

A U T O M A T I C   D A T A   P R O C E S S I N G ,   I N C .



F I F T I E T H   A N N I V E R S A R Y

# Fifty years of business excellence: The ADP Story

## LETTER FROM THE CHAIRMAN AND THE PRESIDENT

Five decades ago, ADP — known back then as Automatic Payrolls, Inc. — began as a manual payroll processing service for businesses in northern New Jersey. The company started with one client and completed its first year with revenues of \$2,000. ADP now serves over 450,000 clients around the world, and annual revenues have passed the \$5 billion mark.

The years in between present an amazing story of business success. When Henry Taub delivered that initial payroll to his first client in 1949, he forever changed a prevailing business culture. In fact, companies began to outsource critical business functions to ADP — from payroll to recordkeeping — decades before outsourcing became a global trend in the early 1990s.

ADP's record of uninterrupted growth, 152 consecutive quarters since the company went public in 1961, is the product of a classic, yet straight-forward, economic model. The company only entered business markets which offered significant growth opportunities, recurring revenue, the chance to be the industry leader, and where clients had significant service needs. Today, each major ADP business — Employer Services, Brokerage Services, Dealer Services, and Claims Services — is an industry leader. And we consistently re-earn the right to keep those leadership positions with products that add value to our clients, backed by a high priority commitment to World Class Service.

Over the years, ADP's greatest market differentiator has been its people, whom we call associates. Their professional skills, dedication and, above all else, their ideas and achievements have helped ADP to improve performance in each of the past fifty years.

This book highlights some, but salutes all, of the achievements that have made ADP the company it is today. We dedicate this book to all those associates, past and present, who made so many good things happen, and continue to do so. From Henry Taub...to the newest members of the ADP business family.

It is with great pleasure that we present this fifty-year history of ADP.



*Art Weinbach*  
Chairman

A handwritten signature in dark ink, appearing to read 'Art'.



*Gary Butler*  
President

A handwritten signature in dark ink, appearing to read 'Gary'.

## WHY ADP IS SUCH A SPECIAL PLACE

*“Nothing in this world is so powerful  
as an idea whose time has come.”*

— Victor Hugo

From the very beginning, ADP has embodied the American dream, linking hard work with the promise of future prosperity: first for its three founders, all sons of immigrant textile mill workers; today, for tens of thousands of associates around the world.

ADP’s culture, built upon performance, merit and reward, is at once both powerful and engaging.

Its sales people have always been paid on commission. Many still attend weekly “roll call” meetings at which they announce their latest deals, a practice started years earlier by ADP’s first full-time salesman, Frank R. Lautenberg.

Founded a half century ago as a result of Henry Taub’s vision and a \$6,000 investment (which he borrowed and faithfully paid back at a rate of \$35 per week), ADP is still very much a reflection of its roots. Everyone across the organization is on a first-name basis.

There are no special dining halls for executives. Senior management is accessible. Ideas and business solutions are paramount.

Soon after the company went public in 1961, ADP associates, through the Stock Purchase Plan, had the opportunity to regularly purchase shares of stock in the company at reduced prices. In this way, those who helped to make the company a success not only shared in the profits, but also in its ownership.

But ADP is no anachronism. Its culture of openness has simply withstood the test of time. It is a culture that is embraced today by a generation of associates who bring with them the latest skill sets and fresh dreams. They invigorate the soul of the company making it ageless, and by their daily deeds they add to a winning legacy that began as one man’s dream years before most of them were born.

THE BEGINNING  
1949-1959

In 1949, when one of Henry Taub's two partners in their joint venture chose to leave because growth was simply too slow, Henry decided to buy out the remaining partner. Although he was only 21 years old at the time, he never made a bigger business decision in his life.

*He would offer a payroll preparation service that any business could use.*

So, for the sum of \$6,000, he became the sole owner of the small enterprise that offered, for its day and age, an unprecedented service — but up to that

point had only *one* client. The business was called Automatic Payrolls, Inc. It manually processed company payrolls — providing everything from doing the calculations to preparing the checks and the payroll register.

The idea for the service actually belonged to Henry. As the story goes, one day he was visiting a nearby company. A key employee had taken ill, the payroll wasn't done, and the workers weren't paid on time. Company managers, who knew nothing about doing payroll, abruptly put aside their other duties, and together they finally got the payroll out.

Henry was astonished at the disruption that was caused. Employees were angry. Managers were frustrated. Productivity suffered. All because a key person wasn't available to prepare the payroll.

He wondered how many other companies faced similar crises, because a payroll wasn't done on time. From that observation came the unique idea that launched Automatic Payrolls. He would offer a payroll preparation service that any business could use. One that was not only accurate and dependable, but also affordable.

### Putting the idea to work

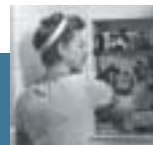
Automatic's first office was in a modest commercial space just above Grinker's Ice Cream Parlor on Church Street in Paterson, New Jersey, next to the *Paterson Morning Call*. The company's first client, New Era Dye and Finishing, was located in the nearby town of Fair Lawn. In those days, Henry didn't own a car. So he picked up input data and delivered the finished payroll by city bus, whose route ran from downtown Paterson, right past the client's front door.

# 1949

The Baby Boom is in full swing



Mao forms the People's Republic of China



# 1950

Antihistamines are the newest cold remedy

Even at such a young age, Henry was no stranger to the world of public accounting. “By the time I graduated from New York University at age 19,” he recalls, “I already had three years of entry-level experience in the profession. Following college, I worked for two years at a small CPA firm, helping small businesses write invoices, doing their various statements, paying the accounts payable...and preparing payroll.”

Soon after he took over the total ownership of Automatic, Henry was joined in the venture by his younger brother, Joe, an outstanding high school basketball star whose career was cut short by a serious knee injury. Henry taught Joe the business. As the number of accounts grew, Joe handled hiring and management of the labor force, which consisted primarily of part-time help.



Some of the many data entry operators who staffed ADP's regional processing center in Clifton, NJ.



The Korean War begins

1951

Color television makes its debut



The heart-lung machine is invented

1951

Since most payrolls in the late 1940s and early 1950s were weekly, the routine was pretty well established. Most data collection took place at the beginning of the week. A majority of the payrolls were delivered prior to week's end.

*“My first selling job was to sell Henry on the fact that I could go out and sell his service.”*

—Frank Lautenberg

Automatic's initial equipment was unpretentious, yet state-of-the-art for its day. It included an Underwood bookkeeping machine, a few Friden calculators to handle numerical extensions, and an Addressograph to print the checks. It would be several years before the company invested in comptometers, a new generation of bookkeeping machine.

After a year above Grinker's, the business had outgrown its space. So Automatic moved up — into the basement of the nearby Carroll Plaza Hotel on Market Street. The move effectively doubled the company's working space.

## Henry, Joe and Frank

By 1952, Henry and Joe were two of Paterson's busiest entrepreneurs. Now suppliers began calling on them to sell products and services. One day they were visited by a salesman from the Prudential Insurance Company, which also had offices in the hotel. That salesman, who attempted to sell Henry and Joe insurance, was Frank Lautenberg. Frank and the Taub brothers became good friends. They shared a kinship. All had grown up in Paterson. Their fathers both struggled to make a living for their families in the silk mills. Over time, Frank learned about payroll processing from Henry and Joe. Before long, the trio had become regulars for lunch in the building's coffee shop.



