...From the Dean

The challenges of today's business and management scene are many and varied. The stresses of moving from a local to a regional or national marketplace are exacerbated by major shifts taking place in the global economy. Administrators and faculty of BYU's Marriott School of Management have been watching and studying these shifts with interest and concern. What do these changes mean for management education? The response has been to place major emphasis on developing a curriculum that prepares graduates to enter a workplace enmeshed in change at all levels—local, regional, national, and international. In this brief statement, I highlight the Marriott School's international focus. This is of particular interest because of the largely untapped language and cultural experience resources of our faculty and of the students enrolled here at both the undergraduate and graduate levels, particularly in the MBA Program.

To illustrate this point, during the November meeting of the National Advisory Council, Mr. Charles S. Sanford, Jr. of Bankers Trust was honored as International Executive of the Year. He graciously consented to meet with a group of over 100 MBAs during an afternoon session prior to the dinner honoring him. Gary McKinnon, director of the MBA Program, introduced Mr. and Mrs. Sanford to the students, but before turning the class to Mr. Sanford he introduced the students by asking a few revealing questions. "How many of you speak more than one language?" Almost the entire group raised hands. "How many speak more than two languages?" A substantial number raised hands. "How many speak three or more languages?" The number of hands decreased, but a surprising number still responded. The next question concerned nationality. The Sanfords were surprised to learn that the group contained Russian, Estonian, Brazilian, Korean, Japanese, Chinese, French, German, Mexican, Venezuelan, Argentinean, and Peruvian students, plus a large contingent of returned missionaries with international experience.

This brings me to the point of my comments: The Marriott School of Management has a major resource for businesses and governmental agencies desiring to hire men and women who can move into the global scene with a minimum of language and cultural shock. The question then is "What is the MSM doing to capitalize on this resource?"

Over the past few years, development of internationally oriented classes and modules has taken place, the Center for International Business Education and Research has been established, and faculty members have been encouraged to hone their international management skills and language and to move forward in their study of international management challenges. An exciting new proposal for a more specific and better defined international emphasis in the MBA Program is currently under review, and initial preparation is taking place. The continuing development of this emphasis will have ramifications for all MSM graduate and undergraduate management programs.

Currently, members of an MBA committee are working with College of Humanities administrators to develop special business-language courses in Japanese, Korean, German, and Spanish. Currently, a class in business Mandarin Chinese is being offered. These 1.5 credit-hour-per-semester classes, taught by faculty members having business language and cultural expertise, allow students, particularly returned missionaries, to learn business terminology for a particular country or group of countries. When these classes are well integrated into the MBA curriculum, plans are to add offerings in other languages, such as Portuguese, French, Italian, and Russian. These classes, taught during the regular school year, will also be open to MSM graduate students desiring to develop special business competency in a selected language.

Coupled with the language and culture classes, students opting for the international emphasis will be required to participate in an international internship. To accommodate the internship, students desiring to participate will need to apply and be accepted into the emphasis with a commitment to enter the MBA Program early during spring/summer terms. This will add one semester to their educational experience, but allows immersion in language and culture courses taught by College of Humanities faculty members. These students then participate in an overseas work opportunity beginning the first of January and ending in August of their first year. This schedule allows them to rejoin their class for their second year and to graduate within the two-year framework. Internship participants continue the regular MBA curriculum fall semester, but enhance their language and culture study by participating in the 1.5-credit-hour business language course.

International students will be encouraged to enter the MBA Program during this spring/summer period in order to participate in language and culture classes geared toward U.S. business culture and language. This will expand their orientation period from a specialized, intensive two-week class into a trimester of work, thereby reducing some of the pressure and stress that international students feel during their first year of the MBA Program.

As dean, I look forward to continuous development of the international emphasis and to MSM students' being recognized as a major resource for international organizations seeking well-qualified managers and executives.
THE REAL COST OF REGULATION
Charles S. Sanford, Jr.
Fundamental to our economic freedom and our ability to create wealth is the discipline of free markets and the allocation of capital by the private sector.

CASH ATTACK: THE HEART ATTACK OF SMALL BUSINESS
John M. Knab
When businesses follow certain practices of allowing their average-days receivables to extend to dangerous levels and their inventories to build up, these practices can cause atherosclerosis of the business establishment's arteries that carry cash.

FROM SLOGANS TO STRATEGY: HOW TO ACHIEVE CUSTOMER LOYALTY
Paul R. Timm
Making a commitment to better customer service involves much more than mouthing a motto, slogan, or mechanical phrase. The real management challenge lies in translating the slogans into actions that create customer satisfaction and loyalty.
The part of our heritage we’re most proud of gave our children American heroes who were individualists, risk-takers, creators of radically new ideas—men and women who fought for independence, especially from overbearing government. . . . They symbolized hope. Our role models were people like Abraham Lincoln, Thomas Edison, Henry Ford, and George Washington Carver.
RECENTLY, and only partly due to the presidential election, many have been telling us what is wrong with America, and Americans seem to agree. Only a minority of us believe the next generation will be better off.

As always, problems do exist, but I believe that on balance America is a better place to live for more people than ever before and that the future is promising. However, for that promise to be realized, we must face and solve a major problem: The American people are suffering from a general malaise—emotional as well as material.

Mr. Sanford’s remarks were given on November 6, 1992, at a dinner hosted by BYU’s Marriott School of Management and its National Advisory Council, at which he was honored as International Executive of the Year, 1992.
I submit that the source of this malaise is the increasing regulation of America. I refer mainly to the “I am a victim,” “We can’t do anything about it” mind-set brought on by the regulatory virus.

Heretofore, our good fortune has been the result of economic and political freedoms that provide the discipline to keep us between the regions of order and disorder where neither reigns. For it is in this fragile zone that the restlessness of the human spirit thrives and produces dramatic surges of genuine progress.

The archenemy of this fragile zone of creative productivity is regulation. Unfortunately, the trend toward regulation is growing. If you think not, let me remind you.

- The Federal Register, where all regulation is published, was 14,000 pages longer last year than in the final year of the Reagan Administration and 20,000 pages longer than its 1986 low.

- The number of federal employees overseeing regulation has risen since 1988 by more than 20,000 and is at a new all-time high.

- In the last four years, we have seen an 18 percent increase in the government’s cost of administering regulatory programs.

In the interest of lifting our malaise and regaining our creative productivity, we must stimulate our collective immune response so that our antibodies of political and economic freedom will at the very least contain, if not destroy, the regulatory virus that drains our economic and emotional energy.

The Fundamentals of Economic Freedom

Fundamental to our economic freedom and our ability to create wealth is the discipline of free markets and the allocation of capital by the private sector.

The free markets give us an incentive to work hard to acquire value that can be exchanged for goods or services—or that can be saved, which is latent spending—or that can be given away to charity. The underlying assumption of the free market mechanism is that people are trusted to make their own decisions; no one, especially not government, does it for them. When people realize that they are in charge, that they must rely on themselves, innovation and industry are stimulated and the economy grows. With growth comes increased wealth. No system yet devised can compete with the free market to increase wealth. Few would deny this conclusion, especially those who have lived in formerly socialist states.

The free market system depends upon the private sector, not the government or any other central body, to allocate capital. Within the private sector the financial industry plays the primary role. There investors are free to choose among the banks and brokers for advice, and the discipline of this competition ensures that no one need sit idly by and watch his capital disappear.

Admittedly, the financial industry has not always been foolproof; the headlines we have all seen show that error and human frailty exist in finance just as anywhere else. The LDC debt fiasco, the S&L crisis, the stock market crashes of 1929 and 1987, and Wall Street’s insider trading scandals all describe limitations of the private sector.

But despite these high-profile failures, the financial industry’s record bests all other systems; witness, for example, the results of the central planners in Russia or of small socialist experiments such as Brook Farm.

The fatal flaw of central planning is that there are too many variables for a mortal’s mind or even a committee of so-called expert mortals to comprehend and manage effectively; it would be easier to forecast weather correctly than for a central body to allocate capital effectively.

The Burden of Regulation Is Heavy

Even so, central planners persist and, in the pursuit of a political agenda, wish to short-circuit the free market’s choice of capital allocation. The inevitable side effect is to reduce wealth. Make no mistake about it: Regulation destroys wealth as surely as a war or a hurricane.

For example, regulation feeds the legal system. The number of lawyers has increased threefold in the last 30 years, and now there are three of them for every thousand of us. At the same time, the number of federal lawsuits has tripled.

Suppose today’s bureaucratic and litigious society, with lawyers and regulators looking ominously on, had existed in the early 1900s. Who would have dared risk such discoveries as the practical use of electricity, the automobile, or airplane? We would not even be allowed aspirin! Few would dispute the negative effect of our litigious society on economic growth and the creation of wealth.
Most regulation falls into the category of protection for a special interest group, limiting the freedom of others to implement ideas.

But the direct cost of misallocating capital as a result of special interest regulation is not the only cost of regulation. We pay another, higher price, difficult to explain and harder to reduce. I speak of the insidious change that affects the mentality of people who labor under onerous regulation for long periods. A state of mind develops whereby competition for influence with regulators, legislators, and, most importantly, their staffs, overwhelms the more productive goal of innovation and efficiency. This condition is observed as “turf wars” within business organizations. Once this mind-set becomes ingrained, it spreads like the locust.

Inevitably, business leaders who have to comply with excessive regulatory constraint can’t continue being true business leaders. When lawyers, accountants, and regulatory experts become the essential variables in the management of a business, what “business leadership” amounts to is staff leadership by lawyers, accountants, and regulatory experts. Entrepreneurs, in essence, move over and bureaucrats move in.

Such companies become risk-averse, reactive, anti-change and anti-innovation and often pursue growth and size only for its own sake. Their management not only impedes progress, it denies growth.

As the mind-set flourishes, the short-term view becomes the norm, for who can plan long-term knowing that regulation can and will change the rules? Such changes are unpredictable, on short notice, and often retroactive because the motivation is retention of power, not the most efficient use of resources.

