

TOOLS AND RESOURCES FOR FINANCIAL EXECUTIVES

Sporting Suggestions

Players unions are "blind to the financial realities" in their sports, writes a reader. More letters to the editor: few companies have working capital under strong control; an SEC proposed rule "would result in a sham upon the investing public"; more.

[CFO Staff](#), CFO Magazine

November 01, 2004

CFO welcomes your letters. Send them to: The Editor, CFO, 253 Summer St., Boston, MA 02210.

E-mail us at JuliaHomer@cfo.com. You can also contact a specific author by clicking on his or her byline at the beginning of any article.

Please include your full name, title, company name, address, and telephone number. Letters are subject to editing for clarity and length.

I enjoyed your piece on the National Hockey League labor dispute ("[Hockey Fight](#)," September). I am a former financial executive with the Anaheim Angels and the Mighty Ducks. I continually find it amusing that the players unions in each of the respective major sports are so blind to the financial realities happening in their sports. Hockey is the worst, followed by baseball. The problems in basketball and football are not as severe, for different reasons. Basketball has smaller rosters and therefore lower absolute payroll dollars, and football has managed to keep its union under control.

I hope the owners stand firm in this NHL dispute.

*Jonathan M. Sullivan
Senior Vice President and Chief Financial Officer
The Behr Paint Co.
Via E-mail*

Trust an investment banker to suggest this one, but clearly what's needed here is a public flotation of the NHL.

Transparent reporting, independent outside governance, broad-based usage of equity and equity-linked compensation, market discipline, and ready access to capital will bring both sides of this brawl out of the penalty box.

The tremendous talent on both sides must conspire to create a much larger pie, rather than bicker over shares in a shrinking one. A structure and incentives can be put in place to encourage this direction, versus the existing structure that promotes a recurring "win-lose" approach. Hockey is a great sport that deserves a better vision.

Justin Pettit
Head of Strategic Advisory
UBS Investment Bank
New York

Sad but True

The annual *CFO* magazine [working capital survey](#) (September) again proved to be interesting yet sad reading. Companies continue to have significant amounts of working capital. Add to the average level of 14.2 percent ($5.7/365 \times 100$ percent) of sales the 5.7 percent of cash, and you have an amazing average level of working capital of 21.9 percent of sales. Only Dell and Apple appear to have working capital under strong control and have driven it below zero. Based on my years of experience in consulting with divisions of U.S. multinational manufacturers, I can only conclude that most manufacturers are just not interested in trying to improve customer service and increase shareholder value through strong working capital management. You can reduce working capital to zero, but it takes a significant effort, which most companies are unwilling to even attempt. What a great opportunity for those companies that make the effort to reduce working capital below 10 days to increase their competitive advantage.

Wayne H. Smith
President
Wayne H. Smith Consulting Inc.
Via E-mail

Ruling on the Rule

Your article entitled "[Who's the Boss?](#)" (September) is interesting, but misses several material issues. The Securities and Exchange Commission's proposed rule (14a-11) would result in a sham upon the investing public. There is no factual basis to the commission's assumption that institutional shareholders would have the intestinal

fortitude to engage in proxy contests. The SEC also incorrectly assumes that institutional shareholders could unite to reach a 5 percent ownership level (the threshold that would trigger access to the director-nomination process). Just agreeing on director candidates and entering into indemnity agreements would be a nearly impossible task. Further, corporate targets can easily disunite such groups by catering to the desires of a few members.

The proposal also ignores the financial interests of individual investors. Even if some activist institutional shareholders utilized the proposed rule, individual investors would not benefit. Institutional shareholders do not have the interest or resources to seek accountability at any but a few high-profile companies.

Our committee, along with CorpGov.Net, has filed a petition seeking to revoke SEC Rule 14(a)-8(i)(8) so that all shareholders of record can cause the names of director nominees to appear on the corporate ballot. The petition could be supplemented with a "lead-nominator" approach — that is, only the largest shareholder to come forward would be eligible to nominate director candidates.

The SEC's Website shows hundreds of letters of support for our petition. It certainly would be more efficient and would yield far superior results than Rule 14a-11. Indeed, with the approach we've suggested, all shareholders can be the watchdogs of their investments at the more than 14,000 publicly listed companies in the United States. Under the SEC's proposal, only a few dozen institutional investors would be afforded the privilege.

Les Greenberg
Chairman
Committee of Concerned Shareholders
Via E-mail

What you perhaps missed in "[Who's the Boss?](#)" is that the Internet is a technological breakthrough that has facilitated investor involvement. How? Sites such as CFO.com and SEC Fraud news, comments by apparently uncredentialed and unqualified folks at ISS that are bad-mouthing Warren Buffett, investor-services inquiries being outsourced to legal firms that are easily identified via the 'Net, and so on. Minority investors now have greater access, and simply are not going quietly away as they did before.

Richard Reynolds
Via E-mail

How Do They Do It?

Regarding the letter to the editor "[Strong Words for the PCAOB](#)" (October), there is one audit check I'd like to see in place: run a comparison of due/completion dates for transactions against raised/initiated dates. I remain concerned about how often paperwork

is left to last-minute panic, or is completed incorrectly. With this basic attribute not functioning, I do not see how a company can control its activities.

Martin Hogan
Via E-mail

So Many Initials, So Little Time

As one who holds the CPA, CMA, and CFM, I can clarify that the annual CPE requirements generally overlap ("[School Days](#)," September). Thus, I am not required to do 100 hours of CPE to maintain these three credentials.

Dale Schwartzenhauer
Tax Manager
Jim Johnson & Co.
Walla Walla, Washington

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