An Interview with

PEGGY NOELL SMITH

OH 400

Conducted by Jeffrey R. Yost

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Peggy Noell Smith Interview

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Abstract

This interview, with computer services entrepreneur Peggy (Noell) Smith, addresses her work at Lambda Technologies, and GEISCO (after it took over Lamda), prior to focusing on the computer services company she formed with two partners, Noell, Sanders, and White. The interview also details Peggy Smith’s role as consultant and later the Executive Director of the trade organization, National Association of Computer Consultant Businesses (NACCB).

Keywords: Lambda Technology, GEISCO, Data Masters, Noell, Sanders, and White, Computer Services, Women entrepreneurs, Gender, and NACCB
Yost: My name is Jeffrey Yost and I’m here today with Peggy Smith in Greensboro, North Carolina. It is January 29th 2009. Peggy, could you begin by giving me some brief biographical information – where you were born, where you grew up?

Smith: I’d be glad to. I was born in Durham, North Carolina. Margaret Elizabeth Noell was my name and I was born in 1949. My daddy was in the service and he was at Duke going to school on the GI bill. We lived in Durham for a short time and then my daddy was called back into the marines to go to Korea and so we moved to Atlanta for his training, where we lived a very short time, maybe a year. Then we moved to Shelby in the early fifties. Shelby, North Carolina is a small textile town in southwestern North Carolina, about forty minutes west of Charlotte and that is where I grew up until about 1961 when Mom decided to go back and get her masters here at what was WC and is now UNCG. So we moved to Greensboro where I went to junior high and high school.

Yost: In junior high and high school were there any subjects that you were particularly interested in or thought you had a special aptitude for?

Smith: I really didn’t in high school. It started more in college. I enjoyed high school but it was probably more social for me than it was intellectual. But in college I definitely developed some different interests.

Yost: And where did you go to college?
Smith: I actually went to several. I was married young and my husband at the time was an engineer and he worked for Western Electric [on loan] to Bell Laboratories. So the first school I went to was in Shirley Dickenson, New Jersey and I went there for two years, while my husband worked in Whippany, New Jersey. He was a hardware engineer working on the antiballistic missile system and this was 1967-1969. I was around computers at that time, and that became an interest for me. I actually took FORTRAN at Shirley Dickenson but I am not a technical person. I got into business later through the marketing end. But I was not able to finish college at the time because we moved to Kwajalein in the Marshall Islands, where they had the actual test site for the ABM system. We had Sprint and Spartan missiles on Kwajalein that we would try to intercept. Vandenberg would try to send missiles and we would try to intercept them. I lived there for two years 1969 to 1971. I actually worked for Martin Marietta and they built the Sprint missile. I worked in an administrative capacity there. My husband worked on the hardware part. Everything was subcontracted. The radar was subcontracted, the software, and the hardware. Bell Labs had the main contract. So I was around computers back when they took up rooms and rooms and rooms. Kwajalein is in Atoll, the largest island in Atoll is Kwajalein. It’s three miles long, about half a mile wide and there wasn’t room for everything. They had the radar there they had Martin Marietta there but the people who worked on the software and hardware for the system flew to Mec island, part of the Atoll, everyday to work, to build the computers, which as I said at the time took up rooms and rooms and rooms. I definitely was around a lot of computer people and I really developed quite an interest in it. I came back to North Carolina and I was able to –
between living in North Carolina and Pennsylvania, and raising a family – I was able to go back to school. First at UNCG for another year and then I finally finished up at Westchester State College, now State University, in Westchester, Pennsylvania. I graduated Cum Laude with a B.S. degree in Business Management.

Yost: What lead to your interest in business management?

Smith: I was being practical. I knew that I would be going to work and I was looking for something that I could actually make a living with, where I could make a living and help support my family. So it was a very practical matter and it was interesting at the time too.

Yost: Can you describe your career aspirations?

Smith: Yes, I can. Well, I started off selling. I went to work for Quip Systems a division of Exxon Enterprises. Quip was a telecopier, fax machine and they were in competition with the Xerox telecopier. Now we’re up to about the mid to late seventies. So I sold fax machines carrying them around – I think they must have weighed about ten pounds, in these big suitcases. It was back when other people didn’t have fax machines so if you wanted to do a demo you had to carry two of them. I was working in downtown Philadelphia at the time and I got excellent sales training there. I worked there for about three and a half years. I did very well and when I left I made a conscious decision to – I wanted either to go into computers or into the medical fields because I felt that they were things that were interesting to me and would be around for a long time. So that’s when I
met and went to work for Lambda Technologies. This was September of 1980, I believe. I interviewed with Karen Kelaidgien [sp], Tom Manual [sp], and Russ Powell. Russ was an owner of the company and they hired me and I worked for Lambda selling computer services. We used all consultants. I was hired there partly because I was a woman because they had all women marketing reps. Women would help open doors. This was the philosophy of Lambda at the time. Women would help open doors and we would take along whatever technical person that we needed depending on who we were calling on, a bank, a pharmaceutical company. I think they had about a thousand employees so we had technical expertise that we could draw on to help us make sales and close business and projects. I did that for several years. Then right after I started working for Lambda, they were sold to GEISCO, General Electric Information Services Company. That was fine. It was a hands-off arrangement and Philadelphia – my office – we just operated sort of autonomously. In 1982, I asked for and received a transfer back here in North Carolina from the Philadelphia area, just wanted to come back to my roots. So in 1982 I came here. They had a GEISCO office here in Greensboro. I was to start the Lambda Technologies, the professional services end, of the business here in Greensboro. I was to open an office just for consulting. It was interesting because GEISCO was into timesharing. A lot of people, as you probably know Jeff, don’t totally understand our business. Sometimes if you have to explain consulting services it can be difficult, especially back then. So I operated again pretty much autonomously. They let me hire who I wanted. I hired a technical director. I think I told you we had twenty-three people on billing within a few months. We were just humming right along. My boss at the time, my new boss, was in Maryland at the GEISCO office and he would come down and try to
help me but GEISCO did not really understand our business at all. In about 1984, they instituted a hiring freeze, which as you know in the computer services business a hiring freeze is – opening a new office, you don’t have anyone available for consulting – is just not a good idea. So that’s when I left. I had hired a technical director. He left with me and we partnered with a recruiter here in town. We had three partners. The reason I wanted to start my own business was because I looked around at the people in the business and I felt that we did a better job. I felt that we were more hands on with the clients but especially with the technical people. A lot of the technical people I think sometimes felt that they would be on a job and then they were part of the company – not part of the company that actually placed them. So that’s one of the main reasons that we went into business for ourselves. That was in late 1984, 1985.