It is instructive that large companies throughout the world, both private and state-owned, have been forced to shed rather than increase jobs because of financial losses or below-par financial performance. At the same time, smaller and medium-sized companies have provided real employment growth, significant profits, and innovation. Did regulation, which is aimed primarily at the larger companies, lead to a bureaucratic mentality? Is there a correlation between this mentality and anemic performance, whether it be in the private or public sector? You bet!

Fortunately this mind-set does not endure. Communist central planners encouraged it for 70 years. Yet even in these oppressive, tightly controlled regimes, a sort of free economy—called the black market—always emerged. Despite the terrible penalties, creative and entrepreneurial urges could not be contained, so addicted is the human spirit to economic freedom.

Why Then Do We Have Regulation?

Not all regulation, even though it thwarts the free market, is poorly conceived. We do not want people to starve or lack medical care. Some other regulations are sensible and good; air traffic control and the antitrust laws that protect the free market are examples. But most regulation falls into the category of protection for a special interest group, limiting the freedom of others to implement ideas. It is this set of regulations with which I take issue.

One has to go no further afield than finance to see the negative influence of self-interest regulation; I refer to the Glass-Steagall Act. Armed with this act, the investment banking industry, perhaps the most highly paid in the United States, has shielded itself from competition with commercial banks for more than 50 years. The investment banks note that commercial banks are prohibited by the Glass-Steagall Act from providing certain investment banking services to the marketplace. They claim the act should not be repealed because commercial banks can provide competitive services to clients at a cheaper price and by so doing deprive investment banks of business. They say it is not fair, as if this regulatory protection from competition were divinely inspired.

As seen from this example, the motives of regulation’s proponents are often malignant. Members of an oligopoly or monopoly want protection from competition. Others desire political power or control via regulation. In some cases regulation springs from economic envy or as an act of hostility against one group or another.

Even regulation that is not so motivated can be irrational and harmful. Humanitarians and the socially conscious, with all good intent, push regulation, too. The targeting of Styrofoam by the environmental movement is but one example. Dr. Alan Schriesheim, director of Argonne National Laboratories, cites the facts:

“Compared to manufacturing a Styrofoam cup... making a paper cup consumes 28 percent more non-renewable petroleum... 12 times as much steam... 36 times as much chemical input... and twice as much cooling water. In addition, making the paper cup produces three times as much air pollution... at least ten times as much water pollution... and 580 times as much waste water. What’s more, Styrofoam cups are completely recyclable... while paper cups are not. And finally, paper cups cost three times as much.
Personal merit is one of our greatest values. From our strong feelings about self-determination follows the belief that individual efforts should be rewarded.

“Yet the belief is widespread that paper containers are better for the environment than Styrofoam.

“This example points out the complexities behind technological decisions . . . and illustrates the willingness of many special interest groups to ignore the complexities and focus exclusively on their own priorities.”

From as many angles as there are special interest groups, poorly conceived regulation is being thrust at us and upon us.

Now, because of competitive pressure from global economic integration, some American business and union leaders are calling for central planning in the guise of a national industrial policy. This response is grounded more in frustration than logic and history.

Some political leaders here and abroad are questioning whether the freedoms of democracy and of free markets are compatible. They are concerned that the free financial markets, which do not respect sovereign borders, will limit their franchise over the allocation of capital and, therefore, their appeal to special interest groups. A futile effort on their part for geo-economics now drives geopolitics.

Polls taken in the United States in the last few months demonstrate that lower-middle-class and unskilled workers fear that the process of globalization will bring more competition from lower-paid workers in the Third World and will cause erosion of their own incomes. Similar sentiments were expressed by a like group in the French referendum on the Maastricht Treaty.

The well-documented evidence that reactionary behavior in our dynamic, ever-changing world is ultimately unsuccessful does not seem to be a deterrent.

**How Do the American People Feel About Regulation?**

The American people don’t want regulation.

“A wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement . . . this is the sum of good government . . .”

—Thomas Jefferson, *First Inaugural Address*, March 4, 1801

The rallying cry of the American Revolution was protection against undue government interference. And America’s founding fathers, who were “of the people,” spent only a fraction of their time governing. The enterprises to which they contributed the most time were newspaper publishing, farming, commerce, and industry. Perhaps it was precisely because the founding fathers had a hand in private enterprise that government had far less of a hand in business.

*The Federalist* papers tell us the founding fathers separated finance from politics by locating the financial capital in New York and the political capital in Washington, so that we could have economic as well as political freedom.

From then until today, Americans have valued freedom most of all. A recent survey in *The Economist* asked people from seven Western countries whether freedom or equality of results was more important and found that, above all the other nationalities, Americans put freedom first—72 percent of us said it was more important.

We want to protect the rights of the individual and the spirit of meritocracy. Personal merit is one of our greatest values. From our strong feelings about self-determination follows the belief that individual efforts should be rewarded.

Yet the rhetoric and action taken in Washington and in many state capitals strongly suggest that government officials are out of touch with these values. Many teachers and administrators in our educational institutions seem similarly removed.

**Regulation Afflicts Education, Too**

As in the business and political arenas, the negative effects of regulation have sidetracked our educational system. Administrators and, in turn, teachers are overwhelmed with mandates from the various government bureaucracies. As with their business counterparts, the administrators’ focus and spending have shifted from the act of educating to the process of education. Simultaneously, our teachers have been grossly undercompensated. Is there any wonder that our educators, in particular those in secondary public schools, are despondent?

For whatever reason, maybe morale, our teachers have changed the emphasis . . .

The part of our heritage we’re most proud of gave our children American heroes who were individualists, risk-takers, creators of radically new ideas—men and women who fought for independence, especially from overbearing government. They symbolized hope. People could rise on their own merit from humble beginnings to senior leadership positions in government, business, or education. Our
We should not merely accept but encourage the unorthodox, the eccentric, the nonlinear—all of which are regulation’s enemies.

role models were people like Abraham Lincoln, Thomas Edison, Henry Ford, and George Washington Carver.

Today we idealize antiheroes; in their formative years our children are taught watered-down history emphasizing the message that payments from government and employers are entitlements. Political competition, rather than economic competition, they say, ensures equality of results over freedom. Freedom becomes a relative value, equality of results an absolute one; and self-reliance is mocked as hopelessly reactionary, indeed a special interest value.

Teachers’ unions have an interest in maintaining the interventionist system that guarantees tenure and other entitlements. Pupils aren’t learning about that independent American spirit. The upshot of their lessons, which place the most value on consensus, fairness and equality, is an ideology of comfort and mediocrity.

If we persist in trying to “level out” society and strive for an average, we have a sure recipe not just for mediocrity but for disaster. We can forget about breaking the cycle of poor people’s despair, or curing cancer or AIDS, or developing exciting new technologies to clean up the environment, or claiming a position of distinction in the global marketplace.

Too often in the classroom only that which is “politically correct”—a particularly malignant form of regulation—is acceptable. A political, polemical agenda has replaced a liberal education—one with a small “I,” meaning liberating. The works of the great thinkers demand high standards, for they are challenging and complex. These works and their writers do represent our values: risk-taking, creation of radically new ideas, fighting for independence. Precisely the values that our American heroes reflected.

Some say we need to focus more on a specialized technical education. Important as math and science are, alone they will not accomplish what’s needed. These disciplines will give us great technologists and engineers, not great thinkers—much less tomorrow’s Nobel laureates. Above all else, our young people must become creatively thinking men and women. Broad learning creates independent people who will not accept the political or corporate-establishment status quo.

As I said earlier, dramatic surges of progress are fueled by diversity and change. These demand tolerance. Lack of tolerance historically has been a precursor to nationalism, racism, and still more regulation, the darker side of human nature. Rodgers and Hammerstein, in the play *South Pacific*, remind us that we have to be taught to hate at a young age. Our educational system, together with parents, has the responsibility to profess diversity and tolerance in our ever-changing and more interdependent world, while reminding us that moral values are constant. Paul Johnson in his book *Modern Times* is eloquent on the consequences when moral values become relative. I urge you to read it. Without tolerance our system flounders.

Perhaps one hundred years ago, when self-reliance was assumed, we could risk educational experiment that aimed at higher self-esteem by lowering standards or expectations, but when we see the miserable results—lower self-esteem, more incompetence, and oppressive conformity—we must change what does not work. Today the competition is too swift and strong for us to make a mistake. Our standards must be raised and our approach must be changed, and quickly.

Perhaps, too, one hundred years ago when our economy was growing rapidly, we could have taken a chance and inflicted regulation on business without too much ill effect. Today we cannot afford to handicap ourselves with anything that clogs the arteries of innovation and efficiency and drags our anemic economic growth further down.

Most importantly, the unpardonable sin would be to smother with the heavy hand of regulation the natural human urge to discover, innovate, create—to live in a world energized by something children have in abundance: wonder. The restless human spirit should be allowed to follow its yearning toward possibilities. We should not merely accept but encourage the unorthodox, the eccentric, the nonlinear—all of which are regulation’s enemies.

Fostering a world in which such attributes can flourish, we will see creativity and invention; from them we will enjoy growth and progress. These spring inevitably from the political and economic freedoms upon which we base our society.

I spoke at the beginning about the fragile zone between order and disorder where neither reigns and said that regulation is its archenemy. Certainly this fragile creative and productive zone is to be preferred. However, I, for one, would risk disorder rather than embrace the style of “order” that today’s regulation seeks to bring. Just as I would be with Thomas Jefferson when he said that he would prefer a free press and no government to a government and no free press.
CASH·ATTACK

Illustration by McRay Magleby
The Heart Attack of Small Business

John M. Knab, Chairman and CEO - Phonex Corporation, Midvale, Utah

The most common question you will hear the small-business manager ask is, “Where did the cash go?” Many small-business managers suspect employee embezzlement. Others cannot figure why they find a deficit in the cash account after having their best month ever.

The majority of small-business managers do not have a strong financial background and are not very comfortable dealing with financial statements and the details of cash management. In fact, many small firms do not generate a cash flow report of any kind. The typical course of action is to have someone generate only a monthly Income Statement and Balance Sheet.

