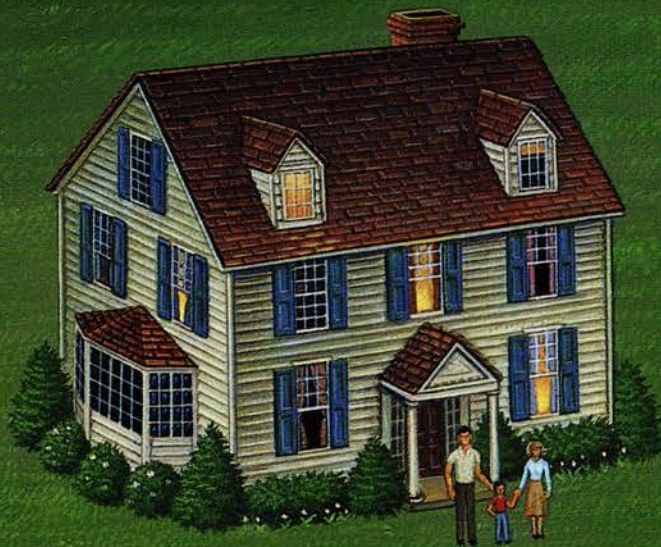


EXCHANGE

SPRING 1988
BRIGHAM
YOUNG
UNIVERSITY
SCHOOL OF
MANAGEMENT



The Lengthening
Shadow of
Business Ethics

Expanding Our Efforts

Management activities of the recent past have prompted a resurgence of interest in ethics and integrity. Insider trading on Wall Street, secret deals, payoffs, and bribes in business and government have made worldwide headlines. In light of these events, the School of Management is increasing its efforts to stress ethics and integrity. The school is not starting afresh, but is expanding its efforts. Our students must be fully prepared to conduct their personal and professional lives in an ethical, up-front manner.

How is the BYU School of Management meeting the challenge of preparing the next generation of managers and executives to be ethical as well as successful? How is the school reinforcing the importance of ethical behavior by today's executives? The answer to these questions is important, and although many examples could be cited, I would like to focus on two major activities: classes and conferences.

For several years the professional programs in the Graduate School of Management have required students to take at least one class devoted specifically to ethics and values. This core class examines the ethical ties and responsibilities among organizations, individuals, and the larger society. Managerial ethics and issues of corporate social responsibility are discussed, and students are forced to come to grips with questions of what is ethical, what is unethical, and what their responses should be. Additional classes focus on ethical leadership, professional conduct, value-oriented behavior, and moral and social issues. The classes are reviewed regularly, and materials, such as case studies of current ethical dilemmas, are added. We make every effort to ensure that the curriculum is current and relevant to today's management environment. All programs, both graduate and undergraduate, contain modules on ethics and each person's responsibility to conduct his or her life and work in an ethical manner.

A more recent addition to the school's activities is the annual ethics conference, the first of which was held in March 1987. This first conference had as its theme "Papers on the Ethics of Administration." It used as its focal point a recognition of the 50th anniversary of the influential book *Papers on the Science of Administration* by Luther Gulick and Lyndall Urwick. This book profoundly influenced the theory and practice of public and business administration and has remained a landmark of scholarship in the area of ethics. It is the School of Management's hope that the proceedings of the 1987 conference will provide another landmark in the study of ethics. During the conference, students, faculty, alumni, and special guest lecturers shared concerns, values, and possible solutions to today's moral dilemmas.

The second conference, held in March 1988, had as its theme "Ethics and Business in the Pacific Rim." This timely theme provided participants from this country, as well as Japan, Korea, Hong Kong, the Philippines, and Singapore, the opportunity to present papers and discuss ideas regarding East/West views of ethics and ethical behavior.

The School of Management, its faculty, and students want to make an impact. This challenge also exists for alumni and friends of the school. If you would like to participate in future ethics conferences or if you would like to work with a professor or class in preparing a case study on ethics, please contact me. I look forward to hearing from you.



Paul H. Thompson
Dean, School of Management

Orem: An Environment for Innovation



"Orem, Utah, surrounded by majestic mountains, canyons, and lakes, is a beautiful place for the headquarters of WordPerfect Corporation. Utah Valley has been called the 'Silicon Valley' of software due to major software developments and companies which have originated here. Our employees are highly productive and dedicated people, unexcelled in technical and personable skills. Nearby Brigham Young University and Utah Valley Community College provide us with a continual force of intelligent, responsible, hard working employees, and Orem provides us with outstanding recreational and community services."

Alan C. Ashton,
President, WordPerfect Corporation

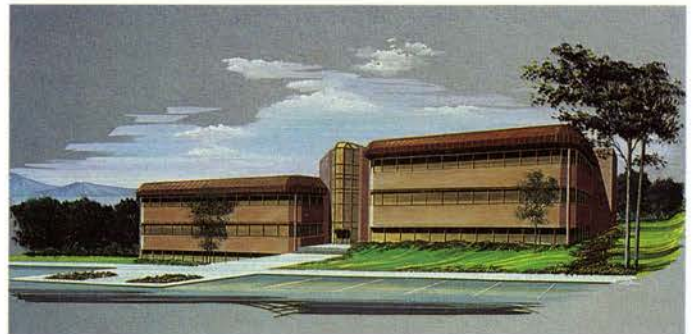
WordPerfect Corporation, the world leader in word processing software, believes in the future of the City of Orem. So much so that phase one construction is underway on WordPerfect's world headquarters, the anchor complex of Orem's new Timpanogos Research and Technology Park. Over 135,000 square feet of office space will be completed during the next 18 months to accommodate the rapidly growing company.

WordPerfect Corporation already has a strong foundation in Orem. In fact, the prototype program that eventually became WordPerfect was developed as a project for the City of Orem. Alan C. Ashton, a Brigham Young University professor, and Bruce Bastian, then a graduate student at the university, set out to develop a reliable word processing program for the City, and in 1979, WordPerfect Corporation (formerly Satellite Software International) was established.

Since the release of WordPerfect for the IBM PC in 1982, company revenues have grown by over 100 percent per year. And with 1986 sales reaching over \$52 million, every indication points to continued success. WordPerfect now holds 30 percent of the market for IBM-compatible word processing software—nearly twice the market share of its next competitor. Its foreign language versions are among the best selling software products in Europe as well.

WordPerfect Corporation employs close to 500 Utah Valley residents, and at its current growth rate, expects to hire 600 to 1,000 additional employees over the next three years.

The City of Orem is proud to call WordPerfect Corporation a "home-grown" company.



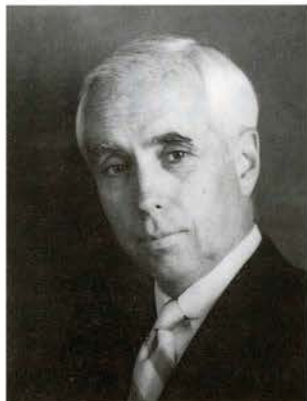
For information on locating your business in Orem, contact:



Commission for Economic Development
777 South State Street
Orem, Utah 84058
(801) 226-1521

WordPerfect
CORPORATION

About the Authors



David K. (Kirk) Hart is a faculty member in the Institute of Public Management and first recipient of the J. Fish Smith Professorship in Free Enterprise Studies and Business Ethics. Dr. Hart teaches ethics courses for the Graduate School of Management. He has published four books and has several works in progress. His current research focuses on Adam Smith's moral philosophy, the Scottish Enlightenment, and the foundations of the American republic.



Christopher B. Meek joined the organizational behavior faculty in 1984 after completing a Ph.D. at Cornell University. He is director of the Small Business Develop-

ment Center at BYU and is one of 45 outstanding American professionals recently named to Group VIII of the W. K. Kellogg Foundation's National Fellowship Program. Dr. Meek has worked closely with bankrupt companies to explore the option of employee ownership.



Warner P. Woodworth, a professor in the Organizational Behavior Department, has taught at BYU since 1976. He is former director of the Small Business Development Center at BYU and has done extensive management consulting with major corporations, including General Motors, Westinghouse, PPG, Clark Equipment, and Honeywell. His current research interests include industrial democracy, worker ownership, and ethics.



W. Gibb Dyer, Jr., has been an assistant professor of organizational behavior at Brigham Young University since 1984. His research interests involve family-owned businesses, entrepreneurship, and organizational culture. He has also been studying the process of technical innovation in high-tech companies. Dr. Dyer served as 1987 program chairman for BYU's National Conference on Family Firms.



Max L. Waters is a professor of information management and director of the graduate business communication program. He has taught for 30 years in the BYU School of Management. Current areas of professional research and writing include international communication and ethical issues in communication. He is also involved in business consulting.



Clinton L. Oaks is a professor of business management. Before coming to Brigham Young University in 1957 he was a faculty member at the University of Utah, the University of Washington, and Stanford University. He has served on several university committees and has long been interested in problems involving business ethics.



Jeffrey R. Holland is the ninth president of Brigham Young University. For four years he served as Commissioner of Education for the worldwide Latter-day Saint educational program. Prior to that he served as dean of religious instruction at Brigham Young University. President Holland has had one book and more than 70 articles and addresses published in both LDS and professional journals, including *Vital Speeches of the Day*.

EXCHANGE

SPRING 1988
BRIGHAM
YOUNG
UNIVERSITY
SCHOOL OF
MANAGEMENT

CONTENTS 2

LIFE, LIBERTY, AND THE PURSUIT OF HAPPINESS: ORGANIZATIONAL ETHICS AND THE FOUNDING VALUES

David K. Hart

To be a principled individual has always required both knowledge and moral courage; to be a principled society has always required sustained and intentional moral effort. But in our headlong rush for prosperity, we have trivialized the ethical standards of our national founding.

8 PAPER ENTREPRENEURS AND ABSENTEE OWNERS

A Conversation with Christopher Meek, Warner Woodworth, and W. Gibb Dyer, Jr.
Company owners are becoming more and more distant from the day-to-day operations of their businesses, and professional managers, who have little technical understanding of the product or process, manage these companies "by the numbers."

12 BRIEFLY

15 THE SMITH CENTER FOR FREE ENTERPRISE STUDIES/ THE STODDARD PRIZE

16 SHAPING HISTORY: A RETURN TO VALUES IN BUSINESS AND EDUCATION

President Jeffrey R. Holland

I would want us to stand with those who shape history rather than simply yield to it. And one thing essential to the survival of business and education and everything else worthwhile is a reaffirmation of those values that have marked the moral development of the Western world for more than two millennia.

20 A LOVE OF TRUTH

Wilford A. Cardon

The result of personal honesty is a love of truth. A person who hears the truth is not the equal of one who understands the truth. A person who understands the truth is not the equal of one who loves the truth.

24 STUDENT PROFILES

26 THE LANGUAGE OF DECEPTION

Max L. Waters and Clinton L. Oaks

Identifying deception before harm has occurred is becoming increasingly difficult, but often subtle warning signals can be detected in communication patterns.

29 READER EXCHANGE

Publisher
Paul H. Thompson

Editor
Roger K. Terry

Copy Editor
Byron Bronk

Art Directors
Linda Sullivan
McRay Magleby

Published by the
School of
Management, Brigham
Young University,
Provo, Utah.
Copyright 1988 by
Brigham Young
University. All rights
reserved. All
communications
should be sent to
EXCHANGE, 687 Tanner
Building, Brigham
Young University,
Provo, Utah 84602.
Telephone (801)
378-5629.

The views expressed in
EXCHANGE are those of
the various authors
and not necessarily the
School of
Management.

Cover illustration by
Mark Hess.





LIFE, LIBERTY, AND THE PURSUIT OF HAPPINESS

.....

ORGANIZATIONAL ETHICS AND THE FOUNDING VALUES

.....

BY DAVID K. HART

.....

That's a hard mystery of Jefferson's.

*What did he mean? Of course the
easy way*

Is to decide it simply isn't true.

It may not be. I heard a fellow say so.

*But never mind, the Welshman got
it planted*

*Where it will trouble us a thousand
years.*

Each age will have to reconsider it.

—Robert Frost¹

THE DEVITALIZATION OF ETHICS These have not been the best of ethical times for Americans. It has been our complacent boast that since our nation was founded upon a set of specific “unalienable rights,” our present affairs will obviously reflect the same high standards. But we have been driven from our complacency by unremitting revelations of sleazy conduct from Wall Street to government—touching the pulpit, the academy, and the bar in between. We are paying the price for too many years of taking our ethics for granted.

For too long we have denied the rigorous disciplines of ethics. To be a principled individual has always required both knowledge and moral courage; to be a principled society has always required sustained and intentional moral effort. But in our headlong rush for prosperity, we have trivialized the ethical standards of our national founding. We have become a “bedollared nation”² at the expense of our national soul. Adams despaired: *When public virtue is gone, when the national spirit is fled . . . the republic is lost in essence, though it may still exist in form.*³

Like a self-indulgent football player who ignores reality, sloth substitutes fat for muscle. In a like manner, self-indulgence has led us to devitalize the rigors of ethics, which means that we have likewise

devalitized the values that sustain such ethics. The Founders intended that the values they embedded in America's enabling documents would become the operating principles of our nation. We have degraded them into thoughtless incantations muttered upon ritual occasions.

But why should we have problems being ethical? Conventional wisdom has it that we learn about those unalienable rights as children, at our mother's knee. Ethical problems should, therefore, be easily resolved by simply refreshing our memories about what we already know. But therein lies the problem, for the ethics of the playground are most inadequate for the problems of adult life. To illustrate, assume a CEO refuses to hire accountants, arguing that since all employees had budgeted their allowances as children, the accounting problems of the organization can be solved by the application of the same homely principles. That CEO would be dismissed as hopelessly irresponsible. But is that much different from the CEO who tries to resolve organizational ethical problems by urging a return to the moral rules of childhood?

I do not argue that we should hire "ethicists," to use the dreadful modern jargon. But it is an irreducible fact that one must know the principles before one can act ethically. In too many organizations, ethics consists of combining the law with the homilies of childhood to construct a moral checklist. Such codes of conduct are splendid public relations, evidence to a skeptical public of the firm's essential "niceness." But they are no substitute for rigorous study and discourse. As a result, in our time slogans do the duty for discourse, and "photo-opportunities" substitute for moral action. We are getting what we have paid for.

