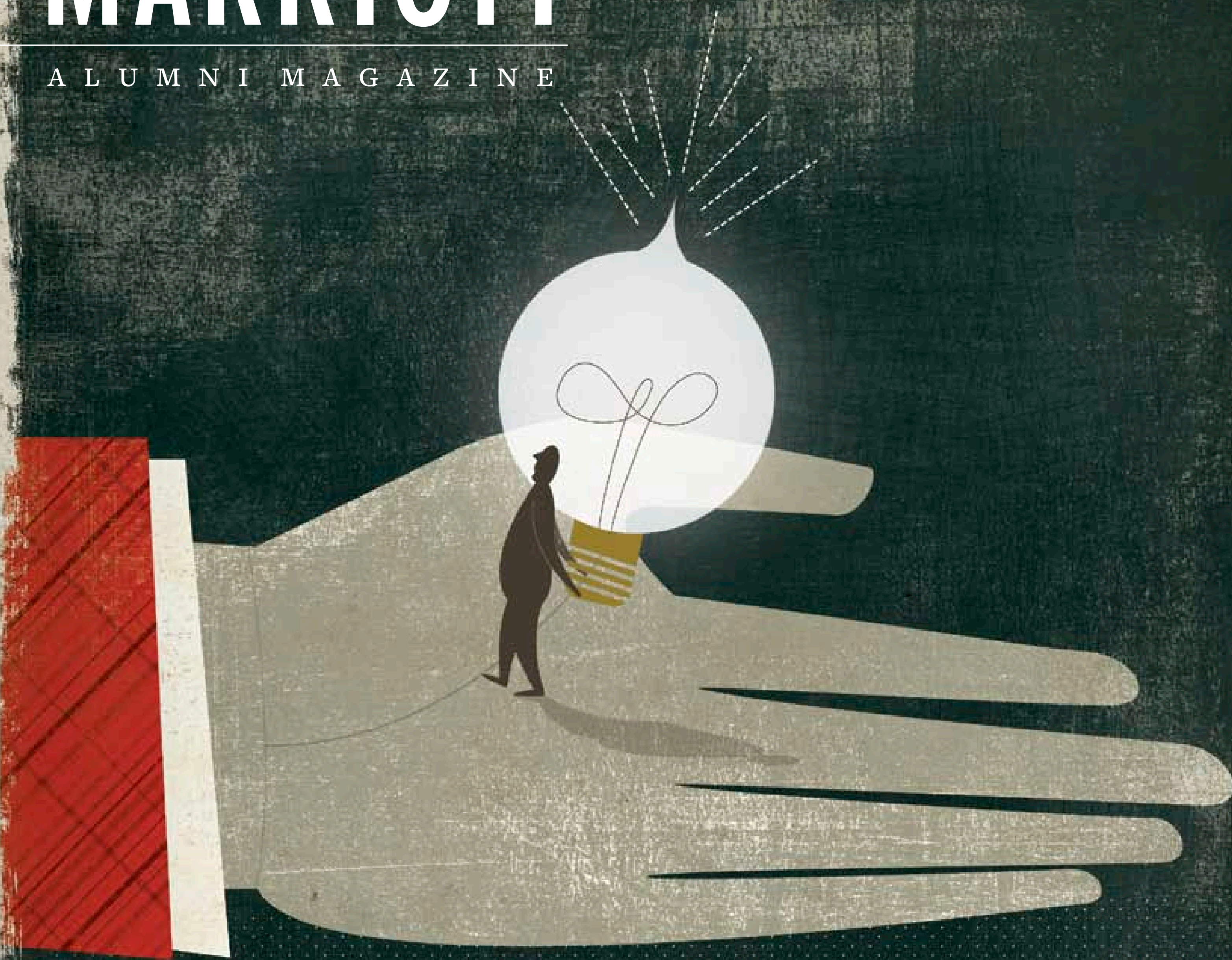
MARRIOTT

ALUMNI MAGAZINE



. . . And Justice for Innovation

Art at Work

The Privilege of Giving

MARRIOTT SCHOOL OF MANAGEMENT | BRIGHAM YOUNG UNIVERSITY | WINTER 2008

MANAGEMENT SOCIETY AWARDS ALAN J. FOLKMAN FOR LIFETIME SERVICE

The Management Society presented Alan J. Folkman with its W. Lowell Benson Lifetime Service Award at the society's leadership conference 4 October 2007.

Folkman was recognized for his continued support of the school's National Advisory Council, in which he coordinated fund-raising efforts for the N. Eldon Tanner Building addition, as well as for his contribution to the Portland, Oregon, Chapter of the Management Society.

"Folkman has a great influence in the business world, yet his motives to help the school are completely selfless," says Rixa Oman, Management Society executive director. "He is fully committed to the success of the Marriott School and is willing to give so much of himself."

As part of the Management Society, Folkman has motivated members and has created networking opportunities by arranging notable guest speakers for chapter meetings.

Folkman graduated from BYU in 1967 with a BS in business management and was past chair of the National Advisory Council. Before retiring in September 1998, Folkman served as senior vice president and chief investment officer for Columbia Management, where he was a member of the board of directors. He is currently a private investor and president of Eagle Management LLC. Folkman and his wife, Sharon, have six children and thirteen grandchildren.

The W. Lowell Benson Lifetime Service Award was established in 2000 by the Marriott School as an honor to the late W. Lowell Benson. Benson contributed to the progress of the school, the Management Society, and BYU through his longtime service on the Steering Committee and the National Advisory Council.

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Cover illustration by Andrew Bannecker.

A Great Addition

BY RON SEAMONS

Having been so closely involved with the funding for the Tanner Building Addition, I'm pleased to report that the money is being well spent. Not only is the construction progressing well, but the addition is shaping up to be a great building.

You might have gathered from past correspondence how much the new facility is needed—with student enrollment up 66 percent since the building's dedication in 1983. But what you might not know is how much research, planning, and hard work have gone into the construction.

Let me tell you about some of the great people who have helped make this happen. We've had:

A great architectural team, led by Mark Wilson, principal architect, and Osamu Uchiyama, architectural designer, of FFKR Architects in Salt Lake City. They are a premier architectural firm that is responsible for the recent renovations to the Salt Lake Tabernacle and designed Abravanel Hall, the BYU Jerusalem Center, and BYU's new Gordon B. Hinckley Alumni and Visitors Center. An interesting side note is FFKR also designed the original N. Eldon Tanner Building.

A great building committee, headed by Richard Dalebout, associate professor of business law. This committee consists of Marriott School faculty and administrators who have visited and consulted with more than a dozen other business schools to see what works and what doesn't. Students have also had a say in what is needed. As a result the space has been very carefully planned. Students sitting in the ten new tiered case rooms will have a clear view of the professor, white boards, screens, and each other. The addition will provide a net increase of roughly 900 classroom seats and will also be technically advanced with fiber optics, wireless internet, video conferencing, and extra power.

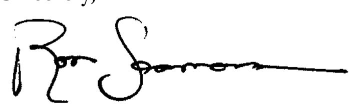
A great construction crew, with Jacobsen Construction project managers Kip Walter and Cable Murray overseeing the addition and Kent Walter and Dee Jorgensen managing the parking structure. They are working within budget to complete the building by the end of July despite heavy snowfall, unusually cold winter temperatures, and an early decision to utilize an alternate footing system.

And finally, great support from the Marriott School family: the National Advisory Council and our faculty, administrators, staff, and students. We have only $2.5 million more to raise and are counting on your continued support to help complete funding for the project. We are anxious for everyone to have an opportunity to participate. We are grateful for the tremendous outpouring of support from the Marriott family, the Tanner family, and NAC members, many of whom have contributed more than $1 million. Each of you has played an essential part in bringing this facility to fruition.

When we began this project, we focused on the theme: Expand, enhance, engage, and enlighten. Now as we are well along the path, we see its application to what we've learned. We've expanded our idea of what is possible, enhanced our appreciation for those who have come forward to help, engaged many people in the process, and enlightened our understanding of what we're really about—building and training leaders who will impact the world for good.

Thank you for supporting this very worthy endeavor.

Sincerely,



Ron Seamons
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GLIMPSES

WOOING GRADUATES AND IMPRESSING EMPLOYERS

Adrenaline pumping, Brandon Barnes, an accounting student from San Antonio, jumped into action as the race car squealed to a stop. As classmates worked to quickly remove a tire, he stood ready with the replacement. The "pit crew challenge" was an unusual but welcome change from regular course work.

For the past three years, students in the Marriott School's accounting junior core have participated in this exercise. It is intended to teach valuable teamwork skills—and to get students thinking about a possible career with sponsor PricewaterhouseCoopers.

The caliber of the Marriott School's programs and students invites the attention of hundreds of recruiters who try to persuade students to join their organizations. It can be a competitive process.

For example, professional services provider Deloitte spends more than $1 million in resources annually to recruit Marriott School students, estimates Debra Vranes, campus recruiting manager. Deloitte has one of the most prolific recruiting programs on campus, hiring eighty-six employees from BYU last year. "The return on our investment greatly outweighs the cost," Vranes says. "The students are dedicated to client service and able to make an immediate impact in offices around the world."

Through learning exercises, social activities, and countless presentations, companies work to attract students with the abilities, experience, professionalism, and maturity that make them valuable corporate additions. The process is so effective that 98 percent of job-seeking undergraduate accounting students have full-time employment within three months of graduation.

Prime candidates are in high demand, so companies plan their recruiting strategies carefully. Recruiters consider current and future employment needs, then estimate how many job offers they'll make. They continue working backward to analyze how many interviews to conduct and how many résumés to read.

> *"The students at BYU are well prepared. They are professional and mature, present themselves well, and usually have an international background."*
>
> —Rachel Gwynne, L'Oreal USA

Since on-campus recruiting events can be costly and time-consuming, company representatives give careful consideration to which schools they'll visit. They want to find the best cultural and educational fit, and for many this is where the Marriott School shines. "The students at BYU are well prepared," says Rachel Gwynne, recruitment and talent development manager for L'Oreal USA. "They are professional and mature, present themselves well, and usually have an international background."

The recruiting process begins the moment students are accepted to the Marriott School. They are encouraged to consider career possibilities as employers work to gain favor among the incoming class. Firms build recognition with sponsored events throughout the year, but once fall semester is in full swing, so is recruiting season.

In the accounting program, where competition for graduates is especially intense, the school has established guidelines for top recruiters to create a fair process. After a round of formal information sessions, recruiters accept résumés from interested applicants. They invite selected students to attend an evening social followed by a busy, once-a-semester interview day. Students who pass that round travel to company offices for follow-up interviews, which often result in job offers.

Throughout the Marriott School, after weeks of intense involvement, many applicants must make a difficult decision. "I remember how hard it was for me to choose an offer," says Joni Lusty, an Ernst & Young campus recruiter. "I'm glad to act as a resource to help others through that choice." Even after recruiters have signed new employees, they continue to work with recruits to ensure a smooth transition into the corporate environment.

Since each student has a different dream and employers have varied needs, recruiting—although stressful and time-consuming—helps students and employers make informed choices. And with an increasing number of companies choosing the Marriott School, the outlook for students has never been brighter.


125 150 175 200 225 250 275 300
lb/in 2
COMPRESSION
ONE DOLLAR

{ BY GREGORY TAGGART }

Fig. 15

What Goes Up?

Fig. 5

{ PHOTOGRAPHY BY BRADLEY SLADE }

Understanding Inflation

Fig. 14

Comedian Steven Wright claims to have a full-size map of the United States—where one map mile equals one real mile. "I spent last summer folding it," he quips.

Barry Ritholtz uses that joke to illustrate that it's virtually impossible to tell what the actual inflation rate is, because the models that are supposed to tell us don't depict reality. They can't. Unless the model is as comprehensive as Wright's map, there will always be variances from reality—sometimes significant ones.

"All models are imperfect," says Ritholtz, chief market strategist at Ritholtz Research and a fund manager at a New York–based hedge fund. "So when you attempt to depict reality by looking at only a handful of specific data points, you are going to somehow be off a little bit. It's that way with our job figures. It's that way with inflation."

Ritholtz argues that the map the Bureau of Labor Statistics (BLS) uses to divine the current rate of inflation is not only off, but it's wildly off, which can lead to incorrect policy decisions by the government, the Federal Reserve, and the general public. Lock yourself into a thirty-year Treasury bond at 4.91 percent only to discover that the real rate of inflation is 6 percent, and you'll understand one of those ramifications.

"Fortunately, the great thing about the BLS is that they're not hiding anything," Ritholtz says. "They put all the data out

Henry Winkles sculp!

there. You just have to put on your green visor and sift through it."

Inflation's Ingredients

But first, a little background. As anyone who has taken Econ 110 knows, inflation is too much money chasing too few goods. Or as Brian Boyer, a Marriott School assistant professor of finance, puts it, "Inflation is the general increase in price levels. The primary cause is an excess supply of money."

Unfortunately, those straightforward definitions barely scratch the surface of the root of inflation, how it affects us, and whether we can control or even predict it. One thing is for sure: "Its impact is pretty significant," Ritholtz says. "The top 10 percent of income earners are pretty immune; they don't care if it costs $50 or $75 to fill up an SUV, but people who don't have a ton of discretionary income care a lot."

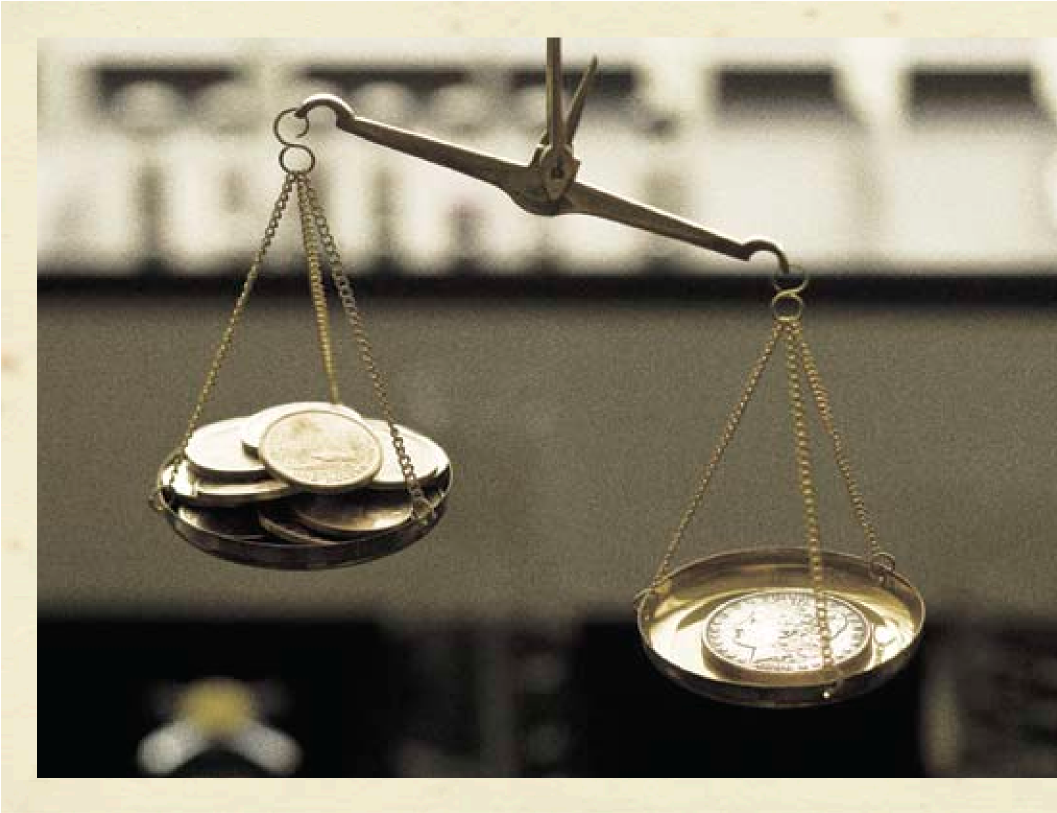
In fact, what most of us know about inflation we know because we buy things—gas, groceries, cars, homes. Consequently, we have experienced its effects up close and personally. And we intuitively sense that the inflation figure we hear on the news is not the one in effect where we shop. "We're not running 9 or 10 percent," Ritholtz says, "but at the same time this 2 percent nonsense we hear reported has not been true for the past several years."

The Consumer Price Index, or CPI, tracks the movement of retail prices and is the inflation measure most often reported by the media (see chart 1). In fact, the Bureau of Labor Statistics reports two basic Consumer Prices Indexes, each reflecting the buying habits of different, but overlapping, groups. The CPI-U tracks the spending habits of all urban consumers, including professionals, the self-employed, the poor, the unemployed, the retired, urban wage earners, and clerical workers.

