

CFO

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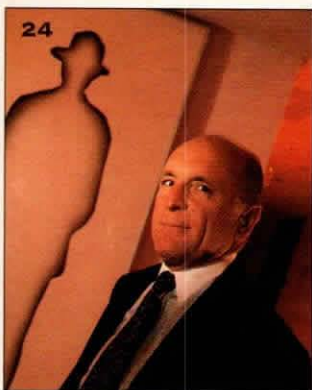
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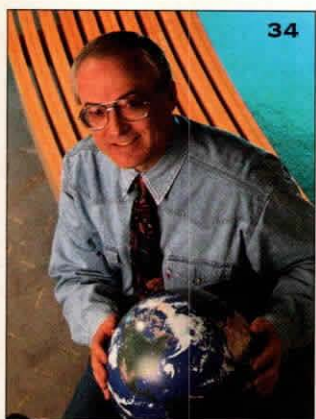
A Higher Reward

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A PRINCIPAL IN THE
CONSULTING ALLIANCE OF
ZOLFO COOPER LLC AND
H.S. GRACE & CO.

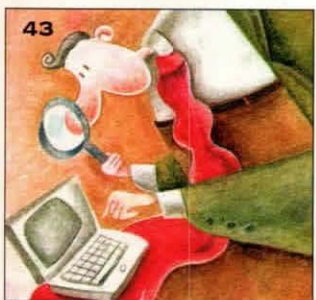
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Everyone, it seems, has a year 2000 plan. The millennium, in fact, is being viewed as both a significant threshold and an economic opportunity by companies as diverse as Ford Motor Co. and Mercy Health Services. The question is, why is so much being pegged to a simple turn of the calendar?

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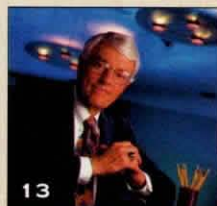
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A Higher Reward

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Attracts a New Breed
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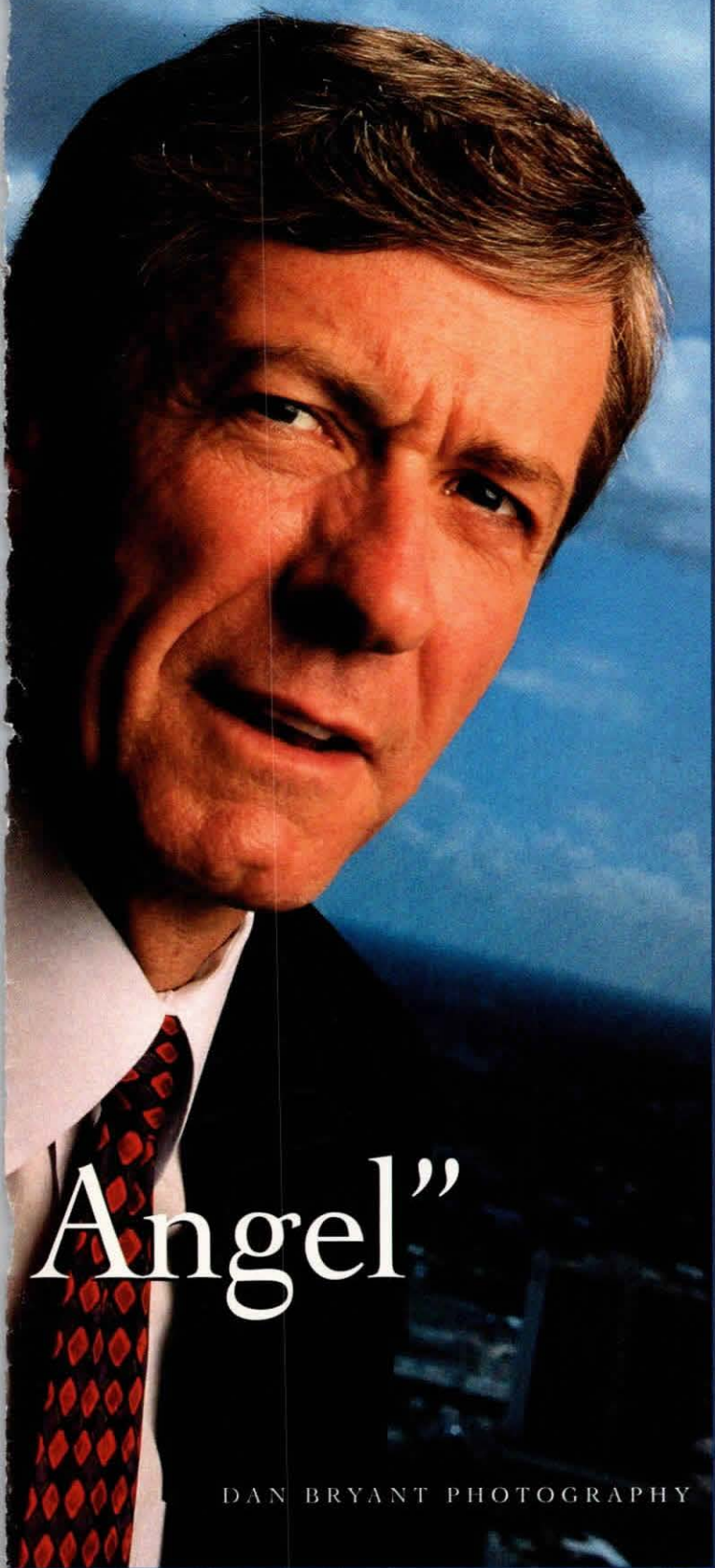
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EXECUTIVES RETURNING TO THEIR REGULAR JOBS AFTER PUBLIC SERVICE