# 1952



Elizabeth II is crowned Queen of England

3-D movies become the new rage

# 1953

Sir Edmund Hillary climbs Mount Everest



The comptometer, an early calculating machine, was an important piece of equipment at ADP in the pre-computer era.

One day Frank asked Henry if he could make some sales calls for Automatic during the day, since most of his insurance appointments were during evening hours. “My first selling job was to sell Henry on the fact that I could go out and sell his service,” Frank recollects. “So Henry ordered me some business cards and put me on commission. Since I had my own car, my territory was as far as I could drive in a day and still get back in time to drop off payroll data.”

In January 1954, Frank left Prudential and became Automatic’s first full-time salesman. He did so well that he usually made more in commissions than Henry earned in salary. Henry didn’t complain. Automatic’s client base was growing.

The chemistry between Henry Taub, Joe Taub and Frank Lautenberg helped to define the company’s division of labor

and its early success. “We were an interesting combination,” Frank remembers. “Henry was the strategist, the idea person. Joe made sure we produced a quality product, and that our operation ran well. I was the salesman, the preacher, who went out to convince businesses that we were selling one of the best services they would ever buy.”

### Selling the outsourcing concept

Sales were made, but they didn’t come easy in those early years. That’s because selling the payroll service carried a dual burden. Before anyone would buy the service, they first had to buy the *concept*. Bookkeepers and business owners found it hard to imagine how payroll could suddenly take up less of their time. Many were also reluctant to let an outside company have access to their payroll files.

The structure of DNA is deciphered



1954



Nautilus, the world’s first atomic submarine, is launched

Dr. Jonas Salk presents his polio vaccine

1954



**N**otes Henry “The concept of outsourcing was still foreign to most businesses back then. It took time to become a known quantity. We had to stick it out, add clients as we could, and hopefully reach a point where our name recognition and our reputation would begin to work for us in the marketplace.”

*Before anyone would buy the service, they first had to buy the concept.*

Eventually, more and more businesses in northern New Jersey and New York City did try the service.

A number became strong referral sources, and Automatic continued to grow at an accelerated rate.

By 1956, the company had more than 200 clients. Many of them became clients as a result of the cold calls that Frank made. A cold call involved visiting a business without first making an appointment, hoping to either make your presentation to a willing decisionmaker on the first try, or come away with an appointment to make your pitch at a later date. Frank vividly remembers his first cold call:

“It was at a company in Manhattan’s garment district. I recall standing on one side of the street and starting to walk across. I stopped halfway and said to myself, ‘Why bother? They’re not going to buy it anyway.’ And I walked back to the curb and said to myself, ‘Well, how do you know if you don’t give it a try?’ So I walked back across the street, and went in the front door. I greeted the bookkeeper. She asked what I wanted. I gave her my presentation. She said it was interesting. I said, ‘It is?’”

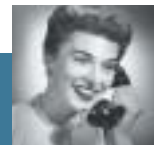


# 1955

Martin Luther King Jr. leads a black boycott in Alabama

Churchill resigns as Britain’s prime minister

# 1956



Transatlantic phone service is established



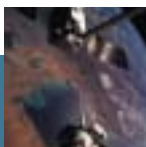
Henry Taub (left) in ADP's first computer room.

“Anyway, she called her boss over and I went through the presentation for him. He said he’d try it. I said, ‘You will?’ And from that moment I knew I was selling a service that had tremendous value to any business, and I approached every future sales call with the zeal of a missionary.”

In 1956, Automatic Payrolls again moved to larger quarters. This time to a former supermarket building located on Route 46 in Clifton, the town next door to Paterson. That year, Henry started a second business called Automatic Tabulating. It generated additional revenue from doing a wide range of calculations for area clients — including the computation of bowling scores for most of the local leagues.

Israel and  
Egypt go to  
war over the  
Suez Canal

1957



The Russians launch  
Sputnik, the first man-  
made earth satellite

Federal troops  
enforce school  
integration in  
Little Rock, AR

1957

“West Side  
Story” opens  
on Broadway

**I**n the waning days of that year, Automatic Payrolls also planned to convert its operation from manual bookkeeping machines to automated punch card accounting, a forerunner of the mainframe computer. Recalls Henry, “The plan was to convert all of our two hundred or so accounts in the week between Christmas 1956 and New Year’s Day 1957.” The conversion didn’t happen. Plagued by a variety of wiring and other problems, it ultimately took an entire year to complete.

*“I really think we bet the company when we made the move from a manual to an automated environment.”*

—Henry Taub

struggle that year, but came out of it wiser and smarter. That experience helped to position us for our conversion to mainframe computers that were just a few years down the road. Had we given up and lived with our initial setback, we wouldn’t be the company we are today.”

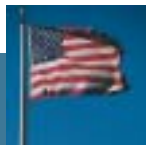
“I really think we bet the company when we made the move from a manual to an automated environment,” Henry notes. “We went through a terrible

A year later, Henry, Joe and Frank made another decision that would have a far-reaching effect on the business. With the coming of the computer age, they decided to merge their two businesses into a single company under a different name, one that would reflect in a modern way how data was processed.

No one at the time could have imagined the long-term impact of the new name that was selected to usher the business into the next decade. A synonym for “computing,” it would become the generic term that described the process by which data was collected, sorted and distributed by computerized businesses everywhere... Automatic Data Processing.

# 1958

Transatlantic passenger jet service begins



# 1959

Hawaii becomes the 50th US state

Fidel Castro is Cuba’s new leader

# 1959

THE SIXTIES

1960-1969

In the 1960s, Automatic Data Processing expanded its payroll service beyond the New York metropolitan area, started a new business to serve Wall Street brokerage clients, and leased its first mainframe computer.

*“When they looked over our sales and revenues, they thought three digits were mistakenly deleted at the end of each number.”*

—Henry Taub

None of these milestones would have happened, as they did, had the company not first taken the biggest step in its twelve-year history on September 12, 1961. That was the day that ADP became a publicly held corporation. The initial public offering of 100,000 shares was a sellout. The shares sold for \$3 each. The worth of one of these original shares exceeded \$25,000 as of July 2nd, 1999.

Oppenheimer & Company, a well known and highly respected Wall Street firm, was the main underwriter. They had been an ADP payroll client since 1957.

Frank Lautenberg recalls, “Going public gave us an excellent opportunity to raise cash and get some money into the company to buy new equipment and do other things.”

“One of the conditions of the underwriting was full registration,” explains Henry. “That meant we had to go out and get one of the Big Eight accounting firms to do a five-year audit. So we brought in Peat Marwick. We also brought in Paul, Weiss — a first-rate law firm. After the audit was completed, we went up to meet with the attorneys. When they looked over our sales and revenues, they thought three digits were mistakenly deleted at the end of each number.



1960

John F. Kennedy is elected President of the US



The first weather satellite is launched

1961

The Berlin Wall is erected



(L to R) Joe Taub, Henry Taub and Frank Lautenberg, on September 12, 1961, the day ADP became a publicly held corporation.