Bankruptcy = Cash Attack

In the United States a staggering number of small-business establishments file for bankruptcy protection. The number one reason for these failures is insufficient funds. They simply run out of cash, resulting in what may be called a cash attack, a condition similar in many ways to a human having a heart attack. When humans select certain food groups and decide to consume them—in spite of the risks— they develop atherosclerosis, or fatty deposits, within the arteries. Eventually, a partial or complete blockage of the arteries will occur, causing chest pains, extreme fatigue, and ultimately a complete failure of the heart to pump blood throughout the body.

Likewise, when businesses follow certain practices of allowing their average-days receivables to extend to dangerous levels and their inventories to build up, these practices can cause atherosclerosis of the business establishment’s arteries that carry cash. Eventually, a partial or complete blockage of the arteries will occur, resulting in the pains of missed payroll and accounts payables, and finally the complete failure of cash flow throughout the entity.

The risks associated with coronary heart disease come from hypertension, high cholesterol, obesity, heredity, use of alcohol and tobacco, or too sedentary a lifestyle. Fortunately, prevention and treatments exist to combat most of these risks: regular check-ups, exercise, and avoidance of certain habits such as smoking, improper eating, and use of alcohol. For businesses, the risks of having a cash attack result from having too high an operating budget, excessive debt, unworkable credit terms, excessive inventories, lack of cash planning, and lack of regular cash monitoring.

The following seven steps explain how to prevent a cash attack.

Seven Steps for Preventing a Cash Attack

1. Consult Cash Flow Experts

Because they lack adequate cash-management training, small-business managers must surround themselves with talented team members skilled in managing cash. Further, knowledgeable consultants from outside the organization—banking, accounting firms, and legal firms—should be called on to assist.

2. Follow the Federal Accounting Standards Board #95 Ruling

A few years ago, FASB #95 ruling required that corporations shift to a cash approach instead of a working-capital approach for dealing with the Statement of Changes of Financial Condition. This transition caused a great deal of grief to many corporations’ reporting structures. However, most firms would never go back, now that they have become accustomed to the simplicity of this powerful approach.

Following the corporate example, small businesses should also use a cash approach in their operations. This approach will show management where and when every dollar of cash has been used or generated. The approach is simple, direct, and much easier to work with than the previous working-capital approach.

3. Generate a Daily Cash Report

A daily cash report should be generated and reviewed by management. This report is not difficult to maintain on a daily basis once it is initially generated. Placing heavy emphasis on cash will help other managers in the organization recognize the priority the cash position has.

4. Use Financial Modeling to Generate Cash-flow Projections

The Projected Statement of Cash Flows is perhaps the most significant report a small business can generate. This report points out how much cash is needed, when it is needed, and the details of why it is needed. A computerized financial model, developed in-house or purchased commercially, is ideal for the purpose of projecting cash flows. The model used must take into account the exact timing of cash movement, not just broad and general extrapolation.

BYU’s Marriott School of Management is using the Business Time Machine (BTM), an advanced financial modeling tool, in training students as well as people from the business community. BTM asks the user a series of detailed questions and then posts the results to a general ledger for up to 12 months in advance. The model provides detailed reports, graphs, and data from which to conduct situational analysis.
With detailed cash projections in hand, managers are well armed to seek needed financing. (Note: The Business Time Machine software is available from the Marriott School of Management. Contact Dean K. Fred Skousen for more information.)

5. Determine Cash Adequacy
The following indicators must be reviewed in order to assess cash adequacy:
A. Determine what cash flow has been generated from operations. This is calculated as net income plus noncash expenses minus noncash revenue.
B. After deducting cash that is needed to pay debt—including principal, dividends, and capital expenses—determine the cash-flow position from operations.
C. Determine cash flow from operations before interest expense.

To monitor cash adequacy, a similar series of questions to ask might include the following:
- What are the current cash amounts and the timing of the cash flows?
- What cash payments can be delayed?
- Are means still available to obtain additional financing?
- What is the level of current assets and liabilities?
- What is the cash flow generated from operations?
- What is the cash flow from operations less cash payments for debt principal, dividends, and capital expenses?

In addition to finding answers to these questions, several formulas have been developed to determine the optimum amount of cash required by a business. These formulas are explained in college-level finance textbooks and can be useful in determining cash adequacy for a small business.

6. Focus on Cash-related Ratios
Careful attention should focus on the ratio of sales to cash. A high ratio warns of insufficient funds and danger ahead. A low ratio indicates that adequate cash is on hand and may even signify an excess, suggesting the need of a plan for what to do with the excess.

Although numerous ratios exist that relate to cash, the following seven are effective in staying on top of cash flows in a small business:
- Current and Acid Test
- A/R and Inventory Turnover
- Cash From Operations to Net Income
- Cash From Operations to Total Liabilities
- Cash Plus Marketable Securities to Current Liabilities
- Sales to Accounts Payable
- Liquidity Index

7. Avoid Surprising Your Banker
Bankers have dealt with thousands of business entities that have suffered cash attacks. Some of these attacks have been fatal. Bankers, therefore, must approach them from a position of knowledge and strength, not from a position of ignorance and weakness.

When a banker for assistance at the moment of crisis, the moment a firm is having a cash attack, will likely produce a disappointing outcome. However, predicting cash problems and needs well in advance, by the use of a forecasting tool or financial model, will impress the banker and greatly improve the chances of approval.

Emergency Treatment for a Cash Attack
Obviously, an ounce of prevention is worth a pound of cure. But what to do in the event of an attack?

Treatment for heart attack victims might include electrocardiogram monitoring, medications to reduce pain and heart rate, rest, surgery, oxygen, or direct-current shock. The business establishment will also need immediate treatment, such as replacing key personnel responsible for the dilemma, filing for bankruptcy protection, or giving a capital infusion through additional debt or equity.

Other options for critical treatment include selling assets that can quickly be converted to cash.

Improving operating and investing activities where needed, opening increased lines of credit, and extending payback periods.

Conclusion
The most unsophisticated, yet potent, advice ever offered on this subject comes from Richard Levin's book, Buy Low, Sell High, Collect Early, and Pay Late. The title says it all. Small-business managers must realize that of all the areas just discussed, how a firm deals with accounts receivable, accounts payable, inventory, and principal pay down on loans will account for more than 90 percent of the cash-flow issues and problems, regardless of company size. Therefore, these four areas must be the object of focus. In hayman's terms, managers look at the income statement to see if the company made any money, but they look at the balance sheet to see if the company actually has any money. Then the statement of cash flows will bridge the gap and show why net income on the income statement was not the increase or decrease in cash reflected on the balance sheet.

Many small firms generate only an income statement and a balance sheet, realizing that this is all that is needed. In fact, many of the business providers to these small firms do not generate a cash-flow report for their clients. Thus, many small-business owners and managers are left with very marginal weapons with which to combat the cash attack threat. Adopting an effective and regular cash-management plan will solve this problem. With cash management taken care of, small-business owners can then capitalize on the powerful competitive weapons that large corporations can only envy: Innovation, speed to market, few bureaucratic barriers, a strong tendency to remain focused, and a passion for what they do.

Notes
1. Thanks to Todd Skousen, a recent graduate of the Marriott School of Management, for suggesting the term cash attack and for providing helpful research.
MBA Program Named “A Big Bang for the Buck”

Business Week placed the Marriott School of Management’s MBA Program on its list of 20 business schools that give a “big bang for the buck.” In its October 26 cover story, Business Week touts business schools with the most value as being second tier but not second rate. The magazine also indicates that “Many of these B-schools provide solid foundations in business basics, and some are even on the leading edge of management education.”

Gary McKinnon, director of the MBA Program, attributes this high ranking to excellent students, motivated faculty, and innovative curriculum changes. “Since there is no PhD program in business at BYU, the graduate programs are the flagship of the MSM and, therefore, receive our focus,” said McKinnon.

In order to appear in Business Week’s rankings, business schools had to have an average student GMAT score of at least 575. The magazine also compared each school’s tuition to the starting salaries of its graduates to determine which schools gave the most value.

The magazine quoted recruiters as saying that students from the so-called second-tier schools are the “really hard workers” and that the cream of the graduates from these schools are just as good as those lured from top institutions.

BYU’s MBA graduates have an average starting salary of $43,260 and a nonmember $11,340 tuition. Only three schools in the top 40 had lower tuition rates: University of Alabama, University of Texas at Austin and Texas A&M; but these three also had lower average starting salaries.

In the overall rankings, Northwestern came away with top honors, followed by Chicago, Harvard, Pennsylvania, and Michigan.

Dr. Gary Carlson Retires

Gary Carlson, professor of information systems, retires this year. He first came to BYU in 1963 as director of Computer Services, having received his PhD from UCLA the year previous. He was instrumental in establishing the Computer Science Department at BYU. In 1979 he left BYU and formed his own computer company but returned to BYU in 1986 to teach information systems in the Marriott School of Management.

Dr. Gary Carlson

He was voted Outstanding Teacher of the Year by the information management students three times.

The Carlsons will have no trouble making plans for at least the first 18 months of their retirement. Gary and his wife, Barbara, have been called on an LDS mission to Mongolia, a former state of what was the Soviet Union. At the request of the Mongolian government, the Church is sending the Carlsons and five other couples to help improve higher education in the country. Dr. Carlson’s specific assignment is to establish an information systems program at the
University of Mongolia.

The current situation in Mongolia is challenging. About 500,000 of the country's two million people live in the capital city of Ulaan Bataar. A large portion of the population, perhaps as many as 50 percent, live as nomads, moving eight to 10 times per year according to the grazing needs of their animals.

When the Russians pulled out at the disintegration of the Soviet Union, the Mongols were left with nothing. The schools have no chalk, no paper, no pencils. While watching some recent video footage that showed a Mongolian children's hospital, Dr. Carlson noticed some broken windows. He asked a Mongolian acquaintance why they didn't replace the glass. "We have no glass." "Then why not cover it with plastic?" "We have no plastic." "How about cardboard?" "No cardboard."