But an increasing number of Americans are demanding that we improve the ethical climate. In business, for instance, some executives are quite outspoken that more attention be given to ethics; they endow university programs in business ethics; they assemble ethics advisory boards (and even listen to them); they hire consultants to institute ethics programs in their firms. These are the men and women who are

• • • • •

*The Founders
intended that the
values they embedded in
America's enabling
documents would become
the operating principles
of our nation.
We have degraded
them into thoughtless
incantations muttered
upon ritual occasions.*

closest to what the Founders had in mind, for they esteem ethics and are working for its revitalization.

The Revitalization of Ethics

Within the universities, the most emphatic efforts to revitalize ethics are taking place in the professional schools. The Founders would approve of that, I believe, because they knew that moral truth had to be embodied in practical action if it was to have any meaning for the majority of the people. They founded this nation upon the assumption that moral truth exists and that such truth must instruct all conduct, whether political, economic, or religious. But knowledge of the moral truth does not come easily, and the search imposes rigorous demands upon the searcher.

The revitalization of our ethics must begin with the rejection of the popular but crippling notion that ethics can be learned in childhood only. To illustrate, investment banker Felix Rohatyn ren-

dered a sterner variant of the Flower Child shibboleth "you can't trust anyone over the age of 30"—only he lowered the age restriction: "I no more believe that ethics can be taught past the age of 10 than I believe in the teaching of so-called creative writing. There are some things that you are born with, or they are taught by your parents, your priest, or your grade-school teacher. But not in college or in graduate school."⁴

Paradoxically, he calls upon business to ignore the business schools and recruit from the liberal arts. Presumably, all of those ethical 10-year-old children gravitate solely toward the liberal arts curriculum. But such assumptions are most unwarranted, for not only can ethics be learned throughout a person's lifetime, it actually requires the concentration of a lifetime, else one cannot achieve genuine happiness.

The next step in revitalization is to clarify what we mean by "ethics." For the Founders, it was intimately related to happiness, correctly understood. Happiness in contemporary America seems to begin with the income from a million dollars in protected investments, topped off with 10 milligrams of valium per day—in other words, tranquilized affluence. For the Founders, happiness meant living a life of honor, in accordance with moral truth. Without ascribing to them any undue Aristotelian partisanship, they would have agreed with his definition:

Why then should we not say that he is happy who is active in accordance with complete virtue and is sufficiently equipped with external goods, not for some chance period but throughout a complete life? Or must we add "and who is destined to live thus and die as befits his life"?⁵

This means that happiness comes through virtue: ethics consists of those principles of virtuous conduct, derived from the moral truth, the practice of which constitutes happiness. Jefferson, citing the classic categories of virtue, made the connection quite clear in a summary of his own philosophy in this matter: "Moral.—Happiness the aim of life. Virtue the foundation of happiness. Utility the test of virtue. . . . Man is a free agent. Virtue consists in

1. Prudence. 2. Temperance. 3. Fortitude. 4. Justice. To which are opposed 1. Folly. 2. Desire. 3. Fear. 4. Deceit.”⁶ John Adams was equally emphatic: “All sober inquirers after truth . . . have declared that the happiness of man, as well as his dignity, consists in virtue.”⁷

Thus, if we are to take organizational ethics seriously, we must begin with the ineluctable fact that there are no easy paths to ethics: It requires unending study, moral discourse, and the courage to apply the principles in daily actions. In this area we would do well to emulate the Founders. In our celebrations of their conventions, congresses, and courts, we ignore the countless hours they spent in study and moral discourse.

We forget about the young John Adams of Braintree, studying, writing, and forming the ideas that led him to leadership in Philadelphia.⁸ We have lost sight of a young Jefferson arguing with his teacher, William Small, in George Wythe’s study, hammering out the ideas that he would later so elegantly capture in the Declaration of Independence.⁹ Even more, we ignore the correspondence of their old age, where the books and ideas of their youth retained the same fire and fascination.¹⁰ The point is that they did their moral homework, and they expected the same from us. This is where we fail them most miserably.

Management and the Founding Values

Discussions about ethical standards in American organizations must begin with one overriding fact: *We are bound, by an original contract, to the Founding values.* That contract is acknowledged in our quest for the original intent in the legal system, in the oaths of office in government and the military, and in our reliance upon the Founding values as the basis for our claims to fundamental rights as citizens. For some, this may be an open issue, but unless we draft a new Constitution, we are bound. Lincoln said it well:

All honor to Jefferson—to the man,

• • • • •

Discussions
about ethical standards
in American
organizations must
begin with one
overriding fact:
We are bound, by an
original contract,
to the Founding values.

*who in the concrete pressure of a struggle for national independence by a single people, had the coolness, forecast, and sagacity to introduce into a merely revolutionary document an abstract truth, applicable to all men and all times, and so to embalm it there that to-day and in all coming days it shall be a rebuke and a stumbling-block to the very harbingers of reappearing tyranny and oppression.*¹¹

But for those of us who believe that way, the problem becomes: Whose interpretation of the Founding values should we accept? One of the most popular American industries has always been interpreting the intentions of the Founders. Even today the Lockeans rally to the standard of Carl Becker, the economic determinists to Charles Beard, while the ideologists form up on Bernard Bailyn and Gordon Wood.¹² Meanwhile, the survivors of Bancroft’s brigades have retired to the empyrean heights with disdain. Then, there are those of us of the Scottish persuasion.

Be that as it may, my purpose herein is not to argue for one interpretation over another.¹³ Rather, I wish to emphasize the point made by Robert Frost in the headnote quotation—that

every American, as an American, must engage in a continuing dialogue with the Founders to discover the truth of the Founding values. I agree with Herbert Storing’s observation about the Constitution: “The political life of the community continues to be a dialogue.”¹⁴ Taking the dialogue a step further, I present four premises, common to the Founders, that should be the bases for all organizational ethics in the United States.

1. *There is a transcendent moral truth that is the necessary foundation for happiness.* It is quite risky to suggest a single moral *a priori* that guided the Founders, but I believe it can be argued that everything was based upon an extended meaning of the first word in the Jeffersonian triad of “life, liberty, and the pursuit of happiness.” Everything begins with the absolute sanctity of each individual’s life. In Whitman’s powerful words:

*Underneath all, individuals,
I swear nothing is good to me now
that ignores individuals,
The American compact is altogether
with individuals,
The only government is that which
makes minute of individuals,
The whole theory of the universe is
directed unerringly to one single
individual—namely to You.*¹⁵

Regardless how the Founders derived the entailments—through reason or moral intuition—the Founding values rest upon that premise. It then illuminates both equality and liberty, and gives personal meaning to happiness. As free agents, individuals can magnify or squander the possibilities of their lives, but those lives are sacred. Therefore, no organization, public or private, has any right to deny, or even trivialize, the possibilities of individual lives with organizational requirements.

The Founders were not wishy-washy about asserting this ethical priority, believing it to be applicable to all peoples, in all times and places. They understood and accepted *cultural* relativism—that times and climes would shape institutions. But they would not accept any relative or situational modification in the higher reaches of the moral truth. Without understanding that passionate commitment, we cannot understand their intentions.

In our age of moral relativism and situational ethics, one person's moral opinions are claimed to be as valid as any other's, provided they do not infringe upon the "space" of anyone else; thus, the Founders might appear arrogant and high-handed to us today. Yet, with their passionate hatred of unaccountable power and their commitment to liberty, such moral relativism would have been anathema, because it leaves people unprotected from arbitrary power exerted in their lives by organizations. That was unacceptable to them.

2. *A free nation requires both public and private virtue.* John Adams was particularly emphatic that a true democracy required virtuous individuals in both the public and the private sectors, even though the public interest took priority:

*Public virtue cannot exist in a nation without private [virtue], and public virtue is the only foundation of republics. There must be a positive passion for the public good, the public interest, honor, power, and glory, established in the minds of the people, or there can be no republican government, nor any real liberty; and this public passion must be superior to all private passions.*¹⁶

Reason, history, and experience had taught the Founders that virtuous character could not be legislated: laws could not compel virtue; they could only compel obedience. Hence, they argued for a political system that held moral rules to a minimum, but granted full opportunities for moral voluntarism. Following the Ciceronian axiom of doing the right thing for the right reasons, they knew that individuals must have both ethical knowledge and a voluntary desire to act upon such knowledge, if those actions and intentions were to fuse together into virtuous character.

Moreover, as they made clear, moral character cannot be compartmentalized: One cannot be an ethical swine at work and a saint at home. A facade may be maintained, but the lives of such individuals have no moral integrity. Furthermore: One cannot be an unthinking automaton at work and a true democrat in off-hours. Thus, just as moral thought and discourse must infuse every aspect of an individual's life, so also must moral voluntarism be

Reason,
history, and experience
had taught the
Founders that virtuous
character could not
be legislated: laws could
not compel virtue;
they could only compel
obedience.

central to every aspect of our national life, in both public and private.

The conclusion can be simply stated: Any time morality must be enforced by law or rules, we have failed as citizens. The tragic need for civil rights legislation as late as the 1960s was an indictment of our collective and individual failure to grant even rudimentary rights to our black brothers and sisters. How much better it would have been had we done the right thing without the necessity of compulsion. Issues like racism or sexism, malfeasance in office, or lying under oath should never arise in America because the Founding values require virtuous conduct in all aspects of our lives.

3. *All organizations in our nation should be governed by the Founding values.* The Founders believed that all institutions—social, economic, and political—should be constructed and managed according to principles derived from the Founding values. That would mean making them congruent with human nature, which would insure that people would be productive and happy. If they are not so constructed, people become alienated and unhappy. As John Adams wrote to Benjamin

Rush: "Philosophy, morality, religion, reason, all concur in your conclusion that 'Man can be governed only by accommodating laws to his nature.'"¹⁷

The Founders believed that the Founding values should guide all human institutions: Government, economic, and social institutions were bound to observe the same moral rules. They understood Adam Smith's argument that people become what they spend most of their lives doing. And if their lives never transcend the manufacture of pin heads, then there they stay.¹⁸ Because most of our lives are spent in economic endeavor, when economic values are not congruent with the values of the political system, democracy is impaired. In short, a people cannot fully realize true democracy if they spend the days of their lives in authoritarian economic institutions, any more than they can realize true free enterprise in a totalitarian government.

4. *All citizens must be constant students of the Founding values.* The Founders hoped that future generations would care as much about moral philosophy as they did, and that they would, accordingly, study, argue and, finally, believe in those values with the passion they themselves felt. They took it for granted that intelligent people would do their moral homework before they engaged in any significant enterprises. We have failed them miserably in this area. We are far too "practical," too "realistic," to have anything to do with silly moral philosophy, and so the vision has atrophied—and we know not why.

Their writings are filled with admonitions about the importance of knowledge for the citizens of a democracy. The young John Adams, writing in 1765, was particularly concerned about the abuses of power among those who assumed positions of power, whether political or economic. He noted that the early settlers of New England, in order to prevent tyranny from arising in their communities, advocated the safeguard of "knowledge diffused generally through the whole body of the people. Their civil and religious principles, therefore, conspired to prompt them to use every measure and take every precaution in their power to propagate and perpetuate knowledge."¹⁹

The Founders took seriously their moral obligations not only to search for moral truth, but to continue the process throughout their lives. The formula was quite simple: Before one acts, one should know what values are being served. Today, we hurl ourselves headlong into the most elaborate schemes, disdaining moral philosophy, and then are baffled when these schemes come up ethically short. We don't think, and that is the price we pay for our unfortunate belief that values come for free. Writing about ethics, Kaplan observed:

*In America there is a continuing strain of anti-intellectualism, a persistent dislike and distrust of ideas and the men who live for them, probably no stronger than in the past, but politically more influential. If any attitude be "un-American" this one is, for the Republic was founded by men of ideas who prized the works of the mind.*²⁰

The Practical Idealist

The Founders were nothing if not practical men of affairs, but they were also first-rate students of moral and political philosophy. They exalted "experience" as a teacher, but that experience was filtered through informed and humane intellects. They studied history, moral and political philosophy, arts and letters—and from these came to believe in the eternal verities of "life, liberty, and the pursuit of happiness." Furthermore, they knew that such knowledge imposed upon them the obligation to act upon those principles. They agreed with Adam Smith:

Man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances both of himself and others, as may seem most favourable to the happiness of all. He must not be satisfied with indolent benevolence, nor fancy himself the friend of mankind, because in his heart he wishes well to the prosperity of the world. That he may call forth the whole vigour of his soul, and strain every nerve, in order to produce those ends which it is the purpose of his being to advance, Nature has taught him, that neither himself nor mankind can be fully

The Founders
*were nothing if not
practical men of affairs,
but they were also
first-rate students of
moral and political
philosophy. They exalted
"experience" as a
teacher, but that
experience was filtered
through informed and
humane intellects.*

*satisfied with his conduct, nor bestow upon it the full measure of applause, unless he has actually produced them.*²¹

But action uninformed by moral truth leads eventually to moral disaster. Their vision was the "practical idealist"—the individual who understood that the learning of the practical must be matched by the learning of the ideal. They became their own vision.

For this reason, ethics must not only be a part of the curriculum of schools of management, it must be the most fundamental subject taught, a prelude to a lifetime of progressive moral study. Then the moral truth must, constantly and intentionally, inform every goal, structure, and process of our lives, from the political and economic through the religious and educational. If we can do that, then we will have realized the vision of the Founders and have become practical idealists.

Notes

¹Robert Frost, "The Black Cottage," in *The Poetry of Robert Frost*, ed. E.C. Lathem (New York: Holt, Rinehart, and Winston, 1969), p. 57.

²Benjamin Rush to John Adams, 13 June 1808, in John A. Schutz and Douglass Adair, eds., *The Spur of Fame: Dialogues of John Adams and Benjamin Rush, 1805–1813* (San Marino, CA: The Huntington Library, 1966), p. 109.

³John Adams to Benjamin Rush, 27 September 1808, in *The Spur of Fame*, pp. 119–120.

⁴Felix G. Rohatyn, "Ethics in America's Money Culture," *The New York Times*, Wednesday, 3 June 1987.

⁵Aristotle, *The Nicomachean Ethics*, trans. D. Ross (Oxford: Oxford University Press, 1925), I.10., p. 22.

⁶To William Short, 31 October 1819, in *Thomas Jefferson: Writings*, ed. M.D. Peterson (New York: The Library of America, 1984), p. 1433. In this letter, Jefferson claims to be an Epicurean—but note the explanation of this, and his use of the word "utility" in Adrienne Koch, *The Philosophy of Thomas Jefferson* (Gloucester, MA: Peter Smith, [1943] 1957), Ch. V, "Utilitarianism," pp. 40–43.