“It turns out that Automatic Data Processing was the smallest underwriting they ever did, and that day everybody had a good laugh about the numbers. We went on to become one of their more important clients.”

In 1961, Henry Taub was elected ADP’s first chief executive officer, and the company completed its first public year, posting revenues that exceeded \$400,000. By then, ADP had 125 employees. It also had another very important asset — *its stock*.

1962

American John Glenn orbits the earth



The Cuban Missile Crisis unfolds

1963

President Kennedy is assassinated



Touch tone phones are introduced

1963

**H**enry notes, “By the early 1960s we knew there were other service bureaus around the country doing payroll and a lot of other things. One logical way for us to expand geographically was to acquire some of the better ones. Had we attempted to buy them outright with cash, we would have run out of money pretty quickly. Instead, we fueled our expansion by using the strength of our stock, which from the beginning had a very good reputation.”

*ADP’s stock also helped the company to expand...into the back offices of the nation’s top brokerage firms.*

Arthur Kranseler owned a service bureau in Boston, Massachusetts. It primarily did statistical work for Harvard University

and MIT. “Arthur was an excellent manager who ran a very sound operation,” recalls Henry. “The problem is he liked doing all this exotic work for the universities. So I said to him one day, ‘Arthur, you’ve got to make up your mind. If you want to win a Nobel Prize, stay with MIT and Harvard. If you want to earn a nickel a check, come and work with ADP, and we’ll show you how to make some money out of this thing.’”

It didn’t take Arthur long to sign on to Henry’s proposal, and Boston became ADP’s first payroll processing center outside the Greater New York City area.

The Miami service bureau owned by David Perlman became the second. Henry reminisced about David’s first visit to ADP. “We wanted to impress him, so Frank, Joe and I decided to do that, each in our very own way. Frank took him out to a fancy dinner that first evening. Joe, who thoroughly enjoyed the glamor of the night life, took David over to the Copacabana night club in New York for a stage show. After all that night life, I decided that David should have some fresh air. So we hopped a ride on the Staten Island Ferry. I think it was a nickel back then — and as I recall, David paid.”



# 1964

The US formally enters the Vietnam War



The Beatles appear on The Ed Sullivan Show

# 1965

Malcolm X is killed

“The Sound of Music” hits the silver screen



In 1962, Wall Street became the newest market for ADP's services.

Other processing centers were eventually acquired in Philadelphia, Baltimore, Chicago and on the West Coast. They foreshadowed even greater expansion of the payroll service in the following decade.

### Brokerage Services begins

ADP's stock also helped the company to expand into its first, industry-specific, adjacent market — down the stone canyons of Wall Street and into the back offices of the nation's top brokerage firms.

“Wall Street was a carousel, known for up-and-down volumes, which made it difficult for most suppliers of back-office accounting to sustain a high level of

quality,” notes Henry. “In the late 1950s, Jack Nash, who was in charge of operations at Oppenheimer, asked me to look over their back-office operation. I did, but told him we didn't have the resources to do for Oppenheimer what needed to be done.”

The emergence of the commercially viable computer in the early '60s changed all that. It enabled a user to complete a variety of fairly complicated tasks quickly. The computer gave ADP the two things it needed most: capacity and speed.



The USSR's Luna 9 spacecraft lands on the moon

The first fax machines are introduced

The Cultural Revolution begins in China



# 1966



**R**ecalls Frank, “So Henry, Joe and I revisited the Wall Street opportunity. Jack Nash said it was still there for us, we now had the equipment to do the job, and Henry was willing to go over to New York and run that business.”

*“I’d say the second time we bet the business was when we started the Wall Street operation.”*

—Henry Taub

Although in 1961 ADP leased its first computer, an IBM 1401, to handle payroll operations, the arrival of the IBM 360 was the

machine that really changed the landscape. ADP installed 360s in both its payroll and brokerage accounting businesses. These dependable models became the sturdy backbone of ADP’s computing capacity, and helped set the stage for yet another surge in growth.

ADP Brokerage Services opened for business in 1962 with one client: Oppenheimer & Company. Reflects Henry, “I’d say the second time we bet the business was when we started the Wall Street operation. We started with just a single client, and succeeded against

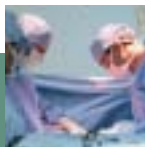
some pretty intense competition. IBM was there. Remington Rand was there. So were Control Data and General Electric. Wall Street gave ADP a whole new world of opportunity.”

Henry didn’t build the Wall Street operation alone. He formed a solid team of technical and management professionals that stayed with the business for years, including Carl Quick, Joe Rosen — and the systems expert who had helped ADP convert its manual payroll operations to punch card accounting in 1957, George Voss.



# 1967

The Six-Day War erupts between Israel and Arab nations



The first successful human heart transplant takes place

Race riots hit US cities



In the late 1960s, ADP Commercial Services, a forerunner of Employer Services, processed payroll, accounts receivable, accounts payable and general ledger for a growing number of clients.

During 1962, ADP was processing an average of 300 trades a night for Oppenheimer. In contrast, by 1999 ADP Brokerage Services would be the preeminent provider of securities transaction processing services, handling a million trades on many days.

### Developing a company image

In the '60s, ADP successfully expanded into new geographies and new industry markets, and also began to take on a different look. The rapid expansion of the payroll business demanded a good deal more workspace. That sparked a friendly debate between Henry and Frank over where the next move would be, and what the next facility would look like.

Martin Luther King  
and Robert Kennedy  
are assassinated

Apollo 8 orbits the  
moon with three US  
astronauts aboard

# 1968

1968

Pulsating radio waves  
are discovered





The 405 Route 3 building in Clifton, NJ, was ADP's first, all-new structure. For nearly a decade-and-a-half, it served as ADP's Corporate Headquarters.

Henry confesses “If it was up to me, we would have probably occupied a factory loft in Paterson someplace. But Frank had a different vision, and I was willing to join that vision. He wanted a newer building — a more modern building. One that would make it easier for us to hire people.”

By 1968, ADP completed construction of its first stand-alone building — a long, sleek structure of polished black aluminum and pebbled, silvery-white stucco. It stretched for about a city block

along the southern side of New Jersey's Route 3, one of the main arteries to and from New York City. For years it served as the main payroll processing center for ADP's oldest and largest regional market.

Frank was pleased that Henry shared his vision. “405 Route 3 was modern and forward-looking in every respect,” said Frank. “For a long time, it was our flagship facility. It represented to everyone who would drive by or visit us what we were and, equally important, what we were striving to become.”

# 1969



Neil Armstrong becomes the first man to walk on the moon

The Concorde begins supersonic air service



Thousands flock to the Woodstock Music Festival in upstate New York

THE SEVENTIES  
1970-1979

**B**y 1970, ADP was growing at a faster rate than any other time in its history. Revenues topped \$39 million and the company began to put its expansion efforts into high gear. By now, the brokerage business had also become the premier vendor of back-office processing services to New York's brokerage community.

*"I didn't have a clue there would be an ADP in my future. Neither did the Navy. But they gave me my first payroll training."*

—Josh Weston

Expansion came with a price. It required more executive talent. So ADP's first generation owners began recruiting senior managers.

