School because I wanted to graduate from there.

Money never seemed to be an issue. I didn't really think about it. The thing that made it easy, as far as a decision was concerned, was that in my senior year there were a set of tests available to compete for the Pepsi Cola Scholarships. This program morphed later into the Merit Scholarships which were based on the scores on the SAT's which most high school seniors take. Anyway, this was the first year they gave these scholarships, and every state was going to get two scholarships. The man who ran this program for Pepsi Cola was named Stalnaker and he ended up running the Merit Scholarship program about three years later, when it was established. I was lucky in a sense. Since I was in Washington, D.C., the total number of students competing wasn't that great, and I was a good test taker. The verbal and math sections were both areas that I was good at, and I got one of the two scholarships awarded. It provided total tuition at any school in the country you wanted to go to. It paid your transportation costs. You could go back and forth twice a year. It paid $25.00 a month living costs. It paid for all your room and board, and books.

Johnson: Wow! I don't think the Merit Scholarships are quite that good anymore.

Grad: They're certainly not that rich. And there was no means test then.

Johnson: Interesting.

Rensselaer Polytechnic Institute (RPI)

Grad: I knew that I had received a Pepsi Cola Scholarship, and so I applied to MIT because I was going to be a physicist. Of course, I didn't know what a physicist or even an engineer was. I didn't even apply anyplace else. Why would I even think of it since I had been number two in grades in my high school class, had the Rensselaer medal for math and science and had been a captain in the Cadets. But I got turned down by MIT. Now what could I do? It was too late to apply anyplace else, so I worked that summer at the Pentagon. And I applied to Rensselaer Polytechnic Institute and was accepted there. All of the schools were running on a trimester plan. They ran three sessions a year because it was still on a war time basis even though the war ended that summer. I was accepted at RPI to start in November in Troy, New York. I didn't know what cold was until then.

Whether my grandparents could afford it or not never entered the discussion. I was going to go to college. They would have somehow found a way of doing it. Whether I would have had to go locally or not, I have no idea. As I say, it just never entered my mind, and because of the scholarship, it just avoided that whole problem. I found out some years later from a number of people [including published articles] that MIT [and many other schools] had a quota on the number of Jewish students, a fairly low one. And MIT had a lot of Jewish applicants from the New York area, and the students there had gone to the Bronx High School of Science, and to Brooklyn Tech, and they were probably better qualified than I was. But I had no chance to compete with all of the applicants because the number quota.

I joined a fraternity very quickly in my freshman year; it was then called Phi Sigma Delta and it was a Jewish fraternity. All of the fraternities at RPI [and most other colleges at the time] were split between those that were Christian and those that were Jewish, and I lived in the fraternity house in my second semester at RPI. This was before the veterans came back from service. 1946 was the year in which the veterans started to return. In 1945, just the young kids were there at RPI.

When I went to RPI, there were also a lot of very bright Jewish students from New York, and they had had better scientific and math training than I had. For the first time in my life, I had trouble with courses. I really had to work to keep up. I majored in physics because that was what Mrs. Cronquist had suggested. But I found out in a relatively short time that these other guys who were majoring in physics were just a lot smarter at that than I was. They were better mathematicians. They were better conceptualizers. They could understand and handle the calculus and the more advanced mathematics better. They could see things that I couldn't see.

I did well and got very good grades. But I wasn't in the same league with some of these other students. I could see that I wasn't going to be outstanding as a physicist. I would have been okay. I could do a job, and I could probably make a living doing it, but I wasn't going to be outstanding.

So, at the end of my sophomore year, I talked to one of my uncles, who was in the laundry business as all of my family were. We talked about the things I could do, and he encouraged me to get a business education. He thought that a business degree would be helpful to me. Rensselaer had just that year started a program called Management Engineering, and Dr. Spafford was the department head, and so I applied to switch to that as my major.

Johnson: Management Engineering?

Grad: That may have been the first time that name was used. There were industrial engineering degrees in many other schools, but they didn't have an industrial engineering program at RPI, so this was a new program. They were going to combine marketing and accounting courses with industrial engineering courses like time and motion study, and things like that. It was a combined course. I switched after the first two years in physics into management engineering.

That program just fit me like a glove. It was one of those things where it all felt good. They also had you take a minor. You could choose electrical engineering or mechanical engineering or chemical engineering whatever you wanted to do. I chose physics. I don't know whether by intelligence or stupidity, but it meant I could take any course in any subject in any department that I wanted to

Johnson: The physics minor allowed you to do that?

Grad: Because I had that option, and the Physics department didn't really care. If I had taken an electrical engineering minor, they had a specific curriculum I would have had to meet. But for the physics department, I had already taken enough physics courses in the first two years to get through their curriculum, so I could take anything in any department I wanted. I took an electronics course, I took an atomic physics course, I took a course in metallurgy. I took a course in transportation. I took a course in geology. It turned out, when I went to work for GE, no matter what subject area a GE department was involved in, I had usually taken at least one course in that subject area. When I went into a department to talk to people, I had at least one semester's worth of background.

We also did various work projects, for free of course. Cluett-Peabody [the maker of Arrow shirts] was the biggest manufacturer in Troy, New York, and we got assignments doing projects for

them, designing application systems. There were no computers, of course, and no punch cards that we were involved with, but we were talking about industrial engineering, time-and-motion studies, how to improve manufacturing processes and those kinds of things. So, we had some really good hands-on experience during my two years there. I graduated with straight A's basically, except for mechanical drawing I was a lot better at the management engineering subjects than the physics or math courses.

Johnson: Was your degree a BS in Management Engineering?

Grad: It was actually called a Bachelor of Management Engineering.

Johnson: I don't think I've ever heard that title. Of course, I've heard of industrial engineering, but I've never heard of management engineering.

Grad: I've never heard of it either. Industrial engineering is the common term, but they called it management engineering and continued to offer that degree for at least 30 more years. I took an accounting course where the text was called Accounting for Engineers and of course we all said that there was no accounting for engineers. It just was a great range of things. Every subject I wanted I was able to take. When I went out to work, even without an MBA program, I felt like I really had the same range of skills. There were management courses, organization courses, statistics and systems design training.

I sped through the program rather quickly. I wanted to graduate early, so I was taking six and seven courses a semester. I was working as a shoe salesman in Albany. I had a girlfriend by then, whom I married the day after I graduated from RPI. That was Pauline Mennen. Her family was originally from Troy although she was then living in Albany. Both of her brothers went to RPI, which isn't how I met her. I met her through some of the local young Jewish women arranging parties to which they invited members of the two local Jewish fraternities.

I had my grandparents and mother coming to Troy at the end of January in 1949, for my graduation and I'd been in school just a little over three years. I figured with my grandparents and mother coming up, I should get married at the same time. They might as well make one trip out of it instead of two. Her parents were not ecstatic about it, particularly her mother, but we sorted things out with a sort of "over-my-dead-body" kind of blessing. Then we went on our honeymoon, and I started to work for GE. I'd had offers from maybe four or five companies, but felt that the GE offer was the most interesting and paid as well as any of the others.

That's my personal background. I'd like to add just a few other things. I had stopped playing the violin when I was 14 years old because I was mad at my mother then. I have regretted that at times since. I enjoyed playing and had fun doing that.

Troy was cold. I still remember getting off the train in November 1945 in Albany. There was no direct train connection to Troy. I had no idea how to find Troy. My grandfather had bought me a very heavy overcoat, because I'd needed a heavy overcoat before in Washington. I had all these bags I was carrying, and there was snow all over the ground in November. I didn't know how I was going to get to Troy. I didn't know what bus I was supposed to take, and how was I going to get up the hill to where the dorms were. But somehow I figured it out and did reach the campus. But this was certainly an eye opening experience for me.

