EXCHANGE

SPRING 1992
THE J. WILLARD
AND ALICE S.
MARRIOTT SCHOOL
OF MANAGEMENT
BRIGHAM YOUNG
UNIVERSITY

Total Quality Management

...From the Dean

SINCE becoming dean of the Marriott School of Management, I have been impressed by schools that have developed major fund-raising programs to channel the support of alumni and friends. Many of the better-known schools' giving programs have been functioning for decades, and their alumni are committed to supporting the school that provided them with their education. For example, 63 percent of Dartmouth's alumni participate in its giving program; at Virginia, the rate is 60 percent, while Stanford has 42 percent participation. By contrast, the MSM's participation level is 10 to 15 percent.

One of the challenges facing me, as Marriott School dean, is to provide high-quality management education within a fixed budget. Thanks to my academic predecessors, the school has the Tanner Building, an outstanding educational facility, and the beginnings of an endowment. But the need to continue building the school's endowment and to establish a working-capital base still exists. In response to these critical needs, a new program, The Marriott School of Management Leadership Alliance, is now in place, and I take this opportunity to announce it to the readers of EXCHANGE.

The Leadership Alliance is a giving program that combines all MSM fund-raising efforts into a well-organized, single unit that coordinates the efforts of all the school's existing advisory boards and academic departments. It also fits nicely into the university's fund-raising program, thereby providing a unified effort that reduces unnecessary duplication of time and expense. Its success will depend on focused leadership, both on and off campus, and enthusiastic support from alumni.

The Alliance concept was developed by a committee representing the National Advisory Council (NAC), the Alumni Board, Management Society leaders, and the MSM Student Executive Committee. Each group contributed refinements and then committed to support the Alliance and to meet its goals and challenges.

Alliance structure, ratified during last fall's NAC meetings, includes an executive committee responsible for setting the agenda and goals. NAC member Richard McFerson is chair with Ron Seamons of the dean's office as vice chair. Bill Siddoway and I will serve as ad hoc members. Under this group's direction, various committee members will have specific fund-raising assignments: Ronald E. Malouf as NAC Leadership Alliance chair and

Francis "Butch" Cash as NAC vice chair; Ralph Christensen, Alumni Board chair, and Mark Money, vice chair; Scott Bergeson, Student Program chair; Jeff Smith, Associate Section chair; Ted Nelson and Bob Greene, the Partner and Senior Partner Section chair and co-chair; and Brandt Brooksby, Corporate Section chair. These volunteers have agreed to lead the Alliance in reaching its goals.

Alliance leadership was challenged to implement an annual giving program demonstrating broad appeal—a program to match the Marriott endowment gift by December 1996 as well as increase discretionary funds for such critical needs as student financial aid, faculty research, expansion of computer labs, classroom technology upgrades, increased library materials, etc. With this in mind, the committee devised a structure in which everyone—from student to worker to middle management to seasoned executive to retired person—could participate and make an impact. The committee responded to the challenge, creating the "Alliance levels of giving." The levels of annual participation are:

Current Students	$10 to $99
Associates	$100 to $999
Partners	$1,000 to $9,999
Senior Partners	$10,000 or more
Corporate Partners	$2,500 or more
Major Donors	Endowment gifts*

*Assistance in planned giving is provided by the MSM.

All Leadership Alliance participants are encouraged to select where and how their funds are used.

Major Alliance emphasis is matching gifts. Alumni and friends whose employers have a matching gift program can increase their support's impact by completing the company's matching gift form. Matching programs can double (sometimes triple) a gift. If you have any questions concerning matching gift companies, please call me or Vern Harmer, the MSM's matching gift specialist. Vern, a retired JCPenney executive, can be reached at (801) 378-7606.

The Class Gift Program, under the direction of Emily Hart, a veteran in the MSM fund-raising effort, is another important part of the Leadership Alliance. I encourage all alumni to participate at one of the Alliance levels when the class gift form arrives in the mail. Alumni gifts, ranging from a few dollars to many dollars, are important to the school's well-being. Emily can be reached at 490 Tanner Building, or (801) 378-5083.

In summary, the Leadership Alliance will help the Marriott School and its programs meet the MSM financial commitment and needs over the next decades. I invite each of you to become an active Alliance member and to develop an ongoing giving pattern, thereby participating in the Marriott School's progress.

K. Fred Skousen

Dean, Marriott School of Management

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THE J. WILLARD AND ALICE S. MARRIOTT SCHOOL OF MANAGEMENT BRIGHAM YOUNG UNIVERSITY

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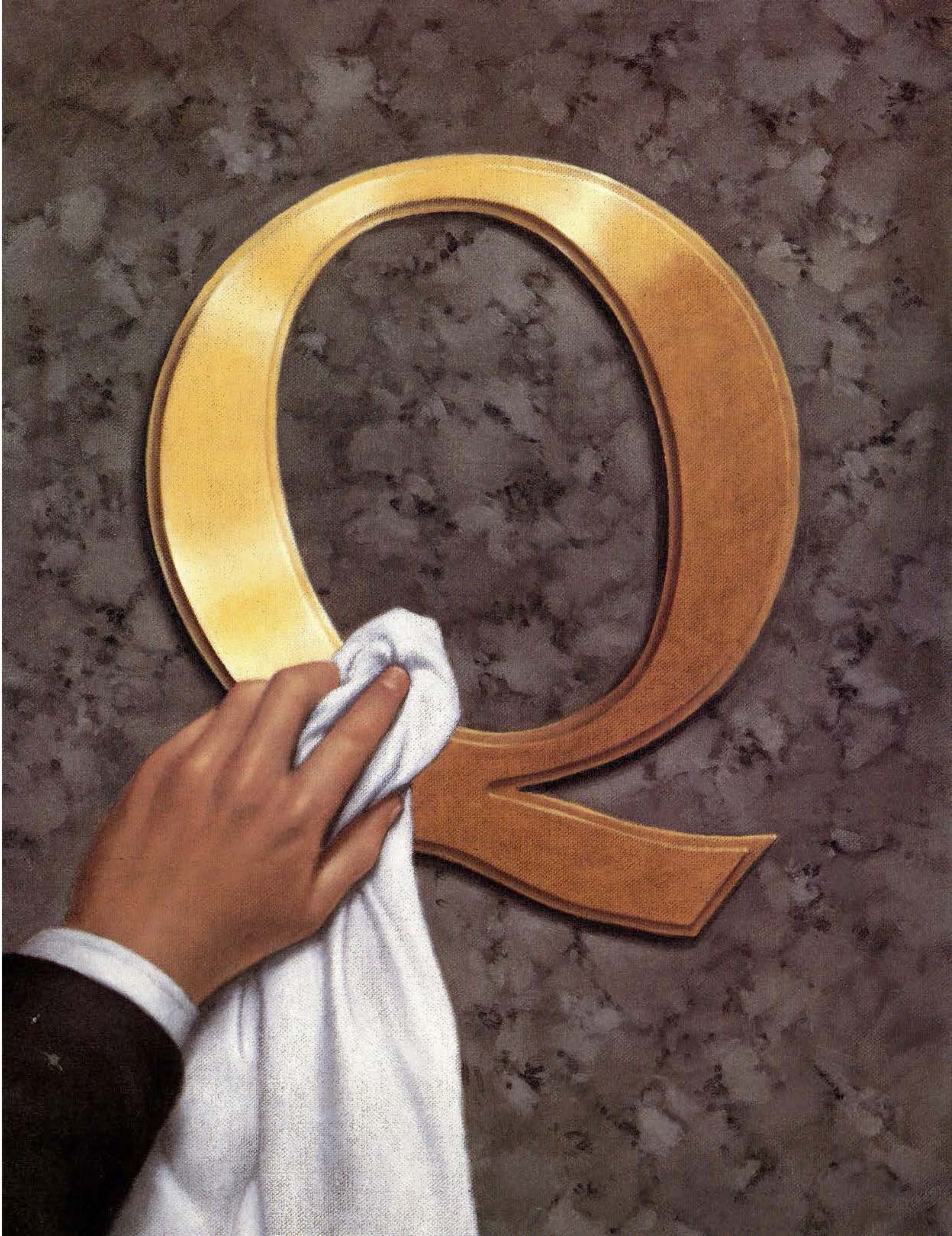

TOTAL QUALITY MANAGEMENT

Kevin Stocks

9:30 a.m.

CUSTOMER: Good morning. I'm remodeling my home, and I ordered a window for the kitchen. I called earlier this morning, and you said it was available. I'd like to pick it up.

SALESPERSON: Just a moment, let me check the computer. Yes, it's in; let me go get it. *[15 minutes later]* I'm sorry, your window is not back where it should be. Can you come back later today?

Noon

CUSTOMER: Hi, I'm back for the window I ordered. I called a few minutes ago, and you said it's here now.

SALESPERSON: Oh, yes, I remember; let me go get it. *[10 minutes later]* I'm really sorry, but everything is shut down back there for lunch, and the window we had for you isn't there anymore. I don't know what's happened, but everyone is out to lunch. Could you please come back later on this afternoon.

4:30 p.m.

CUSTOMER: I'm here to pick up the window I ordered. I called 10 minutes ago, and you said it was here. I'd like to get it now, please.

SALESPERSON: Let me go back and get it. *[5 minutes later]* I'm sorry, but it will be just another minute. The window we had for you is not there, so we're getting another one and we'll have it in just a minute or two.

CUSTOMER: Can you tell me what's going on [mental expletives deleted]? This is the third time I've been in today. Each time I called before coming and you told me the window is ready. Then when I get here, it's not available. What's going on around here!?

SALESPERSON: Well, we have a good system. We make the windows and put them in bins for customers to pick up. Unfortunately, your window is a standard size. When our truck drivers who take supplies out to different construction jobs need a window, they'll often simply go through the bins and pick out a window that fits, rather than taking the time to order one. Since your window is a standard size, yours has probably been picked up by one of the drivers.

CUSTOMER: Oh, that sounds like a

ILLUSTRATION BY MARK ROBISON

Both Deming and Juran attempted to persuade industry leaders to change their management philosophy and use statistical measures to reduce production variations. After being rebuffed in the U.S., both individuals found a receptive forum for their ideas in Japan.

wonderful system! Too bad it doesn't work! *[5 minutes later the window arrives]* Do your frames usually have these dents in them?

SALESPERSON: Oh, let me see if I can fix that.

CUSTOMER: By the way, can you tell me where you got this window?

SALESPERSON: Oh, we pulled it out of one of the other bins.

The preceding represents a recent conversation between the author and a local glass company. Such interactions are, unfortunately, all too common, and almost everyone can relate a similar experience. Although organizations have survived despite such poor service in the past, a more quality-oriented process will be required in the future, because customers will simply go elsewhere with their business.

The Quality Revolution

In many professional business magazines today, you'll notice frequent articles about quality. For instance, in October 1991, *Business Week* published a special issue entitled "The Quality Imperative."[1] Headlines from other sources proclaim that we're in the midst of a quality revolution. Businesses in this country, as well as internationally, are promoting the concept that success requires quality products, quality processes, and quality services.

Many questions must be addressed regarding this quality revolution. What is meant by quality? What changes would this quality revolution require? Is the concept just a passing fad? Finally, perhaps the greatest question of all is, how does this affect me as an individual?

One approach to addressing these questions is to return to the beginning of the quality movement and visit two pioneers named W. Edwards Deming and J. M. Juran. Both Deming and Juran are statisticians who, during the 1930s, turned agricultural research statistical concepts into a manufacturing discipline. These statistical approaches, called statistical process control (SPC), were implemented to a degree during World War II to increase U.S. manufacturing productivity by reducing production process variations.

After World War II, U.S. industry dominated the world market in both the types and the numbers of products. But because of limited international competition, the earlier SPC efforts were largely abandoned, and business practice returned to "normal." U.S. industry maintained the basic philosophy that (a) if our product breaks, we will fix it; and (b) if you don't buy it from us, you have really no other place to obtain the product or service. Because the World War II devastation in Europe and in the Far East had destroyed the industrial strength of these countries, American industry had limited international competition and, therefore, felt little incentive to improve.

Both Deming and Juran attempted to discuss with U.S. industry the concept of constantly improving its work. They tried, in vain, to persuade industry leaders to change their management philosophy and use statistical measures to reduce production variations. After being rebuffed in the U.S., both individuals found a receptive forum for their ideas in Japan.

