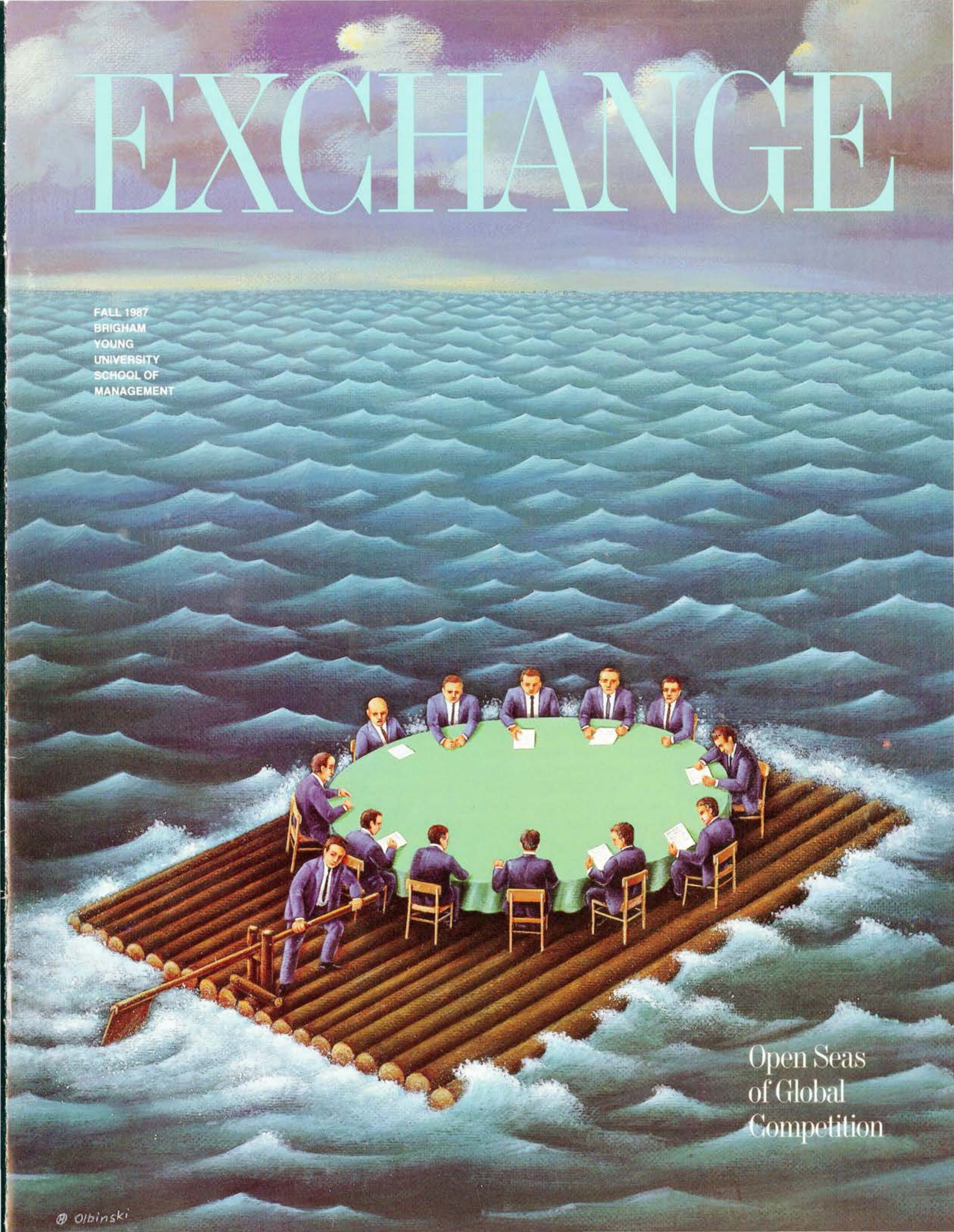
EXCHANGE

FALL 1987
BRIGHAM
YOUNG
UNIVERSITY
SCHOOL OF
MANAGEMENT



Open Seas
of Global
Competition

Education for a Global Economy

The School of Management is moving more and more into the area of international management. Today's economy is no longer local or regional or even national. It has evolved into a global economy, and SOM graduates need to learn how to think beyond the boundaries of the United States. As managers and business executives they must more actively take American business to expanding foreign markets. Consequently, SOM students must prepare themselves to see opportunities and create advantages where 10 years ago opportunities did not exist. Graduates need to be prepared to meet the challenges that a global economy presents.

As faculty and administrators we are doing more to prepare students for careers in this global setting. We offer several courses that are oriented toward international aspects of management, and we have developed programs to expose students to the realities of the global economy. During the past year selected students have had the opportunity to participate in internships outside the United States. Three students went to Israel, and several others spent the summer in Brazil and Hong Kong. They returned to campus with a much greater appreciation of their classroom experience.

