



## **Oral History of John Phillips**

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Recorded June 6, 2008  
Mountain View, CA

CHM Reference number: X4699.2009

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## John Phillips

### **Conducted by Software Industry Special Interest Group**

**Abstract:** John Phillips is one of the cofounders of Creative Socio-Medics, a provider of specialized hardware and software services in the human services field, particularly in the behavioral health field. After talking briefly about his background and education, Phillips describes his early career and the influences that served as the foundation for his later work. As part of an overview of the history of Creative Socio-Medics, he describes how and why it was founded, early clients and service models, the merge with Advanced Computer Techniques (ACT), and how the service bureau, VAR (value added reseller), and behavioral health industries evolved over the years. The discussion provides insights into the computing industry services and structures between the 1960s and 1980s. Lastly, Phillips explains his involvement in the trade association group ADAPSO and its role in and influence on the industry in the 1980s.

**Thomas Haigh:** This is an oral history interview being performed at the Computer History Museum in Mountain View, California. It's part of a series organized by the Software Industry Special Interest Group, formerly the Software History Center. In this interview, the interviewee is John F. Phillips, and the interviewer is Thomas Haigh. John, thank you very much for agreeing to take part in the interview.

**John Phillips:** Good to be here.

### **Background and Early Life**

**Haigh:** Over the next two hours, we'll be talking about your career in computing, your long-time involvement with the company Creative Socio-Medics, and your involvement with the trade association group ADAPSO, particularly your role within its VAR section. Please begin by saying a little bit about your background and early life, prior to joining the computer industry.

**Phillips:** Born in Manhattan 70 years ago, 1938. Lived my whole life in that area. Moved so to speak out to Long Island. I moved from Manhattan to Queens to Suffolk County out to Islip and went to school there. I was looking over the resume that I had outlined for you. Just

about everything I've done in academics and in business started out in New York, New York: high school at Brooklyn Tech; college in the United States Merchant Marine Academy, which is in the suburbs, in a place called King's Point; back to New York for an MBA at St. John's; and then onto a doctoral program, which I didn't complete because of business at the new School for Social Research, also in Manhattan.

The companies I worked with before my partner and I started the company in 1968 would have been Honeywell in the electronics division from 1960 to 1968. I left Honeywell and went to Control Data. I remember distinctly people at Honeywell telling me, "Stay in the electronics field. Don't go into that computer field. It's too new, it's too unstructured."

From Control Data I went to a very famous consulting firm called The Diebold Group run by John Diebold, who was considered the father of automation. He coined the term and was very successful in consulting, mostly to the Fortune 1,000.

From there I moved into the service business when my partner and I started the company. The name at the time was Creative Computer.

**Haigh:** Let's cut off there and go back over some of those things in a bit more detail.

**Phillips:** All right.

**Haigh:** What was your family background?

**Phillips:** I had a mother and a father, and there's really not much to tell. It was a kind of an ordinary life, lower-middle class. My father was a boxer and then a longshoreman, and my mother worked her whole life and went to local grammar school, St. Theresa's. Pretty standard, pretty standard.

**Haigh:** When you were in high school, what kinds of subjects were you interested in?

**Phillips:** Well, my whole academic career through college was engineering. I thought of myself as a kind of mechanical person, liked to take things apart when I was a kid and play with Tinkertoys and Erector Sets, so I did go into mechanical engineering through high school and college. I spent a lot of time on sports, swimming, and wrestling and the debate team.

**Haigh:** Did your family expect you to go to college?

**Phillips:** No. In fact, my desire when I went to Brooklyn Tech was that I would be a cook, and I wanted to be a cook. As I got toward the end of my high school career, I changed and

wanted to be a machinist, so I started to read up on all the machinist companies that I might be able to go to. They were all in the Midwest, like Illinois Tool Works and so on and so forth, and that didn't seem too promising.

Then just by coincidence, the swimming team was late for a meet, and I was looking for the fellow who was on the relay with me. He was seeing a coach of another sport, and I went to see him. The coach mentioned you could actually get the day off from school if you go visit this college, so I went with him. It was the Merchant Marine Academy, and I got another day off to take the test. We all took the test, and I got in, so I went.

I didn't think I'd be successful there, because they lock you up for the first nine months, and it's pretty heavy-duty stuff. My friends and I had a little poll and bet on how many days I'd last, but I lasted the four years. So that's my background: basically engineering, focused on a lot of sports, and fairly interested in academics.

**Haigh:** At the college, did you major in engineering?

**Phillips:** Yes. Though at the Merchant Marine Academy, it was considered power engineering because you either signed up to be an engineer on a ship or you signed up to be in the crew. In other words, you ultimately want to be a captain. In the case of the engineers, you ultimately want to be the chief engineer.

I took engineering. It was considered mechanical power engineering. There was a lot of steam and diesels and stuff of that type in it.

**Haigh:** At that point, did you have the idea that you would be working on a ship?

**Phillips:** I had the idea that I would spend time in the Merchant Marines. Then I decided to get married, so I came ashore and moved to the Naval Reserve as an officer. I was in the Naval Reserve for a while, but basically from then on it was always moving forward and you're making a living so to speak in your profession and so forth. Originally, I was in mechanical electrical engineering activity at Honeywell.

**Haigh:** So, I assume you had not been exposed to any computing during your degree?

**Phillips:** No, not at all.

**Haigh:** Were you exposed to electronics, or was it all mechanical?

**Phillips:** Well, electronics and mechanical electronics. The part of the business I was in had a lot of mechanical aspects to the electronics. It was called the switching business, and Honeywell was the leader in that with an organization called Micro Switch, so it was as much mechanical as it was electrical and electronic.

**Haigh:** I think you've implied that the reason you didn't go to sea was that you got married?

**Phillips:** That would be the immediate reason. In the final analysis, I didn't see myself in long-term being on a ship. It's a very unusual life, very interesting. I saw places that no one else I've met has ever been to. It's an amazing life, but I don't think it's a life I would've liked to spend my 40 some odd years in the way I wound up doing in the computer business.

### **Honeywell Electronics Division**

**Haigh:** Then your first job was with Honeywell after you graduated?

**Phillips:** Yes.

**Haigh:** How did you come to work specifically for Honeywell?

**Phillips:** Frankly, I came ashore and didn't know where to go for a job. I saw some signs up and went to one. It was a Honeywell sign right outside of Manhattan for people who are familiar with New York in Queens. I actually went for an interview and took the job.

**Haigh:** What Honeywell facility was that?

**Phillips:** It was a sales office. The first two companies I actually worked for, Honeywell and then Control Data, by coincidence were both companies located in Minneapolis, Minnesota. But in both cases I got the job through the sales office in New York. My first two jobs were sales.

**Haigh:** What were you selling?

**Phillips:** In the case of Honeywell, it was electronic components. The category was called micro switches, which if you're familiar with the electronics industry, it's all pervasive. They sold everything you saw at the time on the front of computers and electronic equipment and airplane panels and vending machines and so forth. They had about 30,000 products and about 80% of the business I think at the time.

**Haigh:** You were selling those to industrial manufacturing companies?

**Phillips:** Actually yes, we called it the OEM (original equipment manufacturer) portion of the business, so we sold and designed into their products with our products. If you designed your product into a thermostat, it might be a dollar mercury switch, but there might be a hundred million of them sold. You know what I mean?

**Haigh:** Yes.

**Phillips:** If you built a new fighter plane at Grumman, even though you were only going to make hundreds of planes, the switches in a plane might cost a huge amount of money per plane. That's what we did; we were considered sales engineers.

**Haigh:** Did you enjoy the work?

**Phillips:** It was good work. I've always enjoyed the work I've done. I've been lucky enough to and hopefully smart enough to say, "This looks like a good idea" or "This looks like a bad idea." But once again, I didn't see a real growth path in it. I saw step-by-step movement up the sales department chain and so forth.

During the time I was working for Honeywell they paid for my MBA. People complain in the United States that you can't get an education, but my entire education was paid for by someone else. I never had any money. The idea that you can't move forward in the United States and get an education I think is not the case. You have to look for it, you have to work at it, and you have to make the right decisions on it.

They paid for my MBA, and during the MBA process, I found the discussion of computer opportunities, computer growth potential, the place where computers might apply in the work we were doing in the MBA program, which was kind of a classic program at the time, organization and so forth, finance and everything. It was really interesting, but I had no connection to the computer business and had no idea where to start.

**Haigh:** What year did you graduate?

**Phillips:** I graduated in 1960 and worked for Honeywell from 1960 to 1965.

### **MBA in Marketing**

**Haigh:** Where did you do the MBA?

**Phillips:** St. John's University, at the main campus in Queens.

**Haigh:** Did doing the MBA indicate that you wanted to follow a career into management in some way?

**Phillips:** I think I always assumed I wanted to have a career in management because for someone with a simple background like myself, the assumption is you have to move up the organization chart. I can't say that I had a great understanding of many of the aspects of it, but I assumed, the great American approach is, you keep moving forward. Once again, whether that's a good philosophy or not is debatable, but that was my desire, to move forward, to have a higher position, to have more responsibility. I always thought of myself and my military background as kind of what I was good at, what I should do, so I think that's basically how I felt. I did think that because of my communications experience, the debate team, so on and so forth, that the way to go there was probably communications, which to me at the time was sales and marketing. My MBA was in marketing, and my thesis was on training salespeople for the new areas of technology as opposed to training them to sell door to door or something like that.

**Haigh:** The experience of doing the degree, did it change anything about the way you thought about yourself or your career plans from when you got into it?

**Phillips:** I can't say that I've ever thought of that as strongly changing anything. I think basically I'm a firm believer that you can divide the world up, people up into many ways. One of them is half-full and half-empty people. I always thought of myself as a half-full person. What is the opportunity? There was a joke in the company later on that every time we had a management meeting, if there was a problem, I'd walk in and I'd start to say something and they'd all say it for me: "John's going to say it's an opportunity, not a problem." My own feeling is that's the way you approach everything.

In that case, doing the MBA just made me feel more secure about trying to move forward, so in that sense it was helpful, but it didn't necessarily give me any direction. The only thing that struck me was that the computer area seemed so explosive and so exciting and so much into what's going to change things. You think of the power of it related to almost anything you look at, especially in business, so that was still hanging there, but it wasn't on the front burner. I had no idea that I would approach it or how will I approach it, and that's where I stood at the time.