"The closest thing I can compare it to," said Dr. Carlson, "is going back 250 years in time. Our exciting challenge will be to find ways to apply our modern knowledge and experience, given the limited resources."

To prepare for their mission, the Carlsons are trying to learn both Mongolian and Russian. Dr. Carlson is also collecting business and other textbooks to donate to the University of Mongolia. The Carlsons have five children and "10.5" grandchildren.

MSM Graduate Catalog Receives Award

The Marriott School of Management Graduate Catalog received a first-place award for single or multicolored catalogs in the In-Print '92 Contest sponsored by In-Plant Management Association (IPMA) and In-Plant Reproductions.

IPMA is an international association for organizations with in-house printing facilities. The 2,300-member organization has chapters in every state and is headquartered in Liberty, Missouri.

The contest was divided into 18 categories and had a total of 1,400 entries. The entrants were judged on design and quality of printing. Designed by the graphics area of the University Publications Department, the catalog was printed by BYU Print Services and features profiles of professors from each MSM graduate program.

EDS Presents Scholarship Check

Electronic Data Systems (EDS), a world leader in information technology services, presented funds to the Marriott School of Management supporting two information systems management undergraduate scholarships.

The scholarships are awarded to students who have a grade point average of at least 3.0, are in their sophomore or junior year, show outstanding leadership or extracurricular involvement, can demonstrate financial need, and are committed to the information management specialty.

Scholarships for winter 1993 semester were awarded to Tara Lee Hoopes and Troy Parker.

Dean’s Seminars in California and Wyoming

Three Dean’s Seminars were held during fall semester 1992 at Management Society chapters in Sacramento and Oakland, California, and Gillette, Wyoming.

The California seminars were held October 27 in Oakland and October 28 in Sacramento and featured Dr. David Kirkwood Hart, MSM professor of public management. He conducted a three-hour seminar on ethics and total quality management in which he identified the underlying ethical presuppositions of TQM and related them to management theory and practice.
Dr. R. Wayne Pace, MSM professor of organizational behavior, presented the seminar in Gillette, Wyoming, on October 30. His presentation focused on facilitating effective teams. The workshop/seminar took participants through a series of exercises exploring variables leading to an effective team.

The MSM has been sponsoring Dean's Seminars for the last five years. In addition to the presentations by faculty members, a representative of the Dean’s Office reports on the state of the MSM.

Center for Entrepreneurship

During the Center for Entrepreneurship’s Founders Conference held October 29–31, 1992, the following 1992-93 school year activities were announced:

New Class Offering

A new graduate-level class called “Creating and Managing New Ventures” helps students understand the key issues and problems facing managers in start-up companies. The course is taught in five modules—strategy formulation, finance, marketing, operations, and organizational behavior—by faculty members from each functional area. Currently in its development phase, the class will become the MSM’s core entrepreneurship class in both the graduate and undergraduate programs.

Business Plan Competition

This year the center is sponsoring a business plan competition for all BYU students. The top three winners will receive cash awards $1,000, $500, and $250 and will present their plans during the Spring ’93 Entrepreneur Founders Conference.

Student Entrepreneur of the Year

Also during the spring conference, the Center for Entrepreneurship will present the Student Entrepreneur of the Year Award. Eligible students must be involved with an ongoing business venture that is generating revenue and contributing to the economy. The winner will receive a plaque and a $500 cash prize.

Entrepreneur Wall of Honor

The Entrepreneur Wall of Honor will soon be in place at the Marriott School of Management. The wall will be used to recognize winners of the National Entrepreneur of the Year and the Entrepreneur Founder of the Year awards. Both awards will be presented during the Spring Conference of the Entrepreneur Founders.

Community Conference on Entrepreneurship

After many requests from the community, the Center for Entrepreneurship is planning a community entrepreneurship conference to be held in conjunction with LDS April conference. The community conference will feature sessions taught by founders and will be open to interested alumni and community members.

MBA Student Receives National Football Fellowship

Richard Brady, a second-year MBA student, has received the second part of a two-year fellowship provided by the National Football Foundation.

This fellowship, based on athletic achievement, academic performance, and community service, is presented to 22 collegiate football players across the country for use in their graduate studies.

Brady was nominated at
Montana State University in Bozeman. He played corner-back at Ricks College for three seasons before transferring to Montana State to become a team captain and play as a free safety.

Shortly after graduating in June 1991 with a bachelor’s degree in marketing, Brady enrolled in BYU’s MBA Program, specializing in finance. He graduates in April 1993.

**MSM Receives Graduate Council Review**

The Brigham Young University Graduate Council, a committee consisting of eight BYU faculty members, has released a study it completed in September 1992 on all graduate programs in the Marriott School of Management.

The year-long process allowed council members to perform an internal audit with data collected from interviews with faculty, administrators, and students; tours of the facility; class observation; review of faculty and student work; and a questionnaire survey of MSM graduate students. The survey, prepared by the Educational Testing Service, was the Graduate Council’s first experience including a formal questionnaire in the review process.

According to the council’s report, “Morale among the faculty is high. A respect for the school’s leadership and a pride in the school’s accomplishments are evident, particularly in the cooperation and extra effort demonstrated in designing and implementing new policies and curricula.”

The council made five specific recommendations for the MSM in addition to analyzing each program individually and making program-specific recommendations. Recommendations covered such topics as faculty consulting arrangements, self-assessment to ensure quality, sensitivity to gender and diversity issues, and faculty interface with students.

**MSM Receives Major Donations**

Richard E. Cook, a recently retired Ford Motor Company executive, has made a major personal donation to the Marriott School of Management and was instrumental in obtaining a donation from Ford Motor Company. Both will be used to fund international management education at BYU through a professorship in international management, an international student scholarship program, and a management research fund.

Cook served for 35 years at Ford Motor Company in various positions including, general auditor, controller for Ford Tractor Operations, and corporate general assistant controller. Cook has been a member of MSM’s National Advisory Council since 1973. He was honored by the BYU Management Society in 1991 with its Distinguished Service Award. A graduate of BYU with a bachelor’s degree in accounting, he also received an MBA from Northwestern University.

**Management Society Campus Chapter Releases Video**

“Winning the Career Game,” a video written and produced by the Management Society Campus Chapter, informs students about Management Society-sponsored activities and programs.

The video features students and staff dramatizing Management Society Campus Chapter membership benefits. Society-sponsored activities and programs include the Mentor Program, MSM Golf Tournament, Day-on-the-Job, MBA Weekend, Internship Program, and Investment Challenge.

According to Mindy Linderman, campus chapter officer, many students don’t understand the society’s campus role. Showing the video at new-student orientations and returning-student seminars informs them about Management Society membership. The video has
MBA Program Offers Business Language Classes

As part of its international business focus, the MBA Program is offering business language courses in Spanish, German, Japanese, and Korean. These classes deal with current business issues and are conducted entirely in the foreign language.

The classes are taught by either a professor of the language department or an MBA student fluent in the language who interfaces with the language department.

These classes are the result of organizing efforts by student members of the MSM's International Business Association chapter. During a society meeting last year, students discussed the MBA Program's desire to strengthen its international image and commented on MSM students' foreign-language capabilities. There seemed to be very little opportunity for students to speak foreign languages in their classes.

After conducting a survey of MBA students and receiving a very positive response, these students proposed business language classes that would help them learn business vocabulary and cultural differences in the business world.

With MSM faculty and administrative support, the classes were approved and were offered for the first time fall semester 1992. Students are encouraged to repeat the class, since the business content changes to reflect current issues.

Dr. Pace Receives Distinguished Scholar Award

Dr. R. Wayne Pace, professor of organizational behavior, recently received the Distinguished Scholar Award from the Human Resource Development Professors' Network of the American Society for Training and Development.

The national award recognizes one professor of human resource development for excellence in teaching and instruction, quality research representing a substantive contribution to the field, exceptional service to the profession, and a collective embodiment of excellence consistent with the best traditions of human resource development.

A BYU faculty member since 1978, Dr. Pace teaches courses in human resource development, general semantics, and organizational effectiveness. He also consults on issues of organization effectiveness, work systems, motivation and vitality, communication, and leadership.

MSM Introduces Management Field Studies Program

To provide students with "hands-on" work experience, the MSM has introduced the graduate-level Management Field Studies Program. While offering opportunities to work on actual business projects, the program, directed by Rob Chapman, also assists Utah businesses and industries.

Faculty members and graduate students form teams on a consultant-client relationship, conducting projects with local companies. Fall semester 1992 teams completed projects for Children's Miracle Network, Frito-Lay, Novell, Salt Lake Convention and Visitors Bureau, Utah Technology Finance Corporation, Vinca Corporation, and WordPerfect.

The projects included analyzing a compensation and benefits program, developing a least-cost purchasing strategy, evaluating a marketing plan, writing surveys to measure economic impact data, and studying incentive and promotion packages. After completing their projects, the teams prepared and presented comprehensive reports.

SKAGGS Institute Sponsors Retail Career Days

The Skaggs Institute of Retail Management held Retail Career Days from October 26 to November 6, 1992. One of the annual event's purposes is to help students learn more about retailing opportunities.

Executives from 27 retail companies spoke on current issues facing retailers and
promoted retailing as a career for MSM students.

While on campus, many of these companies also interviewed students for possible employment.

Joseph Antonini, chair, president, and CEO of Kmart, spoke to students on "Kmart Renewal: Exploring New Opportunities" as part of the executive lecture series. He discussed the strategy behind the $3.5 billion Kmart is spending to modernize its stores in what he called "the biggest modernization project ever launched in the history of retail."

Stores represented during Retail Career Days included: Express, Lane Bryant, Mervyn's, Nordstrom, Payless Shoe Source, JCPenney, Target, and Wal-Mart.

**MSM Professors Publish Books**

Five Marriott School professors have recently published books.

*K. Fred Skousen*, MSM dean, and *W. Steve Albrecht*, the Arthur Andersen & Co. Alumni Professor of Accountancy, have co-authored an accounting text—*Accounting Principles and Application*—with Harold Q. Langenderfer, an accounting professor at the University of North Carolina, Chapel Hill. The text uses a corporate approach, teaching students how to not only make accounting entries and prepare financial statements, but also use accounting information to make business decisions.

