EXCHANGE

FALL 1991
THE J. WILLARD
AND ALICE S.
MARRIOTT SCHOOL
OF MANAGEMENT
BRIGHAM YOUNG
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Cover Photograph by Alan Abrams

BANK REGU

LATION

Structure Perspective on Changes Proposed by the Bush Administration

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THE BUSH ADMINISTRATION has proposed several changes to the legal regulatory structure of commercial banking, including changes in deposit insurance, repeal of cross-state branching restrictions, expansion of permitted lines of business to include a variety of securities activities, and restructuring of the government's own organization for supervising, examining, and regulating banks. • These proposals have been touted as significant reform and restructuring, but they are more tactical patching up than significant reform. They do not address long-run structural problems. Although some reforms are designed to limit deposit insurance losses, other proposed changes could *increase* the short-run bank failure rate and the associated FDIC cost of covering insured deposits. • To help understand how the proposals would change the legal-regulatory environment, this article examines the evolution of bank regulation and industry structure and the major change forces now revolutionizing the financial services industry.

PHOTOGRAPH BY ALAN ABRAMS

Establishment of the Legal-Regulatory Framework: 1913–1935

The major legislation that established and modified U.S. banking regulatory structure was passed during the 1913 to 1935 period (see Exhibit 1). Three major components form the nucleus of this structuring legislation.

Exhibit 1

Major 1913–1935 Banking Legislation

Major Structuring Legislation
- Federal Reserve Act (1913, 1917)
- McFadden Act (1927)
- Banking Act (1933)
- Glass-Steagall Act (1935)

Modifying Legislation
- Bank Holding Company Act (1956, 1958, 1966, 1970)
- Bank Merger Act (1960)
- International Banking Act (1978)
- Depository Institution Deregulation and Monetary Control Act (1980)
- Garn–St. Germain Depository Institutions Act (1982)

Structuring Component 1: The Federal Reserve System and National Banks

The Federal Reserve Act (1913) created the Federal Reserve System in its current form and reestablished federal government chartering of national banks. The Federal Reserve (commonly known as the "Fed") was charged with (1) managing the money supply, (2) creating an efficient payments system, and (3) supervising national banks.

National banks are commercial banks chartered by the federal government rather than by an individual state. When the 1913 Federal Reserve Act was passed, the United States relied on individual states to charter and supervise commercial banks.

In 1913, having national banks was a controversial issue. First, many citizens viewed bank chartering and supervision as a state function. Thus, federal chartering was seen as an encroachment on states' rights. Second, many people (especially those with vested interests in state banks) questioned the competitive fairness between state banks and national banks. They felt a national bank's authorization to operate in many states could be a significant advantage over a state-chartered bank's restriction to operate in a single state, especially in providing services to large multistate companies. For these companies, having one or two national banks with multistate operations could obviate the need to deal with many different state-chartered banks.

Structuring Component 2: Geographical Segmentation of Commercial Banking

An informal compromise resolved the question of multistate advantage for national banks. With few exceptions, national banks were restricted to operate within only one state. Moreover, each national bank was subject to the same geographic and branching restrictions as the state-chartered banks in that state. Thus, the First National Bank of Chicago was restricted to operate only in Illinois. Moreover, since Illinois was a "unit banking state" (i.e., a state that allowed no branches), The First National Bank of Chicago was also prohibited from having branches even within the state of Illinois.

This chartering practice was incorporated into federal law by the McFadden Act (1927), which formally restricted national banks to a particular state and placed them under that state's branching restrictions. In essence, the McFadden Act formalized both geographic segmentation of commercial banking and a *dual-banking system* of both federal and state chartering and supervision. Also, the geographical segmentation restricted competition primarily to within-state competition.

Structuring Component 3: Legal Line-of-Business Segmentation of Financial Services

After the 1929 stock market crash and the ensuing rash of early 1930s bank failures, Congress passed extensive legislation to structure and regulate all aspects of the financial services business. Much of this legislation pertained to security underwriting, security trading, the functioning of securities exchanges, and other aspects of investment banking. For commercial banking, the most significant structuring legislation was the Banking Act (1933) and the Glass-Steagall Act (1934/35). These laws (1) segmented financial services by business lines and (2) established the legal-regulatory framework for commercial banking. Exhibit 2 summarizes the major features of these laws.

The Fed: A Bank's Bank

Most citizens think of the Fed as the manager of the U.S. money supply and, thus, as the principle player in tightening credit and raising interest rates or in loosening credit and lowering interest rates. However, over 90 percent of the Fed's employees are involved in two other activities: supervising banks and especially providing "operating services" (e.g., coin and currency, check collection, electronic payment and collection, wire transfer, security custody, and security transfer).

Most commercial banks and many other depository institutions have **reserve accounts** at the Fed. Balances in the reserve accounts plus vault cash and other near-cash assets count toward meeting **reserve requirements**. Banks must maintain a percentage of deposits as "reserves." For instance the reserve requirement on checking account deposits is currently 9%.

A bank's reserve account functions very much like an individual's checking account. For instance, when the Typical National Bank uses the Fed as its check collection agent, the bank, in effect, deposits its checks with the Fed and, with a time delay, receives credit in its reserve account subject to successful collection. Similarly, when the Fed collects checks drawn on bank accounts at the Typical National Bank, the Fed charges (debits) Typical's reserve account. Analogous credits and debits arise in handling electronic payments and collections.

In providing reserve accounts and operating services, the Fed acts as a bank's bank. The Fed also lends money to banks and other depository institutions via its "discount window." Such lending is primarily for emergency liquidity needs. This is another aspect of being a bank's bank.

Legal line-of-business segmentation consists of legally dividing an industry into parts on the basis of line of business. In other words, a company or bank operating in one business segment is legally prohibited from doing business in other segments.

The Glass-Steagall Act created three main segments: (1) depository institutions (commercial banks and thrifts), (2) investment banks (security underwriting, trading, and market making), and (3) insurance. This act legally separated commercial banking and other depository institutions from investment banking. A commercial bank could not be in the securities business (underwriting, brokerage, etc.), and an investment banker could not be a commercial bank (receive deposits and make commercial loans).

Other features of 1930s legislation pertained to demand deposits, interest-rate competition, deposit insurance, and reserves. Only commercial banks could offer "checking accounts" (demand deposits that could be withdrawn by check).

This legislation prohibited interest being paid on demand deposits. The Federal Reserve was also authorized to put a ceiling on interest rates for time deposits, because of the belief that "excessive competition" for deposits via interest rates was a major factor in the 1930s bank failures.

Exhibit 2

Key Features of the 1930s Banking Legislation

Line-of-Business Activities Restricted
- Investment banking activities prohibited
- Thrifts could not offer checking services
- Savings and loans prohibited from most commercial lending

Federal Home Loan Bank System Created
- Federally chartered savings and loans
- Federal Home Loan Bank Board
- Federal Savings & Loan Insurance Corporation (FSLIC)

Interest Rate Competition Restricted
- No interest on checking accounts
- Ceilings on savings accounts

Deposit Insurance Created

Legal-Regulatory Structure: Synthesis

By the end of the 1930s, the United States had a dual banking system of federal- and state-chartered banks restricted to operate within a single state. The financial services business was legally segmented, with commercial banks being granted a monopoly on demand deposits (checking accounts). The law prohibited paying interest on checking account balances. Thus, demand deposits, a primary raw material for making loans, had no explicit interest cost. Moreover, national banks had access to free Fed services. Overall, the bank business franchise seemed very favorable. Exhibit 3 summarizes the advantages and disadvantages of commercial banks' market position.

Exhibit 3

The Legal Franchise of Commercial Banking

Advantages
- Demand deposit monopoly
- No interest on demand deposits
- Ceiling on time deposits
- Deposit insurance
- Free Fed services

Disadvantages
- Line-of-business restrictions
- No interest on reserves
- Rate differential
- Deposit insurance fees
- Within-state restrictions

Operation in the 1930s Framework

For the most part, the financial industry operated successfully after passage of Glass-Steagall until the late 1950s. Most legislation during this period was refinement and extension of the 1930s basic framework. For instance, credit unions were added to the set of thrift institutions. Also, the Investment Company Act (1940) authorized open-end mutual funds and defined the legal framework for their operation as a special type of security.

The major challenge to the 1930s structure was the emergence of the multibank holding company as an end run around the McFadden within-state restrictions. By forming a holding company that owned banks chartered in different states, a single legal entity could be a de facto multistate banking service. This McFadden loophole was closed by the Bank Holding Company Act (1956) and amendments thereto. This legislation severely restricted multibank holding companies and made multistate, multibank holding companies an economically and legally unattractive business structure. However, it also created and legally defined another concept—the one-bank holding company.

A *one-bank holding company* is a corporation that owns only one commercial bank but which also owns other businesses, including other financial service businesses. While the Bank Holding Company Act closed a loophole on geographic segmentation, subsequent amendments created a legal entity that would cause erosion of the line-of-business segmentation established by the Glass-Steagall Act.

Breakdown of the Segmented Structure: 1960–1980

During the 1960s and 70s, competition, improved transportation and communication, and computers combined with financial innovation and rising interest rates to destroy the 1930s segmentation as well as many other aspects of the 1930s regulatory structure.

Space does not permit a detailed documentation of this breakdown. Exhibit 4 lists the change forces. Also, the sidebars describe commercial paper and nonbank interest-paying checking accounts (e.g., money market mutual funds and NOW accounts) as examples of how computer technology, high interest, and innovative, competitive use of legal loopholes eroded the 1930s franchise of commercial banks.

By 1980, commercial banks had lost most of their core, large-company business (receiving deposits and making commercial loans) to the commercial paper market. Thrifts and money market mutual funds were offering de facto checking accounts that paid interest, while commercial banks were prohibited from paying interest on their checking accounts!

The thrift industry, especially the savings and loans, was in severe trouble. The principle asset of that industry was long-term, fixed-rate home mortgages.

Displacement of Big-Company Demand Deposits and Borrowing to the Commercial Paper Market

In 1945, commercial paper was issued by fewer than 25 companies, and the outstanding volume was under $25 billion. Commercial banks provided virtually all the short-term loans to credit-worthy companies, both large and small.

By 1980, more than 800 industrial companies issued commercial paper. For large industrial companies, most short-term borrowing was via commercial paper issuance rather than bank lending. Most of these companies relied on security dealers to place their commercial paper. As a result, commercial banks had lost to security dealers the cream of the commercial lending business—making short-term loans to large industrial companies of high credit quality.

Rather than banks pooling company deposits and then lending them, companies needing short-term loans were borrowing directly from other companies with excess funds. Banks, as a result, were bypassed.

A similar shift of business was occurring on the deposit side. With computer-based cash management, large companies eliminated excess bank balances and maintained demand deposits at the minimum level necessary to compensate their banks. Any excess was invested in short-term money market instruments including commercial paper. Why do companies borrow by issuing commercial paper? Because it's cheaper than short-term bank borrowing, generally .25 to .50 percent in terms of annualized interest cost.

Why is direct matching of a company borrower and company investor less costly than having bank intermediaries pool funds? The answer is bank reserves that do not pay interest. For instance, the 9 percent reserve requirement for demand deposits means that bank interest charges on loanable deposits must be about 10 percent higher than if interest were paid on reserves. When interest rates are about 10 percent, this extra interest means that, all other things being equal, banks must charge about 1 percent more in annualized interest terms than banks would charge if reserves received interest. But this increase in annualized interest is more than twice the interest cost spread between bank loans and commercial paper. In effect, the shift of big company borrowing to the commercial paper market is almost entirely an artifact of having zero interest on reserves.

Nonbank Checking Accounts: Examples of the Loss of the Checking Services Monopoly

The 1930s bank legislation gave commercial banks a legal monopoly on checking accounts. It also prohibited banks from paying interest on deposits in checking accounts. This monopoly persisted through 1970. However, during the 1970s, several interest-bearing de facto checking services were created.

1. **NOW** stands for **negotiable order of withdrawal**. It is a draft drawn on a time deposit in a thrift institution. From the perspective of the account holder, it functions like a check. Thus, savings and loans and other thrifts could offer **NOW accounts**, interest-bearing nominal time deposits that functions like an interest-bearing checking account.

2. **Money market mutual funds** are open-end mutual funds that invest in money market instruments such as treasury bills, commercial paper, and bank CDs. By giving account holders a check-like withdrawal instrument, the money market mutual fund also looks like an interest-bearing checking account, although not a full-service checking account.

3. Merrill Lynch pioneered the brokerage industry's superchecking account, the **money market account**. By combining a money market mutual fund, a credit card, and the ability to borrow on securities, the money market account functions as an interest-bearing checking account with a credit line and other convenience features.

By the late 1970s, commercial banks were rapidly losing checking business to these check-like alternatives. Moreover, commercial banks were prohibited from paying interest on their checking accounts.

To level the playing field, the Depository Institution Deregulation and Monetary Control Act (1980) and the Garn-St. Germain Depository Institutions Act (1982) authorized commercial banks to offer interest-bearing checking to individuals (but not businesses), phased out ceilings on time deposits, and allowed banks to offer **money market deposit accounts**.

However, commercial banking now had serious nonbank competition. The monopoly of commercial banks in checking services had been repealed. Thrifts, brokers, and money market mutual funds could now offer some form of interest-paying checking service. These changes were significant for the competitive structure of the banking industry.

The number of competitors had greatly increased. With automated check processing equipment and other developments in computer technology, cost of entry was declining and the effective capacity of existing service providers was also increasing. The net result was significant excess capacity in the checking-savings business.

Moreover, the automation technology also meant a change in economic structure—fixed costs were increasing and variable costs were decreasing. By the early 1980s, both changing technology and the dramatic increase in the number of competitors had created the ingredients for destructive competition. It should be no surprise that margins on checking and other depository services were squeezed and bank profitability declined.

Household savings were going to money-market mutual funds and other higher-return instruments, including small-denomination treasury bills. To keep deposits, interest rate ceilings were first raised and then phased out for many classes of accounts. By 1980, savings and loans were paying market rates for a majority of their deposits. These rates *exceeded* the interest rate on their old mortgages. These institutions were paying more for deposits than they were earning on mortgage loans!

Many institutions had a negative interest margin and, as a result, many savings and loans became technically insolvent. The market value of their assets, primarily fixed-rate residential mortgages, was less than their liabilities and equity. In 1980, liquidating insolvent thrifts might have cost as much as $10 billion, so the government tried to keep the insolvent thrifts in business. One means was to use creative accounting that allowed operation while insolvent. Another mechanism was to reduce the regulatory shackles that limited their ability to compete. Another was to expand their line of business options to include commercial and other higher-risk lending.

Exhibit 4

Breakdown of the Industry Structure

Change Forces

Competition
Technology
Inflation and high interest rates
Legal/Regulatory
Innovation
Loopholes
Cash management
Internationalization

Financial Services Segments [Affected by the Change Forces]

Depository Institutions
- Commercial banks
- Thrifts

Investment Banks
- Security underwriting
- Trading
- Market making

Insurance

The 1980s: Reregulation Disguised as Deregulation

To remedy the growing problems, the Depository Institution Deregulation and Monetary Control Act was passed in 1980. Exhibit 5 summarizes key features of this act. This law constituted deregulation in two significant ways. First, it phased out interest rate ceilings and allowed interest on retail (nonbusiness) demand deposits. Second, it blurred distinctions between national and state-chartered banks and between different types of depository institutions, especially in terms of reserves and Fed services. Both state and national banks had to maintain interest-free reserves with the Fed. Moreover, state banks were given access to Fed services, but these services were no longer free. All Fed services had to be priced at cost plus a mark-up to reflect taxes and other costs of a private-sector service provider.

Exhibit 5

Monetary Control Act of 1980

Universal Reserve Requirements

Universal Access to Fed Services

Interest Rate Deregulation
- NOW accounts legalized
- Depository Institution Deregulation Committee (DIDC) created
- Interest rate ceilings to be phased out

Service Pricing
- Tangible services: cost + private-sector adjustment factor
- Float: Fed funds rate

Truth-in-Lending Simplification

Usury Ceiling Suspension Until 4/83

Moratorium on International Bank Acquisitions

A second law, the Depository Institution Deregulation Act, was passed in 1982. This law was intended (1) to deal with thrift liquidation, especially sales to out-of-state institutions, (2) to enable thrifts to attract funds by paying market rates, and (3) to enable thrifts to enter commercial lending and other previously prohibited or restricted businesses. The hope was that pursuing profitable new markets would help restore thrifts to financial health and greatly reduce the FSLIC exposure to loss on insured deposits. The assumption was that financially troubled institutions could successfully compete in new businesses that were presumably more attractive than their current business lines.

The Administration's Proposed Changes

Exhibit 6 summarizes reforms proposed by the Bush administration, with changes placed in four broad categories. The following critique of proposed changes considers both what is proposed and, more importantly, what is not proposed.

Deposit Insurance Reform

Reforming deposit insurance has merit. The proposed changes primarily limit FDIC exposure by (1) restricting the amount of insured deposits from one person at one institution and (2) restricting the ability to sell insured deposits as FDIC-guaranteed securities.

What is not proposed for deposit insurance reform is any treatment of the fundamental problem, namely, the need for risk-based insurance premia. At present, all institutions pay the same rate per dollar of insured deposits. Risk-based premia would have higher-risk institutions paying a higher rate, paralleling the structure that would emerge in a competitive, private insurance market. Risk-based premia would discourage excessive risk taking, because it would assign the cost of risk bearing to the risky institutions rather than transferring it to safer institutions and to the general public.

Conclusion 1: While the proposed deposit insurance reforms have some merit, the most critically needed change of risk-based premia has not been proposed.

Repeal of the McFadden Act

Regional compacts and other vehicles for cross-state branching are, in substance, repealing the McFadden Act. Further, the current process is a time-phased repeal, although it certainly has many distortions and costs. Thus, the proposed McFadden repeal must be viewed more as after-the-fact recognition of the contemporary industry structure rather than as significant reform.

While probably not of strategic significance, increasing cross-state branching and accelerating industry consolidation could increase the short-run failure rate, although it would certainly provide long-run strengthening.

Conclusion 2: Repealing McFadden is formal legal recognition of the reality of the existing market, where geographic restrictions are being rapidly eliminated. While repeal is desirable, it is no longer of strategic significance.

Line-of-Business Expansion

Legal line-of-business segmentation is the foundation for the 1930s regulatory structure. Proposing line-of-business expansion, especially mutual fund sales, discount brokerage, and expanded bank securities underwriting, appears to be a major structural reform. However, while reducing line-of-business restrictions, the proposed legislation would not repeal Glass-Steagall per se. It would merely continue the on-going erosion of the barrier between commercial banking and securities-oriented financial services.