Yost: I’m going to take a few steps back to get some details.

Smith: OK, sorry!

Yost: Oh, that’s fine. I have a few questions about Lambda. You mentioned that all of the sales representatives were women. Roughly how many women would you say were working for Lambda?

Smith: They had offices in the major cities. I was the only one in Philly. They probably had five in New York. They had some in California. I would guess maybe company-wide just maybe fourteen or fifteen.
Yost: Was Lambda Technologies only targeting business in the major cities or were they selling services throughout the nation?

Smith: At the time. They actually told me when I was hired that I did not have to explain to people what we did because it was hard to explain to people what we did. So we would go into companies – DuPont was one of my bigger clients there and they already used a lot of people, a lot of consultants so my job was to try increase the share of our business at those companies or just begin to have a presence at those companies.

Yost: OK and these consultants that were going out and doing services for the companies were they salaried?

Smith: Yes. They were all salaried and I was taught actually at the time that you did not want to use independent contractors. That was what I was taught. They could just leave and then what would you do? We had this big old company to help the client if someone would just leave. So yes, we used all employees. And we did everything from – we didn’t really do hourly, we did daily and we did project.

Yost: Were there challenges presented by changes in demand with the economy, where you had people on the bench, and how was that handled?
Smith: We did have people on the bench. We didn’t have a lot I guess in the early 1980s. There were big companies in Philadelphia and there was always a need. And even though the economy may have been up and down, sometimes that helped our business because it looks a lot worse to lay off people. And of course the nature of the projects being that some where temporary when you’re starting anew, building a new accounting system or whatever. That’s an up and down cyclical kind of work so we tried to fill in. The office in Philadelphia was actually started by Tom Manual and he did a fixed price project for the stock exchange, they worked on the Philadelphia stock exchange. Around then we grew and went into Delaware and South Jersey, and did business with the banks and the pharmaceutical companies, and Scott Paper and Wyeth Laboratories. It’s been a while so my memory is not crystal clear.

Yost: So you’re definitely doing work for major organizations and large corporations. Is Lambda also doing business with smaller companies and are they getting much government business?

Smith: Their biggest client companywide was AT&T. They did a lot of work for AT&T and had people – project managers – in AT&T so that was the biggest. We did not do any government work in the Philadelphia area, of course state government was in Harrisburg and I’m not sure about the other offices. I don’t recall that we did a lot of government work at all. And what was the other part you asked me?

Yost: Small business.
Smith: Small business. I called on small businesses, we did some. I tried to actually – and I did this when I was selling fax machines – I found it good to call on the big people and the small people. Big companies are great but you don’t want fifty percent of your business in the big companies. Yes, we called on a lot of people.

Yost: Did they use computer services firms in the past? And was this supplementing their data processing operations or essentially replacing their data processing operations?

Smith: Everyone I called on did use consulting services, computer consulting and – I’m sorry Jeff what was the second part of that question?

Yost: I’m interested in if these were companies were making a transition from originally trying to do things for themselves with IT to using computer consultants or if they’d long had a model of using computer consultants.

Smith: They had long had a model. At the time and this was again back in the early 80s, there was not a lot of facilities management. There wasn’t a lot farmed out. There was project work that was farmed but not whole data processing departments. We did both of those things. At DuPont for instance, I think they used a hundred, hundred fifty – I mean a lot of consultants – but they used them all for maintenance. It was different everywhere we went – from the stock exchange to doing the whole turn key system to supplying…I remember I called on a steel company in Coatesville, Pennsylvania and they needed one
guy to work on the old pre-IBM card reader systems because their guy that worked on them all year was now entitled for eight weeks of vacation. So for eight weeks they needed somebody to come in and work on this. I can’t remember the name of it but it was really old. I’ll think about it. I mean before 360s. So we did that, eight weeks worth. We did a lot of different things.

Yost: Were there significant changes after GEISCO took over in terms of the way the operation was run?

Smith: Definitely.

Yost: Can you elaborate on that?

Smith: It’s a big, big company and I think one reason that Lambda was successful – and they changed their name to LTI Consulting Services and then they changed the name to GE Professional Services. They did not really – again they were selling timeshares. They were selling – you know they had these humongous computers and big data centers and I don’t remember where they were but I’m think they were in the Midwest some of them. They were selling time literally on that computer and they did not understand what we did so as long as our offices were allowed to operate somewhat independently, then we did great. We could accommodate a lot of different situations. Once they got involved, especially down here, it was just that they didn’t understand it. So like the hiring freeze is a perfect example. You cannot really have a hiring freeze when building an office. And
I’m sure people in the other offices had more involvement from GESICO than I did. In the local office, people were great. It was the management more that was not understanding our business, making decisions that were really not good for the business.

Yost: Roughly how many branches were there on the consulting side?

Smith: The consulting arm? There were probably twelve to fifteen at the beginning. They grew I’m sure but I don’t know by how much. When I moved to North Carolina I was out of the management part of GEISCO and my boss was in Maryland and he’s the one that interacted. I spent a lot of time trying to help him understand what we did because he just could not get it. I mean he really couldn’t.

Yost: Do you have a sense of the size of GEISCO overall roughly in terms of number of employees or annual revenue?

Smith: GEISCO the consulting part had several thousand consultants. As I said then they went to GE Professional services and I think they changed and acquired and changed and by the end I think they were eventually acquired by King after all these iterations. I can get the history of that but I don’t really know it.

Yost: With GE Professional Services was it exclusively computer software, supplying programmers, systems analysts, and maintenance people?
Smith: Yes. And doing some projects as well.

Yost: Can you elaborate on the challenges that you had with the management being in Maryland and running the North Carolina office?