The management philosophy espoused by both Deming and Juran focuses on the process of *continuous improvement*. This philosophy has been given a number of names, the most pervasive of which is *total quality management* (TQM).

What Is TQM?

TQM views any organization as a group of equally important individuals working together for a common set of goals and objectives. Activities within organizations are seen as a set of processes or systems. The goal of each organization is constant improvement of its systems to provide the customer with products or services that meet or exceed expectations.

Under TQM, the management role changes. In the traditional U.S. approach, management controls and directs the workers and the work. But Juran suggests that 85 percent of a company's problems occur in processes or systems, and only 15 percent are due to the workers. Hence, the role of management under TQM is to *facilitate* and *coordinate* the work system and processes.

The worker's role also changes. TQM asserts that the worker has the most insight regarding what process improvements can be made. Thus, the role changes from a mindless worker who does only what is commanded to an intelligent person whose thinking becomes an integral part of the improvement process. Workers become the source of ideas for process improvement, and managers then become facilitators to implement these ideas.

One other major difference in the TQM approach is its customer orientation. A customer exists for every activity or process in which a company participates. Customers may be *within* the organization, such as an individual who receives a report or a department receiving a subunit. Or customers may be *outside* the organization, such as the individual or organization that purchases the products or services. Every process should be focused on providing the customer of that process with what is needed and desired.

Deming's Fourteen Points

Many consultants now offer approaches to implementing total quality management. Although these approaches vary in technique and emphasis, they all hinge on the basic philosophy of continually improving the process and products. Perhaps the best basis for understanding the management changes suggested by TQM is found in Deming's 14 basic points.

Point 1: Adopt a New Philosophy. The new philosophy focuses on quality, because as competitors provide better and better products and services, any firm providing less than the best will be driven out of existence. This point is vividly illustrated in the automobile industry. U.S. automobile manufacturers are promoting the concept that their vehicles are becoming error-free and are increasing in quality. Customers are mandating these changes through their buying habits.

Point 2: End the Practice of Awarding on Price Tag Alone. U.S. industry bases far too many decisions on the single factor of cost. Rarely would anyone undergo major surgery knowing that it will be performed by the lowest bidder. However, very often organizations will purchase critical equipment, new lines of business, or other items based on price alone. In studying equipment repair problems, Madison, Wisconsin, city analysts discovered that they had 440 different types, makes, models, and years of equipment. The reason: A city policy mandating purchase of whatever equipment carries the lowest sticker price. Said one mechanic, "It doesn't make any sense. When you look at all the equipment downtime, the warranty work that weak suppliers don't cover, the unreliability of cheaper machines, and the lower resale value, buying what's cheapest doesn't save us a thing."[2]

The message Deming and his colleagues are trying to present is that a multitude of factors must be considered when making decisions. Cost is one factor, but other factors may be more important.

Point 3: Institute Good Leadership. A leader influences and guides an organization's direction and course of action. Think of individuals you perceive as being true leaders. Note their characteristics and qualities. Good leaders display interest in individuals, an excitement for the activity, a thirst for knowledge and advancement, and a willingness to try new approaches and techniques. Good leaders raise the performance level of all those with whom they associate.

The argument of TQM gurus is that U.S. business has inadequate leadership. Many leaders are viewed as being more concerned about looking good or maintaining the status quo than about providing solid leadership.

Point 4: Improve Constantly and Forever the System of Production and Service. Improvements are constantly needed on the production or service *systems* rather than on specific *problems*. Simply solving problems as problems arise is not sufficient; the overall approach needs to be improved. Take, for example, the medical process of removing kidney stones. Years ago this process required large incisions and involved significant pain. Recovery was very slow. A slight improvement in the basic process simply reduced the incision size, decreased related pain, and speeded recovery. But doctors now use the lithoscope to disintegrate kidney stones with ultrasound waves. There is no incision, no pain, and no recovery time. This change is not just a small improvement; it is a totally new approach.

Point 5: Stress Constant Improvement of Products and Services. TQM philosophy suggests that an organization's purpose is to become competitive, stay viable, and provide jobs—in essence,

Sources for Total Quality Management

Journals

Quality Progress

Books

The Deming Management Method by Mary Walton

Quality Without Tears by Philip B. Crosby

Kaizen: The Key to Japan's Competitive Success by Masaaki Imai

What Is Total Quality Control? The Japanese Way by Kaoru Ishikawa

Zapp! The Lightning of Empowerment by W. Byham and J. Cox

The Goal: A Process of Ongoing Improvement by E. Goldratt and J. Fox

Organizations

American Society for Quality Control (ASQC)
611 East Wisconsin Avenue
Milwaukee, WI 53202
Phone: (414) 272-8575
FAX: (414) 272-1734

GOAL/QPC
13 Branch Street
Methuen, MA 01844
Phone: (508) 685-3900
FAX: (508) 685-6151

Abraham Y Goldratt Institute
442 Orange Street
New Haven, CT 06511
Phone: (203) 624-9026
FAX: (203) 624-9607

Awards/Contests

The Malcolm Baldridge National Quality Award is managed by the United States Department of Commerce. It is quickly becoming a standard measure of excellence among U.S. organizations. Information regarding this award can be obtained from:

National Institute of Standards and Technology
Gaithersburg, MD 20899
Phone: (301) 975-2036
FAX: (301) 948-3716

The Malcolm Baldridge National Quality Award Consortium
P.O. Box 443
Milwaukee, WI 53201-0443
Phone: (414) 272-8575
FAX: (414) 272-1734

Today's competitive market recognizes that where others have accepted the TQM challenge, competition forces all to accept and move toward quality processes and products. There really is no other option for an organization desiring to survive and excel.

long-term survival. Commitment to continually improving product and service enhances long-run survival potential.

This continual effort to improve is characteristic of some Japanese corporate research and development (R&D) units. In these companies, R&D has a deadline for abandoning today's new product: The very first day it is sold. "The faster we can abandon today's new product, the stronger and more profitable we will be" is the motto heard in these companies.[3] In no way can a company plan new product abandonment unless it constantly focuses on product improvement.

Point 6: Institute Modern Methods of Training. Training efforts must be formalized so training becomes standardized and applicable to the work being done. Traditional training emphasizes on-the-job learning, which involves several inherent difficulties. One problem is the inability or unwillingness of one worker to train another, possibly due to poor communication skills, poor attitude, or competing time demands.

A second difficulty is that without a formalized, written training process, a trainer can easily omit important steps or issues. Moreover, workers tend to individualize their tasks to fit their own preferences; when training a new coworker, they include these unique procedures, which then become part of the job description. Eventually the job description is likely to deviate significantly from the company's intentions.

Point 7: Institute a Program of Education and Retraining. With today's rapid pace of change, facts and techniques can quickly become outdated. A comment often heard on high school and college campuses is, "I can hardly wait until I finish school so I can graduate and can go to work." Although finishing formal schooling may allow more time for other activities, education and retraining must not stop. Deming suggests that all organizations institute a program of continuous education and retraining.

Continuing education programs have long been required of professionals. Doctors, lawyers, accountants, pharmacists, and others licensed by professional organizations are expected to continue formal education throughout their careers. TQM suggests that this focus is equally important for all individuals in all companies.

Point 8: Drive Out Fear. Total quality management based on continuous improvement necessitates continual change. Fear inhibits change, because individuals who are fearful find comfort in the status quo. For example, recall individual reactions to working on the personal computer for the first time. A few people eagerly awaited the opportunity and the challenge. But most approached using the computer as if they were disarming a bomb. Why? Because of fear of the unknown, fear of failure, or fear of appearing to be dumb.

One CEO began a "Theybusters" campaign to drive out fear in his organization. When visiting a plant, this CEO asked workers why they didn't perform a task a different way. He was told, "We can't do that because 'they' don't want us to." "Who's 'they'?" the CEO asked. "You know, 'they,' " was the reply. The CEO realized that there was no "they," but just memories (fear) of being put down by the bureaucracy.[4]

The opposite of fear is trust. Note the different reaction when one has trust, rather than fear. Ford Motor Company has placed red "Stop" buttons throughout their assembly lines. Workers are instructed to push the button when errors occur in the production process. Ford reports that a few years ago, workers would never dare to push one of the "stop" buttons for fear of being punished, regardless of the problem. Workers began to use the new system only after assurances that if they stopped the line to correct problems, they would not be punished, even if they made an honest mistake.[5]

Point 9: Break Down Barriers Between Departments. Sometimes a discussion between two managers sounds like the individuals work for different organizations. Think of your own organization and the conflicts that often arise among subunits. Deming states that all barriers between organizational subunits are dysfunctional and must be broken down. In this effort, managers and supervisors play an especially critical role in eliminating hostilities and abolishing fear.

Point 10: Cease Dependence on Mass Inspection. Two problems face typical inspection systems. The first is failure to catch all errors. Take any page of written text and distribute copies among a group. Give group members three minutes to identify the number of times the letter "F" appears on that page. At the end of the three minutes, compare results. Rarely will you find two individuals whose totals agree. The difference is not because the individuals are unclear about what they are looking for, nor that they are unable to count; it's simply the inherent time constraints of the inspection process.

The second inspection-related problem is that it typically *follows* production. Kodak's Copier Division once employed 350 inspectors, one for every three production workers.[6] These inspectors identified an average of 30 errors or defects in each machine being assembled. Inspection totalled 25 percent of each machine's cost. Additionally, 12 percent of the division's budget went to rework costs. Workers felt that "If we can get it past the quality control people, then it must be okay," and that "if something is wrong, quality control will call, so we won't make any changes until they do." Kodak changed their approach by having the assembly workers assume quality responsibility. The 25 quality control employees focused on system improvements. Quality subsequently improved 10,000 percent while costs decreased 80 percent.

Point 11: Remove Barriers That Rob People of Pride in Workmanship. TQM leaders suggest that one of U.S. industry's main problems is that workers feel no ownership or personal pride in the work process. Why not? Mostly because the system does not encourage individuals to do more or less than an established standard. Most systems reward people who play the system well. They do not reward attempts to improve the system.

Removing barriers to pride of workmanship underlies the current employee empowerment movement. Empowerment means giving workers authority to implement decisions and changes that improve a product or service.

A large hotel chain has empowered employees to satisfy the customer wherever possible. One colleague identified several illustrations of this change. Arriving late one night, he asked if room service was still available. The clerk responded that room service had closed, but that since their goal was to satisfy the customer, the clerk would personally go to the kitchen and prepare a light snack. In the morning the guest called and asked when the swimming pool opened. The response was that the pool generally opened at 8 a.m., but if that was inconvenient, the clerk would be happy to accommodate the guest. As a result, the pool was opened early that day. A third instance occurred in the gift shop. A desired item was unavailable in the hotel gift shop, but the shop attendant later purchased the item elsewhere and delivered it to the customer's door. The point is that these employees were empowered to personally accomplish the hotel's goal of customer satisfaction.

Point 12: Eliminate Numerical Quotas. Imagine going to a physician who is judged by how well he or she meets a monthly quota for each type of operation. Or how would you feel about using a doctor who had a quota of six patients per hour. The difficulty with quotas is that they often become both a minimum and a maximum level of acceptable performance. Look at the current educational trend toward standardized testing. Parents and community leaders are pushing their local schools to have student scores above the national average. If a teacher is pressured to have students achieve at a certain level on a standardized exam, the focus of instruction becomes passing the exam at that acceptable level instead of on true education. (Note that by definition, one half of all students taking a standardized exam must be below the average.)

Quotas have long been the standard in production processes. New production line workers are quickly informed about pace. Any attempt to work faster or slower than established quotas is often met with extreme co-worker disapproval.

Point 13: Eliminate Slogans, Exhortations, and Targets for the Work Force. Deming's argument against slogans and targets is that workers are asked to accept and achieve them with insufficient guidelines and without facilitating changes. "Zero defects," for instance, is a catchy slogan that has been introduced in many organizations; but unless management facilitates substantial process change, achieving this desired perfection is unlikely, if not impossible.

Point 14: Take Action to Accomplish the Transformation. The last point can simply be stated: "Do it!" Some organizations emphasized continual improvement long before "TQM" was coined. Others are just getting started. Still others aren't yet aware of TQM. In any case, whatever errors might be made in introducing TQM, they are likely to be less costly than the status quo.

