

## Individual Access To The Holy Grail

"THE WHOLE WORLD IS Listening" (Techwatch, June) was excellent. While the Web moves public companies much nearer to the Holy Grail of equal access, as the Securities and Exchange Commission desires, the trick is to satisfy all the constituencies.

As James Cramer of TheStreet.com recently noted in a column, in an ideal world, Goldman, Sachs; PaineWebber; and all the rest would open their conferences to individual investors, too. But neither side would really be happy, since the investment banks could no longer offer the exclusivity of client relationships, and institutional investors would lose the rarefied air to which they are accustomed.

Buyside and sellside analysts, as professionals immersed in the nuances of companies they watch, ask different questions from retail investors. Yet individuals deserve access, are now equipped with extraordinary research tools (thanks to the Internet), and are an essential component of the well-balanced shareholder base. They can bring liquidity, volume, and stability.

Timothy J. Quast  
President & Chief Operating Officer  
Informed Investors Forum  
Via E-mail

## Too Many Boards, Too Little Time

AS FORMER CHAIRPERSON of a corporate audit committee, I read "The Audit Committee, Watchdog or Lapdog?" (May) with great interest. However, additional salient points should be considered in the context of overhauling this critical corporate-governance mechanism.

For an audit committee to truly add value to its role, significant time to prepare is required in advance of scheduled audit committee meetings. This is usually associated with voluminous technical information provided by the compa-

ny to support a variety of pressing strategic decisions. The article fails to address the need for adequate compensation for the time and effort of audit committee members. When professional compensation is too low, other forms of consideration, such as consulting fees and retainers, which may compromise or cloud independence and objectivity, as your article reveals, may be triggered.

In a related point, the Securities and Exchange Commission should consider limiting the number of boards on which any one person can sit. This simple reform will also drive improved quality, focus, and the type of vigilance that the public has reason to expect from a properly compensated and qualified audit committee.

Jonathan B. Schiff  
Professor of Accounting  
Fairleigh Dickinson University  
Teaneck, New Jersey

REGARDLESS OF WHAT one thinks of outside auditors, recent accounting malfeasance at some companies has shown that the profession is indispensable. Management wreaks havoc on shareholders if auditors render biased opinions in reporting the status of a business. Auditors must be independent of management in order to be effective.

There cannot be independence in the current "hiring" structure, however. At most companies, the auditors report to the board of directors. In fact, the selection of auditors is a proxy vote at most annual meetings. However, the names put on the proxy are chosen by management. Thus, management selects auditors that shareholders rubber stamp.

To ensure that independence is no longer an issue, auditors should instead be selected by a body such as the Securities and Exchange Commission. If the SEC appointed auditors, they would not have to subordinate their opinions to



Stepping into his new assignment as CFO magazine's online editor, Joseph McCafferty envisions an interactive portal designed for senior finance executives. In addition to the current menu of new issues, back issues, job postings, conference updates, discussion groups, and links to other sites of value to readers, look for a widening selection of exclusive Web-site content, new and improved interactive services, and breaking-news items. Popular discussion groups are due for a facelift, so please stay tuned. As plans develop, Joe welcomes your feedback. Let him know how our highly regarded Web site can do an even better job.

Joe's address:  
josephmccafferty@cfopub.com

management's. In addition, the SEC would no longer play the role of the cop writing tickets after the trafficker has sped past fuzzy posted speed-limit signs.

It is a standard belief that government regulation is inefficient. Yet, the country is better served with a government operation such as the National Security Forces or the Federal Aviation Administration. Imagine if airlines were allowed to select the type of air-traffic controllers they would like to enforce their use of the

national airports. For investors to sustain confidence in the capital markets, auditing should be raised to a similar level of objectivity.

Before one questions the wisdom of this advice, invoking the costs that taxpayers stand to incur should the SEC be found liable in shareholder lawsuits against the auditors for fraud, one should realize that taxpayers are already paying for the SEC not being proactive. Taxpayers paid in the S&L scandal, and they pay again when the courts are jammed by shareholder lawsuits stemming from audit irregularities.

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## letters to the editor

In fact, this proposal would lower the audit fees, because auditor liability would not be a substantial problem. The auditors would be free to call it as they saw it. It would also solve the conflict-of-interest issue that arises when the auditor moonlights as a consultant to the client.