Smith: Frankly, most of the time I was sort of glad they were in Maryland because it did allow me to operate as I thought a consulting firm should be operated. I don’t remember specifically the challenges at this point other than the hiring freeze because I was somewhat insulated. But I remember the frustration I felt by not being able to do my job the way I thought that it ought to be done. By the time I left I was just put out with them. [laughs] Because they again, they’re a big company they have all these structures reporting structures, reposting forms and meetings and conference calls and I was just wanting to get out there and do work. There was a lot of red tape. I had worked for a division of Exxon Enterprises and now I was working for a division of GE and those bureaucracies, the red tape in those bureaucracies was not really suited for me. I became real frustrated with the red tape.

Yost: Can you compare and contrast the markets of Philadelphia for selling these services to North Carolina?

Smith: I certainly can. In Philadelphia, you had to work really, really hard to get an appointment with anybody to go in. We were taught in sales not to take no for at least three times so we were pretty aggressive. It was challenging. It was more challenging in
Philadelphia to get in. I remember being in downtown Philadelphia and there were two big building and I did eighty-eight cold calls in one morning. [laughs]

Yost: Wow.

Smith: Nobody would even talk to me. So one of the biggest surprises was, coming back here in North Carolina, I called someone for an appointment and they said, “Sure come on in.” That was a nice surprise. I think that the market here in Greensboro was just in its infancy. I think that the companies that were here, Computer Task Group was here and R G Reynolds and Metro, I remember being here. And they were about the only ones. So when we came down, and again I felt like we offered something special…we were very accommodating and very supportive of our consultants. Lambda every year had a huge party for all the consultants at Tavern on the Green in New York. Philly went there and everybody went there and everybody went there from all over. That was for everybody and their families. The other six months they’d have something just for the employees and their families at Tavern on the Green. They were very, very good to their people, their sales people, their consultants, their technical people, everybody. I felt very comfortable coming down here. When you really believe in something you can really sell it. I was very comfortable coming back to my home state and calling on people, businesses that I’ve heard of my whole life. So it was a little easier down here. In Philadelphia it was harder but I think because I was a woman and sometimes because I had a southern accent people would see me. And then hopefully once I got in the door
then I could convince them of what we had to offer that was a really good strong viable solution for their data processing, information systems needs. Was that what you meant?

Yost: Exactly. Who were the largest competitors in Philadelphia with Lambda?

Smith: It was Computer Task Group (CTG), King was around at the time and Metro. I ran into more – they were owned by John Fang in the Virginia Beach area – I think they were in Philadelphia. But the main one I remember is CTG and of course, we thought we did things better than CTG. Again very hands on company, very good to their people and they were good to their clients. They were social. They had golf tournaments. They took the people at AT&T to play golf. We did lots of lunches. They were very hands on and very people oriented. When you’re in a very people business, where your clients are people, your consultants are people and everybody’s people and if you’re not people-oriented you really have a problem. [laughs] And there were people in the business that were not people-oriented.

Yost: In North Carolina, did you have a range of clients in terms of size and industries?

Smith: Yes, we did. There wasn’t an office here and I hadn’t been here in some years so I didn’t automatically know. I had to do a lot of research on companies – who did business with consultants and who didn’t. I did a lot of phone work and a lot of cold calling. It ended up with our main client being RG Reynolds. CTG was firmly embedded in there. I remember the first time I went and called on them. It was Bill Donovan, he was head of
information systems for RJR and he took my literature, pretty much, and you know I was out of Philly and he said, “Well you’re out of Philly. What can you do for me?” And I’m saying we’ve got consultants and we’re going to hire consultants and he pretty much put my literature in the trash and said, “Well we have CTG here so we’re doing fine.” I started then calling on the managers and just – you know we had some great folks and so we did get in there. We ended up being one of their major vendors. When I left the company I founded, I think we had forty, forty-five people in there just at RJR. So we called on RJR. Called on Burlington Industries, which at the time was pretty big. Wachovia was another big client and then, you know my philosophy, called on everybody. I think a lot of it’s about knowledge. So I just figured call on as many people as I could find to call on. That’s sort of how I am.

Yost: Can you talk a bit about recruiting talent and how that was done?

Smith: Since I didn’t have a technical background that’s why I hired the technical director first off. He did all the technical interviews. We both interviewed the folks for technical, and personality or soft skills, as we say. We found, of course, and you probably know this, that you have more personality issues than you have technical issues. At least that’s what we found in the business. We could have a technical genius in a clients office and if he was obnoxious or made people mad or wasn’t very friendly, he wasn’t going to last. At the time our contracts were lasting months and months and years. We had people in Wachovia for years. People at RJR for years. And again, that’s some of it; the other part of it was the several months here and there. Did that answer the question?
Yost: Yes.

Smith: I think I was going somewhere else with that but I don’t remember where.

Yost: Did the consultants generally stay with you for a long time or was there significant turnover?

Smith: When I was with GE here, we, my partner the technical guy and I, we really didn’t have a lot of turnover. Again my partner would do the technical interviews and there was a lot of talent. Most of what we had were IBM kind of things in the early days and there was a lot of good talent out there. A lot of them wanted to try to be a consultant and see what it was like. And they made more money. We tried to keep them. We tried to pay competitively and we tried to give them attention. We remembered their birthday. We remembered their anniversaries at the company. I mean I know that sounds probably…

Yost: It can be very important.

Smith: It was very important and as the business became more competitive it became even more important.

Yost: How much experience did your typical consultant have in computer work before they were hired?
Smith: I would say at least three years, and that would depend on what kind of experience it was. And then of course if it was a higher level project and we were looking for more of a project manager type, then we started looking at five to eight years or even more. So it depended on that. We never had people right out of school. It depended on the project they were working on.

Yost: So you’re placing programmers, systems analysts, project managers?

Smith: We were. At the time…I don’t remember when I was down here with GE that we did any fixed priced work. I’m thinking that we bid on some things but I don’t think we did any. I think we did mostly supplemental staffing for information systems. Again this is still all with GE.

Yost: Can you expand upon your decision to start your own business with partners?