The CPI-W tracks the expenditures of households that meet the CPI-U definition; however, more than "one-half of the household's income must come from clerical or wage occupations, and at least one of the household's earners must have been employed for at least thirty-seven weeks during the previous twelve months."

Neither of the groups includes people from rural areas, farmers, or people in the armed forces or in prison. According to the BLS, when the media report an increase in the CPI, they are generally reporting on the CPI-U, probably because it represents the spending habits of around 87 percent of the U.S. population—still 13 percent smaller than Steven Wright's map. In August 2007 that index reported a price decrease of 0.2 percent from the month before and a 2.0 percent increase from the previous August. The annualized, seasonally adjusted rate of inflation for the first eight months of 2007 was 3.7 percent.

"Inflation is lower than it was a year or two years ago, but it is still somewhat elevated," Ritholtz continues.



Inflation by the Numbers

How elevated, many argue, is anybody's guess. It's that map thing again. The BLS derives CPI-U by measuring the change in prices from month to month and year to year in a so-called basket of goods. For example, if uncooked beefsteaks cost $3.99 per pound last year and $4.29 per pound this year, we know that there was inflation, at least in that part of the basket. The same goes for chicken, gasoline, and indoor plants and flowers, each of which makes up a part of the current basket of goods.

However, there are a couple of problems with the basket. For one, the CPI is supposedly a fixed-weight index, according to Boyer. "You have a basket of goods, and the proportion that each good makes up in the basket stays fixed over a period of time." Kind of. In fact, in December 2006, meats, poultry, and fish made up 2.013 percent of the basket, and uncooked beefsteaks were .239 percent. The year before, those percentages were slightly higher: 2.044 and .245 respectively.

And the weighting in 1986? You're out of luck. Instead of one category labeled uncooked beefsteaks, you'll find two: round steak and sirloin steak. The same issue applies to fish and poultry. Where each has two subcategories today, there were three in 1986.

According to consulting economist John

In fact, what most of us know about inflation we know because we buy things—gas, groceries, cars, homes.

Fig. 9

Williams, those differences are the result of a change in the late 1980s from arithmetic-fixed weighting to geometrically fixed weighting. Geometric weighting has the effect of lowering the reported rate of inflation, because items that go up in price get a lower weighting, while items that go down in price get a higher weighting.

"It's a way of mimicking the substitution-based CPI that Alan Greenspan had been advocating," says Williams, who analyzes government statistics on his web site www.shadowstats.com. "His theory was that when the cost of steak goes up, people tend to purchase less—substituting hamburger, chicken, or something else—so the CPI was overstating the cost of living."

The result, he says, is that the CPI reported today is about 3 percentage points lower than it would be if it were reported the way it was before geometrically fixed weighting. "And if you go back to 1980 when they made some unusual changes in the housing components of the CPI, the difference would be a full 7 percentage points, meaning that—as of October 2007—inflation is currently running at around 10 percent."

That may be true; however, it's also true that the basket of goods people are using today is different from the one they were using in 1980. Onboard GPS devices, 60″ HDTV flat-panel televisions, and other Star Trek–worthy gadgets were not available in 1980. Cars are better built and consume less fuel, and Amazon.com is selling books at a 30 percent discount.

"I don't know the proper way to account for changes in the basket, but it's clear that you have to change the composition of the basket," says Robert Crawford, a Marriott School associate professor of managerial economics. "Even if the price of things doesn't change, things happen that change people's buying behavior. Moreover, how is the change in the price of an automobile divided between an 'inflation' component and a 'quality' component? It's a difficult problem to decompose the CPI or even interpret it."

That's not all. People are also changing where they buy things—Wal-Mart instead of the local hardware store, Amazon.com rather than the friendly bookstore. Consequently, whether because of so-called substitution bias, quality bias, or outlet bias, "most economists believe the CPI is not a true measure of inflation," Boyer adds.

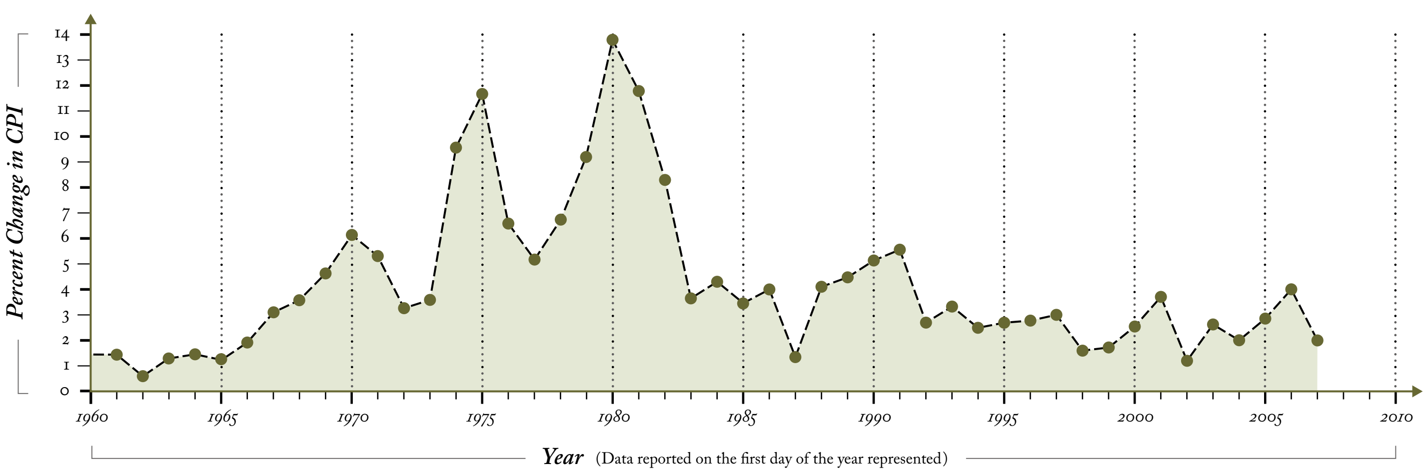
Inflation's Impact

All this is important because of the impact inflation can have on you, your neighbor, your banker, and anyone else who buys and sells goods or lends money to those who do. Though in theory inflation is an essential part of an economy as it grows—prices need to increase at some level to match output—it can be a problem if it's increasing too quickly or when there are unexpected "shocks" to inflation.

"Hyperinflation—the sort they had in South America in the 1980s and in Germany after WWI—is bad," says Keith Vorkink, a Marriott School associate professor of finance. "And unexpected inflation always ends up hurting creditors, because they can rarely rewrite their contracts to keep up with it."

Thus, in the late 1970s and early 1980s when inflation in the United States got as high as 13.5 percent, borrowers were paying their mortgages with dollars that were worth less and less each month, even as they watched the value of their homes increase—all because of inflation. "Debtors love inflation for those reasons," says Ray Nelson, a Marriott School

{ CHART I } INFLATION RATE



associate professor of finance. “In addition, wages typically increase with inflation, so their debt to income ratio decreases as well.”

However, if you’re one of those who methodically stuff money under the mattress or in a savings account, inflation is not so good. If Williams is right, and prices are increasing by as much as 10 percent per year, the 2 percent you’re earning on your money market account doesn’t look so good. In fact, it looks terrible. “Frugal savers absolutely get clobbered by inflation,” Nelson says. “After the Soviet Union dissolved and the Russian government printed up a whole bunch of money, all those wonderful, loyal Russian savers absolutely got wiped out.”

Inflation and the Fed

To prevent that from happening in the United States, the Federal Reserve pays close attention to the rate of inflation, particularly to what is called the core rate of inflation: the CPI-U minus food and energy. That’s right. The map the Fed looks at doesn’t include two of the most important things we buy every day. It’s no surprise that for the first eight months of 2007 the core rate was a seasonally adjusted 2.3 percent, 1.7 percentage points lower than the rate with both items included.

The justification for the core rate is that the prices for food and energy are so volatile that they distort the true inflation picture. Williams takes a more cynical view. “Fed chairman Ben Bernanke said recently that one of the biggest problems with inflation is consumer expectations. So it’s the Fed’s job to keep expectations contained. What better way to contain expectations than to say there is no inflation? But nobody who buys products in the real world believes it.”

According to Nelson, the Fed likes to see the core rate in the 2 percent range. To keep it within shouting distance of that range, the Fed has three tools at its disposal: the discount rate (the rate it charges banks to borrow from the Fed), the reserve requirement (the amount of actual deposits that by rule a bank must maintain), and the federal funds rate (the rate at which banks borrow from one another to manage their reserves).

The Fed rarely uses the first two—a recent exception was in early September 2007 when chairman Bernanke cut the discount rate half a percentage point. Shortly thereafter he cut the federal funds target rate as well. “I took that to mean that they are absolutely panicked about the subprime situation and the deteriorating economy,” Nelson says.

The Fed does not set actual interest rates; that’s done in the marketplace as banks lend to one another. However, the Fed influences the market-driven rate through the use of the federal funds target rate, the Fed’s short-term rate objective. The more the Fed worries about inflation, the higher it sets the target rate.

As of September 2007, the target rate was 4.75 percent, down from 5.25 percent, the rate that had been in effect since June 2006, but still much higher than its 1 percent low in 2003 (see chart 2). “They have a sort of rule that they follow to set the target rate,” Crawford explains. “They start with a base fed funds target rate (based on what they think the real rate of interest is plus the actual rate of inflation) and adjust it up or down, depending on whether the threat of inflation or the threat of a recession is greater.”

But a target is useful only if you try to hit it. To do that, the Fed buys or sells securities to key banks if it sees the market-driven federal funds rate wander too far from its target. If the market rate is too high, it’s probably because there is too little money in the system, so the Fed will buy securities, injecting more money into the system.

“Selling securities, on the other hand, shrinks the money supply by reducing reserves in the banking system, which slows down the rate of growth in the economy by increasing the cost of money to borrowers,” Crawford says. “That will slow down the demand for big ticket items, like homes and cars, which are typically financed.”

What the future holds for inflation is anybody’s guess. Currently, the subprime lending crisis has the Fed in a bind. If the Fed lowers its target rate even further to stave off a credit crunch, inflation could soar even as the dollar weakens. In short, if there’s a pickle in the CPI’s basket of goods, it has the Fed’s name on it.

If you’d like to try your hand at predicting inflation, compare the real yield on Treasury Inflation-Protected Securities, or TIPS, with the nominal yield on Treasury bonds or notes of similar maturities. With TIPS,

TARGET FEDERAL FUNDS RATE { CHART 2 }

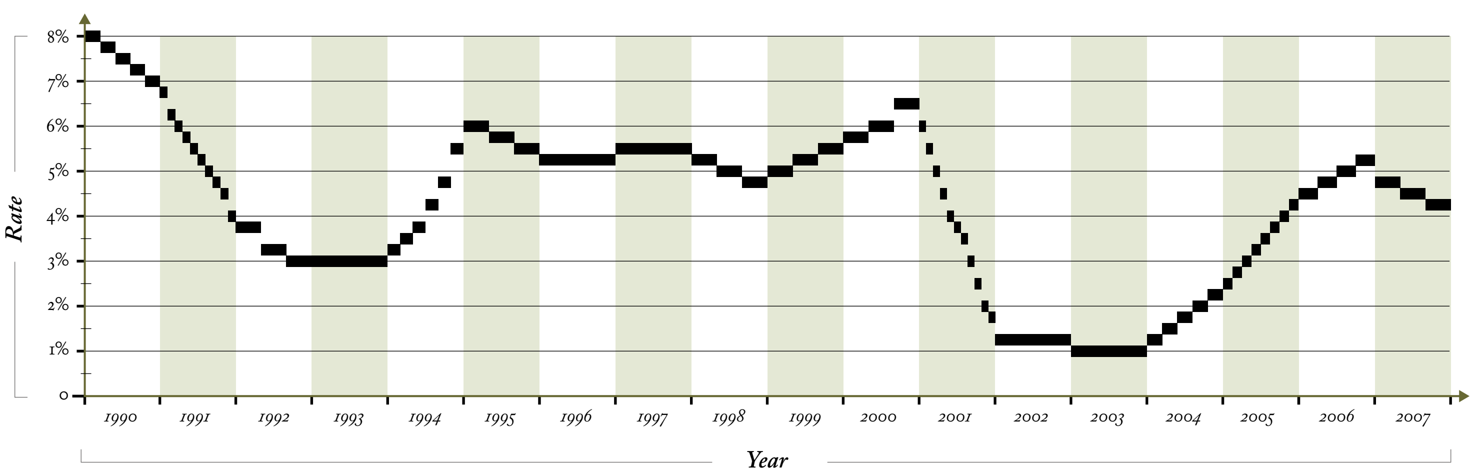
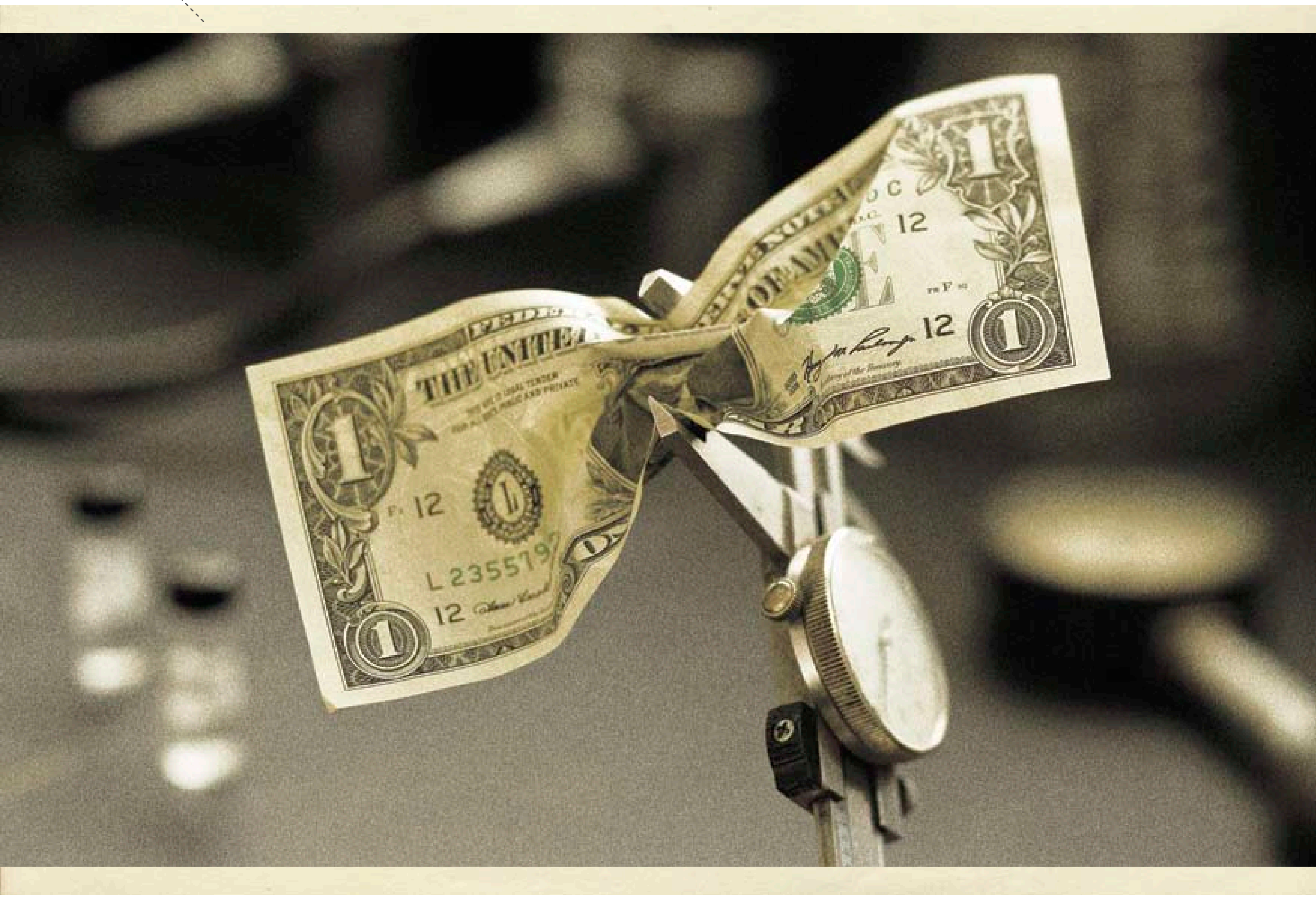


Fig. 16



both principal and interest payments are adjusted for inflation, whereas the nominal bond is not; consequently, the market price of nominal bonds and notes reflects an estimate of the potential adjustment in a TIPS yield. For example, the difference between a TIPS maturing on 15 January 2008 and a Treasury bond maturing about the same time was 3.057 percent.

"The argument is that the difference between the two yields is a good indicator of what the market expects inflation to be over the short term," Boyer explains.