### **Computing in the 1960s**

**Haigh:** In 1965 had you ever touched a computer?



**Phillips:** No. By the way, in 1965, to touch a computer you'd have to "go into the computer room."

**Haigh:** Right, yes. The operators touched the computer.

**Phillips:** Yes, it isn't like today touching a computer, it's pretty hard to think of anyone not touching a computer even if it's an ATM.

**Haigh:** Had you ever seen a computer?

**Phillips:** I'd seen pictures, and it was also in movies. Remember they used to have the movies with all the spinning reels and tab cards? They usually had tab cards pouring out someplace in those things.

**Haigh:** Yes, flashing lights.

**Phillips:** Yes, exactly.

### **Data Center Sales with Control Data**

**Haigh:** So then in 1965 you went to work for Control Data?

**Phillips:** Yes, and that was once again sort of like meeting the person going to see the coach in high school. I was at an electronics conference. We used to set up booths, as you're aware of, and along comes an old friend of mine from my neighborhood. He said, "Well, you're in electronics. You're really making a mistake. This computer industry, I just got a job with Control Data."

At the time, Control Data was considered by many to be the exciting computer company, if you're familiar with their situation prior to the problems they had with the IBM suit and so forth. They were just coming out with their 6600 announcement, and it was pretty exciting. They had decided to go into the service bureau business with a data center, which basically is selling very expensive machine time for people who can't own the machine themselves. It was like leasing minutes on computers, for people who are not familiar with that phrase.

He says, "Too bad, I just got a job there and this is the industry." I said, "Get me an interview," just like that. Of course, he stuttered for a moment and so forth. We've known each other for years since then. He said, "Okay," and he got me an interview.

Control Data had decided to expand. They had just acquired an operation in New York run by a very famous fellow in ADAPSO called Bernie Goldstein. Bernie was going to run their New York data center for them for a period of time. I went for the interview, and once again life is full of options and opportunities. The fellow who interviewed me was probably the ideal fellow for me. I came from the Merchant Marine Academy. I came from military. I stood up straight. I didn't know anything about the business, but I did have a lot of sales experience. They were hiring for the most part people who had a lot of background in computer stuff but didn't necessarily have a lot of sales experience, and they were younger than I was. I was probably the oldest fellow that they wound up hiring at that time, and I was only like 27 or thereabouts. A fellow hired me by the name of Tass Von Schmidt Pauley—he's from I believe German ancestry, royal ancestry.

I went out with some information on the data center in my pocket and was able to sell it, even though I wasn't a programmer. I wasn't a computer operator, and I didn't at that point understand a lot of the terms. I did have a feel for how our data center can help this organization, can help in this way. I always had kind of a systems view of things as opposed to what you might call a detailed technical view of things. I always thought the larger pictures of a systems requirement was much more important than the extreme specifics of it, and I think we'll get into that later on when we talk about the company. I was successful as a Control Data salesman.

**Haigh:** At that point, was their data center targeting primarily scientific and technical work, or was it balanced?

**Phillips:** When they acquired Bernie's operation, there was commercial processing, basic commercial processing going on, like the old payrolls, the old accounting system, so that still was there. But the future for Control Data at the time was they were going to take the 6600 and have all kinds of scientific people moving off IBM 7094s, which was their big machine at the time. The comment that I was supposed to make was we can run three to five times as fast as an IBM 7094 in Fortran. I knew what that meant. I didn't know how it did it, but I knew what that meant, so that's how it all started.

**Haigh:** Interesting. Goldstein's company was called Computech, is that correct?

**Phillips:** Right, very good, yes. He was Computech. He's one of the earliest and probably one of the smartest people I've ever met in the service business.

**Haigh:** How big was the New York service bureau in terms of employees?

**Phillips:** I'm guessing now. I haven't thought of that in a long time, but I would say at the time it might've been 60 or so people. It wasn't small; it was pretty substantial. The only place bigger than that at the time was IBM. It still had the service bureau and that was the big operation with multiple locations. Control Data wound up having I'm guessing something like 10 or 12 data centers around the country before their problems.

**Haigh:** How many salespeople were there approximately? Was it a large sales group?

**Phillips:** It was, considering the number of people, because in a sense we were pushing machinery. It was pretty high. If I was guessing, I'd say there were almost 20 salesmen in that group.

**Haigh:** At that point did you get to know Goldstein personally, or was he more of a remote presence?

**Phillips:** He wasn't a remote person at all; he was a very regular fellow. He had an unusual capability. I was at two meetings in a row with him. One was on a major acquisition for the company in terms of the size of the deal that was on the table, and the next discussion was with one low-level employee around a salary question. He handled them both like they were of major importance and did what had to be done. It was very interesting to watch. Yes, he was very good, very good. He had a lovely apartment on the west side of Central Park.

**Haigh:** I should say for the benefit of people who may be listening to this that I published a short biography of Goldstein in the January–March 2004 issue of *IEEE Annals of the History of Computing*. It's part of a series on ADAPSO pioneers. His career is discussed in some detail there. Did you get a sense that he was happy as a salaried employee, or do you think that even when he joined, he would have been?

**Phillips:** No, I think there's no doubt. First of all, he was one of those fellows, a half-full person. I think he was happy in whatever he did. He always looked confident and comfortable and so forth. Of course, he was financially successful I guess from the beginning, but it was clear that he's a fellow who tends to run his own ship. There was an agreement I believe in place that he would do it for a certain amount of time. At the end of that time he did leave, and that's when he got involved in ADAPSO, which is another part in the story. [editor's note: Bernard Goldstein was an active member of ADAPSO during the 1960s]

**Haigh:** As you were selling the services, did you start to learn more about computing and how the jobs that you were selling would actually work?

**Phillips:** Yes and no. I did get to know more about the industry, about the business, about the products, IBM, Control Data, Fortran, Cobol, Algol, applications, but I always viewed them from the standpoint of the larger systems issue. I never learned how to program. I never learned how to run a large computer, although I was in front of them on many occasions showing clients and so on and so forth. In that sense, I didn't learn, and in the other sense I learned a lot.

I always felt in terms of the computer industry and systems business, it was amazing, you were always learning. It was like being in Disney World. There were just so many places you could go, so many opportunities that existed, so little competition. That it was basically a choice, you know, that's what you were down to. It wasn't could you or couldn't you, it was having to make choices. It was that open, and there was that much opportunity.

**Haigh:** As a salesman, were you working on commission?

**Phillips:** Oh yes. Never had a problem with that. At Honeywell we were not on commission. That was one of the reasons I saw myself moving up, kind of step by step, salary's going up 10% or whatever and responsibility going up 3% or whatever. Control Data is as an example of the computer industry and how wide open it is and the fact that it only wound up existing for a short number of years because of dynamics that occurred in the industry. You didn't see dynamics like that in the electronics industry. We worked on commission and every two weeks all the salesmen would be in a room and it would have all the numbers from the New York office and all the numbers then of all the offices. It would show the position you were in, if you were last or first, and there were people there who came in earning X, and in three months were earning 25X or 30X. There were other people who were still earning X and looking at the door.

But that was the nature of the business then, it was like wildcatting, I guess. You went out in the street looking for somebody who could use a 6600. It's kind of unusual. Who needs supercomputer processing? We had techniques of trying to find them and so forth. It was very interesting, very exciting.

### **The Diebold Group**

**Haigh:** You started working there in 1965. How long did you stay?

**Phillips:** The interesting thing is after being someone who stayed in his first job for five years and never thought about anything but being a good employee, in the next three years before we started the company, I had three jobs, and they all so to speak fell into place at the right moment. The fellow who was the sales manager, once again at Control Data, at one point

left because of an opportunity that he was offered with John Diebold. There's a whole history on John—very interesting fellow. He was on the cover of *Time* magazine. He had a public relations person, a small consulting firm and a public relations person. He and Prince, the guy who was the producer of Broadway shows and two other people—I forget who—were on the cover as four self-made millionaire bachelors under 40, or some title like that. He was quite a marketing person; he was very successful.

So, this fellow left and went there and became the sales manager. He wanted to get started effectively and he called me. He said, "Look, we always worked well together. Will you come over? It's a really great opportunity." So, after a year at Control Data and that aggressive sales activity, I felt I had learned what could be learned there and nothing new was going to happen. We were going to do more of that, maybe make some more money, so I went over.

That was a very enlightening year for me. He did a thing called the Diebold Research Program with Fortune 1000 companies. Because my card said I knew John Diebold, I could call the heads of Fortune 1000 and say, "Look Mr. So and So, John Diebold asked me to call and go over this stuff with you. It's really exciting." And it was exciting. He had laid out a research program with beautiful charts and tracks and so forth of what would happen during the year for your investment in the research program. It was all state-of-the-art stuff: what's going to happen in engineering, what about the data center, and you know, just wonderful, wonderful issues. Then he'd have researchers working on them, maybe contacting the clients too, and laying out the latest and best information on the subject.

What he'd then offer you is that you came I think twice a year to sessions in beautiful places, speakers went over things, and you'd meet with John. If you came to New York, you'd meet in this beautiful room in the consulting firm. He'd always have guests there, famous people. When the head of some Fortune 500 company from the Midwest would come and be so impressed with being at lunch with a movie star or a Broadway star or a famous writer. One person that we saw a lot there was John Drucker for example. Everybody wanted to meet John Drucker, and he was probably the most famous management writer ever.

**Haigh:** Do you mean Peter Drucker?

**Phillips:** Oh, sorry, Peter Drucker. Thank you, Peter Drucker. He was wonderful to be around and useful on the subject at hand, so that was very exciting. John would do that, and I learned a lot.

**Haigh:** How large was the company?

**Phillips:** Not too large I would say, but very profitable. I would say he probably had fewer employees than most people realized he had. If I was guessing, I'd say if there was 100 people in the company. Maybe 70 or 75 of them were consulting and research kinds of people. And the research program, they charged to join and then they charged money every year.

Then you came to these meetings and of course ultimately you bought consulting business from them. The consulting business that John was most effective at was the large picture: where is this going, what are the major issues, what should you be looking at, what should you be getting out of? I always found that very exciting, that was the big picture, that was really in which everything else operated. Efficiencies and so forth, detailed functionality. It all operated inside a larger view of, what is it we're doing and why are we doing it? He was very good at that. I stayed there for a year.