“COME BACK LIKE A HOUSE AFIRE.”—STEPHEN GRACE, A PRINCIPAL IN THE

CONSULTING ALLIANCE OF ZOLFO COOPER LLC AND H.S. GRACE & CO.

COVER STORY
BY JOSEPH McCAFFERTY



DAN BRYANT PHOTOGRAPHY



WHEN THE NEW YORK CHAPTER of the Financial Executives Institute first made the phone call offering assistance to the city's Catholic school system, Monsignor Thomas Bergin was apprehensive. The FEI

group was starting a volunteer program for its members, then—chapter president H. Stephen Grace Jr. told the archdiocese vicar for education, and wanted to lend the schools some financial expertise. "Put it in writing," was the priest's guarded response.

Msgr. Bergin's initial reservations were grounded in experience. When volunteers from the business world had offered help in the past, there was usually a big catch. Once, some representatives of a credit-card outfit proposed a plan to give a percentage of card-company profits to the inner-city college scholarship fund—if only Msgr. Bergin would endorse their card. "We get a lot of these calls," he says, "and a lot of times it's just a scheme for someone else to make money." In one relationship that looked promising, a well-meaning business group prepared a study of the school system, and then recommended closing half of it down. "They didn't understand our mission. We may lose money at some of the schools, but we're here to provide an education for the students of the archdiocese, not to make money." The would-be helpers, he explains, were "businessmen coming at it from the bottom line."

But Stephen Grace followed through with an appealing pitch letter. "I was instantly taken by it," says Msgr. Bergin. "It was open and honest. It said, 'We have some expertise and we want to share it with you...no strings attached.'"

Three years have passed since that initial contact, and the New York FEI chapter's Public Interest Initiatives Committee is still providing a much-needed lift to the nation's 11th-largest school system, which has 238 elementary schools and 55 high schools. The financial skills of 20 program participants—only some of whom are Catholic—have been used to create a technology plan, a new purchasing system, and even a critical model for helping predict high-school enrollment.

A HANDS-OFF INVOLVEMENT

So why did this effort succeed where others floundered? To be sure, the high-powered collection of volunteers responding to the chapter's call had a lot to do with it, starting with the group that crowded the conference room of archdiocese headquarters in midtown Manhattan a few weeks after the public-interest program was approved. In addition to Grace, they included New York Times vice president of financial management Frank Gatti, Marsh & McLennan CFO and senior vice president Frank Borelli and managing director and global controller Dominic D'Adamo, Chase Manhattan Bank retired chief administrative officer Mike Esposito, and Chuck Torielli, assistant controller of insurance giant American International Group.



THE EQUITABLE COS. CONTROLLER ALVIN FENICHEL (LEFT) AND MARSH & MCLENNAN GLOBAL CONTROLLER DOMINIC D'ADAMO FLANK ARCHDIOCESE SCHOOL-SYSTEM ADMINISTRATORS MSGR. THOMAS BERGIN AND CATHERINE HICKEY AT A NEW YORK HIGH SCHOOL.