One of the newest members of the ADP team was personally recruited by Frank Lautenberg. He was Josh Weston.

Josh was an 18-year veteran of the mail order industry, where standardized methods and practices translated into increased efficiency and profits. Although not a computer technician himself, Josh was familiar with the latest computer technology. He was responsible for the computer system at the J. Crew Company. The mail order house was using IBM 360s before ADP got them and, on any given day, they would process up to 30,000 orders for wearables and other items.

A native of Brooklyn, Josh went to the College of the City of New York and became a Fulbright Scholar. When the Korean War broke out, his naval reserve unit was mobilized and he reported to nearby Floyd Bennett Naval Air Station for active duty. "When I got there, they presented me with a problem to solve. They told me the payroll was screwed up and I ended up preparing the payroll for about 2,000 naval aviators. At the time, I didn't have a clue that there would be an ADP in my future. Neither did the Navy. But they gave me my first payroll training."

### A culture of associates and clients

Josh is properly credited for introducing the term "associate" to the ADP dictionary. "The common understanding in business is that the 'employer' is the boss and 'employees' are underneath," notes Josh. "On the other hand, an 'associate' is part of the team. So on my first day on the job, I started calling people associates and everytime I saw a letter or some other piece of copy that said employee I crossed it out and wrote in the word associate. Gradually the idea took hold." Adds Frank Lautenberg, "The associate concept was a wonderful addition to our culture. Associates share common goals and have common missions. That's what ADP is all about."

1970



The first moon rocks are brought to earth

Students are killed at a Kent State University anti-war gathering

1971

CAT SCAN (3-D imaging of the brain) is invented





Frank Lautenberg (left)  
and Josh Weston, circa 1978.

Even before “associate” became an integral part of ADP’s culture, the term “client” was already there. Explains Josh, “Anybody can be a customer. If you buy a bag of tomatoes at the grocery store and never come back again you’re still a customer — a one-time transaction. A client connotes an enduring professional relationship. All of our businesses have that type of relationship, and using the word ‘client’ reinforces that to us and to the companies we serve.”

### Dealer Services begins

In 1972, ADP extended its reach into another industry-specific market. This time, offering computerized inventory and accounting services to auto dealers. It was a business that fit the ADP economic model for success.



Greenpeace, the environmental group, is formed

1972

President Nixon visits mainland China

Eleven Israeli athletes are murdered at the Munich Olympics

1972

Josh recollects, “The opportunity was clearly there. It could grow into something big, it offered recurring revenue, and we had the chance to be number one in the industry if we deserved it.”

*“These little Mom and Pop businesses became the nucleus for our expansion in each city.”*

—Josh Weston

“The only thing is — it didn’t come in one neat package. In fact, ADP Dealer Services was the combination of four smaller companies,

each of which contributed to the whole. When we put them all together, they were probably about \$10 million dollars big back then. Almost thirty years later, revenues are over \$800 million.”

### Rapid growth in the payroll business

In the payroll business, expansion efforts were unrelenting. ADP continued to acquire existing service bureaus in nearly every major market in the U.S.

“These little Mom and Pop businesses became the nucleus for our expansion in each city,” recalls Josh. “But we couldn’t be very picky, because there weren’t many businesses of that type that were available for sale — and we found out pretty darn quick that not all of them did much payroll.”

The business that evolved into ADP Detroit first published a quarterly magazine for all Chrysler car owners in America. ADP Atlanta started as a keypunching operation that had as its primary client the Georgia State Police. Most of its business involved the keypunching of police summonses and traffic tickets.

ADP San Francisco began as a computerized debt collection service in three rooms of a motel. ADP Cleveland started in a gasoline station. ADP Los Angeles computed oil well royalties.



ADP's first office in Cleveland was in a gas station.

## 1973

The SALT-1 nuclear treaty is signed by the US and USSR

Television pictures of Jupiter are beamed back to earth from Pioneer 10

## 1974

Richard Nixon resigns the US presidency over the Watergate scandal





ADP Cleveland's new and modern processing center in Independence, OH.

ADP's entry into Baltimore, St. Louis, and other markets began in retail shopping centers called strip malls, because they occupied a long and narrow stretch of easily accessible roadside real estate.

Other businesses came with unique situations. ADP Houston got its start in a basement that was so near Galveston Bay that each time the bay flooded, the water level would rise, prompting computer room operators to put their mainframe on pallets that could routinely be jacked above the water level.

ADP Phoenix was built along an *arroyo*, which is a dry river bed. Things were fine unless it rained hard. Then trailer trucks were brought in to take the computers and files up a nearby hill and out of danger until the raging waters in the *arroyo* subsided.

The addition of these and other new offices created a vast new opportunity to sell payroll services. Early on, Henry and Frank made the decision that the best way to maximize ADP's potential in each of these geographically disparate markets would be to build a direct salesforce.

"Frank got things going by hiring some folks from the Burroughs Corporation, who were knowledgeable about selling bookkeeping services, including payroll," says Josh. "The culture and methods that Frank brought with him from his days selling insurance helped us to create a large sales organization that was motivated to sell our products. Weekly 'roll call' meetings and people getting paid on commission reinforced the reality that every day mattered when it came to selling for ADP."

Scientists discover a new subatomic particle

1975

The Vietnam War ends as Saigon falls

MIT designs the first personal computer



US astronauts and Russian cosmonauts have their first link-up in space

1975



**B**efore the decade ended, ADP took its first small international steps. In 1974, ADP extended its geographical reach across the Atlantic, when it acquired a small payroll service bureau in The Netherlands. Frank recalls, “It was time for us to take our service to all markets in which we thought we could succeed. That included Holland.”

*“Canada was a natural link for us.”*

—Frank Lautenberg

In 1977, ADP expanded its presence in Europe in an unlikely way.

Says Josh, “As we were expanding our payroll operations on the West Coast of the U.S., we were looking for a way to get into the Seattle market by acquisition.

“For whatever reason, the Greyhound Bus Company owned a service bureau in Seattle and we asked if they wanted to sell it. They said ‘sure, if you buy the other service bureau we own.’ I asked them where their second operation was, figuring they would tell me it was in someplace like Portland, Oregon. They said it was at Heathrow, the airport near London. To get Seattle, we had to take Heathrow, so we bought them both, and that’s how we began doing payroll in the United Kingdom.”

ADP, which had been serving auto dealerships in Canada since the mid ‘70s, entered the large Canadian payroll services market through a joint venture with the Bank of Montreal in 1979. “Canada was a natural link for us,” Frank Lautenberg recalls. “Most Canadians speak English and our banking systems are similar.”

Explains Josh, “At that time, the Canadian banks owned most of the payroll services business. It didn’t take long for the folks at the Bank of Montreal to realize they didn’t want to be in the payroll business. So we ultimately bought out their share and today we have a very successful payroll business in Canada — including Quebec, where many people don’t speak English.”



ADP entered the European payroll market in 1974, when it acquired a small service bureau in The Netherlands.

1976

Jimmy Carter is elected President of the US

Alex Haley’s “Roots” becomes an all-time best seller

1977

“Star Wars” sets new movie attendance records



## Element of business luck

There are times when “luck” plays an important role in the fortunes of business. ADP has had its share of luck, most of it good. In 1977, when ADP was acquiring the payroll base of United California Bank (UCB), the deal carried a unique requirement. For ADP to close the deal, it had to take over an existing “payroll tax filing service” as part of the acquisition.