In the end it's what inflation does to the pocketbook that matters. Savers get hurt. Debtors win big. And creditors? Well, who cares about the creditors, right? Wrong. Landlords, employees, annuitants—anyone can be hurt if they stand to receive a stream of payments over time that either doesn't reflect the reality of inflation in the first place or that is not easily adjusted for unexpected upticks in the rate of inflation later on.

"The great irony is that we're having this whole discussion as the economy is cooling," Ritholtz says. "And it's causing some reduction in the rate of inflation." In fact, he says, the rate has fallen from 5 to 6 percent to where it's probably in the 3 to 3.5 percent range. "You want to ballpark it?" he asks. "I think the CPI understates the real inflation rate by about 1 to 1.5 percent on average."

Could that ballpark be on Steven Wright's map? M

About the Author

A former attorney, Gregory Taggart has articles in various Bloomberg publications as well as in Fidelity Focus, Plus, *and Schwab's* On Investing *magazines, among others. He earned a BS in finance from BYU in 1976 and is a lecturer in BYU's Honors 150 University Writing program.*

ART @ WORK

Why Companies Spend Millions on Sculptures and Paintings // BY BREMEN LEAK

The tour begins with a Superman print by pop artist Andy Warhol. Next comes a painting by Jasper Johns. Then, a splashy, thirty-eight-foot mural by abstract expressionist Sam Francis.

In the Midtown offices of JPMorgan Chase & Co., in Manhattan, visitors get a peek at one of the world's most impressive corporate art collections. Its roster of mostly contemporary artists runs the gamut from the venerable—Roy Lichtenstein, Cy Twombly, Josef Albers, Joan Mitchell—to the obscure, with a few surprises along the way. Robert Smithson, whose 1,500-foot Spiral Jetty recently re-emerged from the Great Salt Lake, has an early work in the collection,

right: Andy Warhol, *Mao.*
Image courtesy of Progressive Insurance.

as does Robert Indiana, whose iconic LOVE sculptures dot the country. The tour also showcases photographs, prints, drawings, artifacts, and high-tech installation art.

In all, the JPMorgan Chase Art Collection includes some thirty-thousand artworks in 450 locations around the world—almost twice the number of objects in the permanent collection of Brigham Young University's Museum of Art. Works from the collection have been exhibited the world over, from the Museum of Modern Art in New York to the Pera Museum in Istanbul. But the bulk of the collection remains on company turf (i.e., JPMorgan's boardrooms, lobbies, offices, and outdoor plazas)—and it is here that it has had the greatest impact.

For nearly fifty years the artwork at JPMorgan has inspired employees, challenged their way of thinking, and spurred creativity. The point is well illustrated by an incident involving car parts. When a downtown office tower opened in 1960, a nontraditional sculpture made of automobile bumpers was hung in the lobby. The response of onlookers was grim. The ensuing sense of protest was so visible that by the end of the lunch hour, the work had come down. That provocative composition—a bas-relief by Jason Seley—eventually did return, but only after a year had passed. Today it hangs in the lobby of One Chase Manhattan Plaza, a reminder that new ideas are welcomed in today's ever-changing world.

"What's most important about our collection is not how much we've accumulated, but what, in the process of living with art for the past four decades, we've learned," writes William B. Harrison Jr., then CEO and chair of the firm, in a book commemorating the collection's fortieth year in 1999. "Be creative. Meet change head on. Don't be afraid to innovate."

above: Gustave Doré (French, 1832–1883), *The Neophyte (First Experience of the Monastery)*, ca. 1866–1868. Gift of Walker P. Chrysler Jr. Image courtesy of Chrysler.

left: Chuck Close, *Self-Portrait*, 1995. Eighty-color silkscreen, 27/50, 68″x 58″. The Microsoft Art Collection. Image courtesy of USF Graphicstudio.

In nearly fifty years of collecting, JPMorgan Chase—America's third largest bank—now boasts a collection worth a fortune, though bank officials won't cite a figure publicly. What began in 1959 as a $500,000 investment has grown to more than $100 million in art, according to the collection's founder, David Rockefeller, in a memoir.

For a company whose primary business is to generate wealth, that's no stigma—even if it does attempt to price the priceless, or else cast its portfolio as a work of art all its own. In that respect, the line between art and enterprise may be thinner than we think. In the words of Andy Warhol, "Making money is art, and working is art, and good business is the best art."

TO BUY OR NOT TO BUY

Today there are more than 1,300 major corporate art collections in the United States, Canada, and abroad, according to the International Art Alliance, a Florida-based

left: Nam June Paik, *The Chase Video Matrix*. Image courtesy of JP Morgan Chase & Co.
below: Yizak Elyshiv, *Untitled* (*Nature Study #1*), *Untitled* (*Nature Study #2*), Untitled (*Nature Study #3*). Images courtesy of Novell.

research group that has tracked such art collections for the past twenty-five years. With almost as many pieces of art on display in corporate offices as there are in city museums, the value of these collections stretches into billions of dollars.

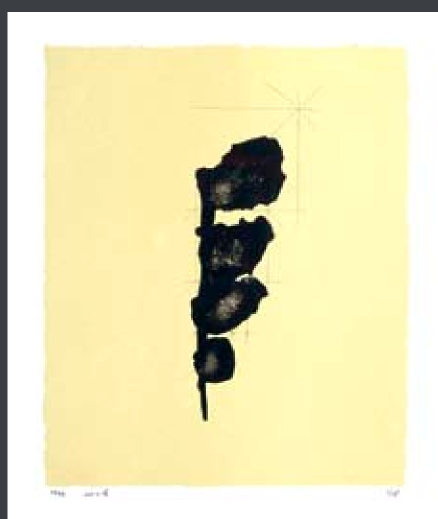
"We absolutely believe our art collection is just one factor that makes our company a great place to work. It inspires our people to take risks and think creatively," explains Leah Knapp, a spokesperson for Progressive Insurance, which displays its 6,500-piece collection in its offices across the nation.

Few experts, however, cite financial incentives as the primary reason to collect. "The tax write-off is not the driver," says Judith Jedlicka, president of the Business Committee for the Arts, a national nonprofit founded in 1960 to encourage partnerships between businesses and the arts. She says that effective partnerships allow companies to advance their strategic goals, reach new customers and markets, and increase customer and employee loyalty. Above all, she says, they enrich the quality of life in a corporation's operating community.

The key is strategy. "The wise company does not buy art willy-nilly but really thinks about its culture and treats art as part of a business plan with internal and external goals," she says. "It's not just a windfall. It's part of a strategic operating decision—something that works best for everyone."

The appearance of corporate art collections dates back to the booming post-war economy of the 1950s when companies flush with cash wanted to leave their footprint on society in unique ways. During the next two decades, they built art collections that would beautify new office buildings and foster community support of the arts. The movement hit its zenith in the 1980s and then cooled as companies shifted their interests toward other forms of philanthropy, such as humanitarian aid and education. Those that have continued to acquire art do so with specific goals in mind and follow stringent criteria.

In that vein, certain questions are critical. "Largeness is not important," says Naomi Baigell, director of corporate art services at Sotheby's, the New York–based auction house that has handled most of the corporate collections to come to market over the past decade. "What companies should be asking is, 'How are our collections being used? How are we focusing our art?'"



left: David Row, *Tres Piedras*. Image courtesy of Novell

below: Currier & Ives Lithographs, *The American National Game of Baseball* and *American Winter Scenes Evening*. Images courtesy of Nationwide Mutual Insurance Company.

For corporate art buyers, concerns about fiscal responsibility and transparency can bear enormous weight in purchasing decisions, Baigell says. Since the accounting scandals that toppled Enron and WorldCom, public companies have been reluctant to compete for high-priced art against their private counterparts, especially with prices at a record high in many markets. In May, for example, Sotheby's sold a Mark Rothko painting owned by David Rockefeller for an astronomical $72.8 million. Such a purchase by a public company would hardly sit well with its shareholders. Incidentally, Rockefeller acquired the Rothko in 1960 for $8,500.

On top of that, the current spate of mergers and acquisitions and the rise of outsourcing have actually diminished the need for large-scale facilities in America and the accompanying need for décor. "Companies just don't have that much space anymore," Baigell says. "Those who are building have more window space and less curatorial space." Take Google Inc., for one. "Those guys aren't buying," she says.

And a few companies aren't building or buying—they're selling. Kmart Corp., for example, sold 1,300 works from its collection last year after merging with Sears Holding Corp. More recently, the bankrupt futures trader Refco Inc. sold all five hundred of its pieces to repay creditors. And *Life* magazine, fighting to keep its 10 million photographs from the auction block after being shut down by Time Inc. in March, announced a web site for its archives, though wealthy private collectors may still try to get their hands on the coveted collection.

ART AND GOALS

Despite these setbacks, corporate art collections have nonetheless flourished beyond the United States, particularly in Europe, where companies like UBS, one of the world's leading financial firms, have been building viable, top-tier collections for decades. With the expertise of independent curators and professional guidance of an international advisory board, UBS has built a collection representative of the communities in which it does business, including works from new markets such as Thailand and Korea, and from young and emerging artists, which helps maintain a fresh perspective at the company. In that way, the collection actually says something about the business itself.

At least that's the hope. Petra Arends, collection executive of the UBS Art Collection, says projecting a succinct and emphatic message through a corporate art collection can be challenging but, when done systematically, very rewarding. UBS follows simple criteria when assessing possible acquisitions for the collection: a work should be contemporary, movable, and of museum quality. Generally, Arends says, companies should focus their message and then ask themselves, "Is the collection built on sound criteria, or is the most important thing to have some nice pieces on a white wall?"

The strategy is paying off for UBS. Works from its collection, which include numerous well-known artists such as Edward Ruscha and Richard Diebenkorn, have been exhibited at the Tate Modern in London, the Art Gallery of New South Wales in Sydney, and the MoMA in New York City. And recently UBS was lauded as one of the top forty corporate collectors in the world by the prominent London-based *Art Review* magazine, a distinction it shares with the likes of JPMorgan Chase and Microsoft Corp.

COMMUNITY COLLAGE

On American shores, companies are taking an introspective look at their own collections, underwriting events at museums and galleries and participating in the "Percent for Art" program. This program, adopted in municipalities such as Philadelphia, Chicago, New York, and San Francisco, requires companies to contribute a percentage of new construction costs to public arts initiatives. Still others have committed to turning their corporate art collections into a business asset by forging new partnerships and buying in new markets.

Microsoft is just one example. The giant software maker, which just celebrated its twentieth year of collecting, has taken some innovative steps to share its art with its employees and the community. Its collection houses some 4,500 pieces in ninety buildings across the United States and Japan, including the company's growing headquarters in Redmond, Washington, considered by some to be the largest corporate campus in the world.

The campus is so big, in fact, that the company's art team has strategically placed some artworks to help employees navigate their way. Certain prints and photographs serve as virtual signposts, pointing the way for new workers. This way employees come to utilize the collection in a practical way, which in turn fosters a homegrown appreciation for the art, even if, for some, it merely points the way to the cafeteria.

On a more educational level, the company sponsors a variety of free outreach programs, panels, tours, and book readings on its campus for employees and community members.

"That's what drew me to Microsoft," says Laura Matzer, curator for the last three years. "I was impressed that they didn't just hang up paintings on the wall, but they invited artists in to talk about their work and organized free programs for employees and guests interested in starting, say, photography. They really tried to partner with organizations in the community to reach a wider audience."

According to its web site, Microsoft uses its art to "build customer and community relations, and to educate and involve employees, customers, and local communities in the art of our time." And it has carved its own niche in the world of corporate art collections, with works by minimalist Sol LeWitt, photorealistic painter and photographer Chuck Close, graphic designer Paula Scher, and budding artists from throughout the Pacific Northwest. Not only that, but active loan programs and traveling exhibits lend incredible visibility to the company, perhaps even more than those early corporate art collections did in the 1950s.

"Do we view the collection as a corporate asset? Yes," Matzer says. "But it's not tracked vigorously against its current market value. Its value lies in that we're trying to enhance the quality of life for our employees and the community."

For the public company that can pull it off, that may be the best part of art. ■

ABOUT THE AUTHOR

Bremen Leak is a freelance reporter based in New York City. He earned his BA in communications from BYU in 2005.

below: Julian Opie, *Landscape?*, 1998–1999. Silkscreen, 24″x 60″. The Microsoft Art Collection.

the Privilege *of* Giving

On 23 December 1999 there was a poor man in Kansas City looking for some warm winter clothing in a Salvation Army thrift shop. He had seventy-five cents in his pocket. Suddenly someone approached him from behind and said, *"Excuse me."* He turned around, and a man pushed a hundred-dollar bill into his hand, said, *"Merry Christmas,"* and walked away.

by ARTHUR C. BROOKS / ILLUSTRATIONS *by* JIM SALVATI

That wasn't the first time something like this had happened. It had been going on for years, and no one knew the giver's identity. He was only known as Secret Santa. He would walk around during the Christmas season giving money to people who needed food, clothing, or shelter.

He came forward in 2006, because he had terminal cancer and was given one month to live. His doctor told him that if he wanted anybody to understand his mission then he should reveal his identity. Secret Santa's real name was Larry Stewart, and he was a very wealthy entrepreneur.

He'd given away $1.3 million in hundred-dollar bills, but he had also given away tens of millions of dollars more in traditional philanthropy—building youth centers, building a YMCA, and helping the community.

When the press asked him why he gave so much, he said, "I'm just doing what the Lord is directing me to do. I'm just a pair of hands and feet. He's using me. He's lighted my path. Part of my daily prayer was, 'Lord, let me be a better servant.' I had no idea this is what he had in mind, but I'm happy. I'm so thrilled he is able to use me in this way."

Larry Stewart, aka Secret Santa, honestly believed that the secret to his happiness was his giving. In my research I have found that part of the secret to his *prosperity* was also his giving.

• Why Giving Matters •

Americans give at an astounding rate. Last year Americans privately gave $295 billion to charity. That's more than the entire gross domestic product of all but about twenty-five nations in the world.

About three-quarters of that comes from private individuals writing checks to their favorite charities and churches. Only about a quarter comes from foundations, corporations, and bequests.

The average American gives three and a half times as much money to charity as the average French citizen, seven times as much as the average German, and fourteen times as much as the average Italian. That's not because of income differences or tax differences; that's because of values and culture.

The question, of course, is why does it matter? Go back to Larry Stewart, Secret Santa. He said, "I can't be happy unless I give." I'm an economist, and I also teach in an entrepreneurship department at Syracuse, so I work with successful entrepreneurs all the time. Most of them are exceptionally generous people, and they always tell me the same thing: part of my secret to success is how much I give away.

I didn't believe them for the longest time. When you study economics you learn that you have to have money before you give it away. But every entrepreneur I've ever talked to said you've got to give it away before you can have it. John D. Rockefeller was famously quoted as saying in 1905, "God gave me my money to use as I see fit for the benefit of my fellow man." He believed that if he did not do so, God would take the money back. In other words, he thought he was rich because he gave.

I decided to test this and prove the theory was incorrect, so the next time an entrepreneur told me that part of his or her success was due to their giving, I could say, "I actually tested that, and it's not correct." It turns out the joke was on me. I'm going to show you how wrong I was, why I think it matters, and how it changed my understanding of charitable giving.

• Giving's Return on Investment •

In 2000, Harvard and other universities and community foundations in forty-one United States communities sponsored a study of thirty thousand American families. Named the Social Capital Community Benchmark Survey, it asked families what they do with their time, where they donate, if they volunteer, how much money they make, and what their jobs are. It's an incredibly exhaustive survey.

I expected to find that when people got rich they gave more but that when they gave more they didn't necessarily get richer. What I learned from this great data source is that when people get ten percent richer in income, they give away seven percent more money to charity, and that when people give charitably they also get richer. Imagine you have two families that are exactly the same demographically. Same level of education, number of kids, region of residence, ages, religion—the only difference is that the first family gives $100 more to charity than the second family. It turns out that first family will earn, on average, $375 more than the nongiving family, and that extra income is attributable to the charitable donation.

When I realized this, I thought that was completely wrong. As a matter of fact, I got new data and rewrote my analysis, because I thought I'd done something wrong. The analysis was suggesting that the return on investment to a dollar given to charity is $3.75. That's an incredible investment. So I got new data, and it kept coming up again and again.

What about when the whole country gives a little bit more away? Does the whole country get a little bit richer? The average household in the United States during a fifty-year period (the mid-1950s to 2004) increased its take-home income by about 150 percent in inflation-adjusted terms. This is American prosperity right here, but there's a better reason to celebrate. The bottom line is the average amount that the household gave away to charity in inflation-adjusted terms went up over the same period by 190 percent. That means we're getting richer fast, but we're giving a disproportionate amount of it to charity—further proof that Americans aren't stingy.