While these changes could have significant impact on industry structure, the motivation seems tactical. The goal is to improve the overall health of commercial banks by allowing them to enter presumably profitable businesses on the securities side of financial services.

This effort brings to mind the Garn-St. Germain Depository Institution Deregulation Act and its line-of-business expansion for thrifts in 1982. The lessons learned there were that (1) weak players in one segment cannot easily expand profitably into a new business segment, and (2) a rapid increase in total capacity from new entrants can produce destructive competition harmful to overall industry health.

There is great danger that many banks will enter the newly authorized securities businesses and increase capacity in a securities industry that is already contracting in the face of excess capacity, thereby inducing destructive competition. If this were to occur, overall industry profitability would decline. As the new players with less existing business to cover fixed costs, the bank entrants would incur significant losses.

By 1980, savings and loans were paying market rates for a majority of their deposits. These rates *exceeded* the interest rate on their old mortgages. These institutions were paying more for deposits than they were earning on mortgage loans!

Conclusion 3: While line-of-business expansion is consistent with the desirable goal of reducing artificial segmentation, both the health of banks and the securities industry could be hurt in the short-run. Moreover, allowing banks limited securities business access continues the piece-meal, ad hoc breakdown of the line-of-business segmentation. It does not recognize the basic reality of today's market—the need to repeal Glass-Steagall.

Regulatory Structure Simplification

Reducing the number of regulatory agencies and streamlining the regulatory process has merit. However, the proposed improvements are still within the 1930s framework of line-of-business segmentation. Given the current breakdown and the implicit recognition of this breakdown in other proposed changes (repeal of McFadden and line-of-business extension of banks into the securities segment), the proposed regulatory streamlining must be viewed as a questionable tactical refinement rather than truly strategic restructuring.

Conclusion 4: The proposed regulatory simplification and streamlining has merits, but is not a long-term strategic reform. Given the costs and the short period of benefits, one must question whether the expected benefits justify the certain costs.

Exhibit 6

Bush Administration Proposals

Deposit Insurance
- Recapitalize the Deposit Insurance Fund
- Restrict number of insured accounts, total insurance
- Restrict brokered sale of insured deposits

Interstate Banking
- Repeal or phase out restrictions on cross-state branching

Line-of-Business Expansion
- Banks may sell mutual funds
- Banks may act as discount brokers
- Bank security underwriting may be greatly expanded
- Banks may affiliate with securities companies

Regulatory Organization Reform
- Reduce federal agencies regulating banks
- Consolidate and streamline supervison

Recommendations

If the administration proposals are not significant reform, a logical question is: "What would constitute significant reform and/or deregulation?" This question has many possible answers, depending on one's objectives. The suggested reforms assume that the long-term goals for the U.S. Financial services industry are economic efficiency; high quality, low-cost services; a stable financial system; and international competitiveness. This author believes that these goals are best met if the financial services industry evolves quickly toward a market-based competitive system with a minimum of artificial segmentation and regulation-induced distortions in costs and prices.

Reform 1: Risk-based Deposit Insurance

As already noted, the most critical reform for deposit insurance is risk-based insurance rather than uniform fees. Imposing greater costs on riskier institutions mimics the cost structure of a competitive market. In the current situation, healthy institutions and the public bear the costs of greater risk while benefits accrue to the risky institutions. Thus, the current uniform fees encourage excessive risk taking. In contrast, risk-based insurance would discourage excessive risk taking.

Reform 2: Interest on Reserves

In reforming depository institutions, the most critical need is to pay interest on all bank/thrift reserves deposited at the Fed. The rate should be a time-varying market rate, perhaps the prevailing treasury bill rate. This reform would repeal the de facto tax on bank/thrift deposits that is implicit in free (uncompensated) reserves.

This reform would greatly improve the competitiveness and financial health of commercial banks and thrifts in their core businesses—depository services and the lending/investing of deposits. At prevailing treasury bill rates, this action would reduce the Fed's operating surplus by about $15 billion per year. Given greater taxes on the income of depository institutions, the actual cost to the U.S. treasury is closer to $10 billion. However, if the other benefits of healthier institutions (lower bank and thrift failure rates) and more efficient financial intermediation are reflected, the taxes and savings on these secondary benefits easily exceed the $10 billion cost.

Reform 3: Repeal of Glass-Steagall

Administration proposals to expand the allowed lines of business for commercial banks, to include certain securities activities, should be replaced by a phased repeal of virtually all line-of-business restrictions for both banks and investment banks. However, there must also be strong protections to prevent abuses, such as cross-subsidization, predatory pricing, misuse of information, and monopoly via control of trading or networks. The repeal of the Glass-Steagall legal line-of-business segmentation should be phased out over time, say five to ten years. Following this phaseout, no legal barriers should be imposed on either entering or exiting any financial services segment.

The public sees the immense costs of bad regulation when the tab is explicit, as in the savings and loan predicament. However, this explicit cost is only the tip of the iceberg of costs associated with inefficiency, duplication, excess capacity, and other waste.

Reform 4: National Financial Services and National Regulation

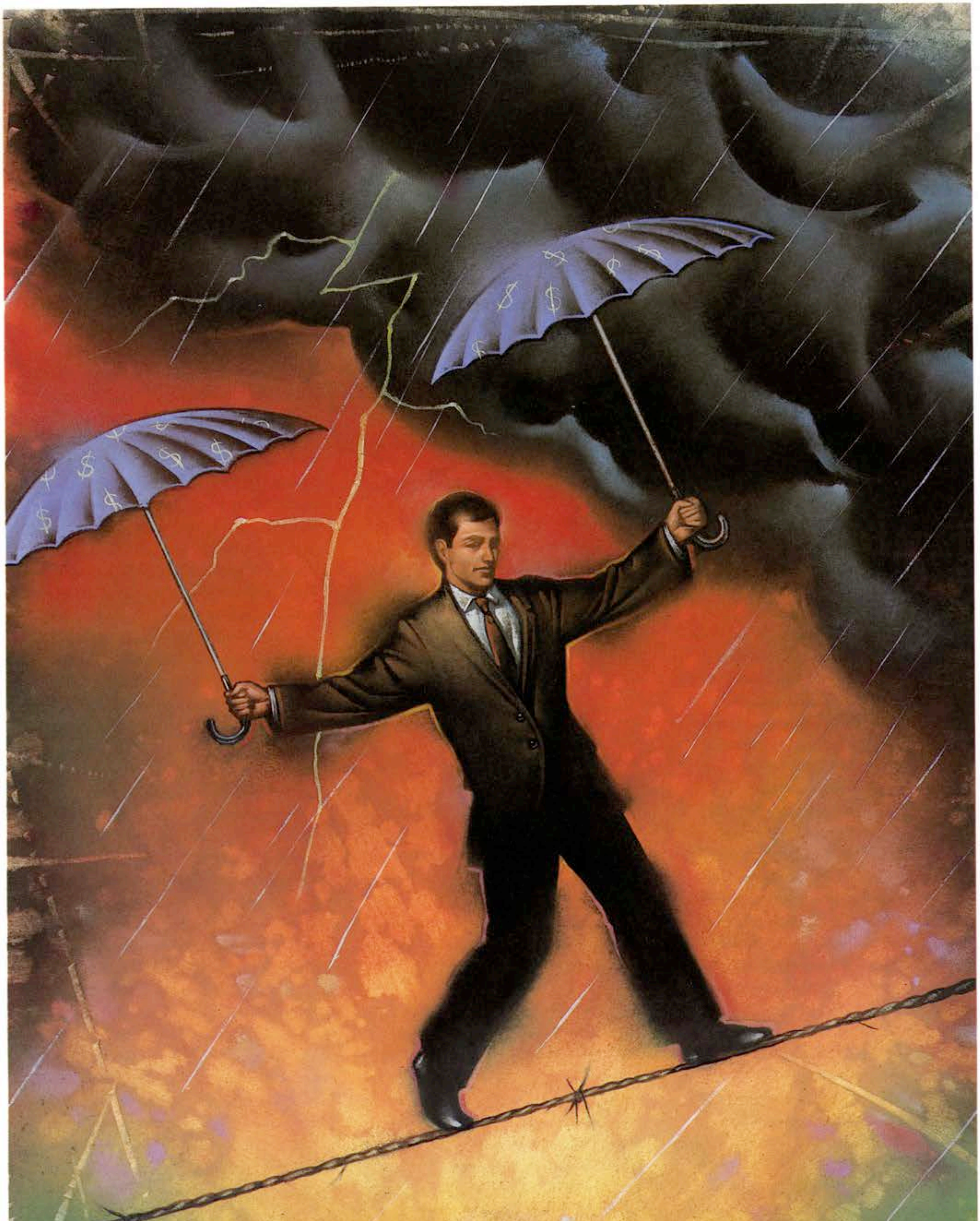
The dual state-federal regulation of financial services should be phased out for all financial services, not just commercial banking. Financial services today are a nationwide business for which state-level or other subnational geographical restrictions make neither economic nor regulatory sense. Even with cross-state operations, dealing with 50 different regulators is insane! Federal regulation means that insurance and other state-regulated services would come under federal jurisdiction.

In the context of repealing geographic and line-of-business segmentation, rational reform of regulatory structure should not focus myopically on restructuring federal depository institution regulation (the administration proposals). Rather, the focus should create a master national regulator for the entire financial services industry and phase out all state chartering, regulation, supervision, examination, and insurance. Federal regulatory bodies (such as the SEC, the Commodity Futures Trading Commission, the FDIC, and the Controller of the Currency) would be part of a master agency able to resolve jurisdictional disputes.

These four reform proposals are illustrative of regulation changes that are more strategic than those of the Bush administration. Reforms 1 and 2 fit within the current regulatory structure. They focus only on banks and other depository institutions, rather than on the entire financial services industry. They require neither repeal of major elements of existing legislation nor change in regulatory institutions. In this sense they are relatively easy to implement.

In contrast, Reforms 3 and 4 constitute major change in current regulatory philosophy and structure. They would repeal all geographic and line-of-business restrictions and eliminate state financial-service regulation. They recognize the reality of today's industry structure—a national, even international, industry that complements and substitutes across the artificial segmentation of the 1930s. Adopting Reforms 3 and 4 would mean that financial service regulation could shift from finger-in-the-dike efforts that prop up the now obsolete 1930s framework to rational economic efficiency.

The public sees the immense costs of bad regulation when the tab is explicit, as in the savings and loan predicament. However, this explicit cost is only the tip of the iceberg of costs associated with inefficiency, duplication, excess capacity, and other waste. Such ongoing costs, probably well in excess of $50 billion per year, can be removed only by strategic reforms that replace the 1930s framework with one based on competition.



Confronting the Dilemmas of an Entrepreneurial Career

W. GIBB DYER, JR.
Department of Organizational Behavior

THE latter part of the 20th century might one day be called by historians as "the age of the entrepreneur." Never in United States history has there been such a surge in entrepreneurial activity. New start-ups have increased dramatically in recent years. In 1990, approximately 1.3 million new enterprises were started—a 1,400 percent increase from 40 years ago. Donald Trump, Steve Jobs of Apple and NEXT computers, and Sam Walton of Walmart have become household names.[1] Entrepreneurs' biographies and autobiographies tell their success stories, and self-help books on how to launch a new business now dominate many bookstore business sections. And entrepreneurial organizations, networks, newsletters, and journals have begun to spread like wildfire.

Although universities have generally lagged behind, many have now established centers for "entrepreneurial studies" (such as the Center for Entrepreneurial Studies in BYU's Marriott School of Management), and courses on various facets of entrepreneurship are now taught at virtually every major university. College students can even declare a major or emphasis in entrepreneurship, and endowed chairs in entrepreneurial studies are being established at numerous colleges.

Why the new interest in entrepreneurship? One reason has to do with employment cutbacks in Fortune 500 firms during the latter part of this century. An estimated 500,000 jobs were lost during the 1980s, due largely to declining smokestack industries and increasing imports.[2] Because of these shifts many individuals have learned they cannot rely on large companies for lifetime employment and have felt compelled to organize ventures for their livelihood.

A second reason for current entrepreneurship interest is that the United States has recently lost much of its competitive edge in the global economy. Entrepreneurship and innovation are deemed to be the appropriate response to foreign competition, and the U.S. government has sought to encourage a free-market economy in which entrepreneurs can flourish. Small-business development centers and other "incubators" are among signs of the government's interest in stimulating new-business activity.

A third, and possibly the most important, reason for interest in entrepreneurship is the astonishing success stories of entrepreneurs who have become wealthy celebrities almost overnight. No longer are the "organization men," like former General Motors Chairman Roger Smith, the people to emulate. Risk-taking movers and shakers like Donald Trump and Steve Jobs have become the admired and esteemed models. These individuals seem to embody the American dream that people can pull themselves up by their bootstraps, and their success stories have motivated many to strike out on their own.

To many people the lives of successful entrepreneurs appear to be idyllic, filled with wealth and power. By taking charge of their own destinies they seemingly have overcome what Thoreau describes as the "lives of quiet desperation" that afflict the mass of mankind.[3]

But despite that rather rosy picture, many entrepreneurs lead rather troubled lives. Over the past 10 years I have performed extensive entrepreneurial research and consultation. Although they report that their careers are often exciting and rewarding, entrepreneurs also describe many difficult dilemmas they face along the way. Indeed, many lead lives of quiet desperation as they grapple with personal, family, and business problems. Because they are generally breaking new ground, there is often little guidance to help them avoid pitfalls. Moreover, they are often proud individuals who avoid showing weakness and, therefore, are reluctant to seek help with troublesome personal problems.

The Dilemmas and Stages of an Entrepreneurial Career

Despite current interest, little research has been conducted to understand how entrepreneurs manage their careers. My research, including over 125 interviews and case studies, is an attempt to meet this need. Table 1 identifies the career dilemmas faced by entrepreneurs at different life stages.

Studying case histories revealed that entrepreneurs face several common dilemmas. The dilemmas included in Table 1 do not reflect all described in the interviews or case studies, but they represent those most commonly encountered. The dilemmas vary, depending on where the entrepreneurs are in their lives and in the development of their businesses.

Although exceptions exist, entrepreneurs appear to go through three general career stages: early, mid, and late career. Most entrepreneurs begin their businesses somewhere between their late 20s and late 30s. Mid-career dilemmas seem to emerge from their 40s to mid-50s, and late-career dilemmas become acute after age 55.

Early-Career Dilemmas

Men and women embarking on an entrepreneurial career typically face four dilemmas. The first concerns their sense of identity as an entrepreneur. Most harbor some doubt about whether they can succeed; thus, "Am I an entrepreneur?" is the initial question they ask.

A second dilemma, balancing work and family, is also a key early-career issue. Most entrepreneurs start their families and their businesses at about the same time, often feeling pulled by the demands of both business and family. This dilemma produces feelings of guilt and is a source of tension in their lives. Many older entrepreneurs, reflecting on their work-family relationships, admitted that they managed the "balancing act" quite poorly.

The third and fourth significant dilemmas relate to starting an enterprise. The third involves finding the resources to get started. Most entrepreneurs need to attract labor, capital, and raw materials to start their businesses, and many fail because they are not able to attract these resources.

ILLUSTRATION BY CARY HENRIE

The fourth dilemma concerns how the new enterprise is governed. Many entrepreneurs shared horror stories regarding their relationships with partners and members of their boards of directors. Few reported any successful strategies for dealing with problem partners.

Mid-Career Dilemmas

Mid-career dilemmas are quite different from those in the early career. At mid-career the business is viable and starting to grow, so problems are more related to sustaining and enlarging the business than merely keeping it alive.

Like the early stage, the mid-career stage also includes four significant dilemmas. The first pertains to feelings of loneliness. As the business grows, the pressures and responsibilities become greater, and more people depend on the founder for their livelihoods. At this stage many entrepreneurs feel isolated from their employees, and even from their families; they have few people in whom they can confide their fears and frustrations. If such feelings of loneliness are not dealt with, they can overwhelm the entrepreneur and turn a satisfying career into a tiring burden.

The second dilemma concerns hiring family members. In mid-career, children of entrepreneurs become old enough to work in the business. Hiring family members presents significant challenges, since business practices and family practices are often at odds with each other. If this dilemma is not handled skillfully, entrepreneurs can build successful businesses while destroying their families.

The third dilemma concerns the entrepreneur's ability to remain in control of a growing enterprise. While a business is in its infancy, the founder can remain generally aware of what is happening, usually closely supervising all operations. As the business grows, however, entrepreneurs realize that they no longer know what is going on in every area. To avoid the attendant emotional discomfort, the founder must develop ways to better organize and control the business.

The fourth mid-career dilemma concerns the issue of whether to bring in "professional managers" to run the business. Most mid-career entrepreneurs feel the need for formally taught business skills—such as finance, market research, and production planning—yet they feel uncomfortable with the values espoused by people with formal business training. To resolve this concern, the entrepreneur must develop means to obtain these needed skills while remaining true to personal values and vision.

Late-Career Dilemmas

Late-career dilemmas pertain to disengagement from their business career and preparing themselves, their families, and their businesses for the future. The problems at this stage are captured in three questions:

1) Should I retire?

2) What should I leave to my family?

3) How do I prepare my organization for the future?

These questions deal with how the entrepreneur feels about retirement and succession. Most would rather not think about these issues; but not doing so will create serious problems for themselves and for succeeding generations. Developing an estate plan, developing a successor for the business, teaching values to the next generation, and developing new interests are activities that require the founder's attention in late career. Entrepreneurs, like most people, fear death and prefer not to recognize their own mortality. Since preparing for retirement and succession is equated to "planning their own funeral," many simply fail to complete this vital work.

Managing the Dilemmas of an Entrepreneurial Career

The question for entrepreneurs is: How do I manage these dilemmas? Although in-depth discussion is not feasible in this article, four key attributes appear to help entrepreneurs effectively cope.

1. Collaboration. Although some prefer to act independently, most successful entrepreneurs seem adept at collaborating. They are able to build strong relationships with customers, suppliers, family members, and employees. Moreover, they create and effectively manage various groups to help deal with the dilemmas they face.