Summary

TQM proposes a focus on organizational systems and processes with the idea of continuous improvement in quality. This quality revolution implies a major change in the roles of management and workers. It also implies an increased awareness of client needs and demands. And it's not just a passing fad. Anyone involved in today's competitive market recognizes that where others have accepted the TQM challenge, competition forces all to accept and move toward quality processes and products. There really is no other option for an organization desiring to survive and excel.

In addition to its impact on organizations, the TQM revolution increasingly affects individuals. Continuous improvement necessitates continuous change, and change begins with attitudes and orientations. It is facilitated by job awareness, by education and retraining, and by understanding customer needs and demands. When our systems and processes are modified to accept and encourage these changes, then and only then will we be able to achieve continuous improvement.

Notes

[1] "The Quality Imperative," *Business Week*, October 1991.

[2] Sensenbrenner, J., "Quality Comes To City Hall," *The Harvard Business Review*, March–April 1991, p. 68.

[3] Drucker, P., "Japan: New Strategies for a New Reality," *The Wall Street Journal*, October 2, 1991.

[4] Dumaine, B., "The Bureaucracy Busters," *Fortune*, June 17, 1991, p. 50.

[5] "The Quality Revolution," a Public Broadcasting Service film, 1991.

[6] *Ibid.*

Kevin Stocks


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BRUCE A. BATES

CHAPTER 11

BANKRUPTCY—FROM A LAYMAN'S PERSPECTIVE

FOR the past 12 years my responsibilities for Security Pacific Corporation have focused on working with financially troubled companies and real estate projects. In that context more than a few borrowers have filed for Chapter 11 bankruptcy. Far from a legal treatise, mine is the perspective of a lender, but I can convey a layman's view of the bankruptcy process.

The number of Chapter 11 bankruptcy filings in the United States has dramatically increased. In the 10-year span from 1981 to the fiscal year ending June 30, 1991, the volume of filings has increased 287 percent.

In the decade of the '80s, American companies leveraged their financial statements with debt. With the collapse of the "junk bond" market and the pressure placed on traditional lending sources, a return to a more equity-oriented balance sheet seems likely. In the next 10 years as the United States economy de-leverages, the number of Chapter 11 filings may increase at an even greater pace.

Chapter 11 bankruptcy enables troubled debtors to restructure their balance sheets under the protection of the federal court system. During a company's problem times any of the creditors, such as trade creditors, secured creditors, or unsecured creditors, may take aggressive collection action to protect their respective positions. The bankruptcy system levels the playing field by controlling the debtor and limiting these creditors' actions. It allows time to review alternatives and to determine the best general direction for all, including creditors, shareholders, and employees.

Bankruptcy judges are allowed broad discretion in achieving a resolution. This orderly approach is *intended* to maximize value of the debtor's assets, but this does not always occur.

The dramatic increase in filings should not disguise the cost or trauma associated with bankruptcy. The costs are high in terms of both dollars and

ILLUSTRATIONS BY JOLEEN HUGHES

manpower. For the most part, bankruptcy should be used only in extreme circumstances. Experience shows that most of the 22,493 Chapter 11 bankruptcies filed in fiscal year 1991 will not succeed and will be converted to Chapter 7 bankruptcies. (Chapter 7 bankruptcy means an orderly liquidation under the supervision of a trustee. The assets are sold or disposed of to satisfy creditors. Any assets remaining are considered equity.)

Once risks have been assessed and a reorganization attempt is ordered, the Chapter 11 process consists of six phases: (1) preplanning, (2) filing the bankruptcy, (3) stabilizing the debtor, (4) developing the plan of reorganization and developing a consensus for the plan, (5) confirming the plan of reorganization, and (6) emerging from bankruptcy.

Preplanning

The preplanning phase of bankruptcy focuses primarily on sources of cash funding and establishing a game plan. Even before the bankruptcy is filed, a primary issue is how to fund continuing operations. To carry on operations through Chapter 11 reorganization, a business requires cash, sometimes referred to as a "war chest." The debtor must prove to the court that all obligations incurred after filing Chapter 11 can be paid promptly, meaning cash. Preferably, the cash sources should be identified before filing.

Among the debtor's costs incurred during Chapter 11 proceedings are those of its own professionals and those representing the court-authorized creditor committees. And because each creditor committee has its own professionals, the true cost of the professionals is often at least triple that of the debtor's own costs. If those costs can be kept at a minimum, the debtor reaps the savings.

I am currently involved in a large bankruptcy case, which I will refer to as ABC Co., in which the administrative costs are accruing at $1 million per month. The total administrative costs for the case could ultimately exceed $20 million. ABC Co. probably does not have enough asset value to fully repay the unsecured creditors. The practical impact of this shortage is that the unsecured creditors are bearing the burden of the administrative costs. Every dollar paid to the professional advisors, such as attorneys, investment bankers, and accountants, is a dollar less for the unsecured creditors.

ABC Co. management has channelled hundreds of hours away from operating the business in order to comply with the court-mandated requirements. Management must prepare extensive court reports, prepare for court appearances, and be available to answer questions from the creditor committees. These hours spent by management responding to bankruptcy issues diverts time from creating value within the company and from paying attention to internal business concerns.

Filing Bankruptcy

The actual bankruptcy filing is relatively easy. A single-page document is filed with the court, a modest filing fee is paid, and the process is engaged.

To some legal experts the time and place of filing is a part of the strategy. A popular filing time is Thanksgiving weekend. The vigilance of the press is perceived not to be as great during that period, and some attorneys believe that a time advantage may be gained. Where the bankruptcy is filed may also be an advantage. A large real estate developer with operations in several states recently chose a filing location based on favorable state law relating to guarantees and deficiencies. From my perspective, any such advantages to the debtor are temporary.

In the case of ABC Co. the parent and the 13 subsidiaries filed for Chapter 11 in the parent's hometown. The subsidiaries operate throughout the U.S., but from the perspective of administrative cost it made sense for ABC Co. to have the same bankruptcy judge for the entire case.

Stabilizing the Debtor

After the initial filing the company needs to stabilize operations. Immediately after filing bankruptcy, the law provides for an "automatic stay" that prevents creditors from taking aggressive action against the debtor. The stay allows the debtor to focus on developing a reorganization plan rather than fighting for survival. The bankruptcy court is very serious about the automatic stay being observed. In fact, penalties have been levied against parties taking such minor action as sending a letter requesting payment.

Following Chapter 11 filing, the debtor is initially in control of the business. But the bankruptcy court must then determine who will continue in control. The court can appoint a trustee or leave the present management in place. The court has a tendency to allow the debtor to retain control, except in instances of clear mismanagement or fraud. A debtor who continues administering the company during reorganization is referred to as a debtor-in-possession, or commonly, DIP.

As discussed in the preplanning phase, the debtor needs a funding source to pay obligations that occur after filing. ABC Co. requires trade credit, and trade suppliers want assurances that their invoices (considering the filing) will be paid. The old adage of "fool me twice, shame on me" is the supplier's thought process.

Sources of cash can be from internally generated funds or from borrowed funds. A "cash collateral" order allows the debtor to use proceeds generated from the trading assets even if those assets are pledged to a lender. If the secured lender does not willingly consent to the use of cash collateral, the court has the power to order the use of cash collateral. However, when granting an order for cash collateral, the

(continued on page 19)

UPDATE

Gamma Alpha Chapter Receives Awards

MSM's Beta Alpha Psi chapter President Lori Nichols presented a report of chapter activities and accomplishments at the SOAIS Board of Advisors meeting November 7, 1991. During recent annual meetings in Nashville, Tennessee, BYU's Gamma Alpha chapter received two $500 national scholarships as part of the Superior Chapter Award for the 1990–91 school year. SOAIS student Adam Merrill won first place in the National Undergraduate Manuscript Contest. In addition, BYU hosted the Thomas J. Burns National Student Seminar on October 26, welcoming 96 student delegates from Beta Alpha Psi chapters nationwide.

Updated Alumni Directory Coming

Need help with job networking? Looking for a former classmate?

The MSM will soon have just what you need. A new alumni directory will be published later this year and will contain information on our 25,000-plus alumni.

The MSM is currently working with Bernard C. Harris Publishing Co., Inc., one of the premier directory publishers, to begin research and manuscript preparation. The directory will contain name, address, telephone number, business information, and a variety of cross referencing.

Watch your mail for more information and verification of your personal data for directory inclusion.

It's Your Reunion Year—All MSM Alumni Who Graduated 5, 10, 15, 20, and 25 Years Ago

There will be a reunion in conjunction with Homecoming 1992, scheduled for October 8–10. There will be great activities, and we want you to be here. Please get those dates on your calendar now.

Needed: Class chairs and committee members. Please contact Emily Hart, Director of Alumni Relations, Marriott School of Management, 490 TNRB, Brigham Young University, Provo, UT 84602, (801) 378-5083, with your ideas and offer to be involved.

MSM Hosts National Student Seminar

The 1991 Thomas J. Barnes National Student Seminar was held at the Marriott School of Management October 25–26, 1991. The seminar was for representatives of Beta Alpha Psi, the national accounting honors society, and was hosted by MSM's Gamma Alpha chapter.

The seminar topic was "Accounting for the Impairment of Long-lived Assets and Identifiable Intangibles." Beta Alpha Psi chapter representatives from 96 universities nationwide attended. Each student representative presented a portion of his or her relevant research, and other students were allowed time to discuss related issues.

Activities included several social events and a presentation by guest speaker Hyrum Smith, CEO of Franklin International.

Delora P. Bertelsen—Outstanding Administrative Employee

Brigham Young University recently honored Delora P. Bertelsen, assistant to the dean of the Marriott School of Management, with the 1991 Ben E. Lewis Management Award for her accomplishments as one of BYU's most outstanding administrative employees. Delora has worked under four deans since coming to the College of Business in July of 1976, and she was instrumental in the formal opening of the Tanner Building, which was dedicated in April of 1983.

Delora is invloved in many important MSM activities. In addition to her many administrative office responsibilities, she serves as financial advisor to students in the International Student Sponsor Program, assists in selecting awardees for MSM undergraduate and graduate scholarships, and assists the dean in hosting National Advisory Council meetings. Dean Skousen says, "Delora has the ability to manage diverse activities in a thorough manner and with great

Delora P. Bertelsen

sensitivity to the individuals with whom she works."

Delora is also active in her community. She served two four-year terms on the Springville, Utah, city council and has been mayor of Springville since January 1, 1990.

Neil F. Dimick Named Bergin Brunswig CFO

BYU alumnus Neil F. Dimick was elected vice president and chief financial officer of Bergen Brunswig Corporation by the company's board of directors on December 16, 1991.

Mr. Dimick joined Bergen Brunswig as vice president of finance in April, 1991. As an audit partner with Deloitte & Touche, he had been responsible for professional services to several major clients, including Bergen Brunswig. After graduation from BYU in 1973, he joined Deloitte & Touche as a corporate auditor in San Francisco. Thereafter he served as manager of the accounting firm's offices in New York and Salt Lake City, relocating to Orange County, California, in 1984.

Bergen Brunswig Corporation is one of the nation's largest distributors of prescription pharmaceuticals and other health care products, and is the largest distributor of prerecorded videocassettes in the country.

New Alumni Board Members

The following new members of the MSM alumni board were introduced during the board's fall meetings:

Jeff Bills ('75 BS and '78 MPA) vice president/administrator, Scripps Institution of Medicine and Science, LaJolla, CA.

Terry Birrel ('77 BS and '78 MAcc) Self-employed CPA, Diamond Bar, CA.

Boyd Blair ('68 BS) zone manager, Quaker Oats Company, Pleasanton, CA.

Noel Burt ('64 MBA) administration manager, The Canadian Real Estate Association, Ottawa, Canada.

Spencer Clawson ('78 BS) senior tax manager, Price Waterhouse, Salt Lake City, Utah.

Dean Croft ('71 BS) CEO, Croft Equities, Lake Oswego, OR.

Kregg Hale ('83 MAcc) chief financial officer, McCorquodale Security Cards, Inc., Exton PA.

Mack Hoopes ('83 BS) manager of business development, Frito Lay, Inc., Plano, TX.

Carr Krueger ('85 BS and '86 MAcc) financial consulting services manager, Arthur Andersen & Co., Seattle, WA.

Mark Money ('52 BS) recently retired as vice-chancellor of Texas A&M University.

