

MANAGEMENT

MANAGEMENT; Instinct, Not a Disaster Plan, Saves a Tiny Firm

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Last Wednesday, John E. Maloney, president of M&R Capital Management, spent the better part of his day hunkered down in the dining room of his Victorian home in Westfield, N.J., with a cellphone in one hand and a landline phone in the other, overseeing trades for clients while his 11-year-old twin sons played noisily in the room above him.

Nearby, in Bayonne, N.J., the company's administrative assistant, Laurie Jesolosky, navigated several computers and printers hastily set up in her living room as she fussed over a mass mailing to over 300 clients.

The chief operating officer, Richard T. Diver, meanwhile, spent the day shuttling back and forth from his house in Spring Lakes Heights, N.J., to homes of his colleagues throughout the New York metropolitan area to make sure their computer systems were working.

Running any business is tough enough in ordinary times. But keeping it going through a crisis is what really tests a manager's mettle. And last week, M&R Capital, a Wall Street Lilliputian with just seven employees and about \$300 million under management, made it through the worst crisis in its history.

Like most companies, M&R had drawn up contingency plans to deal with setbacks, even disasters. But no one could have prepared Mr. Maloney and his top lieutenants for the Sept. 11 terrorist attacks on the World Trade Center, three blocks from their headquarters at 40 Fulton Street. All communication lines to their office were knocked out, and though the employees were unhurt, the two who had made it to work were ordered out of the building.

At that point, it was not some scripted disaster-recovery plan that M&R's managers followed -- it was gut instinct. "We may be winging it every step of the way," Mr. Maloney said. "But we've managed to stay afloat."

Mr. Maloney had been meeting a client in Livingston, N.J., when the client received a telephone call. "He hung up and his face turned ghost white as he told me that the World Trade Center buildings had both gone down," Mr. Maloney recalled.

His first impulse was to leap into his car and rush into New York City, but he quickly realized that would be impossible, he said, so "I sort of drove around madly for a few

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minutes while I figured out what to do."

With his cellphone out of commission, he made a sudden U-turn in traffic and headed home and began making frantic calls to employees. After getting through to all of them, he learned on a television report that evening that his offices would be closed indefinitely.

So he set up a command post in his home and asked staffers to come over on Thursday, two days after the attack, to formulate a plan. The obvious first step was to call clients, many of whom "had no idea whether we were dead or alive," he said.

Relying mainly on cellphones, "we had to press redial over and over again," he said. "For every call that got through, you had 20 others that didn't." By the next day, most clients had been reached.

The next task proved more difficult: getting access to the company's computers. "We weren't even allowed into the area until Saturday," said Mr. Diver, who raced into the office as soon as he received the go-ahead with other employees and computer consultant in tow.

Mr. Maloney dragged a 70-pound high-speed printer to his car, which was parked several blocks north of Canal Street. "I was sweating like crazy," he said. "That's when I realized I should be spending more time at the gym."

Other employees lugged their PC's and other equipment to a temporary ferry station in lower Manhattan to take them to their New Jersey homes. Charles Lemonides, the company's chief investment officer, grabbed his laptop and all the records he could carry and embarked on an hourlong trek to his home in Greenwich Village.

Then, for the rest of the weekend, Mr. Diver and the consultant worked to make sure employees were equipped to work out of their homes.

"My living room looks like a nightmare," Ms. Jesolosky said. "There are wires and computers everywhere."

By Monday morning, Sept. 17, M&R was nearly ready for business. Mr. Lemonides had set up shop at his brother's dot-com company on Harrison Street in Manhattan, where he had access to Bloomberg and other providers of market data and financial news. That worked until Tuesday afternoon, when the company's Internet connection died and the phone service began to work only sporadically.

In a panic, Mr. Lemonides took his laptop and returned to his home in the Village and hurriedly tried to set up a makeshift office. But with only one phone line, it was an act of sheer frustration.

"I had a choice: I could either access market information on the Internet or talk to clients, but I couldn't do both," he said.

In a moment of inspiration on Wednesday morning, Mr. Lemonides says, he trudged with his cable box over to the office of his local cable provider and traded it for digital cable with a modem, which would allow him to have a dedicated Internet line.

Mr. Diver was lucky: his home had recently been outfitted with five phone lines and a high-speed Internet connection. "I always thought I should have back-up communication in the event of an earthquake or something," he said.

Mr. Diver had the company's phone number rerouted to an answering service, which Ms. Jesolosky monitored from her home in Bayonne. Slowly, the calls began to roll in. "The first word out of every client's mouth was, 'Are you O.K.?' " she said.

To reassure them, Mr. Maloney drafted a letter to each one, listing personal phone numbers, cellphone numbers and personal e-mail addresses of all employees. On Sept. 18, he drove to Ms. Jesolosky's home and signed the letters one by one as they rolled out of the printer.



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That same day, the company made several trades totaling more than 40,000 shares, Mr. Diver said. One client, Daniel Stough, an Oklahoma City neurosurgeon who had been investing with the company for more than 21 years, said he was so impressed by the quick service that he was planning to transfer additional money into his M&R account.

Through it all, family life went on around the employees. "Either my wife is banging pots and pans around in the background, or my 2-year-old daughter is cooing," Mr. Lemonides said. By Sept. 20, he was taking calls on his cellphone in his backyard, an umbrella shielding him from the driving rain. "I'm out here in the rain, smoking a cigarette," he said.

Photo: After the Sept. 11 attacks, John E. Maloney, president of M&R Capital Management, set up a makeshift office in his home in Westfield, N.J. (Dith Pran/The New York Times)

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