Recalls Josh, “Nobody at ADP even knew what a tax filing service was. We figured we’d put it into a cocoon and that would be that. But somewhere along the line we figured out that this small tax service had possibilities. One index of volume in a tax service is the amount of money, meaning tax withholdings, you’re handling between the client and the various tax authorities. Back then it was about a billion dollars a year.

“Now just about every payroll client uses our payroll tax filing service and last year we handled a volume that exceeded \$250 billion. The bank’s insistence that we take this service not only brought us good luck, but one of the most profitable businesses we have today.”

In 1974, ADP’s 25th year in business, Henry Taub — the man who got things started with a single client back in Paterson — announced that he would be stepping down as CEO to pursue other, primarily philanthropic, interests. He would remain chairman of the company’s board of directors. A few years earlier, Joe Taub had also left the company to devote time to other business ventures. So, in 1975, Frank Lautenberg became ADP’s second CEO.

Anwar Sadat  
is the first  
Arab leader  
to visit Israel

1978



The first test-tube baby  
is born in England

Karol Wojtyla of  
Poland becomes  
Pope John Paul II



Compact disc  
technology is  
developed

1978

**B**y 1975 revenues topped \$150 million; ADP had 35,000 clients, and a workforce of 5,000. ADP's growth strategy continued unabated, as additional regions were created and existing ones expanded. ADP would again extend beyond North America, this time with the purchase of a service bureau in Brazil.

*“Here was a business that was losing \$400,000 a month and offhand you might question why ADP would buy it.”*

—Josh Weston

Frank also commissioned a new logo for the company, one that projected a confident and more modern image. That same logo today marks ADP's presence in markets around the world.

Among the new salesmen hired in 1975 to sell payroll services in the Atlanta market was Gary Butler, who twenty-three years later would become ADP's president and chief operating officer.

### Claims Services begins

The decade of the '70s closed with another big “win” for ADP. In the final week of 1979, ADP acquired what would become

its fourth core business unit. It was an automated claims estimating service, which was then an obscure operating unit of the Itel Corporation.

Like ADP's payroll, brokerage, and dealer services units, this new claims business also fit the ADP model, offering significant growth possibilities, recurring revenue, and the chance to be the industry leader.

“Here was a business that was losing \$400,000 a month and offhand you might question why ADP would buy it,” says Josh. “Well, we did our homework. In Germany, automated claims processing was already big. Two of the largest auto insurance companies in the U.S., State Farm and Allstate, said they were aware of the system that Itel was trying to develop, and said if it worked, they'd be clients.

“To make a long story short, Itel wanted to sell it. We said we'd buy the business for \$15 million before American Express — which was bidding against us — could make up their mind if they wanted it or not. And at 8:30 in the evening on December 31st, 1979, we signed the papers for what today is Claims Services, our fourth largest business.”

# 1979



Margaret Thatcher is Great Britain's first woman prime minister

The Soviet Union invades Afghanistan

The Shah of Iran is ousted by Islamic militants

THE EIGHTIES

1980-1989

**F**or ADP, the 1980s were a time of outstanding growth, enormous strategic challenges and unprecedented change.

*“I told him my opinion didn’t matter. We’ll support you by keeping ADP running well.”*

—Josh Weston

Democrat, for years he supported the candidacies of other nominees. This time, it was his turn, and key members of his party agreed to support him in the upcoming general election in the fall.

Recalls Josh Weston, “I first heard about it in March of ’82. Frank told me he intended to run and asked me what I thought about it. I told him my opinion didn’t matter. We’ll support you by keeping ADP running well, because you’ll likely come right back to ADP after you lose the election, because who the heck knows you in New Jersey?”

Frank entered the race as the proverbial underdog, and ran a vigorous and persistent campaign. When all the votes were counted in November, he narrowly defeated New Jersey Republican Congresswoman Millicent Fenwick, who was the

### U.S. Senate Race

In 1982, CEO Frank Lautenberg decided to run for the U.S. Senate from New Jersey. A lifelong

strong favorite. Josh kept to his promise to keep ADP running well. And when Frank departed for Washington (to begin what turned out to be three consecutive terms in the Senate), Josh became ADP’s third CEO. For the first time in thirty-three years, neither Henry Taub, his brother, Joe, nor Frank Lautenberg were involved in the day-to-day operations of the company.

### Growth fuels more recruitment

Two years earlier, Frank demonstrated his legendary persistence in yet another senior executive recruiting effort. The results had a long-term beneficial impact on ADP’s future.

For some time, members of ADP’s management team had tried to recruit a bright young auditor from the Touche Ross accounting firm. Their best efforts turned up nothing, so Frank said he would try.

When Art Weinbach finally agreed to have lunch one day with Frank, he was undecided about his long-term future, but was leaning toward a long and profitable career at a large accounting firm. Frank told Art he would have a more exciting and fulfilling career at ADP. The unspoken fact that both men knew

1980

Ronald Reagan is elected President of the US



The once dormant Mount St. Helens volcano erupts

IBM unveils the first personal computer for retail sales

1981

was that ADP was in need of additional talent at the most senior management level — people who possessed the talent, the ideas and the drive to help keep the company on its ever-increasing growth curve.

Spending his first several months in the business units, Art humorously describes his first job at ADP "... as vice president of 'nothing'— because I came in as a vice president with no title after it. I was asked to take the time to really learn what our business units do, and how decisions are made in the field. As an auditor at an

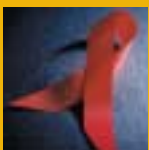
accounting firm, those same visits would've had me looking for things that were wrong. Instead, I was asking questions, answering questions, sharing ideas, and creating relationships with our associates, all of which I came to find out is a terrific and genuine part of ADP's culture."

ADP put up tremendous performance numbers in the 1980s. By 1981, ADP's total annual revenues had soared to more than \$500 million, then doubled just four years later, when the \$1 billion mark was surpassed.



Members of an early ADP executive committee outside the company's Clifton, NJ, headquarters.

AIDS is identified as a major world health threat



1982

Prince Charles of England weds Diana Spencer



MTV makes its debut on cable television

1982

To handle this growth, the company needed more people to service clients, sell additional business, and develop new and enhanced products. Of course, more associates meant more workspace.

### World headquarters

In 1983, ADP moved its headquarters from its landmark 405 Route 3 building in Clifton to Roseland in suburban Essex County, New Jersey. Since 1968, when 405 Route 3 opened, corporate and staff offices shared the facility with the Clifton regional payroll center. As sales increased and the client base expanded, the region needed more room to expand its infrastructure.

*“Roseland” quickly became the most widely known place in ADP’s lexicon.*

The company had the option to move its growing support staff into several smaller, but separate, sites in the Clifton area. It could have consolidated all the functions into a new, nondescript location, or could have taken the step it did in the mid-1960s, when it constructed the 405 building — build a prominent, new structure. As he did fifteen years earlier, Frank Lautenberg convinced other members of ADP’s senior management to share his vision and put up a structure that would show ADP’s confidence in its future. So

in the late summer of 1983, ADP moved into a new, four-story, center-atrium world headquarters, built on an old farm site adjacent to Route 280. “Roseland” quickly became the most widely known place in ADP’s lexicon.