### **Reconnecting with Jerry Koop**

**Phillips:** At the end of a year, I met the person who would be my partner at a party. We'd been in high school on the swimming team and lifeguards together in a place called Rockaway Beach, but we hadn't seen each other through college. We hadn't seen each other in almost 10 years.

He had gotten out of college and gotten a job at IBM. IBM was still at a really high point of its operation, and we went over funny stories, like he came in one day with a vest and they told him to take it off, he wasn't the right rank to be wearing a three-piece suit and so on and so forth. He found that although IBM was exciting and they had a very interesting task there, which I'll mention to you, he really wanted to do something else.

He had made a decision to leave and of course that was a fortuitous decision for me. At IBM he was responsible, among other things, for putting together a library of multivariate analysis software, which at the time for the most part was public domain. The SPSS for example, which is now a commercial product taken over by private companies, that was in the public domain. Jerry actually developed some of them that were really quite excellent, and they were all funded by the government for the most part. IBM did do some of them. He built that library and it was all a public domain library.

**Haigh:** Let's get the name of your partner on the record.

**Phillips:** His name is Jerry Koop. His real name is Gerald with a G, but I don't think anyone's ever called him that. He probably uses it on forms, but everyone calls him Jerry Koop.

**Haigh:** Did this multivariate package have a name that you remember?

**Phillips:** There were several names. Actually, there was a thing called AIDS Analysis. Don't ask me to spell that out—I know A was automation. It was multivariant analysis that took the data and then not only used multivariant techniques but then charted it. You actually wound up with a kind of a block diagram of the reasoning of why someone is in a category. For example, they're male but they're only the age group from 10 to 20 and they're only the ones that said they liked this and they're only the ones that had this kind of job. That was in the data, so it was very exciting.

Without going into a lot of detail, he built that and he left the company and started to work with something that was just starting to be popular, which was everybody wanted to go public all of a sudden in the computer business at that time. It was exciting and people didn't know much about it, so it was an exciting thing to go public with. And the combination seemed to be to say you're a software house and a leasing company.

There were several things that occurred at that time for those familiar with the history. That's the moment at which MAI was the largest leasing company, but their leases were for the most part EAM equipment, card sorters, key punchers, so on and so forth. Almost in a day their business was worth very little. All of a sudden there was a point at which the EAM business was going to fold and people weren't going to do leases on EAM equipment.

A key person left there at the same time that Jerry was talking to someone about being involved in this venture. The venture was set up and they were bringing together people that supposedly were knowledgeable at leasing, and they were going to lease these new computers and a software group, which Jerry was going to head. He asked me to be involved and take over the marketing, so I left the Diebold Group.

### **Founding Creative Computer**

**Haigh:** Which year was this?

**Phillips:** This would've been 1967. The company was formed, and it was getting started, but it became clear that the people handling the leasing part were not going to be dependable, successful—that is the nicest way I can put it. We had just started to talk to some clients, so we told them we were not going to do that. We were going to set up our own company, and would they still be our clients? It was amazing. Some people said, "No, we're not comfortable with that." But some people said yes. So, we did have our first clients, and we called ourselves Creative Computer.

That would've been in the early part of 1967. That's the way we started working together. We had our first clients, which were by the way not any of the clients that Creative wound up

working with. We did multivariant analysis, after the tabulations had been done for the big ad agencies and for the three networks, ABC, NBC and CBS. These people loved Jerry; he just was a low-key, competent fellow who knew more about multivariant analysis on computers than anybody.

**Haigh:** Was the company at that point just the two of you?

**Phillips:** Yes.

**Haigh:** Did you have your own equipment?

**Phillips:** No, we had nothing, and didn't for a fair amount of time. I'll tell you when that changed. We didn't own anything. We didn't own the computers; we went to a data center. We didn't have any secretaries; the data center would answer the phone for us and on a line say, "Creative Computer." They gave us a room to lay out our materials in, because everything was batched then. You laid everything out, your cards and so on and so forth. You could pay for keypunching or do it yourself. Then you'd pay for the minutes of the machine time.

We also negotiated with them that we would do consulting; I would do consulting for them in marketing, helping them hire salespeople and so on, and we could then reduce the price, so our costs were pretty low.

**Haigh:** Was that a common business model in those days?

**Phillips:** Oh, yes. I mean we talked at yesterday's session about financing. I don't think the company ever had financing until we were involved in a merger 15 years ago.

### **Reconnecting with Bernie Goldstein and Joining United Data Centers**

**Haigh:** How did things develop from there? You had this initial customer base?

**Phillips:** We had this initial activity, and then of all things we bumped into Bernie Goldstein. I don't remember all the details, so this is rough here for a second, but Bernie had left Control Data and I had followed his career when he was involved in helping to set up ADAPSO. I was not involved in ADAPSO, but I remember he was setting it up, and he was traveling all over the country I would assume proselytizing, bringing people into ADAPSO.

**Haigh:** Yes, I have some dates on that. He got involved with ADAPSO at its very first management symposium in 1961 in New York. He'd been active with that through his company through the sale to CDC, and he left CDC in 1967.



**Phillips:** All right, yes.

**Haigh:** At that point, he was serving on the ADAPSO board as treasurer. Then he switched from being treasurer to being a staff director, and in 1967 he headed off on this barnstorming tour of the country bringing in new members.

**Phillips:** Right, right. So, we met again, and he said he was buying back the New York data center, but it wasn't going to be called Computech, it was going to be called United Data Centers. I remember it like yesterday when he showed us the model. The model at the time was going to be that it was a centralized organization in terms of administration and finances and acquisitions, and it was going through its work in ADAPSO and all the people that he knew and the networking and so forth. Entrepreneurs in tertiary markets—that's what it was called, what he called it—would become part of United Data Centers. It wasn't franchising, it was a partnership. They wound up I think with stock in United Data Center as I remember, and one of the things on the chart was a software group.

The software group would take on all the software responsibilities because anything built could then be given to all of the individual organizations. As you know, software at that stage was still a pretty wild business, so hopefully the techniques of building software would keep improving so it would be more efficient than each of these people trying to solve their own software problems.

We tried that, and it turns out that it wasn't a terrific idea, because when you really meet the people in these data centers, they're real hardworking, realistic entrepreneurs who found every way to try to avoid spending money and still have revenue. It was very hard for them to work with a New York software firm in terms of these requirements. We finally went over that with Bernie and we left.

**Haigh:** During that period, were you a partner in your own company and an employee of UDC?

**Phillips:** The company became part of United Data Centers. We were employees.

**Haigh:** Okay, so you sold your fledgling company to UDC?

**Phillips:** It was so new we didn't sell it; we just put it inside it, and we were going to make our living then. Don't forget, we were two kids from Queens. We didn't know investment and things of that type. We always thought in terms of, what's my salary, what's my opportunity to get a bonus, so on and so forth. We weren't even thinking of it in those terms. And since it was

just starting, there's a question of whether it was worth anything. We were happy with the arrangement we made with Bernie, but it turned out it wasn't effective.

**Haigh:** How big was the software group? Were there other people besides the two of you?

**Phillips:** Yes, if I was guessing, I'd say we probably had myself and Jerry and maybe about 10 other people, something like that. It wasn't huge but it wasn't tiny. We were still doing our own work that we had brought in, although that wasn't part of the model. It didn't work itself into the data centers or anything like that.

### **Splitting Off from United Data Centers**

**Phillips:** It turned out that it wasn't a good approach. At one point we and Bernie decided to separate. We kept the name Creative Computer, and we went out on our own back to the data centers.

**Haigh:** What kinds of software were you trying to develop? Was it utilities? Applications?

**Phillips:** No, we didn't have any. All we had was our library of statistical programs. When we were in United Data Centers, we were going to the data centers, seeing if they had projects that our programmers could program for. We did programming for them, but out of that was no plan at the moment specific on any particular products. That's one of the reasons it didn't click. We weren't developing investments in software products that would ultimately be nothing but opportunities for all the data centers. The process wasn't occurring.

**Haigh:** What year was it that your group was spun off again from UDC?

**Phillips:** 1968.

**Haigh:** 1968. You founded Creative Computer in 1968?

**Phillips:** 1967. All the setting up with Jerry Koop, moving into United Data Centers, and leaving United Data Centers all occurred between 1967 and 1968.

**Haigh:** Actually, the document you sent me says 1968 and 1969.

**Phillips:** It must have gone into 1969.

**Haigh:** That was a relatively short spell.

**Phillips:** Oh, yes. As I said to you, from the time I left Honeywell, which was such a staid situation, in three years, this entire process then took place, between 1965 and approximately 1968—although it might have gone into 1969.

**Haigh:** Okay. When Creative Computer went back to its independent existence, was it just the two of you?

**Phillips:** Yes.

**Haigh:** Doing the same things you'd always been doing?

**Phillips:** Yes.

### **Moving into the Behavioral Health Field**

**Haigh:** How did things develop from there?

**Phillips:** If you had told me we would have been in the behavioral health business ultimately at that moment, I would have asked, "Why that particular business?" But once again, opportunities occur.

We were doing very well doing the work for the ad agencies and so forth, but that material that we had was really developed and financed because of social research. It was really built for the social research area, so we started to look around to get a couple of contracts in the social research area. We figured this must be required there too if good outfits like NBC and CBS and BBD & O had to go to a little company like us to get this stuff done. We could only imagine what it was like in the social research area.

We took a couple of little contracts that we competed on: for the board of education of the City of New York and some social research work. We took one in court recidivism; New York University was doing some work in that area, and we were going to do the analysis on that.

Then we had an opportunity to work with an outfit in New York that was considered cutting edge on trying to start new social research programs. In the years after we met them, they were the ones that tried to look at the question of having clinics that actually were heroin clinics. When we met them, they were looking at two things: sheltered workshops, which was getting work for people who couldn't go out into the labor market, who had physical issues or mental issues, and also, they were doing it for people who were out of prison. They tried to create businesses

that were sheltered workshops, where there was a special situation with special support and so forth. We did various work for them. Very bright people, very dedicated people.

**Haigh:** Do you remember exactly what their name was?

**Phillips:** Their name was Vera Institute of Justice. I think it was named after somebody's wife. It doesn't exist anymore to the best of my knowledge. It had about a 10-year run, and then I think the people had to give up. It was really hard work and really competitive, really aggressive work with a lot of controversial pressure on them, so they finally ceased.