Smith: Yes. First of all there was the frustration, the daily frustration of dealing with this big, large company called GEISCO. Lambda, I think I could have worked for Lambda forever. They were just such a good company. I’m repeating myself but they treated all of their employees very well so I think I could have worked there forever. But when you have somebody that doesn’t understand the business, second guessing everything you do – why are you doing this? Why do you need a technical director? Why are you taking this guy to lunch? Why are you spending money on this? It becomes more and more
frustrating. It sort of chips away at you, I think, every time. So there was that level of
frustration and when they did the hiring freeze that’s when I knew I couldn’t work there
anymore. I looked around – I really hadn’t thought of myself as an entrepreneur before –
but I looked around and I didn’t – I was very familiar with the competition because I ran
into them a lot at some of the bigger clients and I didn’t think that I wanted to work for
them. I didn’t think they were as good as Lambda. So, that’s why I went out on my own.
Since I did not have the – I was the marketing person and I thought we needed a technical
person. The second partner was very technical and if he didn’t have the background, we’d
bring our consultants into interviews or other people in the company to interview in other
offices to get the right expertise. They did all the recruiting for us at other offices so we
felt like we needed a local recruiting presence. So with the three of us, this was in early
1985, late 1984, we started our company, Noell, Sanders and White, which were our
three last names. Instead of using the consultant employee model, we changed to using
independent contractors. That was largely a financial decision because we invested
money in the company; we went for several months, at least four months without a
salary. We wanted to get off the ground as quickly as we could and we thought it would
be better to use independent contractors. We did some research and looked around at
some other companies doing that and it wasn’t as all terrible as people said it was.
Because you could make money, the consultant made more money, the client benefited,
and so everyone was happy in the triangle. Generally with our consultants at Lambda and
GEISCO, if I recall we paid them about fifty percent or less of the billing rate and I don’t
remember those exact numbers. When we started out on our own, we paid them sixty-
five, seventy percent of the billing rate. These were mostly young people, three to seven
years of experience. They were eager and ambitious and we were young and eager and ambitious. So it worked well for a while. It worked very well for a while. In 1986, our technical director, we bought him out. He was unhappy.

Yost: Can you tell me the names of the two partners?

Smith: Oh sure. Sterling Sanders, he was the one I hired when I was at GE and he was the technical director when I was working down here starting the GE part of the business. He and I left GE together. He knew, and I didn’t know as well, Paula White who was the third partner. Paula is still in business today. She had an employment agency called Data Masters. The story of us started, Noell Sanders and White was doing business as Data Masters though we were separate from the agency. She kept the employment agency separate. In a year or two, I don’t remember how long it was, it was complicated running it that way. Noell Sanders and White bought the agency. The agency was doing maybe half a million a year in business and we were doing several million and it just seemed to make sense. That was at about after a year.

Yost: I’m going to backtrack with a question here. Do you recall roughly the gender mix, the percentage of men and women consultants back in Lambda operation in Philly as well as GEISCO division in North Carolina?

Smith: You know I don’t remember any women consultants at Lambda. [laughs] I’m trying to think and I don’t. They had Karen Kaladgien [sp], she was – don’t know if she
was a total partner but she was higher up in the company and she did a lot of the interviews for the marketing people. But I don’t remember any female consultants. And of course in the data processing almost everybody I called on was a man. Does that answer your question?

Yost: Yes. And I’m wondering if there were any differences when you started your business and were using independent contractors, was that primarily men?

Smith: Well, we hired women. We hired – I’m trying, I don’t remember the mix. If I had to guess at the mix I would guess maybe seventy percent men, thirty percent women but then that crew changed over the years. Because back in sixties, when I was beside the computer industry, if you will, there were no women. I knew one female engineer. All the time I lived in New Jersey, all the time I lived on Kwajalein, coming back here in North Carolina – one. So there weren’t that many women in the beginning but obviously it changed. But even when I called on folks, I look at the folks I called on the project managers and above, they were primarily men. Did that address what you wanted?

Yost: Yes.

Smith: I feel like I’m getting off track.

Yost: No, that’s perfect. Can you discuss the initial funding– do you remember roughly what your startup capital was?
Smith: For starting Data Masters?

Yost: Yes. Obviously the independent contractors kept overhead down but what did it take to start?

Smith: Paula had a running agency so we took up a small little room in her agency so we didn’t have startup costs related to space or the phone or things like that and we were piggy backing off the name of Data Masters. So other than forgoing salaries which the three of us did for I’m guessing four months, and expenses, that was our investment. We took off fairly fast and we were profitable I would guess within a year at the most, a year at the outside, even paying back. We were young. We were go-getters. We weren’t afraid. We were out there calling on people and hiring people. It was very, very exciting.

Yost: You mentioned that you investigated some other companies that had used independent contractors to understand that model. Do you recall what companies those were?

Smith: Well, Sterling, the technical partner did more of that than I did because he came out of Burlington Industries and he was a project manager. So he had used some independent consultants and at the time there weren’t a lot of companies using independents. I know that even Paula did a little bit of that before we came along, under the agency auspices. Some employment agencies would try to get into it but other than
that I’m not sure of the research that Sterling did on the technical end about the independents. But it was pretty much his idea.

Yost: Did you readily find people who were willing to work as independent contractors? Do you recall meaningful differences in recruiting salaried consultants versus recruiting independent contractors? And what differences were there, if there were differences?

Smith: Sometimes I think our enthusiasm was so contagious that we really didn’t have a lot of trouble recruiting independent contractors because it was something that they – you know if they had say three years with a company and then they came and worked for us for a while, if they didn’t like it their skills were so good they could go back. There wasn’t a humungous risk for them at the time. The money was very attractive. So I don’t recall having trouble. That’s when we were already down here and established. When I first came down here with GEISCO it was hard because they were doing the recruiting at other offices sometimes for me, before I hired Sterling. It was hard to get people. People sometimes didn’t want to come to North Carolina. So that was harder but once we were here and established and we knew the companies and we knew where we could go and couldn’t go to hire people then it became easier.

Yost: With both the GEISCO office and the company you formed what was the geographic reach where you were placing?
Smith: Primarily central North Carolina. We did work obviously here in Greensboro, Winston, and High Point that was probably our main focus. But we also did work in Charlotte and Raleigh. Greensboro is sort of uniquely positioned in that it’s ninety miles to Raleigh, ninety miles to Charlotte. So we did work in those areas. We did not really go beyond them, just for practical sake and there was plenty of business. We did do some work for the state a little bit and we did work for most of the major manufacturers and the banks.