The following members have been released from the alumni board after many years of service:

Doug Chamberlain ('68 BS) general contractor and developer, Roseville, CA.

Dave Ferrel ('64 BA) CEO of Vantage Source Inc., Gaithersburg, MD.

Wayne Hancock ('53 BS) vice president and general counsel, Dow Chemical, Midland, MI.

Russell Parker ('67 BS) investment counselor, Kidder Peabody, Houston, TX.

Apostle Speaks at Founders Conference

Russell M. Ballard

Elder Russell M. Ballard, an Apostle of the LDS Church, was guest speaker at the Entrepreneur Founders Conference held October 19–20, 1991.

Elder Ballard, who spoke at the Thursday evening dinner, described the wise entrepreneur as "one who uses wisdom in leveraging, in the use of credit." He also indicated that if he were "back in the business arena," he "would solidify [his] business, get out of debt, and have a surplus of capital in order to weather whatever may be in front of us." In addition, Elder Ballard mentioned the "entrepreneurial challenge" that faces LDS Church leaders because of present Church growth. However, he concluded by saying that "This great enterprise [the kingdom of God], the greatest enterprise on the face of the earth, will continue to roll forth until every nation, kindred, tongue, and people have had the opportunity to hear the message of the restoration."

The conference focused on topics of importance to the MSM entrepreneurship program. There were presentations on internships, MSM's Association of Collegiate Entrepreneurs chapter activities, and the school's Small Business Development Center. The program also included a presentation on the MBA program's new entrepreneurship track by MBA Director Pete Clarke.

The Entrepreneur Founders Conference is held semi-annually (in October and April) to bring members and MSM faculty and administrators together to plan and develop support for the school's entrepreneurship program.

MSM Lecture Program, 1991–92

Each year the dean's office sponsors the MSM Lecture Program, which is designed to provide a stimulating, substantive educational experience for MSM and BYU students that supplements their required course work. In addition, the program provides excellent opportunities for lecturers to become familiar with BYU and the MSM; to develop relationships with MSM students, faculty and staff; and to feel motivated to contribute time and resources to the MSM.

Students participate in the lectures by enrolling in a one-credit class that requires attendance, a paper, and a final exam. Speakers are selected and invited through the dean's External Relations Committee. Selection is based on the lecturer's business-world experience and ability to teach college-level students. The lecture program includes the Entrepreneur Lecture Series, the Executive Lecture Series, and an optional third series that includes topics such as international business, real estate, insurance, and financial services.

Entrepreneur Lecture Series

John Simcox,
J. C. Keepsake, Inc.

John Simcox spoke to students as part of the MSM Entrepreneurial Lecture Series. Mr. Simcox is originally from Riverton, Utah, and now resides in Colorado. He studied marketing in school and worked as a regional salesman in the pharmaceutical and clothing industries. As his income increased he saved a large portion in hopes of eventually starting his own business. Seventeen years ago, he opened a jewelry store and now owns 14 outlets in Colorado and Utah.

Mr. Simcox described the skills that are necessary to be successful as an entrepreneur. He stressed the importance of being able to get along well with people, to lead and motivate through effective communication, to practice efficient time management, and to be able to manage yourself before trying to manage others.

He spoke of important traits such as honesty, sincerity, reliability, and hard work and said that "it's essential for entrepreneurs to be teachable and able to adjust to change."

Charles Hobbs,
The Charles Hobbs Corp.

Charles Hobbs spoke to students attending the Entrepreneur Lecture Series on October 1, 1991. A former LDS seminary teacher and Church employee, he received his bachelor's degree in music, a master's in counseling from BYU, and an EdD from Columbia University. While working for the Church, he designed its teacher development program.

He began his training business with some one-on-one consulting and some evening seminars he advertised in the paper. He developed a two-day seminar that is now known as the "Time-Power Seminar." The seminar not only teaches time management skills, but also helps people relate the basic values of love, humility, integrity, and faith to high productivity. His first big break was with the Hewlett-Packard Company. He worked hard and was successful in building a good reputation.

At the outset, the company made and accomplished a goal to double gross sales every year for eight years. He made a deal with Day-Timers, Inc., to use sample planners in his time-management seminars. This arrangement developed into a close relationship with Day-Timers, and recently Day-Timers acquired the Charles Hobbs Corporation.

Mary Ann Graf,
Health Care Innovations

Mary Ann Graf, president and owner of Health Care Innovations, delivered the MSM's October 5, 1991, Entrepreneur Lecture. Mary Ann and her husband, Paul, a real estate lawyer, moved to Utah from Michigan in 1974 to attend graduate school. They fell in love with Salt Lake City and have never left.

Health Care Innovations, a health-care consulting firm that Mary Ann founded in 1985, now serves 300 clients in 43 states and Japan with offices in Salt Lake City, Philadelphia, and

Mary Ann Graf

Raleigh, North Carolina. The company goal is to make a difference in health care, particularly to provide "safe, sensitive, and cost-effective health care for women and families."

Mary Ann has been involved with MSM faculty for six years, making use of their expertise and offering her support to the school. She is also a member of the MSM National Advisory Council.

Mary Ann spoke with MSM students about the consulting business, its benefits and drawbacks, and about the skills and requirements necessary to succeed as a consultant. The benefits include the opportunity to travel, to meet people, and to get paid for your advice. She said that the greatest drawback is frequent absence from the family. Some elements of success in consulting include commitment to the company's mission, education and experience, a solid business plan and marketing package, and the support of family and friends. To be successful, a person must be motivated by a real mission: "No mission, no margin." However, the business must be one that can make you money: "No margin, no mission."

Another challenge to consultants, according to Graf, is maintaining their own technical expertise.

Chris Lansing, Ted Lansing Corporation, Midlothian, VA

On October 15, 1991, the Entrepreneur Lecture Series hosted Chris Lansing, a 1974 BYU accounting graduate who has been president and CEO of the Ted Lansing Corporation since 1980.

The Ted Lansing Corporation, founded in 1954, is a building products supply business specializing in roofing, siding, and windows. It employs about 165 people, and in 1990 it reached $45 million in sales. The corporation operates 12 warehouses in North and South Carolina, Georgia, and Tennessee and plans to expand into Texas. Lansing sells more vinyl siding and aluminum building products than anyone in the Southeast.

Mr. Lansing told students that "there's a mean, mean recession going on . . . this year." Workers, even white-collar workers, are saying, "I have a job today, but I might not have one tomorrow." As a result, sales throughout the country are down. In the building products industry, where 90 percent of its assets are in receivables and inventory, "the faster you turn them, the more efficient you are; the more efficient you are the more profitable you become."

Despite the challenges, Mr. Lansing is optimistic. "This is not the end of the world. It's just a business cycle. We're going to get through it just like a lot of other companies are, but you have to do things to get through it that are not as fun as opening new warehouses and adding new people. . . ." However, current conditions also provide opportunities for growth. "While times are tough, we're investing. We're investing in people, and we're investing in technology."

Executive Lecture Series

Patricia H. Bluth, Proctor & Gamble Paper Products Co.

Pat Bluth brings a unique background to her position as manufacturing training manager with the Proctor & Gamble Paper Products Division—the makers of Pampers, Luvs, and "don't squeeze the Charmin." She received her BA from BYU in clothing and textiles with a minor in art. She then earned a master's degree in home economics education and taught at BYU until 1984. She now holds an

MBA from the Marriott School with emphasis in organizational behavior and operations.

Pat began working for Proctor & Gamble in 1986 as an organizational development consultant. In her current assignment, she is responsible for designing training programs to keep employees aware of new manufacturing technology.

Speaking at the Executive Lecture Series on October 31, 1991, she contrasted the training model of teaching used in manufacturing with the classic education model. In the education model, students learn principles, theories, concepts, subjects, and facts and are evaluated by how well they know what they were told. In the training model, individuals are taught what to do, why it's done, and how to do it; they

Patricia H. Bluth

are evaluated on their ability to do the job.

Proctor & Gamble uses the "high-performance work system" approach to manufacturing. Workers are not "stuck" at one point on the line, repeatedly performing a single task. Rather, they work as teams where the buzzwords are "multiskill" and "total task." Each team is responsible for its area of operation no matter who completes the tasks, and team members are expected to train each other so every member can perform all of the team's responsibilities.

Pat indicated that Proctor & Gamble seeks to make its people better. Management realizes that their competitive advantage is not in the technology or the fancy colors on the diapers, but "in utilizing the strengths that individuals bring to the organization."

Insurance and Financial Services Lecture Series

John W. Homer, Oxford Financial Group.

On October 2, 1991, John W. Homer spoke to students attending the Insurance and Financial Services Lecture Series. Mr. Homer is the president of Oxford Financial Group, a regional insurance and financial planning firm serving Idaho, Utah, Wyoming, Nevada, California, and Arizona. He is a chartered life underwriter, a chartered financial consultant, and is currently a candidate for an MS degree in financial services. Mr. Homer entered the life insurance business after graduating from BYU with a business degree in 1973.

His presentation was titled, "Taking Control of Your Estate." He addressed the misconceptions some people have about estate planning and discussed some common estate planning alternatives.

An estate is the sum total of a person's assets and affairs. The elements of estate planning include identifying family values and making specific goals that will help support those values.

The best way to take control of your estate, according to Mr. Homer, is to set up a trust. A trust is a legal entity that owns your assets. Setting up a trust avoids probate. Another advantage is that you can project your values forward, making the benefits to your children or grandchildren conditional on something you value.

International Lecture Series

The Graduate School of Management and the International Student Association jointly organized the MSM International Lecture Series last fall. The focus of this year's series is "Business in the '90s—a Global Perspective."

The lecturers shared their significant global experience with MSM students while addressing their areas of specialization. Santinder Kumar Lambah, consul general of India to the United States, spoke regarding business development in South Asia. Roger Duarte and Bill Houlin, of Black and Decker, lectured on the company's strategy and success in Central and South America. Jon Huntsman, Jr., of Huntsman Chemical, gave a detailed analysis on the political and economic situation in Pacific Rim countries. Heikki Rinne, director of the Skaggs Institute of Retail Mangement, spoke on the challenges and opportunities of a united Europe.

MSM National Advisory Council Meets

The Marriott School of Management's National Advisory Council held its semi-annual meeting November 7–9, 1991.

The meeting commenced by recognizing some members whose efforts have helped make the School of Management what it is today. Those recognized were Weldon Taylor, who has compiled a NAC history; former school deans; NAC chairpersons; and NAC members moving to emeritus status. In addition, new NAC members—Warren Jones, Dan Paxton, Fred Huckvale, and Mel Olson—were welcomed.

Following Dean Skousen's presentation on Marriott School activities, MSM administrators addressed other topics including the Leadership Alliance, International Student Sponsor Group, and the MBA Weekend. Professor Lee Radebaugh spoke on the International Student Sponsor Program and the joint BYU–University of Utah Center for International Business. The center is one among only 16 such programs nationwide to receive federal grant support.

NAC members formed focus groups, advising on school programs in international business and entrepreneurship, and other topics such as ethical values and service, the Leadership Alliance, and public relations.

Students and NAC members held informal discussions. Over 75 students, mostly from the school's graduate programs, sought advice on a wide range of topics, as well as providing NAC members feedback on the school's programs.

In addition, NAC members were treated to a special presentation by Ray Nelson, professor of managerial economics, on the capabilities of the TELE room (280 TNRB) and its role in computer-aided teaching. NAC member Mark Bench learned from hands-on experience how TELE's Macintosh system expedites financial analysis.

During the final meeting BYU President Rex E. Lee and Provost Bruce C. Hafen presented a long-range outlook on the university and some issues they expect to face in the future.

Management Society Campus Chapter Holds MBA Weekend

The campus chapter of the Management Society held its MBA Weekend on November 8–9. It was a tremendous success for the student chapter, recruiters, students, and all others who attended.

The event was the only MBA information/recruiting program held between San Francisco and Cincinnati this year. Students from throughout the West travelled to BYU to talk with recruiters from over 30 different MBA schools, including the University of Chicago, Pennsylvania State University, Washington State University, and Harvard University.

Recruiters were impressed with both the weekend and the students who attended. One recruiter said, "[This] has been the most productive and worthwhile function I have attended in my five years of recruiting for our MBA program." Another commented, "It has been a wonderful opportunity to learn about this area, the school, and the caliber of students."