*Margaret J. Wheatley*, associate professor of management, has recently published a management book titled *Leadership and the New Science*. In this book, Wheatley discusses the revolutionary discoveries in quantum physics, chaos theory, and molecular biology and applies these scientific concepts to the fundamental issues of organizing work, people, and life. This book was honored as Management Book of the Year by *Industry Week* magazine.

*Heikki Rinne*, director of the MSM Skaggs Institute of Retail Management, has co-authored a retailing book published in Finland. Rather than an academic focus, this book serves as an overview of principles and practices that add to the success of a retail store. Published only in Finland, the book focuses primarily on the Finnish market and covers five areas of importance in retailing:
1) the level of expectations from retailers and employees, 2) the overall customer orientation, 3) the positioning of the store within its market, 4) personnel issues, and 5) the issue of systems within the retail industry. Rinne co-authored this book with Heikki Peltola, editor of the largest professional business magazine in Finland. The book is in its third printing since its release in May 1992 and is the most successful business book in Finland.

*Hal Gregersen*, MSM assistant professor of organizational behavior, has co-authored with J. Stewart Black, Dartmouth College, and Mark E. Mendenhall, University of Tennessee, Chattanooga, a book titled *Global Assignments: Successfully Expatriating and Repatriating International Managers*. This book addresses how corporations should go about choosing the proper person for an international assign-
salaries of this group went to those with degrees in economics and finance—an average of $25,750. Marketing graduates earned an average of $25,110, and business management students' salaries were, on average, $24,650. Those with degrees in human resources averaged $23,535, and MSM graduates with bachelor's degrees in retailing made $23,340.

As of June 30, 1992, 80 percent of the 103 MBA graduates were employed. Their average starting salary was $43,260, the median was $44,500, and the salaries ranged from $25,000 to $75,000. Of the 124 graduates with master of accountancy degrees seeking employment, 95 percent had jobs. Seventy-five percent of MAcc graduates took jobs in public accounting, 17 percent in private industry, and 5 percent in government agencies. The annual average salary for MAcc graduates was $31,151.

Although 1992 MSM graduates faced a difficult job market last year, many succeeded in finding employment. Of 1992 bachelor's-degree graduates in accountancy and information systems, 94 percent had jobs at or near graduation. Of these, 45 percent accepted jobs in public accounting. The average starting salary for BYU's accounting graduates was $26,589; those with degrees in information systems averaged $26,475. Seventy-two percent of those receiving bachelor's degrees from the Institute of Business Management had employment offers by graduation. The highest starting

Hal Gregersen

person may face. The authors surveyed 174 expatriates and their spouses who recently returned from an international assignment to gather information for this guide to managing global assignments.

**MSM Placement Statistics**

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Robert L. McFarland, author of the guide "The Manager's Guide to Managing Global Assignments," discussed the importance of cross-cultural training prior to sending a manager abroad. Also discussed is the manager's return and the problems that person may face. The authors surveyed 174 expatriates and their spouses who recently returned from an international assignment to gather information for this guide to managing global assignments.

**South Bay Management Society Chapter Sponsors Conference**

The Management Society's South Bay Chapter co-sponsored a conference entitled "Unraveling the Mysteries of the Dead Sea Scrolls" with the Stanford University Hospital Nursing Administration and the BYU Alumni Association's Bay Area Chapter.

This national interfaith conference was held November 20, 1992, at Stanford University and featured Stephen D. Ricks, associate professor of Hebrew and Semitic languages at BYU, who gave a lecture on "Who Wrote the Dead Sea Scrolls?"

He was joined by Norman Golb, Ludwig Rosenberger Professor of Jewish History and Civilization of the Oriental Institute located at the University of Chicago, who talked about "The Freeing of the Scrolls and Its Aftermath." Joseph A. Fitzmyer, S.J., professor emeritus at the Catholic University of America and a resident of the Jesuit Community at Georgetown University, gave a lecture entitled "The Dead Sea Scrolls and Their Significance for the New Testament."

The conference was aired in February on the Vision Interfaith Satellite Network, a nationwide cable channel dedicated to religious programming.

**Skaggs Institute Sponsors Retailing Faculty Symposium**

The Skaggs Institute of Retail Management sponsored a retailing faculty symposium August 20–21, 1992, at Snowbird, Utah. The purpose of the symposium was to provide MSM faculty the opportunity to hear retail executives discuss pertinent retail industry issues.

Featured speakers included John T. Cody, Jr., executive vice-president and director of stores for JCPenney. He discussed the changing retailing industry and how JCPenney has responded to those changes. David Glass, president and CEO of Wal-Mart, made a presentation entitled "Retailing at Wal-Mart Is a Series of Partnerships."

Margot Kaufman, of Mervyn's, spoke on creative merchandising in product development. Tom Nielsen,
vice-president of human resources and Bob McAllister, senior director of field human resources for Kmart, covered a topic titled “Retailing at Kmart Is Dynamic Change Through Organizational Renewal.”

The final presentation—"Retailing at Express Is Building on Fun”—was given by Tom Clements, vice president of physical distribution at Express.

Faculty members were given time to discuss each topic with the speakers and to present in groups what they felt were implications of retailing for the Marriott School of Management.

Heikki Rime, director of the Skaggs Institute of Retail Management, said this symposium was presented to increase the level of faculty interest in the retailing industry and to encourage faculty to become more involved in researching retailing issues and to incorporate more of a retailing focus in the classroom.

Grant Taggart
Symposium Held at BYU

Life insurance agents from around the West convened at Brigham Young University September 11-12, 1992, for the Grant Taggart Symposium, an annual event cosponsored by the Marriott School of Management and the Utah chapter of Chartered Life Underwriters and Chartered Financial Consultants. The symposium provides information about the insurance business that helps agents better serve their clientele and increases their understanding of the components of a successful career.

Symposium speakers included a chartered life underwriter, Wayne Cotton, who suggested ways in which agents can become more effective in reaching and meeting those who fit their ideal prospect profile, and Howard Wight, a chartered life underwriter and chartered financial consultant who taught an effective communications workshop.

Spouses were addressed by Jo Ann Larsen, columnist for the Deseret News, and Carole Mikita, KSL-TV Eyewitness News anchor.

J. Morgan White and Ray H. Garrison Retire


Professor White has taught at BYU more than 30 years. He began teaching during the 1953-54 school year, after which he taught part time while fulfilling other assignments and completing some additional schooling. He returned to BYU in 1973 and has taught here continuously since.

He has a bachelor’s and a master’s degree in accounting from BYU. He became a certified public accountant in both Colorado and Utah and was on the professional audit staff of Peat, Marwick, Mitchell & Co. in Denver prior to pursuing his doctor of business administration degree at Indiana University.

Twice awarded the Arthur Andersen Teaching Excellence Award, Garrison was also honored with the Karl G. Maeser Distinguished Teaching Award in 1979. He has written numerous articles appearing in professional journals and is author of the nation’s most widely adopted managerial accounting text.

Professor White has co-authored three books on computer applications and microcomputer tools. He received BYU’s Exxon Excellence in Teaching award in 1986 and the Distinguished Service Award in 1984.

Ray H. Garrison began teaching at BYU in 1966 and has taught continuously since, except during the 1972-73 school year, when he was a visiting professor at the University of Michigan.

Dr. Garrison has a bachelor’s and a master’s degree in accounting from BYU. He became a certified public accountant in both Colorado and Utah and was on the professional audit staff of Peat, Marwick, Mitchell & Co. in Denver prior to pursuing his doctor of business administration degree at Indiana University.

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Letters

Health Care Discussion Avoids Critical Issue

Your Fall 1992 focus on health care reform eloquently avoids discussion on an issue critical to each of the reform plans presented by the panel of experts. In any conceptual framework for health care reform, the issue of health care rationing must be included.

Clearly, health care costs are skyrocketing, satisfaction with the current system is plummeting, and a large section of the population is either uninsured or underinsured. Although efficiencies may be realized through structural revision, the fact remains that in order to "manage" our health care costs we will need to evaluate our own expectations of the health care services to be provided.

The process of evaluating services and expectations must include an extensive prioritization or cost/benefit analysis. Who will define “basic benefits”? How do we assign responsibility for “unhealthy” life-style decisions? Which treatments will be approved for funding?

The soul-searching and painful process taken by the State of Oregon and Jean Thorne, director of Oregon State Medicaid, to create a list of priorities is a glimpse at the complexities of the issues and the need to initiate the discussions immediately.

Enough has been said about “restructuring” the health care system. Now is the time to determine our priorities as a society.

—Britt Berrett
Upland, CA
Faculty Insights

Howard W. Barnes—Photography

Howard W. Barnes, professor of managerial economics, originally became interested in photography as a Boy Scout. He gained further exposure to photography as a high school yearbook editor. Twice during high school he submitted entries to Kodak’s National High School Photographic Award Contest, taking first place during his junior year and second place his senior year. As part of the award, Kodak used those photographs extensively in their national promotional materials.

“People doing things” is Dr. Barnes’ favorite subject. Having lived abroad and travelled extensively throughout his lifetime, he has taken thousands of photographs of people from all over the world, many of which are poignant portraits of their lives. Several of his pictures taken while he was a Fulbright Professor in China have been published in books and articles on that country.

Dr. Barnes was told early on, “To take good photographs you throw away the bad ones.” And he has. In addition to taking pictures, he also does his own darkroom work because, he says, it allows for artistic control over the final product. He prefers the black-and-white medium but also is equipped for color.

When asked why he enjoys photography he said, “I’d really like to be an artist, but I don’t have the motor skills to be a good painter. Photography allows you artistic expression without the motor skills. It is a wonderful hobby.

Bill Baker—Cycling

Seven years ago, Bill Baker, professor of management communication, suffered a serious knee injury. A year after the injury he was basically back to normal and looking for a new activity that would not re-injure his knee, to replace racquetball and basketball in which he had participated for 20 years.

