

WHEN SCANDAL ROCKS THE BOAT, SHOULD TECHNOQUANTS ABANDON SHIP?

By Scott Gerson

As one by one the leading financial institutions become embroiled in scandal. Wall Street's technologists and quants face a decision: Abandon ship or drop anchor and ride out the storm. Profit-based bonuses are often the first targets for dramatic reductions. Hiring freezes, transfers and loss of morale seriously undermine the quality of the work environment. Since corporate climates vary greatly from company to company, technoquants need to assess all the variables. Systems technologists at various companies say their jobs are actually more secure during upheavals, since there's a need for tighter controls, risk management systems and revised mark-to-market evaluation procedures. This mix brews an exciting opportunity for professional growth and financial rewards.

Barry Franklin, president of Integrated Resource Management, a Phoenix-based executive recruitment firm, says weathering a corporate crisis brings a technologist long-term benefits. During the highly publicized Salomon Brothers bond scandal, one of Franklin's applicants from Salomon was aggressively interviewing, in search of a more stable work environment. He got several offers, but Salomon management instead convinced him to persevere. Two years later, he was given a very generous promotion.

For the past two years, First Boston has suffered significant capital losses and a succession of staff defections. The parent company, Credit Suisse, has twice recapitalized and extensively restructured its personnel. Though that writing on the wall could spell impending doom to some, one senior-level quant saw these factors as signals that the parent won't abandon its subsidiary. Complacent at his own firm, he jumped on the chance at First Boston to build a new proprietary trading group from the ground up.

But opportunity may lurk even in a firm with total losses surpassing nearly \$250 million, after taxes. Kidder Peabody has been plagued by scandal, capital losses, political turmoil and a disarming lack of faith by its parent company, General Electric. However, after pumping over \$1.4 billion into its embattled subsidiary, G.E. says it won't abandon Kidder Peabody--even though 1994 was the worst year in the company's 129-year history. And where there is growth and volatility, there's a good chance for advancement, even at Kidder Peabody.

There are times, however, when stability is an essential prerequisite. When quants are just beginning their careers, an association with a company in turmoil can be disastrous. An ideal first position should offer stability, guidance and growth, not mismanagement, scandal or layoffs. A young man who had a number of job offers was debating which position to accept. One firm offered him 50 percent more than the others. He recognized that something was wrong but succumbed to temptation and accepted the higher offer. Fortunately, a week before he was scheduled to begin, his department head was terminated (very likely under dubious conditions). So the young technologist went to a smaller, but more stable, organization, and a potentially devastating career move was averted.

There are, too, conditions when leaving is the strongly recommended action: in a company where managers favor particular computer vendors and recruitment agencies in exchange for kickbacks. Technologists aware of this kind of misconduct in the workplace are often torn between

remaining silent and "blowing the whistle"--but should, at any rate, leave the company. Dishonesty, incompetence, distasteful politics--these improprieties can slowly destroy a person's integrity and gnaw away at the soul. They will also eventually erode the very fiber of the company itself.

As the tides of corporate scandal ebb and flow, they will continue to restructure the landscape of business on Wall Street and throughout the global economy. Many of our best quants and technologists will ponder their stability in companies rocked by improprieties of varying degrees. Fortunately, scandal usually engenders growth and development as truth is revealed, and new visions afford new opportunities. Technologists should carefully assess all variables, seek counsel when appropriate and venture forth with dignity and determination.