The highlight of the weekend was an unprecedented discussion panel consisting of four Fortune 500 CEOs as the panelists: Nolan Archibald of Black and Decker, Richard Marriott of the Marriott Corporation, Donald Staheli of Continental Grain, and Mark Willes of General Mills. The four presented their insights on the future of higher education in business, and afterwards entertained student questions on topics ranging from maintaining a balanced life to the importance of career focus.

Other activities included a workshop on international careers presented by the Monterey Institute of International Studies and a practice GMAT diagnostic exam administered by Kaplan testing.

Because of its overwhelming success, the student chapter's MBA Weekend is likely to become a regular, integral part of the Marriott School's commitment to increasing student opportunities.

Walton Teleconference

On October 3, 1991, the BYU Marriott School of Management was one of 40 colleges and universities to participate in Wal-Mart's first-ever interactive video presentation to college students. The presentation, entitled "Wal-Mart: A Focus on Retailing with Sam Walton," was broadcast by satellite from the company's headquarters in Bentonville, Arkansas.

Hosted by Don Soderquist, vice chair and COO of Wal-Mart and former member of the MSM Skaggs Institute National Advisory Board, the two-hour presentation commenced with a brief video history of Wal-Mart. The balance involved a question-and-answer period with Sam Walton, founder and chairman; David Glass, president and CEO; and Dean L. Sanders, executive VP of operations. Questions were fielded from Bentonville attendees as well as those telephone linked at participating universities.

Brent Hyder, a BYU business management student who interned with Wal-Mart last summer, was flown to the company's headquarters to represent the university at the teleconference. The nation's number one retailer has had a long standing relationship with BYU's Marriott School of Management.

Ronald W. Allen Named International Executive of the Year

The Marriott School of Management named Ronald W. Allen, chairman and CEO of Delta Airlines, Inc., as its International Executive of the Year at the school's annual awards dinner November 7, 1991.

Allen began working at Delta part time in 1963 while studying as an undergraduate at the Georgia Institute of Technology. Upon graduation in 1964 he joined Delta full time as an analyst in the teaching department. He was named chairman, president, and CEO in August 1990.

Allen has been instrumental in leading Delta to its position as the strongest and fastest-growing major airline. According to the *Wall Street Journal*,[1] the carrier will soon be the industry's largest airline.

President Thomas S. Monson, second counselor in the LDS Church First Presidency, presented the award.

In his response, Allen indicated that "businesses should have high ethical and moral standards in the way they [do] business. They should take a long-term view of things, not a short-term profit orientation." He also emphasized that, from the beginning, Delta emphasized "some very important principles of being fair to one another, of always treating the passenger right, and of doing your best for that passenger." The spirit of the

Ronald W. Allen

"Delta people," according to Allen, "is very tangible." He recounted the story of Delta employees, passengers, and Delta friends working together to "purchase and donate the first Boeing 767 that the company put into service. It's "the only airplane in Delta that has a label other than the Delta sign on it, and that's 'Spirit of Delta' emblazoned on its side."

The International Executive of the Year Award was established in 1974 to honor outstanding executives in the public and private sector who have demonstrated exceptional leadership and high moral and ethical standards.

Notes

[1] *The Wall Street Journal*, August 13, 1991, p. A1, col. 1.

MSM Receives Smith Foundation Award

In September 1991 BYU was selected as one of the first 50 colleges and universities in the United States, Eastern Europe, and the Soviet Union to receive the Adam Smith Collection from the Oklahoma-based Adam Smith Foundation.

The collection of more than 20 major books and publications is now part of the Smith Center for Free Enterprise, located in 615 TNRB. The center, established through the generosity and interest of Menlo Smith, has been building its collection of works to support research, conferences, and curriculum development focused on freedom and free enterprise.

The Smith Foundation is an all-volunteer, nonprofit organization named for the Scottish philsopher and author of *The Wealth of Nations*. The foundation was formed by Tulsa business leaders in February 1989 to promote on college and university campuses practical economics skills such as saving, investing, and entrepreneurship.

MSM Faculty Share Research Ideas Through Working Paper Series

MSM faculty now have a new medium for sharing ideas-in-progress: The Working Paper Series (launched last fall).

Publication is under the school's Committee for Research and Faculty Development, chaired by Dr. Lennis Knighton of the Institute of Public Management. Dr. Michael Thompson, a committee member, is series editor.

In describing its mission Thompson says, "The idea is to provide a weigh station for work in progress. Academic research often takes a long time to incubate. And even when scholarly articles are accepted for journal publication, they may not appear in print for many months. This series gives us a chance to go public with drafts and share our ideas more efficiently."

The series includes papers that have not been formally published, but are ready for circulation among interested colleagues. There are presently about 20 papers in the series with topics ranging from the life expectancy of business startups to a study of the evolution of accounting in the Soviet Union. Papers-in-progress lists are circulated to MSM faculty, alumni, and faculty at other universities. Anyone interested in obtaining a list of titles, or a specific paper, may contact Dr. Michael Thompson at (801) 378-2794.

ROTC Gets New Chair

Lt. Col. Paul M. Searle has been appointed chair of the Military Science Department (Army ROTC) at Brigham Young University. He succeeds Col. John Norton Jr., who was recently assigned to the Defense Intelligence Agency in Washington, D.C.

Searle was born in Utah and received his BA and MA in communications and drama at BYU. While attending BYU he worked as an intern instructor of speech, diction, and oral interpretation (1969–71).

The colonel's military career has spanned 24 years. He has held many Army positions, including commander, adjutant general, branch chief, and, most recently, director of personnel and community activities at Fort Jackson, South Carolina. He also served as a platoon leader in the Republic of South Vietnam, where he was awarded the

Paul M. Searle

Combat Infantryman Badge and the Bronze Star for his service.

In his effort to provide well-rounded officers, Searle states "My main goal is to provide for this nation an officer who is proficient in all leadership qualities and, more importantly, who is competent in sound and perfect understanding." As part of his administration's new program, all cadets will be required to take 16 credit hours of ethics.

Searle and his wife, Nancy, are the parents of six children.

Public Relations Committee Meeting

Members of the MSM Public Relations Committee met on August 15, 1991. Kaye Hanson, director of MSM public relations, reported that Dean Skousen has approved a proposed publications council to ensure high quality for all MSM publications. That council will:

- Establish guidelines governing all MSM publications, including mission statements, quality standards, timing frequency, and production procedures;
- Assist MSM publishing units in identifying and obtaining critical publications resources; and
- Foster a spirit of cooperation and mutual advantage among MSM units that publish.

Hanson also reported on the public relations benefits from MSM conferences. The MSM Public Relations Committee is planning to take advantage of the Utah Software and Information Technology Conference April 28–30, 1992. The purpose of that MSM-hosted conference is to share ideas on software usage and business applications. The MSM will be publicized in many computer software industry publications, providing networking opportunities with business public relations personnel worldwide.

The committee discussed other PR items, including EXCHANGE magazine, MSM promotional videos, and an MSM symbol for use on all Marriott School of Management publications.

The Grant Taggart Symposium

The 1991 Grant Taggart Symposium was held September 27–28, 1991. Under the direction of the MSM Grant Taggart Program of Insurance and Financial Services and cosponsored by the Utah Chapter of the Chartered Life Underwriters, the symposium's goal is to "assist [life insurance] agents in their quest for professionalism, while helping their spouses understand the unique services and rewards of the life insurance industry."

About 700 people attended the two-day symposium, which included several workshops and a main session with presentations by Paul Jeffers, Jone Liljenquist, Burt Meisel, and Jack Turner, who all spoke on various inspirational themes. Spouses attended a concurrent session with workshops on topics such as "The Husband and Wife Partnership in the Life Insurance Business" and "Making the Most of Your Life and Time." Other highlights included a special three-hour Saturday morning session with Burt Meisel, one of the most recognized speakers in the industry, and a BYU Young Ambassadors concert.

The Grant Taggart Foundation was established in honor of Grant Taggart, former Western States Life agent, president of the National Association of Life Underwriters, and distinguished speaker. It was his desire that BYU assist in the continued professional development of life insurance agents.

Management Society San Diego Chapter Gives Community Service

The San Diego Chapter of the Management Society demonstrated its ideals of personal development and community service as it sponsored and served dinner to 360 homeless men, women, and children at the St. Vincent De Paul Center in San Diego on October 17, 1991.

The chapter has been finding new ways to contribute to the community. Recently, it awarded 15 college scholarships to local high school seniors. The scholarships were based on financial need, as well as church involvement, academic merit, and community leadership and service. The scholarships were funded mostly by a local San Diego family, with contributions also coming from individuals and the chapter's funds.

The chapter is planning more community activities and volunteer work, including working with the local children's hospital.

Professional Volunteers Needed

The Marriott School of Management and the Management Society Campus Chapter are sponsoring several activities that will encourage interaction among students, alumni, and friends of the school. In the classroom, students gain textbook knowledge about the business world; however, nothing can replace actually talking with business professionals or working in the business environment. There are currently two programs to foster these activities.

Day on the Job. This is a year-round program, but the main concentration is over the Christmas school break. Students apply to be placed with a business professional in their hometown or wherever they spend the holiday break. They describe the type of business situation that interests them and may even specify companies of interest. A computer search identifies possible matches. Hundreds of students have spent time in the business world through this program over the past five years. The business professionals determine the length of time involved (one hour, half a day, full day) and what types of activities are provided. The object is to assist the students to get a feel for the profession and to meet someone who can give them out-of-the-classroom advice and information. Some of the previous matches have resulted in changes of major, internships, and professional contacts for the students.

Mentor Program. This program, proposed by the MSM Alumni Board, matches students with business professionals according to interest. The program puts the student in contact with an alumnus or school friend who can act as a mentor—who can give professional advice and answer questions. The student may contact the mentor on a limited basis and not only receive information, but also share information about what's happening at the MSM.

Other Student Interaction. Besides the large Management Society Campus Chapter, there are approximately 15 professional organizations or clubs within the MSM. They bring in many alumni and friends of the university to speak and help out with activities.

If you would be willing to participate in any or all of the above, please fill out and return the volunteer form. You may mail it to the address below or fax it to (801) 378-4501. Your support is needed!

VOLUNTEER FORM

Name ______________________ Phone ________

Address ______________________________

City ________________ State ______ Zip ______

Employer ______________________________

Title ________________ Phone ______________

Business Address ______________________

City ________________ State ______ Zip ______

I am willing to participate in the following program(s):

☐ Day on the Job
☐ Mentor Program
☐ Speaking or Club Activities

Additional comments ______________________

____

____

Please return to Marriott School of Management, Alumni Relations Office, 490 TNRB, Brigham Young University, Provo, UT 84602.

MSM Entrepreneurship Program

MSM graduates follow the national trend to work in small businesses or start their own entrepreneurial ventures. In supporting this trend, the Marriott School founded the Entrepreneurial Studies Program in 1987. The program encourages and prepares students to meet the challenges of owning and/or working in an entrepreneurial venture or small business.

The program is under the direction of Dr. Brent D. Peterson, an MSM faculty member, and Ray Crosby, associate director.

The program's stated mission is "to enhance the development of entrepreneurship worldwide, by creating and building a strong entrepreneurial program in the Marriott School of Management."

In order to achieve its mission the program emphasizes:

1) Conducting state-of-the-art research that advances the understanding of entrepreneurship practice and education.

2) Developing a complete curriculum in entrepreneurial studies based primarily on current MSM courses.

3) Encouraging and assisting in the development of entrepreneurs.

4) Providing consulting services to entrepreneurial and startup companies that need help completing feasibility studies and developing strategic business plans.

5) Using the MSM Entrepreneur Founders Group to help develop research opportunities, teaching materials, internships, and funding. The members serve as entrepreneurial role models and give lectures and demonstrations to MSM classes and student groups.

To become a Founder, an entrepreneur must be willing to donate at least $15,000 to the program within a three-year period. The program is currently seeking a $5 million endowment to establish an entrepreneurship center.

For more information regarding the Entrepreneurship Program, its activities, the Entrepreneur Founders, or contributions to the program's endowment, call Brent D. Peterson at (801) 378-7437.

Brent Peterson addresses MSM Enterpreneur Founders Group.

Accounting Placement Stats

In June 1991, Stafford Publications, Inc., ranked the BYU School of Accountancy and Information Systems among the top 10 accounting programs in the country. The following SOAIS placement statistics also attest to the program's quality.