2. Trust. Several entrepreneurs I have worked with do not trust others. Hence they do not delegate, they stifle their subordinates' initiative, and they find that they "must do it all themselves." Starting and growing a successful business requires building

continued on page 29

Table 1: The Dilemmas of an Entrepreneurial Career

Life Stage	Personal	Family	Business
Early Career	Am I an entrepreneur?	How do I balance business and family needs?	How do I get resources to get started? How do I govern my business?
Mid-Career	Why is it so lonely at the top?	Should I employ family members?	Should I professionalize my management team? How do I stay in control of my business?
Late Career	Should I retire?	What should I leave to my family?	How do I prepare my business for the future?

UPDATE

Accounting Ranks Tops

A recent survey of accounting professors has ranked BYU's undergraduate accounting program fourth in the nation. BYU's graduate accounting program was ranked eighth in the nation by the same survey, as reported in the June 15 issue of *Public Accounting Report*.

W. Steve Albrecht, director of the School of Accountancy and Information Systems, noted four reasons for the school's outstanding recognition.

"The first reason," said Albrecht, "is the technological edge of the combined accounting and information systems programs. With our computer and systems orientation, the school has become top-of-the-heap technology-wise."

Second, the MSM School of Accountancy and Information Systems is recognized as one of the five or six schools in the nation to have developed a curriculum for the 21st century.

The third reason, according to Albrecht, is the outstanding faculty, which has been strengthened even more by recent hirings.

The fourth reason is the reputation of the students. "Employers have found that our students are outstanding," Albrecht concluded.

The survey was conducted by Strafford Publications, Inc., among chairs of accounting departments nationwide who were asked to rank America's top five accounting programs.

Exchange Wins Design Award

The University & College Designers Association (UCDA) notified McRay Magleby, creative director of BYU's University Publications Department, that the summer issue of *Exchange* magazine had been selected for the 21st annual University & College Designers Association show. Out of 1,015 entries, 69 were chosen for this distinguished honor. Six other entries from BYU were also selected. *Exchange* was the only magazine entry from BYU. Kent Smith, 1991 competition chair, indicated in his letter that "This year's show is of very high quality, and you can be proud to be part of it. UCDA extends its thanks to you for participating and for providing superb examples of design for higher education." *Exchange* art director Bruce Patrick and photographer John Snyder deserve special "hats off" and recognition for jobs professionally done.

Campus Chapter of Management Society Organized

A campus chapter of the MSM Management Society was recently organized to provide more central organization in the school's student activities, to make more leadership opportunities available to students, and to better serve the students' needs overall. Under the direction of two co-chairs, David Coppins and Peter Fatianow, and a faculty advisor, Emily Hart, the campus chapter will include all MSM student organizations and clubs under one blanket organization—the Management Society Campus Chapter.

The campus chapter, formerly the student chapter, has changed its name to reflect its commitment to involving students more with other Management Society chapters, as well as to facilitate the transition from student to business professional. It also hopes to encourage a sense of loyalty to the MSM as students become active and supportive alumni. To reach this goal the chapter has created a set of guidelines as part of its mission statement. These guidelines are

1. Instill a feeling of pride

Management Society campus chapter officers.

and enthusiasm in the MSM, and increase student identification with the Marriott School of Management and the Management Society.

2. Help prepare students for job placement.

3. Increase interaction among students, faculty, and alumni.

4. Provide a link for students with one of the other 35 Management Society chapters.

5. Coordinate student activities of the MSM.

6. Promote student contact with business professionals.

7. Facilitate communication between students and MSM faculty.

8. Encourage and develop student leadership skills.

An important responsibility of the campus chapter will be to coordinate the MSM's student activities. The chapter has organized many of these activities including orientation week, day-on-the-job, the mentor program, investment challenge, MBA weekend, and the annual golf tournament.

In the Day-on-the-Job Program, students work with business professionals for a day during Christmas break. The program provides meaningful insight into the professional's career and industry. The student gains valuable experience with the challenges and opportunities that lie ahead.

The Mentor Program is also designed to foster communication between students and business professionals in order to help the student prepare for a specific career. In this ongoing communication, the student may gain insight and advice from professionals regarding the industry, specific job skills, and possibilities for employment.

The Investment Challenge game helps students interested in a securities market career as well as those just interested in learning more about how the market works. The focus is on inexperienced traders and those wishing to learn about the market. The month-long game kicks off with a "how to" workshop by local brokers and is supplemented throughout with other seminars. The "challenge" is a competition, and top traders win prizes. Last year more than 200 students participated.

The most noted activity of the year is the MBA Weekend, held in November. The only MBA forum of its kind between Cincinnati and San Francisco, it is expected to attract 40 to 50 representatives from business schools throughout the nation this year. Students will be able to ask university and college representatives specific questions about admissions, programs, costs, etc. Other activities include a full-length practice GMAT issued by Kaplan, and social activities. The headline activity this year is a panel discussion by Nolan Archibald, CEO of Black and Decker; Mark Willis, president and CEO of General Mills; and Richard Marriott, CEO of Marriott Incorporated. The discussion topic is "Higher Education and Business: What Does the Future Hold?" Students from many major schools in at least nine western states are expected to attend.

All MSM students are automatically members of the Marriott School of Management Campus Chapter and are encouraged to participate in its broad range of activities and pre-professional experiences. Others who wish to join pay annual dues of $10, which entitles them to discounts on activities such as the Investment Challenge and the annual golf tournament. Students, faculty, and alumni who wish to participate in the Management Society Campus Chapter or have any questions regarding it may contact Emily Hart, 490 TNRB, (801) 378-5083.

Kemper Foundation Grants

Every year the James S. Kemper Foundation offers a unique and rewarding grant to a BYU freshman student whose interests lie in pursuing a career in business. The grant is part of a nationwide program that includes some 60 students from 11 business schools. The goal of the program is to incorporate the student's undergraduate studies with meaningful work experience in a business setting.

The Kemper grant provides the student with an internship for each of his or her three undergraduate summers, as well as a scholarship ranging from $1,500 to $5,000, based on need, for each academic year. The internship offers extensive experience in various departments of Kemper Group Insurance. Most interns receive a general background in such areas as claims, underwriting, and various other financial functions during their summer assignments. Positions are offered at various locations throughout the country.

The foundation places no emphasis on past experience in choosing scholars. Rather, it looks for students who have demonstrated "unusually intense commitments to prepare themselves for careers in business," as well as those whose maturity, imagination, and astuteness will enable them to benefit the most from the program. The selection process begins each December, and those interested in applying should contact Delora Bertelson in 730 TNRB for more information.

ERIC Connects MSM Students with Jobs

The MSM ERIC computer system helps put Marriott School of Management students in touch with potential employers—corporations and alumni. The system facilitates job searches and employment upgrades for both students and alumni by tapping the vast resource of BYU business graduates already in the work force.

ERIC allows a searcher access to a database of over 27,000 alumni and the companies for which they work. Searches may be made by job field, geographic area, and industry.

There is a $5 minimum charge for using the system, which includes up to 50 pages of information. There is a $.10 per page charge thereafter. Alumni seeking employment or a job change are especially encouraged to make use of this valuable networking tool and may do so by contacting Emily Hart, 490 TNRB, (801) 378-5083.

Tanner Library Is a Superb Computer Resource

The Tanner Management Library, located on the Tanner Building fourth floor, offers many resources to alumni, students, and business professionals.

The library has current

The Tanner Management Library.

bibliographic as well as statistical information available. Reference indexes are easily accessible, including computer databases.

Several computer reference index systems provide business and economic information about the United States and Canada. Infotrac and ABI/Inform are the largest and most frequently used.

Infotrac is a computer index to current periodicals, business journals, and newspapers for a four-year period. ABI/Inform is a database of abstracts that indexes articles from over 700 business journals. ABI, like Infotrac, is a key-word search system. It lists basic bibliographical information as well as article citations.

Another computer reference system, the Market Center, allows searches for real-time stock, option, and commodity quotations from both domestic and foreign exchanges.

The Tanner Library also has reference sources for areas outside the United States and Canada. The two main reference guides are the Nikkei database and Business International. The Nikkei system is a current news service and database of current periodical literature published in Japan. There is a small fee for using this service. Business International furnishes demographic and statistical information about most countries. Among other things, both references can assist in the search for past, current, and projected economic trends in foreign countries.

Other computer databases available include the Narrs system, which contains company annual reports, and the Byline system, which accesses the BYU Lee Library collection.

In addition to the computer indexes, the Tanner Library has many other reference aides—dictionaries of business terms, directories of companies and manufacturers, directories of advertising rates and trademarks, industry surveys, and stock reports. There is also an almost inclusive list of U.S. businesses on microfiche and a large collection of company annual reports on both hard copy and microfiche.

The library also has a tax room containing tax services from major providers. These services list, among other things, any changes or proposed amendments in existing tax laws.

Finally, the library also has a collection of current periodicals such as *Time, Businessweek, Inc.*, as well as other business, tax, trade, and professional journals.

The Tanner Library facilities are available to students, faculty, and alumni during the following schedule fall semester:

Monday–Thursday
7 a.m.–11 p.m.
Friday
7 a.m.–6 p.m.
Saturday
8 a.m.–11 p.m.

Scott, MSM NAC Member, Receives Oregon Public Service Award

George C. Scott, a member of the MSM National Advisory Council, has been chosen by the Oregon Society of

George C. Scott

Certified Public Accountants to receive its 1991–92 Public Service Award. This award is given to an individual who has devoted substantial time and energy to community betterment.

Scott, who attended BYU from 1947 to 1948, retired as a partner from Touche Ross in 1988, after 35 years as a public accountant. He is presently a business consultant and adjunct professor for Portland State University. He has served in various organizations including Toastmasters International, Portland Rotary Club, Portland Chamber of Commerce, and as a member of the Governor's Commission on School Funding Reform. His LDS Church assignments include executive secretary to the Regional Representative and two callings as a bishop. He is currently president of the Oregon Tax Foundation and a member of the Oregon Society of CPAs.

Analyzing his leadership style Scott states, "Even though I may have been president, chairman, officer, board member, or held other leadership or supporting roles, my style has been to get as many people as possible involved in the process and hopefully guide and encourage everyone to work as a team to achieve a positive result."

MBA Placement Stats

Preliminary placement statistics for BYU MBAs graduating in April 1991 were released by the MSM Graduate Career Services Office. (The figures are as of July 12, with approximatly 70 percent of the class responding.)

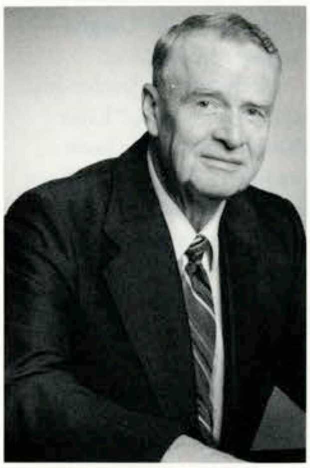
The average, nationwide beginning salary for BYU MBAs was $41,704, an increase of 5 percent over last year. The average salary for those remaining in the Rocky Mountain region was $38,388. The field most entered was finance, with 22 percent finding positions therein. Following was marketing with 20 percent, operations with 14 percent, consulting with 11 percent, and general mangement with

6 percent. The remaining 26 percent entered health care, law, and other areas.

Intel hired the highest number of MSM MBAs this year (14), followed by Arthur Anderson with four, and WordPerfect with three.

Professor Dale Taylor Retired September 1

Dr. Dale H. Taylor, 65, retired September 1 after 28 years as a professor in the Marriott School of Manage-


Dr. Dale H. Taylor

ment and School of Accountancy and Information Systems.

Dale is originally from Provo, served in the Army Air Corp, and received his BA and MA from BYU. He left BYU to attend Northwestern University, where he also taught six years full time and three years part time while completing his PhD. During 13 years in the Chicago area he worked full time for two years with Arthur Andersen & Co. and as a consultant to manufacturing companies. He helped organize Polythane, Inc., and served as its initial vice-president and treasurer. He left the Chicago area in 1963 to teach at BYU as assistant professor for accounting and economics.

During his years at BYU, Dale was heavily involved with new directions for the College of Business and the School of Accountancy. Part of that service was as chairman of the college steering committee (long-range planning), during which time ground work was laid for creation of the Graduate School of Management, incorporating the master's degrees in accounting, business administration, and public administration.

As coordinator of the Master of Accountancy Program, Dr. Taylor helped make further changes and innovations in accounting education. By invitation he participated in the initial meetings of the Federation of Schools of Accountancy in 1973 and continued giving service to that organization while he served as associate director of the BYU School of Accountancy. His service included chairing committees on specialization, long-range planning, charter and by-laws, and board-of-directors memberships.

Most of Dale's attention has focused on program design, school structure and administration, and teaching innovation. He has presented several papers at national and regional professional meetings.

Few will be aware of his creative expression in real estate development, construction, and investment. Several buildings have been built to his design, including two of his own houses.

Dale reports several extraordinary fortunes—an intelligent and scholarly wife, Ada; four children who have all finished master's degrees and are successful professionals and parents; excellent colleagues; wonderful students; and work under the leadership of inspired persons.

"Being a conceptual perfectionist and truly idealistic," says Dr. Taylor, "I long had a desire to make things better. I was glad to come to BYU because I felt any contribution I might make in education would also be a contribution to the building of the Kingdom of God. That feeling has been strong, and my hope is that BYU's business programs are improved because I was given an opportunity to participate in their development."

MSM Seniors Receive Maeser Scholarships

Three Marriott School of Management students were among 21 recipients of Karl G. Maeser scholarships awarded for the 1990–91 academic year. The students, all seniors, are Douglas L. Flake, an accounting major from Snowflake, Arizona; Annette Forbes, a finance major from Kokomo, Indiana; and Jeffery C. Kendrick, a business management major from Boise, Idaho.

This prestigious award is given based on high academic achievement in the student's area of study and is funded by BYU's Karl G. Maeser Society.

Shae Adams to Participate in Beta Gamma Sigma National Seminar

MSM senior Shae Adams was notified by Beta Gamma Sigma honor society for collegiate schools of business that she was selected as a participant in the Richard D. Irwin/Beta Gamma Sigma National Seminar in Seattle, Washington, October 16–20. Shae's outstanding scholarship and noteworthy extracurricular activities contributed to her selection as a seminar participant and her designation as a Richard D. Irwin Scholar.

New and Returning Faculty

Marshall Romney has returned to the School of Accountancy and Information Systems after serving three years as mission president in the Dominican Republic. He received his BS and MA degrees in accounting from BYU and a PhD in 1977 from the University of Texas—Austin. He has authored and co-authored eight books and numerous articles and papers.

Kristen Detienne, hired by the Management Communication Department, received her BA from California State University at Long Beach and MA and PhD degrees in organizational communication from the University of Southern California. She taught public speaking, organizational communication, and interpersonal communication at USC for three years.

Monte Swain joins the School of Accountancy and Information Systems faculty. He graduated from BYU with BS and MS degrees in accounting. He received his PhD from Michigan State University. While at BYU he was president of the campus chapter of Beta Alpha Psi national honor society. His areas of interest are managerial accounting and information systems. He has taught accounting and systems classes at MSU to undergraduates and executive MBAs.

Gary Woller, of the Institute of Public Manage-

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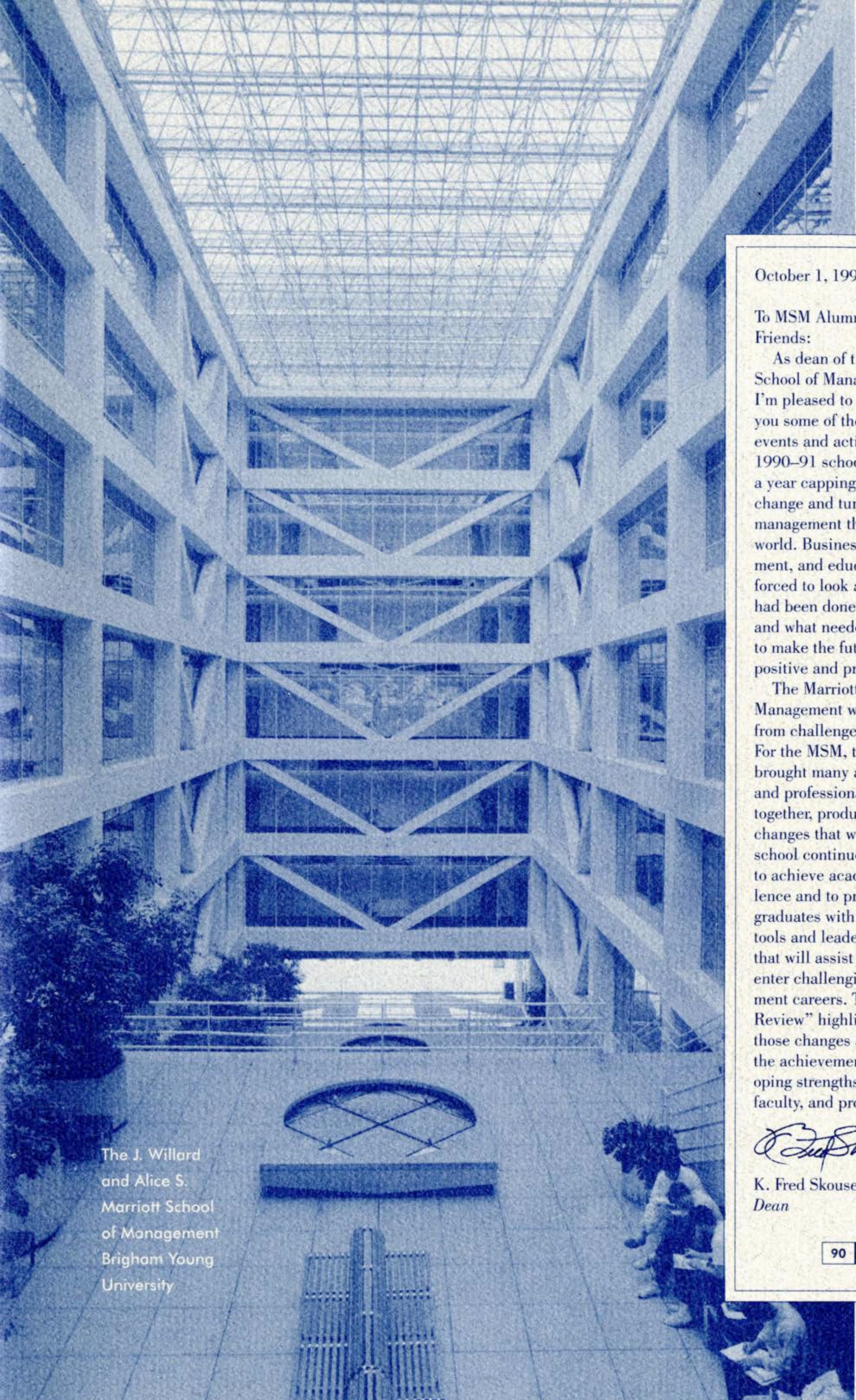
The J. Willard and Alice S. Marriott School of Management Brigham Young University

YEAR IN REVIEW

October 1, 1991

To MSM Alumni and Friends:

As dean of the Marriott School of Management, I'm pleased to share with you some of the major events and activities of the 1990–91 school year. It was a year capping a decade of change and turmoil for management throughout the world. Business, government, and education were forced to look at how things had been done in the past and what needed to happen to make the future more positive and productive.