We are admitting an increasing number of foreign students to both the graduate and undergraduate management programs. Currently 43 international students are master's degree candidates, and an even larger number are working toward their bachelor's degrees. Through faculty and alumni contacts the school is making a concerted effort to place them with corporations in their home countries.

Faculty involvement in the international area is increasing. During the 1986–87 year Arnold Chao, a business editor from Mainland China, taught two international business courses. Students found his perceptions and approach to business stimulating and challenging. As I have noted before, faculty members are more frequently visiting other countries and adding to their understanding of international management. Steve Albrecht of the accounting faculty spent six weeks this summer in Japan working with a Japanese firm. Steve found the experience enlightening and is bringing to his classes this fall new insights into international accounting. Other examples include Bill Swinyard's stay in Singapore, Howard Barnes' year in China, and Lee Radebaugh's research trip to Scotland. Faculty members are actively researching and writing on international topics, and they are developing courses to internationalize the students' educational experience.

Another area we are striving to improve is the placement of graduates. A major thrust for this coming year is to increase the number of international corporations that hire SOM graduates for management positions. Representatives of Seiyu Limited of Japan spent several days on campus earlier this year interviewing retailing students for positions with their company. Already three of the Big Eight accounting firms—Ernst & Whinney, Peat Marwick & Mitchell, and Touche Ross—are recruiting accounting graduates who are bilingual, particularly in Japanese. The SOM has a competitive edge in this area because of the language capability of many of its students and faculty. For example, at least 59 percent of 1987 GSM graduates are bilingual.

The School of Management has set three objectives in the area of international management:

1. Prepare students to compete in a global environment by encouraging them to retain or obtain second-language capabilities and to take classes that provide insights into international management.
2. Strengthen the faculty's interest and expertise in international management through career development opportunities and research.
3. Strengthen the network of BYU alumni and friends who work abroad or whose careers involve them in the international arena.

The world is becoming more complex, and our students need an education that reaches beyond accounting, finance, and marketing. We will continue, therefore, to involve them in ethics, entrepreneurship, and international management courses. We are focusing our efforts to prepare them for careers in an ever-expanding world economy.

Paul H. Thompson

Paul H. Thompson
Dean, School of Management

Provo

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east bay business center

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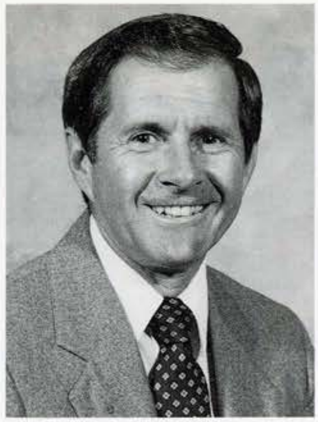

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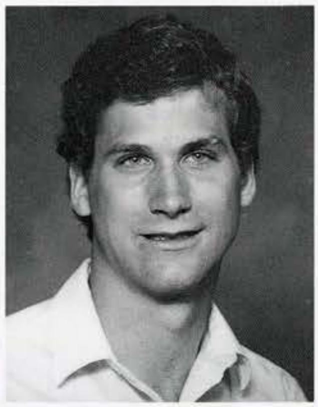

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FALL 1987
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VENTURING OUT FROM SHORE

This is a condensed version of an address delivered at Brigham Young University on March 11, 1987. Paul J. Kofmehl, Vice President and Group Executive of the IBM World Trade Americas Group delivered this address for the International Executive Lecture series.

All of you in this room know a great deal more than I about the man for whom this university is named. However, in preparing my remarks I learned something about Brigham Young. I learned about his boldness and willingness to take risks. I also learned that his principles enabled him to see what was in the long-term interests of this community. I was especially struck by what he said to the first settlers in Utah just two years after they had arrived. You may know his words well, but they bear repeating as a guide to the businessman today. In 1849 goldseekers began to stream through this territory. Brigham Young, struggling to keep the community intact as the attraction of California gold dust threatened to pull it apart, told his fellow settlers: "If you must go for gold, go, and I will promise you one thing: Every man that stays here and pays attention to his business will be able, within ten years, to buy out four of those who leave for the gold mines." Brigham Young understood the importance of building long-term growth on a firm foundation, of not going for the easy short-term solution. The success that you have seen in Utah bears witness to his wisdom and yours.

Today, as we look at the turbulence of international competition, we need a set of principles by which to set our course.

Just like a gyroscope, which gains its sense of direction and stability from within, each executive, each company, each country needs operating principles to maintain a proper sense of balance.

At the individual level you can see how this works if you look at the successful careers that many graduates of this university have had.