For the 1990–91 academic year, 99.1 percent of MAcc graduates seeking employment received jobs or job offers. Of those hired, 70.4 percent went to public accounting, 24 percent to private industry, and 5.6 percent to government agencies. The average salary of $31,329 for BYU MAcc graduates, compared to $30,996 nationally, reflects a 6.3 percent increase over the previous year.

For the same period, 98.4 percent of accounting BS graduates seeking employment received jobs or job offers. Graduates were placed as follows: 56.1 percent in public accounting, 22.2 percent in private industry, 6.7 percent in government agencies, 3.3 percent in the retail industry, and 11.7 percent in other industries. The average salary for accounting BS graduates was $26,205, compared to $26,642 nationally, reflecting a 2.9 percent increase over the previous year.

The majority of graduates accepted jobs in California, Utah, and Washington with firms such as Price Waterhouse, Deloitte & Touche, Ernst & Young, KPMG, Grant Thornton, Arthur Andersen, and Coopers & Lybrand.

Alumni Reunion

Alumni visited with former classmates and faculty and chose among several enlightening lectures during the Marriott School's alumni reunion on Homecoming weekend, October 10–12.

The reunion began with a student/alumni dinner and later included a "State of the School" address by Dean K. Fred Skousen and several lectures from MSM faculty members. Dr. Darrell "Pete" Clarke, MBA director, gave a presentation on the MBA program's adaptation to trends of globalization, competitiveness, and restructuring in business. Dr. David Hart, J. Fish Smith Professor of Free Enterprise, spoke on "Ethics and Total Quality Management." The lecture series was concluded with a lecture by MSM Professor Phil Bryson, a Fulbright scholar who recently returned from an assignment in Germany. Dr. Bryson spoke on recent changes in Eastern Europe and the Soviet Union.

In addition to attending the scheduled events, alumni took advantage of the weekend to organize individual class activities.

MSM Releases Promotional Videos

The Marriott School of Management has recently produced two promotional videotapes. One highlights MSM activities, and the other focuses specifically on the MBA program. Alumni and friends are encouraged to make good use of the tapes in promoting the Marriott School of Management. Copies are available through the dean's office, (801) 378-4121. E

Chapter 11

(continued from page 10)

court must assure that replacement assets will be of equal or greater value.

When the debtor borrows cash for operations, the financing structure is called debtor-in-possession financing, or DIP financing. In the case of ABC Co., we at Security Pacific Corporation have provided DIP financing. The court granted us a "super priority" lien on the debtor's assets. The super priority provides the most senior lien possible. In the event of liquidation, all money generated from sales would first be applied to our DIP debt.

The theory behind super priority is to encourage new financing. No lender would put new money at risk without assurance that it would be repaid. Although used in a different context, DIP financing is LIFO: the last money lent is the first money repaid.

Developing a Reorganization Plan and a Consensus

The debtor is given a head start in preparing the reorganization plan. That period is called "exclusivity." A defined time period is granted for exclusivity, but the court can and usually does extend it if required. During exclusivity the debtor and its professionals compile, organize, analyze, test, and validate data.

During exclusivity the debtor's management should also be discussing important issues with the major creditor groups and seeking their input in order to achieve a consensus. The corporate structure of ABC Co. involves several subsidiaries and different lenders in those different subsidiaries. Because of the number of interested parties, the negotiations have been very complex. Sometimes ABC Co. has used shuttle diplomacy, arbitrating solutions among the various competing creditors. Several times ABC has nearly achieved a consensus, only to have an issue arise and derail the process. As mentioned previously those kinds of delays have cost ABC Co. $1 million per month. This phase of the process has already added six months to the original timetable, or $6 million in additional administrative costs.

Since no consensus has developed, ultimately ABC may have to file a nonconsensual plan and attempt to *force* a plan on the creditors. This will almost surely result in litigation. Thus, the debtor must perform a cost-benefit analysis and determine if the consensually negotiated peace will cost less than a plan won through litigation.

Confirming a Reorganization Plan

The confirmation phase is essentially an election process. If the debtor has not been able to develop consensual support for its plan of reorganization, the court may terminate exclusivity and allow competing plans to be submitted. After a year of intense negotiation in ABC Co.'s bankruptcy, it appears likely that consensus will not be successfully developed. Under the weight of the $1 million per month in administrative costs, the company cannot continue long. As a result, the court will decide to terminate exclusivity or convert the case to a Chapter 7 liquidation.

In cases where multiple plans are filed, each plan must meet certain voting-eligibility criteria. Determining whether a certain plan meets necessary criteria generally requires legal agreement. The confirmation process can be a litigious part of the bankruptcy and be very costly to the debtor.

The plan or plans that the court deems confirmable are submitted to the creditor group for vote. At the risk of making a complex process appear too simple, the winning plan is confirmed and the reorganized debtor can emerge from bankruptcy.

Emerging from Bankruptcy

Emerging from bankruptcy means that the court no longer is responsible for administering the company. There is no super priority, no exclusivity, no stay, no legally mandated administrative costs, and the company is no longer legally the debtor.

To emerge from bankruptcy the former debtor must have sufficient cash for such matters as working capital and paying administrative claims. The working capital is necessary to ensure prompt payment of bills, and suppliers will want assurance that new supplies will be paid for.

Administrative claims are generally paid in cash at confirmation. In the case of ABC Co., $12 million of administrative costs have already been paid. The remaining $8 million-plus will need to be paid upon a plan confirmation. ABC has made arrangements with one of its lenders to loan $5 million for working capital and $8 million for administrative claims. The repayment term will be seven years. During those years ABC's earnings stream will be significantly disadvantaged when compared with competitors without such a burden.

As this article indicates, costs associated with bankruptcy proceedings are enormous, both in terms of money and management time lost. Monetary costs, such as the burden of creditor committee administrative claims, may in themselves overwhelm the debtor. Filing Chapter 11 bankruptcy should not be a casual decision. Many debtors, finding that the costs of filing Chapter 11 are too great a burden, ultimately elect to pursue a Chapter 7 liquidation. E

Bruce A. Bates

TODAY you join a most select group of winners. You are unique. Only a tiny number, a very small percentage of men and women throughout the world, have ever received your level of education or the degrees you will receive today. Indeed, you are winners. We have a saying in our family that winners win and losers lose, and today you are winners. You are finishers; there are so many in the world who are starters, but all too few are finishers.

You have a great future. Today you embark on a most exciting journey, similar to one I began about 30 years ago. As Beverly and I flew across the country to be with you today, I could not help but reflect upon the many lessons I have learned over the years, and all too many of them have been learned the hard way.

Let me share with you today some lessons that, if remembered, may well save you from at least a few of the stumbles and financial disasters that have been a part of my own learning process. While it is true that we often learn more from our failures than from our successes, it is a much wiser person who learns from the mistakes of others. It is in this spirit that I share with you four lessons that I consider to be of considerable importance to anyone who wishes to be successful in business and in life.

Lesson number one. You earn your money in your own business and lose it in someone else's. My two partners and I have been most fortunate in our chosen specialty—the merger and acquisition of insurance companies. It is how we earn our daily bread.

But let me tell you about a few investments I've made over the years in someone else's business: a water park recreational company, a soft drink specialty company, a computer start-up company, a cattle feeding operation, real estate limited partnerships, a tennis club, a computerized conveyor systems manufacturer, and an environmental clean-up company. Believe it or not, all of these seemingly diverse investments have at least two things in common: first, each was a financial disaster, and second, I did not have any personal expertise in these areas. And yet I foolishly turned over hundreds of thousands of dollars earned in my own specialty area only to throw them away in businesses that I knew little about. I should have listened to Will Rogers, who long ago said, "I am more concerned about the return of my money than about the return on my money."

Please learn from my mistakes. Do not repeat them, for you might not be as lucky as I have been in recovering from such lost ventures. Choose an industry or career that you enjoy, and become an expert. Become the best at what you do, whether it's in water park recreational companies, or computer start-ups, or whatever, for those who really know can succeed in any area of business. Earn your money in your own business, and do not lose it by investing in someone else's. Know who you are and what you want to become and stick to it.

Lesson number two. Interest is for collecting, not for paying. A rich old-timer of few words was once asked the secret to his financial success. His answer was only one word: "Interest!" The questioner said, "You mean you believe in leverage? Borrowing

The following commencement address to Marriott School graduates was given by Rodney A. Hawes, Jr., on April 26, 1991.

REMEMBER WHO YOU ARE

RODNEY A. HAWES, JR.

PHOTOGRAPH BY JOHN SNYDER

a lot of money?" The old-timer looked disgusted and answered, "Nope. Interest is for collecting not for paying."

It does not take genius to understand that before you can collect interest you must first have some savings. How to have savings and yet continue to increase one's standard of living requires understanding one simple principle and religiously applying it. The principle is simply this: After paying your tithing, 10 percent to the Lord, pay yourself 10 percent directly into savings before you pay anything else. That leaves 80 percent of your income to budget for taxes, food, clothing, shelter, transportation, and so forth. It is amazing to me that so many people work all their lives for the grocer, the landlord, the power company, and the automobile dealer, and yet think so little of their own effort as to pay themselves nothing.

You cannot save out of what is left over at the end of the month. There won't be any. If you earn $1,000 a month, the Lord gets $100, you get $100, and the budget gets the rest. Now when your income grows to $2,000 a month, your savings have doubled, so has the amount the Lord has received, and so has the amount going to budgeted items. So your standard of living has increased substantially.

Now that you have learned the secret of saving money, learn the secret of the miracle of compound interest. Let it work for you. If you begin at age 25 and save only $200 a month, in ten years at 10 percent you would have over $40,000. But if you keep it up for three more ten-year periods to age 65, your $200 per month would have made you a millionaire—over $1,100,000.

Think of that. If you avoid the dumb investing I mentioned earlier, you can become financially secure simply by consistently saving and letting the miracle of compound interest work for you. This really means that if you plan carefully, you can truly choose almost any career you enjoy and not feel that you have to chase after so-called high-roller jobs with high pay in order to be financially secure. Some of the most important careers in government, in universities, and in community service are being neglected—not because they aren't interesting, but because people believe they can't afford to pursue them. That is not necessarily so. It is not how much you earn but how much you keep that determines your financial success.

To save, you must avoid debt, especially credit card and loan-interest debt. The interest on credit cards usually runs 18 to 22 percent. A $5,500 running credit card balance can easily cost you about $100 a month in interest—money that could much more wisely be put into savings.

Except for perhaps a housing mortgage, you should try to avoid debt. If you need a car, it's wise to shop carefully. You don't need several hundred dollars a month tied up in car payments. Protect your credit as if it were fine silver. Never let it tarnish. And remember, interest is for collecting not for paying.

Lesson number three. The secret to managing people is to assume that every person in the organization can contribute something, regardless of station, education, or title. Do not make the mistake of thinking that just because you now have a degree, you have suddenly become all-knowing and that all others suddenly know nothing at all. Listen first. Talk later.

Ask for advice. Most people are smarter than you think—especially those down in the trenches with years of experience. Very often a worker with little formal education, but with a degree in common sense, can solve a problem, while a recent graduate is still trying to program it into a computer.

Praise co-workers. Build them up. We all work harder when we feel appreciated. Chastise in private. We're told in Matthew 18:15, "Moreover if thy brother shall trespass against thee, go and tell him his fault between thee and him alone: if he shall hear thee, thou hast gained thy brother." In other words, never humiliate or embarrass a peer or subordinate in front of others. It doesn't mean that you can't have spirited discussions or even disagreements. But never, ever let them become personal attacks.

Learn something from Church organization: three heads are better than one. It is no accident that presidencies of Church auxiliaries and organizations are made up of three persons.

Be fair. Be loyal. Be nice. The business world is small—smaller than you think today. It is incredible how paths will crisscross over the years. You will be long remembered. Be slow to anger. Bridle your tongue. Your competitor today may well be your boss tomorrow, or perhaps the new purchasing agent for your best customer. Be slow to burn bridges.

And now for *lesson number four*, the most important lesson of all. Remember who you are and why you are here. You are sons and daughters of God. You came to this earth with nothing. When you leave this earth, all you take with you is who you are at that time. Whatever you have become at the point of departure, that's you—and you go, ready or not. And you take with you your memories, good and bad, and who you are. The balance sheet that you present to the Lord is personal, not financial, although I suspect you will report upon your stewardship.