ADAPSO

Johnson: I guess now it's time to move ahead to discuss ADAPSO, the computer software and services trade association. I know that other people are covering your career at GE and IBM, so I guess we're picking it up where you are with IBM and you're getting involved with the trade association. Tell me how that happened.

Grad: It is a part of my IBM experience. IBM had gone through the process of unbundling, separating the price of its software and other services from the price of its hardware. That was done in June of 1969. Right after that, I was appointed as one of four development directors, and my area of responsibility was called FICUT, Financial, Insurance, Communications, Utilities, and Transportation. However, I had been involved in the software work for quite awhile at IBM, and a number of the people in the company knew what I was doing. I'd worked on scientific applications and I'd worked on other programs in the Data Processing Division.

There was a gentleman named Bill Lynch who came out of IBM's Service Bureau Corporation. He had been one of the people involved in founding of the computer services trade association, called ADAPSO [Association of Data Processing Service Organizations]. Bill had represented IBM's SBC [Service Bureau Corporation] there.

Johnson: What year are we talking about?

Grad*:* ADAPSO had started in 1961 and this was probably in early to mid 1970. The US Department of Justice had sued IBM for monopoly at the end of January 1969, and the Control Data suit was still underway. There were a couple of other software suits, one led by Marty Goetz of ADR, on Autoflow, where he claimed that IBM was giving away competitive software. Even though IBM was now going to be charging for it, that suit was still underway. There were a couple of other suits, one from a company called Programmatics, and at least one other.

Marty Goetz was, by 1970, an active member of ADAPSO. A group of software companies had joined ADAPSO under the leadership of Larry Welke. Someone, I don't know where in the

company it came from, decided that IBM software should be represented at ADAPSO, with a number of purposes. One was to at least hear what was being said, and maybe by being there to kind of muffle some of the anti-IBM noise. A second objective was to represent and communicate what we were now doing and how we were pricing software. We were now in the software business, competing with these companies, and we would like to counteract some of anti-IBM attitudes.

And maybe, third, we could help to modify some of the formal positions being taken. Since we would be a member, our point of view had to be considered in some way, and we'd be a member in the software area. That was Bill's idea, to bring someone in who had software knowledge and came out of the software area. I think it probably was about 1970 that I joined ADAPSO as IBM's representative. There was a group of software people as members, and I think that they were called SIA at the time, the Software Industry Association.

Johnson: I want to clarify something here because up to that point Bill Lynch had been IBM's representative to ADAPSO, is that correct? Were you now representing IBM in the software group? Because, as I recall, there was just one official IBM representative.

Grad: Bill was the official representative and he was on the ADAPSO board. Originally ADAPSO was just sort of one group. Then SIA came in and formed a separate section. Then the service bureaus and remote processing services companies split into separate sections. These were different people with different interests; it wasn't all service bureaus anymore. So there was now this idea that you'd have different people from the same company participating in different sections. Since IBM was in the service bureau business, Bill continued to be the representative of the Service Bureau Corporation, and he continued to be the representative of IBM on the ADAPSO Board. I was the IBM representative to the Software Industry Association section. SIA was relatively small then. I don't remember, but there probably were no more than a dozen or fifteen or so people at that time, something in that ballpark.

Johnson: I got involved with ADAPSO in around 1973, and at that point ADAPSO was still small enough that at the beginning of every conference, everybody in the room stood up an introduced himself or herself. I remember when it got to the point where it just became impossible to do that. It got to be about 75 or 80 people. But that was after I joined.

Grad: It was still quite small. These were not people that I knew. I had never met any of these people. Marty Goetz was a strong force. I don't know whether he was the chairman of SIA or whether Larry Welke was. There were about 12 to 15 members, all small companies. There were subjects that were debated as to what policies should be followed. At many of the meetings, there were discussions led by Marty about what IBM was doing that was bad for the industry and how IBM should be punished. Marty was actually testifying in the DOJ trial, and he was trying to get ADAPSO to submit amicus curiae briefs against IBM during that trial.

Meanwhile, somewhere along there, about 1972, IBM settled with Marty on his suit. They paid him some money and they took on some licenses for his product. I don't remember what the deal was, but they settled that suit. Marty had two suits at that point against them. Marty was writing white papers, and he was producing documents that were to be used in the trial or to be used by the lawyers as background material. He was the most active anti-IBM person.

I'm trying to remember some of the names of others that were there. I know Bernie Goldstein was very active, but he wasn't a member of the software section. Rick Crandall was probably involved at that point in time, as well.

Johnson: But he was with RPSS. He wasn't in software yet.

Grad: Well, I believe that he had two software products, also. He had some kind of software he was starting to produce.

Johnson: When he became chairman of ADAPSO, he was still with RPSS. What about John Maguire? Was John Maguire there?

Grad: John probably was there. Most of the software products people were there at that point in time. Larry Schoenberg comes in a little later, because I helped to get him involved with ADAPSO. Bruce Coleman was there at that time, I'm quite sure. Dick Thatcher was there at that point in time. Oscar Schachter probably was, representing ACT. It was mostly software products companies. There weren't many of the professional services companies.

Johnson: Schachter would have been professional services.

Grad: Yes, but ACT had products at that point in time.

Johnson: I'm sure they did. I'm thinking in terms of their roles in ADAPSO.

Grad: I don't know what Oscar's role would have been at that point. Good question. I don't know the answer.

Software Industry Section

Johnson: At that point in time, there were both kinds of companies, software products and professional services, in the Software Industry Section.

Grad: We didn't separate until much, much later. They were together, but we didn't have a strong professional services presence. We had some who were doing it, but it was mostly the products companies that had come together through Larry Welke. The Software Industry Association started to give itself an identity, and I guess one of the things that I do is whatever group I'm a part of, I try and promote the group. Even though in some sense one could view it as an anti-IBM section, I got interested in saying, "Well how does the Software Industry Association get its fair share of the money that is there in ADAPSO? How does its voice get heard in terms of policies and direction of ADAPSO?" I became part of making things happen relatively early on.

At the same time, I was arguing – discussing – with Marty, and with the others at these meetings. First of all, what could we get these software people to do in support of IBM products? Secondly, what did they want IBM to do that would actually help them, or avoid these conflicts going on? If we could co-opt them in some way, then that would be all to the good of IBM. This was morphing and migrating over time, so it wasn't that I'm standing up there pounding the table and trying to debate the issue, I'm trying to find ways to get us to see our common interests.

By this point, by 1973 or 1974, IBM had clearly failed in the application software business. We could not write good application software that would run on large machines. We could do it to run on System/3s, but we didn't know how to do it on the S/360s or S/370s. We had to be profitable as a standalone business in IBM or we couldn't stay in the software business. We had to go out of business if we couldn't make money on the software.

I was trying to convince my IBM management that it was to our interest to have third parties producing software that ran on IBM equipment, because if they did, more people would buy more machines. IBM didn't agree with this position. I was okay on that argument as far as applications were concerned, but the minute I started to think about data communications systems, database management systems and other kinds of systems-like programs, the IBM management was adamant. They wanted IMS to be dominant in database management, and they were not happy about IDMS coming from Cullinane or any of these other competitive products. It was a narrow road to go because I had to deal with the official IBM representative to ADAPSO to be sure I was supporting IBM policy. Yet at the same time, I saw business opportunities for IBM and I thought it would be to our interest to promote them.

I don't remember when Bill Lynch stopped being the representative. Well, it had to be when IBM settled the Control Data Suit, which was probably about 1972, which was when the Service Bureau Corporation was "sold" to Control Data.

Johnson: Right.

Grad: I think Steve Beach was then the official SBC representative. He'd been a member of the ADAPSO board, and that's when IBM put in a new representative. I don't know if it was Ed Kane that early or not. I don't remember whether it was Tommy Spain at that point in time.

Johnson: Tommy Spain was before Ed Kane.

