

The realignment

by Alison Rogers



It's been so slow on Wall Street, and yet so busy. Secular changes in the scale of firms, the speed of information flow and the relationships between institutions and individuals have coincided with tremendous personnel turnover and the rebuilding after Sept. 11. It makes you wonder: They say it's lonely at the top, but how can it be lonely on Wall Street with all those challenges—and all those people trying to pop into your office?

In this, our inaugural "Movers and Shakers" supplement, we profile 10 not-so-lonely people who are leading Wall Street's realignment. Starting with the corner office, we look at three CEOs who face markedly different challenges.

After Sept. 11, **Sandler O'Neill's** Jimmy Dunne found himself with the task of keeping the firm going while saying goodbye to 67 friends and colleagues. A year later, the grief isn't gone, but neither is Sandler—the firm has new offices, stronger research coverage, and new hires from **Goldman, Sachs & Co.** and **J.P. Morgan Chase**. For more on how Dunne did it, see senior writer David Weidner's story on page 14.

Meanwhile, Jimmy Cayne, the CEO of **Bear, Stearns & Co.**, announces his firm's intention to remain independent. It has worked so far: While foreign banks took over Donaldson, Lufkin and Jenrette and PaineWebber, Bear has

hunted alone and its earnings have popped 128%. Cayne, as the firm's largest shareholder, sits back and enjoys his half a billion bucks on page 16.

Times are tougher for **Thomas Weisel Partners**. Tech banking's dealflow has dried up, which has resulted in the demise of competitors such as Robertson Stephens. Weisel insists he's riding out the storm by broadening his firm's coverage—see his discussion with staff writer Tara Croft on page 16.

This report also includes a look at Robert Herz, the new head of the Financial Accounting Standards Board; Credit Suisse First Boston's Adebayo Ogunlesi; **Morgan Stanley's** Byron Wien; Claire Gruppo of **Gruppo, Levey & Co.** on running a midmarket investment bank; and Zach Hulse of J.P. Morgan Private Bank on the changes in high-net-worth banking.

Since several banks face succession issues, we also look at two men who may be in the corner office in just a few years. Interestingly, they're both Brits with an international bent: Luqman Arnold, former president of the group executive board of **UBS AG**, is a big gun who may be for hire at several places—**Credit Suisse** is the one the British press has recently bandied about. And Queen Elizabeth so appreciated the international business efforts of Deryck Maughan, whose recent promotion at **Citigroup** puts him in the running for Sandy Weill's job, that he was knighted earlier this year. Not bad for a coal miner's son. **D**

Mail-order's bride

Claire Gruppo of Gruppo Levey & Co.

by Tara Croft

The deal that put Claire Gruppo's company on the direct marketing map was the deal that took **Sears, Roebuck and Co.** off it.

In March 1993, **Gruppo, Levey & Co.**, a New York-based boutique investment bank specializing in direct marketing, was only six months old when Sears announced it was going to eliminate its catalog business. Gruppo and co-founder Hugh Levey saw a potential client. Guessing that Sears was underestimating the value of its customer list, Gruppo wrote Sears chairman Arthur Martinez a letter.

"The next day the phone rings," Gruppo says. "I was in my cubicle eating my tuna on rye and the voice says, 'Well, hello. This is Arthur Martinez.'"

Sears hired the company to determine the size of the customer file, and what to do with it. They discovered Sears had an average 24 million catalog customers who bought at least three times within 12 months.

"The loyalty of that file was incredible," Gruppo says. They rented the list out to other mail-order companies, making Sears \$500 million a year. "That was when we knew we had a business," Gruppo says.

In the last four years, Gruppo, Levey & Co. has handled more than \$3 billion worth of transactions, due largely to Gruppo's background, a unique combination of direct marketing and dealmaking. "We're not in the business of doing transactions by the dozen," says Gruppo. "We tell our clients what we think their business is really worth, not what they wish it were worth."

Gruppo had started in the editorial side of publishing, a career path she'd exhausted by the time she was 27, having been executive editor of *Diversions* and managing editor of *Savvy*. In 1982 she returned to *Diversions* on the business side. As vice president of development, Gruppo launched direct-mail businesses and a custom publishing division.

"I invented it because I was young enough to not know better," Gruppo, 49, says laughing. In 1984, Hearst bought the company and took Gruppo. After a quick stint, she got a call from Thomas O. Ryder, who was building a publishing operation for **American Express**. "He said, 'I understand I need to hire you,'" Gruppo remembers. "That was where I got the direct marketing bug and learned the deal business."

In 1989, Hugh Levey, a major investor of a catalog company called Special Interest Video, approached American Express looking to be bought. AmEx wasn't interested, but Levey persuaded Gruppo to leave her job and help him sell the company. With the help of bankers at **J.P. Morgan**, they banged out a deal in 1991 with **Knapp Communications**. Other catalog businesses got wind of Gruppo's success and came to her looking for her adviser. When she told them there was no specialist, but offered her own help, she wound up with stacks of plans on her desk.

"One day Hugh said, 'Why don't we start a firm focused on direct marketing,'" she says. "Half the people we talked to thought we were crazy; the other half wanted to give us



money for half the company."

Ten years later, Gruppo, Levey & Co. is still the only investment bank of its kind. "There isn't anyone else in the space," says Ben Chereskin, a partner at **Madison Dearborn Partners LLC**, a Chicago-based private equity firm that has done half a dozen deals with Gruppo, Levey's assistance, "and that's why they're as good as they are."

One deal on which the boutique advised Madison Dearborn was **Reader's Digest Association Inc.**'s \$760 million buy of Reiman Publications LLC, announced in March. Not only was it Gruppo's biggest, but she also found herself across the table from her old boss, now Reader's Digest's CEO.

"Suddenly it's 15 years later and I was negotiating the largest transaction Tom Ryder has ever done," Gruppo says. "That was fun for us."