⁷John Adams, "Thoughts on Government," January 1776, in Adrienne Koch and William Peden, eds., *The Selected Writings of John and John Quincy Adams* (New York: Knopf, 1946), p. 51.

⁸See, for instance, Peter Shaw, *The Character of John Adams* (Chapel Hill: University of North Carolina Press, 1976), especially Ch. III, "Farewell Politics, 1761–1773."

⁹See, for instance, Dumas Malone, *Jefferson for Virginian* (Boston: Little, Brown, 1948) Vol. I, Ch. IV, "At the College, 1760–1762" and Ch. V, "Williamsburg: Introduction to the Law, 1762–1765."

¹⁰See, for instance, Merrill D. Peterson, *Adams and Jefferson: A Revolutionary Dialogue* (New York: Oxford University Press, 1976).

¹¹Malone, *Jefferson the Virginian*, I, p. 226.

¹²For a discussion of the many viewpoints, see Ralph Lerner, *The Thinking Revolutionary: Principle and Practice in the New Republic* (Ithaca: Cornell University Press, 1987).

¹³Personally, and without agreeing entirely, I am most impressed with Morton White's *The Philosophy of the American Revolution* (New York: Oxford University Press, 1978) and *Philosophy, "The Federalist," and the Constitution* (New York: Oxford University Press, 1987).

¹⁴Herbert J. Storing, *What the Anti-Federalists Were For* (Chicago: University of Chicago Press, 1981), p. 3. The idea of the continuing dialogue is central to the work of John A. Rohr, *To Run a Constitution* (Lawrence: The University Press of Kansas, 1986).

¹⁵Walt Whitman, "By Blue Ontario's Shore," in Walt Whitman, *Leaves of Grass, and Selected Prose*, ed. S. Bradley (New York: Holt, Rinehart, and Winston, 1949), p. 293.

¹⁶John Adams to Mercy Warren, 16 April 1776, in *The Selected Writings of John and John Quincy Adams*, pp. 57–58.

¹⁷*The Spur of Fame*, pp. 127–128.

¹⁸Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R.H. Campbell and A.S. Skinner (Indianapolis: Liberty Classics [1776], 1981), pp. 781–782.

¹⁹Adams, "Dissertation on the Canon and the Feudal Law," [1765], in *The Selected Writings of John and John Quincy Adams*, p. 17.

²⁰Abraham Kaplan, *American Ethics and Public Policy* (New York: Oxford, 1958), p. 31.

²¹Adam Smith, *The Theory of Moral Sentiments*, ed. D.D. Raphael and A.L. Macfie (Indianapolis: Liberty Press, 1976), II.iii.3.2., p. 106.

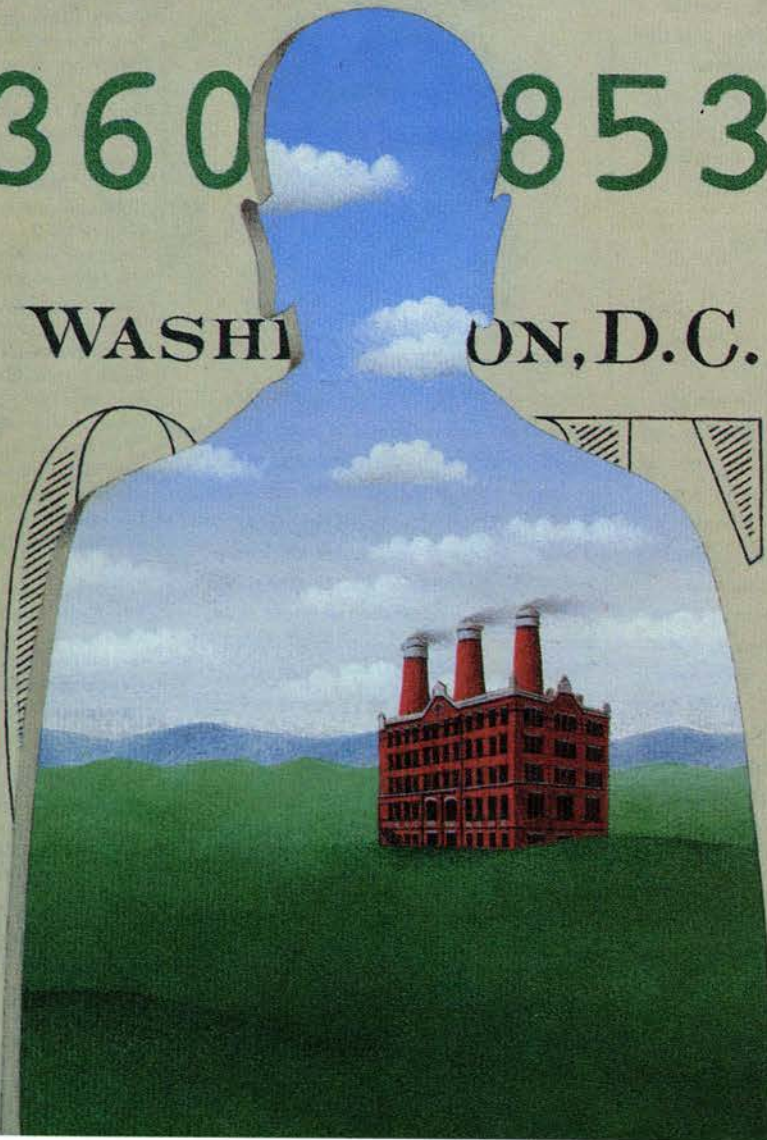
The author would like to thank his research assistant, Ms. Krista West, for her valuable assistance.

AMERICA


B 360 853 C

WASHI ON, D.C.

2



PAPER ENTREPRENEURS AND ABSENTEE OWNERS



*A Conversation with
Christopher Meek, Warner Woodworth
W. Gibb Dyer, Jr.*

These three members of the organizational behavior faculty have recently published a book entitled *Managing by the Numbers: Absentee Ownership and the Decline of American Industry*. This interview investigates the ethical questions uncovered by their research and introduces some of the issues discussed in their new book.

Ralph Nader, who reviewed their manuscript, made the following comment: "Among all the books recently criticizing American management, none hit the nerve as Managing by the Numbers does; because the other volumes do not want to focus on the excessive concentration and abstraction of corporate activity in the hands of remote managers working for absentee owners, neither of whom know the specific business at hand. A searing, empirical book that exposes the perches of corporate power [and] how big business specialized in destroying smaller businesses after buying them, and drove the U.S. economy to its perilous precipice of rich managers and poor communities."

EXCHANGE: *Managing by the Numbers: Absentee Ownership and the Decline of American Industry?* What does that title mean?

CHRIS: Well, we spent some time talking about what the title ought to be, and as we thought about the things we had to say in the book it seemed that *Managing by the Numbers* was probably the most accurate title we could come up with. The term "absentee ownership" is central to the book, and what we see in our studies is that company owners are becoming more and more distant from the day-to-day operations, the strategies, and the essential features of their businesses. Tied to this increasing distance is the emergence of a creature we call the "professional manager." By professional manager, we mean

those individuals who have probably been trained in an MBA program somewhere or taken undergraduate training in business. These individuals really have little or no technical understanding of the businesses they manage, but have essentially mastered only the field of finance. Therefore, they set about managing these corporations "by the numbers"—by watching financial figures and not really understanding or dealing with the nuts and bolts of the business. Before the crash last October, we saw the Dow Jones rising to previously unimagined heights and ever more speculative involvement in the stock market with venture capitalists, institutional investors, corporate raiders, and risk arbitrageurs basically

driving the economy by trying to make quick wealth through financial manipulations. In our view, the decline of American industry can in great part be seen as a result of the combination of these two factors—professional management and an increasingly distant or absent ownership.

EXCHANGE: What will someone learn from reading your book?

WARNER: We raise a series of questions that challenge traditional economic and business thinking. The reader will see in this book a criticism of the current dominant paradigm which says that more is better, big is beautiful, and therefore gargantuan is gorgeous. We challenge the assumption that simply creating a decent balance sheet for the quarter is good management. What we need to look at are ways of developing new products in this country instead of simply trying to buy into new markets. We point to ways in which companies and managers can begin to add value to their customers, to the society as a whole, and to their employees.

We suggest some fundamental strategies to reverse what *Business Week* calls the “hollow corporation” and what we have described as the disintegration of the American industrial community. We argue that there is a need to manage in very different ways: by looking at the long term, learning the product, working with people, and creating new ownership structures and forms of labor relations. We advocate a kind of blue collar entrepreneurship rather than simply managerial entrepreneurship. Robert Reich of Harvard criticizes today’s “paper entrepreneurs” who simply know how to manage numbers and play financial games, but fail to do anything in terms of basic technology. We try to articulate some solutions, which include retaining the vision of the founder, using employee ownership to prevent absentee ownership, and implementing a more participative management style that allows everyone to have a piece of the action and responsibility for the company’s future.

EXCHANGE: What are the ethical issues raised in the book, and how do they relate to those things that you have discussed so far? Are you saying that the actions of these professional managers and absentee owners are unethical, or at least counterproductive to the well-being of the companies or the economy as a whole?

GIBB: What we describe in the book are individuals who are out for personal aggrandizement at the expense of others in the corporation and at the expense of others in the industry. We see the corporate raiders of the world making millions of dollars literally overnight, and as a result thousands of people experiencing the very negative, damaging effects of being laid off or terminated. The question is, who has the right to deprive someone of a livelihood, of a job?

Now, we’re not saying that we shouldn’t try to improve the effective functioning of certain companies that have not performed well in the past, but the get-rich-quick schemes of corporate raiders and of managers who don’t seem to have any long-term commitment to their companies tend to affect society adversely.

CHRIS: A related issue is the question, “Who owns the company?” We argue that commitment and loyalty to a long-term

view tends to occur under the founders, who establish and build a business, because it means far more to them than just a means of increasing their personal wealth. To a founder the company is often an extension of his or her values, beliefs, and family. Thus, many founders instill a sense of ownership throughout the company that is sustained until they leave the business because of death or retirement, and then that sense of ownership begins to dramatically decline. And the greater the distance between the new owners and the employees, the more dramatic will be the decline in this sense of ownership.

One of the reasons we address the issue of ownership is that ethics can’t be completely separated from the structure of the corporation. Company founders tend to feel a very deep sense of obligation to their customers and their employees. So we suggest that founders consider trying to continue that sense of concern and obligation through either family or employee ownership. We don’t think that you can just have great training sessions for managers and teach them to be ethical in a structure or a system of ownership that encourages short-sighted and unethical behavior.

EXCHANGE: What would be an example of unethical behavior, as you see it?

WARNER: One illustration from our book is the graphic example of the steel industry. What you see is a distant corporate headquarters announcing that it is going to shut down a mill because of “financial need.” In many cases it is not so much a question of need as of corporate greed, and that is the ethical issue. Why can’t the company manage its resources to ensure long-term viability? Steel executives lobbied for tax breaks in Washington under the guise of an intention to then reinvest and modernize. Instead, the money saved was used to acquire other businesses totally unrelated to the steel industry.

Is such action moral, or is it duplicitous? What can be done to counter the kind of push-button decisions made by remote control out of Pittsburgh, or New York, or Chicago, that often result in massive layoffs and the disruption of communities. Why should Utah County, in the case of USX, find itself now with 20 percent of the population living below federal poverty lines? Because of so many plant closings, the state has suffered a record increase in taxes. Property values are declining. The ripple effect of managing by the numbers and long-distance decision making has been the failure of dozens of other businesses. These are the sorts of questions I struggle with.

CHRIS: Our concept of absentee ownership puts a novel twist on the whole question of business ethics. In the book we discuss four dimensions of “absenteeism,” which we call psychological distance, social distance, technical distance, and geographical distance. We point out that the greater the distance between a company’s owners and managers and its employees—along any of these dimensions—the more likely it is that the decisions of owners and managers will not consider the long-term welfare of the firm and its workers. Thus, the greater the distance, the less ethical owner and manager decisions are likely to be.

A very simple thing such as geographical distance illustrates this point. One can observe that professional managers tend to create geographical distance between themselves and



their employees, which in turn creates great social distance. For example, if a manager is transferred to a plant in Tooele, Utah, or a subsidiary in a small town in Nebraska, it is very likely that he or she will purposely live somewhere far away—and sometimes even move the offices to another city—so that the manager can enjoy a more cosmopolitan life-style. By such actions managers not only create physical distance between themselves and their employees, which restricts communication, but they also tend to denigrate or even ridicule the people they manage. That seems to me to be an ethical issue.

We can see similar consequences in any of these dimensions of distance. Is it ethical for a person to manage a business if he or she really does not understand the technical realities of the operations? We seriously question whether today's all-purpose general manager, who doesn't understand the details of a business, can really manage a firm effectively over the long-term simply through managing by the numbers.

EXCHANGE: What significance does your research have in management education?

WARNER: Part of what we are calling for is a more congruent managerial approach in which ethics and effectiveness go together. We're not just talking about a Sunday School lesson or a philosophical perspective. We're not just saying "Ethics is important as a value for society," although we do feel this. We are also reporting a considerable amount of data which show that being ethical can lead to organizational health, can lead to better efficiencies, and can lead to long-term success. Our data on Lincoln Electric, as a case in point, are very consistent with this argument.

Society needs alternatives articulated, examples and models beyond the "quick fix," beyond the numbers game. We must move beyond the level of an Ivan Boesky, who gets up at a business school conference at Berkeley and says, "Greed is all right, greed in business is healthy," and then ends up a couple of years later in flames. We need other models in our society. We have intimated in our discussion what ought to be done in the corporate suite. But one of our major concerns and criticisms has to do with the training of MBAs and the role that business schools play in exacerbating the problems of unethical behavior in management. The questions we raise are: What can we do to alter this situation—not only at our business school at BYU, but across the country? How should the training of managers change in order to address some of these ethical issues more carefully?

GIBB: We have to teach our students that knowing the numbers—whether statistics, economics, or other financial data—is only a part of being a manager. In our courses we need to teach students about the importance of offering value to the customer. That's what a business education should be about. Corporations exist to add value to the economy and to the customers they serve. If students do not understand this, their decisions and performance as managers and employees will prevent the companies they work for from succeeding in this endeavor. All too often we find U.S. managers consumed by self-interest and not interested in what they can do to benefit the broader interests of society. Unfortunately, greed is an inherent part of American business, and we find people and

corporations engaging in unethical, illegal, and immoral behavior for the almighty dollar.