At the company level I am convinced that an operating philosophy is essential to chart a sound business strategy. In IBM we call these principles our basic beliefs. They are: respect for each individual employee, the best possible service to the customer, and excellence in every task we perform.

At the national level we may not have identical opinions on many subjects. Nevertheless, a country cannot be economically strong and competitive if its economy does not rest on a strong cultural base.

Today I would like to describe the international business environment that I have seen and then suggest what sort of gyroscopes we could use to find our course and stick to it. Guidance is one thing we need on the open seas of global competition.

You hear so much these days about competitiveness. Why now, when international trade and investment have been conducted for centuries? There are many answers to that question. One simple one is the geographical shift of commerce and finance westward.

We have heard much about the future of the Pacific Basin. This is a fascinating subject, but geographical shifts in comparative advantage are constantly occurring. I would like to call your attention to another fundamental change on the industrial landscape that is less obvious.

After Henry Ford began to build automobiles on a moving assembly line, 50 percent fewer hours were needed to make a car in 1920 than in 1910. Labor productivity was growing 8.5 percent per year. The average price of Ford cars was cut 62 percent in real terms. Sales increased nearly 50 times, and employment rose from 37,000 to 206,000 in ten years.

Major changes are often evolutionary, but if you want to give a symbolic date to The Day the Universe Changed, I nominate August 15, 1971.

The United States brought the mass production system to its apogee, turning out standardized, quality products for large, stable markets. This system rested on several pillars: large investment in machines dedicated to specialized tasks, large companies to coordinate the specialized production process, and large unions that organized the work force. Above all, it relied on large and stable markets that could absorb the increased output and accept the standardized products.

After World War II, international arrangements such as the General Agreement on Tariffs and Trade (GATT) and the Bretton Woods agreement gave us a stable international financial system. The rules of the game were predictable. There was some global competition, but much of the expansion of companies abroad allowed them to compete on a national level in many countries. They were "multidomestic," so to speak. The food and beverage industry, for example, licenses technology, knowhow, and management skills to its local subsidiaries where it competes with other domestic companies. As these consumer products are tailored to local markets, there is no competition on a global scale.

This "best of all possible worlds" has slipped away. Major changes are often evolutionary, but if you want to give a symbolic date to The Day the Universe Changed, I nominate August 15, 1971. That is the day the United States officially confirmed that it would no longer fulfill its commitment, made in 1934, to convert dollars into gold. As a matter of fact, such a conversion had become impossible. This country was running a $10 billion balance of payments deficit at that time. In simple terms, the United States owed foreigners more money than it could back up with its gold reserves.

Until that day the international financial system had rested on the universal confidence that the dollar was as good as gold. Our economy had been considered so sound and so large compared with others that our currency was the stabilizer, the gyroscope. The currencies of other countries were pegged to the dollar at fixed exchange rates. Then, in 1971, the United States said that currencies should find their natural value relative to each other in an open market where they are bought and sold.

This means that exchange markets not only reflect the relative strength of different economies in the world, they also give speculators the opportunity to trade in currencies, just as they would in stocks, bonds, or other financial instruments.

This floating world was supposed to allow the United States, and some European countries as well, to set their domestic economic course without worrying so much about what other countries did or whether we owed them any money. This freedom has proved to be an illusion.

In 1971 the major economies of the world were already interdependent. If this had been clearly seen, instead of buying a few more years of independence we would have been building our industrial competitiveness.

In 1971 the major economies of the world were *already* interdependent. If this had been clearly seen, instead of buying a few more years of independence we would have been building our industrial competitiveness. The decades of the seventies and eighties became a period of fluid globalization. Fixed exchange rates had served as locks in the channels of international trade, which separated different water levels from each other. Suddenly the gates were open, and we were all sloshing around together on the open seas.

I don't mean to suggest that floating exchange rates are the single important explanation for our competitive environment. They aren't. They may be symptom as much as cause. Obviously, by 1971 there were just more players on the field. Others had not been slow to base their economies on the American model.

The new world offered opportunities to those players who had a *global* strategy, who knew for historical reasons that they had to sink or swim on the high seas of international trade. They were export-oriented from the beginning. So, we saw the emergence of Germany, Japan, Korea, Taiwan. With the exception of Germany these countries *imported* the knowhow, technology, and management to build a mass production system in the image of the United States. But it was mass production with a difference. It was oriented *outward* toward foreign markets and grafted upon a society that had a highly educated and socially cohesive work force.

You have heard this before. But what might be less perceptible is the effect these changes are having on the industrial model we have all been following. This new, less stable environment began to wreak havoc on the mass production system that had worked so well in the past. The old model thrived in a universe where there was plenty of time—time for planning, organization, order. So, we became accustomed to certain rigid corporate structures. The new model, which Michael Piore and Charles Sabel of MIT have called "flexible specialization," requires speed, flexibility, creativity, alertness, quality, customization. Instead of throwing huge quantities of standardized, mass-produced goods out on the markets, there is much more response to individual customer needs. Customers have higher standards and more choices.