The Marriott School of Management was not exempt from challenge and change. For the MSM, the past year brought many academic and professional pieces together, producing major changes that will help the school continue in its efforts to achieve academic excellence and to provide its graduates with management tools and leadership skills that will assist them as they enter challenging management careers. This "Year in Review" highlights some of those changes and shares the achievements and developing strengths of students, faculty, and programs.

K. Fred Skousen
Dean

90 91

Students

Student Council Changes

Early in 1990, the student council's executive committee was challenged to restructure student government to create a stronger tie between students and the Marriott School. A change committee was established; and in April of 1990, the committee members presented the "new student organization" for review and input from NAC and Management Society leadership.

The major structural change was reorganization of the Management Society Campus Chapter. Instead of being just another club, the campus chapter is now the umbrella organization for all MSM student clubs. The chapter oversees all extracurricular activities sponsored by the various clubs and the MSM.

Kemper Scholars

Each year, the James S. Kemper Foundation offers business-studies-related grants to students at eleven universities throughout the country, including BYU. This program provides an opportunity for the scholar, selected during his or her freshman or sophomore year, to learn during three intensive summer internships in various divisions of The Kemper Group.

Five Kemper Scholars represented the MSM during the 1990–91 school year.

Arthur H. Carter Scholarship

The Arthur H. Carter Scholarship is a national scholarship established by Mrs. Carter to defray the costs of top accounting students' undergraduate or postgraduate education. Mr. Carter was a partner in the firm of Haskins and Sells, and Mrs. Carter is the daughter of Elijah Watt Sells, a founder of the international firm of Deloitte Haskins and Sells. The annual scholarship is awarded in the amount of $2,500. Applicants are screened by a committee composed of members of the American Accounting Association. Laura Kaye Dickison was chosen as a 1990–91 Arthur Carter Scholar from Brigham Young University.

Richard D. Irwin Scholar

Shae Adams, a marketing major in the Institute of Business Management, was selected as a Richard D. Irwin Scholar by a committee of Beta Gamma Sigma, the National Honor Society for management students. She was invited to participate in the Richard D. Irwin/ Beta Gamma Sigma National Seminar, held October 16–20, 1991, in Seattle, Washington.

International Student Sponsors

April 1991 commencement conferred graduate business degrees on eight students who represent the MSM's first major step in assisting qualified international students in gaining a master's degree in one of the school's four professional programs—MBA, MAcc, MPA, and MOB.

The International Student Sponsors Program requires a participant to be an active member of the LDS Church, to be married to a native of the participant's country, to have a bachelor's degree or equivalent, and to be willing to return to the native country at the conclusion of the degree program. The students must be academically qualified to pursue a graduate degree and must have satisfactory English language skills.

The eight students who graduated were from Chile, Brazil, and Argentina. Seven earned MBA degrees and one earned the MOB degree. These students are working in their native country for companies such as WordPerfect, Ernst & Young, Otis Elevator, Procter & Gamble, and BHP International.

Currently, students from England, Brazil, and Argentina are participating. The International Student Sponsors Program is funded by gifts from alumni and friends.

Student Manuscript Competition

Some time ago, the faculty and administration of the Marriott School of Management recognized a growing national concern with quality management and the need for managers to understand and to pursue programs where quality the first time around is the rule rather than the exception—where continuous improvement is the goal rather than quotas.

As part of the Marriott School's commitment to quality-first management, it inaugurated the Quality Management Manuscript Competition during the 1990–91 academic year. The competition's theme was "Continuous Improvement for Increased Productivity."

Professor Kevin Stocks and Chet Harmer, a BYU alum who works as a quality consultant with Coopers & Lybrand, created and coordinated the competition with faculty support from departments in business, manufacturing, engineering and technology, statistics, and engineering. The competition was well received, with MSM students submitting 21 of the 26 entries. Winning papers received awards of $100 or $500. Funding came from alumni gifts totaling $15,000. Because of the successful first event, plans are well underway for the 1991–92 competition.

Graduate Career Services Center

The Graduate Career Services Center began the year with a new director, Ronald R. Burke, who joined the Marriott School after more than 30 years in industry. Under his direction, emphasis has been placed on the concept that Career Services has two "clients"—recruiters and graduate students. Center activities include workshops on interviewing techniques, job search techniques, and networking; critique of resumes; and one-on-one counseling.

The following services have been initiated:

• A Student Placement Committee, with students from each program, pro-

Ronald Burke advises MSM graduate student.

PHOTOGRAPHY BY JOHN SNYDER

vides input and feedback. Consultation with this group has helped cement student relations with the center.

• A student manual, "Answer Book," provides each student with information about Career Service's assistance with the job search, cover letters and resumes, and interviewing.

• The "BULLETin", a monthly newsletter, highlights events and increases student/center rapport.

• Several new databases listing companies, locations, and key contacts, are now available to graduates, alumni, and students. A special international database allows students to identify alumni working for specific companies.

• A Career Services Hotline provides students with recorded information and deadlines relative to recruiting, presentations, workshops, and other Career Services Center activities.

1990–91 Enrollment Statistics

Tables I and II show the fall 1990 MSM enrollments and profile of the 1990–91 MSM graduate entering class.

Undergrad Placement/ Graduation

Following a very strong recruiting and placement year for business graduates last year, the MSM 1990–91 academic year experienced another relatively strong start. As the year progressed, however, the job market deteriorated quickly due to war in the Persian Gulf and the ensuing U.S. economic recession. MSM campus recruiting declined only slightly, but the number of positions employers sought to fill was down significantly.

Many 1990–91 graduates had to interview with a greater number of employers and look beyond the traditional Fortune 500 companies and the limited number of companies visiting campus. Students also had to travel outside the local area at their own expense, taking their job searches to prospective employers nationwide. As a result of their persistence, most seniors were able to generate one or two employment offers by graduation or within a few months thereafter. Table III indicates starting salary offers to bachelor's degree candidates.

TableI I: Fall Semester 1990 Enrollments

Marriott School of Management

Undergraduate	Total	Male	Female
Accounting	688	525	163
Business Management	627	497	130
Information Management	127	99	28
Human Resources	75	42	33
Business Fundamentals	2,512	1,613	899
TOTAL	4,023	2,776	1,253

Table II: 1990–91 Graduate School of Management Entering Class

	MBA	MPA	MAcc	MOB
Total Applicants	324	42	162	53
Number Enrolled	108	30	126	23
Average GMAT score/percentile	585/80th percentile	544/67th percentile	550/69th percentile	581/78th percentile
Average GPA	3.47	3.45	3.51	3.65
Male/Female	92/16	24/6	104/22	13/10
International	25	3	8	4
Bilingual	91/84%	20/67%	70/55%	19/83%
Average Entry Age	26	27	24	27
Scholarships	53/49%	11/37%	79/63%	12/52%
State/Countries	20/14	9/3	19/3	8/4

Table III: Starting Salary Offers to Bachelor's Degree Candidates

Marriott School of Management
1990–91 Academic Year

Degree	Average Offer	%Increase From Previous Year	Percentiles 90th	50th	10th
Accounting	26,602	.8	30,000	27,000	22,000
Business Admin.	23,616	.4	30,000	23,000	17,200
Finance	25,913	2.9	32,000	26,000	20,000
Human Resources	24,066	4.2	30,000	24,000	18,000
Information Mgmt.	25,412	3.6	30,600	25,800	22,000
Marketing	23,850	1.3	29,000	24,000	18,000

Faculty

Faculty Changes

During the summer of 1990, four MSM faculty members were named directors or heads of MSM programs.

Scott M. Smith, professor of marketing, became director of the Institute of Business Management. He follows Robert H. Daines, who returned to full-time teaching in finance.

Darral "Pete" Clarke became director of the MBA Program, replacing William C. Giauque, who returned to the operations management faculty.

The new director of the School of Accountancy and Information Systems is W. Steve Albrecht. He replaces G. Fred Streuling who is teaching tax accounting classes.

Dwight M. Blood now heads the Managerial Economics Department, replacing Robert G. Crawford, who has returned to faculty status.

Three long-time MSM faculty members retired during 1991—Gene W. Dalton, Dale H. Taylor, and G. Edward Nelson.

New Faculty

During 1990–91, four new faculty members were recruited to begin teaching this fall, and they are introduced below.

Kristen Bell DeTienne joins the Department of Management Communication. Professor DeTienne comes to BYU from the Department of Communication Arts and Sciences, University of Southern California. DeTienne has been active as a management consultant. Her consulting work has involved survey responses and training programs for middle management.

Monte R. Swain has joined the School of Accountancy and Information Systems faculty. Professor Swain comes to the MSM from Michigan State University, where he is completing his PhD in accounting with minors in systems, statistics, and economics. Swain's PhD work included teaching assignments that resulted in his being selected as a 1990 recipient of the Michigan State University Excellence-in-Teaching Citation.

Steven R. Thorley has joined the Institute of Business Management. Professor Thorley, who received his PhD in finance from the University of Washington, will be teaching advanced corporate finance and investment theory and evidence.

Gary M. Woller is now a member of the Institute of Public Management faculty. Professor Woller has taught at Bryant and Stratton College and the University of Rochester. He has work experience at the Bank of America (Oakland, California) and HealthChex, Inc., of Victoria, New York.

In addition to the four full-time professors, Douglas D. Anderson joined the MSM as an adjunct professor. Dr. Anderson has an outstanding academic background (bachelor's and master's degrees from Utah State, an MPA from the Kennedy School of Government at Harvard, and a PhD in political economy from Harvard). He was a member of the Harvard Business School faculty from 1978 to 1988. He has served as deputy counselor to the secretary of the treasury and provided support for the Cabinet Council on Economic Affairs and the National Productivity Advisory Committee.

Fulbright Professors

The Fulbright Program selected two MSM faculty members—Phillip J. Bryson of the Managerial Economics Department and Gloria E. Wheeler of the Institute of Public Management—as Fulbright professors during the 1990–91 school year. Professor Wheeler's assignment was in Pakistan; professor Bryson spent his year in Germany.

Professor Wheeler received her Fulbright grant to teach and do research at the Lahore University of Management Sciences. Her teaching assignment included introductory statistics and major modules in quantitative methods and marketing research classes. The research part of her grant, along with a major part of her intended assistance on MBA projects, was severely curtailed due to the evacuation of Americans from Pakistan during the Gulf War.

Professor Bryson served as associate director of the BYU Study Abroad Program in Vienna during fall semester 1990. From November 1990 to September 1991, he was Fulbright Professor at the Philipps-Universität in Marburg, Germany, where he lectured in German on the U.S. economy.

Gloria E. Wheeler

Phillip J. Bryson

Bryson, an expert on the East German economy, finished a timely book on the final phases of the economy of the German Democratic Republic and conducted further research on the economics of German reunification. He continued his work on another book concerning problems involved in the transition from central economic planning to market economies. Bryson delivered papers in Athens, Greece, and Bonn and Trier in Germany; he attended other professional conferences in Radein, Italy, and East Berlin.

Kellogg Fellows

Two professors in the Organizational Behavior Department continued their participation with the W. K. Kellogg Foundation National Fellowship Program. Dr. Christopher Meek and Dr. Reba Keele were selected originally by the foundation because of their work in the public and social sciences. Each year, fellowships are awarded to as many as 50 American professionals who show a high level of success and accomplishment in their areas of expertise. One foundation goal is to help develop national leaders.

During their Kellogg fellowships, Meek and Keele have carried out self-directed, interdisciplinary experiences designed to take them beyond the confines of their chosen careers. For example, Dr. Meek has spent part of the last four summers in Seoul, Korea, studying the rapid economic turnaround and development of a once depressed country.

IBM Research Grant

The Marriott School was awarded a $30,000 research grant by IBM Corporation. Dr. Eric Denna and Dr. Owen Cherrington are the primary researchers. The project was sponsored by the Financial Applications and Solutions Organization within IBM.

IBM is developing a new architecture for its internal financial systems. Historically, IBM emphasized the use of common financial systems for frequently used applications such as accounts receivable, payroll, and general ledger. The new process emphasizes integrated databases with continuous flow processing where data are entered only once, all relevant files and records are updated, and all users (both financial and non-financial) draw from the common data. The result of the project was an enterprise-wide structure for recording, maintaining, and reporting business event information to any interested party.

The BYU research team received approval for a follow-up engagement to assist in training key personnel on the new architecture. Most of the training occurred during the summer of 1991.

UDOT Grants

Professors N. Dale Wright and Larry Walters of the Institute of Public Management have joined professors Mike Thompson of management communication and Glen Thurgood of civil engineering in examining how highway construction plans and specifications are developed for a given project and how and why they are modified in the field. This one-year project is sponsored by the Utah Department of Transportation (UDOT).

A second UDOT project—proposed by professors Walters, Thurgood, and Don Adolphson (Institute of Business Management)—focused on UDOT procedures and criteria for evaluating and funding potential highway construction projects. It resulted in an innovative answer to this complex decision problem. The new approach integrates engineering with managerial and political judgments. The research team's procedure and software are currently being implemented by UDOT and are being evaluated by four other state highway departments.

Outstanding Faculty Award

In February, Dr. Robert J. Parsons, professor of public administration in the Institute of Public Management, was named recipient of the MSM's Outstanding Faculty Award. Professor Parsons has served as chair of the Managerial Economics Department and associate dean of the MSM. He has authored more than 25 articles in a variety of professional journals, most of which emphasize his expertise in health-care economics.


Dr. Eric Denna


Dr. Owen Cherrington


Dr. Robert J. Parsons

SOAIS Faculty Leadership

Two members of the School of Accounting and Information Systems faculty had major involvement in national accounting organizations. Dr. G. Fred Streuling was announced as the new Federation of Schools of Accountancy (FSA) president at its annual meeting, held December 1990 in Orlando, Florida. His term of office is for the calendar year 1991.

Dr. Steve Albrecht, SOAIS director, was elected president of the National Association of Certified Fraud Examiners.

Curriculum

Accounting Education Grant

In March of 1990, Dr. G. Fred Streuling, then director of the School of Accountancy, received notification from the Accounting Education Change Commission that BYU's "A Proposal for a New Order of Accounting Education" had been selected to receive commission funding as part of its efforts to implement positive changes in accounting education. The $250,000 grant will fund major activities from September 1, 1990, through 1993, and will cover faculty and curriculum development, an evaluation of the project, and dissemination of information and materials developed during the project.

The grant will be used by MSM faculty members to develop a model curriculum for all accounting programs. Since many of the concepts and classroom materials will be used first on campus, BYU's program will be in the forefront of accounting education. This new approach to accounting curriculum will do away with the traditional form of teaching. Fall 1991 accounting classes will emphasize team teaching, writing, oral communication, teamwork, and working under pressure and stress.

The BYU project team consists of professors W. Steve Albrecht, Cecil Clark (Department of Educational Psychology at the University of Washington), Richard S. Dalebout, Eric L. Denna, Lee H. Radebaugh, Emory O. Sonderegger, James D. Stice, G. Fred Streuling, Dale H. Taylor, and Leon W. Woodfield.

School of Accountancy and Information System Programs Ranked

In June, the School of Accountancy and Information Systems received the news that both its graduate and undergraduate programs had been ranked in the top 10 nationally by Stafford Publications, Inc. The formal announcement was made in the June 15 issue of *Public Accounting Report*.

Each year, Stafford polls accounting chairs from more than 200 universities across the nation. This year's questionnaire asked respondents to rate the performance of faculty, students, and curriculum. BYU's accounting programs were ranked number four for undergraduate programs and number eight for graduate programs. This is exceptionally good because BYU's department does not have a doctoral program, and few chairs from around the country have visited campus. The accounting program, however, has an excellent reputation with recruiters from the Big Six National CPA firms and with doctoral programs throughout the nation. Table IV lists the rankings by university.

Table IV

Public Accounting Review Rankings
(from Stafford Publications, Inc.)

Undergraduate
1. U. of Illinois
2. U. of Southern California
3. U. of Texas at Austin
4. **BYU**
5. Notre Dame
6. U. of Michigan
7. U. of Florida
8. Miami University of Ohio
9. Tennessee
10. Ohio State University

Graduate
1. U. of Illinois
2. U. of Texas at Austin
3. U. of Southern California
4. U. of Michigan
5. U. of Florida
6. U. of Chicago
7. U. of Washington
8. **BYU**
9. Ohio State University/
U. of North Carolina (tie)
10. Northwestern

Executive MBA

The Executive MBA Program graduated its sixth class in August 1991 and now has over 200 alumni in the Utah business community.

An alumni board serves the specific needs of Executive MBA alumni. A search conference—held in January and attended by students, faculty, alumni, and community business leaders—helped formulate a strategy for the future. Change, with a primary focus on integrating functional areas through case discussions and team teaching, is underway, and on-site project work is now included in the curriculum. In an innovative approach to developing team-building, the EMBA instituted an outdoor experiential challenge—ROPES by Ultimate Adventures, Inc., of Salt Lake City—as part of Intensive Week.

The fourth business tour of Asia, coordinated by program director Lisa Lambert and involving 30 students and several MSM faculty members, took place in June. The group visited business leaders in Korea at Daewoo, Lucky GoldStar, and Samsung; in Japan at Toyota, Hitachi, and the Ministry of International Trade and Industry; in Hong Kong at Tomei Industrial; and in the People's Republic of China at Tomei and Conti Chia Tai Chai. The tour group also met with the BYU Management Society, Hong Kong Chapter, for dinner and entertainment at the Overseas Hong Kong Bankers Club.

MBA Changes

The MBA curriculum revision is presented in the fall 1991 issue of *Exchange* on page 26.

Center for International Business Education

The Brigham Young University/University of Utah Center for International Business Education was established October 1, 1990, with financial support from a U.S. Department of Education grant in excess of $500,000. The 1990–91 funding was at the $270,000 level. Subsequent funding for '91–92 and '92–93 will depend upon program development. Dr. Lee H. Radebaugh has been appointed as BYU director. The center office is in 660 Tanner Building.