Grad: These people were really corporate types, and my involvement and work with the software section companies was something that we were discussing fairly frequently, because the people selling the hardware had a particular point of view. They not only wanted more hardware sales, but at the same time, they wanted to control the customer. The minute one of these software houses went in, particularly at the database management level, they felt they were losing client control. That was an issue.

IBM Relations Committee

A lot of stuff started to happen, though, as we set up an IBM Relations Committee [later called the Vendor Relations Committee] in ADAPSO about that point in time, and Oscar Schachter was very active on that. He's a good moderate force, and he didn't represent a particular negative vision, like Marty Goetz did. Oscar headed that committee for quite a while. We had some good IBM representation. Probably Tommy Spain or somebody from Corporate was there, and we were discussing what the software companies' concerns with IBM were.

Johnson: I think Ed Kane was really much more involved with that. I don't know how long Tommy Spain was around, but it really was Ed Kane at the IBM Relations Committee.

Grad: I think when Ed came in, he was at Corporate at the time. Ed came as an outstanding individual. He was smart, knowledgeable; he made very good friends with a lot of the people. He made great friends with John Imlay and Bob Weissman and people like that. They became golfing partners with him.

Johnson: In the interview I did with Lee Keet, who was one of the people who had some very legitimate concerns and complaints, he talked very highly of Ed Kane and how well Ed Kane handled his concerns. Lee felt that his complaints with IBM were being heard, which apparently he did not feel with Tommy Spain.

Grad: Yes, but that was partly because the ideas within IBM Marketing were changing, and they were starting to see the value of having software from independent software companies. If MSA sold applications running on IBM mainframes using IBM systems software, that was good news for IBM. If he went ahead and wrote his programs to run on competitors'

equipment that wasn't so good. It turned out that because the S/360 had been so successful, this was the standard platform. Once we had announced IMS as a supported database management systems, and then announced CICS for transaction processing, everybody was writing applications to use CICS for their data communications, but they were using multiple database management systems. However, in almost all cases, if the customer was buying a database management system that ran on IBM's equipment, IBM was still getting the hardware sale [some were buying clones].

That was the message I was trying to get back to the company, but the big concerns the software companies had at that point in time had to do with two or three things. One was interfaces. Why didn't IBM tell them about the internal interfaces in the programs? First of all, why wouldn't they tell them at all, and number two, why wouldn't they tell them early enough so they could use them? The IBM argument, which I thought had some validity, was, "If we give you these internal interfaces, we're locked. We can't change them on future products. Once you've used them, if we go and change them, you're going to scream bloody murder that we've killed your programs." As a matter of fact, although I was developing programs inside of IBM, I didn't use those internal interfaces. They could speed things up, they could have saved me some programming time and improved performance, but then I'd be hung out to dry if they ever changed the interfaces. So that was one argument. Some people liked it, some people didn't, but that was, I thought, a legitimate reason not to disclose.

They were also public interfaces that we disclosed later in the cycle, that we wouldn't tell them about earlier, so that gave us inside of IBM a leg up. We could write applications or systems programs knowing what those interfaces were before the software vendors knew them. The IBM Relations Committee gradually worked on how to change that with IBM. We had meeting after meeting. I'm trying to remember the time frame. It was probably quite a bit later, probably late 1970s. I'm trying to remember the names of the people involved. John Imlay was very instrumental. They had what they called the IBM love-in, and the man from IBM who made that happen was Sam Albert of IBM. Sam, unfortunately, died a couple of years ago.

Johnson: The love-in was in the early 1980s, wasn't it?

Grad: I think it was earlier. I think was in the late 1970s. It was probably 1978 or so. By this time, the number of software companies in ADAPSO was very large. We probably had 40 or 50 at least; maybe more than that; almost all the major software companies were now members. A few didn't join, but almost all the major players were members. They joined for various reasons, but the IBM Relations Committee work was important to almost everybody. The statement was that IBM was the sea that they all swam in and you wanted there to be a level playing field. The software vendors loved the fact that there was a standard. That was the good news, because instead of having to support ten different machines with ten different interfaces, you got a solidly supported OS and DOS, with whatever their names were at that

point in time, and you covered 70 percent or more of the enterprise marketplace. While IBM kept denying it had 70 percent of the marketplace -- it depended on how you defined the marketplace -- from the software companies' standpoint IBM and IBM compatible platforms were the bulk of the non-government market.

From a business standpoint, you had a large enough number of users that it was worth producing software on a packaged basis. By then, McCormack & Dodge was in with their accounting packages. There was a whole range of packages for insurance, and for different industries, but IBM was not in that applications business. By then IBM did not produce any applications to speak of for mainframe computers. IBM basically went out of that area entirely because we couldn't make money on application programs.

So the IBM Relations Committee was a very significant one, and it kept on working. As a matter of fact, by the mid-1980s, the people at Digital said, "Why is IBM getting all the third party software? Nobody's doing software for our machines. All of these software companies are working with IBM." People inside DEC said, "We've got to become active in ADAPSO." Jan Phillips who was DEC's representative to ADAPSO was the first one from DEC who really came back to DEC and said, "These are people you ought to get to support our equipment. Don't just ignore it. Don't let IBM have this whole field to itself." None of the other mainframe manufacturers, to my knowledge, were ever active as members in ADAPSO.

So the IBM Relations Committee continued for quite a while, and it did change IBM's attitudes, and it changed our relations. By the mid-1980s, IBM mainframes were really fully dependent upon the independent software vendors. The third-party vendors produced all the application software. IBM was not even thinking about being in that business for mainframes. Then IBM actually moved this strategy down into the smaller machines. When the AS/400 was announced, they had 2,000 programs announced with it, all by third parties. That was a major part of the best marketing launch that IBM ever made, other than the S/360, and a lot of that was because of the IBM relationship with the companies inside of ADAPSO. That turned out to be a win/win situation, because by 1983 the US Justice Department lawsuit against IBM had been withdrawn by the Reagan administration, after a somewhat fruitless (but expensive for both sides) 14 years.

Technical Information Services Committee

Johnson: Now talk about the Technical Information Services committee. That was another ADAPSO committee that you were very involved in.

Grad: One of the things I did in ADAPSO was to initiate new ideas, and there were so many very bright and capable people there that they would pick up the idea and make it work. I like to start things. I like to get things moving, and then try and find very good people to pick up

the ball and do it. We were very fortunate in this, because when we started the Technical Information Services committee we felt that a lot of the independent software companies didn't have the kind of technical knowledge and background that we had at IBM. IBM had all these resources available to us. We could learn what we needed to learn about the technologies.

The original idea when we started this in 1984 or 1985 was that we would bring in consultants and other third parties, who would write papers on a subject of interest to the members [Jim Emerson was the chair of that committee]. Whether it was about data communications, or database, or timesharing, or whatever that the software companies cared about, we would get people to do that. For graphics, we got Carl Machover. For software development methodology we got John Landry. What we would do is tie it in with an ADAPSO conference. The consultant would conduct a workshop at a conference, and would also produce a manual with a history of that area and what could be done, and where to go look for more information about it. About 10 to 15 of those books were written, over probably a five to ten-year period.

Johnson: Do you know if anyone has a set of those books?

Grad: I do. And I plan to donate them to the Computer History Museum.

Starting Burton Grad Associates, Inc.

When I left IBM in the beginning of 1978, I decided to form my own consulting business. I think what permitted me to do that, from an intellectual and an economic standpoint, was that I believed that I knew all the software companies. I knew the presidents, I knew the people who were running these companies. I had a relationship with them, although some didn't like me because I was an IBM representative, but I had made a number of friends. There were a number of people that I was close to by that point in time. I didn't like what was happening at IBM. I didn't enjoy it any more. I couldn't find a job there that I really wanted to do. I thought working with the independent software companies would be fun (and hopefully profitable), and so I started my own consulting practice, which I called Burton Grad Associates, Inc. (BGAI).