Ironically, Frank attended the official opening of the Roseland building... as a visitor. Senator Frank Lautenberg joined then-New Jersey Governor Tom Kean, Senator Bill Bradley, Henry Taub and Joe Taub in the ribbon cutting. As they sliced through the ceremonial fabric, ADP’s era of first generation management had clearly come to an end.

For those now in charge of the company’s destiny, the challenges that stood between current performance and future success were already becoming apparent. None, however, were greater than the paradigm shift that was taking place in the computer industry.



# 1983



The Challenger space shuttle makes its first flight

The US invades Grenada

# 1984



The Macintosh computer and mouse hit the market

Toxic gas kills 2,500 in Bhopal, India



Frank Lautenberg addressing ADP associates in Roseland, at the company's 40th anniversary festivities.

### Challenge of new technology

Recalls Gary Butler, who was president of the Employer Services National Accounts division in the mid-'80s, "The advent of the minicomputer and the personal computer certainly got a lot of attention at ADP. If you read what those outside of ADP had to say at the time, it was going to completely change the entire computer services business."

ADP was still delivering most of its services to payroll and brokerage clients using traditional "batch" processing, where manual input was picked up from the client by an ADP driver, processed on ADP's mainframes, and delivered to the client in the form of printed paychecks, management reports or other output.

Although Dealer Services and Claims Services were using online systems, clients were required to access data using computer terminals that had nowhere near the power and functionality of some of the PCs that were on the market.



1985

The Bell Telephone System is broken up

President Reagan and Mikhail Gorbachev have a summit

Terrorists hijack the Italian cruise ship, Achille Lauro

1985



In contrast, hardware manufacturers were advertising machines that promised to put data right on the client's desktop and at their fingertips for immediate access. Software programs for every business function were becoming available in a variety of establishments, from department stores to computer specialty shops.

"We had a strategic planning department back in the very early 1980s and one day they brought me the following great news that they thought was an absolutely accurate prediction," recounts Josh Weston, who, just months earlier, had assumed the duties of CEO.

*"One of the real powers of ADP is that we recognize that, at the end of the game, we are a service company..."*

—Art Weinbach

"They first calculated what they thought would be the total number of corporations that would

have PCs in the near future and wouldn't need us. Then they added to this, the number of companies that left us. The sum of these two numbers was something like ninety-five percent of the market, and if you followed their logic, the next step was that there isn't going to be a payroll business in five years. A few of us looked at this information and thought otherwise."

## Putting the PC to work...for ADP

Art Weinbach, who was by then ADP's chief financial officer, recalls concern but no panic over the advent of the minicomputer and the PC. "One of the real powers of ADP is that we recognized that, at the end of the game, we are a service company and what businesses want are service solutions. So we decided that we didn't want to be in the PC business. We shouldn't be a provider of PCs, but we should be a user of PCs because they were going to be a ubiquitous business tool."

As Josh Weston puts it, "We concluded that PCs were going to be in a lot of companies. So our aim was to become a partner with their PCs, instead of an enemy of their PCs. And from that starting point, all of our businesses from payroll to claims began to develop ways we could deliver our products and services using the clients' PCs."

# 1986

The space shuttle Challenger explodes

Russia's Chernobyl nuclear plant goes into a meltdown

# 1987

Stock markets plunge around the world



Bangladesh floods make millions homeless



ADP Dealer Services was the first of ADP's core businesses to strategically expand its operations in Europe.

As early as 1975, Dealer Services had launched an on-site minicomputer system for auto and truck dealers, countering the on-site system of industry rival, Display Data. In 1990, Dealer Services also offered laser printing of documents to its dealership clients, eliminating the costly stockpiling of pre-printed forms.

By the late '80s, Claims Services introduced a series of hand-held computers which could access, compute and share data to reduce the amount of time and paperwork it took insurance companies to do estimates.



Transatlantic fiber optic telephone cable goes into service

George Bush is elected President of the US

Pan Am 747 explodes over Lockerbie, Scotland

# 1988

**A**DP repositioned its payroll business in 1982 to offer a wider range of services deemed crucial to all employers. ADP Commercial Services — which provided payroll, accounts payable, accounts receivable and general ledger services — was reorganized into two separate groups: Employer Services and Accounting Services. The mission of Employer Services was to continue the development of all aspects of the payroll business.

*It was designed to help ADP handle million-trade days, while these high-volume sessions were still an anomaly.*

Today, ES is ADP's largest operating unit, offering a comprehensive suite of payroll-related and human resource services — most of which are accessible via PC.

### Major expansion at Brokerage Services

Brokerage Services began rolling out desktop productivity products in the late '80s for the retail end of the brokerage business, expanding ADP's role as a service provider to both the front- and back-office of brokerages and other financial service businesses.

In 1988, ADP also opened its new Brokerage Services headquarters and processing facility in Jersey City, New Jersey. Just a ten-minute subway ride

from New York's financial district, the new facility featured state-of-the-art duplexed computing systems and was the hub of a new and powerful data communications network. It was designed to help ADP handle million-trade days, while these high-volume sessions were still an anomaly.

The following year, ADP began to assemble another new brokerage service. Initially called Proxy Services, today we know it as Investor Communications Services. "We started this business from a 'dead start' back in 1989. By 'dead start' I mean we really didn't have any clients," says Art Weinbach. "Rich Daly and Charlie Weber had been developing a system that could efficiently provide shareholder communications to investors. So we set up the business. It greatly benefited from the use of technology and from economies of scale.

"We got off to a great start and eventually strengthened our ability to succeed by acquiring a company called IECA, which was already in the business." ADP's proxy business attracted thirty-one major clients in its first year of operations. That would pale in comparison to the success it would have in the next decade. By 1999, over 90% of the communications for all street-name securities in the U.S.—from proxy ballots to annual reports—would be handled by ADP.

# 1989

The Berlin Wall is demolished

US troops invade Panama to hunt for dictator, Manuel Noriega



Students rally for democracy in China

THE NINETIES  
1990-1999

**A**DP began the 1990s with more than 200,000 clients and nearly 20,000 associates. By 1993, revenue topped \$2 billion. The company was now processing paychecks for one out of ten U.S. workers; was handling fifteen percent of the stock equity transactions in the North American market; was the leading provider of processing services to the retail auto and truck industry; and was processing claims for most major casualty insurance companies.

*“We soon found ourselves being considered by companies who earlier had declined to use our services.”*

—Art Weinbach

An entire new set of words, terms and acronyms were being added to ADP’s body of knowledge,

among the most prominent: outsourcing, Y2K, PEOs, global expansion, the Internet, World Class Service, and Employer of Choice.

### Outsourcing becomes the trend

Outsourcing was a trend that began to gain widespread acceptance in the early '90s. Always looking for ways to improve the bottom line, companies — first the larger ones, and then smaller ones over time — determined that buying certain services from outside vendors was more effective than performing the

functions with internal resources. The reasoning was sound. Money saved by outsourcing nonstrategic activities could then be invested in core businesses — those that made a profit.