If we were to increase our charitable giving this year as a nation by just one percent at a private level, that would be about an extra $2 billion to charity. We could expect as a result of that, for the economy, an increase in our gross domestic product of about $39 billion. But think of the multiplier, $39 billion coming from a $2 billion investment? That tells us charitable giving is not just a great investment secret for individuals; it's a patriotic act. It's good for our country. It's part of the reason that we're so rich. We're in a virtuous cycle of giving and getting. This is part of our secret to success as individuals, as communities, and as a nation.

• The Psychology of Happiness •

I went to a psychologist friend of mine who studies charitable giving. He says there are two reasons for the success of people who donate: (1) giving changes givers and makes them more effective; and (2) giving changes the perception other people have of givers, and that also makes them more successful. Psychologists have conducted experiments showing why people get happier when they give.

Let's go back to Larry Stewart. He said, "I'm so happy, and I'm so happy because I'm a giver." He explained his prosperity in happiness terms. You know, this is really the common denominator of true prosperity in our lives. Let's look at the link that psychologists have explained between giving and happiness.

There's lots of data out there that shows that happier people give more and that people who give more are happier. People who give some amount of money every year are 43 percent more likely than nongivers to say they're very happy people. Volunteering one more time per week will raise your likelihood of saying you're very happy by 50 percent. Blood donors are 50 percent more likely to say they're very happy than people who don't donate blood.

Psychologists have figured this out with experiments. They'll bring in groups of people and ask them, "How happy are you?" They'll hook up electrodes to the participants' brains and see how much they smile. Then they'll have half of the people serve others while the other half does nothing. Afterward, they'll gauge their happiness again. Guess who's happier? By a long shot, in every one of these experiments, you'll find that after you serve you get happier.

Giving changes your brain. In 1988 a neuropsychologist by the name of Alan Lukes published an academic paper in which he described a phenomenon he called the "helper's high," the level of endorphins in people's brains, the things that made them feel good. Incidentally, these are the same chemicals people experience a lot of when they use drugs and alcohol.

Psychologists have also found that stress hormones are reduced or depressed by charitable giving acts. There's a famous study from five years ago; it's an unusual study that had senior citizens in a clinical experiment massaging infants. Half the senior citizens massaged babies, and the other half didn't. They found that the baby massagers had about half the level of three stress hormones in their brain at the end of the study compared to the others. Those are the three hormones coursing through your brain when you're caught in traffic. There are a lot of studies out there

I decided to test this and prove the theory was incorrect, so the next time an entrepreneur told me that part of his or her success was due to their giving, I could say, *"I actually tested that, and it's not correct."* It turns out the joke was on me. I'm going to show you how wrong I was, why I think it matters, and how it changed my understanding of charitable giving.

that say that these stress hormones are implicated not just in unhappiness but also in poor health and early death. Giving more will actually reduce your stress hormones.

People who are less stressed-out are more focused on their tasks. They are more likely to have success in their endeavors. One of the things that we find is people get more effective when they do their work with less stress. So, if you consistently have less stress, you're going to be a more successful person for a simple neurological reason.

Secondly, we don't just change our brains when we give—we change the brains of other people when we give.

A year ago at England's University of Kent, economists and psychologists undertook what they call a cooperation game, where you gather a bunch of people and give each person cash. The subjects decide how much of the cash they'll put into a common fund in the middle of the room. Now the best thing for everybody to do is to put in all their money, because the researchers tell them that all the money collected in the common fund will be doubled and divided equally among all participants. But the dominant strategy for people who are selfish is to hold everything back and let the "suckers" put in their money, because then they'll keep all the money given to them and get a good share of the others' too.

In the second phase of this experiment the researchers had the subjects solve puzzles in teams, and they each had to elect a team leader. In 88 percent of the cases, the team leader who was selected was the biggest giver to the common fund.

The researchers realized that charitable giving is a leadership trait people observe in one another. Givers are perceived to be leaders. The bottom line is that giving is good for you, and it actually positions you to be perceived as a leader.

> If you are *blessed to be a giver,* it is your responsibility to help other people give. The essence of effective philanthropy is bringing other people into the grace that you enjoy *because you're givers.*

• *Who's Giving?* •

Ninety-one percent of religious people—people who attend their house of worship every week—give charitable donations. Sixty-six percent of secular people—those who attend a house of worship less than once per year—give charitable donations. In 2000, 67 percent of religious people volunteered, versus 44 percent of secular people. Religious people give away almost four times more money than secular people do. Religious people are 10 percent more likely than secular people to give to nonreligious causes. They are 21 percent more likely to volunteer for totally secular causes.

If it were not for religious people in your community, your PTA and United Way would be out of business. If secular people gave blood like religious people do, the blood supply in America would jump by 30 percent.

Giving makes you healthy, happy, and rich. It makes you a stronger, more prosperous, happier individual. It makes you a better citizen. It makes communities stronger. It makes us a great nation. And that means all of us are needy. We all are in a state of need to give all the time.

Here are two big facts: (1) givers are the big beneficiaries of giving, and (2) religious people are America's big givers. To me, as a Christian, my giving to others is a gift to me from God, and that changes my notion of stewardship radically. Since I am blessed it is my responsibility to give to others and to do so faithfully. I've heard this verse my whole life: "For unto whomsoever much is given, of him shall be much required" (Luke 12:48). You find this idea in every sacred text. Unto whom much has been granted, much is expected.

My research assistant shared this verse with me from Mosiah 4:21:

And now, if God, who has created you, on whom you are dependent for your lives and for all that ye have and are, doth grant unto you whatsoever *ye ask that is right, in faith, believing that ye shall receive, O then, how ye ought to impart of the substance that ye have one to another.*

We understand this, but I want to expand that. If you are blessed to be a giver, it is your responsibility to help other people give. The essence of effective philanthropy is bringing other people into the grace that you enjoy because you're givers. That means you're all amateur fund-raisers.

• Giving Myths •

Myth number one is that giving makes us poor, because we give money away. This was the misconception that I had because I was stuck being an economist. I had a mechanistic view of life, but life is not mechanistic. Life is more perfect than that. Giving doesn't make us poor; giving makes us richer.

Myth number two is that people are naturally selfish. I hear this all the time. Americans are selfish. Humans are selfish. No, we're not. When we are our best selves, our most natural selves, when we are really acting as if we were made in God's image, we're not selfish. We have evidence that this is our most natural selves because this is when our brains are in tune. This is when we are in equilibrium. This is when we're happiest and healthiest and most prosperous—when we're giving.

Myth number three is that giving is a luxury. It's not; it's a necessity, because we are in need to give. I already told you about the working poor in this country. The working poor have not been convinced that giving is a luxury, because if they thought it was, they wouldn't give. And they give a higher percentage of their income than any other income class.

Myth number four is that our nation can afford to not give. In 2000, presidential candidate Ralph Nader said, "A country that has less need is a country that needs less charity." He meant that if governments met our needs adequately, we wouldn't have to assist in the first place. And on its face, charity is evidence of failure. It's failure of our necessity of helping those who are in need. I'm here to tell you that's wrong, and if we crowd out charitable giving by paying for everything through the state, we're going to pay the price. My data will tell you that we're going to be unhappier, unhealthier, and poorer as a country unless we take responsibility.

Now is there a role for government? That's for all of you as citizens and scholars to decide. I would never say that the government shouldn't do things; that would be irresponsible. What I'm saying is that there will always be a role for private citizens to take responsibility for providing things that are important. Not just to provide the services but rather to provide the happiness, health, and prosperity that we enjoy as a great country. This is a secret to our success.

My research has really changed my life. You know, one of the great things about being an academic—a tenured professor—is that you get to research things that you find interesting and transformative. When I did this research, it expanded my consciousness about what was going on in my life, and it changed the way I give. It also told me that one of the reasons I'm a happy, healthy, prosperous person is because I live in a nation of givers like yourselves. So, thank you. M

• About the Speaker •

Arthur C. Brooks is the Louis A. Bantle Professor of Business and Government Policy at Syracuse University's Maxwell School of Citizenship and Public Affairs and Whitman School of Management. He has published approximately one hundred articles and books on the connections between culture, politics, and economic life in America. Brooks earned his PhD in public policy analysis from the RAND Graduate School in 1998 and also holds an MA and BA in economics.

This article is adapted from the George W. Romney Distinguished Lecture given by Brooks 16 October 2007.







TANNER BUILDING ADDITION RISING

THE STEEL IS UP, the floors are being poured, and despite several snowstorms, the Tanner Building Addition is on schedule for completion next fall.

Richard Dalebout, associate professor of business law and building committee chair, says the addition should be finished in July 2008, with students in classrooms and roaming the hallways by fall semester.

With the steel skeleton nearing completion, the building is about to get its thick metal, glass, and stone skin. Kip Walter, Tanner Addition project manager for Jacobsen Construction, says the workers will be putting up exterior glass, paneling, and stone during the next several months. They will continue with the interior's mechanical, electrical, and framing projects and will begin to paint the interior and install the elevators in March.

Initially, the construction focused on the four-story atrium that will connect the existing building with the addition. Now, work has moved west. "The cranes were not big enough to easily reach the atrium between the two buildings if construction on the addition was any further west," Dalebout explains. "Thus, the heavy work on the east end was finished before that on the west end."

Walter says he has about fifty-five people working on the project each day, but that's expected to increase once work on the interior begins.

During the winter months there are special considerations. "The rain and snow make the site a mud pit. You can't weld in cold weather either," Walter says. "We've hung plastic sheets to heat the building. It needs to be warm to hang drywall and to paint, and it has to be at least 40 degrees to fireproof the steel."

Next to the addition, construction on the parking structure is well underway. The above-ground structure should be completed around April 2008. Although parking is particularly scarce this year with construction on both the Richards and Tanner buildings, there is hope ahead. "If you count all the parking spots lost because of these two construction projects and the new entrance to the Tanner Building parking lot, we should get all those back in the new parking structure plus sixty-six additional spots," Dalebout says with a smile.

You can keep tabs on the Tanner Addition construction by visiting marriottschool.byu.edu for a live video feed. M


Valuing Culture
Putting a Price Tag on the Priceless
BY PAUL C. GODFREY
PHOTOGRAPHY BY BRADLEY SLADE
Marriott

Can you put a price on company culture? That's the question Steve Marriott, executive vice president of culture at Marriott International, asked a group of Marriott School students. Specifically, he wanted to know if Marriott's "spirit to serve associates, customers, and communities" added to the company's economic value.

Every company has a culture and many tout the importance and uniqueness of theirs, yet few actively invest in nurturing a positive culture. A team of Marriott School students set out to determine if the competitive advantage created by a strong culture can, in fact, be measured and ultimately valued monetarily.

The team began its task by looking to a number of benchmark companies that claim a competitive advantage from their culture. The students looked at such cultural icons as General Electric, Southwest Airlines, and Starbucks, as well as other companies with strong and avowed corporate cultures, such as Agilent Technologies, Home Depot, and FedEx/Kinkos.

A thorough search of company web sites and annual reports, outside assessments of these companies (such as *Fortune* or *BusinessWeek* articles), and regulatory filings (the annual 10Q and 10K filings) revealed that each of these companies used powerful imagery and direct language to state the importance of culture to their competitive advantage; however, none of these world-class companies sought to substantiate their claim with any kind of numbers.

The student team was made up of Chloe Andersen, from Walnut Creek, California; Annette Christensen, from Gunnison, Utah; Will Harty, from Sylmar, California; J. J. Morales, from Earlmart, California; Felipe Vargas, from Santiago, Chile; Eliza Yi, from Deyang, China; and Lina Yu, from Dalian, China. They spent four months analyzing multiple facets of company culture and presented their findings in August 2007 to Marriott's executive committee, including CEO Bill Marriott.

Although this exercise was prompted by Steve Marriott, it must be noted that the analysis and conclusions drawn as part of the study described in this article are solely those of the student team and not those of Marriott International, Inc., and should not be attributed to Marriott International, Inc.

UNDERSTANDING CULTURE

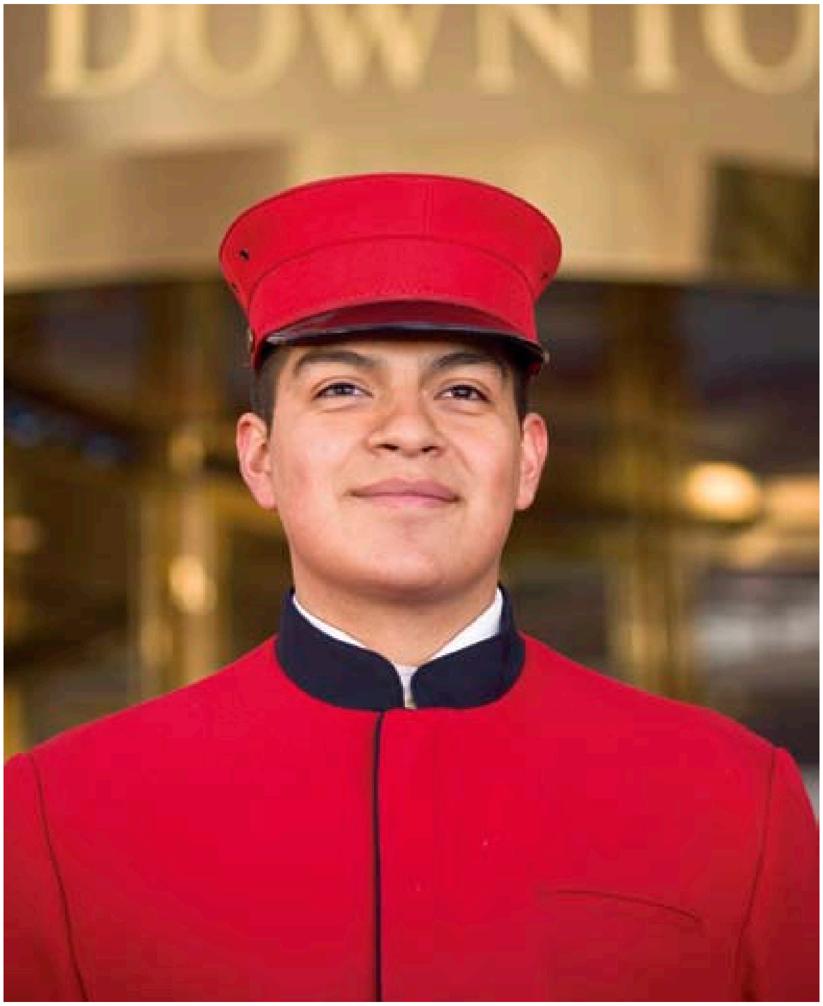
Most people think of culture as practices or ceremonies unique to different social groups. Thus, the rain dance of the Hopi Indians or the white shirts and ties of Safeco Insurance seem to capture the essence of culture.

But culture is more than just practice and ceremony; it includes the belief systems and value judgments that underlie those outward practices. The Hopis dance because they believe their dancing supplicates the givers of rain on the Black Mesa plateau. White shirts in the workplace represent the values of professionalism, decorum, and respect, plus a sense of camaraderie and differentiation from the crowd.

The first problem of valuation lies in the links between deeply held beliefs and values and the behaviors they spawn; these links are often unspoken, fuzzy, and circuitous. The second problem is the link between the behaviors and any measurable outcomes. The rain dance doesn't always bring rain, nor does establishing a sense of *esprit de corps* among employees always result in better customer service or higher productivity.

MODELING CULTURE

Surprisingly, not one of the benchmark companies put a dollar value on culture, and the team realized they would have to come up with their own model. They read internet articles about Marriott, books about the corporation, public regulatory filings (such as 10Qs and 10Ks), and Marriott's own communications and press releases



to identify distinct elements of Marriott's culture and publicly available measures of financial performance. Then they searched for the connecting lines between the elements to produce the culture value chain model (*see page 29*).

The essence of culture—values, beliefs, and practices—gives rise to a clear set of relationships in the organization. This informal yet tangible set of cultural manifestations is often referred to as management style. Culture also drives and shapes formal organizational ceremonies and practices such as human resources policies, approaches to marketing and branding, and formal missions and values.

The link to financial value travels through two key stakeholder groups—employees and customers—who receive satisfaction from the culture and its practices. Satisfied employees should not only be happier, but they should work harder (increased productivity), smarter (better customer service), and longer (lower turnover). Satisfied customers should do more business with the company (more frequent stays), be less price sensitive (willingness to pay for good service), and be more open about their positive view (referrals of friends and family members).

The final element of the model addresses investor concerns. When productivity goes up, wages as a percentage of revenue decline, leaving more for the bottom line. Reducing the costs of turnover (recruiting, training, and lost productivity of new employees) likewise increases income. Customers affect the company's top line by providing more revenue through both volume and room rates, and this revenue also increases the overall bottom line.