Product cycles have speeded up. In the past, automobile companies were working on five-year product plans. Honda now has a one-year product cycle.

Some have attributed the shifting patterns in mass markets to technology, specifically communications and information technology. I don't know what is cause and what is effect. Certainly, these technologies permit us to truly optimize and compete on a global scale.

They permit identification *of* and distribution *to* specific, small markets.

They permit more flexible changes in models to adapt to rapidly changing tastes.

They permit global coordination of all activities: finance, manufacturing, marketing, service, management.

You can't say we don't have the tools to fit the times. The question is, what are we going to do with them? Do we truly have a global strategy? Do we need one? When I say "we," I am referring to the United States and most U.S. companies.

The simple answers to those two questions are "No" and "Yes." No, we have not recognized the absolute imperative of a

Protectionism is not the answer. That's the reaction of withdrawing even more into our borders. We need just the opposite—to venture out onto the high seas and compete internationally.

global strategy after almost two decades of international interdependence. Yes, we need a global strategy. The enormous frustration you see over our trading situation is caused by the fact that Americans are economic "fundamentalists," that is, free traders. The problem is that we are singularly unadventurous free traders. We never venture out from shore. This exposes our markets to penetration with no risk to the penetrator.

Protectionism is not the answer. That's the reaction of withdrawing *even more* into our borders. We need just the *opposite*—to venture out onto the high seas and compete internationally. Our free trade principles are correct. But if we don't realize that we must compete, forevermore, in world markets, we will be incapable of living these principles.

It's no use saying the Far East or third-world countries have lower labor costs or don't compete fairly. They *do* have the comparative advantage of lower labor costs. But have you noticed that Japanese automobiles aren't just competing on price? Furthermore, according to recent congressional testimony, on average, Japanese tariffs on manufactured products are now well below U.S. levels. The tariff protection given to Japan's high-tech industries is almost entirely comparable to U.S. practice and well below European levels. This is also true for quotas and other non-tariff barriers. Compared to other advanced nations, including the United States, Japan makes relatively little use of such protectionist barriers.

You can't say the international business scene is not exciting today. How does the executive of a multinational company—or any company—make decisions in the face of what I have just described? By participating actively in society. As representatives of a strategic part of economic life, we have to work with and understand a myriad of political systems.

Participation does *not* mean trying to tell countries how to run their business. But we *do* need to understand the forces motivating a particular society. IBM took its people out of Iran 90 days before the Shah's government fell. We had seen the instability. So a first requirement for international operations is having a mechanism to understand political and social movements.

Another requirement for operating successfully, even in one's home country, is acceptability. Obviously a foreign company is not acceptable if it is an unreliable employer, a low payer, a polluter, and refuses to invest or transfer technology.

To be acceptable in many countries, IBM has developed over the years a set of principles that have served us well.

We generally employ nationals of the country in our operations there.

We have consistent personnel policies around the world.

We manufacture a lot in the United States, but we also have 22 plants outside this country.

We carry on research and development in the U.S., Europe, and Japan.

We have consistent financial practices in pricing products.

We try to achieve an internal balance in exports and imports so that no country suffers hardship as a result of our trading.

We respect all local laws where we do business.

This last point can require a great deal of management time when laws of different countries come into conflict, or when the United States insists upon policing its own laws on the territory of other countries.

I have touched upon IBM's operating philosophy in a complex world. Now, in conclusion, I would like to suggest a few essential ingredients of a nation's industrial competitiveness.

Competitiveness must rest on a strong cultural basis. Each country must find its own way and its own comparative advantage. Nevertheless, there are some basic truths that apply to all. One is self-discipline in the management of economies and in the management of corporations. We cannot continue to mortgage our future by borrowing from foreigners to finance our government and importing more than we can pay for.

Related to self-discipline is the importance of balancing short-term demands with long-term needs. If we only had to worry about the short term, there would be no need to save and no need to put part of our earnings into investment. But we *do* need to plan for the long term. The sad truth is: this country is no longer able to finance its own investment. In 1986 the difference between our gross national savings and gross private investment was financed by $150 billion in capital from abroad.

Among the 24 most industrialized countries in the world, the U.S. ranks 21 in terms of our gross savings rate. Even Greece, Turkey, and Portugal save a higher percentage of their national income than we do.

The most important long-term investment that we must be financing right now is a first-class educational infrastructure. We have a superb university system, which still attracts scholars, engineers, and scientists from around the world. And that's just it—it sometimes attracts others more than it attracts us. Not that we should close our doors; no, but we are not instilling a respect for learning in our own citizens. And we are not working hard enough to take advantage of our own knowledge. This will erode our industrial base even more—a base wholly dependent on knowledge.