The Apostle Paul tells us that the love of money is the root of all evil. As faculty we must not give students the impression that their ultimate goal should be to make a lot of money. In too many cases the end seems to justify any means. Hard work, commitment, and charity are values that are now seen as archaic.

WARNER: That's a good point. We need a higher management ethic than the current money ethic.

GIBB: Karl G. Maeser said that you shouldn't even teach the times tables without the Spirit of the Lord, and I think one of the points he was making is that there has to be a discussion of

values and ethics relating to our teaching. The ethics course in the MBA program is very helpful, but I think all professors in the School of Management ought to be addressing ethical issues in one form or another. If students graduate not knowing that the professors at this university stand for a high code of ethics, I don't think we are making the kind of contribution we should be making. At this university, of all places, we need to take a stand on ethical issues.

WARNER: Our recommendation would be that business schools everywhere have courses on ethics, courses that articulate more clearly the interdependence and the relationship between business decisions and the larger society. We should try to teach managers not only how to get a good bottom line, but to think about what kind of society they would like to live in, and to consider ways in which business can build that better society. If we do that, my assumption is that we might have less conflict of interest between a manager's own fast-buck tendencies and the good of the company. We would have less discrimination on the basis of race or gender. We would see fewer corporations taking products off the market in the U.S.—because the FDA has ruled them dangerous to human beings—and then turning around and dumping them in third-world countries. We would see fewer bribes and less manipulation to obtain business through unethical means. In essence, we would hope to see business helping to create a more just society.

CHRIS: We need to emphasize the ethics of building healthy and vigorous enterprises that excel in their industries. A manager who leaves a corporation should leave it healthier than when he or she arrived. And this means healthier in the long-term, not healthy in the sense of current stock price. Our students need to be interested in those areas of management that involve building or adding value, and until we begin to emphasize this viewpoint we are going to have problems. I don't think it is possible to separate ethics from these matters in our teaching.

WARNER: I guess the final point we might make is that we see too many students concerned with what kind of career they are going to have, whether it is in finance or marketing or whatever. I wish they would spend less time talking about the kind of career they're going to have and more time considering the kind of people they are going to be. What kind of values are really important? The central question we ought to ask is: "How can I be a Christian and work for today's corporation?"



Briefly



Entrepreneur in Residence

The first week in February Max Stone, a real estate developer from Stockton, California, visited the School of Management as an entrepreneur in residence. While here, he and his wife, Maxine, made presentations to several classes, visited with faculty and students, met with the BYU Management Society's student chapter and the Association of Collegiate Entrepreneurs, and attended luncheons and other university functions.

Max was raised in Aberdeen, Idaho. Real estate has been in his blood for generations. His grandfather, while crippled and in a wheelchair, supported his family by buying and selling real estate.

In 1935 Max Stone attended BYU for one year. He married, returned to Idaho, and worked for an insurance company, maintaining repossessed properties and later selling them. In 1946 the Stones moved to Stockton and began selling real estate. In 1948 Max and his brother, Merrill, created their own agency and eventually expanded the firm to 16 agents. They also started a construction company to build tract houses, and since that time have also built

apartment buildings, office buildings, and shopping centers.

Max and Maxine recently returned from an 18-month mission to Frankfurt, Germany.

School of Management Student Council

The Student Council continues to function very effectively and attract student interest and involvement. Currently more than 30 students are involved with the council in various capacities. The following are some council-sponsored activities:

The *Intern for a Day* program was a great success during the Christmas break. Council member Dave Jensen chaired the project and reported that more than 100 of the original 170 applicants spent a day with various alumni at their businesses to get a feel for the "real world."

The program exposed students to areas of particular interest in the business world, giving them an excel-

lent opportunity to make new friends and establish important contacts with successful SOM alumni. Students were placed throughout the country in businesses such as IBM; Novell; Goldman, Sachs & Company; Hewlett-Packard; and several smaller entrepreneurial companies.

Students applied for the one-day internships during fall semester, requesting to be placed with companies in the area where they planned to spend the Christmas break and in their chosen field of interest. Alumni who fit these requirements were contacted and asked to participate in the program. The alumni response and the student interest were so exceptional that the program may be continued on a year-round basis. Any alumni interested in participating should contact the Alumni Relations Office at (801)378-5083. No pay or other obligation is involved.

The first *Student Council Retreat* was held on 4 January for current council mem-

bers and next year's officers and members. The theme was "Building Bridges," suggesting both continuity in student activities from one year to the next and strengthened relationships between students and the faculty and administration.

Kristen Low chaired the retreat, and approximately 70 students attended. The day-long activity included seminars on subjects such as assertiveness, stress management, continuity planning, and entrepreneurship. The retreat concluded with an address by Dean Paul H. Thompson.

The *Student Journal*, a monthly council publication, was recently evaluated by council members, who are now planning revisions.

Alumni Items

The School of Management will soon publish an *Alumni Directory*. It will contain names, addresses, phone numbers, and pertinent professional information about each alum (according to the information on file). If you have not recently sent us updated information (new job, changed address, etc.) please fill out the information card in this magazine and send it to us. All alumni will be notified when the directory is available.

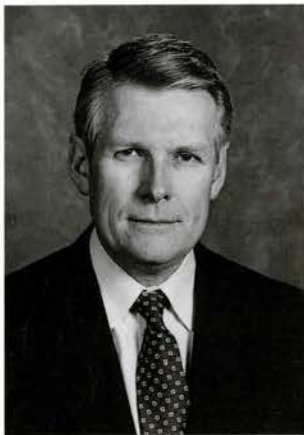
The School of Management will host *Reunion activities* October 6-8 in conjunction with BYU Homecoming. This year's reunions will be for alumni who graduated in any year ending in 3 or 8 (for instance, 1963 or 1978). More information will be mailed to reunion-year alumni. If you are interested in helping plan activities, please contact Emily Hart at 712 TNRB, BYU, Provo, UT 84602, (801)378-5083.



Briefly

NAC Professorship Awarded

Darral G. (Pete) Clarke, a professor of managerial economics, has been named recipient of the National Advisory Council Professorship in Management. Clarke returned to BYU in 1985 after having spent four years on the faculty of the Harvard Business School. He has also been a visiting professor at the University of Chicago and a Marketing Science Institute staff member. In



1981 he received the William F. O'Dell Award for the outstanding article appearing in the *Journal of Marketing Research*. He was also named Blue Key Professor of the Month in October 1976. Recently he authored *Marketing Analysis and Decision Making: Text and Cases with Lotus 1-2-3*.

Gifts to endow this professorship were raised by members of the school's National Advisory Council.

Michael D. Geurts Receives J. Darwin Gunnell Professorship

The J. Darwin Gunnell Professorship in Management was awarded to Michael D. Geurts, a professor of business management. Geurts has been at BYU since the

fall of 1975. He has also taught at the University of Honolulu and Lincoln College (New Zealand). He has been a visiting professor at the University of Vermont, University of Oregon, and University of Colorado (Boulder).



Geurts has an extensive publication record and has presented papers at numerous professional conferences. He is active as a reviewer for five major professional journals, including *Management Science* and *The International Journal of Forecasting*. He has served as president and vice-president of the Western American Institute of Decision Sciences.

Donors J. Darwin Gunnell and his wife, Olive, reside in Arizona, where he was instrumental in establishing Big "O" Tires as a national franchise.

McMullin Professorship Awarded

The Nyal D. and Bette McMullin Professorship in Entrepreneurship has been awarded to two faculty members—David J. Cherrington and Gene W. Dalton.

Cherrington came to the School of Management in 1975. He is currently a professor of organizational behavior. His research has emphasized ethics and per-



sonnel development and performance. His work appears in many refereed journals, and he has authored monographs, books, and chapters for books. Among his books are *The Work Ethic: Working Values and Values That Work* and *Management Fraud: Detection and Deterrence*. He is a certified human resources senior professional, with a specialty in compensation and benefits.

Dalton came to BYU in 1972, where he has been Organizational Behavior Department chairman. Prior



to coming to BYU, he was a faculty member and research project director for the Harvard Graduate School of Business Administration. He received his Ph.D. from Harvard in 1962. Dalton is nationally known for his research and writing on careers and motivation. His most recent book is *Novations: Strategies for Career*

Management (with Paul Thompson). He has authored numerous chapters for major books on organizational behavior and has a long list of articles in refereed journals. He was invited by the Western Academy of Management to give its 1986 Distinguished Lecture.

Nyal and Bette McMullin are from Northern California. Mr. McMullin is an entrepreneur and developer.

Epidemiologist Visits School of Management

Dr. Donald R. Hopkins, internationally recognized for his work in epidemiology, visited the School of Management January 20 and addressed a group of health administration students. Dr. Hopkins has had an outstanding career in public health, including his current appointment as consultant for the Carter Presidential Center in Atlanta and a previous appointment as assistant director for international health and deputy director of the Centers for Disease Control.



He is currently clinical associate professor of community medicine and family practice at Morehouse School of Medicine and has written numerous articles for scientific journals and textbooks on a wide variety of public health subjects.

Briefly

Quotable

Bryant W. Rossiter, president of Virotech, Inc., the leader in AIDS research, speaking in the executive lecture series on December 3, 1987, said: "We began clinical trials in AIDS research, and immediately we found ourselves embroiled in issues that we never dreamed of. We found ourselves in a political battle that we never conceived. We found ourselves interacting strongly with the gay rights movement, and yet avoiding it at all costs wherever we could. We found ourselves meeting on a regular basis with leaders in our country.

"There are four phases to AIDS. The first is asymptomatic AIDS—you have the virus, but you are not sick. The second stage is called LAS, Lymphadenopathy Syndrome—you have the AIDS virus, and you have swollen lymph glands. The third stage is called ARC, AIDS-Related Complex—you have the virus, you have swollen lymph glands, and you are sick. You have had diarrhea for a month, you have had a temperature, you have had night sweats, and you are deathly ill. The fourth stage is full-blown AIDS. That is where the virus has completely destroyed your immune system, and now you are susceptible to any disease that comes along—pneumonia, herpes, cancer, or what have you.

"We were working on the early stages of AIDS. We wanted to prevent progression from the early stages to full-blown AIDS. We were operating in an area where no one had ever operated before. We were the first to do clinical trials in this area."

Raymond J. Noorda, president and CEO of Novell, Inc., speaking in the entrepreneurial lecture series on January 13, 1987, said: "There are two kinds of entrepreneurs. First, there are the 'founders.' I've been one of those. I wasn't too successful at it, as a matter of fact. Mostly because the other phase of entrepreneurship (which I'm a little better at), called the 'finder,' took me off to another area. I had actually started a business, attempting to do some phases of what we are doing here at Novell. We were headed in that direction when the folks that financed Novell asked me to come over and take a look at [their product]. When I saw it, it was clear to me that I had to stop that other business and come over and run this one, because it offered a better opportunity for everybody."

Joel C. Peterson, managing partner of Trammel Crow Company, speaking in the real estate lecture series on December 2, 1987, said: "I have observed that there are very few businessmen out there. Most people are involved in a functional area of business. That is to say they are accountants, or systems engineers, or purchasing agents, or tax managers, or whatever. The businessman, to me, is like the entrepreneur, or the developer. This is the person who is assessing all the risks, hiring the people, and managing the process. Very few people do that as a career. It is really marshaling the people, the capital, and the opportunities to create something new and different. There are very few leaders—true leaders—in the business world."

Executive Development Seminars

You may be interested in the following programs being sponsored by the School of Management:

The Taggart Management Seminar is designed to assist insurance representatives to more effectively market and manage their insurance selling processes. (To be offered summer 1988.)

Improving Leadership Effectiveness is a four-day seminar designed for middle- and upper-level managers to develop specific skills in contingency leadership. Emphasis will be given to matching their leadership style to the needs of their people. (To be offered June 26–30, 1988, at Alta Lodge.)

Family Management Workshop is designed to help family firms avoid the traditionally low survival rate of such firms as they enter the second generation. It will help owners and managers of family firms manage their businesses and their families more effectively. Topics such as strategic planning, developing effective boards of directors, creating a healthy business culture, and succession planning will be discussed. (To be offered spring and summer 1988.)

Improving Your Management Style is an intensive five-day seminar designed to help the manager continually improve a style of management that narrows the gap between knowledge and practice. An important part of this seminar is the developing of a profile of effectiveness for each participant. (To

be offered at Alta, Utah, during the weeks of June 19, July 10, July 31, August 14, and September 25.)

• *Quality and Productivity* is a popular two-day conference that helps managers and executives understand the important relationship between quality and productivity. Implementing the quality approach to management is emphasized. (To be offered at BYU in the fall of 1988.)

For brochures on these programs, please contact Continuing Education at (801) 378-4786. If you are interested in having these programs designed specifically for your organization, please contact Professor Dee Henderson at (801) 378-7437.

Twelve Dean's Seminars are scheduled for 1988 in the cities listed below. Dean Paul H. Thompson will present some of the seminars and will appoint highly qualified faculty members to present others. Each of the seminars will begin with a luncheon at noon and conclude at 5 p.m. Cost for the Utah seminars (including luncheon and materials) will be \$30 (plus an additional \$25 for spouse or business associate). The charge for out-of-state seminars will be \$35 (\$30 for partner).

Location	Date
San Diego.....	Feb. 18
Los Angeles.....	Mar. 15
Orange County.....	Mar. 16
Mesa.....	Apr. 26
Phoenix.....	Apr. 27
Salt Lake City.....	May 10
Salt Lake City.....	May 11
Provo.....	May 17
San Jose.....	Sept. 20
Palo Alto.....	Sept. 21
Oakland.....	Sept. 27
Sacramento.....	Sept. 28

For further information, call the SOM External Relations Office at (801) 378-4800.

The Smith Center for Free Enterprise Studies

The School of Management is pleased to announce the establishment of the Smith Center for Free Enterprise Studies. Named in honor of Adam Smith, Joseph Smith, Jr., and J. Fish Smith, the center will be funded through an endowment provided by Menlo F. and Mary Jean Smith.

Free Enterprise

The concept of freedom is central to the American economic system. And the degree to which government will regulate markets or allow free enterprise is a major issue not only in America, but in many countries—especially as governments of certain strictly regulated economies experiment with free enterprise in an attempt to remedy archaic standards of living, faltering productivity, and ineffective worker incentives. Consequently, the School of Management recognizes the need for expanded teaching and research in this area.