At the time that we had been doing this work, up came an opportunity to bid on a job that Mayor Lindsay was interested in when he was trying to get elected, I think. It was to set up a model methadone clinic in Bedford Stuyvesant, New York, which is in Brooklyn, which was a difficult area at the time. The idea was to have it not only well financed and well administered and well facilitated but also to have a research project on it to really analyze whether it was doing a good job and how to improve these things. It was a blue-ribbon research panel. They had, like, the three universities. They had Princeton, Yale, and Harvard, each handling a research area. One was medical, one was addictions, and one was criminal issues around the people that were in the program.

There was an opportunity to bid on doing the analysis of the data, just like we always do. After the fact, after it all exists, we take it hopefully in machine form of some kind, and we analyze it further and squeeze more juice out of it. We competed against, of all people, IBM and Katzenbach was on the board and who, at the time, was a member of the executive committee of IBM. And the wind up was, they gave us the job, so we started the work.

In doing the work, we found that the data was a mess. You couldn't read it; it was inconsistent. This doctor, this clinician wrote it, and it was just not very usable.

**Haigh:** With that kind of job, would they give you a bunch of handwritten forms?

**Phillips:** In this particular case, they gave us handwritten forms. In most of the other work we did, there were already tab cards because they did the regular tabulations before they gave it to us, and then we did the further squeezing.

### **Clients and Revenue in the Late 1960s**

**Haigh:** How large were contracts of this kind?

**Phillips:** For us, it was huge. Our revenue per year at that time I'm sure was \$100,000 or \$150,000—I don't remember, some small number like that. When you added it all up, we had salaries and a small expense account, not that big. I'm guessing that it was something that would have paid us as much money as all of our revenue that we were making at the time. The number, I don't think, means very much but it was substantial for us.

**Haigh:** Right. What was a typical contract that you were getting in those days?

**Phillips:** Most of them were time and materials. We would work for these ad agencies ongoing, and we'd give them the bill for machine time marked up and so on. They were not consistent contracts, but I would say the NBCs and the CBSs and so forth might have been worth \$15,000 or \$20,000 a year to us maybe.

**Haigh:** Would the companies put out each individual piece of work for a bid, or would you get the contract to do a series of jobs over a time period?

**Phillips:** I don't think we had contracts then. I think we just had a working relationship, and we didn't have real competition in doing that work.

One small thing about working with the ad agencies: that was the golden days of ad agencies. They used to love to bring Jerry and me to the meeting with the client because they were always looking for something to talk to the client about and kind of make the client feel, "Boy, I'm glad I'm spending this money with this ad agency." The old joke that Jerry and I used to have is that we would purposely go to this with all of our charts and then the analysis and so forth, which they loved, but we'd be the only ones not drinking. By the end of the meeting, we were the only ones who were sober, so we always did well at those meetings. But that wasn't the case with the methadone clinic.

**Haigh:** Would you wear a dark suit and a black tie and a white shirt?

**Phillips:** Oh, yes. As I said, that was, the golden day. I know people in the ad agency business now. They say it's not like that at all anymore, but in those days, it was just like in the movies. It was really quite amazing to watch them. They invited you to dinner parties and so forth. It was always really interesting parties with really interesting people. I don't know if I could have lived in that environment, but it was certainly interesting to visit it.

### **Establishing Data Collection for Methadone Clinics**

**Phillips:** In the case of the first methadone clinic that we were exposed to, we were getting terrible information. What's the sense of doing multivariate analysis on terrible

information? It's silly, although that's gone on for many years and will continue to go on. People are still interested in the process sometimes as opposed to the reality of it. We started to talk about the fact that we need the information really well structured. If we're going to use this piece of data, it's got to be the same from every patient and legible.

Out of that, came the idea of that we'll set up a data-collection approach to get the information. I've watched this over the years. What is the first thing you do? You make up a form, so there's a form for the doctor on this situation and that situation. There are all these forms. Then the problem you have is that I've got some forms, but I didn't get all of them. Or I got some forms, but I can read yours, but I can't read his. I've got some forms but he's calling it this and he's calling it that, so it wasn't very good.

We finally said, why don't we come up with something that, if they fill it out correctly, they get something? It just so happens, lucky for us, that the situation was a methadone clinic. As far as I'm concerned, a methadone clinic is the best medical social program you could ever use a computer on because a methadone clinic usually has a high number of patients with a low number of overhead support. Everything is done kind of as much as possible by the numbers. You still do have time, then, for the qualitative stuff you have to do with the patient, but as much as possible, you try to make a methadone clinic a very smooth operation.

For people who don't know much about methadone, methadone maintenance is forever; it's controversial. It is just like if you can't eat sugar and you have an issue, you have to take some kind of insulin or something like that. Because the assumption is methadone maintenance is forever, the file theoretically is going to be forever and frankly is going to be very long. Also, with a methadone clinic, there's usually 10 transactions per patient per week—seven dosages, one randomized urine, one counseling session—and the idea is to have those nine or 10 transactions noted for every patient. Let's say there's 1,000 patients every week. Well, that's 10,000 transactions. That's a lot of transactions for an early clinical system.

At the same time, you have to realize, too, that if you have 1,000 patients and it's for life, you don't get many additions or subtractions because methadone clinics have a limit. There was a waiting list, so they had 1,000 patients if they're allowed. Three or four patients may change every month. Maybe three or four leave or disappear, and there's room for three or four new ones, so there isn't a lot of change to the basic file.

It lent itself to what we called a "turnaround document system." Without going into details, what we did is we took all the names of the active patients and took their dosage level and their dosage pickup schedule, because there were days they came in and picked up for more than one dosage. The system built in a randomized urine schedule based on all the patients. It wasn't a complicated program; it would automatically say, if we have 1,000 patients and we're taking the urine once a week, we have to have 200 urines done a day. It's randomized but they

don't know which day they have to give it when they come in, which was the other part of it. Then you take all the names that you had from the week before, you add the three people, you subtract the three people, and you note dosage changes that were made. Some people have their dosages changed or a pickup schedule, which was still only like 3% or 4% of the entire transactions.

That was the solution. You'd run it through. You'd print out all the documents for the nurses. If the nurse was going to see these 300 patients, she gets a sheet that shows all of the patients every day for the week, whether they have to go give a urine before they get their methadone, their dosage, and how many they take home. All they did was then just initially put: yes, no, they're missing, whatever. The papers would come back. All you'd input are the changes, and overnight, you'd get them back the new sheets. It came with labels for the randomized urine, so if you had to go downstairs, the urine person would put it on a bottle and give it to you. As much as possible, everything was set up in a streamlined data-collection process, but a methadone clinic lent itself to that.

**Haigh:** How many clinics were involved initially?

**Phillips:** In the initial project, it was one clinic, one large clinic. The people who wound up running the clinic I have known for years since then. In fact, the head doctor, his name was Dr. Beny Primm. Very talented fellow. Very interesting fellow. Now, that was in around 1969, or probably 1970.

Beny went on to be the person that Nixon called in to set up methadone treatment in Vietnam. Drug treatment in general, I should say. He became the drug czar under Nixon and took the NIMH (National Institute of Mental Health) division, took the drug treatment out of it and formed what's called the Office of Treatment Improvement (OTI), which was connected to NIDA (National Institute on Drug Abuse). NIDA did the research and OTI did the operational stuff—what are we going to do out in the field in terms of treatment and so forth. He was there as the first director of this new clinic.

**Haigh:** Did that relationship lead to business for your company?

**Phillips:** Well, not directly. We worked with him there, and we became friends and we still are good friends. He went on to do what he did, and we went on to do what we did. We didn't have much contact with him in terms of new business. Even when we started to do work for the federal government, we were doing it before he got there.

**Haigh:** I'll take you back to the chronology. You get this initial job. It starts off as analysis. You realize that the data's no good. You presumably come back with a proposal for follow-up work to build this whole system.

**Phillips:** Data-collection work, yes.

**Haigh:** Right. At that point, is this 1969? 1968?

**Phillips:** It would have been 1970 to 1971. Everything was incremental here, but it was something right around there. So, all of a sudden, our data collection became the methadone clinical system.

**Haigh:** At this point, there's still just the two of you in the company?

**Phillips:** No. We had added a part-time programmer by then. He actually programmed in Cobol for the mainframe, batch process, serial process: load the urine tape, do the process, load the dosage change tape, do the process. It was a classic, simple Cobol, IBM service bureau process.

**Haigh:** Had your previous work been in Fortran?

**Phillips:** Our previous work, being the statistical work, had been in everything. I'd say most of it came in machine language probably because most of it existed by the time that we got it. All we did with it, all Jerry did with it specifically was make it a little easier to use, but it still took someone who's very technically competent and mathematically competent to use that software.

**Haigh:** There's the basic breakdown. You were doing the business things and the sales, and he was doing the technical things?

**Phillips:** Yes. I call it all operations, so to speak. Then we had a programmer who did the programming in Cobol.

**Haigh:** Right.

**Phillips:** We still kept the programming as simple as we possibly could, even if there was manual intervention.



**Haigh:** Yes. Presumably, the data is being punched onto cards, and you're keeping the master files on tape.

**Phillips:** Yes, these individual tapes, right.

**Haigh:** Yes. This was running on the IBM 360?

**Phillips:** Yes.

### **Business Expansion Throughout New York City**

**Haigh:** Okay. Once that system's developed, this is about 1971, how did things go from there?

**Phillips:** Well, that's when it actually got exciting. We didn't have a product title or anything. We recognized we had a product and that methadone clinics are defined by federal charter, by all kinds of things. I mean, when you're running a methadone clinic or you're dealing in methadone, it's the most managed drug of any drug there is, even though you've heard horror stories about methadone. It's really one of the most managed drugs there is. From a systems point of view, that's good. Whether it's good for patients or not, that's not the subject, but from a systems point of view, it was very good that it was so controlled and specific and there were waiting lists. That means the entire plan was just about always filled.

We thought to ourselves, if this works, there must be other methadone clinics. We didn't know at the time. Of all things, I was riding on a train back from Long Island. It was a very crowded summer day, and all the people were coming back from beaches or wherever, the Hamptons. They all were kind of sunburned and tired people, and I had a seat. There was a woman standing who looked not well, so I gave her my seat. I never thought about it.