Major center objectives are: develop interdisciplinary, international programs for university students; conduct research projects that will help U.S. firms become more competitive in the international environment; and promote export development activities that will strengthen the business community. The center will work with the World Trade Association (WTA) of Utah and the District Export Council to strengthen local WTAs and to hold export development seminars.

Persons interested in the center or its activities can contact Dr. Radebaugh or James H. Gardner at the University of Utah.

Skaggs Institute of Retail Management

Heikki J. Rinne was appointed director of the Skaggs Institute of Retail Management in June. He succeeds E. Doyle Robison, who was called to serve as president of the LDS Church's England London Mission. The MSM is pleased to have someone of Professor Rinne's caliber to direct the interests and activities of the institute. He brings to this position a number of strengths that will assist the institute in continuing its course of retailing education excellence.

National Advisory Council (NAC)

The NAC Executive Committee met early in September to confirm plans for the NAC fall annual meeting. During the session, a rotation policy for service on the council was presented and approved. Four members were moved to emeritus status and one new member, Elder L. Tom Perry, was announced.

The fall meeting was held on October 18. The work sessions centered on the International Student Sponsor Program, public relations activities, and fund-raising opportunities. At the annual dinner, Mrs. Jacqueline Wexler, president of the National Conference of Christians and Jews, was named recipient of the International Executive of the Year Award. Elder David B. Haight presented the award. Ronald E. Malouf completed his term as council chair, and J. David "Bud" Billeter commenced a two-year term as chair.

The April meeting was highlighted by the introduction of a fund-raising proposal that was later identified as the Leadership Alliance. The fund-raising committee met and refined this concept, which aims at pulling together, under one umbrella, all MSM fund-raising activities.

The council also reviewed and gave input regarding graduate-level "common core" classes. Organization of the Management Society Student Chapter was approved. Robert B. Haight received the Management Society's Distinguished Service Award, and Dr. Ned Hill was given the NAC Outstanding Faculty Award. Final review of plans for the fall Ethics Conference was completed.

Technology Enhanced Learning Environment (TELE)

Over the summer of 1990, several MSM faculty members worked with Media Services and Physical Facilities personnel to develop a classroom featuring excellent computer graphics capabilities. The terminology for this type of classroom is "technology enhanced learning environment"—TELE, for short. The TELE concept is based on microcomputer technology that integrates information sources and media environment with the learning environment. Learning and retention are enhanced because students receive concepts visually as well as verbally.

Early TELE success led the dean's office to seek Union Pacific Foundation funds for Tanner auditoria technology upgrades. Union Pacific responded with a $75,000 grant, over five years, to expand computer technology into other classrooms.

MSM TELE classroom.

National Conference Held

The Organizational Behavior Department sponsored a national conference October 8–9, 1990. The conference theme was "Designing Organizations for the '90s." Managers from companies throughout the United States attended, as well as representatives from government agencies, nonprofit organizations, and private consulting groups. The conference focused on how to restructure and develop innovative strategies for corporate effectiveness.

The keynote address, "Labor Management Cooperation in the 1990s," was delivered by William L. Batt of the U.S. Department of Labor. Experts from North Carolina to California presented tools and techniques for improving company performance and competitiveness. Cases from successful firms such as Procter and Gamble and Allied-Signal were featured along with research findings of OB faculty members and alumni working in industry. Another conference is planned for February 1992.

External Support and Funding

Through the years, the Marriott School of Management has developed a broad network of external support composed of alumni, friends, and companies. These supporters have not only provided much needed financial support, but also shared time and expertise with students and faculty. Some have provided student internships, faculty research opportunities, and full-time career recruitment and placement. Each group has its special strengths and interests. A brief review of the past year will give an indication of just how important these groups are to the MSM.

Entrepreneur Founders

The Entrepreneur Founders (EF), under the direction of Chair LeRoy K. Speirs and Director Brent Peterson, continued to work with faculty, students, and the community. Group members participated in or provided speakers for the Entrepreneur Lecture Series. This series gave students an opportunity to learn from 26 men and women who have forged their careers in creating new businesses. Students learned first-hand of entrepreneurs' successes and failures. Graduate students enrolled in MBA 623R had the opportunity to focus on seven entrepreneurial organizations established by EF members. Case studies regarding unique aspects of the creation and growth of these organizations were developed with the assistance of faculty members. In addition, entrepreneurial-based research being conducted by professors W. Gibb Dyer and Lee T. Perry was funded.

Under EF sponsorship, the Association of Collegiate Entrepreneurs (ACE) continued to function as a campus club. It pursued its goal to serve as a resource to students who currently operate small businesses or to those who want to do so in the future. ACE sponsored speakers and activities to support this goal.

Community outreach continued with the MSM participating fully in the Utah Valley Entrepreneurial Forum and sponsoring the Small Business Development Center (SBDC), with Kathy Buckner as director. The center assisted approximately 35 local businesses through long-term, and 60 through short-term, counseling. Many of the long-term cases involved graduate students who completed the projects as part of their course work. The SBDC assisted more than 200 business owners through training seminars and workshops.

The Grant Taggart Program of Insurance and Finance

For several years, MSM representatives have worked with representatives of the Utah Chapter of the Chartered Life Underwriters. In September, the 1990 Grant Taggart Symposium was held on campus with 277 insurance agents in attendance. Fifteen major insurance and financial services companies sponsored exhibits and presentations. Charlie H. Flowers, Mehdi Fakharzadeh, and Norman Levine were featured speakers. During 1990 and early 1991, the Taggart Committee continued to work toward an insurance and financial services program at BYU. After months of concerted effort, The Grant Taggart

Program of Insurance and Financial Services was established as an educational program for students, professionals, and consumers. Under the direction of Chair Rulon E. Rasmussen and with the support of Dean K. Fred Skousen, the Taggart Committee is moving forward to provide professional support for this program and to raise the necessary funding for curriculum development, research, and outreach seminars.

MSM Alumni Board

The MSM Alumni Board, consisting of approximately 30 members representing the school's alumni, continues to play a major role in keeping the school apprised of the support, concerns, and needs of alumni. Under the direction of President Ralph Christensen, the board held two campus meetings in addition to several telephone conference calls. Board members have worked to improve alumni/faculty relations and alumni/student networking. They played an active role in sponsoring and supporting the MSM Student Council, its mentor program, MBA Forum, and commencement activities. The board also directed and helped to coordinate an alumni fund-raising pilot program that proved successful. Plans are to expand the program during the coming year.

Major alumni fund raising was conducted on a "peer-to-peer" basis; a chair was appointed for each class and every classmate contacted. Phone calls by class volunteers followed a letter from the class chair. A total of $268,255 was raised.

Public Administrator of the Year 1990–91

Donald E. Stokes, dean of the Woodrow Wilson School of Public and International Affairs, was selected as the twentieth recipient of the Public Administrator of the Year Award, sponsored by the Institute of Public Management and the MPA Association. Dean Stokes, a nationally recognized educator and public administrator, received the award at a banquet held March 8, 1991. The award is given annually in recognition of the recipient's contribution to public-sector management. In receiving this award, Dr. Stokes joined an illustrious group of past recipients, including former U.S. Attorney General Elliott Richardson, Utah Governors Calvin Rampton and Scott Matheson, and Neal Maxwell, former commissioner of LDS Church Education.

MSM Leadership Alliance

When the Marriott endowment to the MSM was initiated in 1988, the school was challenged to match the $15 million gift. The school and its supporters accepted the challenge and have been working toward that goal.

Through the efforts of a special fund-raising committee composed of National Advisory Council members, alumni, and MSM staff, the "Leadership Alliance" concept evolved. Ideas behind the alliance have been shared with various support groups, faculty, and individuals for their input and assistance in developing a cohesive, broad-based program that will allow all interested individuals, organizations, and companies to participate in building the MSM.

Conceptually, the Leadership Alliance has broad appeal for many constituents. Levels of alliance participation on an annual basis are:

Students (currently enrolled)
  $25 or more
Associates
  $100 to $999
Partners
  $1,000 to $9,999
Senior Partners
  $10,000 or more
Corporate Partners
  $2,500 or more
Major Gift
  Assistance in planned
  giving provided by MSM

For example, a donor could earmark a donation for a scholarship endowment or for unrestricted use by the dean. Gift recipients may also be departments, special projects, or established programs.

The Alliance is under the dean's direction, with assistance and support from the Leadership Alliance Executive Committee, chaired by D. Richard McFerson, president of Nationwide Insurance Company, with Vice Chair Ron Seamons. This committee establishes goals and works with the dean to develop potential funding sources. Interested alumni and friends should contact Dean Skousen or Ron Seamons, 730 Tanner Building.

In the spring, Dean Skousen announced appointment of Ronald E. Seamons as director of MSM development. Ron, who was formerly a field representative for the LDS Foundation, moved his office and family to Provo over the summer. Located in 730-D of the Tanner Building, Ron has been busy organizing the MSM Leadership Alliance and has responsibility for its program. He is developing a rapport with various fund-raising groups and supporters of the MSM and is available to meet with alumni groups, Management Society chapters, and individuals who participate in the alliance.

BYU Management Society

Under the direction of National Chair LeVoy Robison and an eight-member steering committee, the BYU Management Society added three chapters for a total of 30 U.S. and six international chapters. The new chapters are located in Anchorage, Alaska; Pocatello, Idaho; and New York City. The steering committee members have begun the preliminary work to establish additional chapters in Idaho Falls, Idaho; Ogden, Utah; Tacoma/Olympia, Washington; Indianapolis, Indiana; and Chile.

Two chapters sponsored major events last year. The Washington, D.C., Area Chapter held its seventh annual dinner March 9 and awarded the Honorable Brent Scowcroft, National Security Advisor to President Bush, the chapter's Distinguished Public Service Award. Elder Neal A. Maxwell was the guest speaker.

The Los Angeles Area Chapter sponsored its "Excellence in Business Award Dinner" on November 10, 1990. Fred L. Carpenter, chapter president, presented the 1990 Excellence in Business Award to Mark H. Willes, president and COO of General Mills, Inc.

MSM alumni and friends interested in establishing a Management Society chapter should contact William R. Siddoway, executive director, BYU Management Society, 730 Tanner Building, BYU, Provo, UT 84602.

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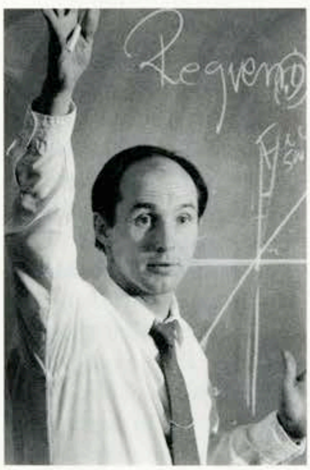
ment, received his BA in economics and his MBA from BYU. He also graduated from the University of Rochester with an MA in political science and a PhD in public policy. His field of specialization includes public policy analysis and financial markets and banking.

Steven Thorley has been hired by the Institute of Business Management. He was previously an instructor at BYU for two years. His academic background includes a BS in mathematics and an MBA from BYU and a PhD in finance from the University of Washington. His current research includes testing and use of signaling models in corporate finance.

Rinne Appointed Director of Skaggs Institute

Dean K. Fred Skousen announced the appointment of Dr. Heikki J. Rinne as direc-



Dr. Heikki J. Rinne

tor of the MSM Skaggs Institute of Retail Management.

Professor Rinne received his bachelor's degree in business administration from Brigham Young University, MBA in marketing from Oregon State, and PhD from Purdue University. He has been an MSM faculty member since 1984. From 1981 to 1984 he was an assistant professor at Pennsylvania State University. His appointments at BYU have included director of the Executive MBA Program and member of the Skaggs Institute of Retail Management Committee since 1985.

In addition Dr. Rinne brings a great deal of experience from the private sector to the Skaggs Institute. He has worked extensively as a retail consultant in Europe and the United States for firms such as Procter and Gamble of Helsinki, Finland.

MSM Executive MBA Program Implements Changes

By Lisa Lambert, Director, Executive MBA Program

The MSM Executive MBA Program has graduated its sixth class ('91).

In January of this year a search conference, attended by current students, faculty, alumni, and community business leaders, helped create a strategic framework within which to improve the program. Several innovative and exciting changes in curriculum, format, and delivery resulted.

A primary change involves integrating functional areas through case discussions and team teaching. Students seem excited with the breadth and depth that team teaching adds to course content.

Students apply their newly acquired business management skills to on-site projects at sponsoring companies. After the second-year "Intensive Week" in June 1991, one student commented: "My company [he owns the company] implemented the marketing and forecasting recommendations my group submitted. Profits generated from this change have paid my tuition and then some."

Faculty are stimulated by the working business professionals in our Executive MBA Program. Real-world experiences create a rich and varied forum for lively discussions that challenge students and faculty. These students offer unique oppor-

Lisa Lambert

tunity for the faculty to apply and to evaluate their research and teaching.

Because of the contacts generated and reputation developed, the Executive MBA Program is a driving force behind MSM internationalization. The international business course, which includes the international business trip, is currently the only "on-line," low-cost opportunity for faculty and students to gain exposure to the foreign countries, cultures, and business practices that affect U.S. competition in the world marketplace.

Under the direction of Professor Christopher B. Meek, who has cultivated many of our Asian contacts, 30 Executive MBA students and several MSM faculty visited Korea, Japan, Hong Kong, and the People's Republic of China in June 1991. Business leaders were visited in Korea at Daewoo, Lucky GoldStar, and Samsung; in Japan at Toyota, Hitachi, and the Ministry of International Trade and Industry; in Hong Kong at Tomei Industrial; and in the People's Republic of China at Tomei and Conti Chia Tai Chai.

Three BYU MBA alumni hosted the group at their companies. Jack Lau (BYU MBA, '85) is the executive director of Tomei Industrial (Holdings), Ltd., in Hong Kong. *Euro Mone* named Jack's company as the second best managed company in Southeast Asia. Michael Hoer, (BYU MBA, '82), vice president of Conti Chia Tai Chai International Holdings, Ltd., and Allen Anderson (BYU MBA, '79), vice president and general manager of Asian Agri Industries Division of Continental Grain Company, hosted the group at one of Conti Chia Tai Chai and Continental Grain's joint-effort plants in Shenzen, People's Republic of China.

The group also met with the BYU Management Society's Hong Kong Chapter. BYU MBA alumni Jonathan Chiu and Teresa Lau arranged a special evening including dinner and entertainment at the Overseas Bankers Club in Central, Hong Kong. Daniel Cheung, professor of finance at The Chinese University in Hong Kong addressed the group.

In implementing its change strategy, the Executive MBA Program has added innovative team-building training, including an outdoor challenge ("Ropes," by Ultimate Adventures, Inc., Salt Lake City) that is completed during the first "Intensive Week." Through this experience, faculty and students have observed higher commitment to one another and to the program, increased ability to view problems creatively, and markedly decreased fear of attacking program challenges and projects. Another innovation involves strength-type indicators (Myers-Briggs) as a tool to help form effective study groups.

Currently the MSM's Executive MBA Program serves only the Utah market. Applicants should contact Lisa Lambert, 639 TNRB, (801) 378-4380.

MBA Makes Impressive Changes

By Kaye Hanson, Associate MBA Director

If former students were to return to MBA classrooms today, they would be amazed and pleased to find dynamic

Kaye Hanson

and farsighted changes in the MBA curriculum.

Change is the word! Integration is the process—integration of subjects, faculty, students, concepts, ideas, methods, and more.

What was the impetus for change? What are the changes? What is the result?

During the 1989-90 academic year, the MSM Strategic Planning Committee looked at several MBA programs throughout the country. Each had in its curriculum elements of global emphasis, of integration, and of technology; and they all seemed to be working well. Articles in the *Wall Street Journal* and *Fortune* tweaked the committee's creativity, and they began describing what they thought an "ideal" MBA program should be at BYU.

In April 1990, a "Visions Conference" was held to secure feedback and proposals from friends of BYU and the MSM regarding their perception of a model *BYU* MBA program. Over 50 representatives of former students, current students, faculty, administration, and the MSM National Advisory Council met to offer suggestions and creative curriculum-development ideas. The result was a serious focus on the "possibles" rather than the "impossibles."

The MBA faculty also met—all summer. Remarkable dedication led to impressive changes in teaching methodology and shared faculty expertise. Old class syllabi were thrown away and new ones prepared, traditional class scheduling was discarded, and teaching methods were re-examined and changed.

By the first day of fall semester 1990, plans and teaching materials were prepared for the first two weeks. Following weeks were compact with meetings, long hours, and genuine commitment of faculty, students,

MBA student jumps to "Ropes."

and staff. Students, especially, met the challenge. MBA Director Pete Clarke explained the goals and requested student flexibility and enthusiasm. They gave him both.

The faculty still wanted to use the "case method" as the primary method of instruction, but now cases are taught in a different way. Computer simulation replaces simple analysis, group discussion may precede class participation, and major integration is achieved when each case is taught by "flying squads" of several teachers who insist that the students learn to analyze each case from the perspective of marketing, operations, human factors, etc.

By the second week, students are meeting regularly in study groups. These groups have been organized according to language, with a foreign national included with four or five English-speaking students. Since 87 percent of the MBA students are bilingual and 20 percent are international students, these study groups become important sources for an international emphasis. Some of the group discussions are conducted in the foreign language.

An additional new experience for the first-year MBA is the "Ropes" course. The day-long wilderness adventure includes jumping from 40-foot trees to catch a brass ring, and solving problems with the cooperation of others. Crossing the "acid river" and falling backwards out of trees into the arms of strangers soon makes friends of participants. When the day-long adventure closes, the last assignment is given—get all 60 participants over the 20-foot wall. Cooperation and organization can be heard and seen.

The class size has been cut from 150 to 100 in two sections rather than three. Classes are no longer held on the traditional M–W–F or T–Th schedule. Students know they are in class 8–11 a.m. and 12:30–3:30 p.m. every day. The new schedule enables classes to discuss complex cases in depth and encourages professors to prepare classes based on time required to cover a topic rather than trying to fit the topic to a specific time period.

This year, 25 master of organizational behavior students have taken several hours of common-core classes with MBA students. Next year the master of public administration and master of accountancy students will take these core classes. The integration that occurs when students see problems and solutions from other professional points of view should mirror integration of ideas in the marketplace.

A BGIE course (business, government, and international economy) has been developed that examines varying worldwide political, economic, and social points of view. The institutions and policies through which different communities influence business activities are studied. This course has become so important that it is being added as a first-year requirement.