But give credit also to that no-strings advisory approach—a tack that helps the FEI steer clear of at least some of the concerns that critics have about executive volunteer programs in general.

“We don’t get involved in their mission. We’re not there to tell them how to run their organization, and we don’t get involved in providing money,” says Grace, who as a principal in the consulting alliance of Zolfo Cooper LLC and H.S. Grace & Co. specializes in helping troubled companies. Instead, the relationship bears fruit for the not-for-profit church school system through presentations and reports about what has worked, and what hasn’t, in the executives’ own companies. In the end, the archdiocese makes the decisions.

While there has been lots of attention given recently to the rise in charitable giving—highlighted by the nine-figure donations to libraries and schools made by the likes of

Microsoft’s Bill Gates and Oracle’s Larry Ellison—voluntarism, too, is stirring a new fervor in America. Corporations and their leaders increasingly are looking for employee volunteer outlets. According to a survey by Boston College’s Corporate Community Relations Center, for example, nearly 80 percent of companies now have a formal program, and one-third allow time off for volunteer work. Further, 75 percent of companies now have an employee assigned full time to community relations, up from only 9 percent in 1987.

For all the personal satisfaction that giving money to a good cause delivers, actually applying elbow grease adds a powerful dimension for those involved. And that’s especially true when volunteers can use the professional skills they have honed in the business world.

“They come back like a house afire,” Grace says of the executives who devote time to financial volunteer efforts sponsored by the chap-

ter—a growing list of programs that includes helping Hunter College with information technology and outsourcing guidance, and advising the New York State Comptroller’s Office in payroll matters, risk management, and the operation of internal controls. Under the New York chapter’s program of matching the needs of groups with the specific areas of expertise of members, “they can feel that they are truly making a difference.”

“I have two young children, and it’s a great feeling to know you’re putting something into the system,” says Frank Grayeski, recently named chief information officer of Caribiner International Inc., a global business communications company. Grayeski has helped muster the skills of a chapter group called the Information Technology Roundtable for various volunteer efforts. “It’s like pulling teeth to get someone to work on projects at the office,” he says, “but they jumped at the chance to work on this.”

"PEOPLE MAY LOOK AT CFOs AS BEING ONLY CONCERNED ABOUT MONEY. THIS IS THE CFOs' WAY OF SHOWING THAT THEY ARE NOT JUST CONCERNED WITH THE ALMIGHTY DOLLAR."

"We all tend to have a tunneled focus on our day-to-day work," adds the New York Times's Gatti. "This work helps open up the lens. You start to see things in a broader context."

WELCOME IMAGE-POLISHING

Beyond that personal satisfaction, the volunteer's corporate career can get a valuable lift. "Many companies are looking not only at professional skills but for personal qualities that are harder to measure," says Dawn-Marie Driscoll, executive fellow at the Center for Business Ethics at Bentley College in Waltham,

Massachusetts. "Volunteering can help demonstrate those qualities."

And any visible rise in such efforts could mean a boost for the image of corporate-finance professionals as well, notes Susan Ellis of Energize Inc., a Philadelphia consulting firm that specializes in corporate voluntarism. "People may look at CFOs as being only concerned about money," she says. "This is their way of showing that they are not just concerned with the almighty dollar."

The call for executive volunteers is certainly loud and clear. This spring in Philadelphia, the President's Summit

for America's Future elevated volunteer work on the national agenda. General Colin Powell, chairman of the summit, said in a television interview recently that "of all the groups that are needed to make a contribution, business executives are at the top of the list because of the financial and other skills they bring to the effort." More than 200 firms—from Yahoo! in California to Eli Lilly in Indianapolis to BankBoston—pledged millions of volunteer hours to their communities at the summit event.

"People are realizing that government can't do it all and that other institutions and individuals need to pitch in," says Dan Salera, director of community service for BankBoston, which pledged 5,000 volunteers.

"I think this is exactly the kind of thing the President was talking about at the summit," says Thomas Volpe, senior vice president, financial operations, of the advertising conglomerate The Interpublic Group of Companies Inc., and a former president of the chapter that initiated the public-interest program. "If government is trying to reduce its size and lay off some of its activities to the nonprofit organizations, then we can lower the cost of servicing society if we work together. And if we can lower costs, we can lower taxes. Then we all benefit."