The first day on the job, as a matter of fact, I went to an SIA meeting – or whatever it was called at that point in time – in Chicago at O'Hare Airport. This meeting had been arranged by Larry Welke; the subject was: what are we going to do against IBM, and how do we handle the IBM problem. Since I was a member of ADAPSO, I was legitimately able to come to the meeting, but Larry didn't tell anybody else that I was coming. And only Larry Welke knew I was leaving IBM. I hadn't told anybody else, and I showed up at the meeting. Marty Goetz was livid, "What's this IBMer doing here?" We kept that going for a while before I said that I was no longer with IBM.

I had no consulting work when I left IBM, and part of the fun of that meeting was that I got my

first BGAI contract that afternoon when I met with Bruce Coleman who was then the President of Boole & Babbage. Now I was "they" or whatever the right word is. We have met the enemy, he is us. I continued to be even more active in ADAPSO in terms of what can we do from a software standpoint. Even though I wasn't producing any software at that point – once I left IBM, I was no longer a software producer – I still viewed myself as being in the software business, producing software. Therefore, the clients who were going to be my customers, whatever their interests were, they were my interests. Anything I could do to make them stronger, and make the organization stronger was to my interest. I sort of adopted that policy. I felt like I was a software executive in that sense, and I think I acted that way to a great extent.

Building the Software Presence in ADAPSO

In the 1970s I was a sort of a behind-the-scenes active member in terms of trying to get ADAPSO to recognize the importance of SIA, whatever the software section was called then. The only way to do that was to make sure we had presidents of ADAPSO with a software background. I think they were called presidents at that point. Later, they changed the title to chairman when they called the executive director the president.

I said the only way to get that position was to get software members on the ADAPSO board, and we've got to train our people for this, and we've got to get into the progression so that we'll have presence. So, effectively, I helped to line up, through SIA, who was going to be the section presidents, and, in turn, who was going to go onto the ADAPSO board, and then how they were going to become candidates for president.

We lined up some good people. There was Larry Schoenberg and John Imlay. Rick Crandall came from the RPSS, but he had significant software interest in his company [Comshare]. Bruce Coleman was lined up but he ended up leaving Informatics around 1983, so, we lost that step in the progression. Bob Weissman was another one who had been involved, even though he was more in the Timesharing area.

Johnson: He was.

Grad: But by that point he was with Dun & Bradstreet, and Dun & Bradstreet had picked up McCormack & Dodge as well as National CSS, so it was a mixture. It was fun. We joked -- and there was some truth to it -- that I never wanted to be the head of anything, but I did want to be pulling the strings. It was a wonderful set of people to work with.

Johnson: Yes, they were a great group.

Intellectual Property

Grad: I'll talk later about some of the individual people, but I found the projects and the issues fun. One of the big things we worked on was the issue of intellectual property. While copyright had been established as sort of the standard, a lot of people – Lee Keet particularly -- felt that copyright was really not designed for programs because it was designed for other types of things. Other people felt that they needed to have the protection of a patent and that was really the direction we should go. A patent makes it a different ballgame, and IBM had argued against it for years. I had represented IBM's point of view, but it was my personal point of view also. I felt that the history of patents in other industries – radio, television, and electronics – was that all it did was help the big guy. In the long run, they were the ones who had the money to apply for patents and get them, and buy up the patents and block all the little guys from getting in. I felt that Marty Goetz, who had gotten a patent in the late 1960s, was just dead wrong in this regard. It was another area in which he and I disagreed.

I didn't like the copyright because it had really been designed for music and books and things like that, and it didn't really handle well what we were doing. Our programs were continuously being updated, continuously being changed. The rules at the time required that you actually have a copy at the Library of Congress in order for your copyright to be valid. What were we going to put in? Which level were we putting in? We've got 10,000 pages worth of code, and that made it physically available to anybody who wanted to look at it. Companies were not very happy about doing that.

Lee wrote a book on the subject, and he came up with a proposal. There was a government standards group going on during that period of time which was trying to move the copyright rules up to what the new technologies were dealing with and supporting. We were active in that, suggesting a variety of things. Lee's concept was probably better than what they came up with. The committee was called CONTU.

Johnson: Yes. The Commission on New Technological Uses, or something like that. It involved things like copying machines, too, which had made it so easy for people to copy without authorization. They could even copy books, which up to that point had been very difficult for anybody to do.

Grad: But the software industry was probably in worse shape than anybody else because we were on a digital electronic medium to start with. It wasn't quite as easy as later on with the PCs, when everybody can make copies of anything. But still copyright served as a reasonably good protection scheme. The other thing that we were using for protection pretty much across the board was the trade secret agreements that the vendors had with the companies who leased their programs. The vendors weren't selling the programs. There were long-term leases or perpetual leases, but no one was selling. Once you sold, you lost control.

The customer could resell it; they could do anything they wanted to with the program, even if you precluded them from copying it. As long as you had a lease, you had a strong control over the program's use. And that had been the IBM practice since the unbundling announcement.

I don't know if IBM was first. We did use copyright and we did use trade secret; we licensed everything. I don't know that we were the first to do that. Informatics might have been first with Mark IV, maybe Marty Goetz was first, and maybe Tom Nies was first. But that became a standard because if IBM was doing it that way, and leasing its programs, licensing its programs, that's what the customers or the buyers expected from that point on. "What kind of contract should we have?" became another area of work at ADAPSO.

Contracts Directory

So intellectual property was one issue, and that was a continuing battle for many years, but then this morphed into the next thing, which said each software vendor had to have a contract with his clients when they licensed the program to them. What should be the terms of those licenses? This was an issue which started in, I would guess, the early to mid-1970s, maybe 1974 or 1975. I was working on it while I was still at IBM, and I arranged to have access to the IBM contracts as models. We started a committee with Dick Thatcher and Larry Welke, and others, but the key to its success was Esther Roditti, who was then Esther Roditti Schachter. She was a superb lawyer, very good at detail and structure. We started setting up meetings in which we discussed the idea of model contracts. We started with the software products contract. That was our first. Esther came up with the idea that you've got to be very careful because of monopoly considerations and avoid the substance and appearance of collusion. You can't have a trade association say that this is the contract, and have everybody in the trade association say, "This is the only contract you sign with the customer." That's considered illegal behavior, and you can go to jail.

Milt Wessel at ADAPSO, who was an incredible asset to the trade association – I haven't mentioned some of his leadership; we'll come back to it. But Milt was very adamant, so we said we're only going to do some contracts as models. Milt was not very happy, so we said we would be very careful and we'd review everything we did with him. One of the attorneys at ADAPSO, first Milt, and then later Ron Palenski, worked with us and then Mary Jane Saunders. But Esther came up with the idea of using a model contract that wasn't, "Here is the contract," but it was, "Here are the subject areas you want to cover, and here are four, five or six different ways you can cover them." What she did, which I thought so superb, was for each of those different clauses, she said, "Why would you use it, and why would you not use it? What were the strengths, what were the weaknesses of it? You, the vendor, decide which of those you want to use, and in what combinations."

There were maybe 25 or 30 sections in each agreement. Esther produced the first model

contract for package software contracts. The second was for professional services. I think we ended up with probably 20 or so of these model contracts over the next five to seven years. I think Esther did the first four or five, and then the ADAPSO staff attorneys took over following that same structure and concept. I thought that was a real benefit. We've had many of the people from ADAPSO say how valuable those contracts were. What we did was to get people from each of the different sections (like Remote Processing Services) to work with the attorneys to put that model contract together. What we were able to do was to get almost everybody who was participating from a particular section to contribute their own contracts to be looked at. No one could copy it, but we could look at it so we could see what they had done.

That was the way she came up with all these "standard" clauses. It was a wonderful way to get people to work together collegially, even though they were competitors. It was part of that feeling in ADAPSO that you could talk to each other, you could ask each other questions, you could share, even though they were your competitors and the next day they'd be out there competing against you and trying to take that customer away. This was, again, part of that buildup of collegiality. It was one of those things where you see those two big books full of contract models, and you can say, "That was of real value to the industry leaders."