LINKING CULTURE AND FINANCES

The team faced two hurdles to determining a formal valuation. First, they were limited to only publicly available data; although Steve Marriott posed the question, the team did not have access to any of Marriott's internal financial figures. However, internet searches and a number of online data sources helped resolve this. Additionally, reports from the American Hotel and Lodging Association provided benchmarking data for the industry as a whole, a number of publications follow Marriott, and the company is required to disclose data about its own practices and performance through SEC filings.

Second, the group needed to find a reference point for the valuation. Conceptually, the valuation would be against Marriott without its culture—a great exercise but not a realistic option. The team chose a "matched pair" method of comparing Marriott to its most similar competitors. The team chose Hilton and Starwood Corporations, both of which have product offerings in segments where Marriott competes but lack the unique Marriott approach and culture.

Culture and revenue

To look at customer satisfaction and revenue gains, the team calculated the RevPar (revenue per available room) for the three companies. RevPar is an accepted industry standard that provides a company with an overall measure of asset efficiency by combining data about its pricing structure and occupancy rate. A RevPar advantage for Marriott would indicate that its customers are (in some combination) willing to pay more to stay at Marriott and are staying more often.

From 1999 to 2006, Marriott averaged a 2.8 percent higher occupancy rate than Hilton for each company's flagship brand and an average $12.80 advantage in room rates. Combining these numbers into the RevPar figure yields an $8.53 advantage for Marriott over Hilton. Put simply, Marriott earns $8.53 more than Hilton per room per day. With more than 500,000 rooms, that translates into more than $4 million per day in revenue, or almost $1.6 billion in additional revenue each year. Using Marriott's three-year average return on sales of 5.5 percent, the RevPar advantage creates an additional $88 million in net income.

RevPar has its own set of problems as a measure because the trail backward from customer revenue to cultural practice is long, winding, and often indirect. Satisfaction driven by the cultural value of the spirit of service clearly explains part of this number; however, hotel location, franchisee actions, and the accumulated value of the brand also explain part of this revenue difference.

Culture and cost

On the cost side of the ledger, the team explored employee productivity using

regulatory filing data on the number of employees for Marriott, Hilton, and Starwood. For each year in the study, Marriott enjoyed much higher productivity than its competitors, although Hilton has substantially narrowed the gap. Using data for 2006—the smallest gap between Marriott and Hilton—the average Marriott employee generated $80,744 in revenue compared to $77,733 for Hilton, a difference of almost 4 percent.

If Marriott's productivity were the same as Hilton's, revenue would decline by $453 million (net income would go down almost $25 million). If productivity were the same as Starwood, revenue would decline by almost $6 billion (net income reduction of $330 million). Again, there are more factors than culture driving productivity—Marriott's franchise-based business model and its use of technology, for example—but the numbers help expose the dollar value of the Marriott culture.

Employee turnover costs may be the most sensitive to Marriott's cultural values, beliefs, and practices. For the hospitality industry as a whole, which encompasses more than merely high-end hotel chains, turnover in 2004 (the last year of available data) averaged more than 46 percent. Marriott's turnover rate is estimated at 30 percent, 33 percent less than the industry average.

Estimates of the cost of turnover range between 150 and 300 percent of an employee's annual wage. New employees must be paid and trained and must work themselves into productivity—all of which are more costly than a retained employee. Using the lower figure of 150 percent, the team estimated that Marriott spends about $150 million less in employee costs because of higher retention. Reductions in employee outlays flow directly to the bottom line. Marriott's spirit to serve their associates appears to generate bottom-line profits for the company.

Culture and income

Combining the three areas of analysis provides the company with an income statement–based valuation of the culture. The conceptual link between culture and turnover seems the most robust, so the team estimated $150 million as a low-end anchor of a range of the culture's value. Of the $113 million in additional net income that Marriott enjoys over Hilton due to productivity and RevPar, some amount is due to culture, but not likely all of it. Thus the team settled on a range of value between $150 and $260 million per year.

Culture and stock price

The team wanted to try another valuation method to see if their estimates were really reasonable measures of the culture's value. They chose an event analysis of Marriott's stock price before and after the 9/11 terrorist attacks.

The notion driving this analysis is that a firm's reputation, arguably one outcome of a firm's culture, will be most valuable when other signals of value are difficult to interpret or are nonexistent. That is, when we don't know much about the future, past performance counts for a lot in our estimation of who will succeed and who won't.

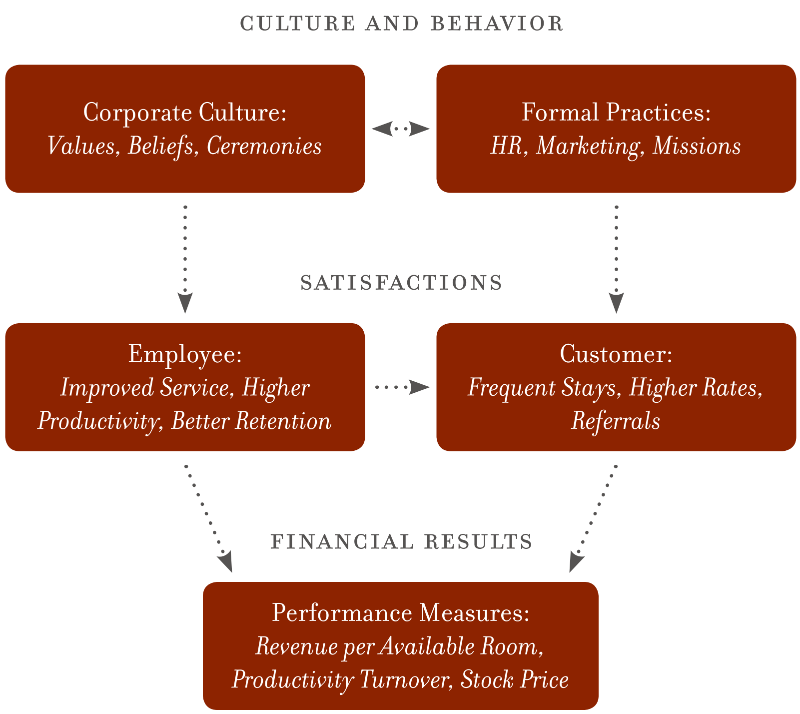
The days following the attacks were filled with uncertainty. Airlines did not fly for three to four days, the stock markets were closed, and the possibility of further attack could not be discounted. What investors and the general public could reasonably predict, however, was that travel-related industries, including hospitality, would be adversely affected. Given that, how would each company fare?

When the markets opened on 17 September 2001, Marriott lost 21 percent of its value, about $2.1 billion. Hilton and Starwood both fared substantially worse, losing 24 percent and 28 percent, respectively, of their total value (the dollar losses were less because these companies had smaller market capitalizations than Marriott). Had Marriott stock fallen the same percentage as Hilton, shareholders would have lost an *additional* $253 million—and $743 million if the decline had equaled Starwood's.

For the week, Marriott lost almost a third of its value, and Hilton and Starwood lost almost half. Marriott's daily loss averaged almost 8 percent, Hilton's 12 percent, and Starwood's 11 percent. Marriott maintained a 3 to 4 percent value advantage over its nearest rivals during the crisis. Again, investors likely considered a number of business-related factors in their valuation in addition to culture-based reputation, such as liquidity, debt exposure, and business model; however, some of that price premium should be due to assumptions of better customer and employee satisfaction and loyalty.

Based on Marriott's market cap in August 2007, a 3 to 4 percent stock price premium translates into a cultural valuation of between $495 and $660 million. Of course, determining the future value of an asset through stock price should lead to a different, though not widely divergent, valuation of the culture.

Culture Value Chain Model



CONCLUSION

During the presentation to the executive committee, several Marriott executives noted that whether the actual value of the Marriott spirit of service culture is exactly $150, $250, or $500 million was less important to them than the students' work that showed how Marriott and other companies can quantify the value of their culture.

The team's work produced two valuable outcomes. First, they developed a model that helped put a dollar value on Marriott's culture, something each of the benchmark companies did not do, or at least did not disclose. Second, they linked the model to available data sources that can be used to measure and quantify the value of culture—easing the task for others wishing to do the same.

Marriott executives acknowledged that putting together a model to fully explain the value of culture is challenging. "We truly believe our corporate culture does give us a competitive advantage. This is very difficult to quantify on an objective basis, although we applaud the BYU graduate students' efforts," says Carl Berquist, executive vice president of finance. M

ABOUT THE AUTHOR

Paul C. Godfrey is an associate professor of strategy at the Marriott School and associate academic director of the Economic Self-Reliance Center. He earned his PhD and MBA from the University of Washington. He served as the faculty advisor to the student team on this project.

...And Justice for Innovation

How Fairness Can Encourage New Products and Services

by Grant Madsen ▪ illustration by Andrew Bannecker

Anytime the topic of new product innovation is raised, it's guaranteed that someone inevitably will bring up . . . Apple's iPod.

Of course, there's good reason for the praise heaped upon the ever-shrinking device. Not only did Apple's iconic MP3 player manage to convince the world it was finally time to put "one thousand songs in your pocket," but it also played a huge role in the company striking a previously unimaginable agreement with music labels to sell their songs online.

And that's not all. In addition to creating a device that's elegantly simple to use, Apple masterfully branded the iPod, introduced consumers to a new business model (legal, downloadable songs for ninety-nine cents), and opened up iTunes software to work not only on Macs but also on PCs.

The result of these combined innovations? A consumer electronic device that may as well print $100 bills and perfectly illustrates why companies innovate in the first place.

Luckily for the rest of us, Apple, which has topped *BusinessWeek's* "World's Fifty Most Innovative Companies" list three years running, doesn't have a corner on creativity. Look no further than Google's constantly evolving search capabilities, Netflix's movies-by-mail rental service, or Toyota's eco-friendly Prius as proof.

In *The Ten Faces of Innovation,* author Tom Kelley says, "There is no longer any serious debate about the primacy of innovation to the health and future strength of a corporation. Even the staid British publication *The Economist* recently claimed, 'Innovation is now recognized as the single most important ingredient in any modern economy.'"

Put another way, today's companies must constantly innovate or face the very real possibility that they won't be around next quarter.

Most managers already appreciate this highly salient idea, and that's why companies invest billions annually in R&D, prototypes, and patents. But are managers doing everything possible to ensure innovation is actually taking place?

New research co-authored by Marriott School business professor John Bingham suggests that companies may be overlooking one important concept in their quest to develop the next big thing: the little-known idea called "procedural justice."

PROCEDURAL JUSTICE AT WORK

On its face, the term "procedural justice" sounds like something plucked from a state penal code.

"Actually, a good example of procedural justice in action is a manager going to a person who did not receive a raise and explaining the reason why," says Bingham, an assistant professor of organizational leadership and strategy. "That is, providing the employee with an opportunity to voice concerns about not receiving the raise and explaining to him or her that resources were not available. Procedural justice is partially illustrated by fairness in the explanation of the organization's policies and procedures."

Bingham's study explores the effect of procedural justice on new product innovation. Co-author Elizabeth Umphress, an assistant professor of management at Texas A&M University, says that procedural justice is comprised of six parts.

She says managers who are procedurally just make decisions that

- are made based on accurate information,
- can be challenged and changed if incorrect,
- are based on consistent criteria across all employees involved,
- are free of bias,
- are made without violating societal standards of ethics.

Finally, employees of a procedurally just manager should have the ability to share their opinions before and after decisions, she says. This concept is called "voice."

"Voice is often considered the most important criteria to consider with regard to procedural justice," Umphress says. "Companies should encourage managers to listen to their employees. Even if outcomes are not changed as a result of their communication, employees perceive higher levels of procedural justice if their managers take the time to listen."

Based on the input of respondents from 109 high-tech firms involved in new product development, Bingham, Umphress, and Haiyang Li, of Rice University, determined that procedural justice has a highly significant effect on the quality of new products and on time to market.

"We found that when employees feel that they are fairly treated they are more likely to share knowledge and collaborate," Bingham says. "That, in turn, leads to the creation of a higher quality product that hits the market faster. So procedural justice actually facilitates new product development and production."

Despite the fact that their study focused on technology firms, Li clarifies, "It's not necessary to be a technology company to be innovative. There are a lot of companies in the consumer product sector, like Proctor and Gamble, or in the service industry, like Bank of America, that are very innovative in how they serve their customers."

SEVEN STEPS TO IMPROVED FAIRNESS

With so much at stake—improved innovation, first-mover advantage, and, ultimately, survival—what can managers do to develop a culture of fairness that encourages and accelerates collaboration and innovation?

Bingham suggests adopting seven steps to increase organizational fairness:

First, ask employees for their input when making decisions. "We underestimate the effect a voice has in the decision-making process," Bingham says. "When people have the opportunity to share their views on a particular subject or topic related to their work, it has a significant effect for reducing their reactions to negative outcomes."

Furthermore, if employees aren't involved in the decision-making process, they may inevitably start looking for jobs elsewhere, he says. Or worse, they may actually engage in withdrawal behavior or attempt to sabotage the organization.

"Essentially, they say, 'If you're not going to consider my views, then I'm going to stick it to you,'" Bingham explains.

Second, Bingham says it's important to establish a way for team members to challenge management's opinions. This may initially be difficult because managers, who are often used to having their edicts followed, may feel threatened by opening themselves up to criticism.

But in the *Harvard Business Review* article "Why It's So Hard to Be Fair," Joel Brockner, a professor at Columbia Business School, says: "Managers sometimes do run the risk of losing power when they involve others in decision making. But usually the practice of process fairness increases power and influence. When employees feel that they are heard in the decision-making process, they are more likely to support—rather than merely comply with—those decisions, their bosses, and the organization as a whole."

Third, make sure that decision-making procedures are consistently fair. Once a way of making decisions has been established, stick to it. Otherwise employees will become confused with management's actions and become less cooperative.

Fourth, become familiar with each project member's concerns. Make time for individual consultation with team members and not just the entire team at once.

"You're going to get different views when you talk with individual members than when everyone's sitting together in the room. People tend to be agreeable in large groups, not wanting to come across to others as a naysayer or a prima donna," Bingham says. "One-on-one, however, you'll likely get greater candor."

Fifth, provide a full explanation for final decisions that are reached. "That's a critical component of procedural justice," Bingham says. "In the end, after you've asked for input, the final decision may vary somewhat from what an employee proposed. Top management should provide a detailed overview and explain what decision was made and why."

It should be noted that it's even okay if outcomes are negative, Bingham says.

"I may not receive a raise. I may not receive the bonus. But if I understand the logic behind those decisions, I'm going to perceive fairness and continue to contribute and collaborate," he says.

Sixth, be supportive by properly providing required resources. "Do individual team members working on new products perceive that top management is providing adequate resources for the team to achieve its goals?" Bingham questions. "If not, there will be a strong perception that managers are being unrealistic in their expectations."

Seventh, respect and encourage the autonomy of the team and of team members.

"There needs to be opportunities for individual team members to explore, to innovate, to create, and to express their views on their own. That suggests that there has to be a significant level of individual autonomy," Bingham says. "There needs to be a time in which individuals are allowed to play around with new ideas and then pose those new ideas to colleagues within the group."

Co-author Li, an expert in product development, explains that some of the world's most innovative companies purposefully allow employees to use some of their time at work experimenting and creating. For example, 3M, a company that has spent more than $6.3 billion on R&D in the last five years, encourages employees to spend 15 percent of their time working on projects of their own choosing. Google allows its employees 20 percent.

"3M sets the objective that they want to have 40 percent of their new sales coming from new products developed in the last four years," says Li, an assistant professor of strategic management and innovation. "Facilitating this, 3M has a high level of procedural justice. Managers have set this policy that allows high tolerance for failure. This makes sense because innovation is always associated with uncertainty and risk."

To be procedurally just, managers must bite the bullet and become more open to failure, he adds.

"An entrepreneurial culture doesn't happen overnight; it has to develop," Li says. "Once in place, it's the culture that encourages innovation and ideas."

FAIRNESS IN ACTION

One company that has built a reputation for fairness *and* innovation is Chaco, a manufacturer of high-end footwear used by outdoor sports and recreation enthusiasts.

Some of the things Chaco has done over the years to stand out from competitors

toward Fairness

Columbia Business School professor Joel Brockner offers the following steps to make fair processes the norm:

- Address knowledge gaps. Make sure employees are prepared to deal with challenging situations (like new product development) by openly communicating with them. Studies have suggested that people can tolerate experiences better when they are forewarned. Be sure to let employees understand the tangible payoffs associated with complex processes.

- Invest in training. Studies have shown that fair-process training can make a big difference. Subordinates of trained managers are less likely to steal and more likely to give extra effort. Remember that training should be delivered in several installments and must be ongoing to truly stick—after instruction, allow time for implementation, feedback, and more practice.

- Make process fairness a top priority. As with any major change in an organization, improving process fairness begins with senior management. By modeling fairness they send a message about organizational values and the "art of the possible." Employees are more likely to tackle challenges when they see others they respect doing so.