Yost: Were you doing business with the same type of client once you started your business and were placing the independent contractors compared to the GEISCO office?

Smith: I’m sorry, say that again?

Yost: Were there similar type customers or were you targeting a different segment—at GEISCO versus your company?

Smith: We went to tell, Sterling and I, went to tell our clients that we were leaving GE and that we were going to start our own and everything. The clients where we were well entrenched, you know they really didn’t even know who we worked for half the time. When we left GE and started Data Masters, they just knew me and Sterling. We were there, I was there on the client site a couple times a week and so was Sterling. So they knew us and they would just say, “Hey we need a contract programmer that can do real data base work, blah, blah, blah,” and we’d go find one. So it wasn’t really company
specific. They didn’t seem to really care at the time how we procured our folks. What they cared about was that they had good folks and they liked seeing us around. They told us that other companies would just put people in and then they’d never see them again. You know they wouldn’t call on the phone and say Peggy I need a programmer. They would wait until I got there. That visibility and my calls every week or whatever my time frame was and they’d say I need somebody to do this for four months and then in many places they would end up staying longer. So I think at that time it was invisible. I know things have changed drastically now but at that time they did not seemed to be concerned about whether they were employees or whether they were independent contractors…until 1706 came along. [laughs]

Yost: That’s anticipating my next set of questions. Can you describe what sense you had of being in an industry and were there any trade associations that you belonged to prior to the NACCB?

Smith: There weren’t a lot. There were some in Philly that I went to. There was DPMA, Data Processing Managers Association, I think is one of them. I attended some when I was in Philadelphia and then came down here and there was DPMA – I’m almost sure that was the name of it – but it was more for the data processing people, the technical people themselves, although I went the meetings sometimes and Sterling did as well. I don’t recall any other associations that we knew about. I knew about the IEEE of course. We did not do a lot of engineering.
Yost: Were you aware of ADAPSO?

Smith: I don’t think I really was aware of ADAPSO until 1706 came along. I may have been slightly aware when I was at Lambda because our guys, our owners were big members of ADAPSO but if I had knowledge of that it was fleeting. So not really, was not really familiar with ADAPSO.

Yost: How did you first hear about section 1706?

Smith: It was actually Paula, the third partner. Let me back track a little bit. We bought Sterling out in 1986. He was not happy and he had tried – we did expand actually. He wanted to open an office in Washington, D.C. and we did do that. I forgot about that. How quickly we forget. We did start an office in D.C. and it was going fairly well. We did business with MCI and I don’t remember the other clients up there. Sterling just really started liking D.C. and started thinking that we were provincial down here. So he ended up moving there and he ended up, he really didn’t want to be partners with anybody anymore. So Paula and I bought him out in 1986 right before the tax reform of 1986. That was sort of a traumatic thing. The first I remember hearing of 1706, Paula was an employment agency and she was a member of other employment agency associations, NAPS, National Association of Personnel Services. So one of her colleagues in Northern California whose name was Rick Green. Rick was actually, sometimes in Northern California, people called him the father of contract programming. Rick Green called Paula and told Paula me. We were honestly aghast. It was horrifying to us and we were
just shocked. We started doing some research and then found out about it. Of course at
that time we learned that ADAPSO had put that language into the bill through Moynihan.
That they specifically targeted our kind of business. So we were upset and we were
scared and we were…you know. We actually changed the whole way we did business.
We totally changed. We went around and made everybody employees. We hired a
controller of sorts, to help us through the money part of it. Again we’re forgoing salaries
for months and converting everybody to employees, and trying to adhere to the law. It
was traumatic. [laughs]

Yost: I have some follow-ups there but I’m going to ask a few questions about the D.C.
office. Was that done in part to target government business?

Smith: It was done mostly…We had a person who we did recruiting work for in the
Charlotte area. He helped us recruit. He moved to D.C. and he was recruiting for NCI and
that’s how it got started. Sterling and I would go up there and help because I was the
marketing, Sterling was the technical. This guy was named Larry and he was doing
recruiting up there. So that’s how it started. We never had an office, office. We never had
space. But then Sterling, again he just fell in love with the urban areas and all the goings-
on and so he ended up staying there. We just let the people that we had there stay there
and just phased them out. Then Sterling left and he actually started his own employment
agency up there.

Yost: In the mid-eighties, what was the size of the business?
Smith: We just started in 1985 and we grew… I know that when I sold at the end of 1988, early 1989 we were at four plus million. I think we got going really fast, maybe up to two, two and a half, three. Then we got hit with 1706 and then we went down. Then we went back up and then by the time I left, as I said, it was around four and a half million. Does that answer your question?

Yost: Yes. And also roughly how many consultants?

Smith: We had about, I guess, fiftyish consultants. I can’t remember exactly. It seems like that it was about fifty plus consultants.

Yost: How did you first hear about the NACCB?

Smith: Rick Green told – in fact I think, I don’t think he was a founder but he knew people. The northern California, the southern California chapters of the California organization, it wasn’t NACCB at the time but they had ongoing, they had chapters of…

Yost: I think it was SC-CCBA…

Smith: SC-CCBA and northern California something. They had affiliates. Rick Green said that there were people getting together to try to form an association to try to combat this. Because people like us…you know we were small business. We were small
businesses especially when you compare us to CTG or any of those and I felt like, at the time, that it was really anticompetitive – well it was. It was an anticompetitive move on their part. So I was very passionate about the subject and I did not attend the first meeting. I was talking to Grace [Gentry], I think I attended the meeting in that summer of 1987 and became active right away. Started going to meetings in Washington. Started doing the lobbying. Became I was the at-large chapter rep. The end of 1988, they asked me to be secretary. I declined because I knew I would be...Paula and I were splitting up the company and so I knew at that point, it was so close, I knew I would be gone. Originally we tried to work it out. I told her I would buy or she could buy. She ended up buying. But that’s the first I heard of it and I went to that meeting that summer. Harvey [Shulman] was there. Fred [Shulman], Fred was in the business that’s how Harvey got there. Here were these people that were just so dedicated to the business and the industry. And again, it’s a small business [calls]. So I became very, very active. I’m probably getting ahead of you here. But then when I did sell in early 1989, that’s why I flew out to San Francisco – on my own nickel [laughs] – and proposed to the NACCB board meeting there that Grace and Grace’s president, that I help them on a part time basis, on an hourly basis with membership, or do something! Because I really felt strongly about it.