I remember an old saying, "There is not much point in climbing the ladder of success if it is leaning against the wrong wall." Jacob put it another way in the second chapter, verses 18 and 19, "But before ye seek for riches, seek ye for the kingdom of God. And after ye have obtained a hope in Christ ye shall obtain riches, if ye seek them; and ye will seek them for the intent to do good—to clothe the naked, and to feed the hungry, and to liberate the captive, and administer relief to the sick and afflicted." And in Luke 12:48, "For unto whomsoever much is given, of him shall much be required." Remember who you are. If you are blessed with much financial success, you have a solemn obligation to help those less fortunate than yourself.

I have a good friend who is extremely wealthy. In fact, he is listed by *Forbes* as one of the 400 most wealthy persons in the United States. He is a wonderful, generous man. He loves his family. He is not a member of our church. A few days ago while visiting with him, I learned that he has a sign in his home bathroom that says: "No one on his death bed ever wished that he had spent more time in the office." I asked him why he kept the sign in his bathroom. He answered, "Rodney, because

I never want a day to go by without reminding myself that my family is more important than all this. It is too easy to forget."

I am often privileged to have dinner with senior officers of some of America's largest companies. If you read the *Wall Street Journal* regularly, you would likely recognize many of their names. The conversation almost always turns to family and, all too often, I hear a heart-wrenching story as they describe family tragedies and ask for advice on what they should do. Most of these family tragedies could have been avoided if the ladder had been leaning against the right wall. So many of these CEOs would give all they have away if they could only reverse the often irreversible events of lost children, drugs, alcohol, and broken marriages.

As a teenager growing up in a small town in Idaho, I was not a member of the LDS Church. But every time I left the house for a date, a dance, or some activity, my father would call out to me, "Rodney, remember who you are." That phrase has come to mean so very many things to me—honesty, uncompromising integrity, protecting the family name, and much, much more. Especially much more as I later became a convert to The Church of Jesus Christ of Latter-day Saints.

It means remembering that Beverly, my bride of some years, is more precious than all the bank accounts in the world. It means remembering that building a family is of eternal worth, that no stock option, no corporate title, no bonus plan, can ever be more important than the safe return of all six of our children to our Heavenly Father, along with their own spouses and their own children: Kimberly, Kelly, Bill, Steve, Tamara, Tom, and Tracy, David, Alice, Jennifer, five-year-old Kathryn, the two little Matthews, and tiny Elizabeth. How awful it would be to have one missing.

It is interesting that when we have family gatherings, it is the memory of past family events, situations, relationships, and fun times that are savored, not the expensive items once considered necessities, now long forgotten in the attic or garage or basement. Time together is much more important than a new car or even an extra bathroom.

Remember what the Savior said to his disciples in Matthew 16:26, "For what is a man profited, if he shall gain the whole world, and lose his own soul? or what shall a man give in exchange for his soul?"

Remember who you are and why you are here, "For the Son of man shall come in the glory of his Father with his angels; and then he shall reward every man according to his works" (Matthew 16:27).

The United States Military Academy at West Point, New York, is in our stake. The Church has a wonderful branch there. West Point itself is a unique and beautiful place in both architecture and history. Each spring our Aaronic Priesthood and Young Women hold a stake track meet at West Point. The location of the track is spectacular as it overlooks the beautiful Hudson River. It is really quite a sight to sit in the large grandstand and look out across the track and the huge grassy infield, to see the sailboats on the river and the forest green on the banks beyond.

It was here that I learned a most valuable lesson while attending a stake track meet. It was a warm, sunny spring day. The track meet had been going very smoothly. Each event was well-organized by age group. Finally, the time came for the 16-to-18-year-old young men to run the 440—once around the track. There were quite a few of them. They lined up. The gun sounded. They were off.

It soon became clear that the natural athletes, the high school varsity athletes—those from football, basketball, track, lacrosse and so on—would again easily out-distance the chess players and the band members who every year gamely and good-naturedly tried. This year was no exception. One by one they came around the final turn and headed for the finish line.

Suddenly I noticed way back in the distance on the far side of the track, a young man struggling, running awkwardly. He was only about halfway around when the winner flashed by the grandstand. Close behind the winner were the other natural athletes and a bit farther behind, the others. And still, the straggler struggled on. Finally, the young man made the last turn and headed past the grandstand for the finish line, where all the other runners were already gathered. It was as he came around the last turn that I finally recognized him—a young man who had been born somewhat mentally and physically handicapped but who had been born with the gift of love. As I stood up to see better, I could see the big grin that spread clear across his face as he strained to just simply complete the race. Others now recognized him and stood cheering him on. The boys at the finish line turned around and shouted encouragement. And by the time he stumbled across the finish line, the cheering was so loud you would have thought he had won an Olympic Gold Medal. And maybe, in a way, he had.

On that beautiful spring day, I suddenly understood several eternal principles much more clearly. This special child of God had taught me, had given me a glimpse of, what it means to endure to the end. He taught me that each of us must run our own race in life and that the winning is often in the finishing. He taught me that when we get to the finish line, we will be judged more by what we did with the talents we were given than by how fast we ran the race. He taught me that the number of people greeting us when we get to the finish line is probably in some proportion to the number of lives we have touched in a positive way along life's journey, and that to be loved we must first love.

May I again congratulate you for your achievements, for the honors you receive this day. I wish for you success in carefully choosing the races that you are to run. How exciting it will be for you. And may you endure to the end. Remember that your major objective in life is not the gain of wealth, but if gained, it is for the purpose of helping others.

You have a stewardship responsibility. But most of all, my young friends, remember who you are: A child of God, a child of your Heavenly Father. Remember that your major purpose in life is to prepare to return home to him and along life's way to help as many as you can of your earthly brothers and sisters to do the same.

May the Lord bless you as you do so. Thank you and good luck. E

Book Review

Ethical Issues in the Practice of Accounting

Edited by W. Steve Albrecht
(Cincinnati, Ohio: South-Western Publishing Co., 1992).

Dr. W. Steve Albrecht is the Arthur Andersen Alumni Professor and Director of the School of Accountancy and Information Systems, Marriott School of Management, Brigham Young University. This review is by Dr. Wanda A. Wallace, CPA, CMA, CIA, John N. Dalton Professor of Business Administration, and associate dean for Academic Affairs, School of Business, College of William & Mary.

THIS book is a thought-provoking collection of papers that address the ethical environment of society, business, public accounting, and those pursuing various specialties who are at different points in their career paths. The papers range from personal perspectives and experiences to cases that challenge a number of gray areas of practice. The authors are diverse, with backgrounds in business, regulation, and academics. Testimonials as to what is wrong, what needs to be done, and how certain literature and experiences have influenced individuals' points of view are plentiful. Humor and anecdotes add to insightful commentary on how ethics are integrally woven into society and throughout economic sectors.

Media coverage is cited, such as *Fortune* magazine's description of "Cute Tricks on the Bottom Line," leading to concern that "with so many managers . . . obscuring the truth, getting to the bottom of the bottom line, is more difficult than ever." (p. 119)

Literary allusions stand out:

> . . . a scene from a play by Arthur Miller, called *All My Sons.* In the play the son discovers that his father really had clay feet; he'd done some things in business that really weren't very acceptable. The father had always been a hero to the son. The father says, knowing that losing the esteem of his son is probably one of the greatest losses he can have, "Son, I'm sorry. but, really, I'm no worse than anyone else." The son replied, "Dad, I know. But I thought you were better." (p. 7)

> I think Shakespeare said it best when he said, ". . . To thine own self be true, and it must follow, as the night the day, thou canst not then be false to any man." (p. 145)

Definitions that provide a useful foundation to the discussion pervade the writings. The components of an ethical person are defined to include honesty and integrity, promise-keeping, fidelity, fairness, caring, respect, responsibility, excellence, and accountability. The reasons for not being ethical are cited as including self-deception, self-indulgence, self-protection, self-righteousness, and faulty reasoning. Rationalization is perhaps best captured by: "If I do this I won't have my job any longer. I can protect the stakeholders more by keeping my job." (p. 131) High expectations are discussed in such emphatic statements as "Ethics for accountants has to do with the way individuals respond to the expectations of the community, and perhaps more importantly, the way they express their search for those expectations. Look for them; raise your sights and say, 'What does society expect me to do in this situation?' " (p. 29)

Listed common principles ameliorate ethical dilemmas:

> *1st* Honesty is synonymous with good business practice. Any short-run profits from dishonest acts are minor compared to lost opportunity in the long-run.
> *2nd* Solve the problem early.
> *3rd* Consider the impact of full information on both sides of the agreement.
> *4th* Consider the counsel a spouse or other family member would provide on the situation.
> *5th* Consider how you would feel if all the facts were published on the front page of the *Wall Street Journal*. (pp. 105-106)

Attention is directed to schools' vital role in ethics education. Moreover, the interplay of consumerism, the accounting profession, and future issues sensitizes the reader to regulation issues—governmental as well as self-regulation initiatives. Cases such as Stoffer Chemical, Saxon Industries, and adaptations of enforcement cases of the Security and Exchange Commission bring the issues to life. LIFO pools, revenue recognition, estimations, and sample extrapolations are among common accounting curriculum and practice issues related to potential ethical dilemmas. The challenge of balancing confidentiality considerations and public right-to-know claims is described with considerable finesse in an auditing case. Importantly, the discussion considers contradictory legal-case findings (e.g., Consolidata Services, Inc. v. Alexander Grant & Company as well as Fund of Funds Limited v. Arthur Andersen & Co.).

When a "cover-up" emerges but is "explained away" in ways that are difficult if not impossible to corroborate, what obligations persist? The art-versus-science nature of ethical assessment and the absurdity of some practices is epitomized by the tale that "the reasonable basis standard [in tax] eroded significantly to the point where it was dubbed the "laugh-aloud" test. In other words, if after examination of the issue and associated research, your conclusion didn't cause you to start laughing, the item was considered to have passed the reasonable basis standard." (pp. 73–74) Independence and quality questions are explored in some depth, as are the countervailing forces as to what competitors, regulators, and service providers believe are desirable and acceptable practices. International complications are also interwoven in the discussion and cases. Such pragmatic considerations as the self-fulfilling-prophecy potential of qualified auditors' reports pose excellent case materials for discussion and contemplation.

My major criticism of the book is merely a need for better proofreading to eliminate misleading typos; MBO referred to as NBO, Dingell spelled in diverse ways, and misspellings that can be distracting should be corrected in the next printing. A secondary concern is omission of sorely needed discussion regarding the implications of some statements. As one example, the NAA statement for management accountants says "the management accountant may have no other recourse on significant matters than to resign from the organization and to submit an informative memorandum to an appropriate representative of the organization." (p. 130) This appears to me to be an example of the profession "letting down" those responsible for having backbone and choosing to whistleblow, advising that they leave, rather than ensuring that a vehicle is available to push forward needed change. Note that The Institute of Internal Auditing has similar guidance that seems to beg the real question.

In my view, the ethical posture of the profession needs to encompass a support mechanism tied to the public accounting 8-K reporting process, accessible at least indirectly to the management accountant and internal auditor. To illustrate the shortcoming of present discussion, consider this case commentary:

> Worse than being fired in a situation like that described in the case is having your life made miserable by an angry boss. That is why many people don't press an issue like this—they know that they have to live with that person at least 40 hours a week. Ethics are often easier said than done.
>
> Whistleblowers pay a price for their actions. You may not get fired, but you end up paying the price. (p. 133)

It seems to me that such a truncated discussion misses the critical point of how the profession and society can and should facilitate whistleblowing. The opportunity is hinted at in a discussion of career responsibilities, wherein professionals are encouraged to pursue legitimate disagreements.

> Society and business are becoming increasingly complex; that is the world in which we live, and we cannot opt out. We cannot be like the 11th-century British King Canute, who stood at the water's edge and commanded the tide to recede. (p. 39)

For those interested in grappling with accounting's ethical issues, I recommend Dr. Albrecht's book as it provides rich food for thought, and excellent cases to ponder. The closing touch of "Quotes on Ethics in Accounting and Business" and an appendix on The Professional Code of Ethics are both enjoyable and useful additions to the book's 16 sections (plus a prologue and epilogue). Readers will consider their time well spent. E

What's News With You?