Source: *Joel Brockner, "Why It's So Hard to Be Fair,"* Harvard Business Review, *March 2006, 128–129.*

include paying employees to ride their bikes to work, establishing a recycling program for their sandals, and producing sandals that help control problems of overpronation. Chaco's sandals have been awarded the Seal of Acceptance by the American Podiatric Medical Association.

Chaco was named one of the best places to work in Colorado. What makes the designation even more special is the fact that more than half of Chaco's employees are paid by the hour to work on a manufacturing floor—not your typical environment for a highly satisfied and motivated workforce.

What's Chaco's secret?

Dave Knutson, director of human resources at Chaco, says the company focuses "on the relationship between managers and their direct reports." Furthermore, the closest he comes to a formalized HR process is the company's annual employee survey, where he asks employees about their work experiences.

"Typically, we hear from employees whether they think their pay is fair, whether they think their treatment is fair, and whether they think they're heard," Knutson says. "Then we go back to the employees with the results and ask what we can do better."

Throughout the rest of the year, managers and employees are routinely coached based on continual feedback, he says.

"If you're waiting for an event like an annual survey to get your feedback, you're not going to have a fair environment," Knutson says. "You have to be open to feedback all the time. That's why we encourage our leads and managers to give real-time feedback."

Instead of waiting for a review or for a serious problem to arise, managers give feedback as issues happen. "And you've got to remember that feedback's both positive and negative. You can extinguish good behavior if you're not encouraging it," Knutson warns.

There's yet another important reason Chaco's employees are so satisfied with their fair work environment. For the last four years Chaco has trained managers and employees to use a communication model called Leader Effectiveness Training. In the training, all employees learn how to craft win-win situations, how to give assertive feedback, and how to develop listening skills.

In the end, he suggests that companies should get away from thinking of encouraging fairness in terms of programs.

"Too many companies adopt a flavor-of-the-month attitude," said Knutson. "It's not programs that do it, but genuine relationships between managers and their direct reports—the leads and the people they supervise. It's those relationships that make people feel like they're being treated fairly at work and foster dedication and innovation, the things that help a company succeed."

FAIRNESS STARTS HERE

Bingham says that for every Chaco, there are hundreds of companies sorely lacking in the fairness department.

"There's a lot of lip service given to it, but whether or not it happens in practice is another question," Bingham says.

Ultimately, whether or not a company catches the true vision of procedural justice rests with management's acceptance and adoption of the idea. By incorporating Bingham's seven keys to increased organizational fairness and looking to the example of companies like Apple, 3M, Chaco, and others, managers can create an environment that stimulates new ideas and expectations.

"It's a natural outgrowth. When employees feel they're being treated equitably, they're going to collaborate and take more risks," Bingham says. "Eventually they'll produce those products and services that stand out from the competition and significantly contribute to the bottom line." M

ABOUT THE AUTHOR

Grant Madsen is the marketing director at American Crafts. He earned a BA in communications from BYU in 1998 and an MBA in 2007.

SCHOOL NEWS

Wall Street Journal Ranks BYU MBA No. 1

The Wall Street Journal ranked BYU's MBA program first in the nation among regional schools in the paper's 2007 report of top business programs, up from third in 2006 and sixth in 2005. The Marriott School was also ranked No. 2, behind Dartmouth College, as one of the best schools for hiring graduates with strong ethical standards.

The newspaper categorized national and regional schools based on the type of recruiters they attract—regional schools tend to attract more recruiters from a particular region, whereas national schools attract recruiters from a broader geographic area.

This year's top regional schools are (1) BYU, (2) Wake Forest University, (3) Ohio State University, (4) University of Rochester, and (5) Indiana University. The top national schools are (1) Dartmouth College, (2) University of California, Berkeley, (3) Columbia University, (4) Massachusetts Institute of Technology, and (5) Carnegie Mellon University.

In addition to the top regional honor and strong showing in ethics, BYU placed fourth in the paper's "accounting" honor roll and ranked ninth in "corporate social responsibility."

"Year in and year out, recruiters rave about graduates' maturity, competitive drive, integrity, and international experience, especially from their missionary work for The Church of Jesus Christ of Latter-day Saints," the paper reported about BYU. "Academically, the Marriott School receives high marks in the *Journal* survey for its accounting program. Some recruiters are also finding that more Brigham Young MBAs make a good fit for investment banking."

BYU MBA program director **James Engebretsen** says, "Our focus on investment banking is fairly new and still relatively small, but we're finding it to be a good fit for an increasing number of our students. It's rewarding to see Wall Street valuing our students in this area as well as recognizing their strong work ethic, integrity, and the great professional training provided by our faculty."

This is the seventh year *The Wall Street Journal* has evaluated MBA programs around the world. More than 4,400 recruiters who hire full-time business school graduates participated in the 2007 survey. Recruiters evaluated schools on three components. Equal weight was given to perceptions of the school and its students, the likelihood of recruiting and hiring at the school in the future, and mass appeal—the total number of participating recruiters who recruit at the school. Perceptions of the school and its students were based on twenty-one attributes such as analytical and problem-solving skills, communication and interpersonal skills, faculty expertise, curriculum content, leadership potential, and career services at the school.

Scholarship Honors Late Professor

The Marriott School is honoring the late **Sheri Joy Bischoff**, professor of organizational behavior, with a new scholarship.

Bischoff's family, friends, former students, and colleagues made contributions totaling more than $40,000 to create an endowed scholarship in her name. Each academic year a $2,000 Bischoff Scholarship will be awarded to an MBA student majoring in OBHR. **Kristin Hawkes**, a second-year MBA student from Salt Lake City, will receive the first Bischoff Scholarship in January 2008. The scholarship committee chooses recipients according to financial need, academic achievement, and a commitment to use their education to help others.

"Sheri Bischoff exemplified what BYU is all about—faith, respect, competence, and love," says **Ned Hill**, Marriott School dean. "I could not be more pleased to see that her family and

Hyundai Managers Learn Strategy from Provo Bikers

Last summer nineteen Korean executives from Hyundai Heavy Industries got a surprise crash course in American biking culture when a pack of Harley-Davidsons roared into the Marriott School's parking lot to enhance the visitors' classroom studies. For eleven years HHI, the top shipbuilder in the world, has sent its managers to the Marriott School for three months of training in business English, ethics, marketing, and more.

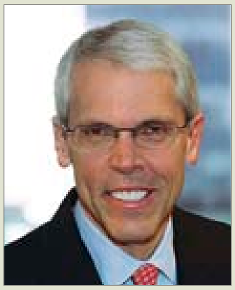
"We have become one of the most important training programs that Hyundai has," says Robert Holcombe, the program's administrator. "In fact the company has felt it is so important that they have an experience at BYU that managers must participate in order to advance at HHI."

During a weeklong focus on business strategy, assistant professor **David Bryce** used a case study of Harley-Davidson Inc. to illustrate principles of strategic maneuvering. Specifically, Bryce taught that Harley-Davidson's sales are driven primarily by unrivaled brand loyalty.

"Few companies in the world enjoy loyalty so strong that customers are willing to tattoo the brand onto their bodies," Bryce says. "Competitors interested in challenging Harley's dominance in the heavy bike segment will have to find a way to reduce or duplicate this incredible loyalty."

The Korean visitors, most of whom were unfamiliar with American motorcycles, got a closer look at this strategic advantage when seven Harley-Davidsons dropped their kickstands just outside the Marriott School. The bikers represented the Provo Chapter of the Harley Owners Group, or HOG, a national organization—independent from Harley-Davidson Inc.—that fosters a lifestyle of adventure and freedom that helps fuel the company's success.

Citigroup CFO Relates His Most Important Decisions



Making the right decisions is critical to leading a successful life, Citigroup CFO **Gary Crittenden** told students and faculty at the 2007 Marriott School Honored Alumni Lecture 20 September.

Crittenden was chosen as the Marriott School's 2007 Honored Alum as part of BYU's annual homecoming tradition of recognizing an outstanding graduate from each of the university's colleges.

"We're very pleased to have Gary Crittenden as our honored alum this year," says Dean **Ned Hill**. "He is a wonderful friend of BYU and one of its most distinguished alumni."

"Five decisions have been particularly important during the course of my life," Crittenden said. "While a student at the Marriott School, I made the decision to get the best education possible, despite financial difficulties. The things you're doing now turn out to actually matter," he told students. He also encouraged listeners to marry the right person, take risks, exercise, and be obedient.

Crittenden earned a BS in management from BYU in 1976 and an MBA from Harvard in 1979. He proved his considerable financial ability as CFO of Sears, Roebuck and Co.; Monsanto Co.; and American Express before accepting his current position as CFO of Citigroup Inc., a global financial services holding company with more than $1.8 trillion in assets, in March 2007.

colleagues have helped us create a lasting memory in the form of an endowed scholarship to honor a gifted and inspiring teacher and friend."

From 1994 to 2003, Bischoff taught in the Department of Organizational Leadership and Strategy, developing a reputation for caring, a great sense of humor, and dedication to her work and family. She died 18 March 2003, after battling cancer for six years.

In 1998, Bischoff was presented with the Outstanding Mentor Award by graduate students in organizational behavior. She was uniquely able to connect with her students by sustaining a warm learning environment in which students developed critical thinking skills and stronger testimonies of the gospel of Jesus Christ. She received the Marriott School Teaching Excellence Award in 2001.

Marriott School Announces MBA Leadership Change

The new year brought leadership changes in the Marriott School's MBA program. **Jim Stice** returned to his accounting faculty responsibilities after nine years as associate director, academic director, and director of the program. Taking over as academic director is **Craig Merrill**, who previously served as chair of the MBA curriculum committee. He will join **Jim Engebretsen**, who continues to serve as a director of the program.

"We have deep appreciation for Jim Stice's excellent service, and we're excited for Craig Merrill as he moves into this new position," says Marriott School Dean **Ned Hill**.

School of Accountancy Wins Innovation Award Twice

The American Accounting Association presented the 2007 Innovations in Accounting Education Award to BYU's School of Accountancy at its conference in Chicago. BYU—the only school to win the award twice—was recognized specifically for its PhD Prep program developed by the School of Accountancy.

While BYU has no doctoral program in accounting, the PhD Prep program prepares selected accounting students to enter into top-level PhD programs. This program leads the nation in providing qualified students for PhD programs, placing forty-two students in doctoral accounting programs in the last six years. BYU Master of Accountancy students in the PhD Prep track take classes in statistics and economics as well as courses in academic research.

"This award recognizes that we are on the forefront of addressing the issues concerning accounting education," says **Kevin D. Stocks**, director of the School of Accountancy. "One of the primary concerns in accounting education is too few PhD students. We have established a model that has increased student interest in accounting PhD programs, a model that can be implemented in some form in any graduate accounting program throughout the country."

Each year the AAA presents the Innovations in Accounting Education Award to an individual, group, or institution to recognize significant contributions to accounting education. The selection committee chooses the winner based on three criteria: innovation, demonstrated educational benefits, and adaptability for other educational institutions.

In 1993 the accounting program at BYU won the AAA Innovations in Accounting Education Award for its Junior Core program. This integrated approach to accounting education remains a foundation of the BYU accounting program.

Institute of Marketing Names Outstanding Student, Awards Scholarships

The Marriott School's Institute of Marketing named **Laura Thompson**, from Laguna Hills, California, as its 2007 Outstanding Marketing Student. Thompson and sixteen other undergraduate marketing students were awarded scholarships during a luncheon held 13 September. Scholarship recipients were chosen based on merit, need, and a strong background and interest in marketing.

"These scholarships are made possible by our alumni and corporate friends who appreciate the achievements of the students and have a tremendous affinity for the Marriott School," says **David Alcorn**, director of the institute. "These are students of wonderful character and intellect. They've already demonstrated willingness to give back to their communities, and I have no doubt they will continue to do so as leaders in the future."

Corporate partners Kohl's, Lands' End, Walgreens, and Wal-Mart funded scholarships, and seven endowed scholarships were awarded. Endowed scholarships were provided by Big and Tall Associates; Richard G. Bolinder; Larry Dahle; E. Ronald and Dorothy M. Erickson; Alan R. and Caroline Johnson; E. Doyle and Beth S. Robison; and Marriott School marketing faculty.

Juniors receiving scholarships were **Rebecca Lindstone**, from Loveland, Colorado, and **Michele O'Neill**, from Portland, Oregon.

Seniors receiving scholarships were **Stephanie Andersen**, from Preston, Idaho; **Hee June An**, from Provo; **Derek Athey**, from Casper, Wyoming; **Jessica Ellenburg**, from Rocklin, California; **Eric Hass**, from Seattle, Washington; **Timothy Headrick**, from Champion, Ohio; **Bryant Hoopes**, from Sandy, Utah; **Teodora Hristova**, from Sofia, Bulgaria; **Aubrey Janzen**, from Highlands Ranch, Colorado; **Wesley Owen**, from Eagle Mountain, Utah; **Jacie Summers** Pierce, from Parker, Colorado; **Ben Rasmussen**, from West Point, Utah; **Tori Rasmussen**, from Villa Park, California; and **Jeremy Zavoral**, from Citrus Heights, California.

Accounting Programs Rank Second in Nation

The Marriott School's undergraduate and graduate accounting programs ranked second in *Public Accounting Report's* Annual Survey of Accounting Professors. Every year since 1995 the survey has positioned both BYU accounting programs among the top three in the nation.

"We are very delighted for the recognition of our peers concerning the quality of the program we have," says **Kevin Stocks**, director of the School of Accountancy. "To be ranked this highly for so long is a pretty unique accomplishment."

In the ranking survey, accounting professors and accounting department heads around the nation were asked to name programs that turn out students capable of gaining partner status in the future.

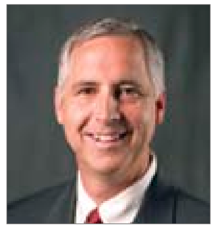
"Accounting faculty members often are influential in shaping the perceptions and career decisions of students," states the report. "This survey seeks to measure the perceptions that faculty bring to that advisory role."

The 2007 top undergraduate accounting programs are University of Texas, BYU, University of Illinois at Urbana–Champaign, University of Notre Dame, and University of Southern California. In the undergraduate division, BYU and University of Illinois at Urbana–Champaign tied in second place. The top master-level programs are University of Texas, BYU, University of Illinois at Urbana–Champaign, University of Southern California, and University of Notre Dame.

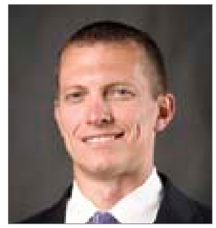
FACULTY NEWS

Professors Given Phi Kappa Phi and Young Scholar Awards

BYU recognized finance professor **Grant R. McQueen** with the Phi Kappa Phi Award and business management associate professor **Keith P. Vorkink** with the Young Scholar Award at the



Grant R. McQueen



Keith P. Vorkink

annual University Conference on 28 August.

The Phi Kappa Phi Award is presented annually to a BYU faculty member who excels in scholarly and creative endeavors, exemplifies integrity, and contributes to BYU through citizenship and service. Holding the William Edwards Professorship in Finance, McQueen is an outstanding teacher, scholar, and citizen of the university. He is a demanding and entertaining teacher who maintains high expectations for his students. His research on investment and corporate finance has been published in more than thirty articles in leading academic journals. He also serves his community by coordinating groups of students who teach personal finance courses at local elementary schools.

"Grant is the consummate professor," says **Michael Swenson**, chair of the Business Management Department. "He epitomizes exceptional teaching, outstanding research, and strong character. His work with research and teaching colleagues is exemplary. My association with him has made me better."

The Young Scholar Award acknowledges outstanding contributions by faculty in the early stages of their academic careers. Vorkink joined the Marriott School faculty in 2000 and has served as the Ford Faculty Fellow since 2001. He received the Top Research Award from the Business Management Department in 2004 and the Top Research Award from the Marriott School in 2005. In 2003 the Marriott School Finance Society presented Vorkink with the Outstanding Professor Award.

"Keith is becoming a star researcher, and he excels in teaching and citizenship too," Swenson says. "More important, he raises the research productivity and quality of the rest of the faculty. He has been a wonderful addition to our faculty."

Additionally, several Marriott School faculty members received advancements in rank for the 2007–2008 academic year. **Craig B. Merrill**, **R. Bruce Money**, and **Scott E. Sampson** advanced to professors of business management. The new associate professors are **Conan C. Albrecht** and **Bonnie B. Anderson**, of information systems;

Professor Earns International Award for Social Issue Leadership

Warner Woodworth (right) organized a group to help victims of the 2005 Thailand tsunami, including a fisherman who lost his boat (middle). Also pictured is BYU alumnus Pete Sorenson.

In recognition for the integration of social issues in research and teaching, The Aspen Institute's Center for Business Education presented the 2007 Faculty Pioneer Award in External Impact to Marriott School Professor **Warner Woodworth**.