Then people told me that there's a methadone conference started by the early people in methadone, and there are very famous doctors of methadone who were husband and wife, Dole and Nyswander. Don't ask me to spell Nyswander, but they are written up quite substantially and he's won worldwide awards for the work in methadone, very caring kinds of people. So, I went to the methadone conference, and I didn't know anybody. We didn't know anything about methadone other than we built this system. We knew specifically what we were working on there. We didn't know what it meant generally. And who do I meet there but this woman. She said to me, "Why are you here? So funny bumping into you again." I said, "Well, we do this methadone system for Dr. Primm. Blah, blah, blah." And she said, "It's so funny. I have a new job. I work for a fellow named Dr. Robert Newman, who's just been given the job by the mayor to solve the problem of drug treatment waiting lists in New York City."

Apparently, there was supposedly 100,000 people waiting to get on methadone maintenance treatment programs in New York City. That was assumed because they were coming in and knocking on doors and saying, "I'm John Phillips. I would like to get on." People were writing the names down, and they had 100,000 names. So, we asked her, "Can we meet him?" My partner wasn't with me; so we sat at the meeting with Bob Newman and he was just so dynamic in terms of taking on a problem. He's still taking on problems today. Today, he's working around the world using funding that was given to him by various organizations to set up methadone maintenance treatment programs in eastern Europe and in Asia. That's what he's doing in his retirement, so to speak.

He went over it with us. We showed him the system. He said, "This is exactly what I want, but it has to also work with a central part." I think he said they were going to open up something like 30 clinics in New York. It was very difficult to open up one clinic in New York because nobody wanted it near them. There were all kinds of reasons. He did open up the 30 clinics, by the way, but he wanted a system that also had some central capability and some distribution capability. Once again, it was all handled batch, proper controls at each stage.

The first thing we did was to set up the waiting list file, and the analysis that we did on the file showed there weren't 100,000 people; there were only like 25,000 people who were waiting to get on programs.

Dr. Newman started to open up the clinics and ran into various obstacles. One day, he was getting ready to go to work, and he saw on television that they were actually going to decommission one of the Staten Island ferries—the Gold Star Mother, I think it was called. He called the mayor and said, "Can I have that?" The mayor said, "Okay, put it over here." He built a holding methadone clinic for all the people that were still left without clinics. They actually did the entire process. As systems people, of course, we love walking through turnstiles. You have to give a randomized urine, so you go through the turnstile over here and go into that bathroom and then you come out and you go back into this aisle. He handled all of the people on waiting lists under what we call a maintenance dosage so they weren't in pain, so to speak. That's the way he did things.

We installed that system, and for us, it was like a \$1 million system every year. They were probably, I don't know, 85% of our business by then, I really don't know. That led to us going to conferences and showing the system. Then anybody who wanted an automated methadone system came to us.

**Haigh:** Okay. For the New York contract, you were serving this network of 30 clinics. By what year would all 30 have been up and running?

**Phillips:** I would guess in a couple of years, so I would say it might have been like 1973 or 1974. And we had reached a company of over \$1 million.

**Haigh:** When you talk about the central piece, do you mean there would be managerial statistics and reporting for the people running the whole system as well as the detailed data going back?

**Phillips:** There was no doubt the first reason for it was the fact that Bob would have in his hands real information, and nobody had real information of any substance around what it means to have methadone patients. Do they stay in the program?

They were looking for measurements, and we came up with obvious measurements, basically talking to the psychiatrists and the psychologists and so forth. For example, give me someone who's never missing an appointment, who's staying on a particular dosage. You have an extremely high probability this person is now doing what he said, working or going to school or whatever, and redoing his life. The mechanics allowed for some really obvious measurements as opposed to all of the information without any basis that was floating around about an area like this.

**Haigh:** Right. Are you still using service bureau time to service all these clinics?

**Phillips:** Today?

**Haigh:** No, at the point where you scale up.

**Phillips:** Yes, we would never be able to afford one of the big computers. In those days, computers were millions of dollars, and after all is said and done, our process still was a simple process. The kind of process we got into later on with our products was totally different. This was a simple process. You could probably use a 1401 to do the job. You just run it through. That was never an issue.

**Haigh:** You preferred to do it by running it with the time that you purchased on a big computer instead of buying a minicomputer?

**Phillips:** There were no minicomputers then that we were aware of. By then, there weren't minicomputers. There were PDPs.

**Haigh:** Right. But that's just a different world.

**Phillips:** No connection with it. No need for it. The model had no need. It was fine. In fact, here's a vignette: when we started to do Dr. Primm, we started to do Robert Newman, we became pretty well known in that field because no one else was automating methadone clinics. We were called down to a couple of interesting situations. One we were called into was Washington. They had a program in D.C. and that program ran already. They had software and a system and we went in to see it, and the head person was a fellow by the name of Dr. Robert DuPont, who wound up being Nixon's first czar of drug treatment, before Dr. Primm. He was NIDA then. That was all there was. You see him on television a lot since then. He's been involved in a lot of cessation things on smoking and so on and so forth as an advocate. A very articulate fellow. He looks like Gary Cooper—kind of a tall, iconic fellow, very bright. Anyway, he said, "Look, we already have a system." We said, "Do you like it?" He said, "It's not great. It doesn't do this. They won't do that." We didn't know of anybody in the field or anything like that because our moving into the computer industry still was the way I described to you. We weren't in ADAPSO, and we didn't know a lot about the industry. All of our experience came from the work we were doing. He showed it to us, and it was a timesharing system. I had never seen one before. It had simple printers, and it was printing out certain information, and you could put in certain information and you could build a database. It was done by a company called Medatech, which today is a billion-dollar company, by the way. They used a language called MUMPS, which we had never heard of either. We used Cobol.

We went over it, and our conclusion was this is really sexy stuff, but it doesn't work very well. Why not? Because even though it's online, you have no control over what goes into it. There is not this paperwork that says you got to fill out all these boxes before you can hand it back to the computer group so you have a little bit of this, a little bit of that, you have all kinds of missed medications, you don't have an up-to-date, active client list and so on.

By the way, in the New York system, although one thing was statistics, the other thing was one file absolutely unduplicated. We knew that, on all the programs, at the beginning of the week, there were 27,207 patients. Those were the ones that were getting methadone this week. If any of the agencies wanted to come in and check on methadone. Was it being diverted and so forth? That's it. That's the way it was. That was the information. No other organization had that kind of information because they were mostly research type people who looked at it as putting stuff in. We have found, over the years, that the issue of putting stuff in is nothing if we don't have control: do we have it all, every single piece, defined exactly the same way? If not, it's meaningless. Once it's meaningless, it's not used any more. That was the model that we felt was key. You had to have a file that you could absolutely depend on. If you have that, then you can use it for any other decisions you want to make.

### **Service Delivery Process for Methadone Clinics**

**Haigh:** How's that work in practice, then? Are the clinics punching their own data, or are they sending the paper forms to you?

**Phillips:** At that time, don't forget, Cob01 batch processing; there's paperwork that goes to them and there's procedures for them to complete the paperwork, put it in the package, and return it.

**Haigh:** They'd return it to you and your company?

**Phillips:** Yes. At that time, it all went back to the New York City data center, our control people opened it up, wrote down that all the 17 pages were there of all the different types or whatever, and gave it over to key punching for data entry. Data entry went down each page, initialed that they had gone through the page, and punched all of the exceptions, all the changes.

**Haigh:** Very good. That data entry work was being done by employees of the service center?

**Phillips:** Initially, it was employees of the service bureau. By the time we had the \$1 million contract, we did it ourselves.

**Haigh:** So, your company must be expanding, then?

**Phillips:** Yes. It was expanding. It was probably 20 people or thereabouts. Once again, it wasn't a complex process as much it was a tight process, and you just did more of the same, so to speak. It was all done in a day or so because it had to go back and be used as the new paperwork when people came in. That's why the input by exception was key. You couldn't have that much input.

**Haigh:** Is it running once a week?

**Phillips:** It was run once a week.

## **Business Expansion Beyond New York City**

**Phillips:** In Washington, Dr. DuPont finally said, “You know something? You’re right. They have this technology. It’s really interesting. They’re a bigger company than you are, but we’re going to use your system.” So, they switched over.

**Haigh:** What year is this?

**Phillips:** This would have still been in the early 1970s. That was running. He then became the head of NIDA. Once again, unknown to us, he had a very good friend who was also a doctor, both psychiatrists, who was in charge of drug treatment in the state of Georgia in Atlanta. That person called us and asked us to come down and said, “Look, anything that Bob DuPont’s going to use, I’m going to use. I really look up to him.”

They wanted the system on their own computers. For the first time ever, we picked up the software and the manual procedures, you know, because there are manual procedures in this. Jerry and I instructed his computer group in the state how to run this. Then we helped with the training and so forth until they had it running as though they were us, so to speak, on their own computer. They purchased the system from us, and they purchased a small maintenance contract that would just run for a short time. Then they would take it over and would be gone. We actually found out, about six years ago, that they were still running our batch system exactly the same way. Now, that would have been over 25 years. They were still running it. I found that very interesting. It was basic. There could be much more technology, but it met the basic requirement: it did it right and it did it firmly and it did it inexpensively. That’s what they did.

**Haigh:** In terms of your business model, you said you developed the original one clinic system on time and material. When you switch over to the 30-clinic city-wide system, are you still billing for time, or is it a flat rate?

**Phillips:** It’s still early days of our business knowledge. In that particular case, as I remember it, we charged them a license fee. It wasn’t big. And we charged them for all the work we did to set the thing up. Then we charged them a weekly, monthly charge for the fact that we operated it for them. These were all kinds of negotiated, analyzed, estimated fees. They weren’t based on product pricing or anything like that at that stage.

**Haigh:** For the New York system?

**Phillips:** For the New York system.

**Haigh:** When you make the first product sale, how’d you handle that?

**Phillips:** We were still looking at ourselves like all the other software firms. We did New York, we did Washington, D.C., we did Atlanta, the state of Georgia, and we were coming up with pricing and so forth. Of course, we were ecstatic. It was wonderful. We even got a large contract from the federal government at that time. They sent out a bid because they wanted to set up a registry of all the clinics in the country with certain programmatic information, so they could create a book and they would update the book every six months so people could have a book on all the clinics and how they operated and their size and their modalities and whatever other information made sense. We bid on that, and we won it, so we built a system called NDATUS. By the way, those are initials for something, national something.