Yost: In doing the conversion from independent contractors to salaried employees, was that immediate upon hearing of 1706?

Smith: For us it was. For us we made the decision to go ahead. It was before NACCB had their contracts and all that. We made the business decision to go ahead and do that. It was
a long process because we had to look into benefits. We had to go around to all the consultants and talk to all the consultants. It was really hard. It was really hard. So we did. We did change employees right away.

Yost: You thought the risks were to great not to?

Smith: Yes.

Yost: Did you lose consultants? Were there some consultants that were really just tied to the model of being an independent contractor and essentially being in business for themselves that they didn’t want to switch to become a salaried employee?

Smith: You know I don’t remember that we lost…we probably lost a few. I don’t remember that we lost a lot. We had a very methodical process for the conversion, speaking to the people and taking our time and trying to make sure that they were impacted as little as possible. That was to our advantage obviously to do that to make sure that they stayed where they were with our clients. So the process was arduous but I think that we did keep most of them.

Yost: Were there other firms in the area like you that were using independent contractors before 1706?
Smith: Not that I knew of at that time. There were some agencies; I remember one agency in Burlington that dabbled in it. I remember another small NSA agency, employment agency that dabbled. There was another person here in Greensboro that dabbled in it. I recruited some other companies to be in NACCB in the larger metropolitan areas. I don’t remember any of them using independents. I don’t remember. I recruited people in North and South Carolina into NACCB.

Yost: Can you discuss what led to your selling your portion of the business?

Smith: Sure. When Paula and I became fifty-fifty and according to the terms of our buy-sell – that’s what happened when we bought Sterling out, we had totally different ambitions for the business. She wanted a family business. She wanted her husband and children to work there. She wanted a legacy, I think…you know for the family. I wanted to work as hard as I possibly could and try to capitalize on what we had as long as we had, make it profitable and then eventually consider selling it. So when you have those philosophies, every decision you make – whether it’s what to pay somebody, whether it’s what to spend on something – becomes contentious. Obviously, both wanted to invest in the company but in totally different ways. She and I, we were just very different people. And of course I didn’t know her that well before we started the company. Sterling was the one that knew her. So we just got to where we just… I consulted an attorney. I consulted other people in the business. I was fortunate to have those NACCB connections because I didn’t have local people I could call but I had people I could call over to talk about it. My attorney advised me to say, “OK I will sell for this or you can buy for this.”
It was also an arduous process. So that’s really what led to it. I was willing to stay. She really, really wanted to stay because of the family thing. As soon as I left, she brought in her husband and her son. She fired the controller that we had – that had helped us so much get though the 1706 stuff. So she made – there were changes she wanted to make that she hadn’t made and vice-versa. So that’s really what led to it. You know after 1706 honestly it ceased to be the fun it was for me. It was just not as much fun anymore. But I would have stayed if I had been the one. But then I went out…I took some time off and planted flowers, did some fun things around the house. That didn’t last too long. Paula and I sold in late January 1989 and that summer is when I flew out to California and I presented at the board meeting that I was – I had started a company called Noell Enterprises and I was doing a little bit of consulting to some other folks that were doing some buyouts in other parts of the country. What I decided to do was hang up a shingle called Noell Enterprises and try to do some things and see if I liked the consulting part. So that was all part of it. I went out to NACCB meeting and I presented and I knew of course a lot of the people. And I left. I was there for like an hour and I left. Grace always said she had to really fight for me which was interesting because NACCB was so in debt. The attorney fees, they’re billing two hundred or what an hour and I’m asking for like fifteen and they’re saying, “Well, I don’t know if we can afford that.” [laughs] Grace always said that she had to really fight to let them do that. So what they did first was ask me to work on membership. I think they had around sixty-eight members at the time. Again being passionate and knowing people all over the country and feeling like it was a small business cause, I started doing membership.
Yost: And this is in 1989?

Smith: 1989-1990. And I think it was the next year that they decided to add the accounting end, the dues end of it, because it was sort of unwieldy. It was an association of associations, in the early days. We didn’t have individual members. We had southern California was a member, northern California chapter, New England at-large, etc. So the collecting of the dues wasn’t going well, so they started centralizing that. I collected the dues for the national. It helped a lot because obviously you can bill people if they don’t pay their dues and before that they didn’t know really who was a member who didn’t pay their dues. So that’s how it started with the accounting and things were just added. After that I started working on the conference, maybe a year or two later. Started going to the board meetings in 1990 or 1991; took minutes, arranged the meeting. And then started working on the conference which was a fabulous member benefit. I think I could recruit and sell this because I so firmly believed in it and I believed, again, we were helping small businesses. We weren’t the only ones here in Greensboro that were shocked by the 1706. There were people all over the country that it affected. It was sort of a win-win situation.

Yost: Can you discuss how the membership grew?