EXCHANGE welcomes alumni updates on job changes, relocations, promotions, or whatever you think is newsworthy. Help us by filling out and returning this form.

Name ______________________ Phone ____________

Address ______________________________________

Graduation: Year ________ Program ______________

News item: ___________________________________

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Return to EXCHANGE, *588 TNRB, BYU, Provo, Utah 84602*

MBA Track System

By William Kilmer

The Marriott School of Management's MBA program initiated a new track system during fall semester 1991. MBA tracks are an expansion of the electives previously offered to students. The tracks have been established to assist students in choosing elective courses and support activities that will prepare them for professional careers, provide professional experiences in chosen areas of study, help them form networks leading to internships and permanent employment, and encourage a broad-based management education.

MBA students are still required to take core classes during the program's first year and two nonelective courses—ethics and business policy—during the second year. Second-year students may select one of eight defined program tracks: entrepreneurship, corporate finance, investment management, marketing management, management information systems, organizational behavior, production and operations management, or quantitative methods. Another option allows creating a customized track—e.g. arts management, health care administration, etc.—by combining, with the help of faculty advisors, regular MBA courses with courses from other disciplines.

The track system is far more extensive than the program's former emphases. The system focuses on six objectives:

1) A set of not more than five primary courses in a specific discipline.

2) At least one supporting elective closely related to the primary set, but not from the same department. For example, a student in the corporate finance track may elect to take an advanced managerial accounting course.

3) A minimum of two breadth electives from disciplines not directly related to the primary or supporting electives. One major program requirement is that students take at least one course from three of five functional areas: finance, marketing, organizational behavior, production, and operations. These courses are designed to provide a broad background.

4) Interaction with a faculty advisor whose interest and background is in the designated track area.

5) Interaction with a group of management advisors, including BYU alumni, NAC members, and others. Planned interaction includes campus visits by advisors, plant/office tours, and internships.

6) Participation in activities that foster a student's understanding of the track, including seminars, guest speakers, book reviews, consulting projects, etc.

The track system has allowed students more discretion in creating educational paths that better follow their aspirations. By guiding students and providing "real world" experience, the School of Management hopes to produce better managers and leaders for tomorrow. E

Letters

Fall *Exchange* Articles Appreciated

The articles in the Fall 1991 [EXCHANGE] on the dilemmas of an entrepreneurial career, business ethics, and the changes occurring in China . . . were greatly appreciated.

As a 1970 BYU MBA alumnus and having spent the last 18 years in quality assurance as an engineer [and manager], I was pleased with [the dean's] remarks regarding the need for teaching students to have a desire for continuous improvement in performance. I commend the School of Management for developing classes and learning opportunities that will provide graduates with . . . knowledge of quality management and products, ethical leadership, and global perspective.

Thank you for . . . publishing EXCHANGE.

—*Stan Young*
Vancouver, WA

[Editor's note: Many comments regarding EXCHANGE were returned in the questionnaire included in the fall issue. All of the comments were helpful, and a few are quoted below.]

I would like to see more ideas on motivation for self and others as well as management styles and changes in the industry in regards to management styles.

—*B.W., Medicine Hat,*
Alberta, Canada

I like EXCHANGE, and appreciate the effort it obviously requires. My oldest son is a BYU student considering an MBA, so the fall issue including starting salaries was of particular interest.

—*T.F., Paradise, CA*

I think the current format and content strike a good balance of news and knowledge-enhancing material.

—*W.J.E., Bell Buckle, TN*

EXCHANGE magazine is great! Often we see individuals achieve unbelievable success. Those are highlighted in "Spotlight." But most of us are contributors where the "rubber meets the road"—day to day—consistently working to better ourselves and improve our working environment. Steady, but no earth-shaking achievements. I would like to see a recap of the average graduate—closer to reality. Often we find that those who achieve success at the top are seen as *good*, while those who are less fortunate are seen as *not so good*.

—*L.E.R., Idaho Falls, ID*

I enjoy receiving the magazine.

—*M.T.H., Senatobia, MS*

I find updates on faculty and alumni activities very interesting, mostly from a business-activity perspective. The keynote articles are often very good (Lee Perry, etc.).

—*W.G.C., Humble, TX*

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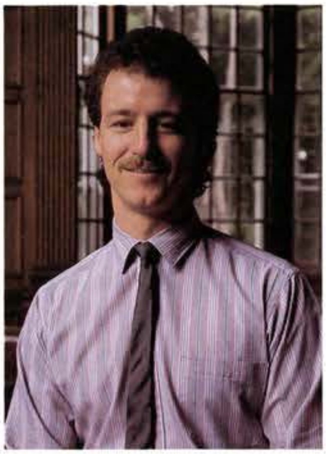
Let us hear from you. Letters should be addressed to Editor, EXCHANGE, 588 TNRB, Brigham Young University, Provo, UT 84602. We reserve the right to edit for length and clarity. E

Spotlight On...



Dr. J. Stewart Black is an MSM alumnus who has distinguished himself in business education. Dr. Black graduated from BYU in 1983 with a BS in university studies, concentrating in English composition and applied behavioral sciences. He received his MS in organizational behavior from the Marriott School of Management in 1984 with an emphasis in organizational change and development and participative management.

After a year as general manager of Excellence Corporation, Tokyo, a management training firm specializing in preparing Japanese managers for overseas assignments, Dr. Black pursued his doctorate at the University of California—Irvine (UCI), graduating with a PhD in administration in 1988. His areas of concentration included organizational behavior, organizational theory, and international management. His dissertation is "Work Role Transitions: Adjustment to Overseas Assignments."

While still at UCI he taught both undergraduate and MBA management courses. Since 1988 he has been an assistant professor at the Amos Tuck School of Business Administration, Dartmouth College, Hanover, NH. For the last three years he has been a visiting professor at the International University of Japan, Tokyo.

His research focuses on international assignments, American/Japanese negotiations, and participative management. He has consulted with and held international human resource management seminars with a variety firms including NASA, Boeing, American Express, American Airlines, TDK, Kawasaki Shipping, Isuzu Motors, Nissan Motors, and Honda Motors.

Stewart is married to Janet Lynn Onan, and they are the parents of three children—Jared, Nathaniel, and Kendra. Stewart served a mission in Fukuoka, Japan, and has served as president of his elders quorum, Young Men, and Sunday School organizations. In his free time, he enjoys outdoor sports including skiing and skydiving.

Carr Krueger, a new member of the MSM Alumni Board, received his MAcc from the Marriott School of Management in 1986. He also received his BS in accounting from the MSM (1985). While in school he ran his own business—Krueger Accounting—providing accounting services for a number of small companies. He was involved in Beta Alpha Psi and was the School of Management representative to the BYU Student Alumni Association.

Carr is a CPA in Washington State and is a corporate business advisory services manager with Arthur Andersen & Co. in Seattle. He joined Arthur Andersen in 1985, working as a staff auditor until 1987, when he was promoted to audit senior. In 1988 he became a business advisory services senior until accepting his present position in 1990. Part of his time is spent in auditing, operational consulting, and feasibility-analysis work. The bulk of his time, though, is spent in litigation consulting, which includes consulting with companies and their attorneys regarding damages suffered due to business interruptions or other courses of action. He also heads the Advanced Computer Audit Techniques Team, which ensures the efficient use of computer hardware and software in Arthur Andersen's northwest region.

Carr is a member of the American Institute of Certified Public Accountants, the Washington Society of Certified Public Accountants and the National Association of Certified Fraud Examiners. He also serves on BYU's Regional Alumni Council as committee chair for the Annual BYU Student Send-off and is involved with the MSM Management Society.

He, his wife, Lori, and their two sons reside in Issaquah, Washington. Carr has served as Young Men president in the LDS Church and has also been very involved in Scouting and with the United Way.

Jay R. Manwaring, a former member of the Marriott School of Management Alumni Board, graduated from Brigham Young University with his BA and MBA degrees in 1967 and 1969, respectively.

His professional experience includes five years in sales and marketing positions with General Electric, four years as vice president of sales for Royal Industries, two years with Wynn's International as division president, and ten years with Zero Corporation as corporate vice president and division president of Zero Halliburton.

Since 1990 Jay has been the president of Zero Enclosures, a leading manufacturer of cases and containers (primarily for electronics equipment) for military and commercial markets. Zero Enclosures has worldwide distribution of consumer luggage and camera cases under the Zero Halliburton name.

Jay's major accomplishments include spearheading the relocation of two of Zero Enclosure's manufacturing plants. One of those has been moving company headquarters from Southern California to Salt Lake City, bringing with it a capacity for 1,000 employees. The relocation to Salt Lake should be complete by the end of 1992.

Jay is married to the former Anna Held, also a graduate of BYU. Two of their five daughters are now attending BYU. The Manwarings presently live in Valencia, California, but will be moving to Utah in the summer of 1992. Jay served on the Newhall School Board for seven years and has been a member of two bishoprics and a high council. Jay enjoys tennis, travel, and reading, and through his involvement in business he's been able to visit most of the major world.

MSM professor ***Gloria Wheeler*** was recently honored as a 1990–91 Fulbright Scholar. She accepted a Fulbright assignment to the Lahore University of Management Sciences, a private MBA school of about 10 faculty and 100 students in Lahore, Pakistan. The school is the premier management program in that country.

Her teaching assignments included introductory statistics, quantitative methods, and marketing research. She also assisted second-year students in their culminating MBA projects.

Dr. Wheeler was honored in 1980 as a National Association of Schools of Public Affairs and Administration Federal Faculty Fellow. Upon selection as a fellow, she was employed by the United States Department of Health and Human Services, in the Office of Executive Personnel.

Dr. Wheeler received her B.S. in mathematics from Montana State College (now Montana State University) in 1965. She then went to the University of Michigan in Ann Arbor, where she received three degrees: AM in psychology, 1966; MS in mathematics, 1968; and PhD in mathematical psychology, 1972.

Between 1971 and 1978, Dr. Wheeler was employed by Rensis Likert Associates, Inc., of Ann Arbor, Michigan. Her responsibilities revolved around research design, survey development, statistical analysis, and interpretation of results for nontechnical users. In 1973, she was granted an 18-month leave of absence from Rensis Likert to serve as a full-time LDS missionary in Tokyo, Japan.

Dr. Wheeler first came to the Institute of Business Management in the winter of 1978 as a visiting professor; later that year she joined the faculty as an assistant professor. She was promoted to associate professor in 1986 and in 1988 was named to her current position as associate director of the Institute of Public Management.

Dr. Wheeler currently resides in Provo and serves as the treasurer of the Friends of the Provo City Library. She enjoys classical music and regularly attends plays and concerts.

MSM alumnus ***K. Roger Williams*** is currently director of industrial relations for Bell Helicopter Textron, Inc., in Fort Worth, Texas. His accomplishments since filling that position in 1990 include being company spokesman in union contract negotiations and instituting new-hire training and familiarization programs that have sharply reduced turnover costs. He joined Bell in 1979 as a management and organizational behavior consultant. From 1982 to 1990, he worked first as a manager, then as director of personnel and equal employment opportunity. In that capacity he led initial recruiting for Textron subsidiaries in Canada, Mexico, and Saudi Arabia.

Before joining Bell Helicopter, Roger worked for General Tire & Rubber Co. in Akron, Ohio, from 1978 to 1979 as coordinator of employee development. He also was a management analyst for the San Diego Navy Research and Development Center in 1976.

Roger's community involvement includes service as a member of the Tarrant County Private Industry Council since 1983 and as chairman since 1987. He is a member of the board of trustees of the Association for Higher Education of North Texas. In 1991 he was appointed by the Governor of Texas to the State Job Training Coordinating Council, which oversees the expenditure of $300 million in job development and training funds. He is also a member of the Governor's Task Force on Economic Transition to help Texas plan greater economic diversification to deal with reductions in defense spending and the closing of military installations.

Roger is a very active supporter of the MSM, contributing monetarily and often travelling to Provo at his own expense to speak to students. Roger graduated from BYU with a BA in international relations in 1975 and an MA in organizational behavior in 1977. He has served as adjunct professor in the Graduate School of Management at the University of Dallas since 1980. Roger speaks Spanish, French, and German. He and his wife, Carolyn, live in Dallas, Texas, and are the parents of three children—Stewart, Marissa, and Marshall. E

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