Atop the hit list of functions that were prime to be outsourced were items such as payroll, human resource administration, and transaction processing services. As a result, every ADP core business benefited from the outsourcing trend.

“We soon found ourselves being considered by companies who earlier had declined to use our services,” recalls Art Weinbach. “ADP continued to gain from the outsourcing trend not simply because we were here, but because we’re here with services that offer incremental value.”

Trends change the marketplace as well as challenge the businesses in it. To succeed in this kind of climate, companies must prepare carefully today for tomorrow’s journey. For example, ADP’s acquisition of several leading benefits administration firms in the '90s is already preparing the company to profit from yet another twist in the outsourcing trend. That is, some clients that once were content to outsource applications to a service provider, now want to outsource entire functions. They no longer want ADP to provide services to their HR department...they want ADP to be their HR department.

1990



Hubble space telescope is launched

Iraq invades Kuwait and seizes oil fields



1991

“Operation Desert Storm” frees Kuwait

Apartheid is abolished in South Africa

## “Millennium Bug”

A parallel phenomenon of the 1990s that added to ADP’s good fortune arrived midway through the decade. Called the Millennium Bug or Y2K challenge, it came into the public spotlight when it was determined that most computer systems contained code that only identified the last two digits of a year. That design flaw left open the possibility, when the Year 2000 arrived, computers would calculate the date as 1900, causing systems to stop, crash or malfunction.

“Businesses were faced with a tough choice and an immovable deadline,” notes Gary Butler. “They either had to review and rewrite thousands of lines of code for their aging computer systems, buy a new system which would be extremely costly, or outsource some or all of the functions that were affected.”

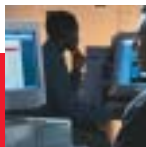
ADP became a good alternative for many businesses because the company was among the first to make its systems Y2K-ready.



In 1998, when the U.S. Federal Financial Institutions Examination Council called on the country’s 20,000 financial institutions to demonstrate their Y2K readiness with their third-party providers, ADP agreed to test a sampling of these institutions in the spring of 1999. By doing so, ADP became the first company in its industry to successfully test its payroll process, end-to-end, with real clients and financial institutions in a Y2K environment.

## More business luck

Business luck again was hard at work when, very early in 1990, ADP began to assimilate the operations of a small payroll services company, called ABC, which it had acquired in July 1989.



Civil war erupts in Yugoslavia

1992

The World Wide Web is launched

NAFTA trade pact is approved by the US, Canada, and Mexico

1992

Josh Weston recalls, “Originally we thought we’d buy their client base and convert them to our AutoPay® system.” As luck had it, we took a look at what they offered and found that they did a lot of things for smaller companies that we didn’t do.

*“The PEO is a great example of a new market for ADP.”*

—Gary Butler

“So we enhanced their system, called it ADP EasyPay<sup>SM</sup> and today most of our 350,000 clients in ADP Emerging Business Services<sup>SM</sup> use it. Just like the UCB tax filing deal accidentally got us into payroll tax filing twenty or so years earlier, we actually got more than we bargained for — in a good way.”

### Entering the PEO market

The same appetite for promising new business opportunities, which encouraged ADP to begin brokerage, dealer, and claims services, prompted ADP to become a professional employer organization (PEO) in the '90s. A PEO provides an outsourcing solution to meet the human resource and employment needs of smaller businesses.

In essence, ADP doesn’t just provide a series of services, it delivers human resource expertise and superior benefits packages, which most smaller businesses normally could not obtain by themselves.

ADP became the second largest PEO in the U.S. in 1999, when it acquired The Vincam Group, based in Miami, Florida. That new business supports more than 80,000 worksite employees who work for 3,000 employers in eight states.

“The PEO is a great example of a new market for ADP,” says Gary Butler. “It establishes a broad and recurring relationship with the client, and it results in more than 10 times the revenue of a plain payroll.” It also is an extremely fast-growing business. In 1998, the 2,500 PEOs in the U.S. grew at an average annual rate of thirty percent.

### Developing a global focus

Until the 1990s, ADP’s operations outside North America were relatively small, but new expectations arose in the marketplace. Recounts Gary Butler, who was president of ADP Dealer Services from 1989 to 1985, “We didn’t make any acquisitions in Europe during the 1980s. The last significant ones were actually made by Frank Lautenberg back in the '70s, when we first went into The Netherlands and the United Kingdom. Josh believed why should we take the risk to ‘go across the pond’ when we had such terrific opportunities at home. That was fundamentally a good strategy for many years. However, as time passed, we began to serve more and more global companies, particularly in Dealer Services.

1993

The European Union is created

“Schindler’s List” is the year’s biggest movie hit



1994

Nelson Mandela is elected President of South Africa



Whether it was BMW or Mercedes or Ford, the manufacturers clearly wanted global suppliers, not just U.S.-based ones.”

In 1990, Dealer Services acquired a German company called Autonom. The business was well run and had even better margins than Dealer Services in North America. Autonom provided the footprint for a much larger Dealer Services operation in Europe, one which currently serves over 8,000 clients. The good experience with Autonom encouraged ADP’s other core businesses to rethink their reluctance to aggressively grow their operations in Europe.

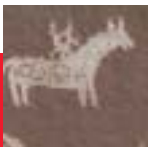
## Key acquisitions

Soon, other deals — big ones — took shape. In 1995, ADP acquired the largest payroll and human resource services company in Europe — GSI, headquartered in Paris.

“I think it’s one of the most strategic acquisitions we’ve made,” notes Art, “because it made us the biggest player in Europe. It also helped prove that we can take the ADP model — how our businesses make money — to Europe and other geographies in the future.”

That same year, Brokerage Services, faced with the requirement to become a global supplier, acquired London-based Wilco International, a provider of superior multi-currency clearance and settlement services. Wilco opened offices in Hong Kong and Tokyo, and became a key link in ADP’s ability to integrate its full suite of brokerage services to clients around the world.

In 1998, Claims Services also entered the European market in a big way with the acquisition of Audatex, Europe’s leading provider of automated claims services. Almost overnight, Claims began doing business in sixteen countries and two additional continents — Australia and South America.



30,000-year-old paintings are found on cave walls in France

1995

US Federal Building in Oklahoma City is destroyed by a truck bomb

Leaders of Serbia, Croatia, and Bosnia attend a landmark peace conference in Dayton, OH

1995



**A**s ADP increased its global focus, technology — especially the introduction of the Internet — was helping the company to do business around the world. ADP could now serve clients virtually anywhere.

*“...now we have the Internet—which I think is going to change business as we know it today.”*

—Art Weinbach

“I truly believe the Internet is a new frontier for ADP,” says Gary Butler. “We’re already doing many things on the

Internet across all our businesses. We’re processing payrolls, doing brokerage trades, helping car dealers to sell vehicles. As time goes on, we’ll do even more.”

Recalls Art, “As I look back over my last thirty years in business, there have been three major trends. One is the effect the baby boomers have had on our culture and our economy. The second was the PC. And now we have the Internet — which I think is going to change business as we know it today.”