"Dr. Woodworth works to transform management schools into institutions that integrate various business models to improve society," says the institute. "With his boundless energy and deep commitment, Warner continues to motivate students and industry leaders alike."

For this year's award The Aspen Institute, an international nonprofit organization dedicated to fostering enlightened leadership, received 124 qualifying nominations of professors who exemplify the integration of social issues in the classroom.

One of six award recipients, Woodworth was nominated by **Lisa Jones Christensen**, a former Marriott School student who is now an assistant professor at the University of North Carolina.

"My biggest goal is to have a long-term impact in the lives of my students," Woodworth says. "This award is very satisfying because I know they have remembered their experience in my class."

In his effort to influence others to serve, Professor Woodworth has authored ten books, including *Working Toward Zion* and *Small Really Is Beautiful: Micro Approaches to Third World Development*. He also co-wrote *Small Fortunes: Microcredit and the Future of Poverty*, a documentary on microlending institutions and their influence in overcoming poverty. In addition, students have been motivated to participate alongside Woodworth with HELP International, a nonprofit organization designed to lessen poverty in underdeveloped countries.

David W. Hart, of public management; and **Nile W. Hatch**, of organizational leadership and strategy.

STUDENT NEWS

BYU Wins 2007 International Business Case Competition

From left: Jorge Mazal, Solomon Lee, Jake Kirkham, and Laura Thompson

After spending a continuous twenty-four hours developing an international business strategy, an undergraduate team of management students from BYU placed first at the Center for International Business Education and Research Case Challenge. The BYU team beat students from other top international business programs including Università Bocconi in Italy, Instituto Tecnológico Autónoma de México in Mexico, and Audencia Ecole de Management in France.

The twelve participating university teams were to design a strategy to enter the European market for Valient Pharmaceuticals, a company based in Aliso Viejo, California.

The 2007 BYU team consisted of seniors **Jake Kirkham**, a finance major from Atlanta; **Solomon Lee**, a finance major from Kahuku, Hawaii; **Jorge Mazal**, a marketing major from Argentina; and **Laura Thompson**, a marketing major from Laguna Hills, California. Coaching the team were professors **Bill Baker**, **Bruce Money**, and **Liz Dixon**.

"When it was 4 a.m. and our project needed to be finished in three hours, each member of the team gathered their strength and pulled together," Kirkham says. "I felt that no one on the team was in the competition for personal gain but looked to help each other."

The competition included two rounds of judging. During both the preliminary and final rounds, teams presented their case analysis to industry judges and participated in a twenty-minute question-and-answer session, where judges assumed the role of company management.

"The BYU presentation was very crisp, and it followed an overarching theme, which made the strategy memorable to the judges," says Dixon, who traveled with the team to Ohio.

The team focused its strategy on developing the company's dermatology line and distribution with the proposition of entering the cosmetology market. This strategy led them to the final round, along with the University of Texas at Austin and Audencia Ecole de Management of France.

Dixon says the judges were very impressed with the BYU business strategy. "The team was very creative in their strategy and was able to support its choice to focus on dermatology. After the presentation one of the judges said he would hire them on the spot."

Accounting Teams Excel in National Tax Competition

From left: Ryan Thorpe, Lauren Inouye, Justin Metcalf, and Paige Peterson.

From left: Derek Welling, Holly Barlow, Derek Judi, and Nicholas Tobler.

A team of Marriott School undergraduate accounting students placed first and a team of graduate accounting students placed second at the 2007 Deloitte Tax Case Study National Competition—marking BYU's seventh consecutive first- or second-place finish in the undergraduate division.

"Our accounting students have amassed an unequalled record of success," says **Steve Albrecht**, Marriott School associate dean. "A BYU graduate or undergraduate team has placed first or second nationally for eleven of the past twelve years. That says a lot about the quality of our students, their solid preparation, and the excellent coaching by faculty."

During the competition, teams had four hours to strategically resolve tax problems for a corporation using only the Internal Revenue Code and Treasury Regulations as references. The competition, which was sponsored by the Deloitte Foundation, included a new requirement for teams to present one of their solutions to the judges.

"The BYU teams were able to respond to their questions on judiciary tax authority without having information about it," says **Brian Spilker**, graduate team advisor. "Based on their responses, our groups demonstrated excellent accounting experience and preparatory research."

During the preliminary round earlier this semester, both BYU teams competed against more than thirty other universities with only six teams in each division advancing to the national competition.

In recognition of the win, the Deloitte Foundation awarded the BYU undergraduate team $1,000 per student, and each graduate team member received a $500 award. In addition, a total of $15,000 was awarded to the school, which will be used in part to provide scholarships to accounting students of the Marriott School.

Professor **Robert Gardner** coached the undergraduate team, which was composed of **Lauren Inouye**, from Herndon, Virginia; **Justin Metcalf**, from Joplin, Missouri; **Paige Peterson**, from Alberta, Canada; and **Ryan Thorpe**, from Mansfield, Texas. The graduate team members were **Holly Barlow**, from Sandy, Utah; **Derek Judi**, from Castle Dale, Utah; **Nicholas Tobler**, from Tempe, Arizona; and **Derek Welling**, from Corona, California.

Other winning universities included the University of Denver, which placed first in the graduate division of the competition, and the College of William and Mary, which placed second in the undergraduate division.

"Each of the national teams participating offered insightful responses to the complex case study and earned our confidence about the caliber of professionals that will be working within our industry in the future," says Shaun Budnik, president of the Deloitte Foundation. "Our future is going to be in very good hands."

BYU Army Cadet Ranks Second Nationally

BYU senior **Jason Cabatingan** has been named second out of more than four thousand cadets on the Army ROTC National Order of Merit List. The placement reflects his outstanding performance in academics, leadership, extracurricular activities, and physical training.

The National Order of Merit List is compiled every year and ranks all Army ROTC cadets after

Duo Wins National Ethics Competition

Left to right: Casey Zaugg and Brooks Tingey

A pair of BYU students had more to celebrate during the holiday season after winning first place at the University of Arizona's 2007 Eller Ethics Case Competition.

BYU has taken first place two out of the three years it has participated in the competition. Beating out more than nineteen participating universities from across the nation, this year's BYU team is composed of **Brooks Tingey**, a junior finance major from Sandy, Utah, and **Casey Zaugg**, a senior accounting major from West Jordan, Utah.

"It was very apparent that the overall academic preparation in the business major gave our team a decided advantage," says **David Hart**, team advisor and associate professor of ethics and public management. "This was a very impressive team, and they worked really hard in preparing a solution to the case."

As part of the competition, teams took on the role of managing executives for Outdoor Adventure Systems, a fictitious company producing eco-friendly equipment for outdoor sports. Due to growing competition in the industry, the company decided last year to use synthetic mass-produced materials and stray from its eco-friendly mission. As the company was making changes to maintain profits, top management continued receiving compensation packages that included golf membership discounts, financial and estate planning, and tax services. In response to the new direction of the company and the overcompensation of employees, shareholders requested the board of directors to implement specific changes to its policies.

The ethical dilemma of the case was deciding how to implement stakeholders' changes while maintaining employee satisfaction. For the two weeks before the competition, the BYU team researched the industry and weighed shareholders' requests while analyzing the company's future business strategy.

"Instead of continuing to provide employees with benefits like golf club membership discounts, we designed a strategy for the company to offer programs that would be tax-deferred," Tingey says. "We would meet the demands of stakeholders by providing a different form of benefits for the employees."

As part of the case strategy, other shareholders' requests concerning related party transactions and the elimination of executive prerequisites were not employed. In response the team suggested the implementation of efficient modes of communication between the shareholders and the company.

"It is very interesting to see strategy mingled with an ethical dilemma," Tingey says. "It would not have been realistic to give in to every single demand in the case, but we wanted to acknowledge shareholders' suggestions."

Strategizing the company's response to these simulated requests provided an opportunity for the team to understand how ethical dilemmas are addressed in real-life situations.

"The competition made me realize that Marriott School students have something to offer companies when we graduate," Tingey says. "Knowing this gave me confidence for the future."

their junior year of college. Rankings determine service placement preference, and the top 20 percent of cadets are honored as Distinguished Military Graduates.

"Cadet Cabatingan made a commitment to earn high grades and become the best leader he could be," says Maj. **Ted Leblow**, military science department chair. "Being named one of the top cadets in the nation reflects well on him as an individual and on BYU's Army ROTC as a whole."

Cabatingan also received the USAA Army National Scholarship during a ceremony in Washington, D.C. The scholarship is awarded annually to one outstanding senior in the Army ROTC from across the country.

Cabatingan has already served four years on active duty in the Army, including a year-long deployment in Iraq. He is Cadet Battalion Commander of BYU's Army ROTC. Originally from Dublin, California, he intends to graduate in August 2008 with a degree in Latin American studies.

BYU's other Army ROTC cadets also placed well. Twenty percent of BYU cadets placed in the top 10 percent of all cadets in the country. In total, nine BYU students qualified as Distinguished Military Graduates.

BYU's Army ROTC is administered through the Marriott School's Department of Military Science. Established in 1968, BYU's program is the largest Army ROTC at a campus other than the six federally designated senior military colleges with more than 270 total cadets enrolled at various campuses. Cadets train throughout college to prepare for commissions as second lieutenants upon graduation.

MBA Students Tackle Wal-Mart Creative Brief Challenge

From left: Spencer Millerberg, Brigham Cochran, Spencer Hill, Julianne Hall, Michael Davis, and Greg Chandler.

A team of first-year MBA students won $497 during the Marriott School's first annual Wal-Mart Creative Brief Challenge in October. Their winning concept, "Feel the Difference This Holiday Season," combined operational and advertising recommendations in a succinct, three-page executive brief.

Sponsored by Wal-Mart and hosted by the MBA Marketing Association, the contest asked teams of three to four Marriott School MBA students to develop a marketing creative brief for Wal-Mart's busy holiday sales season. Prizes of $312 and $88.44 were given to the second- and third-place teams, respectively, and eight teams received honorable mention prizes of $44.44. Prize amounts were based tongue-in-cheek on Wal-Mart's price points.

The first-place brief was crafted by **Brigham Cochran**, from Houston; **Michael Davis**, from Clearfield, Utah; **Julianne Hall**, from Salt Lake City; and **Spencer Hill**, from Los Angeles.

"We were impressed with all teams' abilities to focus on the most relevant information," says **Greg Chandler**, Wal-Mart's director of reputation marketing. "The winning team was true to our brand, selected the most important information, carried a main consumer insight throughout the brief, and made innovative recommendations."

ALUMNI NEWS

Two BYU Alumni Win Dissertation Awards

Alison Mackey

Jared Harris

Two Marriott School graduates won top honors for their doctoral dissertation research at the Academy of Management's 2007 conference in Philadelphia.

Alison Mackey won the award for outstanding dissertation research in business policy and strategy for her research on the link between executive salaries and firm performance. **Jared Harris** won the best dissertation award in the social issues in management division for his dissertation on the causes and effects of misstating financial data. Half of the six finalists in the business policy and strategy division this year were Marriott School graduates—Mackey, Harris, and **Robert Jensen,** a Marriott School assistant professor of strategy.

"It is remarkable that, of the six finalists for best dissertation in the strategy division, three were BYU alumni," Harris says. "We were trained at different graduate schools, but there's something about the experience we had at BYU that prepared us well for that subsequent training. For those interested in academic research, the Marriott School curriculum and professors are very intellectually engaging and lay a good groundwork for future academic success."

The Academy of Management, the largest and oldest scholarly management association in the world, is divided into twenty-four professional divisions. Each division sponsors its own annual competitions and awards. A panel of distinguished scholars selects a few doctoral dissertations from the previous year for presentation at the annual academy conference, granting promising new scholars international exposure and recognition. The division winners are then announced at the conference.

"At the Marriott School, we had opportunities to engage in research as research assistants prior to starting a PhD program," Mackey says. "This research experience is important in helping doctoral students hit the ground running."

Mackey earned her MOB degree from the Marriott School in 2001 before pursuing a PhD at Ohio State University. She is now an assistant professor of management at Cal Poly San Luis Obispo. Harris completed his MAcc at the Marriott School in 1997 and then earned a PhD from the University of Minnesota's Carlson School of Management. He is an assistant professor at the Darden Graduate School of Business at the University of Virginia. Jensen, a 2000 graduate of the MOB program, earned his doctorate at the University of Pennsylvania's Wharton School and is now at the Marriott School.

"A disproportionate number of PhD students around the country are Marriott School graduates, and they're highly sought after," says **Gerry Sanders,** chair of the Organizational Leadership and Strategy Department. "We're developing a reputation for preparing great doctoral students in our master's programs."

"Polypreneur" Builds Unique Career

He's a video creator, business consultant, web site developer, college professor, choir director, and volunteer concert organizer. As a self-described "polypreneur," **Jon Forsyth** is engaged in a wide variety of businesses—and he says he's happier now than he ever was in the corporate world.

"I had a high-level position at a consulting firm, but I kept thinking about how I didn't need that much money," Forsyth says. "What I needed was time and flexibility."

He earned his MBA from the University of Pennsylvania's Wharton School in 1990 after graduating with a BS in general business from BYU in 1985. He then started work in marketing research and strategic management.

With a two- to three-hour commute on top of his workday, Forsyth began to feel his kids were growing up without him. He left his consulting job in 1999 and has been mostly self-employed ever since. Now his week includes a wide variety of jobs, businesses, and volunteer activities.

He spends his days as a business consultant, web site developer, and teacher for an online management information systems course for the University of Massachusetts–Lowell. When he found out his daughter's junior high school had no choir director and no choir, he volunteered for that job. He also volunteered to organize the town's monthly folk music concert.

His latest venture is videojester.com. Through the site he teaches people how to create online promotional videos and offers his production services. "With the revolution of the internet, the next stage is video," Forsyth says. "Video has the power to make a greater impact than a standard web site."

He got started with web video when the hosting company for one of his web sites sponsored a contest through the video sharing web site YouTube. He wrote lyrics, recorded music, filmed his family doing "wacky" things—and beat out more than 140 other contestants to win the grand prize of $10,000.

With newfound confidence, he created a video starring his three-year-old son, Mark, for another web site—and this time he beat more than 130 entrants to win an $8,000 trip to the Alaskan wilderness. "It was like lightning striking twice," he says.

With so many things on his plate, it's easy to wonder how he can keep track of everything. "I like to have lots of things going at once," Forsyth says. "It's sort of like juggling, but I enjoy that level of diversity in my life." For someone who calls himself "the video jester," it seems fitting.

Working for himself gives Forsyth the ability to pursue his passions and spend more time with his family. "Lots of people have a variety of interests but, by choice or necessity, they focus on their job," he says. "I've just been fortunate enough to give more attention to a lot of different things. I would be hard-pressed to return to a regular office."

MANAGEMENT SOCIETY NEWS

Chapters Draw Crowds with Strong Speakers

Stephen Covey

In chapters throughout the Management Society, regular luncheons and other events provide opportunities for members to gather, hear speakers, and network.

Whether a chapter is established and flourishing or just starting out, these events help the society achieve its vision of "growing moral and ethical leadership throughout the world," and leaders have found several ways to make such events successful.

Leaders of the Albuquerque, New Mexico, Chapter come from a wide variety of businesses and backgrounds. Their different interests and connections have helped to ensure diverse luncheon topics. "The key has been the selection of speakers we invite to luncheons," says **Julie Ledbetter,** a member of the chapter's executive board. "We try to address the needs of different sections of the community with a broad base of different topics."

Having a variety of interesting speakers provides an opportunity for members to invite their associates, says **Keith Mortensen,** past chapter president and a member of the executive board. "We've tried to be clear that everyone's invited, because we want to contribute to the local community."

Finding appropriate speakers can be a matter of personal contacts, good networking, or simple perseverance. New Mexico Chapter President **Doug Thomas** had no connections to renowned author and speaker Stephen Covey when he heard Covey was going to be in town, but Thomas cold-called Covey's corporate office and was able to arrange for him to speak to the chapter. "Sometimes it's just a matter of asking," Thomas says. "People are willing to speak because they have a message to share, and they want to influence people for good."

Having well-known guest speakers can draw a crowd, but including local leaders in the mix has advantages as well. It can be less expensive to host a local presenter, and attendees are likely to be more closely connected with the presenter and his or her organization, says **Kara Francis,** president of the Minneapolis, Minnesota, Chapter. "Having speakers from our area increases the sense of community while bringing local leaders together."

Knowing the audience is another key to speaker selection. When the Paris, France, Chapter invited former Dell CEO **Kevin Rollins** to speak, the morning event was successful because of Dell's presence and name recognition in the country. "To attract attendees, we need speakers who are influential, but they also have to work for companies that are known in France," says **Bruno Grenier,** chapter president.