The purpose of the Smith Center will be to help faculty, students, policy makers, and the public understand and practice those principles that conserve and improve our economic environment. The center will actively support the study of the free enterprise system in America and abroad in an open academic forum. Through additions to the curriculum, expanded research, and interaction with government and business leaders, the center will support the concept that service and free agency lie at the very core of the free enterprise system, and that when these concepts are understood and practiced,

individual fulfillment is greater, people are more productive, and their needs are more fully satisfied.

Faculty Involvement

Faculty members at BYU have been actively involved with these economic issues for more than twenty years. The J. Fish Smith Chair has existed since 1969, and under its auspices BYU has sponsored lectures and courses by internationally known economists. The Chair has also provided support for teaching and professional conferences. In



Menlo F. and Mary Jean Smith

addition, other free enterprise research and teaching activities have been actively pursued in the School of Management, the College of Family, Home, and Social Sciences, and the J. Reuben Clark Law School.

Currently, David K. Hart,

recipient of the J. Fish Smith Professorship in Free Enterprise Studies and Business Ethics, is doing research on the moral and ethical issues of free enterprise. This research focuses on Adam Smith's moral philosophy, the Scottish Enlightenment, and the foundations of the American Republic.

Robert G. Crawford, chairman of the Managerial Economics Department, has conducted research and teaches courses on the free market allocation process and how this process functions both within the firm and in its external transactions. He is currently planning to research the ethics of people who work within the free market system.

The Smith Endowment

Menlo F. Smith, son of J. Fish Smith, is president of Sunmark Capital Corporation, a venture capital firm involved in real estate, electronics, and other fields. He served for several years as chairman of The Sunmark Companies. Menlo and his wife, Mary Jean, have provided an endowment to fund the Smith Center and have also agreed to assist the School of Management in raising additional funding that will significantly expand the center's research and teaching efforts.

Menlo Smith serves on the board of directors of several companies and also holds membership in a number of professional and community service organizations. He was educated at the University of Utah and has served as president of the LDS Philippines Baguio Mission.

Stoddard Prize

In October of 1985, William Polk Carey, chairman of the New York investment banking firm W. P. Carey & Company, Inc., endowed the School of Management with \$15,000 to fund a prize in the name of George E. Stoddard, a BYU alumnus of the class of 1937. The prize is given each year to an outstanding second-year MBA student who has excelled in finance.

At a February luncheon, Dean Paul H. Thompson awarded the George E. Stoddard Prize to Steven R. Lambert. Steven will



Dean Thompson and Steven Lambert

graduate in April with his MBA degree. His career objective is to work in corporate finance. Steven's undergraduate major was chemical engineering, and he was a summer intern with Pacific Bell. He is currently in the top 10 percent of his class and is a member of the Silver Fund Student Analysts. He has been the recipient of a Presidential Scholarship and a Harold F. Silver Scholarship. Steven and his wife, Sheri, are parents of one son, Scott.

SHAPING HISTORY

A RETURN TO VALUES IN BUSINESS AND EDUCATION

This address was
delivered by
Brigham Young
University President
Jeffrey R. Holland
to a meeting of
businessmen in
Chicago on
November 5, 1981.

As one coming from the academy to address the business community, I feel painfully George Bernard Shaw's indictment that "Those who can, do. Those who can't, teach." Nevertheless I want to reassure you that I am no ivory-towered innocent in matters of finance and commerce. Indeed I stand with Will Rogers in his grasp of such things. Said he, "Don't gamble. Take all your savings and buy some stock and hold it till it goes up, then sell it. If it don't go up, don't buy it." Now if that doesn't show you the light at the end of the tunnel and reassure you about your attendance here, nothing will.

I believe it is important for leaders of business and education to talk together, and to do so more than we've done in the past. Certainly we feel a keen need to know how you view higher education and how we can do a better job. The students being trained at Brigham Young University and elsewhere in this land today will be your employees and managers and colleagues of tomorrow. And certainly the business world has provided education, especially those of us at private institutions, the vital financial and professional support we need to succeed at our task.

The fact of the matter is that American business and American education have given the world two of its most distinctive and most encouraging ideas. I believe it is fair to call them revolutionary ideas when now seen through the long lens of history. American business proved on a broad, inclusive front that people could own land, exchange labor, accumulate wealth, and develop a system of commerce that would benefit not only a few privileged owners, but many, many of them—and the worker and the consumer as well—all regardless of class or creed or color.

By the same token the American system of education also challenged prevailing attitudes about who should have access to the schools. Unlike any other place or period in the known world before it, education in America was to be education for all—regardless of sex or status or social privilege.

For nearly two centuries the nations of the world have looked to us as the principal source of invention and creativity in these areas. Certainly they could see that the American



experiment with democracy was giving more people increasingly greater access to material comforts, educational opportunities, and control of their own economic and political processes. But in these past few decades we have lost some of that international respect. Indeed we have lost some faith in ourselves. We seem to search everywhere for deliverance from a kind of gloomy malaise that would make us believe that the nation which sent men to the moon and took snapshots of Saturn can't even agree on the cost of postage stamps or whether the mail will really get across town at any price.

Maybe we should just agree to expunge these past two decades from the eternal calendar. On the other hand, someone might argue that the years which brought us *Jaws*, *Roots*, clones, Shake and Bake, Mork and Mindy, swine flu, R2D2, and frozen yogurt aren't that bad after all.

But business and education, among others, absorbed some body blows through this period. Business became the target of environmentalists and government regulation and suffered from foreign bribery scandals, accusations of social irresponsibility, and white-collar crime. Education was attacked for permissiveness, campus riots, grade inflation, irrelevant courses, and grim professionalism.

I was a graduate student in the late sixties and early seventies when many campuses were anything (and often everything) but the centers of civilization they were intended to be. It was a time of "effortless barbarism." We have yet to see whether some of the values lost in that era will ever fully be restored to academic life. As a new university president, I fervently pray that such damage to the tradition, image, and purpose of higher education is forever behind us.

As for the business community, one corporate vice president recently said,

In the decade that is now winding down—the ten uneasy years of the incredible 1970s—American business has spent more than \$2 billion on various phases of public relations.

More than \$2 billion. Spent, substantially, to "improve the image" of our companies and the products or services they sell. Yet American business heads

*into the '80s bedeviled by the most damning criticism it has faced in 50 years. Not since the crash of '29 has corporate America confronted so much dissatisfaction and open, admitted distrust.*¹

I have no way of knowing whether that grim view is justified, but at least one of your colleagues felt so.

Suddenly these two great forces that brought revolutionary ideas to the world had lost some of the trust and confidence of their nation. The movers and shakers had been moved and shaken.

Public opinion polls simply confirmed what many were feeling. In a recent survey released by *U.S. News and World Report*, listing the institutions with the most influence on the nation as a whole, education ranked twenty-third out of thirty, just behind magazines and the movies. TV was fourth, and the Gallup Poll was sixteenth.²

Speaking of number 16, a recent Gallup Poll asked people which professions and occupations had the highest standards of honesty and ethics. Clergymen took first and car salesmen last, but businessmen were listed in the bottom ten.³ It has not been a good season for either of us.

Some of the prophets of doom have already penned their epitaphs in books with titles like *The Twilight of Capitalism* and *Business Civilization in Decline*. An editor of the *Economist* wondered out loud if America hasn't lost its nerve and ambition just as Britain did a century ago.

It is ironic that when most of the world is struggling to achieve the freedom from want already attained by the United States, we find ourselves troubled by a loss of faith in our economic institutions and leaders. Even more disturbing is the paralysis that seems to be associated with this pessimism. Nearly everyone talks about the "forces of history" or a feeling of decline that cannot be influenced or counteracted.

My purpose today is to speak for influence and counteraction. I would want us to stand with those who shape history rather than simply yield to it. The 1960s and 1970s taught us some hard lessons about what we can and cannot afford to idolize in this country. And one thing essential to the survival of business and education and every-

thing else worthwhile is a reaffirmation of those values that have marked the moral development of the Western world for more than two millennia.

Nobody is going to be against truth, virtue, or honesty in public, but you and I know plenty are against it in private. One of our BYU professors has noted that white-collar crime in the retail industry alone is an \$8 billion-a-year business in this country. That's \$26 million a day, every day.⁴ And in 1979 while \$23 million was taken out the front door of banks in armed robberies, more than three times this amount, about \$80 million, was taken out the back door in frauds and embezzlement. And we pay for that not only with money but also with the very moral fiber of our national life.

If we want values at work or in school the same way we want values at home or in political life—and we haven't always had them there—we must realize that we cannot be passive in perpetuating these ideals. One would think that it's obvious employees should not pilfer from the corporate cookie jar, but apparently it's not obvious at all. I would like it to be obvious that students at BYU shouldn't have to lock bicycles on campus. But don't try it. At least not yet. We have to do a better job of teaching Judeo-Christian values (I intend that phrase to be inclusive, not exclusive) and in practicing those virtues ourselves. We won't change things overnight, but unless we begin we won't change them at all—ever. One thing our schools can do is abandon the value-free stance of the 1960s and '70s. As one writer said, "If English literature courses can teach the distinction between Shakespeare and comic books, the school should also be able to take a stand on what is ethically sound."⁵

I'm here to declare our interest in stating standards and in the value of appealing to the nobility of students and employees and citizens everywhere.

Two simple reasons why people ignore standards is that they have never learned what the standards are or that they have learned that compliance with standards is not really an essential part of our expectation of them. We all know, or say we know, that honesty is the best policy. It's probably written in your company's code of ethics. But what

most of us fail to do is to talk about it enough in our boardrooms, stockholder meetings, lunchrooms, or hallways in ways that make a substantial difference. The same is true in education. I fear as a profession we've been unconscionably negligent in stressing morality, integrity, honesty, and ethics. In a recent survey of 131 U.S. business students, nearly all expected to face pressure toward unethical behavior, and fully one-half of them anticipated not resistance, but accommodation and compromise. We simply must do better. A recent article in the *New York Times*⁶ suggests that more schools are considering honor codes once again. We have a very old-fashioned code of honor at BYU which we expect our students to obey. Indeed, they sign it upon admission to the university. We want them to know that we are more interested in straight character than we are in straight As. We want that to matter not only while they are with us, but ever after in their personal and professional lives. But we, too, have to do more.

Indeed, we are beginning to realize in education that there is a strong connection between values and academic achievement. In a book entitled *15,000 Hours: Secondary Schools and Their Effects on Children*, English researchers have undertaken a thorough examination of the British secondary school to see if there are any differences among schools, and if so, what accounts for them. Controlling for race, gender, and socioeconomic status, the researchers found that some schools are better than others—specifically that those schools that stand for something, that have “standards” and act on those standards, are demonstrably better than the ones that do not.⁷ We are rediscovering what Plato said in his *Laws* 2,400 years ago. “Education in virtue,” he wrote, “is the only education which deserves the name.”

Obviously universities *used* to have influence in the formation of proven values—that's why the *U.S. News and World Report* survey was so devastating to me personally. Twenty-third place out of thirty. Right behind magazines and the movies in influence. My guess is that their earlier influence was partly due to their willingness to venture an authoritative answer. But today we find

education battling in the influence polls to stay in the top twenty against “General Hospital” on one side and a Ronald McDonald look-alike contest on the other. With this kind of data coming in on the lack of education's impact, surely the master teachers of the last two millennia, from Socrates to Mark Hopkins, have turned over in their graves.

If virtuous education is the only education which deserves the name, then perhaps virtuous business is the only business which deserves that name. Without concern for ethics—honesty, fidelity, and integrity required by the market mechanism—the free enterprise system itself breaks down, and society is then served by business poorly, or not at all.

In fact, Peter Drucker says that there is no such thing as business ethics—a code distinct and unattached from all other ethics. “There have always been a number of people who cheat, steal, lie, or take bribes,” says Drucker. “But there [is] not [a] separate [code of] ethics for business nor is one needed.”⁸

Drucker is simply confirming what a current popular magazine published—that it is foolish to worry about U.S. citizens cheating on taxes so long as an even greater number of Americans are cheating on their spouses. One code for the boardroom and another for the bedroom simply doesn't work. As a young German theologian wrote before execution in a Nazi camp,

*There is no need to go about prying into the hearts of others. All we need do is wait until the tree bears fruit, and we shall not have to wait long. Appearances cannot be kept up for ever . . . sooner or later we shall find out where a man stands.*⁹

The dangers of ethics just for business or education or politics are obvious. It becomes too easy to rationalize that, if the law or the teacher or the government or the board doesn't compel us otherwise, the sky is the limit. We then push larger, more permanent ethical considerations aside and recklessly go after the bottom line—whether that be a profit, a college degree, or a political office.

And, like the executive whose firm was accused of selling an unsafe toy, we justify our behavior on a new set of

principles: “We broke no law,” he said. “We're in a highly competitive industry. If we're going to stay in business, we have to look for profit wherever the law permits. We don't make the laws. We obey them.”¹⁰

Helping your employees or my students know “for sure” is something that we as leaders of our respective institutions ought to do more of. Values do matter—at school and at work—and their absence is a cancer at the very core of our community life. As James MacGregor Burns said in his compelling book on *Leadership*, some leaders are more successful than others because they interact with their administrative team and their employees in such a way that each lifts the other to higher levels of motivation and morality. “The leaders' fundamental act is to induce people to be aware or conscious of what they feel—to feel their true needs so strongly, to define their values so meaningfully, that they can be moved to purposeful action.”¹¹

My plea for American business and American education is that more than doing something we will be something, that individually and collectively we will cherish those personal values and individual standards that have marked the best of Western civilization for more than 2,000 years. If it matters inside—inside the plant, inside the classroom, inside the office, inside the heart—then nothing on earth can keep it from maturing on the outside. May we believe in and foster such a shaping hand in our own destinies.

Notes

¹Dorothy Gregg, corporate vice president, communications, Celanese Corporation. National Convention of Women in Communications, San Diego, 3 October 1980.

²*U.S. News and World Report*, 18 May 1981, p. 44.

³*Gallup Report No. 192*, September 1981.

⁴David Cherrington, Steve Albrecht, Marshall B. Romney, “The Role of Management in Reducing Fraud,” *Financial Executive*, vol. 49, no. 3, March 1981, pp. 25–34.

⁵*New York Times* 30 January 1980, pp. C–1, C–3.

⁶*New York Times* 26 May 1981, p. C–5.

⁷Denis P. Doyle, “Education and Values,” *College Board Review*, no. 118, Winter 1980–81, pp. 15–17.

⁸Harvey C. Bunker, “The Editor's Chair,” *Business Horizons* June 1979, p. 2–4.