Self-discipline, long-term concern, a little less instant gratification, interest in learning—these are the gyroscopes we need to firmly guide our course.

An analysis of the investment of Sweden's 37 largest firms showed that more than half is *not* spent for machinery or buildings. It is spent on knowledge activities: R&D, marketing, and services. The modern firm is primarily a service producer or information processor. More money is often made in the manufacturing sector through information and services than through production activities. A study by the U.S. Trade Representative shows that three quarters of the value added in the goods sector is created by service activities. With 70 percent of our economy already in services, we can be just as vulnerable in this area as we have been in the goods sector.

What I am saying comes down to this: Self-discipline, long-term concern, a little less instant gratification, interest in learning—these are the gyroscopes we need to firmly guide our course. We must be constantly weighing these principles against the urgent issues of the day. In doing so, we will be forced to make tough choices, and answer tough questions, such as:

How do you make the long-term investments in people, in education, in research, when shareholders and financial analysts are measuring performance on quarterly profit growth?

Should IBM do away with its 50-year-old practice of long-term employment to improve our profit margin? Some people on Wall Street think so.

How much quality and productivity is due to employees' faith that they won't be arbitrarily fired? Is our definition of respect for the individual correct?

When a government becomes politically controversial, like that of Chile or Nicaragua, why do we keep employees there—even if we can follow our basic beliefs? Are they less important than American employees? Should we default on our contracts? Should we be the judge, or should we let our governments be the judge?

Our industry, information technology, has become this country's number one strategic resource in terms of national security. What responsibility do we have to protect that resource? This may mean the sacrifice of short-term profits on occasion.

What responsibility do we have to tell the U.S. Trade Representative how we feel about trade issues? Intellectual property rights, such as copyrights and patents, are terribly important to us. That's why we would like to see the current GATT negotiations agree on a code to protect intellectual property. We need a supplement to existing international conventions, which do not provide means to enforce rights and settle disputes.

And what about taxes? Do we need better tax incentives for investment?

Our speaking out on these issues is called lobbying, but we must do this. Despite the short-term discipline of quarterly and annual reports, I think business must step up to the responsibility of getting our companies and this country to address our long-term health.

Brigham Young would have understood this. I know you understand it. Now if you bring this understanding to the international business scene, you will make an enormous contribution—to your growth, and to the health of your country. You have a great challenge ahead.

OPEN MARKETS

OVERTURNING PROTECTIONIST BARRIERS

BY STANLEY FAWCETT

The world is rapidly evolving toward a globally integrated economic system. The idea is disappearing that a domestic economy can exist in isolation—unaffected by the other players in an increasingly global economic environment. New rules will emerge, and all participants will need to share responsibility for the world's economic progress.

Theodore Levitt, a professor at the Harvard Business School, has described this move toward economic globalization as "an implacable force. A tide and not a wave."[1] The change is irreversible; and, like it or not, industrial success in the future will depend on how well individual companies and nations adapt to and play the new global game. As Martin Christopher has suggested, the globalization of economic activity is without doubt one of the most important and dramatic changes in the business environment this century.[2]

THE TRANSITION TO A WORLD ECONOMY

The rate of transition to an integrated world economy has been steadily increasing in the last decade as technological advances have essentially made the world smaller. In the past, the transition toward economic globalization depended on three major factors: our ability to exchange information, the availability of reliable transportation, and the amount of government regulation. Technology is rapidly reducing the limitations caused by the first two variables. But technology has had little impact on the greatest impediment to global economic integration—government intervention.

Government intervention—usually in the form of protectionist measures—remains the last and the most substantial impediment to the transition to a world economy, and forces other than technology will be needed to reduce interventionist tendencies among the world's industrialized countries. Tariffs and non-tariff barriers (including quotas, domestic-content regulations, and ownership restrictions) have been and continue to be used effectively to protect domestic industries by reducing competition, but their acceptability is diminishing, at least in industrialized countries.

Recent increases in competition, however, have resulted in a resurgent demand for protectionism. The question is, will nations choose to hide behind the barriers set up by protectionism or will they elect to face competitive pressures by increasing their own competitive abilities? Charles Brown, CEO of AT&T, outlined the two alternatives available in the new global game when he said, "We can follow an expansive approach and seek increased international cooperation, or we can opt for a restricting policy and withdraw behind the walls of protectionism and national pride."[3]

In the long run, it will be impossible to isolate and protect an uncompetitive economy. Robert Crawford, a professor at BYU, advocates adapting to the new competitive environment, saying, "If you can't compete, you won't be around long."[4] Levitt supports the idea that protectionism will not permanently impede economic globalization. He believes recent protectionist tendencies "are really symptoms of the intensification of global competition—not long-term barriers to it."[5]