In summary, our first year's experience with the new MBA curriculum has been challenging and bodes well for providing a unique, realistic business management education.

Dr. Ed Nelson Retires

By Dr. William H. Baker

Dr. G. Edward (Ed) Nelson, professor of management communication, retires September 1 from full-time teaching after 23 years with Brigham Young University. A native of Tooele, Utah, Ed graduated cum laude from the University of Utah, earning his BS and MS degrees in 1965 and 1966 respectively.

Before completing his EdD at Arizona State University in 1968, Ed worked as a personnel specialist at the Tooele Ordnance Depot, as an administrative assistant to the city manager and city court for Tooele City, and in the district offices of Texaco, Inc. He was also a vice principal in an area business school in Cardston, Alberta, Canada.

Ed began his BYU teaching career in 1968 and has taught primarily in the business communication area since that time. He served as chair of the Business Education and Administrative Management Department for eight years and held numerous other administrative assignments, including coordinator of the Information Management Internship Program.

During two professional development leaves from BYU, Ed worked as a development advisor for IBM Corporation in Lexington, Kentucky, and as a systems analyst for the LDS Church Office in Salt Lake City.

Ed's greatest love has been teaching. Learning every student's name and giving personalized help and encouragement are characteristics of his teaching. Indicative of their feelings for Ed, students voted him as Information Management Teacher of the Year in 1989. He also received an Exxon Teaching Award.

Dr. Nelson's Church service includes, gospel doctrine teacher, high councilor, high priest group leader, district president at the Provo Missionary Training Center, and bishop. He is presently a high councilor in Provo's Edgemont North Stake. Ed and his wife, Sandy, combined families eight years ago, resulting in eight children and 14 grandchildren.

Although Ed will retire from classroom teaching, he continues affiliation with the MSM part-time as editor of *Exchange* magazine. His experience with words and his talent for art make him a "natural" in this new communication adventure.

MSM Faculty Advancements

The Marriott School of Management has approved advancement in rank and continuing status for the following faculty members:

To Full Professor

Gary Cornia
Institute of Public Management

Hal B. Heaton
Institute of Business Management

Heikki Rinne
Institute of Business Management

To Associate Professor

Richard S. Dalebout
School of Accountancy & Information Systems

Lawrence Walters
Institute of Public Management

To Be Granted Continuing Status

Richard S. Dalebout
School of Accountancy & Information Systems

Ned C. Hill
Institute of Business Management

Christopher Meek
Organizational Behavior

Lawrence Walters
Institute of Public Management

MSM Administrative Personnel Changes

Dean Skousen has announced the following personnel changes in the MSM:

Dr. Lee Radebaugh, associate dean, will be returning to full-time faculty status. Stan Quackenbush, director of the Management Society, leaves the MSM to pursue his career interests in real estate. Three secretaries—Christine Nelson, Tracy Freeland, and Kathy McGregor—are also leaving the MSM.

Dr. Milton Smith joins the dean's staff as associate dean of undergraduate programs, replacing Dr. Radebaugh. Ron Seamons has

Dr. Milton Smith

moved from California; he was with the LDS Foundation, and he becomes the MSM's director of development. Three new secretaries—Roberta Nielsen, Maria Burnham, and Cinde Smith—are new in the dean's office.

Dean Skousen also announced that William H. (Bill) Baker will continue as chair of the Management Information Department for an additional year, and that Dwight Blood will continue as chair of the Managerial Economics Department.

New Courses Developed

Business Management 100

This course is required of all undergraduate majors and was developed to meet the university's challenge to give business students a broader academic experience. Faculty members are asked to submit the titles of books they feel students should read if they are to be well-rounded and knowledgeable members of society once they graduate. The book titles range from *Les Miserables* to *Zen and the Art of Motorcycle Maintenance, The Radical Politics of Thomas Jefferson, March of Folley* (Tuchman), *Inside Perestroika, Cicero, American Caesar, Mere Christianity,* and *The Prince*. During one semester, 30 books were listed, and faculty members from each MSM department participated. An orientation meeting is held at the beginning of each semester to introduce books and participating faculty members. Students are allowed to select a book and a faculty sponsor. Discussions are held during the semester to provide exchange and to develop ideas and comprehension.

Management Communication 321

Oral communication in business is the subject of an undergraduate course offered for the first time in 1990–91 by the Management Communication Department. The course, which is required of all MSM graduates, has been enthusiastically received by students—even those who were initially uncomfortable with its "stand-up-and-speak" focus. The course makes extensive use of videotape to allow students to see and critique their efforts at "how-to" presentations, sales pitches, point-of-view explanations, handling Q-and-A sessions, and even banquet speaking.

MBA 693R (BGIE)

This course, "Business, Government, and International Economy," builds upon a similar course developed at the Harvard Business School. The unique nature of BYU's version lies in the commitment of a team of scholars from international economics (Philip Bryson and Robert Drawford), global management (Douglas Anderson, Howard Barnes, Darral Clarke, and Lee Radebaugh), and public administration (Gary Cornia and Gary Woller). Case studies of various countries provide real-world examples of the application of economic theory that should intensify the students' understanding of world economic history.

Letters

Great articles

The two articles ["Taking an Offensive Stance: Strategic Competitiveness in the 1990s" and "From Socialism to Free Enterprise: A Difficult Change of Direction"] were outstanding.
Jack R. Pearson
Orem, Utah

Perry's impressive article

Perry's approach [in the summer *Exchange*] is more than empty academic jargon. It stresses the need for business cooperation much more in synch with the cooperative global business alliances that will typify markets in the coming century. The IBM/Apple agreement is a very visible indication of the "offensive" and "paradoxical" approaches to the future that two well-known businesses see as necessary to success. There are many other similar examples. Robert Reich's current book *The World at Work* somewhat convincingly debunks the rules of the past and suggests a world business environment in which a company with Perry's profile will certainly succeed.

I appreciate receiving *Exchange* as a member of the BYU Management Society, even though I'm not a graduate of BYU's business programs. The summer issue was quality, and I wish you good fortune in the future.
William D. Taylor
Salt Lake City, Utah

What about business teacher alumni?

I am a 1973 graduate of Brigham Young University with a bachelor of science degree in business education. Each time *Exchange* magazine or any correspondence arrives from the Marriott School of Management, I feel privileged to have received my education at BYU and to be receiving ongoing information from my alma mater. However, since the business education program has been eliminated, I also feel *foreign* to the "management" emphasis that prevails. I realize that the School of Management is a very important part of Brigham Young University and that it allows the university to compete with other "top" management schools across the United States.

There are a lot of excellent business teachers who earned degrees at BYU in the business education program. We are carrying on the standards of excellence that we learned at BYU. We are passing those standards on to our students—students who will be the business leaders of the future.

As a graduate of the former College of Business at Brigham Young University, I would like to feel a part of the alumni even though I am not a business executive or an entrepreneur. It would be nice if the Marriott School of Management could provide some type of connection with management and education. Perhaps summer workshops for business educators and articles in *Exchange* magazine that relate to business education could be organized. Spotlighting business educators who graduated from BYU in *Exchange* is another suggestion.

I appreciate all that you're doing at the Marriott School of Management to make it one of the best in the world! Keep up the good work!
Elouise Stewart Lamb
Business Teacher, Kearns High School, Kearns, Utah

• • •

Let us hear from you

Letters should be addressed to Editor, *Exchange*, 588 TNRB, Brigham Young University, Provo, Utah 84602.
We reserve the right to edit for length and clarity.

Entrepreneurial Career Dilemmas

continued from page 12

trusting relationships that facilitate delegation and development of subordinates' leadership skills. The founder must be relatively open, sharing ideas to build commitment and effective teamwork. This can be a difficult transition for entrepreneurs who prefer to remain in control of all business aspects.

3. A learning orientation. A successful entrepreneurial career requires a person to learn new skills and ways of thinking. Those who believe that what has worked in the past will work well in the future are often frustrated as they move through the career stages. Behaviors that helped start the business are not as useful in managing a growing enterprise and a growing family. Entrepreneurs must be open to new ideas, be willing to be challenged, and be comfortable when dealing with conflict. Those who continually search for better ways to deal with problems prepare themselves well for diverse career dilemmas.

4. A proactive orientation. Proactive entrepreneurs learn from the past. They reflect upon their own strengths and weaknesses and take steps to change. They anticipate changes in the marketplace, their businesses, their families, and themselves, and they take action to prevent problems or to solve them as they arise. Proactive entrepreneurs are able to keep abreast of day-to-day operations while thinking strategically about the future. In contrast, reactive entrepreneurs are constantly "putting out fires" and have little time for reflection and course correction.

Case Examples

Two entrepreneurs with very different orientations help illustrate how these attributes can affect one's ability to deal with career dilemmas. The first entrepreneur, who I'll call Frank, is in his mid 50s and has built a successful retail business. Frank has employed members of his family in the business but finds himself in frequent conflict with them. Frank is hesitant to trust others, he has difficulty in managing conflict, and he does not plan well for the future. At this point in his career, Frank should be training others to take over the business; however, his interpersonal style makes such training difficult for him.

Frank's handling of one particular problem highlights how these attributes create problems for him. One day while examining his phone bill, he discovered some unauthorized phone calls. He was furious and called me to discuss the situation. He felt that whoever was involved was clearly stealing from the company and from him personally. He had asked some employees if they knew anything about the calls, but all of them pleaded ignorance.

Based on my experience with Frank, I knew he sometimes acts impetuously. I was leaving on vacation and encouraged him to find out the facts but not take any drastic action. I called him upon my return, and he related the following: "I decided that most of the people I was talking to were lying to me, so I called a friend who is a polygraph expert. He encouraged me to let him test those employees who I felt weren't telling the whole truth. So I did, and the first person I had tested was my son-in-law."

Although the polygraph tests were run on only a couple of employees—and with inconclusive results—the action sent shockwaves through the company. The son-in-law was so upset that he quit, creating a great deal of conflict in Frank's family. Also, graffiti aimed at Frank's lack of confidence in the employees began to appear in the plant. Although an untested employee eventually confessed, the result has been the loss of a key employee, lower employee morale, and family problems. Also, Frank has had to spend time and money appealing a large fine from the federal government (the son-in-law filed a grievance).

In contrast to Frank, John, another entrepreneur, was dealing with similar career dilemmas. He was nearing retirement and had to plan for the future of his family and his business. However, he felt great emotional resistance to planning for succession. Of these feelings John said: "The basic dilemma is that succession planning by a founder is really . . . digging your own grave. It's preparing for your own death, and it's very difficult to make contact with the concept of death emotionally. It's a kind of *seppuku*—the harakiri that Japanese commit. [It's like] putting a dagger to your belly . . . and having someone behind you cut off your head. That analogy sounds dramatic, but emotionally it's close to it. You're ripping yourself apart—your power, your significance, your leadership, your father role, your chief executive role, and your founder role."[4]

Despite the psychological pain John faced in working through the succession dilemma, he has been proactive in managing this issue. He created a forum, which he called the "family pow-wow," where John, his wife, and his children would meet periodically with two consultants to discuss the issues surrounding succession and to get input and support from each other. This forum gave John the opportunity to express his concerns to his family and to let the family share some of his burdens. To prepare his oldest son to successfully take over the business, John helped set up a company for the son to run. Preparing for retirement, John has also begun to develop other fulfilling interests, such as teaching at the local college.

John is aware of and acknowledges his resistances to deal with the succession dilemma. To overcome them he has created mechanisms to build collaboration and trust within his family, he has been willing to explore new ideas, and he has actively managed the process.

In summary, the challenges of an entrepreneurial career are great—but so are the rewards. Through collaboration, continual learning, building trust, and being proactive, entrepreneurs can resolve their dilemmas and enjoy successful careers.

Notes

This article is adapted from a forthcoming book entitled: *The Entrepreneurial Experience: Confronting the Dilemmas of the Entrepreneur's Career*. San Francisco: Jossey-Bass, Inc., Publishers, 1992.

1. Birch, D.L. "The Truth About Start-Ups," *INC.*, January 1988, p. 14.

2. Meek, C.; Woodworth, W.; and Dyer, W.G., Jr. *Managing by the Numbers: Absentee Owners and the Decline of American Industry.* Reading, MA: Addison-Wesley, 1988.

3. Thoreau, H.D. *Walden.* New York: Harper and Row, 1961, p. 8.

4. Beckhard, R. and Dyer, W. G., Jr. "SMR Forum: Managing Change in the Family Firm—Issues and Strategies." *Sloan Management Review,* 24, 3, 1983, pp. 60-61.

ETHICS

A MENU OF MORAL ISSUES

A Major Business Problem

Ethical issues are a central part of many business decisions. In fact, the entire focus of some decisions is on the morality of the alternatives: what is right or wrong, or what is fair or unfair. Few people appreciate the pervasiveness of moral dilemmas in business decisions, and few business people have been adequately trained to balance their business interests with the underlying moral issues. Unethical behavior continues to surface as a major social problem, and avoiding immoral decisions is an ongoing struggle in business. This article identifies the major ethical issues business organizations face.

Menu of Moral Issues

Research, consulting, and ethics seminars held with a variety of enterprises indicate a common set of moral issues that organizations face. Differences among organizations are more in the application of the issue than in the basic issue itself. These issues are summarized into what we call a "Menu of Moral Issues."

The twelve statements on this menu encompass the most prominent moral issues facing every organization. Some overlap exists among the issues, just as some overlap crosses moral virtues in general.

1 Taking things that do not belong to you

Taking things that belong to others is known as stealing and is almost universally considered to be wrong. But some gray areas exist. For example, most people agree that taking an employer's cash is stealing. But what about taking inexpensive office supplies, making personal long-distance phone calls, or using company time for personal business? What about keeping items found on the sidewalk? And are you obligated to return something you receive by mistake?

2 Saying things you know are not true

Making statements that mislead or distort the truth, commonly known as lying, is wrong. But when does advertising cross the line from promoting a product to exaggerating its characteristics? Is it acceptable to tell "white lies," to overstate compliments, to give false praise, or to understate credentials on a job application? Are there times when tact is better than honesty?

3 Giving or allowing false impressions

Fraud and deceit are words used to describe the act of giving false impressions. And giving false impressions designed to mislead others is wrong. When the false impressions lead to fraud, they become illegal. Is it wrong to pretend you are someone you aren't or to imply that your company can deliver a product or service it is not totally capable of delivering? Are you responsible for correcting others' false impressions, such as not accepting unearned praise or not letting others take the blame for your mistakes?

4 Buying influence or engaging in conflict of interest

Influence buying includes bribes, payoffs, kickbacks, and political contributions. A conflict of interest exists anytime a person who is expected to make an impartial decision has a vested interest in one of the entities that could benefit from the decision. Can a person make an objective decision involving two or more parties if one party has given the decision maker something of value, regardless of the party's motive? What is the motive behind giving, and when is it appropriate to accept a gift?

5 Hiding or divulging information

Information is power, and misuse of information typically occurs in one of three ways: revealing information that should not be revealed, not revealing information that should be revealed, and acting on information not yet publicly announced. When should you divulge information that another party has an interest in knowing, such as flaws in something you are selling, or the advantages of competing products? Is it moral to give, or not to give, negative recommendations on former employees? When do you have a responsibility to protect information about someone's lifestyle and habits, trade secrets, and client lists?

6 Taking unfair advantage

Numerous ways exist to cheat, or take unfair advantage of, people and organizations, often without violating the law. When is it wrong to take advantage of a situation, such as charging higher prices when customers have limited options or granting privileges to friends or family? Is it fair to use your position in an organization to obtain a settlement more favorable than could be obtained by an outsider? Is a pay increase to top corporate officers justified when the pay of lower-level employees is being cut?

7 Committing personal decadence

People define their own standards of right and wrong and decide how they will respond to such issues as substance abuse, work habits, personal health, and contributing to society. Some individuals are content to aim far below excellence. Where should the line of immorality be drawn regarding such acts as performing slow or sloppy work, engaging in extravagant expense account spending, losing temper, using alcohol and other stimulants, and accepting worker's compensation while healthy?

8 Perpetrating interpersonal abuse

A civilized society will treat all people with respect and dignity,

J. Owen Cherrington
School of Accountancy and Information Systems

David J. Cherrington
Department of Organizational Behavior

regardless of race, sex, religion, or physical impairments. However, what kinds of interpersonal behaviors are abusive: physical abuse, emotional abuse, abuse of one's position, racism, sexism?

9 Permitting organizational abuse
Because an organization's success depends largely on the quality of its employees, organizations have a vested interest in helping employees achieve happiness and success. Yet every organization has the capacity to abuse its people. What organizational practices are abusive: giving inequitable compensation, placing workers in high-stress jobs, using evaluation appraisals that destroy self-esteem, effecting transfers or time pressures that destroy family life, terminating people through no fault of their own, encouraging loyalty and then not rewarding it, creating the myth that the organization will benevolently protect or responsibly direct an employee's career?

10 Violating rules
People are expected to obey countless rules, including laws, social conventions, organizational rules, and religious commandments. As examples:

Laws: Wearing seat belts, obeying speed limits, avoiding drug abuse, avoiding illegal software copying, avoiding insider trading, protecting data privacy.

Social conventions: Being quiet in libraries, not spitting on sidewalks, not cutting across lawns, not smoking.

Organizational rules: Charging expenses to the proper account, not manipulating budget accounts to make operations look better, not punching in/out for other employees, submitting truthful production reports, abiding by dress and grooming standards.

Religious commandments: Avoiding extramarital affairs, Sabbath day violation, alcoholism, unapproved food.

Are all these rules equally important, or are some rule violations more serious than others?

11 Condoning unethical actions
Deciding how to respond when observing something immoral can be a moral dilemma itself. Some people feel they should get involved only when an unethical action directly concerns them. Others strive not only to act morally themselves, but to encourage others to act morally and attempt to prevent and report all immoral conduct. To what extent are you responsible for the acts of others? Are you responsible or accountable for the acts of others through association?

12 Balancing ethical dilemmas
Ethical dilemmas often involve achieving something good by taking a questionable action, or making a choice between two equal options when only one can be selected. Which of two moral choices is most right or most wrong? Is it right to help one group at the detriment of another group?

Sample of the *Wall Street Journal* Survey

In an attempt to evaluate the pervasiveness of moral issues in today's business decisions, we arbitrarily selected a future five-day sample of *The Wall Street Journal*: April 8 through 12, 1991. If ethics is a major business problem, we surmised, the most widely circulated business newspaper will include articles dealing with ethics.