The actions recommended here may be maverick, but the time has come for the SEC, Wall Street, and the whole investing community to prepare themselves for the 21st century by putting new structures in place to reduce waste and pain. The "irrational exuberance" of market participators is crying out for rational audits.

*Charles Asubonten  
Dearborn, Michigan*

### A Clearer Picture

**T**HANK YOU FOR MENTIONING NetBuy in your May article on E-commerce ("World Wide Bazaar"). However, while the article is informative and generally correct, the portrayal of NetBuy was misleading.

NetBuy deals in franchised product. We aggregate the underlying inventories of approximately 60 electronic distributors that are franchised by the manufacturers of the products carried. We offer our customers a one-stop Web site where they can search for, request a quote on, and buy from an inventory of more than 360,000 items from more than 1,800 manufacturers. Rather than having readers come to us if they have "too many electronic parts on the shelves," they should come to us when they have a parts shortage.

*Barry S. Heller  
CFO  
NetBuy Corp.  
Via E-mail*

### Alternative Workspace

**Y**OUR ARTICLE ON OFFICE construction ("Heavy Lifting Required," Real Estate, May) was very educational for today's corporate facility decision-makers. It clearly pointed out the inevitable pitfalls that managers encounter during an expansion or redesign effort. However, one of the largest hurdles to overcome is in not recognizing that the cost of physical office space is only part of a larger picture. A comprehensive tabulation of the cost of corporate workplaces needs to

include those areas accounted for in work point cost accounting, such as indirect costs (telephone lines, copiers), indirect space (kitchens, meeting rooms), soft costs (legal, project management), capital expenditures (IT, furniture), indirect support (reception, office management), and life-cycle costs. These costs can become overwhelming if they are not considered and controlled.

More and more, *Fortune* 500 companies are adopting formal, nontraditional office programs to combat escalating costs. One interesting program looks at the holistic workplace cost in terms of the cost per employee, not costs per square foot, which is the fundamental basis of work point cost accounting. One resource that many CFOs are looking to are business centers—fully furnished, serviced offices with short- and long-term flexible leases.

My message to the CFOs and management teams in these situations is simple: Play a role in looking at alternative work platforms that can reduce costs, please workers, and meet your business objectives. Understand your costs on this holistic basis. And while you're at it, keep asking: What is our core business?

*Steven L. Dixon  
Director  
Regus Business Centres  
New York*

### More Valuable than Suspected

**I**N YOUR SPECIAL REPORT ON CRM Software, "So Happy Together," you use the example of someone who spends a lot of money on first-class airline tickets but pays off her bills in full. The reader is led to believe that this kind of consumer is bad for credit card companies. Am I the only one who thinks that the percentage of each sale the credit card companies

#### CFO welcomes your letters

Send correspondence to:  
The Editor, CFO, 253 Summer St.,  
Boston, MA 02210

E-mail us at:  
JuliaHomer@cfopub.com

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take makes a tidy sum of money over a period of a year for the amount of money she spends just on airline tickets? If I were a credit card company, I would want her business for that reason alone.

The other area in which credit card companies make money is in the seemingly generous way they sell their lists to practically anyone who will pay for them.

*Srini Anne  
President  
Tridell Corp.  
Via E-mail*

### Once in Love with EVA

**T**HE COVER STORY in your April issue, "Fearless in Seattle," was very interesting and informative. However, one quote in the article was quite surprising. On page 44, Ms. Hopkins said, "I hate EVA," because it seems designed to let "finance people demonstrate how smart they are. Our goal is to take the magic out of it."

Since 1992, The Manitowoc Co. has used EVA, which has played a major role in helping management focus on profitable growth and shareholder value. In six years, sales have grown from \$200 million to \$695 million, earnings rose from \$8 million to \$51 million, and, most important, EVA has climbed from a deficit of \$12 million to a positive \$33 million.

Throughout our businesses, EVA is deeply embedded in decision making and strategy development. While our finance people are strong advocates of EVA, we learn a great deal about how it works in changing behavior and pushing improvement from those involved in other functional areas. The misperception that EVA is overly complex and embraced only by those in finance runs contrary to our experience.

*Robert R. Friedl  
Senior Vice President and CFO  
The Manitowoc Co.  
Manitowoc, Wisconsin*