⁹Dietrich Bonhoeffer, *The Cost of Discipleship* (New York: Macmillan, 1970), p. 213.

¹⁰Bunker, “The Editor's Chair.”

¹¹James MacGregor Burns, *Leadership* (New York: Harper and Row, 1978), p. 20.



A L O V E O F

TRUTH

• • • • •

Several years ago I received a phone call in the middle of the day. It was unexpected. The person on the other end of the line told me my father had just suffered a cerebral aneurysm and was in a hospital some distance from our city. He had just turned 59 years old. He was in good health and full of energy, apparently ready to conquer the world. Ten days later I helped put the final stone in place in the cement vault over his casket and watched as the cemetery workers filled in the dirt. I recalled the many experiences we had shared together. Dad had a great number of sayings that now in my life have come to mean a great deal to me. One of them was, "life is a journey, not a camp." His life's journey came to an abrupt end, but from start to finish it was exciting. As I look out over you, I think of the journey that each one of you has undertaken. Each one of you has traveled by a different route, and now we are together at the commencement of the rest of your life's journey.

Not too many years ago I graduated from this institution and commenced the rest of my life's journey. It has been exciting for me. I've had the opportunity to associate with outstanding men and women. I have been able to start a business and watch it grow to undreamed-of proportions. I have been involved with school district governing boards and hospital chains. I've had an opportunity to live in different parts of the world on this journey. Five of our eight children were adopted in Brazil as orphans while we journeyed in that great country. As I sat in your place, I never could have imagined the exciting and

varied adventures that were before me. I'm envious as I look out over you to know that each of you shares and will share a great adventure in this journey of life.

This journey is to be enjoyed. Life is not a rehearsal, is it? Each day brings new opportunities. As I look back on my journey of life, each day has been exciting and fulfilling. I look forward to tomorrow because I've never lived that day before. It will be a great adventure.

You can't avoid this journey. "Men sometimes become stranded, but the current of life flows on without them." You can try to isolate yourself, but the journey of life flows on. One day the journey will end. I remember the story of the wealthy man who worked so hard to acquire riches. When told, "You can't take it with you," his reply was "Oh, is that right? Then I won't go!" Woody Allen said, "It's not that I'm afraid to die; I just don't want to be there when it happens."

In this journey we have been given two great gifts: time and the power to choose. Our time won't be equal. Some will have a short time, some will have a longer time, but each of us has the power to choose. In exercising this power to choose, we will determine the quality of our journey.

If there were any one thing that I could give to my children or to you on this journey of life, it would be a love for the truth. Be honest with yourself. Wrote Solomon, son of David, in

*This is an edited
version of an
address delivered
April 17, 1987, at the
School of Management
convocation exercises.
Wilford A. Cardon,
partner and chief
executive officer of
Cardon Oil Company,
is a member of the
BYU School of
Management National
Advisory Council.*

Proverbs: "These six things doth the Lord hate: yea, seven are an abomination unto him: a proud look, a lying tongue, and hands that shed innocent blood, an heart that deviseth wicked imaginations, feet that be swift in running to mischief, a false witness that speaketh lies, and he that soweth discord among brethren" (Proverbs 6:16-19).

Personal honesty is a most ordinary subject. It is often taught. I can tell when the subject is being stressed at BYU, because I usually get an envelope with five dollars in it, along with a note that reads, "Dear Mr. Cardon, while I worked with you three years ago, I took two paper clips and four pencils and now have determined that I was dishonest in taking those. Here is an appropriate amount to cover the cost of the items that I took." The size of dishonest acts ranges from small to large. Just recently in our company, through the dishonest act of a supposedly "good" person, \$6 million disappeared. Mark Twain said that after he had spent some time with the "good" people in the community, he understood why Christ spent most of his time with the sinners. G. K. Chesterton said, "Good has many meanings." He noted that if a man were to shoot his grandmother squarely between the eyes at a range of 500 yards, he might be called a good shot, but not necessarily a good man. It appears to me that for us to be good men and women, one quality is absolutely essential. That one quality is personal honesty.

The opposite of personal honesty, falsehood, is not new—it's as old as the Garden of Eden. "And the serpent said unto the woman, Ye shall not surely die" (Genesis 3:4). The devil is known as the father of lies. Adam and Eve's children had a problem with falsehood. The Lord said unto Cain, "Where is Abel thy brother?" And he said, "I know not: Am I my brother's keeper?" (Genesis 4:9) Sometimes we are dishonest with God. "Will a man rob God: Yet ye have robbed me. But ye say, wherein have we robbed thee? In tithes and offerings. Ye are cursed with a curse: for ye have robbed me, even this whole nation" (Malachi 3:8-9). In our time those found in dishonesty do not die as did Ananias and Sapphira in the New Testament, but something within them

dies. Conscience chokes, character withers, self-respect vanishes, integrity dies.

Why do we lack personal honesty? I believe one of the reasons is that we think we won't be found out. We think that, for our own personal gain, we can be dishonest, and that it will never come to light. I quote a scripture in response. "And the rebellious shall be pierced with much sorrow; for their iniquities shall be spoken upon the housetops, and their secret acts shall be revealed" (D&C 1:3).

There are various other types of falsehoods that rob our personal honesty. I would like to share with you some that I've seen in my journey. "Thou shalt not steal" (Exodus 20:15). We think of stealing as shoplifting or taking employers' goods. Not many in this audience will rob a bank during life's journey. Let me give you another falsehood that I believe is stealing: unjust bankruptcy. You, as majors in business and as graduates of the School of Management in various disciplines, have a great opportunity that perhaps those in other disciplines will never have. The test of your personal honesty will be high. You will go through a fiery furnace to be either burned as dross or refined as gold in your personal honesty. In business there are many opportunities for dishonesty—probably more than in other professions. Business is a fiery test. One portion of that test is "Thou shalt not steal." Unjust bankruptcy is stealing. It cannot be hidden.

"Thou shalt not cheat."

Still, as in days of old,

Man by himself is priced.

For 30 pieces of silver

Judas sold himself, not Christ!

The easiest thing in business is to file false income tax returns. To be a cheat in business is an easy process, one in which you could be severely tempted. Don't succumb. In giving an examination one day, a trigonometry teacher said, "Today I am going to give you two examinations—one in trigonometry and one in honesty. I hope you will pass them both. But if you must fail one, let it be trigonometry, for there are many good men in the world today who cannot pass an examination in trigonometry, but there are no good men who cannot

pass an examination in honesty."

Another area in which you will be tested is the bearing of false witness. In business it is easy to use little white lies. The trouble with some folks who say there is no harm in telling little white lies is that they usually become progressively color blind.

You may also be severely tested in the area of fidelity to your mate. In business there are always ample opportunities to cheat on your mate. This is personal dishonesty of the worst kind.

Another test that you'll experience in this life's journey is the desire for wealth. "Thou shalt not covet." Perhaps many of you are in the School of Management because of this desire. As you look to satisfy this desire you might remember the words of Frank McKinley Martin when he said, "Honesty pays, but it doesn't seem to pay enough for some people." And someone else said, "Money won't bring happiness, but it does make misery a lot more pleasant." In contrast, years ago I collected the following:

When Success Is A Failure

When you are doing the lower while the higher is possible,

When you are not a cleaner, finer, larger man on account of your work,

When you live only to eat and drink, have a good time, and accumulate money,

Then success is a failure.

When you do not carry a higher wealth in your character than in your pocket-book,

When the attainment of your ambition has blighted the aspirations and crushed the hopes of others,

When hunger for more money, more land, more houses and bonds has grown to be your dominant passion,

When your profession has made you a physical wreck—a victim of "nerves" and moods,

When your absorption in your work has made you practically a stranger to your family,

When your greed for money has darkened and cramped your spouse's life, and deprived your spouse of self-expression, of needed rest and recreation, of amusement of any kind,

When all sympathy and fellowship have

been crushed out of your life by selfish devotion to your vocation, When you do not overtop your vocation, when you are not greater as a man or woman than as a lawyer, a merchant, a physician, or a scientist, When you plead that you have never had time to cultivate your friendships, your politeness, or your good manners, When you have lost on your way your self-respect, your courage, your self-control, or any other quality of manhood or womanhood, Then success has been a failure.
(Author Unknown)

There is one last item I would like to mention. You, as a business person, will have an opportunity to test yourself. Personal honesty will demand at times that you not remain neutral. "Some of the hottest corners of hell are reserved for those who, during a moment of crisis, maintained their neutrality." There will be times when you will understand that there is a price to pay for speaking out and standing up for honesty. Don't succumb to the seductive siren of neutrality. One story comes from the South. "Shortly after the close of the [Civil] War, a black man entered a Richmond church one Sunday morning at the beginning of a communion service. When the time came, the black man walked down the aisle and knelt at the altar. A rustle of shock and anger swept through the congregation, whereupon a distinguished layman arose, stepped forward to the altar and knelt beside this colored brother. Captured by his spirit, the whole congregation followed. The layman who set the example: Robert E. Lee." There will be times when personal honesty demands action.

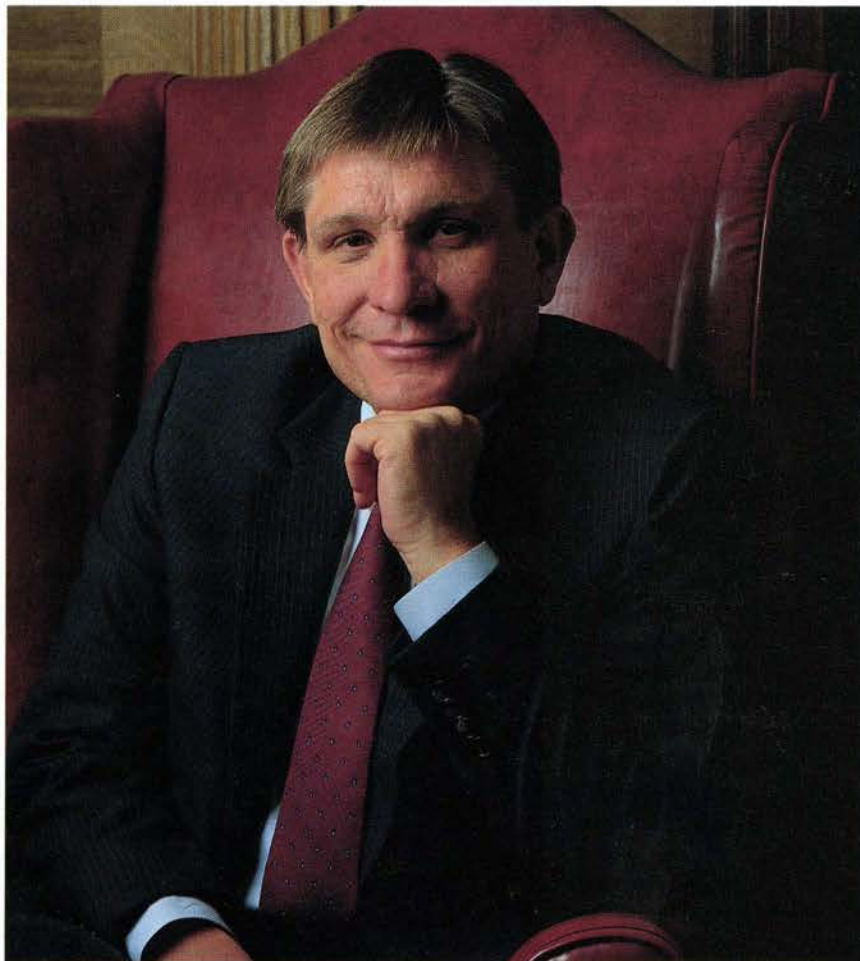
Charles McKay wrote:

*You have no enemies, you say?
Alas! my friend, the boast is poor—
He who has mingled in the fray
Of duty, that the brave endure,
Must have made foes! If you have none,
Small is the work that you have done;
You've hit not traitor on the hip;
You've dashed no cup from perjured lip;
You've never turned the wrong to right—
You've been a coward in the fight!*

Part of my creed of personal honesty is to avoid neutrality in times of crisis.

Honesty is personal. It is an individual activity. It is like baptism—it is not done in a group. Thomas Carlyle said, "Make yourself an honest man and then you may be sure there is one rascal less in the world." The appraisal spoken long ago by the English poet Alexander Pope is true yet today. "An honest man

truth, let it begin where we now stand. At 17 Joan of Arc became general of the French army, and by 19 she had saved her country. Betrayed to the enemy and condemned to be burned at the stake, Joan of Arc was offered freedom if she would repudiate her faith. Joan's reply, from Maxwell Anderson's play, *Joan of Arc*, was, "Every woman gives her life for what



is the noblest work of God." The man for whom the building that houses the School of Management is named, N. Eldon Tanner, once said to a small group, "On judgment day we will all only need to be asked one question—not a whole series—just one. Are you totally honest?"

The result of personal honesty is a love of truth. A person who hears the truth is not the equal of one who understands the truth. A person who understands the truth is not the equal of one who loves the truth. If there is a need for reformation in our love for

she believes. Sometimes people believe in little, or nothing. One life is all we have, and we live it as we believe in living it, and then it's gone. But to surrender what you are, and live without belief—that's more terrible than dying—more terrible than dying young."

Life is a journey, not a camp. One life is all we have. Our journey is not a rehearsal. As we this day commence our journey for the rest of our lives, may we never surrender and live without the love of truth that comes from personal honesty.

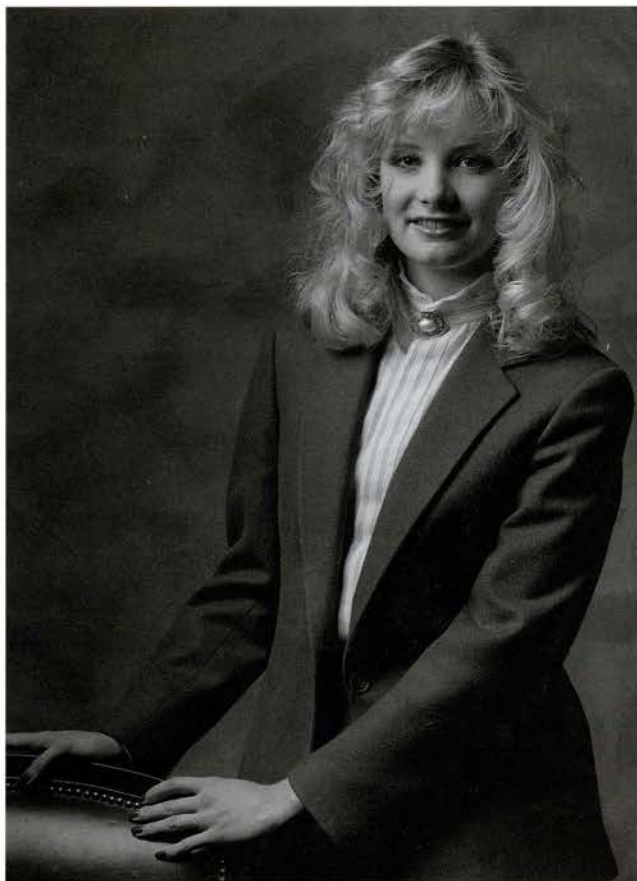
Student Profiles

Obviously, the primary reason the School of Management exists is for its students. We are proud of them and want to stay in touch, continuing to serve them even after they have graduated and spread their influence throughout the world. We send you EXCHANGE for this reason.