We built it and ran it for a couple of years. At that point, it was fully operational. The way the federal government operates, they decided to get an 8A firm to bid, a minority firm. We were not a minority firm, so we gave up that work. But we built the whole thing and it was once again built on methods of reducing data entry in a batch process. Everything was sent out. We trained all the states on how to get their different clinics to fill it out, and they trained them and they filled it out and they sent it in. We built the first book. After that was done, every six months, the book was reprinted with spaces for changes, sent to the states. They only had to have the clinics change anything. It came back. That was data entered, and that was the new book.

**Haigh:** As you sell to the new states, are you following on this Georgia model where you send them the code and they operate it themselves?

**Phillips:** No. The only other place we did that, which is unusual the way things pop up, is we were contacted by a very interesting fellow, Dr. Barry Raymore, who ran the methadone clinics for the city of San Francisco. We went out there and went over it with him, and he wanted us to do it for his clinics. That was the first time we set up our original teleprocessing technique, which was we put one young man in San Francisco. He would pick up all the information on Friday night. He would run it to the airport and put it on an airplane. We would pick it up on the other side of the airplane, take it to the data center, key punch the stuff, process it, and bring it back to the airplane. It would fly out, he would pick it up, and he would go out and give out the envelopes to all the clinics and we'd do it again. That was kind of the end of our project approach to this work. We started to go to the methadone conferences and show the system as a product with product pricing. Basically, our product pricing was X dollars per patient per week.

**Haigh:** What year is that?

**Phillips:** Would have been right around the end of 1975 when we actually merged with Advanced Computer Techniques. It was right around there.

## Advanced Computer Techniques (ACT) Merger

**Haigh:** Do you want to talk about that merger then?

**Phillips:** Okay.

**Haigh:** So, ACT. At this point, is it still high flying and glamorous in 1975?

**Phillips:** In 1975, it was very glamorous. We went to ACT. One of our employees lived in an apartment in Manhattan, and a key employee in ACT lived in the same apartment. They were talking. They said we should get together. The employee spoke to us, and Jerry and I concluded that at some point we were going to have to have more technology. If we were going to keep moving out in this thing, we can't just have a programmer who does some Cobol programming for us.

We met with ACT, and who do we meet with? Charley Lecht. I don't know how familiar you are with Charley Lecht, but he must be the most colorful guy I ever met in data processing. There was one sort of colorful fellow which I'll mention because he wound up on our board, but Charlie was by far the most colorful. I don't know if you've ever read about him or saw pictures of the way he dressed and what his office was like, but he was quite unusual. He wrote a couple of very interesting books: *The Information Tsunami* and one other book. He became famous when he actually wrote a book on project management, as I remember it. He was very bright, very competent but sort of like a little leprechaun; he always had this side to him which was very humorous and clever and always tried to turn everything into something exciting and interesting.

If he had ever turned the work that that company was doing to productization, they'd be one of the leaders, but they did everything one of a kind. I can't remember the whole list. They built some of the first compilers. They built some of the first network processors that would allow all the different types of networks to feed into one software/hardware minicomputer. They built some of the first banking transaction systems, both in Europe and in the United States. They did a lot of important work for NCR and Honeywell and Olivetti and so forth. And then, of course, they got one of the biggest software contracts in Iran under the Shah through an arrangement with I think Lockheed where they were a subcontractor. They did all of the software work on the inventory system because the Shah had planes from everybody, and the parts were all over the place and so they needed an inventory system. Charlie was doing that, and it was clear when you went to his place and met his team that he had some of the most brilliant people in the business. A lot of them were very hard to deal with, and the joke was Charlie was the only person who could run a stable of very, very sensitive thoroughbreds and get them all still in the races. That was the analogy. I thought it was a good one.



So, we decided if we went with Advanced Computer Techniques, we will get all this technical support and so forth. We'll be able to look at all these other issues—like Medatech with the timesharing and the minicomputers, what is that all about? Once again, things like acquiring and stock were all new to us, so we were really excited about the fact that we got stock. Jerry and I became the second-largest stockholders in ACT after Charlie. They gave us money too, which we immediately spent badly because we had never had money like that before. And we started to work at ACT.

**Haigh:** Was ACT publicly traded?

**Phillips:** Yes. It was \$2 at the time and Charlie said, "That's not a problem. We can move it. It's so easy to move it up to \$8, and this and that and so forth." Jerry and I really didn't spend a lot of time on the fact that there was stock and it could go to zero and it could go to some other number. We were more interested in our salary and our expense account and everything. We were there and it was a very interesting place to be. They did exciting work in almost every major leading-edge area of the computer industry: compilers, new operating systems for LSI Logic. They were going to build software for so many other interesting areas, but it was for the most part one of a kind. They did cutting-edge projects and they had excellent people, but ultimately, little by little the divisions faded and at one-point ACT was only Creative Socio-Medics.

**Haigh:** Did the acquisition in 1975 mean much of a change for the work you're personally doing?

**Phillips:** Yes, it did. That's very interesting. We got into it, and once again, I felt that personally I'd like to look at all these other areas. I had what we were doing down pretty well. We didn't have a picture where it would all be going, so I thought I ought to get into the technology side of it a bit and look at other areas. That's what led me to take charge of all of the divisions that were not the software compiler type, high tech type businesses.

ACT had taken over the data center of the largest Caterpillar dealer in the world, which was up in western Canada. It was called Angus. We had a statistical analysis group that did tabulating. We had a group that was building an application that I guess they hoped would be used in other places for Pinkerton. It was going to be the largest personnel system that had everything in it—the rates, a very complicated system. It was going to be the first distributed system; it was going to be in like 40 different locations in North America. That was a huge project. We had a data center in Phoenix that specialized in ordinary doctor medical billing. All of those groups reported to me for a while, and Creative Socio-Medics was turned over to a key consultant to operate for a couple of years.

**Haigh:** Do you have a name?

**Phillips:** Dr. Frank Losaka. That's the pronunciation. I don't know how to spell it. He did that for a couple of years, and I did the other. But to tell you the truth, at the same time, I also started to get involved more heavily in ADAPSO because I felt that was all part of knowing the industry So I got involved in ADAPSO, and I was having very little contact in Creative Socio-Medics.

### **Switching to Fixed Pricing**

**Haigh:** You also mention 1975 as being the time when you switched to selling this system on this turnkey model.

**Phillips:** Not a turnkey model, on a product pricing model. It was still service bureau. We still haven't dipped ourselves into minicomputers.

**Haigh:** You started going to the conferences and advertising this product with fixed pricing.

**Phillips:** Yes.

**Haigh:** The product is the program code. Do they buy the code?

**Phillips:** No. We run the service for them.

**Haigh:** Okay, so it's a product in the sense that's it not customized and there's fixed pricing.

**Phillips:** Yes.

**Haigh:** But it's still a service in the sense that you're processing it for them.

**Phillips:** Yes. By the way, in our whole history, we never tried to make the fact that it was a service, a timeshare, a turnkey, a facilities management, a different description of the product. The product's still the product. We have different methods we can service it for you.

**Haigh:** Right. Now with the ACT acquisition, does that mean you switch over to using internal ACT computer centers? Or are you still having the work done by an external service bureau?

**Phillips:** We're still using external facilities. Yes. We do the work. We use external facilities.

**Haigh:** Why is that in a company that's got its own computing facilities?

**Phillips:** From an economic point of view, we were still doing batch Cool. These people were involved in all of this more advanced technology. We were not going to get a better price. Things were so competitive in New York that the issue of what we paid for computer paper, what we paid for computer time, what we paid for keypunching, it was terrific. It was excellent. You couldn't do it any better yourself.

**Haigh:** That's interesting.

**Phillips:** That's once again the issue of if you don't have a financing mentality, what do you have? How do you move through the process of continually having higher revenue than costs? It's a consistent thing. Later on in my life, I worked with so many people who were used to financing that that discussion almost never came up: revenue right now versus how much we're going to spend. We always had to think about that, always.

**Haigh:** At what point did the company name change from Creative Computer to Creative Socio-Medics?

**Phillips:** I forgot about that. It changed all the way back right about the time we left United Data Centers. In the early days, there weren't many computer magazines because there weren't that many people in the computer business. A little newsletter that all of a sudden became so popular that it turned into a magazine was called "Creative Computer," and they were talking about those microprocessors. I don't think they were called PCs then. The microprocessors were like a hobbyist thing or what we thought of it as opposed to a practical business thing. But they got very popular. They called us, and we spoke with them. They were nice people. They said, "Look, the paper's really successful. That's our name. It's a little confusing." We said we understood, and we changed our name to Creative Socio-Medics because we figured that's no problem. We might as well tell them we're in the socio-medics business, so we put that into the name. That's when we made the change.

### **Customers and Sales in the Late 1970s**

**Haigh:** Returning to your own career, it sounds like you drifted away from CSM from 1975. Is that the case through the 1970s, that you're not very hands-on through that period?

**Phillips:** I'd say that I didn't handle directly the sales activities and the operations activities of Creative. I was involved only in one sense, at the federal level. But I would say for almost the end of the 1970s.

**Haigh:** Is the business continuing to grow rapidly during that period?

**Phillips:** No, it stayed flat.

**Haigh:** Because?

**Phillips:** Well frankly, because Jerry and I weren't selling it. We made all the sales, and I guess that's the way it was at the time. Also, in all fairness to anybody else, we were networked with all these people in the sense we were growing up with them to some extent. We knew them all. That didn't mean that people bought from us just for that reason. It started to get quite competitive, and there was still a big battle on the subject of, should you automate or shouldn't you automate? If you do automate, why don't you do it yourself? So, there was a lot of that going on and the sales weren't that easy, but we did know everybody.

**Haigh:** By that point in the late 1970s, what proportion of the methadone clinic market do you think you had?

**Phillips:** We always defined it this way. We didn't define that there were a 1,000 methadone clinics and we had 300. We defined it there was 1,000 methadone clinics, and we believed that 30% of them will talk to you about automation. Then what percentage of that do we have? There are people who just wouldn't talk about automation at that stage. I would say at that stage of the maybe 1,000 methadone clinics that we had about 200.