On a whim, for his birthday, he bought himself a 10-speed bike and promptly challenged his two teenage sons to ride with him the next summer from his hometown of Beaver, Utah, back to Orem. Surprisingly, his sons accepted.

The next June, Dr. Baker and a friend took their boys to Beaver and started out on the 200-mile trip. They anticipated taking three days to complete the journey but made it in only two. Everyone had such a great time that it was deemed the “First Annual Fathers and Sons Bike Trip” and has been repeated in different locations every year since. The size of the group has grown to include about 30-35 people. The trips are strictly recreational—they take a support vehicle along for people to ride in if they need to, and sometimes they haul the bikes up the long steep hills. He says, “We’re just out for fun, not to prove anything.”

Although he does do some cycling on his own, he far prefers going with groups. He has taken several of his wife’s Young Women groups on shorter trips. In June of 1991 he and six MSM faculty members took their families on a trip from Fishlake to Capitol Reef in southern Utah. This year, in addition to the annual fathers and sons trip and a second faculty family trip, he and some friends plan to bike across the state.

Dr. Baker says that the bike trips have three main benefits: 1) getting away from the hustle of the city, 2) socializing, and 3) boosting self-confidence.

James Hansen—Triathlon

Dr. James (Jim) Hansen, professor of information systems, has been involved in running since a friend got him interested about 10 years ago. Since then he has participated in several road races, including 10 marathons. He became interested in triathlons two years ago while visiting Hawaii, the site of the famed “Iron Man” triathlon. Seeing people training for the Iron Man and visiting several triathlon shops inspired him to look into the sport when he returned home.

He learned that triathlon groups were sponsoring short-course triathlons, which include a quarter-mile swim, 15-20 miles on bike, and a three-to-five mile run. He entered one of the events and came in next to last. He didn’t give up, however, and in subsequent events did much better, placing first in his age group several times.

Last summer he and his wife travelled again to Hawaii, where Dr. Hansen participated in the “Tin Man” competition, an Olympic-distance triathlon that includes a 1500-meter swim, a 40-kilometer bike course, and a 10-kilometer run. In that race he placed fifth in his age group.

During the summer, Dr. Hansen trains by swimming about 6,000 yards, cycling 95 miles, and running 30 miles each week. During the winter he continues running and swimming but rides a stationary bike because of the weather. In addition, he tries to run one marathon each year.

Dr. Hansen says he participates in triathlons for three reasons. First, with a sedentary job, the training helps keep him in shape. Second, “each triathlon is an adventure.” And third: “It’s fun!”

EXCHANGE 39
HOW CAN I EXCEED MY CUSTOMERS' EXPECTATIONS?
HE bank executives felt the new slogan the ad agency had come up with would be a good one. But when a customer asked a teller “What’s this ‘We give 110 percent service’ mean?” the teller looked dumbfounded. “I don’t know,” she replied. “I just saw the billboard on the way to work this morning myself.

- Top management at a large retailer put out a clear edict: All clerks are to say “Thank you for shopping at ________” to every customer. That’s an order. Unfortunately, the minimum-wage clerks often uttered the mandatory phrase mechanically and without feeling.

The most powerful way to prosper in a slow-growth economy is to enhance customer satisfaction, loyalty, and retention. Most managers give at least lip service to the idea that the customer “is the boss,” “is always right,” and “is the reason the organization exists.” But making a commitment to better customer service involves much more than mouthing a motto, slogan, or mechanical phrase. The real management challenge lies in translating the slogans into actions that create customer satisfaction and loyalty—in creating a strategy for implementing good service intentions.

This article shows a logical, theoretically sound approach to building and implementing what I call an E-Plus Customer Satisfaction strategy. Any organization can do it, and the payoff is enormous. • ILLUSTRATION BY SCOTT ARROWOOD
WHY CUSTOMERS DO WHAT THEY DO

Many managers feel that customers are rational people and that if a buying experience is positive, the customers will probably come back; if it's negative, they'll try to avoid returning. This is true to a point, but such motivation is not quite so clear cut. Customers who are satisfied may actually be inert, not motivated. Their satisfaction is simply an absence of dissatisfaction, note motivation to become a repeat customer. A zone of indifference lies between the dissatisfied and the motivated. (See Figure 1.)

The challenge is to move the customer beyond mere satisfaction to motivation—motivation to become a loyal repeat customer.

**TABLE 1: CUSTOMER EXPECTATIONS**

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<th>NEGATIVE</th>
<th>NEUTRAL</th>
<th>POSITIVE</th>
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<td>(Worse than expected)</td>
<td>Expectations were about what was expected (whether positive or negative)</td>
<td>Positive expectations were exceeded, OR negative expectations were not experienced.</td>
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It takes into account the whole buying experience, and the standards are more ambiguous. Expectations will be different among different organizations and under differing circumstances. When purchasing a tangible product, people expect treatment from a full-service retailer to be different from a warehouse store. And they expect the service from a prestigious law firm to be unlike that of a state auto license bureau. For that reason, they may expect something different from the same store at different times. Perhaps a little less personal attention is anticipated during busy periods (like Christmas shopping or end-of-month license plate buying).

Consider your different expectations in clothing stores. Suppose you intend to shop at a low-cost, self-service discount store. Going into the store, you anticipate a certain kind of experience. You do not necessarily expect that the clerk (if you can find one) in the clothing department will be an expert in fitting clothing. Nor would you expect that person to be particularly helpful in choosing or color-coordinating items you may want to purchase. This is not to say that some people who work there would not have these skills, but you probably wouldn’t expect this as a general rule.

If we simply select some clothing items from a rack and take them to a checkout for purchase, we are neither surprised nor particularly disappointed. That is about what we expected, and if other aspects of the store are satisfactory (it seems clean and well-stocked, for instance) we could be perfectly satisfied.

By contrast, if we go to a full-service clothing store or a boutique, we expect a different kind of transaction. We probably expect to be served by people who have considerable expertise in clothing fit, color, and materials. We might realistically expect personal attention and assistance as we make our purchases. A challenge faced by managers and employees is to consistently monitor such customer expectations.

One of three situations—negative, neutral, or positive—will result as customers compare their expectations with the service received. (See Table 1.)

In the condition described in the left column, the customer's experience was worse than expected. Dissatisfaction is the result, and the next similar purchase is likely to be from a different provider, assuming there is a rational alternative. The middle-column customer is neither dissatisfied nor particularly motivated to return. This is the zone of indifference. In the right-column situation, the transaction was better than expected. Either the customer thought it would be pretty good and it was very good, or the customer thought it would not be very good but it wasn’t as bad as expected. If positive expectations were sufficiently exceeded (or negative one’s shown to be unfounded), this customer is a good candidate for repeat business. The right column portrays what I call an E-Plus experience—customer expectations were exceeded.

WHY E-PLUS LEADS TO CUSTOMER RETENTION

*Equity theory* is a social psychological theory that explains why the E-Plus (right column) customer will be a repeat customer. Equity theory considers various kinds of social relationships ranging from the intimate to superficial. In any relationship, people constantly assess the relative equity of their involvement with other people. They regularly check to see if what they are giving to the relationship balances with what they are getting from it.

How does this theory apply in a buyer-seller situation? In addition to citing situations where people may feel inequitably treated, the theory also predicts what people will do about it.

As customers enter into a transaction, they hold a whole range of expectations (albeit perhaps unconsciously) about what the transaction will be like. What they expect is based on past associations with the organization or with other similar organizations. The aspect of this mental process that perplexes customer service people is that expectations are perceptual. They exist in the mind of the customer. Sometimes they are accurate and rational, but sometimes they aren’t.

When customers judge the quality of a tangible product, they use more objective standards. For example, when buying an automobile, customers are likely to judge quality by things like its reliability (it starts and runs well), low frequency of repair, appropriate size, a good price relative to its quality, and workmanship.

Likewise, when judging the quality of a service (such as a house painter’s job), customers measure it against objective standards like these: The work was done on time, the surfaces to be painted were carefully prepared, the paints were mixed and applied neatly, the painter cleaned up after the job, and so forth. Satisfaction standards for the core product or service purchased are generally predictable, and they are much the same for all customers.

But customer satisfaction goes beyond the core product or service.
When inequity in favor of the business is sensed (an E-Minus situation), the customer will respond with one or some combination of the following actions to put the relationship back in balance.

- **Ignore or rationalize the inequity.** The customer concludes that the service is poor but it's poor everywhere. The world isn't fair but it's not worth fighting it.
- **Demand restitution.** The offended person demands fairer treatment or asks for money back.
- **Retaliation.** The offended person speaks badly of the organization or person seen as the cause of the inequity. Outright sabotage is an extreme form of retaliation.
- **Withdraw from the relationship.** The customer refuses to do further business with the organization or person.

The first two alternatives may give a business a chance to patch things up and retain the customer. But the last two can be devastating. Retaliation, for example, often takes the form of telling other people about poor service received. The average person tells 10 to 20 others, studies say. These negative ripple effects can result in hundreds of lost customers or potential customers.

The other side of equity theory predicts that people who feel they are receiving more than they deserve from a transaction also experience a psychological need to restore balance. A simple example is the social pressure one feels to reciprocate after going to someone's home for dinner. The relationship will remain unbalanced until one balances it with a similar kindness.

Herein lies the theoretical basis for exceeding customer expectations. By going beyond the expected, one creates an imbalance that, for many people, generates action on their part to rebalance. The logical options are the opposite of what the victim of a negative imbalance feels. They may rationalize or ignore it, of course; but attempts to restore the balance can also take the following forms:

- Telling others of the positive experience.
- Paying a premium for the goods received.
- Becoming a repeat customer.

The challenge is to create positive imbalances by exceeding customer expectations. This is E-Plus.