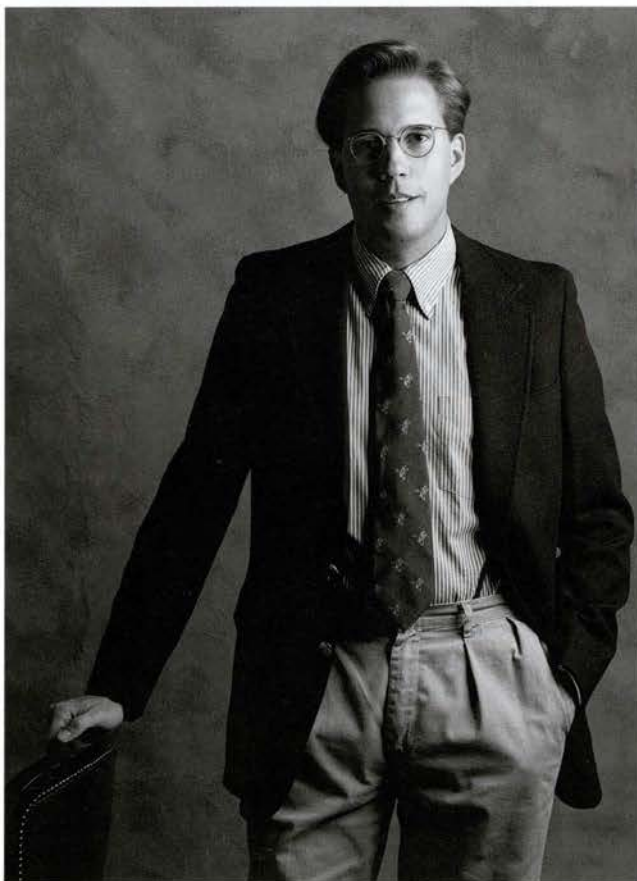
We thought that you, our former students, would be interested to catch a glimpse of our current students—who they are, where they come from, their goals and dreams and motivations. These are just five, chosen from the programs of the Graduate School of Management, representatives of a larger body of equally impressive students who soon will join your ranks.

Dana M. Mellerio
Chico, CA. *Undergraduate major:* German. *Undergraduate school:* BYU. *Graduate program:* MPA. *Previous experience:* Intern, Finance Department, City of Visalia, CA. *Career goal:* City manager. "I want to be able to have an impact on the community where my family will live." *Motivation:* "Everything I do is a reflection of myself; every act becomes my trademark." *Why did you choose BYU?* "A degree from BYU conveys values of honesty and integrity. I feel that these values are particularly necessary for today's public administrators. I want my degree to reflect these values." *Outside interests:* Travel, photography, jazz music, good friends, and quiet moments.

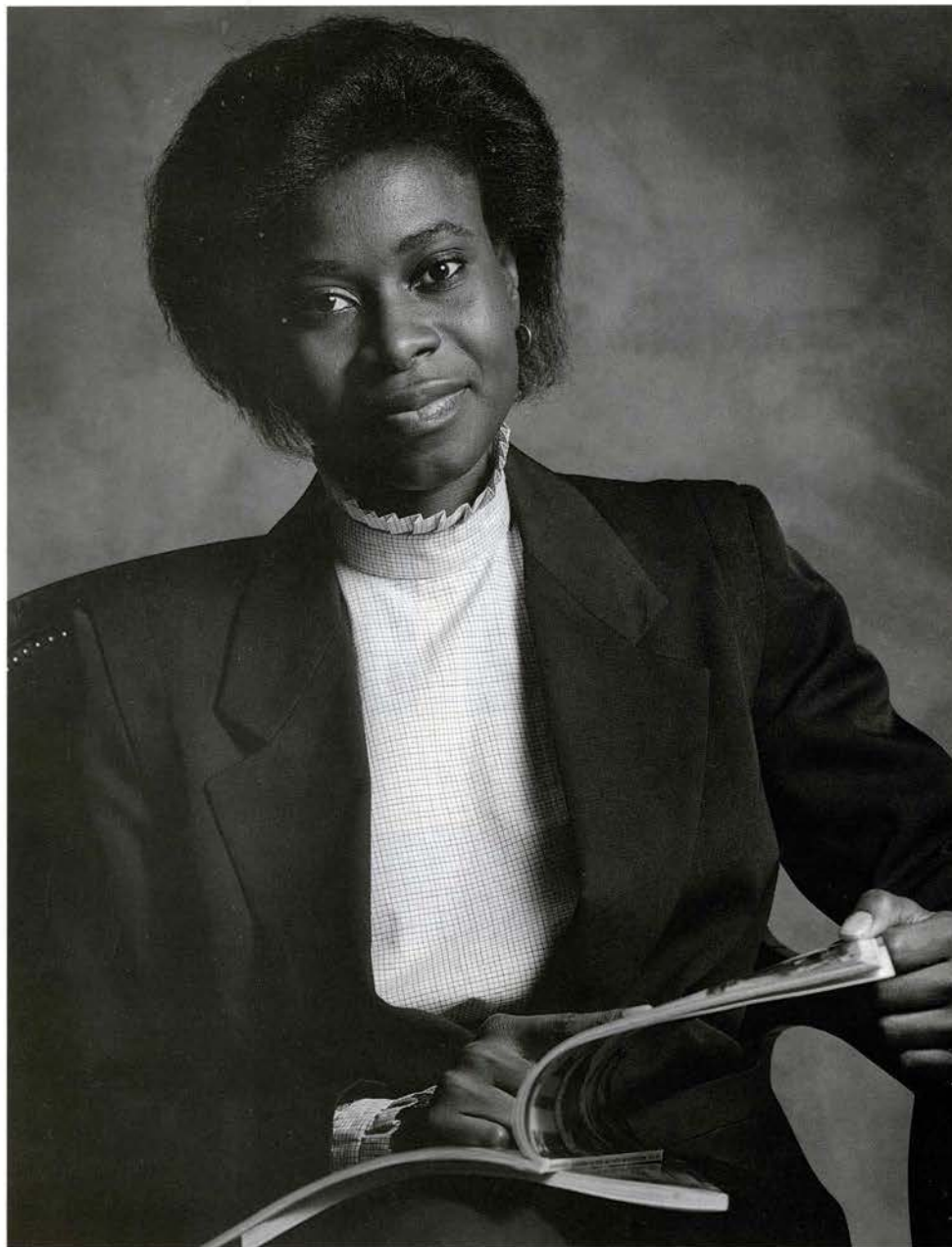
Above, Juli Johns
Below, Dana Mellerio



Juli Anne Johns
Boise, ID. *Undergraduate major:* Accounting. *Undergraduate school:* BYU. *Graduate program:* MAcc. *Previous experience:* Bookkeeper and computer specialist, Interwest Financial; college accounting instructor. *Career goal:* "Initially, I plan to obtain my CPA; later, I want the security and flexibility to enjoy raising a family; finally, I plan to advance in management to senior partner in a reputable accounting firm." *Motivation:* "When I'm faced with a problem or project that challenges my ability, I am motivated by the sense of accomplishment that comes from personal growth." *Why did you choose BYU?* "I came to BYU because of its nationally-recognized accounting program and because of the high caliber of students and faculty." *Outside interests:* Waterskiing, snow skiing, scuba diving, aerobics.



Essie N. Anno
Accra, Ghana. *Undergraduate majors:* Statistics and economics. *Undergraduate school:* University of Ghana, Legon. *Graduate program:* MBA. *Previous experience:* Marketing analyst, Land's End of Wisconsin. *Career goal:* Entrepreneur or formulating economic policy. *Motivation:* "The high expectations of my family and the satisfaction that comes with knowing I have worked as hard as possible. In many situations I'm a pioneer, being a black woman from Africa. It's my responsibility to do my best and give other people with my background a chance." *Why did you choose BYU?* "Many reasons: cost, quality, Church influence." *Outside interests:* Reading novels, sewing, fishing, camping, cooking.



Raul Almeida
Bogota, Colombia. *Degrees held:* MA, economic policy analysis, SUNY, Stony Brook, NY; Juris Doctor, Universidad Javeriana, Colombia. *Graduate program:* Organizational behavior. *Previous experience:* Six years with Exxon Corporation in Colombia in employee relations, labor law counseling, and organizational

*Above, Essie Anno
Left, Raul Almeida*

development. Intern, Utah Small Business Development Center. *Career goal:* "I would like to contribute, in the role of a consultant, to the development of organizations in Latin America." *Motivation:* "Practical, useful results. The feeling of having done something valuable and worthwhile is a powerful driving force. I'd rather have a lot accomplished than have a lot of money." *Why did you choose BYU?* "My recent conversion

to the LDS faith played a big part in this decision. Also, the fact that BYU offered the program I was interested in and had a high-quality faculty." *Outside interests:* Reading, music, family life, swimming, racquet sports, cycling.

Fannie Tsui

Hong Kong. *Undergraduate major:* Hotel Management. *Undergraduate school:* Brigham Young University—Hawaii. *Graduate program:* MBA/MA (international relations). *Previous experience:* Management trainee, Security Pacific National Bank, Hong Kong; hotel intern,



Turtle Bay Hilton, Kahoko, Hawaii, Laniloa Lodge, Laie, Hawaii. *Career goal:* "After 15 to 20 years, my goal is to have my own consulting firm in Asia. My dream is to be an entrepreneur." *Motivation:* "To compete with the best students in the program. The support and encouragement from my parents and friends." *Why did you choose BYU?* "I like the study atmosphere at BYU—students are more hardworking and have a great sense of integrity and responsibility toward others. I also like the faculty at BYU and the way the MBA program is structured." *Outside interests:* Reading, travel, swimming, cooking.

THE LANGUAGE OF DECEPTION



BY
MAX L.
WATERS
AND
CLINTON
L. OAKS

Ethics in business is commanding increasing attention among business and government leaders as well as among educators. This increased attention stems from the fact that many long-standing, accepted modes of ethical behavior can no longer be relied upon at any level of public or private practice. So pervasive is this change that we recently observed the paradox of a senator with questionable ethics presiding over the congressional hearing of a potential Supreme Court justice. Tragically, such phenomena are no longer unusual.

The fundamental issues of honesty have not changed over the years, but there have been significant changes in the publicly accepted philosophies that form personal values and affect choices. Despite the increasing

frequency of moral code violations, there seems to be an even more fundamental change occurring in western cultures. From situational ethics, which is rooted in existentialist thought, has emerged a philosophy of life that ignores and often denies morality. Such relativism results in norms and standards so individualistic that traditional ethical

guidelines—those that served for years as moral milestones—are lost.

Whether the manifestations of change are inherent in societal interaction or whether they are intrapersonal, the result is a social business climate that is confusing and unpredictable. Personal ethical decisions are not new; we have wrestled with how best to behave for centuries. But what has changed is the magnitude of the consequences of personal choices and behavior. World economies and social interdependency have become so complex that the potential toll of lying, deceit, and dishonesty have become enormous. Perhaps the bicentennial celebration of the Constitution affords an appropriate occasion to consider our ethical roots and put current trends into a clearer perspective.

Changes in Moral Reasoning

One of the most prominent constitutional proponents was Benjamin Franklin. His personal concern with public virtue and a clear social conscience provides significant insight into appropriate public behavior. Franklin wrote to a friend: "The favorable sentiments you express of my conduct, with regard to the repeal of the Stamp Act, give me real pleasure; and I hope, in every other matter of public concern, to so behave myself as to stand fair in the opinion of the wise and good, and what the rest think and say of me will then give me less concern."¹

Franklin stressed clear moral reasoning in avoiding the tendency to

justify seemingly inconsequential ethical indiscretions, as can be seen in the following excerpt from an article published in the *London Chronicle* on November 24, 1767, titled "On Smuggling and Its Various Species."

Sir: There are many people that would be thought, and even think themselves, honest men, who fail nevertheless in particular points of honesty; . . . one, who would

scorn to overreach you in a bargain, shall make no scruple of tricking you a little now and then at cards; another, that plays with the utmost fairness, shall with great freedom cheat you in the sale of a horse. But there is no kind of dishonesty into which otherwise good people more easily and frequently fall, than that of defrauding government of its revenues by smuggling when they have an opportunity, or encouraging smugglers by buying their goods.

I fell into these reflections the other day, on hearing two gentlemen of reputation discoursing about a small estate, which one of them was inclined to sell and the other to buy; when the seller, in recommending the place, remarked, that its situation was very advantageous on this account, that, being on the seacoast in a smuggling country, one had frequent opportunities of buying many of the expensive articles used in a family . . . cheaper than they could be had in the more interior parts [from] traders that paid duty. The other 'honest' gentleman allowed this to be an advantage, but insisted that the seller, in the advanced price he demanded on that account, rated the advantage much above its value. And neither of them seemed to think dealing with smugglers a practice that an 'honest' man (provided he got his goods cheap) had the least reason to be ashamed of.

There are those who by these practices take a great deal in a year out of the public purse, and put the money into their own private pockets. If, passing

through a room where public treasure is deposited, a man takes the opportunity of clandestinely pocketing and carrying off a guinea, is he not truly and properly a thief? And if another evades paying in to the treasury a guinea he ought to pay in, and applies it to his own use, when he knows it belongs to the public as much as

*that which has been paid in, what difference is there in the nature of the crimes, or the baseness of committing it?*²

Obviously, in terms of behavior, little has changed in the ensuing two centuries. But much has changed with regard to our attitudes and beliefs about unethical acts. The situational ethics of our day have created a moral climate in which there is little consensus about what is ethical and what is unethical. The line between honesty and dishonesty may be as elusive and changeable as an arbitrary dollar amount or the point at which others are noticeably harmed. Therefore, a person can "honestly" pilfer company supplies worth \$10 or even "honestly" reap large profits through deceptive advertising (because lifting \$5,000 from 10,000 people hurts no one), and yet be horrified at the thought of taking \$50 from the till or taking out a \$5,000 loan with no intention of paying it back. The subtlety with which unethical behavior is rationalized has reached the point where many people truly believe that a worthy end justifies almost any means.