Smith: Sure. In the early nineties – well I worked out of my house for 1989-1990, actually several years. Even through hiring one or two employees because we had this big old house. I had the office in the basement. When they started having me work on the
conference, I hired a part-time meeting planner. That was in the early nineties. I think that I went to every single conference and then in 1993, the conference chair couldn’t be the conference chair. So that’s when I did the conference that year. I started being involved in the program, not just the facilities where we have it and all that, but in the program itself and designing the program which I could do because I had been in the business. So the conference attendance started rising and membership started rising. And I know that by the time I left at the end of 1999 we had 515 members. That I know. My last day was December 31st, 1999. Membership grew and I think it was pretty much a steady growth. It just continued to grow. Data processing was booming and so that was good. We were very member oriented. We started something in the early 1990s called member benefits and we had a benefits committee. Fred Shulman was the chair. We started sending out these big thick books of information on 1706, the department of labor issues, other issues. We started doing the contracts for the members. We tried to be very member focused and make it beneficial for them to create their businesses as well as fight 1706. The lobbying, of course was done in D.C. but everything else was done down here. So I hired a meeting planner and then I hired another lady who did the trade show. I mean the conference took on a life of its own. [laughs] It just kept growing and growing. I think in 1989 we had maybe eighty people and I’m thinking in 1999 we had twelve to fifteen hundred people. We moved out of my house in 1994, 1995 and started a real office. We had a meeting planner. We had a benefits person. We had an administrative person. Then we hired a financial person to help. Again we tried to be very member oriented. Members could call us and say, “I need this, I need that,” and we could just send it to them. Obviously we made a lot of use of the Internet. Everybody of course in the business was very computer
savvy so we sent a lot of stuff by email. It just worked very well. Most of us in the early
days were very, very – like Grace – very passionate about 1706 and about the small
business cause and about feeling like this was done to us on purpose by people that just
didn’t want to compete with us. They had all the big guns. They had big companies and
big lawyers and we didn’t. So I made it member oriented; tried to develop more and more
benefits – health insurance programs for independents, the contracts, the conference, just
everything. I continued to be heavily involved in the conferences depending on the chair
person of the conference which was a member. Sometimes the member, once or twice the
member did the program, most of the time it was a collaborative effort between me and
the conference chair. Some people wanted to be conference chair because they just
wanted to stay in the suite. Other people really wanted a good conference. [laughs] That
wasn’t nice. I’m sorry. I’m sorry I said that. Anyway, it was a collaborative effort and
Alison McKeel who was our meeting planner did a fabulous job of arranging the
facilities. We went to great resorts and in the early nineties we had great rates. We had a
golf tournament. We had side trips and tried to appeal to owners and their families. Then
they started bringing recruiting staff because we added tracks for that. By the time I left
we were doing thirty-five or forty speakers every single conference. And we had
meetings in between. We did training in between. There was just a lot of good benefits.

Yost: 1706 was the reason NACCB formed. At what point was it that it broadened to
encompass other issues that were typical of a broader based trade organization and it
wasn’t so much a single issue enterprise; when did that happen?
Smith: I guess around 1990, early nineties. Again, we broadened…we wanted to be…
There were people that wanted to only focus on 1706 but it became very obvious to a lot
of people that that was not going to be repealed any time soon and it was going to take a
tremendous effort for it to be repealed. I thought it would be a good idea to have other
benefits available so we could keep this association going, keep fighting that. And then
we had the overtime issue. So we were very much a legislative oriented organization in
the beginning and that’s what Harvey and his folks did in D.C. We supported them
administratively and lobbied and stuff. But in Greensboro we tried to do the other things,
the other benefits for being an NACCB member. And a lot of people didn’t join for the
legislative issues. People would rather go down to a conference and hear a company
owner talk about how he built his business, down to showing them numbers and saying,
“well here’s what I did and here’s some of the people I hired and here’s…” So the
conference became probably the best member benefit and the best way to sell
membership in NACCB because it wasn’t cheap. [laughs] It started out…Well, there was
a guy in Texas named Dave Cassell – have you ever heard of Dave?

Yost: Yes, I met Dave.

Smith: Dave’s cousin I think is Richard Gephardt. Dave is a real go-getter, just a real
good guy. When I first started doing this, he had a special where people could join for
eighty-nine dollars. [laughs] We capitalized on that. We had a lot of debt. So the
membership came to be about two thousand dollars. That was a lot of money for a small
company. But we grew membership. We were able to pay off the debts and make
decisions about what we wanted to do, what we wanted to spend money on. I felt like I was paid by the members and so that’s why we tried to be very responsive to the members. In the Greensboro office we were all women and the D.C. office was all men, not that that has anything to do with it but women tend to be a little more nurturing. [laughs] So we tried to take good care of our membership. I will say toward then and this might be jumping ahead but toward the end of my tenure it wasn’t a small business cause anymore. Because they weren’t small businesses; they were zillionaires. [laughs] But the ten years that I worked with NACCB were just great. They were just wonderful years. Great people.

Yost: Were there particular issues that you especially wanted to push or took a leadership role with the NACCB?

Smith: Well, as far as governmental issues – no, but I fought for benefits and I fought for the chapters and paying attention to the chapters. And again, trying to increase membership – I guess my main thing was increasing membership and I was here in North Carolina. I guess I sort of had a leadership role. Nobody knew where I was anyway because it just didn’t matter that I was in Greensboro. I sort of consider myself a behind the scenes kind of leader. Again, fighting for the member benefits. I really think when I left – I knew all the members. I knew all the members because I recruited all the members. So when I left it was, you know, you got a number. [laughs]

Yost: In what year did you switch from being a consultant to being the director?

Yost: Can you discuss the code of ethics and the impact you thought that had on the industry?

Smith: Yes, that was Steve Kendis. Every president – I got a new boss every year really – every president had their own agendas and Steve really wanted the code of ethics. We found that in different parts of the country sometimes there were different ways of doing business and sometimes what some people did, say in one market, was considered unethical in another market. Part of NACCB and part of my role as I recruited people and worked for the chapters was to educate people about the ethics. Steve got a very good general, broad code of ethics passed. He did not get all of what he wanted; mainly because you can be considered anticompetitive. Harvey was worried about that. The code of ethics became a really good selling point for the members because you could go to your clients and the clients became more and more involved in your business in the nineties. They wanted to know if you used independent contractors or consultants or whatever and they actually wanted to know the spread and what you paid them and all this kind of stuff. So you could show them the code of ethics and say here’s how we do business. Anytime you join a national association I think it shows that you are wanting to up the standards. So people could go in with their clients and talk about the code of ethics and say, “this is how we do business. We will not come in here and recruit your people,”
and that kind of thing. So it was great for the membership. It was great for the industry because it raised it, continued to raise it up a notch. That’s what NACCB was always trying to do, I think, just raise up standards anytime we had a chance.

Yost: Great. What about the impact of the round table? And when did that start?