Johnson: Okay. Although you were involved in so many were these the biggest issues that you were involved in?

Grad: There were three or four others of significance.

Financial Issues

Johnson: Let's go on to the financial issues that you were involved in.

Grad: FASB 86 was big stuff. Let me give just a little background here. By this point in time, we really had a number of very smart professional services people. Larry Schoenberg and Jay Goldberg had joined ADAPSO, and so professional services custom work was now a significant part of the software section, and it was now a mixture. But there were some issues within that mixture because some of the interests of the professional services people were quite different from the software products people. Some things we might want to do from a product standpoint, they had no interest in. Things that they might want to do from a custom contract standpoint, we had no interest in. But we stayed together at that point in time. There were never any significant members from the mini world. Almost everybody there was from the mainframe world. Some did work on minis, but it was not a major part of their work at that time.

Larry Schoenberg was (and is) an extremely competent person from a number of standpoints, but financially he's astute to a level of very few people I've ever met. His ability to reason is superb and I believe he is probably one of the highest IQ people I've ever worked with. But

Larry was concerned about what do you measure, how do you compare companies, what are the financial elements? In this case, software companies felt that they couldn't borrow money from banks, because the banks said, "Where are your assets?" With the professional services companies, they said, "Your assets walk out the door each night." On the software products companies, they said, "Show me the building. Show me the equipment. It's just bits and bytes on magnetic tape."

We felt, therefore, that our balance sheets were misleading, that we had nothing on the books. We started working on this in the late 1970s, as to how our books should be kept, what should the financial records look like. These issues had come up on taxes. Was software a taxable thing? What property tax should you pay? When you sold the custom software, or licensed the software product, should there be a sales tax? I wasn't particularly involved in those discussions, but those issues had permeated the section, and Larry had been very involved in a number of those debates.

In the late 1970s, early 1980s, there was a project going on with the Financial Accounting Standards Board to respond to how do you handle software from an asset standpoint? We were arguing that we should be able to consider the software as an asset, and it wasn't just about us as software producers. The customers who were buying the software had some of those same issues: What is a reasonable amortizable life for these kinds of things? Is it three-year life, five-year life? No one really knew how long software would be usable. Today, we know that some software products seem to last forever. One of the comments made the other day in a discussion is we think of the hardware as being permanent, and it isn't. It's the software that's permanent. The hardware gets replaced, replaced, replaced. The software has almost indefinite life. Twenty, thirty, forty years is not uncommon. Programs written in the 1960s and 1970s are still running today in emulation mode or have been recompiled for new computers. When you think about this from the standpoint of history, it has a very different view: that which is most ephemeral has the greatest permanence, and that which has the most physical presence gets replaced very rapidly.

We were trying to get that point across, that were was an asset there. We tried to get the banks to accept it. Not easy. Over the course of the next five or six years, Larry Schoenberg, working with the Financial Accounting Standards Board, working with almost all of the large accounting firms – I think it was the Big 8 then – tried to work out some concept on how one could capitalize software, what the rules should be. Eventually, in 1986, FASB 86 came out and it set up the rules. They were arcane, they were difficult, they were complex, and probably illogical, but at least for the first time you could put software on the books as an asset.

In the last 20-some years, we've had ways where companies could capitalize their software, because it showed some assets so they looked like real companies. But it then changed to, "If you capitalize your software, the brokers and financial analysts will say you're trying to increase your earnings by deferring your development expenses." Getting these capitalization rules

adopted by FASB was a major piece of work. I was involved in that. At one point Larry [Schoenberg] was not available, so I testified at an FASB meeting, and helped make our case. After FASB was adopted, I wrote a paper for ADAPSO interpreting FASB 86 for the software community. This was also of help to my clients, who were interested in using these new rules. I basically wrote a small book, 80 or 90 pages, about how a software company should go about the process of using FASB 86, what you should do, what the pros and cons of capitalization were, how you could organize your development work in order to maximize or minimize the capitalization, those kinds of things.

Johnson: That was just distributed through ADAPSO? It was never published otherwise?

Grad: It was never published anywhere, just distributed through ADAPSO. Another issue at the same time was revenue recognition. I didn't get as involved in that, but the issue was when can you recognize revenue. Basically, professional services companies, unless they had a fixed price contract or had a guaranteed deliverable, charged on a time–and-materials basis, so when they did consulting work they would charge the client, and they would recognize the revenue. But in some of those contracts, there were promised deliverables. The accountants felt that you couldn't take all the revenue you had earned. You had to put something aside in case the deliverable didn't work as promised.

Products companies had the same kind of problem. You just made the sale, leased the product, turned it over to the customer and they owed you the money. Well, you had maintenance. What should you do about the maintenance? How did you recognize maintenance revenue? The accountants analogized it to being akin to publishing. If I had a magazine and you get a one-year subscription, and I deliver it once a month, then I only can recognize one-twelfth of the revenue each month. As I deliver that month's issue, I can claim the revenue. I must put the rest of the money that I have received as deferred revenue and pick it up during the year. Well, that certainly slows down your revenue stream.

The argument we made on revenue recognition was very simple. It doesn't cost us a lot to maintain a program. We can maintain a program for a lot less than we charge for maintenance. We're making a lot of money on maintenance. We may charge 15 to 20 percent each year of the price on the initial license that they signed, but 80 to 90 percent of that is really bottom-line profit. We said that all we should have to put into deferred revenue is what the cost is going to be of maintaining that program, not the price that we had charged. They said, "No, if you were to go out of business, then you would have to give them back the proportion of the money for the service that you hadn't performed." They said, "You have to put it all into deferred revenue based on the cost of non-performance, not on the cost of performance." So we had to take the whole thing and put it in reserve.

One of the fascinating things that has happened since then, with the SEC and the Financial

Accounting Standards Board, is that about ten or fifteen years later, when you acquire a company and it has all this deferred revenue on its books, you can't put it on your books at the cost of non-performance. You must put it on your books at the cost of performance, and so -- depending on how the rules are interpreted by the auditors -- 60, 70, 80 percent of that revenue actually disappears. Even though you have received the cash, it never shows up on your books as revenue. The non-logic of some of the accounting rules made no sense. We couldn't understand how their heads worked, but if it worked mechanically, they were satisfied, even though it screwed up the valuation of companies.

I also got involved in setting up a Quality Management Committee at ADAPSO, which dealt with how do we make sure that our software products are certifiable? How do we show that we really know how to test them? What are the tools we should use for testing? Should we set up our own certification procedure? The quality management committee was set up to help deal with these issues. Again, there was excellent leadership on the committee, and that was a long-term thing. Allen Hufft was the head of that committee. A number of people got involved in these committees. We would have meetings; we would have workshops at each of the conferences on these subjects. The committees would often meet in between the conferences. You might have four meetings a year, where the people involved would get together and prepare some materials to be given to the members to help them out.

ADAPSO Roundtables

One of the most important things that happened was probably in the 1970s when the industry roundtables were first set up. It was something that I thought was a good way to get the people in the Software Industry Association to work with each other. I don't think we were the first, but we were I think maybe we were the second to use this idea.

Johnson: What do you mean?

Grad: I think one of the other sections within ADAPSO set up the first of these roundtables. Milt Wessel, from a legal standpoint, had some concerns. The concern was, if you get competitors together, they're going to discuss price, they're going to discuss practices. That is illegal. And yet the idea of getting together was attractive because most of these people were still leading relatively small companies. Their boards, if they had a significant board of directors, didn't know much about the software business. The people who knew about the software business were those people they had met and become friends with at ADAPSO. So the idea was to get together people who worked in the same business areas, and on a confidential basis they would talk to each other, they would share their business issues and problems, and sort of serve as a surrogate board of directors.