Identifying deception before harm has occurred is becoming increasingly difficult, but often subtle warning signals can be detected in communication patterns. This raises two significant questions: "Is it possible to ascertain the ethical code of another individual (what he or she actually believes to be right or wrong), so that I can be prepared for certain types of dishonesty?" and "How can I detect deliberate deception?"

The first question is extremely complex and perhaps impossible to

answer because of the trend toward increasingly individualistic norms and standards and the fact that conformity to personal beliefs varies from one person to the next—and, for some individuals, from one situation to the next. The second question lends itself better to research, because deliberate acts of deception may result in similar communication patterns. Intentional fraud and dishonesty are usually the end result of some form of communication; therefore, a careful study of current communication principles and strategies is essential. Unfortunately, some careers are built around the ability to communicate information in a manner that camouflages lies and deliberately communicates false information. For these reasons, researchers are turning attention to the variables involved in the deception process—the verbal and nonverbal cues in communication that label a statement or action deliberately deceptive.

Of particular concern to many who have been born and raised in an environment where there is a high level of trust and where individuals espouse a traditional moral code are the questions: “How can I detect dishonesty in business transactions?” and “How can I avoid potential consequences of devious intentions?”

Verbal Deception

Misrepresentations in written messages tend to be difficult to detect. Without access to primary sources, the reader has little opportunity to test information's accuracy or adequacy. And because distortions are subtle and elusive, managers who tend to be trusting sometimes find themselves victims of deceit. Too often poor planning and ineptness result in written or verbal assurances, followed by unwarranted reassurances—then default.

In recent years we have seen mounting evidence of serious communication improprieties in both public and private organizations. Questionable ethical choices are beginning to be as abundant in internal

organizational communications as in external communications. Reports document evidence of individuals who have been lied to, demoted, bribed, coerced, treated unfairly, given unfair advantage, and sexually harassed. These evidences suggest the shifting attitude about ethical issues and moral principles such as respect, justice, honesty, fairness, gratitude, and reparation.³

Of particular concern to communication researchers are the cues used to detect deception—word patterns or vocal habits that characterize fraudulent statements. The verbal cues include a number of specific behaviors. Some we have observed are pitch changes, rate variations, volume fluctuations, fluency interruptions, word choice, and word mispronunciations.

Much more research is needed, including careful analysis of case histories, to identify the cunning communication patterns of those who parasitize today's society. And since both business students and those already in business careers could profit from increased knowledge about communication deceit, our research focuses on word patterns, syntax errors, and common phrases that suggest deception.

Nonverbal Deception

Equally important is the study of nonverbal actions that aid in the detection of deception. A skilled manager can learn to observe nonverbal behaviors that foretell dishonest actions. Variables being studied include posture shifts, leg movements, apparent nervousness, hand gestures, facial and eye behavior. Although the list is incomplete, careful analysis of nonverbal behavior will be a significant tool in the detection of verbal deception.

Considerable research has been completed, including clinical testing of nonverbal deceit indicators. Business communication research, however, needs to focus on case studies of observed behavior in the board room and in business negotiation sessions.

Conclusions

We agree with the conclusion of other contemporary researchers that further communication investigations should be guided by the following premises:

1. Deception can be carried out via words *and* actions; deceivers are not limited to verbal messages.

2. Deceivers can communicate false information, but they can also deceive by communicating true information that leads to false conclusions. They may also deceive through noncommunication (omission).

3. Acts of deception vary tremendously in their consistency with ethical standards (for example, contrast creating excuses for absenteeism with forgery), their detectability, and their level of premeditation.⁴

We encourage a concerted effort to improve ethical behavior in American business through research that expands communication ethics knowledge. As part of our research effort, we ask you to share with us your experiences with nonethical verbal or nonverbal communication. Your case scenarios, with specific behavioral observations, will help us identify the verbal and nonverbal warning signals of deception. These scenarios will provide data for policy class cases and graduate written and oral communication courses.* Our desire is to assist Graduate School of Management students in detecting unethical communication and to produce case discussions that will help them cope with the realities of the business world.

*Please send ethics research contributions to:

Max L. Waters	Clinton L. Oaks
582 TNRB	628 TNRB
Provo, UT 84602	Provo, UT 84602

Notes

¹Benjamin Franklin to Charles Thomson, London, September 27, 1766, as quoted by George L. Rogers, *Ben Franklin's The Art of Virtue* (Eden Prairie, Minnesota: Acorn Publishing, 1986), pp. 150–51.

²George L. Rogers, *Benjamin Franklin's The Art of Virtue*, pp. 141–43.

³Gary L. Kreps, *Organizational Communication* (White Plains, New York: Longman Inc., 1986), p. 232.

⁴Robert Hopper and Robert A. Bell, “Broadening the Deception Construct,” *Quarterly Journal of Speech* 70 (1984), p. 300.

Sexist, Racist Raft?

Editor: I was glad to read your request for comments regarding the content of EXCHANGE magazine, since I feel that the cover illustration of the Fall 1987 issue deserves some feedback. If I understand the artwork correctly, the raft full of people at a conference table represents a business venturing out onto the "open seas of global competition." I was interested to observe that all the employees of this business are white males. I do not believe that such a picture accurately portrays the composition of today's workforce, which consists of women, blacks, Hispanics, Orientals, and others in addition to white males. In an era of sensitivity to the issue of equal opportunity in the working world for all individuals, regardless of gender or race, I do not believe that EXCHANGE can afford to send messages which hint that BYU's School of Management does not support this concept.

In making this observation I do not intend to label the Fall 1987 issue as "racist" or "sexist." The articles on China and the foreign language competency indicate an awareness of different races and cultures. The report on the selection of a woman and man as co-chairs of the student council demonstrates that BYU's School of Management does indeed recognize the contributions that both genders are capable of making. However, I fear that upon viewing the front cover, some might not even open the magazine to read this other material which could dispel any initial unfavorable impressions.

Speaking more generally, I feel the Fall 1987 issue has a professional look with attractive layout and pertinent articles.

Karen A. Bennett
Vienna, VA

Too Arrogant to Learn

Editor: I am an alum of the BYU School of Accountancy. I do not usually write to editors of magazines, because I do not want to open up my opinions for public comment. However, because of the tone and the types of articles in the Fall 1987 issue of EXCHANGE, I am making an exception.

I felt that the articles, "Venturing out from Shore" and "The Learning Metaphor," were excellent. The rest of the publication after these, was rather bland and uninteresting to me.

The "Venturing" article was insightful, and the information presented by this IBM executive was impressive. His grasp of the subject was expertly communicated. Some executives (not Mr. Kofmehl) have the mistaken belief that after they get through with school they do not need to continue to learn. Of course, this approach is fueled by an arrogance that has as its premise "I am master and need not learn anything else." This arrogance threatens the very existence of many businesses and industries.

The article by Mr. Ritchie seemed very timely and appropriate for BYU, an LDS institution.

I would suggest that you consider starting a recommended reading list for busy executives. Since the faculty and staff of BYU, plus the alumni, should be aware of new developments in the various areas of interest

(accounting, marketing, international business, etc.), it should not be too difficult to include a one-page list of suggested reading along with a one-sentence explanation of the content of the book. I think it would make a valuable contribution to EXCHANGE and build bridges between current students, faculty, and alumni.

Verdun A. Watts, Jr.
Ventura, CA

Editor's note: My apologies to the reader who submitted an open letter to Robert Frost (quoted by Bonner Ritchie in the Fall 1987 issue). I somehow misplaced the letter. It was very clever, and I wanted to print it, but couldn't locate it. That's what happens when you are editor, staff, secretary, errand boy, part-time faculty, and have several other projects to complete—some things slip through the cracks, like the very valid idea to publish a reading list for busy executives. Perhaps sometime in the future I will be able to add this feature to the magazine.

I appreciated the letter concerning our Fall 1987 cover illustration. A word of explanation is in order. We did not commission the artwork. We merely purchased second rights to it. And in our excitement at finding a quality illustration that fit our theme so well, we didn't even notice the sexist, racist overtones. It was an unintentional oversight that will not be repeated. I did, however, appreciate Ms. Bennett's even-handed reminder, and I continue to welcome responsible comment, dialogue, and criticism.

Reader Exchange

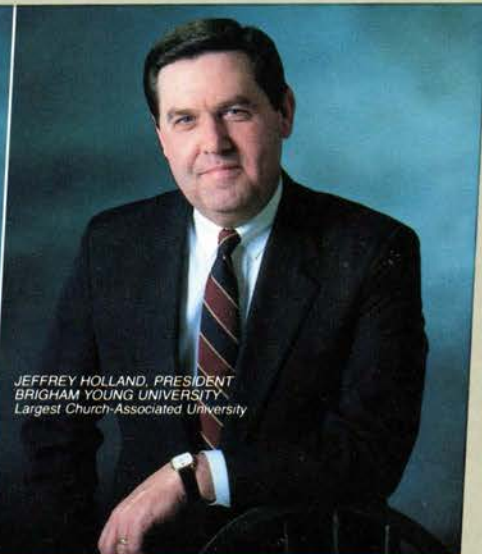
We Invested in Provo. You Should Too.



BRUCE LLOYD, PRESIDENT
EYRING RESEARCH INSTITUTE
Diversified High Technology



KENT STEPHENS
CHIEF EXECUTIVE OFFICER
SAGE INSTITUTE



JEFFREY HOLLAND, PRESIDENT
BRIGHAM YOUNG UNIVERSITY
Largest Church-Associated University



DENNIS HUNTER, PRESIDENT
HART SCIENTIFIC
Scientific Laboratory Instrumentation



SANDIE TILLOTSON, V.P. MARKETING FOUNDER
NUSKYN INTERNATIONAL, INC.
Skin Care, Hair Care & Nutrition Products



PAUL SYBROWSKY, PRESIDENT
DYNIX, INC.
Automated Library Systems

Provo is "pro-business" and provided these attractive advantages for our organizations:

- Educated and Productive Labor Force
- Abundant Energy and Natural Resources
- Excellent Transportation System
- Competitive Business Incentives
- Quality Standard of Living
- Unsurpassed Recreational Opportunities

Consider joining us. We invested in Provo. You should, too.

Provo

THE RIGHT MOVE

For more information contact:

Provo Economic Development
152 West Center Street
Provo, Utah 84601
(801) 379-6160

Buzzwords are flying—corporate credo, value system, ethicist—a sure sign that ethics has reached the unenviable status of *fad*. And, unfortunately, our myopic focus on the behavioral consequences of a full-blown breakdown in values supports the notion that we aren't taking ethics seriously. We treat the current symptom, which today happens to be insider trading (and yesterday was bribery), and neglect the underlying illness. And often our efforts, though genuine, are nonetheless superficial—we try to prevent moral measles by covering ourselves with behavioral Band-Aids. Corporate codes of ethics and declared value systems are no substitute for individual integrity and consciously accepted values. And ethicists are not corporate exorcists who can mumble some trendy incantation and rid our organizations of evil. As Kirk Hart has pointed out, the solution is not so simple.

If we, as individuals, don't question our values, or even ascertain exactly what they are, the basic rightness or wrongness of actions and choices eludes us, and in our moral confusion we slip unconsciously into the haze of situational ethics and superficial values. For instance, how many of us consider purchasing today's luxuries with tomorrow's paycheck an ethical issue? We consider it wrong when Congress does it. Or what about managers who have no knowledge of the product they produce or the process that manufactures it—are they being ethical when they “manage by the numbers”? Do we view an MBA degree as merely a license to climb ladders, a release from taking responsibility for the long-term consequences of our actions? Do we see the larger picture—how our decisions and policies affect society? Or the smaller picture—how our values affect our families? Does our ethical code shift when we switch from business suit and balance sheet to jeans and junior-high algebra assignments? Are we as sensitive with our children as we are with our subordinates? Or vice versa? Or as demanding? Are we consistent? Have we done our moral homework?

With this issue of *EXCHANGE* we aim at some of the more fundamental and neglected levels of ethics. We want to strike at the root of our society's ethical problems—at the value level.

Kirk Hart's article is certainly a well-polished gem amid the tarnished trinkets many “ethicists” offer. Said one, for instance, “Ethics properly taught is no more value-laden than any other subject.” Small wonder we see some business-school ethics programs merely attempting to prove to students that the cost of getting caught outweighs the potential gain of the crime (the pragmatic, MBA approach to teaching ethics), and others that have students calculate the consequences of their actions for other people (the free-enterprise-system-as-environmental-group approach). Few “experts” are willing any more to say that some things are right and some are wrong.

One management school dean claims to take the teaching of ethics very seriously, citing his school's efforts to give students “a heightened understanding of morals for their exercise of power.” But in the classroom the good intentions remain just that, and instead of studying moral philosophy, they analyze power and discuss David Rockefeller and Tip O'Neill. Another dean, opposed to studying ethics as an autonomous academic subject, commented that “to elevate [ethics] to a separate course is to make it an abstraction.” With such nonsense drifting out of this nation's business schools, Kirk Hart's penetrating argument for a return to the Founding values is, for its depth and clarity, a refreshing change.

We are pleased to be able to support our theme with a message from President Jeffrey R. Holland, delivered several years ago, but even more pertinent today than it was then. His concerns, voiced at the beginning of the '80s, give us a chance to see not only how much some things have changed, but how some things never do.

I hope this issue of *EXCHANGE* raises new questions and provokes new ideas. I again welcome your comments and will try to print some of them.



Roger K. Terry
Editor

(My thanks for the information on business school ethics programs goes to Fareed Zakaria, “Ethics for Greedheads,” in *The New Republic*, October 19, 1987, pp. 18–20.)

SCHOOL OF MANAGEMENT
730 TANNER BUILDING
BRIGHAM YOUNG UNIVERSITY
PROVO, UTAH 84602

ADDRESS CORRECTION
REQUESTED

Nonprofit
Organization
U.S. Postage
PAID
Provo, Utah
Permit No. 49