Two increasingly strong forces combine in the United States, and to some extent in each of the world's major industrialized countries, to promote open markets and economic integration: internal pressure (sometimes called the "antiprotectionistic backlash") and external pressure of trading partners to keep markets open. For the first time in this century, increasing protectionist pressure in many industries is meeting a stronger, more unified antiprotectionist coalition. The primary participants in this coalition are industries that fear retaliatory measures and consumers, both public and industrial, who are forced to pay higher prices for protected goods. Murray L. Weidenbaum, director of the Center for the Study of American Business, calls protectionism a "hidden tax" and summarizes the view of the antiprotectionist coalition: "The answer is not to prop up industries via import restrictions or government subsidies. . . . Rather, labor and management in each company need to face the challenge of enhancing their competitiveness."[6]

The external pressure exerted by trading partners to keep markets open is increasing dramatically. Despite internal political pressures to resort to protectionism, the leaders of the world's economic powers consider maintenance of open markets and free trade a vital objective. Japan's Nakasone made a recent trip (April 1987) to Washington with the primary objective of averting higher tariffs on Japanese products. And the Reagan administration has worked vigorously to open the Japanese market to American goods.

ILLUSTRATION BY MICHAEL McCURL

The stakes in this economic poker game are also increasing. Of course, the goal of each country is to open foreign markets for its own products. To achieve this goal, leaders use their domestic markets as bargaining chips, saying, "If you don't play by fair rules, we will deny you access to our market," or "If you'll allow us access to your market, we will open ours to you." Unfortunately, the results of a breakdown in this bargaining process could be drastic. For example, when Congress voted in March (1987) to levy a higher tariff on Japanese imports in a move to stop Japan's dumping of semiconductors on the world market, speculation as to Japan's retaliation resulted in talk of a trade war that might have ended in global depression. The mere possibility of such a drastic consequence places tremendous pressure on politicians to cooperate in reducing protectionism and to open markets.

The forces promoting free trade and economic integration still lack the clout possessed by the protectionist lobby, but their influence is increasing rapidly. And considering the possible consequences of indiscriminate protectionism, the tendency to resort to it will diminish.

PARTICIPANTS IN TODAY'S ECONOMIC ENVIRONMENT

Hyundai, a Korean carmaker, introduced a new line of small cars to the American market in 1986. The ensuing sales of 168,882 cars set a first-year sales record.[7] Hyundai's success, like that of many other foreign companies, in the American and other markets, is a sign that U.S. domination of the international economy is over.

American dominance began at the end of World War II, when Europe's and Japan's industrial bases were devastated. During the following two decades the U.S. asserted economic supremacy throughout the world. Demand exceeded supply for almost anything that American manufacturers could produce. The goal in most manufacturing situations became to "get the product out the door."[8] "Made in America" meant the product was the best available—made with superior American technology. The United States was the model for aspiring, less-developed countries. This period of economic fortune in America lasted until the late 1960s.

In the early 1970s evidence of change in the international economy started to surface. American products began to lose their competitive edge both at home and abroad—"Made in America" lost its shine. At the same time the words "Made in Japan" no longer meant the product was cheap and inferior. In 1971 America ran its first merchandise trade deficit, as it imported more products—primarily from Japan and Europe—than it exported to the rest of the world. Through the decade, America's competitive position deteriorated as more and more industries began to experience intense foreign competition. By the 1980s it became evident that the U.S. was no longer the one preeminent player in the international economy. A new world system was emerging.

In today's world environment "the U.S. no longer enjoys *unchallenged* superiority in trade or technology."[9] West Germany and Japan have developed a strong competitive ability and have asserted themselves as important players in today's economic scene. Indeed, U.S. goals of reconstruction at the end of World War II, carried out through the Marshall Plan and the Japanese Occupation, have been accomplished. In addition, the spread of technology to developing countries, combined with their strong desire to increase living standards, has created new, formidable competitors. These changes are irreversible; increasing competition is inevitable. But, despite the progress of these new competitors and the changes in the international economy, the U.S. continues to be a very important economic power, even if, as David Broder points out, "We can't always be the leader."[10]

In many instances, Japan, not the United States, is the new industrial example. Risen from the ashes of the second world war, Japan, a resource-poor island, has become the new model for developing countries. George Washington University's Henry Nau makes reference to Japan's example: "The less-developed countries see that the way to succeed is through closed home markets and export-led growth."[11] Japan's experience of basing its economic fortunes on free enterprise, heavy protection of growing industries, and government guidance has not been lost on its Pacific Rim neighbors. South Korea, Singapore, Hong Kong, and Taiwan, "the Four Tigers," are now rapidly growing competitors in the new economic system. Other countries hoping to increase their presence in the changing economy include Brazil (and other Latin American countries) and the East European nations.

