

from the chairman

During fiscal 2001, the Research Foundation began an important transition.

In May 2000, when I was elected Chair of the FEI Research Foundation, the Trustees and staff were in the midst of redefining and refocusing the Foundation's responsibilities and future. At that time, I commented that all of us must be "comfortable being uncomfortable" during a time of significant change. I am pleased to report that, even with significant changes in the leadership and focus of the staff, there has been substantial research and analysis accomplished and communicated to the FEI membership and to the community of financial managers and leaders at large. Being "comfortably uncomfortable" has permitted substantial change to occur, which clarifies the focus and increases the depth of the Foundation's work.

Late in May 2001, Marla Bace joined the Research Foundation as Executive Vice President and Chief Operating Officer. Her experience in accounting, financial reporting and analysis, and consumer-product marketing brings significant strength to the Foundation. The Trustees join me in expressing our support of Marla and in thanking FEI Senior Vice President Grace Hinchman for her interim leadership of the Foundation.

Being responsible to FEI member-initiated issues, and effectively distributing the results of the Foundation's research and studies related to these issues, has been the emphasis throughout fiscal 2001. The results of that focus and emphasis are illustrated in the following summary of accomplishments.

The Foundation released three full-length studies: *Leverage Competencies: The Key to Financial Leadership Success*, *Making Enterprise Risk Management Pay Off* and *Financial Turnarounds: Preserving Value*. The Foundation staff wrote articles based on these studies that were printed in Financial Executive magazine. RHI, an FEI strategic partner, distributed 20,000 co-branded reprints of the Financial Executive magazine *Leverage Competencies* article to their offices throughout the U.S. and Canada. There were telediscussions for both *Leverage Competencies* and *Financial Turnarounds*, which had 85 and 201 participants on line respectively. Both telediscussions received very positive reviews from the participants.

Dissemination of the Foundation's work in risk management has included the Foundation partnering with Andersen LLP to conduct an electronic survey of the current state of risk management. Andersen's senior partner, James DeLoach used the results of this survey for his presentation at the FEI Summit in May. The survey was promoted and conducted online, and there were 395 respondents to the survey. In future months, there will be a Financial Executive magazine article presenting the results of the study, and in December 2001, there will be a conference focused solely on the subject of risk management within the enterprise.

The Foundation's efforts extended far beyond underwriting these three full-length studies. Based on questions raised by the SEC, the Foundation identified on-going research that supported the investigation of *Quantitative Measures of the Quality of Financial Reporting*. The results of the study were presented at a conference the Foundation co-sponsored with the AICPA and were widely covered by the financial press, including *The Wall Street Journal*. In addition, the research led to subsequent meetings between FEI and the SEC to discuss the findings.

The Foundation completed two Executive Reports in fiscal 2001, both released during the summer: *Balanced Scorecard: Linking Strategy to Performance*, and *Taxation of U.S. Companies Doing Business Abroad: U.S. Rules and Competitiveness Issues: Second Edition*. The taxation study revisits the influential first edition, published in 1996.

The Foundation also concluded a Share Repurchase study, regarding the effect of share repurchasing on value, both long and short term, of a company's stock, which resulted in a Financial Executive magazine article. Additionally, the Foundation posted a share buyback model for download on the Web site.

The Foundation increased its direct contact with FEI members, enjoying conversations with hundreds of members at its booth at the FEI Summit (which included book signings by researcher and author Hal Davis). The Foundation staff also sought out chapter and member inputs via web surveys and attendance and presentations at various area leadership conferences throughout the year.

Working with FEI strategic partners, the Foundation expanded information available to FEI membership. The successes with Andersen LLP and RHI have previously been noted. In addition, the Foundation partnered with FEI associate partner Fortera (formerly Gladwyne Software Surety) on an electronic touch screen survey of Summit attendees. The results of this survey were posted on the Research Foundation Web site.

Fiscal year 2001 also saw the Foundation enhance its electronic product offering. The Ask the FEI Librarian service, now called *Ask an FEI Researcher*, continued to grow, and hot-topic summaries were created. These summaries encapsulate the answers to several questions from members on particular issues. These summaries and specific answers to various research questions now appear occasionally in *Financial Executive* magazine.

Two electronic newsletters were created in fiscal 2001: *FEI TechKnowledge* and *Global Update*. Both newsletters continue to be well received. The staff also added *Private Net* to its suite of offerings, a direct response to the high percentage of FEI member survey respondents wanting to have more private company information emanate from the Foundation.

Also, the general look and feel of the Web site was enhanced. The Foundation section now can be accessed from any page on www.fei.org, and the publication list has been updated to be fully searchable by companies participating in the Foundation's research.

The transition at the Foundation, combined with the difficult economic environment, made fundraising more challenging than ever. However, it is important to note that in many ways the staff dealt with this as effectively as possible. Participation and contributed dollars from chapters and individuals nearly doubled, and 34% of all renewed corporate contributions showed an increase. Significantly, the Foundation welcomed 29 corporations into the President's Circle of supporters.

The Trustees made a conscious decision throughout the year to utilize some of the accumulated reserves to continue to build the Foundation staff and research content. This deliberate investment in the future will, we are certain, yield very positive returns.

I have been honored to serve as chair of the Research Foundation during this exciting year. It has been my privilege to work with the staff, Trustees, researchers and volunteers redirecting and re-energizing the Research Foundation in its service to the financial management profession. I am especially grateful to the financial supporters of the Foundation during this crucial annual campaign, and to the FEI Executive Committee for their continued encouragement.

I would like to thank in particular members of the Executive Vice President Search Committee, chaired by Bob Schuler (retired) of MED3000 Health Solutions, and including Dave Taggart of Coca-Cola, Larry Prendergast of LaBranche & Co., Stephanie Wagoner, former president of Cardinal Health Capital Corp., and Donella Rapier of the Harvard Business School.

Throughout this year, members of the Office of the Chair have been very important to me personally, and I wish to express my appreciation to Raj Rajaji of Manugistics, Inc., Kate Stevenson of Nortel Networks Corp., Bob Schuler, and Larry Prendergast. Larry's advice and counsel as past chair were invaluable.

Now, let me wish very good fortunes to our new chair Kate Stevenson, who will guide the Foundation through the next steps of this exciting process.

Thank you for the opportunity to serve you.



Arthur V. Neis
Chairman

