

# Tom Golisano Goes Public

BY EDWARD O. WELLES

An entrepreneur shifts his focus from his business to the community.

Golisano has spent the last 20 years building his company, Paychex, into a phenomenally successful business. Now he wants to spend much of the next 20 years rebuilding his community

Tom Golisano is a man with an abiding belief in the power of numbers. Show him an annual report and he'll start reading it from the back, crunching his way through the numbers, burrowing into the footnotes to root out the essence buried in the fine-print prose that is as hard to read as it is to see. For Golisano, numbers always tell the tale. They offer a clear, objective window into the health of a business.

Golisano, in a literal sense, owes his prosperity to numbers, having built a hugely successful company that provides payroll-processing services to small companies. Paychex, based in Rochester, N.Y., and founded in 1971, today has 152,000 clients. (The average Paychex client company has 14 employees; 98% have fewer than 100 employees.) Last year Paychex rang up revenues of \$161 million, and its net income has grown over the past 10 years at a compound annual rate of about 30%. The company went public in 1983, and the stock has risen eightfold since. And still, Paychex's best numbers, arguably, lie ahead of it. The market it addresses and clearly dominates -- companies with from one to 100 employees -- numbers some 5 million just in the U.S. markets Paychex currently serves. Golisano puts the total potential market at double that figure.

Against that backdrop, you'd expect Tom Golisano to be an ebullient, self-confident man. But *reserved* and *reflective* are better words to describe him, as these days other, less felicitous numbers compete for his attention. Golisano can rattle off the number of teenage mothers who give birth in Rochester each year; the percentage of the city's schoolchildren who are on public assistance; and the percentage of arrests in the city that involve alcohol or drugs.

Golisano delivers those figures in a matter-of-fact, deadpan style. Scratch the surface, though, and you'll see an energized concern for an afflicted America. He believes that decades of economic sloth, coupled with the present penchant for ducking tough political issues, have left the country wounded. "We are so reactive and not proactive as a country," he complains,

sitting one recent day behind his desk, slipping into stream of consciousness. "I'm frustrated by that. There are some basic problems in this country we have not faced up to. I'm talking about a burgeoning lower class, the graying of the work force, the lack of competitiveness in certain manufacturing areas. We are headed for a long-term downward economic spiral unless we can change these things."

Golisano, now 51, has set out to do just that. In recent years he has been drawn ever further into community problems and has devoted increasing amounts of his time and wealth to their solution.

Three years ago Rochester community leaders formed a 35-member coalition, Rochester Fights Back (RFB), to combat the plague of illegal drugs that had befallen the city. Golisano was among that group. A year ago, after much deliberation and not much action, the former head of the coalition resigned. It was then proposed that Golisano take the job. He did. "He gets into something in a very in-depth way or not at all," says Richard Miller, vice-president of external affairs at the University of Rochester and an RFB member, as well as a longtime friend of Golisano's. "Tom's very pragmatic, very direct, and very impatient."

Under Golisano, RFB, with an annual budget of \$300,000, has set up a number of specialized task forces to attack the problem from different angles. Those tactics include gaining media attention; reaching out to the schools; running workplace seminars on substance abuse; organizing neighborhoods to combat the drug trade; diverting first-time offenders away from the criminal-justice system and into treatment; supporting a network of treatment centers around the city; and building a 24-hour-a-day crisis center.

Golisano, like any smart entrepreneur, has a nose for the leverage point and a bias toward action. He wants to act quickly and with force. That does not always sit well with the coalition's more politic members, namely local government and business leaders. Golisano's "impatience" stems from RFB's emphasis on illegal drugs, which draws attention away from a legal and widely used one. "It took me a year and a half to get them to even say the word *alcohol*," Golisano notes wryly. Golisano (who doesn't drink) believes alcohol wreaks far more social -- and economic -- havoc than illegal drugs do, and he has pushed to get alcohol abuse on RFB's agenda. He is offended by the hypocrisy of beer companies' sponsoring sporting events, particularly since alcohol so clearly impedes athletic performance. "If I had my way, I'd ban all alcohol advertising," he says flatly.

That has ruffled a few feathers on the coalition. Miller, an RFB member who also sits on the board of Rochester-based Genesee Brewing, labels Golisano "a hawk on alcohol."

Bob King, also on RFB and a Monroe County executive, says of Golisano, "He's all business and

doesn't care much for the nuances of government. That has frustrated a few people."