An investigation of these five days' publications included more than 60 articles illustrating different moral issues. All 12 moral issues were represented several times during the week. Since the publication week was arbitrarily selected, we assume that a similar number of moral issues could be found during any other week.

Space does not allow a review of all ethics-related articles in the survey, but five of the April 8 articles provide a representative sample of the moral issues found.

"Working Children: Underage Laborers Fill Mexican Factories, Stir U.S. Trade Debate." Vincente Guerrero, a 12-year-old boy from a family in poverty, took his first job at Deporters Mike, a shoe factory. Mexican law prohibits hiring children under age 14, but recent estimates place the under-age work force between five and ten million children. Vincente spends most of his time smearing glue onto the soles of shoes with his hands. The can of glue he dips his fingers into is marked "toxic substances . . . prolonged or repeated inhalation causes grave health damage; do not leave in the reach of minors."

The moral issues contained in this article include violating rules, permitting organizational abuse, and balancing ethical dilemmas. Is it acceptable to violate child labor law and thus help a family obtain life-sustaining food? Is it ethical to ask employees to work in an unsafe environment? A larger moral-balance issue for the United States is the extent to which we should open trade with Mexico. Should we trade with a country that does not enforce worker rights and environmental, health, and safety standards, or will a compensating good be achieved by helping Mexico solve its economic problems?

"Changing Game: Intel Faces Challenge to Its Dominance in Microprocessors." Two of Intel's closest allies, Microsoft and Compaq, are joining with Intel's arch-rival, Mips Computer Systems, to develop new software that will run on a chip manufactured by Mips. The reason for the switch is animosity against Intel because of business practices viewed as unfair.

Intel computer chips became the standard in the early 1980s when IBM chose the Intel chip for the IBM personal computer. In 1986 Intel decreed that no other company could sell its newest 386 chips, and it attempted to protect the chip design. Since that time, Intel chips have secured about 80 percent of the PC market. Three issues have angered Intel's customers and competitors: high profit margins (estimated at 80 percent), conflict of interest by selling chips to customers while manufacturing complete computer systems to compete against its customers, and production under market demand to drive up the chip's price.

Has Intel taken unfair advantage of its position with an 80 percent profit margin? Is it fair for a firm to compete against its own customers or to arbitrarily limit supply when it holds a monopolistic position? Because customers and competitors feel Intel has acted unfairly, they are banding together to break Intel's market dominance.

In addition to the unfair advantage issue, Intel has attempted to hide the design of the 386 chip and to use the courts to drive out competition. When NEC released a clone of Intel's 386 chip, Intel launched a barrage of lengthy suits. By the time NEC won the suits and obtained the right to sell the chip, the business opportunity for the 386 chip had passed.

"Job Seekers Increasingly Find They Are in Demand—as Sources of Free Expertise." This *Wall Street Journal* article describes a ploy in which companies "use" job applicants for free consulting advice. *Executive Strategies* newsletter encourages companies that need a new marketing plan or product presentation, but who don't have the money to pay for one, to obtain creative ideas from job applicants, even if the companies have to advertise a fictitious job opening to obtain the necessary insights.

Following this strategy, a company requires each applicant to prepare a report or make a presentation on a topic of interest to the firm. The company sifts through the many presentations and reports and draws the best ideas from each. In many cases there seems to be no intent by the company to hire anyone.

Relevant moral issues include saying things that are not true, taking things that don't belong to the company, and taking unfair advantage. Is it ethical to advertise an open position when there is no intent to hire? Is it right for the company to use the information obtained during the interviews while paying nothing for it? Are the companies taking unfair advantage of the unemployed?

The *Executive Strategies* newsletter justifies the practice by stating, "Applicants benefit in two ways. They get their names high up in a potential job bank, and they sharpen skills they'll use anyway—in their search and at the next job they take." However, applicants who have participated in such interviews feel "used" by the practice.

"FBI Agent Plays a Smooth Hand in Penny-Stock Sting." This penny stock article describes an FBI sting operation that netted indictments against 18 brokers and four brokerage firms across the country. The operation focused on "box job" operations, a term describing trading in a shell company with few or no assets. A box job consists of using fictitious financial statements and falsified regulatory filings to create the appearance of economic activity in a publicly traded company. Brokerage houses are picked to "make a market" for the stock. Through a series of planned trades, the price of the shell company stock is run up from a few cents to as much as 50 cents within a few days or weeks. The brokers benefit from the appreciated value of the stock they purchase, from the stock they sell to clients, and from fees for finding the shell company and filing falsified statements.

The moral issues illustrated here consist of giving false impressions, taking things that don't belong to you, saying things you know are not true, and violating rules. This scheme is nothing more than a fancy form of lying, stealing, deceit, and fraud.

EPA Complaint against Waste Haulers May Widen Responsibility in Disposal. The Environmental Protection Agency contends that waste companies are responsible for knowing the origins of what they accept and making sure waste isn't diluted or otherwise altered to avoid incineration or other required treatment. Waste Management and Browning-Ferris, the nation's largest waste haulers, are being held responsible for accepting diluted waste from General Motors. All three companies have received substantial fines.

These are tough moral issues involving condoning an unethical act and violating rules. Did GM violate the law when they diluted polychlorinated biphenyl prior to delivering it to the trash haulers? Should the trash haulers investigate the origin of the trash prior to acceptance, and are they responsible for any improper dumping?

Businesses' Role in Changing Ethical Climate

Moral issues are a major element of most business decisions. And as the selected *Wall Street Journal* articles indicate, moral infractions are a major problem in our society. Organizations share a responsibility to improve their ethical environment and will ultimately either share the rewards or reap the consequences of their actions.

The following fundamental concepts are important as businesses face up to the challenges:

1. Our current economic system is built largely on the assumption that people are honest and ethical in their business dealings. Companies prepare their own financial statements and individuals prepare their own tax returns. Firms buy and sell on credit and generally accept a person's or company's representation of credit worthiness.[1] If the majority of people become dishonest or unethical, the result will be destruction of the economic system as it operates today.

2. Unethical and dishonest business practices are overhead costs that reduce business profits and are ultimately shared by everyone. Government regulations, CPA audits, and credit checks add no value to the products people buy and consume. These controls are imposed on organizations because of dishonest or unethical business practices. Business profits will improve and the consuming public will benefit to the extent that these controls can be reduced or eliminated.

3. Honest and ethical business relationships are highly correlated with long-term profitability. Businesses may gain an advantage in the short run by dishonest or unethical practices, but the advantages are not sustainable in the long run.[2]

4. Organizations can influence their own climate of ethics and honesty.[3] Example, culture, and instruction can have a significant influence on employee work-performance behavior.

5. Employers have a social responsibility to do everything possible to influence ethical and moral behavior. Occasional disagreement may occur as to what is right, but if people consistently work toward moral/ethical behavior, most differences can be resolved.

Notes

1. Part of this trust has been eroded in recent years with greater emphasis on audits by accountants and governmental agencies and through extensive credit checks.

2. Some sample-week articles discussed positive aspects of moral behavior. See for example: Frederick Rose, "Utilities React to Electromagnetic Fields," *The Wall Street Journal*, April 11, 1991, p. B1; and Thomas R. King, "U.S. Bank Uses Frank Approach in Campaign about Spending," *The Wall Street Journal*, April 10, 1991, p. B4.

3. David J. Cherrington and J. Owen Cherrington. "The Climate of Honesty in Retail Stores." In William Terris (ed.) *Employee Theft: Research, Theory, and Applications*. (Park Ridge, IL: London House Press, 1985), pp. 3-16.

CONTEMPLATING CHANGE IN CHINA

No one can ignore the drama being played out on the world stage as communist countries rethink their long-held ideologies and seek for reform. While each seems to approach reform differently, they all agree that change is inevitable and necessary. Newspaper articles by the hundreds tell of the changes occurring in the Soviet Union, China, and Eastern Europe.

Recently Digital Equipment Corporation was invited by the Chinese Academy of Sciences (CAS) and the Chinese Enterprise Management Association (CEMA) to prepare a seminar on managing high-tech organizations in an open-market environment. The senior leaders of these two influential Chinese ministries were very open about the need for fundamental reform. They are aware that they have much to learn about our capitalistic market system, with which they have been at ideological odds for 40 years. Just as most Westerners have only a superficial understanding of communism and how it really works, the Chinese also have much to learn about market systems and how they work.

The Chinese Philosophy

What is refreshing is the Chinese realization of what they *don't* know. Although they are impressed with our technologies, they know technologies will come and go. What the leaders really want is to learn about management and organization systems that can leverage technological development.

The Chinese acknowledge the need for reform, but they want to manage it in a controlled manner. Although this seems to be a contradiction in terms, it is, nonetheless, their explicit goal. They look at current reform in the Soviet Union and in Eastern Europe as what they *do not* want to do. They believe that such radical, uncontrolled change will lead a country into economic chaos and civil disorder totally unacceptable to the Chinese government. The government's crackdown of the student movement for democratic reform at Tiananmen Square underscores that resolve.

The Chinese Strategy

To move the country in the desired direction, Chinese leaders have embarked on a two-pronged strategy for learning Western management practice. First, they have implemented a variety of open-market experiments. Several economic trade zones have been developed to induce international corporations to do work in China. For example, Digital Equipment Corp. has opened a manufacturing plant in Shenzhen.

In addition to trade zones, the government "joint ventures" with a variety of Western corporations. Kentucky Fried Chicken of Beijing brags of being the chain's largest restaurant in the world. And Coca-Cola has clearly made its impact in China. The government also chose the hotel industry as a focus for initial joint ventures. Hotels made sense because most hotel customers are foreigners who pay in convertible currencies.

The second part of the Chinese strategy is a general education of government and industry leaders. These leaders are anxious to learn both the concepts and the day-to-day workings of an open-market, capitalistic system. The Digital seminar was just one part of this educational thrust. Many of the leaders I spoke with had also attended universities in Europe or the United States, many in management programs. This education has taught the concepts, but it has not provided detailed, on-the-job training. Chinese leaders are now attempting to give hands-on experience in the previously mentioned joint-venture and free-trade-zones operations.

Ralph Christensen
Personnel Chair of Products and Technology
Digital Equipment Corporation

Our Management Messages

I was both humbled and delighted to

find myself in the Great Hall of the People, on Tiananmen Square, discussing management with senior Chinese government and industry officials. I knew of their interest in these areas as key to their reform strategy, but I had no idea how my messages of changing the way they look at work, hierarchy, and control would be received. Frankly, I was pleasantly surprised both by their understanding of the concepts and by what seemed to be a sincere desire to learn. The messages I presented are summarized as follows:

The nature of work and organization has changed drastically during the agricultural, industrial, and knowledge eras.[1] The move from agricultural work, with its family and feudal organization structures, to industrial work, with its steep hierarchical organization structures, was a traumatic cultural shock for those who made the transition. An equally traumatic shock is in store for those who make the transition from the industrial era, and its focus on hierarchy, to the knowledge era, with its organizational emphasis on flexible human networking.

On the one hand, the industrial era focused on providing products and services. Its hierarchical organization emphasized division of management, separation of thinking and doing, one person/one boss relationships, and work performed serially.

The knowledge era, on the other hand, focuses on creating knowledge to be used later in products and services. A knowledge-era organization emphasizes peer-to-peer networking across the organization and focuses on specific tasks; integrative processes; work as a dialogue, not an event; work performed in parallel; and creation and dissolution of networks.

Some industries are legitimately still in the industrial era and can function with a steep hierarchy. But the development of new technology is clearly knowledge-era work. It demands a shift from hierarchy, with its tedious bureaucratic control mechanisms, to a more loosely controlled network unconstrained by traditional hierarchical boundaries.

Networked organization involves several key assumptions that are distinct from traditional hierarchy.

• Leadership is a process, not merely a position. It can be practiced by all employees.

• Power is based upon knowledge and competence. It is given, not taken, and is not a fixed, zero-sum entity.

• Authority is both given through traditional hierarchical means and based upon knowledge and competence. It is distributed.

• Control relies on clarity of vision. It is distributed and is focused where work is done.

• Decision making involves and values debate and is team focused. It is close to the work and assumes effective team functioning.

• Network members have skills to deal with rotating leadership, flexibility, and problem solving.

Human networks and hierarchy can and should exist in parallel. As needed, networked teams are created from members of the hierarchy. The hierarchy provides a stable "home" for people between their team assignments. It helps ensure functional excellence, brings some sense of order, and defines accountabilities.

However, hierarchy does not represent how knowledge creation occurs, and it will never be the sole organizational vehicle that allows an enterprise to succeed in a competitive high-tech marketplace.

Chinese Leaders' Questions

The Chinese leaders' questions about our management message revealed much about their perceptions and concerns regarding an open-market system and networked organizations. The following samples of their questions, accompanied by my responses, provide insight into their thinking.

Question: *What is the market argument for human networking?*

Response: Time-to-market has become a key leverage point in the high-tech industry. Work can no longer be done sequentially; it must be done in parallel. Human networking facilitates parallel, interdependent work.

Globalization not only describes our dispersed markets and customers, but also implies distributed sources of knowledge and vendors. We must link customers, vendors, and knowledge sources around the world.

Cost pressures are intense. We must find ways to better utilize our people, minimizing redundant and nonproductive efforts.

Question: *What motivates people to work across organizational boundaries? (This is a huge problem for the complex, cumbersome Chinese bureaucracy. For example, Chinese industry rarely links successfully to university research because education and industry fall under different ministries.)*

Response: I indicated that our engineers are motivated by the desire to discover knowledge, expressed in successful products, and through being acknowledged for doing so. "Artificial" organizational barriers often represent constraints.

Question: *After providing expensive education to employees, what type of contract do you make them sign to ensure they won't leave your company? (In the controlled development system used by China, their leaders are troubled that so few seem interested in seeking education. However, this shouldn't be a surprise in an environment where the average salary of $40 per month would be totally*

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... From the Dean

The decade of the eighties was a time of significant change and, in some cases, upheaval. The world changed, as did philosophies and technology. A quick review of newspaper headlines or of feature articles in major news and management periodicals highlights these changes.

Political. The cold war came to an abrupt end. When the Berlin Wall came down, so did many political barriers. Eastern-bloc countries are now struggling to establish democratic, free-market systems. South Africa is undergoing policial and social stress while trying to provide civil rights for all its citizens. South American countries are struggling with major inflation and financial problems as well as with serious health and literacy concerns. Managing these changes is requiring high-level leadership skills.

Economic. The emergence of Asia as an economic force is creating strains thoughout the world. Japan has become a major economic force; Korea is rapidly becoming competitive; and the Republic of China is becoming valued as a source of inexpensive labor. This emergence of Pacific nations as international economic players is creating a need for Western nations to reevaluate their way of doing business and their views of management and productivity.

Attitudes. The ethics and values of the eighties were questioned when Boeskey, Drexel-Burnham, Milken, and others were found guilty of inappropriate financial activity. Their illegal activities made Americans skeptical of the honesty and integrity of the U.S. financial community. In addition, Americans became concerned that customer satisfaction and loyalty were taking a back seat to quotas. The attitude of "if she doesn't buy, someone else will" was pervasive. As a result the quality of American products slipped—the competitive edge was lost.

Technology. Changes in technology became everyday occurrences during the eighties. Fax machines became commonplace, changes in computers and computer programs made them essential to business success, and robotics

brought new stress to the labor force.

Change continues and must be recognized if the competitive edge is to be regained. Change carries implications for all segments of society—especially for managers and executives. In some instances change may be almost overwhelming, but not impossible.

Change is inevitable. The challenge for management is to manage it effectively and efficiently, even if the change involves human resources, financial considerations, political constraints, asset allocation, work ethics, process and productivity, or the total process of quality management.

One of the results of extensive political and economic challenges is a resurgence of quality as a function of competition. American management in particular is looking to "thinkers" such as Edward Deming, who helped move Japan forward after the Second World War.

Over 40 years ago Deming was "preaching in the wilderness" about quality and productivity. His ideas about new management principles were not readily accepted in America because of the quota philosophy then in vogue. When Deming took his ideas to Japan, the Japanese accepted them and molded a work force and management theory that helped to establish Japan as a leader in many industries; examples are automotive and electronic industries that are now known for high-quality products. The Japanese adopted a philosophy of "do it right the first time," coupled with "customer satisfaction," and moved forward into many of the world's markets with Japanese products of superior quality. Japanese industrialists took Deming's 14 points and used them to make the transition from a loser nation to a leader.

Today in America, change and quality are being emphasized in product development, in the workplace, and in management style and philosophy. These concepts are becoming major keys to progress and a competitive edge. A prime example is the Malcolm Baldrige National Quality Improvement Act, enacted in 1987. The Baldrige Act established the U.S. National Quality Award, which recognizes quality improvement in manufacturing companies, service companies, and small businesses with less than 500 full-time employees. It is an attempt by the U.S. government to encourage improved products and services so American business can regain the leadership edge lost to the Japanese a decade or so ago. Since 1988, awards have been presented to companies such as Motorola, Xerox, and Cadillac. This award recognizes the need for continuous quality improvement.

What does change and pursuit of quality mean for management education? From my perspective, it means that schools of management have the challenge of infusing their students with an ability to manage change well and with the desire for continuous/incremental improvement in performance, coupled with customer satisfaction. Business graduates who enter the work force must have an understanding of the human factors involved in quality products and services (pride of workmanship, participation, communications, and satisfaction in doing the job right the first time); a knowledge of technology and its value to the workplace; a commitment to strong work ethics and values; and a recognition of international competition.

The Marriott School of Management has taken this challenge seriously and has developed classes and learning opportunities that will help its graduates respond to the need for management leaders who can help companies and government agencies provide quality management and products, ethical leadership, and global perspective.

Specifically, the MSM has moved to globalize its curriculum and to assist its

PHOTOGRAPH BY JOHN SNYDER

students in understanding international marketing strategy and the challenges presented by a global economy. An International Center for Business—a joint venture with the University of Utah—has been established with funding from a U.S. Department of Education grant.

The professional graduate programs, particularly the MBA, emphasize language and cultural expertise and preparation. For example, the MBA Program has an average of 80 to 85 percent of its students who are bilingual. This has led to the development of dual-language study groups and international case studies. Classes in foreign language, geography, international relations, etc. are encouraged.

Recognizing the need for change in accounting education, the School of Accountancy and Information Systems (SOAAIS) received a grant from the Accounting Education Change Commission. Under this grant, SOAAIS faculty are developing a model curriculum for accredited accounting programs. This curriculum may create an opportunity for significant improvement in the way accounting education is implemented nationally. As a result of faculty research and study, the SOAAIS has already begun to make curriculum changes that will reemphasize quality management.