**Haigh:** Did you consider broadening into any adjacent business areas?

**Phillips:** At the time, no. Not in Creative Socio-Medics. The only thing we did in Creative Socio-Medics is the federal work. That work we were doing expanded itself. I was doing consulting work at the federal level, which did keep me involved in where all this stuff was going. But it was not a major element. My major element was spending time on those divisions and trying to figure out what to do with them. That was where I spent my time, as we get toward the end of the 1970s.

**Haigh:** Creative Socio-Medics remained purely in this methadone niche.

**Phillips:** Yes, batch process.

## Transitioning to Minicomputer Medical Systems and Turnkey Software

**Haigh:** How did the switch to marketing turnkey solutions come about?

**Phillips:** Well, after seeing Medatech all that time ago, and never reacting to it or anything like that, Jerry had an opportunity to work with someone who was trying to do some minicomputer medical systems work. Jerry said, "Look, I'd like to start to look at making a version of what we do in a minicomputer version." To me one of the biggest things that Jerry did at that time is come up with the idea of using MUMPS, which at that time was public domain just the way those statistical systems that are used were for the most part public domain. I believe, and most of the people in the company believe, that MUMPS was the reason that we could stay as a Value Added Reseller (VAR) through all those technology changes without major difficulties. Now, it did get more difficult. We had embedded technical people as we went along. But it was never an obstacle. Our competitors failed going from Cobol to something else. They just couldn't make the transition.

Our transitions were never like that. We made various acquisitions of our competitors over the years—little ones, medium-sized ones, and toward the end of my career, our largest competitor. But we never went on the assumption that the problem was technical. We didn't bring them in, leave all their clients on their systems, and start by working with their clients to make them feel they want to be with you and everything's fine and you'll work with what they have and so forth. And then over time, as you build the confidence, look at the issue of at what point does the transition occur. We never had the requirement that we're going to take them over, and in one month we want them all on our system. We never did it that way. I think that worked out very well. You're really acquiring client bases. Yesterday, we heard so many technology companies talking about acquiring for technology. We acquired for client bases basically.

**Haigh:** Okay, so it's the late 1970s, and you have a general sense that this batch-processing model isn't going to be viable forever.

**Phillips:** Right. Jerry builds the first system, but as he's building it, our first opportunity is not a methadone clinic; it's what's called a community mental health clinic. Of course, a community mental health clinic, although it's mental health, is not similar to a methadone clinic with this programmed process. It's just like a regular medical facility, but it's behavioral health, not physical health. The system had to be much more flexible database oriented, multiple people coming into the system like a timeshare basis at any given moment, as the patient comes in and has service or whatever the case may be.

The only thing that made it similar to methadone, which was one of our philosophies in all our work, was it's a longitudinal file. It goes on for long time. I used to go to the best hospitals in the city, for example, North Shore Hospital, and I was amazed when I came back a second time, it

was a whole new file. All the information that they had for me from the last laboratory, the last whatever, they'd reentered the whole thing. There was no connection, whereas in our work it's always connected.

Jerry built that and we sold it to a community mental health clinic. That was a definition that was made in the country by the federal government. They got funding and were eligible for Medicaid and whatever. That was a definition of a type or organization, and the system was built with that in mind. It had a lot of similarities to the methadone system, but tremendous technical differences—the need for a minicomputer, the need for the ability to timeshare it and make it online so to speak. I haven't heard that term in a long time: online. The database had to be a flexible design, and MUMPS wound up being absolutely perfect for that. MUMPS was very good for all the statistical work out of those files, better than anything we found at the time. And the evolution of MUMPS kept up with the technical department.

**Haigh:** Is the model that you sell a minicomputer to the clinic and they have it onsite, or are they tapping into it via a modem?

**Phillips:** No. Once we did mental health, it was a turnkey. It was that way until extremely recently. Now there's web issues, which we can go into later, but it was a turnkey. That's when we really started to have to look at and talk to computer manufacturers. That's when ADAPSO became so important to me because we had no real contact with technical vendors up until then. Really, other than using a data center, we were users, we were not people involved in any major issues of hardware, communications, operating systems. All of sudden we had to deal with those things.

**Haigh:** When do you sell the first turnkey systems?

**Phillips:** Would've been around 1976.

**Haigh:** So, into the late 1970s, you've got two separate products. You've got turnkey community mental health, and you've got batch-service-based methadone clinics.

**Phillips:** Right.

**Haigh:** Do the methadone clinics ever go over to turnkey, or do they stay for a long time on the service basis?

**Phillips:** The interesting thing is, we postponed, even when clients brought it up: "Hey, I saw somebody working on a turnkey for a methadone clinic." We postponed getting into that for as long as we possibly could for two reasons. One, we felt it would cut into our service bureau

business, which was a very good business. I thought that actually the service bureau process of the weekly discipline was better than giving them an online system. I still feel that way. We didn't do that until we had been involved in turnkey mental health systems for three or four years at least. We avoided getting into that in the methadone systems.

**Haigh:** It's the early 1980s when you start switching those over.

**Phillips:** Yes.

### **ADAPSO**

**Haigh:** Unfortunately, we are running low on time. I should tell people who are interested in what happens with the business model later on that you spoke quite a lot about that in the roundtable discussion yesterday, which should also be transcribed, so that should be available. I want to ask you about ADAPSO. From this chronology, do you get involved with ADAPSO about 1976, 1977?

**Phillips:** Yes.

**Haigh:** Can you talk more about that?

**Phillips:** Well, it was a convergence of several things that made it very enjoyable for me. First of all, we have the need. ADAPSO was such a great organization. They had everybody there who you would want there, or whom you needed there. You had the manufacturers, you had the big software firms, you had the big service organizations, and you had the big VARs. Then you had all of the smaller organizations who were wannabes. They had good sessions, and they had people running it who were very smart about the industry. There were lot of deals that occurred there obviously.

At that point, all of sudden there was this interest in VARs at the same time that the magazines started to develop the VAR stuff. *Computer System News* had an insert called "*VARBusiness*" and in no time at all, they started to make it thicker and thicker. I had contact with them, talked about an idea that would maybe be good for their newspaper and good for their readers, which is doing a six-month evaluation of how good the manufacturers were with the VARs every six months. They outlined that, we started it, and in the first issue, I wrote an article for them. It was one of their first full magazines and those are now here.

We discussed the subject, "What's in a name?" At the time there were VARs and ISOs (independent systems organizations) and distributors and this and that. Basically, I wrote to say that we're all part of the same community; we all have the same interests. We're all middlemen.

We're all trying to make reasonable arrangements with the manufacturers of hardware and software and other products and bring them into a focused approach with our clients.

That went over well, and then *VARBusiness* and our ADAPSO association started to spend a lot of time together. We helped them set up some conferences in which these VAR issues were discussed and so forth. That's also in the material that the Museum has. It was a heady time. Comdex just started. I'd been doing a lot of work for the Comdex group; it was called Interface Group. They did Interface, they did Comdex, and I was doing some of those at the time.

**Haigh:** When you say you're doing work for them, was this a private company organizing the tradeshow?

**Phillips:** Yes. They did tradeshows, so I did some training sessions for them. I did some presentations for them as a guest speaker. I had the interesting experience of a panel with Bill Gates when he looked about 12 years old. Then they started Comdex, and I was at the early Comdex.

As you know, in like four or five years, Comdex grew into the largest conference of any conference in the world. It started as an ISO conference. That's the way it was originally built. Then all of the technology industry came to it. But, it was originally an ISO in one hotel.

The independent systems organization encompassed all of these middlemen, let's call them, for lack of a better term. That was their assumption.

**Haigh:** That is a phrase that didn't stick around as much.

**Phillips:** No.

### **VAR Groups Within ADAPSO**

**Haigh:** It came and went. At this point, I think ADAPSO had a timesharing section. They had the original service bureau, which I think at that point was probably called processing services section. And there was a mainframe package software section. At the point you were first getting involved with ADAPSO, is it true that they didn't have a section for VARs?

**Phillips:** Right.

**Haigh:** Was there anywhere in ADAPSO that you would have fit at that point?



**Phillips:** Well, the only way I can answer that is that there weren't many manufacturers involved yet. When they heard we wanted a VAR group, they weren't sure. The successful ones, the "haves" weren't sure they wanted to be involved in a session like that, because you would ask them questions: "Do you do this for the VAR? Do you do that for the VAR?" The ones that were the "have-nots" that wanted to get ahead, they of course wanted to come in and meet everybody. But it took a while. Finally, with all the real players, I think we got up to about 20 manufacturers. That was at the high point. Of course, that had to include Digital and IBM. They were the two leaders at the time.

We found as VARs that IBM was very difficult to deal with. There was a lot of overhead in dealing with them, and it obviously wasn't their main focus. Digital Equipment started off being very enthusiastic about VARs and toward the end of their career started to look more like they believed they were IBM. That's a whole other discussion.

So, the sessions went on. We had tremendous support. In the files now are an example of one those yearly surveys that they all participated in showing their enthusiasm.

**Haigh:** You're running those surveys for *VARBusiness* magazine?

**Phillips:** No. We were running the surveys in ADAPSO.

**Haigh:** You're doing the surveys in ADAPSO, and it was getting published in the *VARBusiness*?

**Phillips:** No. *VARBusiness* had a parallel one that covered many more specific aspects of the relationship. The one that you'll see in ADAPSO is much more involved in attitude, philosophies, product areas. It was much more global. The VAR one was extremely specific.

**Haigh:** That's one of things your group in ADAPSO is doing. Tell me more about the structural side of it. Circa 1977, VARs is a fairly new field. They haven't existed for very long.

**Phillips:** Right. Or at least been defined to exist, yes.

**Haigh:** ADAPSO is a trade organization that at that point and has been around for at least 20 years, I think. But it's not been involved in this field, right? There is some overlap because it's been representing processing services and, in a sense, what you've been doing is kind of a processing service. But there's no VAR section at that point.

**Phillips:** There was no VAR section. In all fairness to the way the industry worked, the industry was full of entrepreneurs. I mean it was just a wonderful time. ADAPSO was always

made up, for the most part, of entrepreneurs, people moving up as opposed to let's say, the larger organizations like IBM when they started. It was built by entrepreneurs, so there might have been people doing what we would call VAR work today, but they weren't defined that way. They were all there to learn the business, to network, to have sessions on important areas that they wanted to be involved in, cutting-edge stuff and so forth. It was a business organization more than a technology organization, it really was.