To all the helping hands that finance executives have provided to nonprofit groups on their own or in company-sponsored programs over the years—serving on a hospital board, assisting with their church's books, or aiding a local charity, for instance—New York's small FEI program adds a new organizational dimension. As the most formal professional program in finance, it attempts to duplicate the kind of pro bono efforts for which the legal and accounting professions are known.

A CITY OF NEEDS

The public-interest program began in 1993, when an informal committee of FEI's New York chapter began examining ways it

A CFO GOES TO BAT FOR A NONPROFIT SHELTER

Bureaucracy's Bright Side



uests at the Arlington Residences, a San Francisco shelter for recovering alcoholics, get tickets every so often to see the Giants play—compliments of Bill Harris, The Lurie Co.'s CFO. Bob Lurie, who owns the Bay Area real estate concern, is also a former owner of the baseball team.

But it's the shelter itself—operated by the charitable St. Vincent de Paul Society—for which residents are most grateful to Harris. Several years ago, when Arlington was teetering on the brink of financial collapse, it was Harris who helped steer it back to financial health.

"This is the most enjoyable work I do," says Harris, who for the past 12 years has averaged about 10 hours a month in volunteer time, including on the finance committee of the society. And in studying how charities operate, he adds, he has learned that "the need of nonprofits for financial and accounting expertise is overwhelming."

While lots of finance executives pitch in as volunteers in communities around the country, few have happened into such a long-running commitment as the result of a bureaucratic program.

In 1985, The Lurie Co. needed to buy housing credits to qualify to work on an office development project. Under a San Francisco requirement similar to those in many other cities, money from the housing credits are used to mitigate low-income housing needs caused by the project. But other arrangements can be worked out, and in this deal, the parties agreed for Lurie to provide assistance to nonprofits working in the low-income-housing arena. "Instead of cutting the city a check," says Harris, who was chosen to lead Lurie's initiative, "we formed a partnership with the society."

Today, well after Lurie's original commitment expired, the financial well-being of the shelter still rests largely on Harris. "He's remarkable," says Jim Foster, who serves with Harris on the Arlington Residences's board. "A lot of people from the private sector work with charities, and many walk away when things get difficult." But when hard times hit, Harris "was as enthusiastic as ever."

Says Harris of his back-office role: "I get a lot of personal satisfaction knowing that I am helping others who are not as lucky as I am, even if I don't know them or see them."—J.McC.



BILL HARRIS

could help improve the city as a place to live and work by offering help to then-Mayor David Dinkins. After Dinkins lost the next election, the new administration of Rudolph Giuliani showed less enthusiasm for working with private-sector executives. So the chapter continued seeking volunteer areas where it could serve what it called "the general good of New York."

The effort hasn't exactly taken the chapter by storm. In all, only about 50 of its 750 members are involved with its volunteer projects, including major ones with the archdiocese schools, the state comptroller's office, and Hunter College. Members who have suggested programs (the way most candidates so far have come to the chapter's attention) generally seem to have avoided nonprofits of a humanitarian nature. Indeed, the assistance to the comptroller could be seen as having the potential to produce dividends for the volunteers' companies. (The chapter selects from candidate programs that best meet its requirements: for example, the programs must be well defined, have a relatively short time frame, require the financial skill sets of its members, and not involve fundraising.)

Still, many of the members who are involved see it as the most significant work the chapter does. As illustrated by the work with the Catholic school system—a project the chapter sees as educational, rather than religious—the executive volunteers certainly have a positive impact in helping meet the community's needs.

When it was first proposed as a candidate for assistance, the school system had more than its share of finance-related problems. While it received frequent praise as a learning oasis to inner-city students, the system's purchasing procedures, cash management, and record-keeping were dated. Enrollment was falling in the suburban elementary and high schools that are part of the arch-

diocese, and there was no way to project future enrollment. Computer and technology systems also badly needed modernization. A number of schools, for instance, were using an audiovisual system unveiled at the 1964 World's Fair.

"We are addressing these matters, literally, all the time, but they are not matters in which the archdiocese has expertise," says Grace, who describes the finance work that needed to be done as "water off a duck's back to the group of us."

To meet the pressing need for an enrollment-prediction model, Alvin Fenichel, controller of The Equitable

questions. "They really enjoyed it," says Fenichel. "It gave them the opportunity to share their work with others and give something back."