Larry Schoenberg, Jay Goldberg and a group of the others started the first software roundtable and then Larry helped to start at least one other. Each of these roundtables had about ten to 12 people, and you had to be invited to be part of it. It had to be somebody that you wanted to work with. It had to be somebody that you were compatible with on a personal basis. I helped get the first two software roundtables set up. One was on professional services and one was on software products. I wasn't personally a member of those roundtables, but I helped them with some of the planning work and things like that. I think Larry Welke and Gil Mintz were the people who came in and helped to show them what the rules of the game were, and how those things should function. There eventually were probably ten or 15 of those roundtables, and some of them are still going today, 20-some years later. People on the roundtables have become strong, personal friends, but now their agenda is different. Now they're talking about how to retire and how to invest money. So these roundtables had a long-term benefit. It tied people in very tightly to ADAPSO, and was of real value. I felt that this was one of the major things that ADAPSO had done during that time.

International Activities

Johnson: Okay. What about talking about the international stuff? You kind of alluded that maybe that was not something that you were directly involved in.

Grad: No. But almost all of the software companies at this point had become major international players. By the mid-1980s, they were all getting a significant portion of their revenue from international sales.

Let's just finish up on ADAPSO. It was certainly a significant part of my life for maybe a 20-year period, and, frankly, it was those contacts and people I knew there that enabled me to have a successful consulting practice. These were my clients, and I ended up consulting with 100 to 150 different companies in the software industry. I'll talk about that as part of my Burton Grad Associates interview. But ADAPSO was really the source of essentially all the business I was able to do at BGAI.

Because my clients were interested in international sales, I thought that any connections I had in working with other organizations like ADAPSO in the other countries was useful. To the extent that the other countries had their own trade organizations, this knowledge would be helpful in terms of their tax practices, their financial practices; knowing those things for these other countries would be appropriate for me. Also, by that point in time, I was involved in some acquisition work for my clients, so having those contacts was useful. However, I didn't take a very strong role in ADAPSO's international activities. Luanne Johnson, Larry Welke and Jerry Dreyer, were really the people who led much of that effort. There was a Canadian ADAPSO; I think it was called CADAPSO. There was a British organization. I've forgotten what the exact name of that one was. There was a trade association in France.

By this point, we had companies from all over the world who were members of ADAPSO, who came to our conferences. Acquisitions had happened so that these were now international organizations. When was the first World Congress held?

Johnson: 1978 in Barcelona.

Grad: The only one of those I ever went to outside the United States was the one that was held in Denmark in 1982. ADAPSO hosted the one in the United States in 1980. It was biennial thing.

Johnson: Right, 1982 was in Denmark, and 1984 was in Japan.

Other ADAPSO Work

Grad: I don't think I ever went to another one, other than maybe a later one in the United States. I think I may have even given a speech or two at one of those meetings, but that was not a major activity that I was involved in. Other than that, there was also the work going on in the United States. The argument was that ADAPSO was getting so big that the number of people coming to the meetings had become too large, and there were lots of smaller software companies that either couldn't or wouldn't pay the dues to belong and wouldn't make the trips to the national conferences, and so regional associations were being organized and set up. I remember that Salt Lake City in Utah was one of strong ones regional associations. Again, Luanne and Larry Welke were involved in that quite heavily. Was Jerry Dreyer involved?

Johnson: No, he was not. That was after his time.

Grad: I believe that it was just Luanne and Larry who spearheaded working with the regional associations. Anyway, eventually there was a whole string of these regional associations, and various discussions were held as to whether they should be associate members of ADAPSO, or whether the individual companies belonging to those regional associations would also be ADAPSO members.

By this point, though, a lot of the people who were the CEOs of companies, with their companies getting pretty big, were no longer attending the conferences. By the late 1980s, early 1990s, the conferences now were attracting more second-tier people from the member companies. It would be the CFO who would come, or it would be the director of development. In many cases, marketing people were coming in. The character was starting to change in the organization. Jerry Dreyer, who had been the executive director, had been running ADAPSO

for 17 years or more had left. He was succeeded by George DeBakey, and then by Luanne Johnson, who was then Luanne James.

The politics was difficult in what was by then called ITAA [Information Technology Association of America]; the difficulty of being the executive director and then the president, working with the chair and working with the board, was a very complex process. It took a lot of manipulation. Jerry had been very, very good at the process of making sure that he catered to the egos of those people that needed to be catered to, but yet got significant things done on a regular basis. DeBakey did not work out well; Luanne did well, but there were still problems because the organization was changing, and the needs were changing. It was very hard to meet these needs. It no longer had that same kind of small collegiality that we'd had earlier.

People in ADAPSO

I'm going to just draw this to a close by mentioning just a number of people who were very significant in some of the activities I was involved in. Bernie Goldstein over the years was a major force in ADAPSO from the early days in the 1960s, right through until the 1990s. He had formed Broadview Associates [with Gil Mintz] which did much of the merger and acquisition work in the industry; he was a solid force, and a great person to learn from.

Rick Crandall was a superb strategist. His company [Comshare] went up and went down financially, but it survived for quite a long time. He was one of the best people coordinator that I'd come across. Remember, I had worked at IBM, worked at GE; but the skills he brought to the table doing strategic planning, getting people to work together were extremely impressive.

Larry Schoenberg I've mentioned before. Larry became a major client of mine. He was doing a lot of acquisition work, and I worked with him on 17 or 18 of his acquisitions. Larry's role in ADAPSO was very substantial and very significant. He claims he was the only one who was the president of three different sections of ADAPSO because of the different businesses he was in.

Mike Maples came in later, when the PCs came in. He had been with IBM, but he was not active in ADAPSO there. He came in as a representative of Microsoft; he brought a great deal of intelligence, clear thinking, and very clear cut-to-the-chase comments and statements. One of the problems we had in the software section was the transition, where all of a sudden the microcomputers became a major factor in the industry. Piracy of software had never been a big issue. It just never came up with mainframe software, but with the micros, they had different needs, different objectives, different markets, and different problems. Theft of their programs was a major issue. And we didn't address that very well. A separate trade association called SPA, Software Publishers Association, was formed with a lawyer as the head of it [Ken Wasch], and they attacked that issue and addressed it well. They attracted far more of the micro companies. We kept a few, but it was never a significant separate section in ADAPSO, even

though it should have been.

Bruce Coleman was a long-time friend, and we had worked together; he was very active, very useful. Again, Bruce was a client of mine in the different companies that he worked with.

Esther Dyson was very actively involved, and at some point we actually formed our own roundtable of people who were consultants in the field. Barbara Brizdle, Walter Brown and I started it and Esther was one of the founding members. We had about ten to 12 members. They were all people who did consulting to software and services companies. That was great fun, a great experience for me, and Esther was involved in that. She was a great help.

Ed Kane, from IBM, was a solid force over many, many years. Again, he became a personal friend. I enjoyed talking with and working with him.

Marty Goetz and I eventually worked out things so we were not fighting with each other in quite the same way and that worked out very well.

Jerry Dreyer had really done a fine job over many, many years. We have an extensive oral history of Jerry that will be posted on the Computer History Museum oral history website [now available].

Larry Welke helped many of the companies get started in the business; Larry's company was ICP, and they produced the ICP directories. This gave the software companies substance. He carried a lot of companies for a while who couldn't pay the advertising bills and so he helped them to get going. He did a lot of work in a wide range of areas in ADAPSO.

Dick Thatcher was another client of mine after a while. He was a good, solid constructive and energetic worker for the trade association. He ended up working for Larry Schoenberg at AGS, and became his director for acquisitions. He was the one who went out to buy companies, and is still in the business of helping to buy companies and helping to bring them public.

I mentioned Esther Roditti and Oscar Schachter. All of these were just terrific people to work with. I'm sure I've left out a dozen other people that I enjoyed working with, but ADAPSO was a great place, a great organization and a major part of my education. I had a lot of fun helping to make it grow and helping it contribute to the industry's growth.