Golisano contends that government needs a greater sense of accountability and a bias toward action, qualities that are commonplace in the private sector. "Rochester Fights Back is very different from Paychex. You can't tell volunteers to do something when you want it done." Conversely, he notes, in business "when there are differences of opinion over how to make profits, someone always has the final decision."

Golisano wants to bring a sense of decisiveness to the nonprofit sector, which he believes tends to coast along in a culture of irresolution and abdication of responsibility. He wonders "if the treatment industry has a vested interest in [the drug] problem's not going away" and thus has little true interest in the most cost-effective remedy -- prevention. "Providers get compensated for the number of people they treat, *not* the number they don't treat."

He has questioned why the city arena, run by a county government that has gone on record saying it wants to combat alcohol abuse, promotes beer sales at sporting events. He has even fueled debate on the explosive issue of legalizing drugs. He notes that the federal government spends \$10 billion a year on the "war" on drugs, much of that for enforcement and treatment. What would happen, he wonders, if a good chunk of that money were freed up to be spent on prevention and what Golisano labels "counteradvertising"? He adds that he has no doubt that a lot of inner-city violence would abate if all drugs were legalized.

Tom Golisano's sense of urgency, his willingness to roll an occasional ideological grenade into a crowded room in a small community, is rooted in a simple fact: he has lived in one place -- Rochester -- all his life. He has watched the city's decline, the flight to the suburbs, the slide of once-vibrant neighborhoods into decay and drug dealing.

Beyond the slow ebb of Rochester's fortunes he has seen the side effects of change across society, resulting in a lessened sense of community and an increased imperative for large and faceless agencies to tend to human needs. "Thirty years ago we took our parents into our homes," says Golisano. "My mother lived with us for the last 20 years of her life." That sort of care giving is rare today. The result, says Golisano, can be seen -- once again -- in the numbers, in programs, such as Social Security and Medicare, that have ballooned in recent years, mutating in the process into sacred political cows. He notes that in the past 25 years the Social Security deduction from the average paycheck has risen *more than 20-fold*, and that Paychex pays an annual medical premium of \$4,900 for each employee with a family.

Golisano's success has lifted him from humble origins to a position of obvious local influence. He is motivated in part by a sense of obligation, a need to "give back" to those less fortunate than he is. But his true aims are less sentimental and more pragmatic than that. "We need to

get more people involved in the economy, not dependent on it," he says. Golisano cites numbers pointing to the local fallout from demographic changes and economic and social decline. In 1982, 29,000 people in Rochester received public assistance. Today 55,000 do -- and the county's population has not increased. Golisano talks -- like a businessman, not a social worker -- of converting the pools of human capital now languishing in the nation's cities from "liabilities" into "assets." To aid the transformation, Golisano started a small foundation five years ago, and it dutifully gave money to those in need. But for Golisano, the entrepreneur, the process came to feel empty, ill defined. "Being on a foundation board is very depressing," he says. "You read 15 presentations on need and say to yourself, What's the world coming to? It's also hard to distinguish fact from fiction, need from real need."

Again Golisano looked for the leverage point. Where was the key problem? He realized he needed to focus the foundation to have an impact. Otherwise, need would overwhelm it. In time, his research -- and the numbers -- told him where to look.

"Twenty-five percent of the kindergartners in the city were born to teenage mothers. Sixty percent of the kids in the city of Rochester are on some form of public assistance," says Golisano, reciting a string of dismal numbers he now knows all too well. "There are 1,100 teenage single mothers each year in Rochester -- and 35% of them are repeats. Eighty percent of the teenage mothers in the county who become pregnant before senior year don't graduate from high school." Golisano came to see teenage pregnancy -- like alcohol abuse -- as a root affliction that rips through the social fabric, feeding a host of related (and costly) ills: poverty, dependency, poor academic achievement, subpar (yet expensive) health care, and crime.

A year ago Golisano began shaping the means of his foundation to meet a specific end: lowering the teenage-pregnancy rate in Rochester. He brought together a small group of key local leaders and researchers in the field to discuss that critical issue. The group then looked around for a successful model to combat teenage pregnancy and found a media campaign that had recently run in Maryland and had met with success. The campaign, which included strong public-service announcements aimed directly at the core market (teenage girls), had helped lower the teenage-pregnancy rate in Maryland by 5% in each of the last two years. Golisano's foundation committed \$100,000 to a similar project in Rochester and then persuaded the United Way to match the sum. It then got the county government to match the \$200,000. Golisano says the \$400,000 raised will be enough to run a media campaign for a year and a half. He sees such a campaign as a good investment, given that, on average, a premature baby -- more likely to be born to a poor, single woman lacking access to decent prenatal care -- costs the health-care system \$100,000.