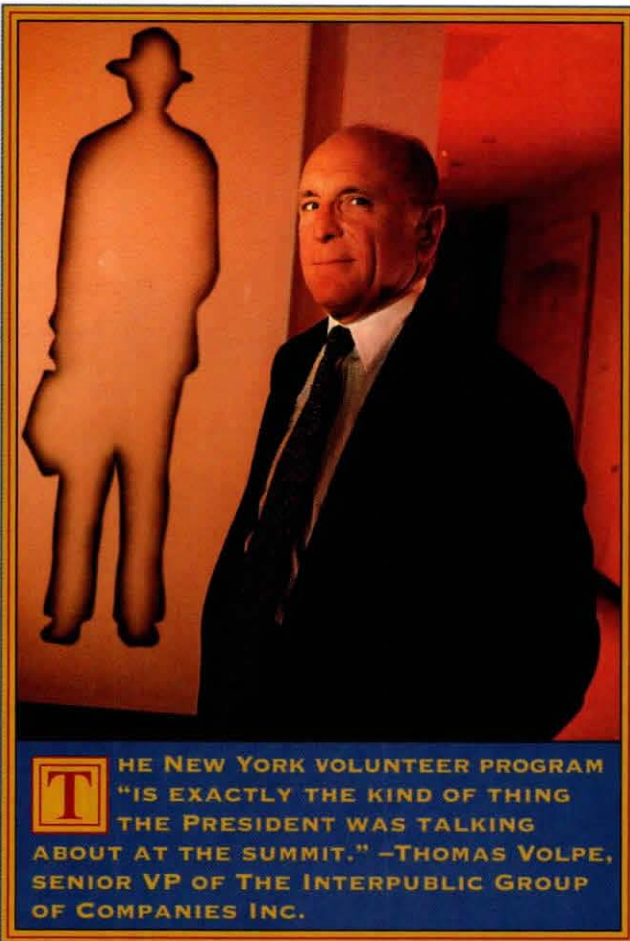
When the model helped the archdiocese formulate its decision to purchase a new building, the volunteers were especially cheered. Today, enrollment is growing rapidly, validating the decision to expand with the building.

BRIDGING A LANGUAGE BARRIER

In forming the technology plan, members of the public-interest program experienced first-hand the school system's severe restraints. Most classrooms lacked computers, electronic media equipment for libraries, and visual aids. But the biggest problem was how different the schools' individual needs were. Frank Grayeski, Caribiner's chief information officer, is helping draft a plan that includes taking inventory of current tech systems, setting objectives, estimating costs, and setting a time frame for improvements.

Catherine Hickey, the archdiocese school superintendent, wasn't sure a successful design could even be achieved. But after hours spent discussing the system's various needs and how to fill them, "suddenly her eyes lit up and she said, 'I got it!' It was exciting," Grayeski says. It was all at once that "everything came together in my mind," Hickey remembers. "Businesspeople speak one language and educators speak another, but we were able to make this connection, and suddenly it was all there."

A bonus from the technology plan has been its effect on fundraising. "We have a lot of people willing to make contributions, but they don't want to throw money into the cauldron," says Msgr. Bergin. "If we have a well-thought-out plan, people are more likely to fund us."



Cos., brought in two volunteer actuaries from the big insurer to design something that would work. They developed a sophisticated projection model based on birthrates, migration patterns, and other statistical data. The actuaries then spent time showing the school system how to use the model, and remained available to answer

**PUBLIC-SERVICE GROUPS GET A BONUS FROM
TIGHTENING THEIR FINANCES: "PEOPLE ARE MORE LIKELY TO
FUND US," SAYS MSGR. BERGIN.**

The chapter's work with New York State illustrates another facet of the FEI program: a dedication to bringing the experience of corporate-finance experts to bear in the public sector. After the chapter presented a volunteer offer to the state comptroller's office in April 1994, comptroller H. Carl McCall drew up a 16-project list. "We've found that both public and private sectors have benefited from coming to the same table to work through these issues together," McCall says. The risk management study that the FEI members conducted for the comptroller's office has provided guidance to municipalities in preventing accidents and reducing workers' compensation claims.

To Hunter College, the FEI members "brought perspectives about how we might look at our cost structure that we hadn't thought of," says David Caputo, Hunter's president. One of the magic words Caputo learned was *outsourcing*; the college now outsources management of the bookstore and a residence hall, and is considering outsourcing food services.