One of the things that became clear was something was for what I call the "middlemen" here—the people that later on got defined as VARs. But as we discussed yesterday, to me VARs include distributors and horizontal and vertical VARs. They were all those people that were the middlemen between buying stuff and wanting good contractual relationships with manufacturers of technical products that ultimately had to be part of their system solution with the client.

**Haigh:** Right. Was ACT already a member of ADAPSO?

**Phillips:** I don't believe so. No, they were not.

**Haigh:** Okay, so you learn about ADAPSO. How do you originally learn about it?

**Phillips:** Well, don't forget we followed Bernie's career the whole time, so we always knew about it.

**Haigh:** You were still in touch with Goldstein into the 1970s?

**Phillips:** Oh yes.

**Haigh:** I know he was active in the association throughout that period.

**Phillips:** Even when he started Broadview later on, the investment house, we still knew him, and we still had contact with him. In fact, a couple of times we met with him when we were trying to learn some of the issues with mergers and acquisitions and so forth, and he was helpful there.

**Haigh:** Was the logic something like, we know ADAPSO has done great things for these other kinds of companies, so we need to bring VARs into it so we can do the same kinds of thing in our field?

**Phillips:** Right.

**Haigh:** At that point, did you know the leaders of other VARs?

**Phillips:** Yes. A very funny thing happened during this process. We were just starting to talk about setting up the VAR committee in ADAPSO, and I was really getting involved in ADAPSO. I started to do work on this idea of the survey with *VARBusiness*. The parent company, which had *Business News*, contacted me and asked me to meet with them. They wound up asking me to be in a yearlong advertising campaign where I would be billed as the typical VAR, because the VAR business was in its magic moment. I became their advertising icon, full-page ads for a year in their magazines. All it said was something about John Phillips is the average VAR, something like that. It's in the material, in the newspapers that are in there. They did that for a year.

**Haigh:** You were the spokesmodel.

**Phillips:** Yes. I had suspenders on, looking like a real business type, and what happened then of course was that gave me a lot of input in with the manufacturers. We had very good meetings with Digital Equipment, Data General, Texas Instruments, and several others. I became sort of in the near-term a spokesman for some of the VAR issues, which later on didn't put me in good stead, because I was considered maybe, you know, annoying. But at that time, we did move a lot of issues around how they should treat a VAR. As you know, we set up everything from we'll have a VAR agreement. Oscar Schachter helped us go through them, both at ADAPSO and in our own company, to try to lay it out so that we had a lot of opportunity to look at certain things and change certain things. That included the amount of support that we got as they fed through us to the client. Channel conflict was the big issue then and so forth. We did all of that, and it was kind of the magic moment for me in terms of the VAR work.

**Haigh:** That's part of the serious model contracts that ADAPSO produced in different areas. Approximately how many VARs were active within ADAPSO in the late 1970s?

**Phillips:** Hard to say. We never really acquired that way. The attendance was always large at the sessions, and they included people that we would consider pure VARs and all people that wanted to start doing business with VARs, acquiring VARs, selling VAR stuff, and so on and so forth. The sessions were big, but I would say in ADAPSO maybe 20% of the companies would qualify under a tight definition of a VAR.

**Haigh:** Do you mean that 20% of the companies in ADAPSO were VARs?

**Phillips:** Yes.

**Haigh:** At that point, would that have been 100 companies, you think something like that?

**Phillips:** I would say it would be about 100 companies, yes. At that time, ADAPSO was an extremely powerful organization. We'd have sessions with Wang, we'd have sessions with the head of Oracle. It was great. It was just a great time, and ADAPSO held a lot of sway. Bernie's new company, Broadview, was doing a lot of really exciting work at that time in investment banking too.

### **Transitioning to Integrated Systems**

**Haigh:** You mentioned that you were chosen as this kind of model VAR. Do you think that your business around 1980 would have been typical for a VAR, or do you think there were differences that were significant?

**Phillips:** I think we were typical in the sense that we were a small business depending heavily on working with the with the subcontractors. Especially at that time, our subcontractors were for the most part the heart of the manufacturers.

That's not true today. Today, as I told you and we discussed it yesterday, in the early days the mark-up on the hardware was a major element of our income. The old joke was that as the PCs came in, we were kind of annoyed because the margins kind of disappeared. But that was replaced by the margins on all the subcontractors in large systems. The company now installs systems as big as \$5 and \$10 million, and the major percentage of that might be that other software manufacturers will build accounting systems, statistical systems, and so forth, which are integrated into our system and delivered to the client under our responsibility and all those other people have subcontractors with us. In a sense, the clients see one contract and one person, where the buck stops.

**Haigh:** All right. That's a kind of systems integrator position.

**Phillips:** Yes. It's funny, we don't even think in those terms anymore. But you're right. It used to be called systems integration in big projects. Now it's becoming productized. As I told you before, the issue of productization was the major technical element that we faced in the later years. It wasn't state-of-the-art functionality. It was how, in fact, do you make the software system and its related hardware and operating systems products maintainable and consistent.

**Haigh:** Moving into the 1980s, you talked about the transition to turnkey systems, which goes along with the transition to minicomputers and the VAR model.

**Phillips:** The VAR model, and also ultimately in the latest stages the integration into the Web, which is similar to all the other integrations.

### **New Social Service Business Areas**

**Haigh:** Through the 1980s, what changes? You now have the two major business areas: the mental health clinics and methadone. Do you develop any new major business areas through the 1980s?

**Phillips:** Yes. We were in the position to start to build a sales force that could handle the ongoing products. We were a firm believer that all social and medical services are one integrated whole. That if you go into Manhattan and you go uptown and you meet someone uptown in Manhattan, they're probably on 40 different databases for different social services and medical services and so forth. That needs to be one integrated whole. To the extent that you can keep extending your capability so that you have a compatible whole on this, it's very, very useful.

We started to get involved in related services, like the fact that there's a lot of work being done on people who are let out of prison. There are actually systems then that run back into prison for mental health and so forth. Eighty percent of the people in prison have mental health or drug problems. That's two million people now. So, we started to build systems that would work both in prison and out of prison because a lot of this stuff is tracking and long-term service.

We had contracts for registries. We became the premier organization building social registries that were accurate, that could really be used. For example, no one can get on a methadone clinic in New York State without going through the registry that we run. That's been true for 20 years. We have never found, and no one has ever reported a breakdown in that, a security problem in that, or inaccuracy in the fact that we found someone who tried to register for two different methadone programs, for example. We became quite expert in that. We still have to do social services: how the social services work relates to mental health and so forth. So, we expanded that way.

The biggest expansion that we did started back when the DEC VAX really took off. We started to get bigger contracts that would make the systems broader. They allowed overhead of more GUI functional capabilities inside these systems. We started to build larger systems. We have, for example, state mental health systems in about 40 of the 52 states now. And we have a user group meeting of the states. That's a marketing man's dream. They all work together, they standardize everything, they help fund expansions. Those expansions are usually exciting stuff, which we ultimately then work into other products.

About nine or 10 years ago, we installed our first hospital in which there is no paperwork whatsoever for any patient, in any modality. If you have a problem with that patient, whether it's a drug patient, mental health patient, young person, old person, whatever the case may be, and you are allowed to deal with the doctors in the hospital, they can give you all the information on that patient for the last 10 years. As a medical service, that is staggering in mental health, for example.

**Haigh:** In that kind of transition then, you're switching from small minicomputers to VAXs where each computer can handle more different things, more data.

**Phillips:** Yes. Now with networking, it really just means the whole thing's bigger. Your base can be bigger and bigger and bigger and bigger.

**Haigh:** On the business end, does that mean you're dealing with a different level of government? Originally you were targeting your clinic. Then you were targeting a methadone system. Now are you working with the state government level?

**Phillips:** Yes. We look at the behavioral health model and the overall social services model as one model. The fact that you're a clinic down here, or state all the way up here, or a country all the way up here, it's one system process. Wherever we can integrate and combine, we save money, we've improved accuracy, we've improved service. So, we have systems right now in some states, where the state system is connected to county systems connected to clinical systems. A lot of that now and the newer systems are being done on the web too, which is another weapon that works out very nicely. Basically, all the work we do, from a service point of view, has had increased size and scope of controlling something, increased integration, wherever feasible. Improved user interface to the point where you can improve not only service, but accuracy as well.

The goal, of course, is someday that nobody is playing with paperwork. In all of the investigations and researches we've done over the years, we found a couple of things that are so controversial. One isn't controversial anymore. Now all of the candidates talk about it. Integrating, automating data is a tremendous tool in social and medical health. The second thing is this fear of security versus automating to tighten this up. It's a bad tradeoff.

## **Reflections**

**Haigh:** It looks like Burt Grad has arrived to kick us out. I'll just finish up by asking you the questions I like to ask at the end of an interview. The first one would be, looking back on your career as a whole, is there anything that stands out as a disappointment? You know,

something that in retrospect you regret, or you think was a missed opportunity or something that you went into and it didn't work out how you hoped it would?

**Phillips:** First of all, I really love the whole process. It was fun, it was interesting. The people I met were, for the most part, wonderful. My only regret would be I started with so little information that I had to learn everything, so to speak, as it hit me in the face. Probably if I had done more homework or had a background with maybe more business experience, some of this stuff would have moved faster. But there aren't many twists and turns that came up that I feel for the most part were lucky breaks that I wasn't at least wise enough to jump on.

**Haigh:** Then flipping that around: looking back again over your career as a whole, what do you think is the single accomplishment that you're proudest of?

**Phillips:** I think there are two things that I would be most proud of in terms of being in business as opposed to my family life. One, we wound up setting up a lot of good stuff to assist those patients out there. Learning what it is like having a drug issue, a mental health issue, a social services issue, and so forth, it was quite an experience. Trying to build things to make it a little better, that was good.

I think the thing that struck me the most though is. that we two guys from Queens wound up giving a couple thousand people great employment in a great situation. I always feel good about all the people that worked in our organizations over the years. That was quite a satisfactory approach. I really loved it.

**Haigh:** Well, thank you very much for taking part in the interview.

**Phillips:** Thank you, Thomas.