STRUCTURAL CHANGES IN TODAY'S ECONOMY

The transition to a world economy has not only changed the number and type of participants, but has also caused some fundamental structural changes. The most obvious change is the increase in the size of markets. Easy access to the major markets is a principal characteristic of a world economy and increases the effective size of a producer's market. Currently, the United States is the world's largest homogeneous market. Its large size explains why the U.S. market is targeted by all industrialized and industrializing countries and why competition in this market is so intense. Europe is the next largest market, although it is not as homogeneous as the United States. For reasons explained earlier, both of these markets are increasingly accessible to producers throughout the world.

Three additional changes in the world economy have been identified by Peter Drucker, a professor at Claremont Graduate School. He claims that the world economy has significantly changed already. He identifies these areas of change: 1) an uncoupling of the primary-products economy from the industrial economy, 2) an uncoupling of production from employment within the industrial economy, and 3) an increase in the importance of capital movements versus trade in goods and services.[12]

In the past, the fortunes of the industrial economy have been considered closely tied to the primary-products economy. Extended downturns in the prices of raw materials are supposed to result in a weakened industrial sector.[13] However, in the past ten years commodity prices have fallen steadily without significantly affecting the industrial economy. The problem is overproduction. Because the supply of raw materials now greatly exceeds the demand, prices are lower. This is true even in the oil industry, where the price per barrel dropped 50 percent from 1985 to 1986. Relative to the prices of manufactured goods, many raw materials prices are as low as they were during the Depression.[14]

The second major change, the uncoupling of manufacturing production from manufacturing employment, is also significant. Whereas in the past employment increased when production increased, today increasing production often means decreasing employment. The change is the result of a shift from labor-intensive to knowledge-intensive industries. Even in once labor-driven industries, technology has streamlined the production process, thus reducing the need for labor. In many industries labor represents only 10 percent of the total product cost.[15]

The final major change that has occurred is the increased activity in the world's financial markets. Traditionally, international trade in goods and services has determined international capital flows. This standard of international economic theory is no longer true. Last year's movement in the Eurodollar market equaled $75 trillion, an amount 25 times larger than the total trade in manufacturing, agriculture, and raw materials.[16] The financial economy of Eurocurrencies is now operating quite independent of the goods and services economy. Reasons for the separation of the two often involve government manipulation of the financial economy. For example, the United States has used high interest rates to attract foreign capital to finance its domestic deficit, and Japan has at times maintained an undervalued yen to promote exports.

IMPLICATIONS OF THE WORLD ECONOMY ON COMPETITION

With the many changes in the world economy, the rules governing competition have also changed. That competition will intensify is the one implication common to all of the changes. The remainder of the implications are less explicit, but they affect government, industry, and corporate policy.

The decoupling of the primary-products economy from the industrial economy will affect aspiring, less-developed countries the most. No longer will developing countries be able to pay for imports with exported raw materials. This means that if less-developed countries hope to raise standards of living, they must industrialize. These efforts to industrialize will impact the industrialized nations as developing countries close their markets to imports and strive to achieve export-led growth. The long-term result will be even greater competition as more and more countries industrialize, hoping to obtain a larger share of the world's wealth.

The change in employment patterns will have a similar impact on competition. As labor costs represent a smaller percentage of total costs in developed countries, a change in comparative costs will occur. Labor costs will become less important, and the cost of capital will take its place as an important competitive factor. A shift in government policy is also indicated. Policy should favor industrial production instead of industrial employment. As Drucker points out with the British example: a country, an industry, or a company that places preservation of blue-collar manufacturing jobs ahead of international competitiveness (which implies a decrease in such jobs) will end up with neither production nor jobs.[17] But perhaps the most important change implied by a shift away from labor-intensive industries is a shift in resources. Future competition will be in the high-tech, knowledge-driven industries. Therefore, resources should be redirected to future growth industries—information-based manufacturing.

The separation of the financial economy from the goods economy indicates one major change—exchange rates are an important competitive weapon. This might indicate an expansion of government's role: to help provide an environment within which American business can compete.[18]

A world economy is evolving, so economic theory should be based on a world view, not a nationalistic one.[19] Unfortunately, American policy is based largely on an autonomous national economy, which does not fully consider the impact of the international scene. At the same time, West Germany and Japan have made their competitive position the top priority. Drucker claims this focus on the world economy "may be the real 'secret' of their success."[20] The new rule: domestic policies will work best if they strengthen a country's international competitive position.

In the final analysis, one point is clear—"If you can't compete in a global environment, you're in trouble."