Johnson: Okay. I think there's so much more that could be said about ADAPSO, but let's go on to some of your other activities after you left IBM. You had your consulting business going, but you got involved in a number of other companies as well, and one of them of course is Heights Information Technology Services. Please talk about Heights.

Heights Information Technology Services

Grad: Well, again, this is a shared story with Luanne. Luanne went to the first of the international computer software and services conferences which was held in Barcelona. There was just one other woman at the conference; she was Anne Russell from a company in England called F International which was in the business of doing professional services work for companies in England using women, primarily, working at home. It was a company run by women. Steve [Stephanie, now Dame Stephanie] Shirley had founded it in the 1960s, and she had brought in some very fine people, pretty much all women. There were one or two men, who were on the board of directors, but it was essentially a women-run/women-directed company. They had built up quite a reputation. And they were making money by that point in time.

Anne and Luanne met at the conference in Barcelona. Luanne was intrigued with the idea of F International. When we saw each other again back in the United States, she told me about this strange company in England and what they were doing. The idea that people – particularly women – would be able to work at home, even if they had kids, the flexibility that that would give was very appealing to me. I'd had a number of women working for me in managerial jobs at IBM, and had a pretty good appreciation for how good people could be whether they were male or female. This sounded like a fun idea. What we agreed at that point, I think – Luanne and I – was that we would try to get F International to expand its operation to the United States, and we would help them, consult with them. I don't think we even thought of it from a financial point of view. We just thought it was a good idea, it would a good thing to have happen, and that we'd like to encourage them to do that.

Luanne and I went to England to visit with them, to try and get them to make that happen. This would have been in October 1978. We met with various people there, and we finally at some point met with Steve Shirley. I think in spite of my being there, they decided that it would be worth at least having further conversations. I think that was because of Luanne, who was running her own successful business; effectively they said, "She's okay, and we'll have to put up with him, at least for the time being." We then negotiated and worked with them, spent probably six months, if I remember correctly, trying to get them to commit to coming to the U.S.; how we would help them, what they would need to do with the rules and regulations.

We had things pretty much lined up for them, where we thought we would have one office in California where Luanne was, and one in the New York area, where I was so we could be of consulting help. At the last minute they basically said, no, they wouldn't do it. My recollection of what happened then is that Luanne's business had reached a point where she really needed to be heavily involved again. She felt she couldn't spend the time needed on this new endeavor. I had always envisioned that she would run this business – that was my idea – and that I would consult, because I had my good consulting business and I was very happy with my consulting business.

I'll try to get the right timeframe but probably somewhere in early 1979, we decided we had to make a decision whether we should go ahead with the idea or whether we should kill it. We had incorporated. We had made contacts with potential programmers and customers. So, we decided to take a chance. I said I would run the thing, and Luanne would continue to consult and help in the California office, but that I would take the principal responsibility of running Heights.

The F International people were generous enough to let us use some of their materials, their project management tools, things like that, and educated us in how they priced and practiced. Now we had two problems: we had to attract people to do the work who were competent and qualified, and we had to attract customers. The concept of people working at home – remember, this is pre-PC days – was not accepted in the U.S. You would have some terminals potentially, but fundamentally we were planning to have the programmers do the work at home and only go into the customers' offices occasionally to discuss requirements and do testing, but basically work at home.

We found no difficulty in locating people to do the work. I don't remember how we made the contacts. Maybe, Luanne, you'll add to that. On the east coast, I don't know how we found workers. We let it be known we were interested in people who would do programming for us, and we were inundated with contacts.

Johnson: It was primarily word of mouth. On both coasts, we contacted women that we knew in the industry, and word just got out. On the west coast, we'd done some good PR. We had some coverage in the local newspapers, and so on. I was interviewed on a radio program. For the most part, the people that we got, that were really worth hiring, came through these word-of-mouth contacts; women knew other women whom they recommended. As you said, we had plenty of resources.

Grad: We hired a branch manager in each place. We set up a professional operation. That was what F International said we needed to do, and we didn't disagree, so we set up a professional operation. We had secretarial support. We had offices. Luanne let us use part of the space that she had for Argonaut. I rented a facility in White Plains, and brought in a branch manager. The much harder part was trying to get clients; obviously, the marketing was going to be difficult. We had a dinner in New York, if I remember correctly, at a Japanese restaurant, and we had 17 women who were all potential buyers of our services at that meeting. It turned out they didn't end up buying our services, but they thought it was a great idea. They encouraged us, but we really wanted them as customers, not just as cheerleaders – but they did help us spread the word.

Johnson: Both of the meetings that we had – the one in New York and the one in Oakland – led us to find people who wanted to work in this manner, but they didn't really find us buyers. They didn't find us any customers.

Grad: But we did get some customers, and I don't remember the details of some of these customers, but they were used to hiring independent contractors. That wasn't the issue. The issue was that they wanted the contractors to come in to work in their offices. The other issue was that we wanted project responsibility. We felt that if we could manage the project, the customer wouldn't care where the people worked as long as we got the job done. One of the ways that they had been very successful in England was that they took on project responsibility.

Well, if you're going to have project responsibility, you have to uplift the prices of the people because you have to pay for the project management. That meant the rates of the individual people were higher than if you looked at it on a standalone hourly basis. In spite of these problems, the end result was that we kept Heights going for some years. In our best year, we had three quarters of a million dollars worth of revenue, $750,000. But neither of our branch managers worked out particularly well. There were problems in both cases. We had a few terrific project leaders who did some great work; one on the west coast managed a contract with Lucky Stores. She was an ex-IBMer. I think she was in her 60's or so. She was a superb project leader. That was the key.

Most of the clients were not interested in having us do project management work. They would not pay us the premium, no matter what we guaranteed. Even when we'd do the project for a fixed price, they were not willing to do that. The joke was that they wanted to see the dandruff fall, and they didn't trust that you would charge them fairly for the time. Yet we found whenever we checked things out that they got so much more value. The associates only charged for the actual hours worked. They all leaned over backwards to do that. The women working at home were so much happier doing this, because they could use their heads, make money and still be with their kids. We felt the customers were getting terrific value, but it was a hit-or-miss business. We never really made any money. We had to get an infusion of capital from friends, who still remained friends even when we weren't able to give them back their money. We lost the money, and we eventually sold the business – basically gave it away – to F International.

Steve Shirley bought the business from us and took over, and just kept it going another two or three years. I guess it was in the late 1980s before it closed down in about 1987 or so. Their last years were disastrous. Steve's wonderful skills in so many areas didn't apply to hiring Americans. Everyone she hired here turned out to be either incompetent or corrupt, and that was too damn bad. They ended up closing down the operation, and I got back my secretary, Ruth Biloon, who said she sort of felt that she had been sold to Steve Shirley as part of the deal, that she didn't really have a choice about where to work.

There were a lot of fun projects and things being done. Of course, what it did was to take a ton

of time away from my consulting practice, and I did not have the same kind of revenue or income that I would have had otherwise. We never ended up with any real specialties in Heights; and I think that maybe if we had had some particular area in which we had a specialty, whether on an industry basis or application basis or a systems basis that would have made a difference.

Johnson: F International was also just way ahead of the curve, the whole concept of people working at home.

Grad: It was funny. The idea was accepted in England and was successful. But in the United States it just didn't work at that time. Steve Shirley took F International public, at some time, probably in the early 1990s.

Johnson: Were there other companies that worked on that model in England?

Grad: I don't know of any.

Johnson: It may have been one of those unique ideas and Steve was the primary salesperson, and she was able to sell the project management concept.

Grad: She was absolutely superb, and the end result was that she got a lot of money out of it, and she still retained a lot of stock in the company when it went public. She ended up being a great contributor to many causes, and then became Dame Stephanie Shirley at a later point in time.