**WHAT ABOUT
THE TRULY NEEDY?**

The New York chapter could be open to some criticism for the absence from its project list of charities dedicated to aiding the poor and afflicted. And perhaps also for some programs it has selected. This year, a *Wall Street Journal* article raised questions about the New York State comptroller's dealings with the business world, noting that comptroller McCall himself had received campaign contributions from

money managers to whom he had doled out management assignments for portions of the state's retirement fund. (In the article, McCall denied any relationship between his campaign finances and state money-management assignments.)

So why does the FEI volunteer program seem to cater to more-powerful organizations that—in the case of the comptroller's office, especially—could increase the FEI's influence on politi-

industry—and the employees they attract—fail to recognize where their own familiar profit-making models diverge from the models that apply to the groups they want to help.

"It's a different arena, and the expectations are different," she says, both in terms of such tangibles as the availability of funding for programs, and intangible areas like the decision-making process itself. "CFOs are used to making a decision and then imple-

menting it," while at nonprofits a decision often takes longer, because of the need for organizational consensus. Also, funds might not be as readily available as they are at a private company.

In accepting the differences between the nonprofit and profit-making models, at least, the FEI's New York chapter seems to have done well—perhaps in part because of the thinking that had to go into overcoming

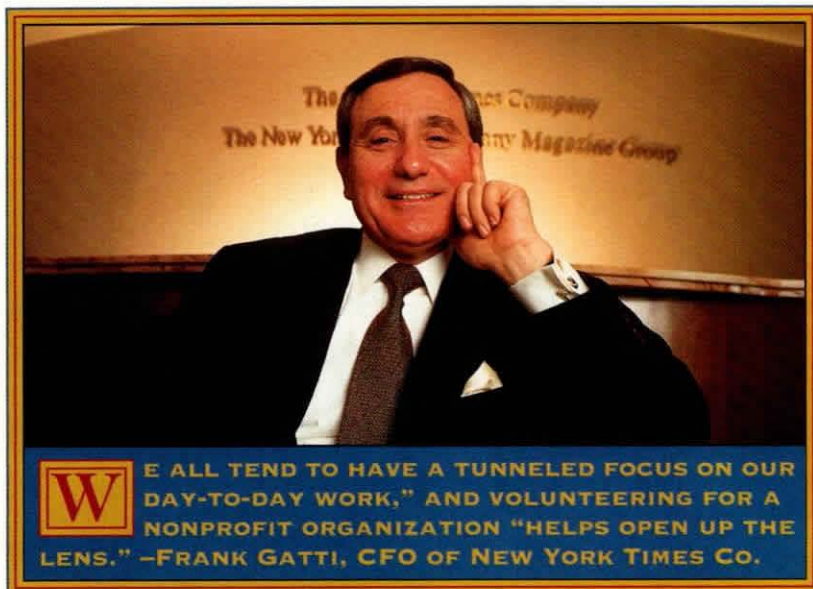
the archdiocese's initial reluctance.

Msgr. Bergin now is happy that he abandoned his early impressions of the FEI's members, who appeared to fit his stereotype of "big wheels in impressive suits." Of that first meeting with Stephen Grace, the priest says, "I was glad I wore my cufflinks." In retrospect, Msgr. Bergin and Grace agree that the collaboration has been a roaring success.

The chapter's dedication to helping primarily with financial systems, says Grace, explains why the volunteer program "has clicked."

"That's the key," Msgr. Bergin agrees. "They gave us the ball and said, 'Run with it.'" ■

Joseph McCafferty is an associate editor of CFO.



WE ALL TEND TO HAVE A TUNNELED FOCUS ON OUR DAY-TO-DAY WORK," AND VOLUNTEERING FOR A NONPROFIT ORGANIZATION "HELPS OPEN UP THE LENS." —FRANK GATTI, CFO OF NEW YORK TIMES CO.

cal issues such as taxation? Responds Marsh & McLennan's D'Adamo: "We can add to the public sector, and if in the process we achieve some political success, so be it. But that's not our objective." The chapter says it would consider arranging volunteers for any group requesting assistance, and notes that it will be starting a project soon for the American Lung Association.

Few in the business world would criticize the idea of executive voluntarism—except perhaps if work for a nonprofit group were to detract from an employee's paying job. But experts in the field do caution that, if poorly designed, volunteer efforts can easily disappoint both a program's sponsor and the organization receiving assistance. Consultant Susan Ellis notes, for example, that some groups started by