In the late 1970s — before people used the term “cyberspace” and there was an Internet — ADP acquired a company called Cyphernetics, which was renamed ADP Network Services. It was a packet-switched, international time-sharing network, which was a forerunner of the

Internet, only much slower. Clients used desktop terminals to send e-mail and do spread-sheet planning, because Lotus, VisiCalc and Excel had not yet arrived. The emergence of the PC and the Internet eventually made ADP’s product and the entire time-sharing industry obsolete by the mid-’80s.

Observes Josh, “The two big things about the Internet today are the number of people who are using it — it’s growing everyday — and it’s a twenty-four-by-seven system. That means it’s running all the time. So we have an opportunity to give clients access to our products and services around the clock. I think the Internet will be our best business partner since the PC.”

## Management in transition

ADP experienced another changing of the guard in senior management in 1996, when Josh Weston retired and Art Weinbach became ADP’s fourth CEO. Gary Butler was elected president and chief operating officer in 1998.

The company, which had remarkable success over the years with senior executive teams, put another winning entry into the record book. Art and Gary, in fact, were reminiscent of another combination of ADP executive talent — Henry Taub and Frank Lautenberg. Both Henry and Art were strategists with a background

1996

Pathfinder space craft is launched toward Mars



The US television industry presents a new rating system for shows



1997

Hong Kong is returned to Chinese sovereignty by Great Britain

in finance. Frank and Gary were salesmen and visionaries. In both instances, the synergy clicked.

Admits Art, “Gary and I are totally different. We’re different in our styles and in our backgrounds. What’s amazing is that we approach problems from totally different directions and nearly always end up with the same solution.”

Gary adds, “Art is very strong in the financial aspects of our business. He’s also as good as you’ll see when dealing with the financial community. ADP has always been very open with the security analysts, but Art has taken it to a new level, sharing our vision and relating our results with the greatest precision and candor.”

### Value of good service

One of the greatest factors to impact profit levels at a company like ADP are service levels. Outstanding service usually translates into better client retention, and the longer you keep a client the more profitable they become. As Josh Weston would note, “Your best client is the one you already have. They know the system. You know their needs. And as a client stays with you longer, their revenue becomes more profitable and predictable, because you’ve already spent the time and money to sell and convert them.



“The outside world has always believed that our retention levels are quite good — and they are, especially when you compare them with typical performances in the market. But ADP isn’t an average company. Our attitude is that we can always be better.”

### World Class Service

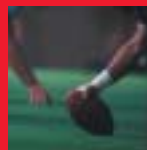
So in 1997, ADP launched a company-wide effort to increase the level of service across the board. ADP’s World Class Service initiative was a commitment to its clients and its future. Over the years, individual operating units had quality programs, but this one was different. It included all locations and involved every ADP associate.

The Y2K computer bug gets worldwide attention

Princess Diana is killed in a car crash

1998

John Elway and the Denver Broncos win their first Super Bowl



Legendary singer Frank Sinatra passes away

1998

**B**y definition, World Class Service is a moving target. “It’s a continuous journey,” says Gary. “It’s not meant to get us to a fixed goal or a platform where you can relax. It aims for a level of performance that is so high that a client can always expect us to meet or exceed their expectations.”

Right from the beginning, World Class Service was more than a management pep talk. ADP invested in new high tech client service tools to help service representatives handle multiple calls. Service training was modernized and increased. Business units rewarded top performance with a variety of tangible incentives.

“World Class Service is more than just how our service representatives answer the phones,” adds Art. “It’s that and many other things. It’s the first impression clients get when our sales person greets them. It’s the speed and accuracy we demonstrate in starting up new clients. It’s the reliability of our computer systems. It’s even the way we print our invoices, making them clear and easy to understand. It’s all these things and so much more.”

Concludes Gary, “World Class Service also is at the very core of the relationship ADP has with every associate. If associates truly believe we’re committed to being the best at what we do, they’ll join the effort and contribute at a much

higher level. Everybody wants to do their best for a company that does its best for its clients.”

### Our 50th year...

In 1999, ADP completed its fiftieth year in business in record-breaking style. Today, nearly 37,000 associates serve over 450,000 clients around the globe. Revenues exceeded \$5 billion dollars and total market value of our shares exceeded \$25 billion.

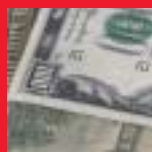
Henry Taub recently looked back at the impressive track record of the company he started. While most founders tend to reflect on how things were, his comments looked toward the future. “The market,” said Henry, “is wherever our capabilities take us. We’ve demonstrated we can compete in every market we’re in.

“ADP grew up in a tough neighborhood. It was a place where change was always lurking around the corner. As a company, we’ve had a knack of making a friend out of change, turning its uncertainty into opportunity. That’s a relationship I hope we’re able to renew for a very long time to come.”



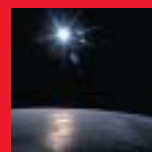
## 1999

The US stock market surpasses the 10,000-point level



NATO enters the Balkans War

The world prepares for the New Millennium...



## AND WHAT ABOUT TOMORROW?

*“Destiny is not a matter of chance, it is a matter of choice.*

*It is not a thing to be waited for, it is a thing to be achieved.”*

*—William Jennings Bryan, February 22, 1899*

Technology has helped us conquer the distance that separates countries and continents. It has brought world markets closer together, made them more relevant to each other and, for better or worse, increasingly interdependent.

These same advances in technology have concurrently opened up fresh opportunities for ADP. A new universe of prospects, influenced and motivated by the trend to outsource, is suddenly easier to reach and profitable to serve.

All ADP businesses are developing new generations of products that will be delivered — and serviced — using the broad distribution channels and the unprecedented, on-demand, interactive capabilities of the Internet.

In its first fifty years, ADP successfully grew from being a local provider of payroll services into a company with multiple lines of business that touch the lives of millions of people.

### **What of the ADP of tomorrow?**

For sure, we will be more globally focused and increasingly a more comprehensive provider of outsourced services. And that is only the beginning. We will be the human resource, benefits, and payroll departments of many companies.

We will be the leading worldwide resource for brokerage processing services, offering straight-through transaction processing, seven-days-a-week, across all time zones — in markets where there no longer will be an opening and closing bell.

We will be the leading international information technology partner in the retail auto and truck industry, enabling consumers to buy, sell and make service appointments for their vehicles right over the Internet.

We will be the virtual claims infrastructure for insurance companies, where claims from policyholders will be reviewed, processed and settled efficiently in a seamless and secure automated environment, where service is provided on demand and the office never closes.

We will be all of these things...as we fulfill and affirm our commitment to be an employer of choice.

While some may see tomorrow merely as something that will arrive, ADP has always seen the future as an opportunity for leadership and new accomplishment, where we convert our potential into performance. Likewise, *destiny* at ADP has always been a matter of choice, not chance. It's part of our thinking and our culture, and a perennial gift of our great heritage.

## EPILOGUE

ADP's strong and consistent operating performance continues to deliver incremental value to shareholders—including the many ADP associates who have purchased shares through the company's various stock participation plans, which began in 1968.

Says Josh Weston, "Since then, ADP has issued over 130 million shares, at reduced cost, to the associates who built our success. As an illustration of value, had each of us kept every share that we once received, we'd have \$5 billion dollars in current value for which we cumulatively paid \$200 million."

Today, about half of ADP's associates own shares in the company.

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