**WHAT DRIVES CUSTOMERS AWAY**

Recent research I conducted with Dr. Kristen DeTienne identified customer turnoffs in seven different types of businesses. The results indicate that customers' complaints differ depending on the type of business. These customer complaints reveal three major areas in which customer expectations fall short—people, value, and systems. People problems are usually communication-related complaints: Rude employees, lack of interest in customer needs, and nonverbal such as slow eye contact and inappropriate dress and grooming. Value problems arise when characteristics of the core product fail to meet expectations, such as reliability, relative to cost. Systems problems arise from the way the product is delivered. Complaints about long lines, poor service, slow service, poor selection, store layout, lack of cleanliness, and poor signage are examples of systems problems.

The research included content analysis of thousands of unstructured customer comments. Table 2 shows the ten most-frequently cited categories of dissatisfaction.

Value, systems, and people factors differ among different types of businesses, but one factor is a turnoff in almost every type of organization studied: slow service. Table 3 summarizes the top three turnoffs in the eight types of businesses— the higher the ranking within each type of business, the greater the turnoff potential.

Any effective customer satisfaction effort must seek to reduce the turnoffs customers experience. Then the challenge is to create E-Plus events—situations where customers feel they are receiving better service than expected. Often these events are created via "the little things." But even before sprucing up the little things, companies must address the major systems problem of providing efficient service. A recent Wall Street Journal article noted that efforts to provide customers with extras backfire when the core service is delivered too slowly. Department store customers enjoy the "return to some of the customer-coddling amenities that used to be their trademark. Most shoppers, however, are less than dazzled by these feel-good flourishes, which they say pale before frequent cash-register bottlenecks."³

**WHAT BRINGS CUSTOMERS BACK**

Working with clients, I have identified six major areas where E-Plus opportunities can be found. To help remember these opportunities, use the acronym VISPAC (as in creating a VISIBLE PACKAGE). Consider the following examples of VISPAC where expectations were exceeded (E-Plus).

- **VALUE.** When I ask people to describe value that exceeds their expectations, I hear tales of exceptional products like 15-year-old Kirby vacuum cleaners and 20-year-old Western Auto freezers. Often people talk about their Ford or Toyota pickup truck with 200,000 miles on it or a sweater that dates back a quarter century. Each of these products exceeded the customers' expectations of value. They got more than they expected for their money.
- **INFORMATION.** My son recently had knee surgery. The therapist not only explained what exercises he should do but also gave him printed instructions with illustrations showing exactly how do them. She wrote his name at the top of each sheet and numbered the sequence. Enlightened auto
salespeople spend time with the customer—after the sale—explaining all the features on the new car. A hospital client changed the signs and installed color stripes on the corridor floors to direct people to various departments. A cellular phone dealer calls customers to see if they understand how to use their phone’s features and offers to meet and explain them in person.

- **SPEED.** A well-known air freight company claims to deliver packages by 10 o’clock the next morning, but often delivers by 9 or 9:30. The repair office for a major office equipment company makes it a point to have the service person arrive earlier than promised. At a supermarket, additional cashiers open when more than two customers are in line. Fast food restaurants have your lunch up almost before you can order it.

- **PRICE.** Auto dealers faced with sticker-shocked customers have learned to express prices in terms of monthly payments or lease rates, not the full price. A repair shop tells customers the job will cost “about $50” and then comes in at $47.50.

Customers are astonished. It actually cost less than expected! (If the price comes in at $50.50, the E-Plus is lost!) The amount isn’t as important as the fact that it went over estimate.)

- **ADD-ONS.** A shoe-store clerk gives a shoe horn and asks if the customer would like to try padded inserts or lifetime guarantee socks. (Sometimes add-ons are sold, sometimes given away.) A clerk at a supermarket hands customers a few candy kisses with the receipt—an unexpected thank you. The paint store clerk checks to be sure the customer has caulkuing and sandpaper, which might have been forgotten.

- **CONVENIENCE.** The typical response to a customer with a faulty product is “bring it in and we’ll replace it.” That is “E” but not E-Plus. Toyota’s Lexus division did it better when handling a recall. Dealers called customers for an appointment to pick up the car. They left a loaner car, and some dealers even left a rose or a $50 bill on the seat to apologize for the inconvenience! The outcome: Customers were exposed to the exceptional service department and an embarrassment became what one Toyota executive called “a watershed event” for getting customers into the dealer’s shop.

**TABLE 3: MOST FREQUENTLY MENTIONED CUSTOMER TURNOFFS**

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Top Three Customer Turnoffs</th>
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</thead>
</table>
| Financial Institutions                 | 1. Slow service; help not available  
                                      | 2. Unfriendliness; lack of courtesy, attention  
                                      | 3. Employees who are not helpful; lack knowledge |
| Public Utilities, Government Agencies  | 1. Slow service; help not available  
                                      | 2. Unfriendliness; lack of courtesy, attention  
                                      | 3. Employees who are not helpful; lack knowledge |
| Personal Services and Health Care      | 1. Slow service; help not available  
                                      | 2. Unfriendliness; lack of courtesy, attention  
                                      | 3. Price too high for value received |
| Repair Services                        | 1. Price too high for value received  
                                      | 2. Slow service; help not available  
                                      | 3. Poor guarantee; failure to back up product |
| Self-Service Retail                    | 1. Slow service; help not available  
                                      | 2. Dirty business place; messy, cluttered  
                                      | 3. Price too high for value received |
| Full-Service Retail                    | 1. Price too high for value received  
                                      | 2. Unfriendliness; lack of courtesy, attention  
                                      | 3. Employees who are not helpful; lack knowledge |
| Fast-Food Restaurants                  | 1. Slow service; help not available  
                                      | 2. Dirty business place; messy, cluttered  
                                      | 3. Unfriendliness; lack of courtesy, attention |
| Full-Service Restaurants               | 1. Slow service; help not available  
                                      | 2. Unfriendliness; lack of courtesy, attention  
                                      | 3. Dirty business place; messy, cluttered |

*Survey of 707 customers*

**TRANSLATING SLOGANS INTO STRATEGY**

An E-Plus strategy invites all employees to consistently ask two crucial questions: What does my customer expect? and, How can I exceed those expectations? Exceeding in small ways is often sufficient. Little things mean a lot to customers. To implement an E-Plus strategy, management should follow six steps.

1. Introduce employees to the E-Plus concept. Training and reading materials can get everyone in the organization thinking E-Plus.

2. Add management attention, encouragement, and a reward system that reinforces participation in idea sharing. Hold regular E-Plus brainstorming sessions. Be receptive and imaginative to employee ideas.

3. Celebrate with hoopla. Make the effort fun and recognize people’s participation and successes.

4. Constantly sharpen the picture of what customers expect. Use naive listening, open-ended questions, focus groups, and exploration teams to monitor customers’ and competitors’ ideas.

5. Hire people who have good attitudes toward customers. If possible, hire people experienced in dealing successfully with customers—and reward them for their efforts.

6. Make customer satisfaction an ongoing priority, not just a program. E-Plus thinking is not just another slogan. Used effectively, it can form the basis for a strategy that boosts a company’s competitive advantage.

The author gratefully acknowledges funding assistance for this area of research provided by JC Penney Corporation through the Skaggs Institute of Retail Management, Marriott School of Management, Brigham Young University.

**NOTES**

1. An assistant professor in the Marriott School of Management’s Department of Management Communication.
2. Outlines of this research and its results are available to interested readers.
Class Notes

- 42 -
Gail N. Brown, BS '42, a CPA from Walnut Creek, California, was recently named an honorary member of the American Institute of Public Accountants (AICPA). Mr. Brown is a retired partner of Deloitte & Touche and serves as a director of two agricultural cooperatives. The honorary certificate is given to CPAs who have been members of the AICPA for 40 years.

- 63 -
Veldon Lane Rawlins, BS '63, has accepted an appointment as president of Memphis State University in Memphis, Tennessee. His previous position was as vice-chancellor of academic affairs for the University of Alabama system. Dr. Rawlins received his PhD from the University of California—Berkeley in 1969.

- 69 -
Dennis Spackman, MAcc '69, BS '68, has been elected Mountain Regional director of the National Association of State Boards of Accountancy (NASBA) for 1992-93. NASBA coordinates the activities of the nation's state boards of accountancy, which administer the Uniform CPA Examination, license public accountants, and regulate the practice of public accounting in the United States. Dennis is a member of the board of faculty advisors for the University of Utah's School of Accountancy and is chief accountant for The Church of Jesus Christ of Latter-day Saints. Dennis and his wife, Ann Marie, are the parents of four children. The Spackmans reside in Midvale, Utah.

- 71 -
Robert S. Sant, MPA '71, is now a senior vice-president of the Trust Company of the West. He is a certified investment management analyst and is a member of the Securities Industry Association and the MSM Alumni Board. He previously served as senior vice-president and director for Dean Witter Reynolds Investment Consulting Services in New York. Bob and his wife, Donna, have five children.

- 72 -
Douglas Whisenant, MBA '72, BS '70, is now senior vice-president and manager of The Williams Company (Northwest Pipeline). He also serves as chair of the board of trustees of the Salt Lake Education Foundation, as vice-chair of the Pacific Coast Gas Association Administrative Executive Committee, and as a member of the MSM Alumni Board. He and his wife, Eleanor, reside in Salt Lake City. They are the parents of four children.

- 74 -
Leonard Hadden, MBA '74, and his partner, Glen Zirbes, two years ago purchased Cross Technology, Inc., an Eden Prairie, Minnesota, electronics firm that specializes in miniature electronic assemblies. Drawing from 30 years of semiconductor and electronics business experience, and using creative management techniques, Leonard has brought his company from near bankruptcy to profitability. [Exchange thanks JoAnn, Leonard's wife, for this information.]

- 75 -
Robert Hoskisson, MOB '75, is an associate professor in the Department of Management at Texas A&M University. He received his PhD from the University of California—Irving Graduate School of Management in 1984. He and his wife, Kathy, live in Bryan, Texas.

- 78 -
John R. Berginer, BS '78, is a vice-president with Academy Mortgage Corporation in Salt Lake City. He and his wife, Terry Lee, reside in West Jordan, Utah.

- 80 -
William W. Duncan, MAcc '80, BS '79, accounting, was recently promoted to vice-president and chief financial officer of The Perrier Group of America, Inc., a distributor of imported and domestic bottled water headquartered in Greenwich, Connecticut.