But she also did the operational stuff. They were just better at it than we were. They were much better. They had really trained their people well. They had really good management people. Anne Russell and the other key people they had were really good. However, when we brought some of their management people over, we ended up with some bad luck. We brought over one of their people who wanted to live in the U.S. She came over and became terribly ill here, seriously ill – almost a deathly illness. She survived it and went to live in Canada, but we lost the full year that we needed. The other person they brought over didn't work out here at all. The style of doing business was different. I felt very badly about it. I felt we had a great idea. I felt it was an important idea. Whether we were just ahead of the curve in the United States or not, or whether we just didn't have the skills, I don't know. We were never well financed, so we were never able to do any real heavy-duty marketing or any of those things. And we didn't have a Steve Shirley. Luanne had been able to sell in her business, but that was a software niche, which she knew and could represent well.

Johnson: Yes. But I didn't really do any selling for Heights.

Grad: And I didn't do a good job. I'm not a good marketer for that kind of thing. I look back on it as being something that was great fun to do. I met a lot of wonderful people, including my present wife, actually for the second time, because I had known her from back in the IBM days. It was a good experience. I don't resent it. I'm glad we took the shot. It was the right thing to do. Look at those people it helped, and it did help some of these people. Today, of course, this is a common business mechanism.

CustomerCare, Inc.

Johnson: Okay. Let's spend a little bit of time – we're getting close to the end here in terms of time we have available. Tell me about CustomerCare, Inc. and its newsletter, because I really don't know very much about that at all.

Grad: Although Burton Grad Associates was a general consulting practice, we limited our clients pretty much to software and services companies. That was our market. We did strategic planning, a whole range of things, which I'll discuss as part of that interview. But at some point in time, Barbara Brizdle, who was in the roundtable I was a part of, had bought a newsletter that tried to provide information to help customer service people within software companies do a better job of their customer service, what tools to use, approaches to use, how to hire people, how to train them, all of those things.

It was a real newsletter in that sense, with a whole variety of articles and comments. It had statistics in there. After Barbara married Larry Schoenberg, she wanted to get out of that business. We discussed this at a roundtable, and I thought that I would like to have something with ongoing value since my personal consulting practice was not sellable. There was no asset value. If I stopped working, no one was going to give me a nickel for that business. I was looking to find a way of building an asset that could be sold, or would have some long-term value, so I decided to make an offer. Barbara didn't charge a lot of money for the business. Burton Grad Associates negotiated to pay her over three or four years. We picked up the style of the newsletter and the publishing process.

Originally it was my own project but later on, Carol Anne Ances got involved in helping to produce the newsletter. The idea I had was that I wasn't going to write the newsletter itself, but I was going to be the editor, and I was going to get other people to write the articles, people who knew the customer service field. I knew some of these people already because I was working with so many software companies and I knew their customer service management people. Remember, customer service was always the lowest tier above administration in all the software companies. You paid them the least amount of money; you paid them the least amount of attention. The marketing and sales people, the development people, these were your top people, and then you had to use what was left over for customer service.

However, what was happening with the introduction of microcomputer software and with the broadening of the market with the use of the mainframes by people with microcomputers who were connecting in, the service and support requirements for software was suddenly not just a few clients to talk to or a few people at each client, but now you had lots of people all over to talk to. Suddenly your customer service requirements were big money, big time. Once you sold commercially to a consumer market, now you had hundreds of thousands and millions of customers, and you had to have a major customer service operation.

By this point, some customer service software tools were coming out, so there was some real meat to the area. It wasn't just, "Go ask the developer how to fix this bug." It was, "Make sure that the customer service training is right. Make sure that they know the manuals. Make sure that they know how to help people when they're having trouble." Sixty, 70, 80 percent of the calls that the software companies were getting were not because of bugs, but because they really didn't understand the manuals. The main first line of support in customer service was to walk them through the appropriate portions of the manuals. The joke was, "I can hear the paper rustling. They're finally opening the manual we sent them." There were even cartoons done about that.

Besides the newsletter which we sent out multiple times a year -- I think it may have been quarterly or even six times a year -- CustomerCare, Inc. had a survey that was published once a year. Newsletters generally don't make money, but if you get a large enough number of people purchasing them, you can break even and someone later will buy the newsletter business from you just to get that list of subscribers. We were able to build up the subscriber list some by marketing. We did direct mailings. We did a number of things to try and build it up. But the thing that turned out to be the gem, which I had not even thought about much, was the annual survey. We worked with Floyd Kemske on doing the analysis work, and it was a very complex and difficult thing to take the data and turn it into interesting and meaningful prose.

We got a number of people in the software companies who subscribed to the newsletter (and others) to fill out these lengthy survey questionnaires. We would then analyze them, and we wrote the report. It was quite big, about 200 pages with all the tables in them, and text explanations of what these tables meant and how to compare their operations to the survey data. The survey made money, and that was what carried us because we were not making money on the newsletter. Even without charging for my time or Carol Anne's time, it was barely breakeven. It was a big job physically producing and mailing those copies, and you had to keep mailing and mailing and mailing solicitations to get replacement customers for the ones who had dropped out because they changed jobs or just didn't like what you had anymore. We ended up with some people writing excellent articles about what to do, what not to do, and how to really work customer service.

One of my original ideas in buying CustomerCare was that it was going to give me entry into the software companies to do consulting on customer service; that they would hire me because they

saw how knowledgeable we were and that we would get some good-sized consulting contracts, on which I would make good money through my own time or through people I would use on the projects. We did get some. We got some work from Sterling Software, from their customer service people, and that was a big contract. That probably paid for the whole venture, that one contract. We also picked up work from CyCare and CyData, MicroEdge, some other companies. I got some work out of it, but it was never sufficient for the amount of energy that had to go into putting out our newsletter.

It was horrendous work, editing every article, making sure that it was right, laying it out, all the work with the printers and to get the thing so it was put together correctly and maintaining the mailing lists. It was just miserable work. Much of the office staff, the administrative staff I had at the time did a lot of that work. But finding people to write articles, and even writing our own articles, we were often scrambling to have enough material to fill an issue. But in some ways it was fun. I learned a lot about customer service, but as far as establishing an asset that I could sell that would be worth money in the future, it didn't work out.

I did eventually sell CustomerCare, and I thought I had a reasonable deal. I was getting back a little more than what I had put into it, but it turned out that the guy who bought it overextended himself, and never did pay me the money he owed me.

Johnson: Oh, no. I didn't know that.

Grad: So, I lost out on that and that was a shame. I went after him for years because I had a lien on his house. But what am I going to do? Throw him out of his house? So I didn't do it. I kept after him and it just never worked out.

Johnson: Oh, I didn't know that. The last I'd heard was it was sold.

Grad: It was sold, and I was happy with the price. But the buyer butchered the newsletter and the survey; and then he just overextended himself by buying other companies and then just went under. He lived in Denver. I kept writing him letters, but there was not enough money involved to sue him. Did he do it on purpose? I don't think so. I think it was stupidity. That happens sometimes. But I had learned a lot about the customer service business, and I really found that was a fascinating area. That one big project I did with Sterling was one of the most interesting ones. Plus it gave me the opportunity to work with Carol Anne on some of these projects, and she was very good at balancing my approach to solving problems. I tend to look at things somewhat from above, looking top down. She very much looks at the mechanics of how things work. We ended up doing some very nice consulting work in that regard because we would come into a client with both of these points of view.

It was also useful for other customers that I was working with on other consulting work. They

would almost always have a customer service component, and so we would deal with that from an organizational strategy standpoint, along with the development and the marketing, and the other issues we were dealing with such as the financial structures we were working with. It became an integral part of the Burton Grad Associates business, and so that was worthwhile from that standpoint, but I decided I was not going to ever be in the newsletter business again.

Johnson: Okay. I think that will wrap it up. We covered an awful lot, so thank you, Burt.

Grad: Thank you very much.