When leaders work to hold well-planned events with the right speakers, communities respond. "People are looking for opportunities to come together," says **Kent Clay,** president of the Atlanta, Georgia, Chapter. "And quality speakers draw people."

Program Provides Mentors for Perpetual Education Fund Graduates

Management Society members in the Mexico City, Mexico, Chapter are providing mentors for recent graduates who have received assistance from the Perpetual Education Fund.

Named *Lograr*, a Spanish word denoting success and accomplishment, the program pairs businesspeople from the United States, where mentoring is more common, with those who've received assistance from the Perpetual Education Fund. Mentors use email, internet phone calls, and internet video chat to connect across nations with those receiving mentoring. The chapter coordinates the program's work in Mexico, arranging events and pairing graduates.

"These students finish classes and need to repay the fund but don't yet have any way," says **Marco Flores,** chapter president and Perpetual Education Fund coordinator in Mexico. "They need help to get established and be successful."

The mentoring program was organized, in part, by Scott McDonough, an American businessman who currently lives and works in Mexico City as managing director with Alta Growth Capital. "We share the concerns that President Gordon B. Hinckley has expressed about opportunities for young people in developing economies," he says. "The Perpetual Education Fund is an important component in trying to help them, but we were concerned about the next step: how that education might translate into jobs."

John Richards, associate director of the Center for Entrepreneurship, mentors two Perpetual Education Fund alumni who are starting their own businesses. His service combines his Spanish language abilities, which he developed while serving a mission in Paraguay, with his passion and skill for entrepreneurship. "I guide them through the steps of entrepreneurship," he explains. "They don't have a lot, but they really want to do better in their lives."

Houston Chapter Celebrates Pioneer Day at the Ballpark, Expands Luncheons

Members of the Houston, Texas, Chapter recently gathered for an evening of family, fellowship, and fun at the Houston Astros' "LDS Family and Friends Day," co-sponsored by the Management Society and the BYU Alumni Association.

The event drew more than seven hundred people, and a portion of ticket proceeds was divided between the organizations. This is the third year the Management Society and the BYU Alumni Association have held such an event. They've also collaborated for similar events with other sports teams, including the NBA's Houston Rockets.

The matchup between the Houston Astros and the Los Angeles Dodgers in Minute Maid Park on 24 July drew members with their families as well as church youth groups. "These events are a great way for people to get out and connect," says chapter president **Morton Large.** "Sports can be enjoyed together by the entire family."

Management Society Establishes Helsinki, Finland, Chapter

The influence of the BYU Management Society continues to grow throughout the world with the establishment of a chapter in Helsinki, Finland. The chapter held its inaugural meeting on 31 July 2007.

Helena Hannonen, an associate professor of international business management at BYU–Hawaii and a member of the society's international steering committee, spoke about global networking. Customarily, Finland has had less emphasis on networking, and attendees were pleasantly surprised as they discovered valuable connections.

More than thirty people attended the meeting,

despite the event's timing during a traditional vacation period. "It was a pleasure to see so much interest in the Management Society from the general audience," says **Jussi Kemppainen,** chapter president. "It emphasized the importance of opening our doors even wider to all who are interested in the beliefs and values we represent."

The chapter is only one step in the society's plans for expansion. "We hope this will be the pioneering chapter in this region, influencing the establishment of chapters in neighboring countries," says **Jonni Junkkari,** chapter secretary. "There is a need for this sort of organization in this region, especially for networking."

CLASS NOTES

1976

Lt. Col. **Wayne McArthur** is a U.S. Army staff officer in the Pentagon working to ensure that troops receive necessary equipment. His previous assignments included work in Cuba and Japan.

Before serving on active duty, McArthur was a member of the Utah National Guard and worked for eighteen years as water and power director of St. George, Utah. He previously held several positions with ExxonMobil.

He earned his MBA from BYU after earning a BS in civil engineering from Utah State in 1974. He and his wife, Janet, have six children and live in the Washington, D.C., area.

1983

A BYU education has helped **Gwendolyn Vaisega Young's** career take flight. As associate director for management at NASA's Dryden Flight Research Center, she is responsible for the center's business functions.

Her career with NASA has included a range of positions and locations during the past twenty-five years. In addition to her current position, Young has worked in the comptroller's office at NASA headquarters, in the Space Station Freedom program office, and at the Stennis Space Center.

She earned her MPA from BYU after earning a BS in elementary education from BYU in 1979. Young resides in Lancaster, California, and is the director of public affairs for her stake.

1984

John F. Pilmer's business, PilmerPR, recently received the Utah Valley Entrepreneurial Forum's "Top Twenty-Five Under Five" Award for the second year in a row. The award honors Utah businesses less than five years old. With more than twenty years of experience, Pilmer advises companies on public relations and marketing communications.

He has done volunteer communications work for The Church of Jesus Christ of Latter-day Saints, the Boy Scouts of America, and the city of Orem, Utah. Pilmer previously hosted a radio talk show in southeast Texas about computers. Pilmer recently joined BYU's Communications Department as a part-time faculty member.

After earning a BS in business management and marketing from BYU, he earned an MBA from the University of Utah in 1987. He has also received the Accredited in Public Relations distinction.

His wife, **Diane**, earned an MOB from BYU in 1984. They live in Orem, Utah, and have three children.

1986

Susan Chieko Eliason recently finished her fourth book, *Company FATheads: How to Bounce Bully Behaviors and Boost the Bottom Line*, which she co-authored with her sister, Carol Emiko Nibley. A business-fable novella, it suggests solutions to typical personality and behavioral challenges in the workplace.

Eliason is a consultant at BYU's Center for Teaching and Learning and a part-time faculty member at the Marriott School. She has designed and conducted training for numerous foreign and domestic organizations, including Hyundai, Nippon Steel, Mazda, and the Missionary Training Center.

While a student at BYU, she earned a master of organizational behavior degree after earning a BS in family studies and English. She currently resides in Orem, Utah.

1989

With more than twenty-seven years of experience in financial advising, **Phil Stoker** has helped a wide range of people and businesses. For the past ten years, he has advised clients through Stoker Ostler Wealth Advisors, a fee-only wealth management firm he co-founded.

Stoker earned his MBA from the Marriott School after earning a BS in finance and estate planning in 1980. He and his wife, Diane, live in Mesa, Arizona, and have six children.

1990

Tom Applegarth, human resource director for Goodyear Tire and Rubber Company, has more than fifteen years of human resources experience. Before Goodyear, he worked in human resources for Amoco, Payless ShoeSource, and Flowserve, a manufacturer of pumps, valves, and seals.

While at BYU he earned a BA in history in 1988 and an MBA from the Marriott School. He and his wife, Susanne, have three sons and live in Green, Ohio.

1993

Matthew Semadeni recently joined the management faculty of the Kelley School of Business at Indiana University. He was previously a management faculty member of the Moore School of Business at the University of South Carolina.

He earned his PhD from Texas A&M University's Mays Business School in 2003 and a BS in management and information systems from the Marriott School. He and his wife, Kari, have three children and live in Bloomington, Indiana.

1994

Will Bryan was recently named a partner of the PricewaterhouseCoopers Detroit office. In addition to his previous responsibilities as a lead senior manager in Detroit for the past two years, he has worked with the firm's offices in Indianapolis and Germany.

He has also taught intermediate and advanced accounting in the undergraduate program at the University of Indianapolis.

He graduated from the Marriott School with a BS in accounting and a MAcc.

He and his wife, Jennifer, live in Novi, Michigan, with their four children. He enjoys traveling, coaching his children's sports teams, and running. He completed his first marathon in Stockholm, Sweden, in 2004.

1995

As Pacific area general manager of FreeLife International, **Christopher R. Cooper** is

responsible for markets in Australia, New Zealand, and Fiji. He is a justice of the peace for the state of Queensland.

He earned his BS in business management and international marketing from the Marriott School and a graduate degree in business administration from Southern Cross University.

Cooper lives in Brisbane, Australia, and has served as president of the Management Society's Australia chapter for more than ten years. He is a media specialist for The Church of Jesus Christ of Latter-day Saints and a correspondent for church publications.

Michael Halls is the managing partner of the Salt Lake City office of Stoker Ostler Wealth Advisors, a fee-only wealth management firm. He earned an MBA in 2003 from Arizona State University's W. P. Carey School of Business after earning a BS in finance from the Marriott School.

He coaches youth baseball and basketball teams and enjoys a wide variety of outdoor activities. He and his wife, Michele, have three sons and live in North Salt Lake, Utah.

1996

Russell L. Sewell recently founded CS Real Estate Partners, LLC, a commercial real estate investment partnership. He has been CEO of a real estate development company, founded another investment company, and enjoys the personal interactions his work involves.

He earned his MBA from the Marriott School after earning a BA in political science from BYU in 1994. He and his wife, Ann, have five children and reside in Mesa, Arizona.

1997

David Matthew Sluss teaches leadership and ethics as an assistant professor of management at the University of South Carolina's Moore School of Business. He also teaches executive courses for MODUL University in Vienna, Austria, and the Vienna University of Economics and Business Administration.

He earned his master of organizational behavior degree from the Marriott School after earning a BS in psychology from Virginia Tech in 1995. After several years as a management training

Super Bowl Champ Is More than a Football Player

With three Super Bowl wins, two USFL championships, two Holiday Bowl wins, and five Pro Bowls under his belt, former Cougar center **Bart Oates** is an accomplished offensive lineman. He's reached almost every peak, but it's his combination of success on and off the field that makes him truly extraordinary.

After serving a mission in Las Vegas, Oates started as BYU's center for the 1980, 1981, and 1982 seasons. Playing BYU football runs in the family—he followed in the steps of his brother Brad, an offensive tackle from 1972 to 1975, and joined their brother Barry, a defensive end from 1980 to 1982. During his collegiate career, Oates protected Jim McMahon and Steve Young, helping the Cougars to Holiday Bowl wins in 1981 and 1982. His achievements earned him a spot in the Cougar Football Hall of Fame.

Predicted to be a fourth- or fifth-round draft in the NFL, he joined the USFL instead when the league's Philadelphia Stars offered him a guaranteed, three-year contract worth $310,000—money that helped him finance law school at Seton Hall University during the next several off-seasons. The team won two USFL championships, but the league was on shaky footings, and when his contract ended, Oates left to join the New York Giants.

After spending the first two games of the 1985 season recovering from an injury sustained during training camp, he started every Giants game for the next nine years, never missing a practice. "As with anything in life, it's consistency that counts," he says. "I wasn't the flashiest guy, but I showed up every day for practice and did my job—and it paid off."

When the Giants won Super Bowl XXI in 1987, Oates says he felt an amazing sense of team accomplishment. "The Super Bowl represents the pinnacle of what you can achieve in football," he says. "It's what you work for as a football player from grade school on. Once you've been there, you realize it's better than you ever imagined."

That sense of accomplishment motivated Oates throughout his career. He played for the New York Giants for nine years, also winning Super Bowl XXV in 1991. He then signed with the San Francisco 49ers and was part of the team when they won Super Bowl XXIX in 1995.

After thirteen years of playing professional football, Oates decided enough was enough in 1995. "I retired because I couldn't physically do it anymore," he says. "Collectively over the years your body takes a pounding, and it was wearing on me."

But retiring from football didn't mean walking away from work. He already had a successful career as a lawyer, but he decided to apply his real estate law experience to a career in real estate consulting. He joined Cohn Real Estate, where he advises corporate clients on office locations and other real estate decisions. He also has a real estate development company.

In addition, Oates leads community initiatives such as the New Jersey Hall of Fame and the Teach Our Children Foundation, an organization committed to educating inner-city children. He and his wife, Michelle, have three children and live in Harding, New Jersey.

Whether on the field, in the courtroom, consulting, or volunteering, he has always been motivated by a commitment to do his best. "We all have various talents in varying degrees," says Oates, who earned his BS in accounting from BYU in 1982. "We shouldn't be satisfied with only using part of them. The goal is to make yourself better—then use your abilities to help others."

consultant, he went on to earn a PhD in business administration from the W. P. Carey School of Business at Arizona State University in 2006.

He and his wife, Dinah, have two daughters and live in Irmo, South Carolina.

1998

Jaime Ferreira recently founded Armatura Ltda., which provides service and repairs for armored vehicles. He was previously Latin America vice president for the world's largest vehicle armoring company.

He earned an MBA from the Marriott School after earning a BS in mechanical engineering from Universidad de Los Andes in Bogotá, Colombia, in 1982.

He and his wife, Vilma Rocío, have three daughters and live in Bogotá, Colombia.

1999

Larry Cook enjoys working with entrepreneurs to build businesses of enduring value. Since 2004 he has been a partner of Peterson Partners, a private equity investment group. He previously worked with a law firm and an investment bank in New York City and as a clerk for the U.S. Senate Judiciary Committee.

He earned his MBA and JD from BYU after earning a BA in international relations from Stanford University in 1995. He and his wife, Juliet, have two sons. The family lives in Cottonwood Heights, Utah.

Kristján Geir Mathiesen and his wife, Sóley, recently founded Kasma ehf, which operates an online store that sells dirt-biking gear. He had previously worked as information technology manager for Nýherji hf, an information technology services provider.

Mathiesen earned a BS in information systems from the Marriott School and an MS in business strategy and management from the University of Iceland in 2007. His master's thesis explored the shared attributes of successful Icelandic businesswomen. The findings were featured in *Frjáls Verslun*, an Icelandic business magazine.

The family has three children and lives in Hafnarfjörður, Iceland.

2002

Jon Rosenlund was recently named director of emergency management for the city of Grand Island and Hall County, Nebraska, after leaving a similar position in Sterling, Colorado. He works with state and local agencies to plan for possible disasters. His work has involved responding to tornados and winter storms as well as deployment to Louisiana after Hurricane Katrina. He also coordinated involvement in public safety through Sterling's Citizen Corps.

He earned his MPA from the Marriott School after earning a BA in Russian from BYU in 1998. He and his wife, Becky, have five children and live in Grand Island, Nebraska.

Stephen Stubben has recently joined the faculty of the University of North Carolina at Chapel Hill as an assistant professor of accounting.

He earned a PhD in business administration from Stanford University in 2006 and had previously earned a BS in accounting and a master of accountancy degree from the Marriott School.

He and his wife, Catherine, recently had their third child. The family lives in Chapel Hill, North Carolina.

2003

An experienced entrepreneur, **Gregory N. Peterson** recently founded Peterson Wealth Management, where he provides comprehensive family and business financial planning. He is also the founder of Smartstocks.com and Satcom Wireless, for which he won second place in the 2003 BYU Student Entrepreneur of the Year competition. He has previously worked for Smith Barney, Fisher Investments, and Merrill Lynch.

Peterson is a financial planner and earned his MBA from the Marriott School after earning a BA in global economy from BYU in 1999. He continues his connection to BYU through occasional guest appearances with Divine Comedy, a comedy group he co-founded as a student.

He and his wife, Miriam, enjoy volunteering with orphanages in Mexico. They divide their time between Orem, Utah, and Heber City, Utah.

Firm Builds Team of Marriott School Alumni

The partners and advisors of Salt Lake City–based Aptus Advisors have more in common than just their employer. They all have degrees from the same school.

The firm's founders felt so strongly about the relevance of a Marriott School education to their work that the firm has a team comprised entirely of Marriott School graduates, including all five partners and four associate advisors.

Launched in March 2006 to enable private equity transactions, Aptus Advisors provides tools and technologies that enable investors and private companies to complete business deals more quickly and efficiently. The Marriott School's focus on entrepreneurship and related financing issues makes its graduates uniquely suited for this job, the firm's founders say.

"We chose these graduates because we firmly believe that they are the most qualified to meet the specific requirements of our clients—right out of school," says **Gregory A. Peterson**, the firm's managing partner. Peterson earned his MBA from the Marriott School and teaches entrepreneurial finance at the school. "I may be a little biased since many of them are my former students, but our clients agree."

"We knew it was a perfect fit for getting a team together that had experience in the services we provide," says **Jill Dempsey**, one of the firm's founding partners. She earned a BS in finance from the school in April 2006.

The team's other Marriott School graduates are **Jon Duffy**, a partner, who earned a BS in business and finance as well as an MBA; **Trent Read**, a partner, who earned an MBA; **Justin Jory**, an associate advisor, who earned a JD/MBA; **Jeff Jensen**, an associate advisor, who earned an MBA; **Eric Nicholson**, an associate advisor, who earned a BS in information systems and is currently pursuing a JD/MBA; and **Bob Wood**, an associate advisor, who earned an MBA.

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Photo by Bradley Slade

N. Eldon Tanner Addition construction site on 4 January 2008.

A team of Marriott School undergraduate accounting students placed first and a team of graduate accounting students placed second at the 2007 Deloitte Tax Case Study National Competition. A BYU graduate or undergraduate team has placed first or second in this competition for eleven of the past twelve years. Read more on page 38.