- 81 -
Warren C. Jenson, MAcc '81, recently became senior vice-president and chief financial officer for NBC in New York City. Prior to accepting this position, Mr. Jenson worked as a manager of mergers and acquisitions with General Electric in Fairfield, Connecticut.

- 83 -
Kregg S. Hale, BS/MAcc '83, is currently director of finance for the Filtration Products Division of Schuller International in Denver, Colorado. Kregg is a member of the Boy Scouts of America Executive Board, the American Heart Association, the Essex Community College Business Management Board, and the MSM Alumni Board. He and his wife, Kennan, have four children and live in Littleton, Colorado.

- 84 -
Michael Ude, EMPA '84, is chief accounting officer for the American Samoa Department of Treasury in Pago Pago, American Samoa. He oversees all accounting and controlling functions for that department.

- 86 -
Kurt S. Schulzke, MAcc '86, joined the faculty of the Kennesaw State College School of Business in September 1990 as assistant professor of accounting. In 1991, he led a U.N.-sponsored seminar series at the
Romanian Finance Ministry in Bucharest on Western accounting and business practices. He currently lives in Woodstock, Georgia.

* 87 *

Jeffrey C. Holbrook, BS '87, graduated in 1992 with an MBA from the University of Chicago. He has accepted a position with Franklin Resources in San Mateo, California. He and his wife, Patrice, live in Foster City, California.

Phillip Miller, BS '87, is a consulting manager for Price Waterhouse in Houston, Texas. After graduating from BYU, Phillip received his MBA from the University of Utah in 1989. He and his wife, Lorna, live in Katy, Texas.

Scott M. Shields, MBA/MHA '87, is currently stationed with the U.S. Air Force in Turkey, where he is director of patient administration for the 39th Tactical Group Hospital.

* 88 *

J. Bradley Armstrong, MBA '88, BS '86, a senior consultant with Norman/Loebbeck Associates, Salt Lake City, has received a Certificate of Distinguished Performance from the Institute of Certified Management Accountants for achieving one of the 10 highest scores on the Certified Management Accountant Examination. Bradley and his wife, Carolyn, live in Sandy, Utah.

Doug Holmes, MBA '88, spent the first two years after graduation with Booz Allen and Hamilton in Dallas, Texas. He is currently working for US WEST Communications in Denver, Colorado, as a director of Corporate Strategy. His group is responsible for corporate strategic planning and business portfolio management. Doug especially enjoys his new position because it allows him more time with his wife and their three girls.

Michael E. Jamison, MBA '88, is a commercial loan officer for First Security Bank in Salt Lake City. He and his wife, Valerie, have one son, Justin.

David Kitchen, MBA '88, has been with First Interstate Bank, Ltd., in Los Angeles since graduation. Currently he is assistant vice-president in the Capital Markets Group. David enjoys running. During the past three years he has finished five marathons. He and his wife, Pam, have two sons.

Doug Leavitt, MBA '88, is working with MCI in Washington, D.C. His group is responsible for preparing, analyzing, and presenting the business plan for MCI as well as preparing short-term forecasts for management use. He enjoys working for MCI and living in Washington, D.C.

Curt Magleby, MBA '88, has been working in Chihuahua, Mexico, for almost three years. Curt is a production superintendent for Ford Motors' Electronics Division at Altec Electronics, a radio manufacturing facility of about 3,000 employees. He recently transferred from finance to the manufacturing side of the business to broaden his experience. Curt and his wife, Sherri, have two little girls.

Steve Morgan, MBA '88, is currently working as an analyst for the Geneva Companies, a leading mergers and acquisitions company located in Irvine, California. He performs both marketing and financial analysis for Geneva Business Research. He joined the firm in May of 1989. Steve currently serves on the board of his local BYU Management Society Chapter.

Charles Seng, MBA '88, has just transferred back from the People's Republic of China, where for three years he worked as production manager and then as marketing manager for Nike International. He has returned temporarily to Nike's headquarters in Beaverton, Oregon, for training and will soon be back with Nike International somewhere in Asia. The Sengs had their first boy, Freddy, in 1989.

* 90 *

Vance Winn, BS '90, accounting, is currently working as a staff accountant for Hawkins, Borup, Cloward & Company in Orem. He is also currently serving as secretary on the board of the Utah Valley Chapter of the BYU Management Society. He and his wife, Loni, reside in Sandy, Utah.

David Steinberg, BS '91, information management, is currently vice-president of Ricon Computer, a small computer business in Orem, Utah. He is involved in all aspects of the company, including administration and purchasing. David and his wife, Kathy, were married in 1991.

Heather Chase Young, BS '91, accounting, is a financial analyst for the Federal Bureau of Investigation in Salt Lake City. She and her husband, Layne, have recently moved into a new home in Kaysville, Utah.
Denise Kemper Houghton earned her MBA from the Marriott School of Management in 1987. Denise also graduated from BYU's nursing program and worked for more than two years as a staff nurse and nursing manager at the Magic Valley Regional Medical Center in Twin Falls, Idaho, before seeking her MBA.

After MBA graduation, Denise joined medical supplier Baxter International in Deerfield, Illinois. She worked as a senior consultant to both customers and other divisions within the company. In 1989 she left Baxter for a senior associate position with APM, Inc., in San Francisco, having been introduced to the company by former classmate Rick Valentine.

While in California, Denise met her husband, Mark Houghton. They were married in November of 1990. After the birth of their daughter, Eliza, Denise decided to “step off the fast track” and take a position back in Chicago as director of nursing at MacNeal Hospital. Since making the change her workweek has dropped from 60-70 hours to 50 hours—a considerable transformation in life-style from the commuting and jet-setting activities of the previous years. Mark, a civil engineer, is currently pursuing his MBA in Chicago.

As nursing director at MacNeal, an urban community hospital, Denise’s responsibilities include directing the clinical, professional, and fiscal operations for 200 acute- and critical-care beds. She also directs special projects throughout the organization, which include programs for quality development, management development, and operations improvement.

A person of varied talents, Denise is skilled in demolition, drywalling, and ceramic tile installation—she and Mark are currently living in their second old home. From the experience, she says, they are learning to consider “no need for renovation” a top priority. Denise enjoys good architecture, tennis, cooking (the kitchen is finally renovated), and designing home decor. She says her specialties are dust and wallpaper.

Rustin Howard resumed his education after seven years as an Idaho potato farmer because he “simply felt a need to do something bigger.” He returned to BYU and graduated from the Marriott School in 1987 with a BS in international finance. From there he and his family moved to Ithaca, New York, to attend the Johnson Graduate School of Management at Cornell University.

In 1989, with MBA in hand, he started “knocking on every door of every lab at Cornell looking for business in the bioscience field.” In the process he met PhD graduates Christopher Prince and Venkataraman Bringi, and in late 1989 the trio founded Phyton Catalytic, Inc., with Rustin as president.

Since that time, the goal of the fledgling biotech firm has been to artificially produce taxol, a naturally occurring chemical touted as “the most important cancer-fighting drug of the decade.” Taxol has been at the center of an intense controversy between environmentalists and proponents of cancer research because it is extracted from the bark of the quickly disappearing Pacific yew tree. Synthetically producing the drug would be a very profitable solution to both the needs of cancer patients and the demands of environmentalists.

Taxol is difficult to synthesize, so Phyton Catalytic is trying to perfect a unique
tissue culture system that uses chemical stimulants to coax yew bark tissues into producing increased amounts of the chemical. For more than three years, Phyton has been in a feverish race against other researchers to produce the drug in commercially marketable quantities. The race was heightened when taxol received FDA approval in late 1992.

Aside from his busy schedule as president of Phyton Catalytic, Mr. Howard is a member of the New York Biotechnology Association Government Affairs Committee, the Tompkins County Trust Co., and the Cornell Club Alumni Association Board. He also serves in his LDS ward elders quorum presidency.

His hobbies include basketball, flying—he is a licensed pilot—and skiing. While attending BYU in 1975, he was a member of the BYU ski team.

He and his wife, Maureen, are the parents of four children—Matt, Aubrey, Daniel, and Travis.

Notes
2 Ibid.

MsM Alumni Board member Rulon Stacey was honored in the October 26, 1992, issue of Modern Healthcare as one of the healthcare industry’s “Up-and-Comers.” The honor recognizes the impressive turnaround he engineered at the once-ailing St. Vincent General Hospital in Leadville, Colorado. The article states that when he arrived for his first day on the job (Tuesday, August 15, 1989), he learned that the tiny hospital “had no money in the bank, that its accounts payable were eight to 10 months behind so suppliers would deal only in cash, and that it couldn’t meet Friday’s 75-employees-payroll.”

Despite these tremendous challenges, through solid business practices and plenty of innovation Rulon was able to turn things around in a hurry. “In 1990, St. Vincent broke even after 10 years of losses. In 1991, the hospital had a profit of $942,000 on net patient service revenues of $4.6 million.”

Rulon entered his current position with a strong background in hospital administration. He received a bachelor’s degree in economics from BYU in 1984 and two years later graduated from the Marriott School of Management with a master’s in healthcare administration. After a summer-long job search that proved fruitless, he joined the Air Force as a second lieutenant.

In the Air Force he found a mentor in Col. John Sheehan, then administrator of the Beale Air Force Base Hospital in Northern California. As an assistant administrator under Col. Sheehan, he gained valuable experience with supplies, purchasing, medical equipment and facility management. Rulon says he owes a lot of his current success to the people he worked with in the Air Force.

In addition to his duties as hospital administrator, Rulon is involved in a number of other pursuits. He has almost completed PhD course work at the University of Colorado, Denver, and will soon begin working on his dissertation. He also teaches economics at a local junior college.

In addition, he currently chairs the Colorado Hospital Association West Slope Council, is chair-elect of the Western Colorado Healthcare Alliance, and serves on the board of directors of the Colorado Hospital Association Trust for Workers Compensation.

Rulon and his wife, Linda, are the parents of four children.
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