Golisano's interest in substance abuse and teenage-pregnancy issues at the local level is

balanced by an overarching concern: the need for political reform at the national level. He believes citizens feel alienated from a political process corrupted by money and the power of entrenched political elites. He believes most incumbents lack the will or political independence to solve tough political problems, notably the federal deficit.

Last spring Golisano commissioned a nationwide poll, to which 1,600 registered voters responded. It was conducted by Gordon Black, who runs a national polling firm in Rochester, and sought to plumb the depth of public feeling on the aforementioned issues. The results were released in June at a press conference at the National Press Club, in Washington, D.C.

The intensity of the response amazed Golisano and Black. The poll indicated that people did indeed feel alienated from the political process, and it showed they strongly preferred action to ideology. Clear majorities wanted the following: large cuts in defense spending; a balanced federal budget; gun control; the issue of abortion removed from the nation's political agenda; term limitations on Congress; a ban on alcohol advertising; broad limitations on middle-class entitlements; and a complete overhaul of the welfare system.

Says Black of Golisano: "He cares a lot about these issues. We've been talking about them for more than two years. I started talking to him about a new political party back in 1990. We don't like what's going on. We are people who make things happen, and we don't accept excuses for inaction. Tom is offended by what's going on in this country. He thinks the system is out of control."

Black believes Golisano's move toward the public realm is very much in keeping with the American tradition. "Most significant community leaders are businessmen who have been successful and want to have an impact in the community." He cites two well-known Rochester examples: George Eastman, the founder of Kodak, and Xerox's Joe Wilson.

More interesting, Black says, is the idea that Golisano, whom he has known for 10 years, will eventually arrive at a fork in the road. "There comes a pivotal point for a person like Tom. He has to decide whether he wants to remain a public-minded private citizen or run for office. If you remain a private citizen, you reach a point of diminishing returns." Running for office is a question of internal constitution. "There is a clear attitudinal divide between people who love the conflict of politics and people who hate it," says Black. "The civic role is a very gentle one by comparison."

Golisano may be closer to that divide than he currently appreciates. Both he and Black believe that a third national political party will exist within the next two years, the product of what they see as "the revolt of the center." The party will command as much as 30% of the electorate, drawing equally from Democrats and Republicans. In fact, Golisano and Black have taken

steps to make that happen. This past September they met in Chicago with a group of 40 business, political, and community leaders to begin the launch of an independent party. "This is a serious grass-roots effort," says Golisano. "It's far along in its development, and" -- here he makes an obvious allusion to Ross Perot's aborted presidential bid -- "it will be sustained." The committee, chaired by the governor of Connecticut, Lowell Weicker (an independent), has raised \$500,000 to begin an organizing effort, which will start with a national advertising campaign to enlist volunteers to help build the party. Golisano sees the party as taking shape "from the bottom up," and "making a special appeal to entrepreneurs." At the Chicago meeting, Golisano claims, the group's strongest disagreements occurred over what to name the fledgling party. Otherwise, there was strong consensus on many of the concerns touched upon in Black's polling data.

At his age and with his accomplishments, Tom Golisano could easily retreat and live a comfortable life. No one would fault him for that. On the other hand, he could just as easily allow Paychex to consume him, putting in one 12-hour day after another. Many would laud him for that.

But Golisano has chosen a third path. He will run a growing business while also engaging as an influential citizen in the affairs of a couple of foundering -- and interrelated -- enterprises: American society and the American economy. The imperative to not walk away, Golisano believes, is now too great. As he puts it: "Without economic strength, you don't have freedom. If we keep on the way we've been going, I'm not sure I'd want to be around in 30 years."

Tom Golisano adds that yes, he is an entrepreneur and a private businessman, but he has always been keenly interested in public issues. He just kept his ideas -- felt intensely -- to himself or spoke of them only among friends. "Hell, I had 10 different ways to end the Cold War," he says with a laugh. "One of my ideas involved giving everybody in Russia an Oldsmobile Cutlass."

The time for jokes is now past. The next war to end is the one that rages at home.

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