Smith: The round table? Oh I do recall the round tables. I’m thinking it started mid-nineties, 1995 or 1996. We started some at the end of a conference. We’d do that the last day of the conference. We would put people at round tables from noncompeting geographies, you know business owners. We sponsored several of those. They were ongoing. They really were. That’s what the business owners wanted at that time. They were going from running maybe a small company to running maybe a big company and they were amazingly willing to sit down and share – again as long as you were in noncompeting geographies. Even though we had some big companies – we didn’t have the humungous companies – and most of the time we were still operating locally, geographical companies, our members were and our companies were. So a guy from Northern California, Chicago, Boston and Florida and Texas would get together and talk about their businesses. You learned everything from how to pay sales people, developing really good commission structures for yourself to how you handle employee benefits – you know everything. They discussed everything and some of them kept on going for years.
Yost: Was pushing the initiation of round tables the brainchild of any particular NACCB president?

Smith: I don’t remember; I really don’t. I remember at the very first conference in 1988, George Birdsong who had worked with Rick Green and was an owner, he took his books out and this was – I don’t know how many people we had in 1988 but it was very small – and he just shared them with the whole group. I don’t remember honestly whose idea the roundtables were. I really don’t. Has somebody said something that they know? [laughs] I don’t remember. [laughs]

Yost: No. I’m not trying to verify anything. I knew it was significant but I didn’t know if it could be linked to any one individual and who that might be.

Smith: I don’t remember. I really don’t.

Yost: In the late 1990s when there were larger companies, how did the NACCB change?

Smith: At first it changed from being an association of associations to being individuals. So while it was an association of associations it was a little bit unwieldy dealing with all the folks and it changed a lot when the people – because the chapters had final say on who could join and if a company like CTG – which they didn’t – a big company wanted to join, a lot of times the chapter would not want them to join. So we had a lot of discussion about that because you know I’d being going out recruiting members and then
I’d got to the chapter and they would say, “Well, we don’t want him.” That’s a no-no. So again more education and I think that really when I left in 1999 some of the big companies were members but I really think that it became a different association at that point. Because again when we all started in those early days, we had that one cause and we were very zealous about it. And though we still remain zealous about NACCB and some of us dropped the cause and it just became well this is a good idea to have an association. It’s a good idea to have a place where people can go and discuss issues and come together on things like codes of ethics. So that changed. I remember a guy – certain chapters were harder to deal with, I’ll just tell this one old story – but this president of the New York chapter called me one day and he said, “Peggy, I just want to know how would you keep people out of NACCB?” And I was like, “OK Alan, let’s have a discussion.” But anyway, it did change. The owners had their round tables and they were doing different things. I think it changed at the end to just being more diluted. It was all these huge companies. I’m trying to remember the name of one of them, but one of them was primarily a staffing company and we didn’t want to think of ourselves as a staffing organization. They had staffing organizations. So I felt like it was – and it was – it was a different association by the time I left in 1999. It was bigger and it was going that direction and that was fine for them to do that.

Yost: What led you to decide to leave?

Smith: Well, Harvey left. Harvey and I… I love Harvey, he is just a great guy. Harvey left the year before. They brought in a guy named Don McLauren to run the association
and, you know, partly that was probably because we were split in two – Harvey in D.C., me here. We had some issues sometimes because we had different goals sometimes because I was trying to be member benefit oriented – anyway. I think they brought the CEO, Don, in to sort of bring everything together. He started at the end of 1998, early 1999 and I resigned in March and I was ready. I think one can get sort of burned out on things. I gave a long notice because we did have an office. We’d rented space and we had employees, so I gave them notice in March and left the end of December. I was ready. I was ready. But when they brought Don in, you know that wasn’t going to be the way that I wanted to work. Don was very interested in the bottom line. He was very business oriented. Of course, I’m no fool. I’m interested in the bottom line, too, but my philosophy was that through member benefits the bottom line just continues to get better. That’s how you get better. His was sort of a different philosophy. So I would say that the philosophical differences were the primary reasons I left.

Yost: After you left did you stay connected to this industry?

Smith: No, not a lot. That’s because you know the way they were doing things. The office in Greensboro stayed open another month or two so they fielded a lot of the questions. I really did not stay involved. I went to work, actually a short time for an M & A company, PMG, Pennsylvania Merchants Group in 2000. So I went to the conference in 2000 and it was great to see old friends. And of course I went to the meeting last year and the conference last year got to see tons of old friends. But no, I didn’t really stay
involved after that because of the way – they moved everything to D.C. and they were anxious to blaze their own trail.

Yost: Well, this has been extremely helpful. My last question is always is there anything that you feel is important or that you want to put down on the record that I haven’t asked about?

Smith: Well one thing that just popped into my head in relation to your project about women and computing – when I started the business with Sterling and Paula back in 1985, I was not married. I was a single woman raising two children and in 1987 I got married to my husband. At Data Masters, we had a two hundred and fifty thousand dollar line of credit to finance receivables, which we renewed all the time. And when I got married they were going to make my husband co-sign. Now my husband had no – he had a business of his own – he had no interest in, no function in or anything else in my business. There wasn’t a change in my financial situation at all. I fought it. I fought it because if I were in his shoes I would not want to sign a two hundred and fifty thousand dollar line of credit for a business that I didn’t have any say-so in or even know what it was. So I fought it and I won but women have faced a lot of uphill battles sometimes. And even at Lambda, although marketing people were women, we were the door openers, the guys did the business. The good old boys, if I may say that, they were the ones that did the business deals on the golf course and that kind of thing. I never – I really, I don’t feel penalized because I’m a woman. I really actually think in many cases it worked to my advantage but you always have to work a little harder, work a little smarter, be a little
sharper and I think it’s changed now. I really do believe that but back then it was that way. I hope that I made it a little easier for some other women entrepreneurs. And the other thing I wanted to say is my step father who was an older guy at the time, when I went into business for myself, he said, “How could you do that? How could you leave GE, that great company and go into business for yourself?” I said, “Well, you know I feel like I can do it and I have two partners and Paula’s going to be in the recruiting and Sterling’s going to be the technical director.” “Oh you’ve got a man!” [laughter] You know he was a product of his generation, this is not a slam. I said, “Yes, I have a man. A man is going to help us so I’m sure we’re going to be ok.” [laughs] Yes, there was that going on but in general I have to say I’ve been very blessed with my career. So that’s how I’ll leave it.

Yost: Well, thank you very much.

Smith: Thank you, Jeff. I really appreciate it.