The Graduate School of Management is developing a common core of classes for its four professional programs. For example, a new course, "Business, Government, and International Economy," analyzes the environment in which corporations exist and operate. It deals with national and international strategies, major resource flows across international boundaries, and the integration of economies and markets. This class deals with change and its impact on countries, companies, and governments.

The new Technology Enhanced Learning Environment classroom (TELE) and a Union Pacific grant to upgrade Tanner Building auditoria are making it possible to prepare students who can respond to technological change. Computers are the future, and students are being given necessary educational opportunities to help them respond positively to state-of-the-art technology.

Quality control management is becoming a major thrust. MSM faculty members are preparing cases and classroom experiences that will reenforce the concept of "quality begins with well-educated and committed employees." The MSM first annual Quality Management Manuscript Competition was held this past academic year. Its theme was "Continuous Improvement for Increased Productivity." The submitted papers were impressive, and awards were provided by MSM alumni.

A quality management class has been added to the accounting junior core, and the MBA Program has three classes that stress quality management issues. Undergraduate students take a class that has a major unit on quality management.

In addition, the MSM stresses the need for continuing education and learning—graduation is only one milestone. As managers, graduates need to recognize their need for continuing education. Companies and agencies need to provide on-the-job training, educational seminars, and other learning experiences that build on new technologies and opportunities to share ideas. They need to take with them a commitment to excellence, to customer satisfaction, and to doing things right the first time. Status quo and quotas are no longer economically feasible.

In summary, I concur with Edward Deming when he said, "The aim of leadership should be to improve the performance of man and machine, to improve quality, to increase output, and simultaneously to bring pride of workmanship." The Marriott School of Management is providing education that will help its graduates to do just that—improve performance and quality, increase output, and bring pride of workmanship back into the workplace.

K. Fred Skousen
Dean, Marriott School of Management

Contemplating Change in China

continued from page 35

consumed for years if required to pay off educational obligations.)

Response: The leaders were intrigued with my response that we assume some small percentage will receive education and promptly leave the company. That is simply one of the costs of doing business. "They" hire some of ours and "we" hire some of theirs. However, we don't want to demotivate the 95 percent with a policy focused on the 5 percent problem.

Question: *Do you consider Americans to be disciplined?*

Response: I believe most Americans are relatively very disciplined, as evidenced by tremendous technical and economic efforts over recent decades, but it is a self-discipline. Americans react against externally imposed discipline. (The Chinese were fascinated by the incredible level of freedom and self-control experienced in a company like ours.)

Question: *How do you know that engineers will do what management wants them to do?*

Response: My bigger concern is: How do we know that management will do what engineers want them to do?

In contrast to the Soviet Union, which seems to be trying to manage economic, cultural, and political reform in parallel, China seems intent on managing economic reform, while resisting cultural and political reform. They seek an economic reform that engenders open-market movement, but they want this movement to be closely controlled by the government. Only time will tell if their approach can be successful.

Notes

1. Charles M. Savage, *5th Generation Management: Integrating Enterprises Through Human Networking* (Bedford, Mass.: Digital Press, 1990).

Book Review

Becoming a Master Manager: A Competency Framework

by Robert E. Quinn, Sue R. Faerman, Michael P. Thompson, and Michael R. McGrath

Dr. Michael P. Thompson is assistant professor of management communication in the Marriott School of Management. This review is by Dr. Richard S. Blackburn, associate professor in the Kenan-Flagler Business School at The University of North Carolina, Chapel Hill.

We all possess naive theories of why things happen the way they do. These mental models influence how we gather, interpret, and act on information in our lives. Managers have been presented with a variety of management models since the turn of the century: scientific management, bureaucracy and hierarchy, human relations, and open systems, as examples. Generations of managers learned that one (or another) perspective was most appropriate for their organization. While single-model management may have worked in the placid environments of the first 60 or 70 years of this century, Quinn, Faerman, Thompson, and McGrath argue in their book, *Becoming a Master Manager*, that the white-water environments of the late 20th-century decades demand managers able to bring multiple models to bear on managerial issues.

To this end, the authors propose a meta-model, within which they array the four managerial models referred to above. The framework that underlies this effort is Quinn's Competing Values Model. Quinn argues that master managers are those best able to confront two basic organizational paradoxes: (1) demands for flexibility versus control and (2) demands for internal maintenance versus external competitiveness. His competing values model crosses these two dimensions to yield a quadrant framework. Each of the resulting quadrants houses a managerial perspective. Quinn, et al., propose that success comes by mastering the competencies necessary to confront managerial situations from a variety of perspectives simultaneously.

Each of the four quadrants/models has two associated roles:

Quadrant 1—Human Relations: Mentor and Facilitator

Quadrant 2—Internal Process: Monitor and Coordinator

Quadrant 3—Rational Goal: Producer and Director

Quadrant 4—Open Systems: Broker and Innovator

Associated with each role are three managerial competencies. For instance, the three competencies associated with the Director Role are "Taking Initiative," "Goal Setting," and "Delegating Effectively." The heart of this text includes a chapter for each role and a discussion within each chapter of that role's three competencies.

Chapter one considers the historical development of the four managerial models and a presentation of the competing values perspective. Chapter 10 discusses how the reader can best make the changes necessary to move down the road toward mastery. With the exception of the first chapter, the learning process is organized around the ALAPA model: assessment, learning, analysis, practice, and application. Thus, the text is "hands-on," with a variety of exercises, cases, and self-assessments that students or managers can complete as time and interest allow.

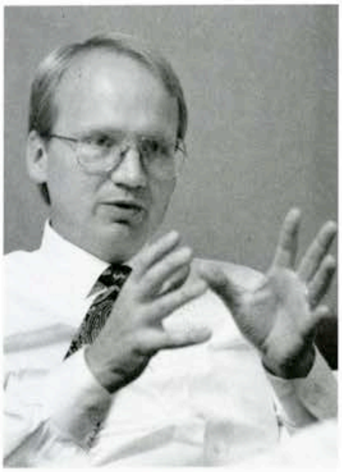
I have used the text in both my executive MBA classes (seven to 10 years of work experience) and my regular MBA classes (two to four years of work experience), and it has won rave reviews from both groups. In fact, several of the executive MBAs sought information about bulk purchases of the text for their organizations.

Does the volume have some warts? Certainly, but these are not sufficiently serious to keep me from using the book in class again this year. First, trying to cover 24 competencies in a single volume of 330 pages means that some competencies get only cursory treatment. There were times when I wished the authors had pared the number of competencies examined to, say, 16 and looked at these in more depth. Second, since the underlying model is of paradox and competing values, it is surprising that this idea gets little direct attention in the text. The addition of chapters that explicitly consider the tensions present in managing flexibility and control and internal and external focus would have been beneficial. Third, there is some overlap in the competencies presented, so that arguably similar concepts such as, delegating effectively, developing subordinates, and participative decision making appear as competencies in different roles. Finally, there is no formal consideration of leadership in the book. The authors allude briefly to the concept of managerial leadership in the first chapter, but the subject gets short shrift in the remainder of the volume.

Nevertheless, the book is one I would highly recommend for current managers, for those responsible for training future managers, for students, and for other managerial candidates. It is eminently readable and provides a welcome respite from the typical management/organizational behavior textbooks that present a survey of seemingly unrelated topics from the anecdote-filled memoirs of chief executives or from the latest pop psychology froth. You may not need or even want to improve your mastery of all 24 competencies. The design of the book offers you the opportunity to pick and choose without loss of continuity.

More importantly, if you read *Becoming a Master Manager* and leave only with an appreciation of the importance of multiple viewpoints and a willingness to examine managerial issues from multiple perspectives, then the book is worth the modest price of admission. Look at your purchase not as a cost but as an investment.

Spotlight on...



Ralph Christensen

Ralph Christensen has served as a member of the Marriott School of Management Alumni Board for four years and as its president during 1990–1991. He graduated from BYU with a bachelor's degree in finance in 1975 and a master's degree in organizational behavior in 1977.

After graduating he joined Digital Equipment Corporation in Augusta, Maine, working as an internal organizational consultant. Specifically, he consulted on new manufacturing start-up, which includes factory floor-work design, organizational structure, and organizational systems design.

In 1981 he joined the Martin Marrietta Corporation in Bethesda, Maryland, as director of human resources and planning and development. He implemented a human-resource planning system for the company and consulted on organizational design and white-collar productivity.

Ralph moved to Colorado Springs in 1984 to return to Digital Equipment as an organizational consultant. In 1988 he became personnel manager for Digital Equipment Midrange Systems Group in the Boston area. There he was responsible for personnel, human resources, and organizational development.

He currently is the personnel chair for all engineering and technology at Digital Equipment, responsible for the full range of human resource management activities. He also provides organizational and human resource consulting to Digital Equipment customers.

In May 1991 he was in Beijing and Hong Kong with others from Digital Equipment Corporation to train Chinese industrial leaders on technology business in the United States. Digital hopes to eventually gain access to the Chinese market through this training.

Ralph has served as an LDS bishop in both Maine and Colorado and as a high councilor in Washington, D.C. He currently teaches early morning seminary.

Ralph grew up in Chicago, Illinois, and London, England. His wife, Teresa, is from California. They reside in Northborough, Massachusetts, and are the parents of nine children.

Wayne Hancock

Wayne Hancock, vice president and general counsel of the Dow Chemical Company, graduated with a BS in business administration from BYU in 1953. He was a member of the first graduating class of the BYU Air Force ROTC. In 1956 he graduated from the University of Arizona Law School with honors. For the following four years, until 1960, he served as judge advocate in the U.S. Air Force, spending three years in Germany and one year at Hill Air Force Base in Utah. After his discharge from the Air Force, Wayne practiced law for six years in Phoenix before accepting a position as a corporate attorney for Dow Chemical Company in 1967. From 1971 to 1979 he worked for Dow in the U.S. and Zurich, Switzerland, in a number of labor and personnel relations positions, including director of Labor Relations and Safety, chief labor lawyer, and director of Legal Personnel and Administrative Affairs.

After serving as vice president of Dow Europe and general counsel for Dow in the United States, Wayne was promoted to vice president of Dow Chemical in 1985. His present duties include management of the 15th largest corporate law department in the U.S., including 200 attorneys worldwide; representation of Dow's Corporate Risk Management Group, which deals with the firm's property and equity insurance; and chairing the company's insurance subsidiaries.

Wayne initiated Dow Chemical Company's recruiting from BYU's J. Reuben Clark Law School and supports recruitment from the Marriott School of Management. In 1984 he was responsible for bringing Paul F. Oreffice, president and CEO of Dow Chemical, to speak at the Marriott School of Management.

Wayne, an Eagle Scout, actively supports the Boy Scouts of America. He is president of the Lake Huron area BSA and serves on its executive board. All five of his sons are also Eagle Scouts. Wayne and his wife, Connie, are the parents of eight children—four of whom are graduates of BYU. Wayne was recently released after serving almost 10 years as a stake president.

Spotlight on...

Richard V. Harris

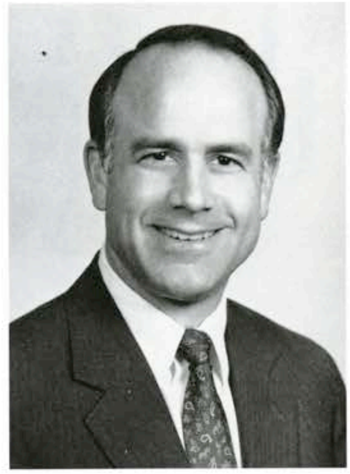
Richard V. Harris, senior vice president and head of finance at Bank of America, received his BS in electrical engineering from BYU in 1971. He remained at BYU to receive his MBA and was hired in 1973 by First Chicago Corporation, where he worked in its capital-equipment leasing subsidiary. In 1976 he was employed by Bank of America, responsible for building a leveraged leasing business there. The following year he was made vice president.

In 1982 Richard was made president and CEO of BankAmerica's leasing company. At that time he supervised a massive restructuring of the company. Under significant capital and tax resource constraints, the company received a new culture and organizational structure. This included a redesigned reward system and restructuring of personnel. This project was so large that the company became the subject of an organizational behavior case study on the challenges of change. Today the organization is smaller, more flexible, more customer oriented, and much more competitive.

In his present position at BankAmerica, Richard is responsible for overseeing project financing, structured financing, and related investment-banking activities.

He has devoted considerable time to both community and church. Such service has included membership on the boards of directors of the Marin Association for Retarded Citizens and the Novato Youth Soccer Association. For eight years he served as a cubmaster for local Scouts. In addition he has held numerous callings in the LDS church including stake high councilor, high priest group leader, and Young Men's president of his ward. He has also been a member of the Marriott School of Management's Alumni Board since 1989.

Richard and his wife, Trina, reside in San Francisco and are the parents of four sons and one daughter, ages 8 to 18. Their oldest son, Brad, is a freshman at BYU. Richard's devotion to his family has drawn his personal interests—baseball, soccer, piano, and scouting—to revolve around his children.



Kent L. Meyers

Kent L. Meyers, president-elect of the MSM Alumni Board, is spotlighted for his professional and personal achievements. Kent graduated from BYU with a BA in physics in 1970 and with an MBA two years later. In 1972 he took a position as an analyst in the Corporate Finance Department at Aetna Life and Casualty in Hartford, Connecticut. After two years he was transferred to a position in real estate investment, working on the financing of large, commercial real-estate developments in the eastern U.S. From 1979 to 1981, while working in Aetna's investment planning division, he was responsible for Aetna's long-range planning as well as its investment response to the liquidity crisis that plagued the insurance industry. He has subsequently held other positions, including risk manager in Pension and Financial Services and head of portfolio strategy for Aetna's general account portfolios totaling $38 billion. In his current position as head of equity investments, he manages the U.S. common-stock investment portfolios for Aetna and its domestic and foreign institutional clients.

During the 1980s Kent worked with insurance rating agencies and industry groups to restructure the ratings of the credit quality of insurers. The credit distinctions and publicity generated from the restructuring are credited with helping, in part, to minimize insurance industry problems evident in the recent bankruptcies of several insurers.

Kent is also very active in church and community activities. He currently serves as ward Young Men president. Previous church callings include bishop, high councilor, mission president's councilor, and member of the stake presidency. He and his wife, Marilyn, initiated and continue to work with the annual Community Christmas Sing—a program that includes choirs, soloists, and instrumental groups from several local churches.

The Meyers are the parents of six children. Despite Kent's busy schedule he still finds time for personal interests such as singing, classical music, golf, and 5:30 a.m. basketball.

... Or So It Seems

This issue of *Exchange* has additional items that will be of special note and interest to our readers. An alumni service questionnaire is attached as a centerpiece. Please remove it, read it, and respond to the questions. It has been designed so that you may fold the page and mail it with prepaid postage. This issue and future fall issues will include the Marriott School of Management's "Year in Review." The review covers the past school year and contains accomplishments, progress, and a look at future plans and goals. "Change" describes the academic aura in the MSM. Dean Skousen in " . . . From the Dean" discusses change and its effects on the MSM. We did receive some letters, and we included a few in this issue. Keep writing—we enjoy hearing from you.

A few weeks ago I overheard two students discussing their upcoming graduation and, finally, their introduction into the "real world." I wanted to hear more of their discussion because I quickly recalled how often I had referred my students to the "real world"—a place where the theoretical would take a back seat to the practical, the actual day-to-day concerns of business. As I recall, my reference to the "real world" was generally with an attitude of "if you think this is bad, you have a surprise coming because the real business world is full of deadlines, pressures, schedules, and corporate ladder climbers."

In any event, this student conversation prompted me to respond to the question: What and where is this real world? Reality, I suspect, is dependable. What you see is what you get. It is now—today, not supposition—tomorrow. Today, then, presents a real world with extreme poverty; changing governments; wars; cruelty of a disgusting degree; outstanding medical achievements yet inability to provide these achievements for everyone; environmental crises; discrimination issues that negate individual opportunity and self-worth; political maneuvering and cover-up; financial disasters at the national, state, and municipal government levels; personal and business bankruptcies; increased serious crime; questionable educational efficiency; increased debate over morality and self-determination; and the distressing social issues of the homeless and the unemployed. This is not an exaustive list—only a beginning.

However, the real world—today—also includes "a thousand points of light," patriotism born of liberating victims of agression; miraculous medical accomplishment; ecology and conservation watchdogs; worldwide desire for democracy and individual rights; an entrepreneurial spirit that says, "It *can* be done!"; reduction of arms and military might; and charitable generosity.

So, what has this reality to do with Marriott School of Management students? For several years I surveyed my students to learn how many were regularly reading newspapers or watching TV newscasts to keep informed about current events—happenings of the day. At least 60 percent did not read newspapers or watch TV news at least three times a week. I suspected as much when they completed writing assignments dealing with current events. Their assignments were content shallow and in most cases incorrect.

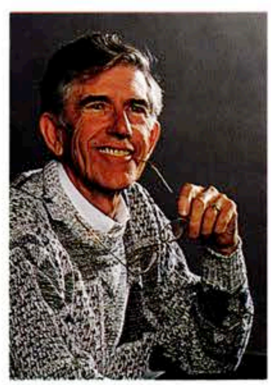
Of equal concern, besides the weak content, was their inability to understand or to apply an appropriate business response to the "real world" situations—the today, the here and now! Corporate America has, in many cases, made noble response and been sensitive to the social needs of the world—has shown social responsibility. My students were not only uninformed about the world of today with all of its problems, they were also not aware of any societal business conscience in the world.

In the MSM we have proudly planned our curriculum in the "generalist" or general education direction. Specialty courses have been reduced, and students are given more options to build a single major—business management. We have tremendous students and an outstanding faculty. Both groups look forward to the graduation and entry of the students into the "real world." But where in their instruction and experience have these students researched, discussed, and anguished over the questions of business social responsibility?

Our MSM students, both members and non-members of the LDS Church, come to us with religious principles that incorporate a philosophy of the Golden Rule and of life-long service to others. Many LDS students have served the peoples of the world as missionaries. The concept of service is not alien to our students—it is one of their positive attributes.

If in our training of MSM students we were to combine this positive attribute with a keen sense of the world "today," including appropriate business responses, then the graduation of each MSM student should signal a single, yet stable, infusion into the business community of citizenship, integrity, and business social responsibility *. . . or so it seems.*

Ed Nelson
Editor



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