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CAUTIOUS *Modernization*

A PERSPECTIVE ON CHINA'S AMBIVALENCE TO TRADE

By Howard W. Barnes

Americans and Europeans have long been fascinated with China. Even in the Colonial period, venturesome American traders undertook the long and dangerous voyage on windjammers from Salem to Canton. The China trade impacted the American economy in various ways, including the introduction of china-ware, wallpaper, and tea, not to mention the "white elephant[1]," which was brought to Salem in the eighteenth century.

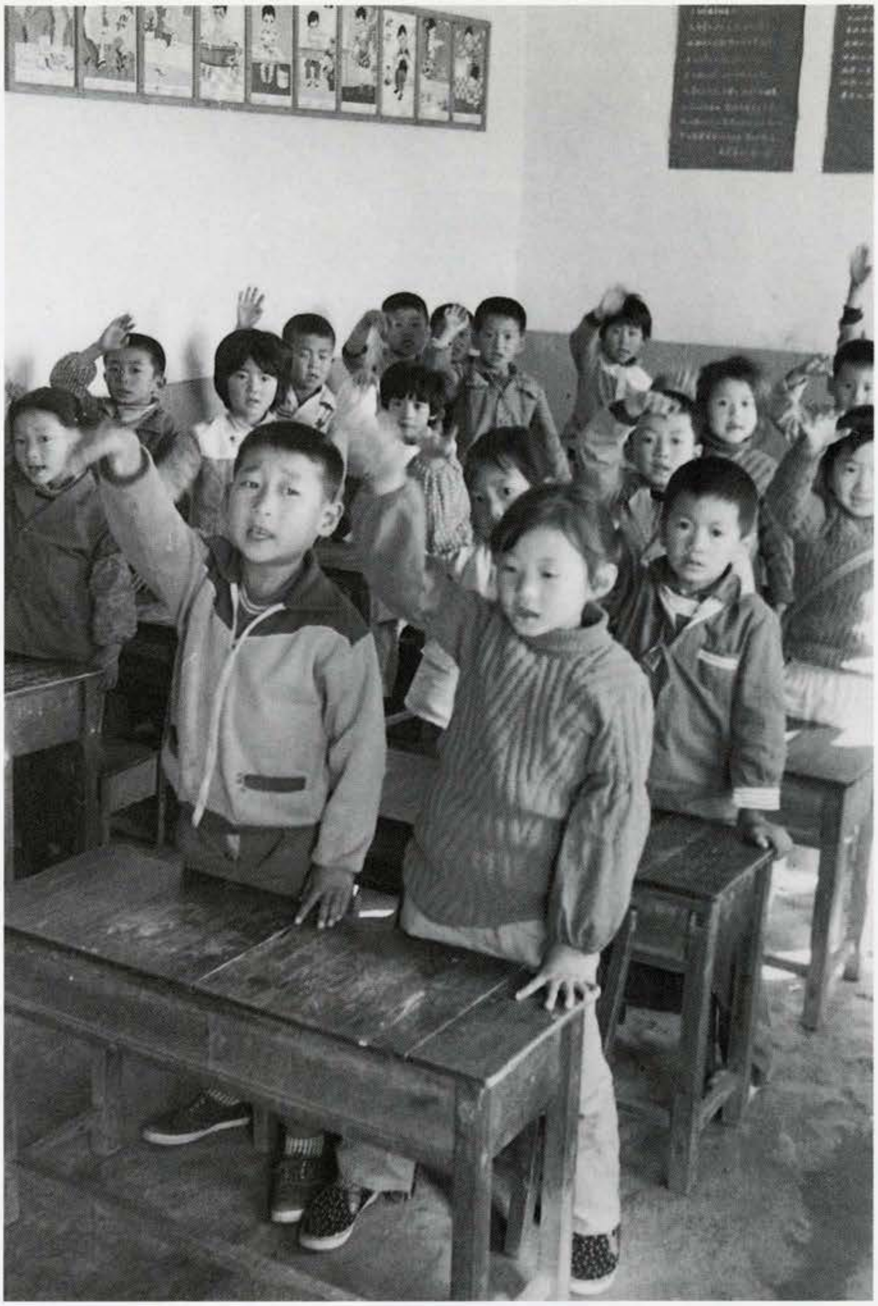
HISTORIC BARRIERS TO TRADE Aside from the romance and mystique of China, trade has not always been easy, now or in the past. China, and for that matter most of East Asia, has long been willing to engage in trade, but on terms that it finds acceptable. Until modern times, silver was the specie of East Asia. Braudel[2] reports that from Nagasaki, Japan, to Surat, India, the long-standing rule was that spices and other Asian goods had to be paid for in silver. The Chinese penchant for silver was far-reaching. Even the Romans suffered from Chinese intransigence on the terms of trade, as evidenced by a decree of Emperor Tiberius in AD 14 barring the wearing of silken garments, owing to the drain of Roman specie.[3] The American West, likewise, benefitted from the China trade. It has been estimated that half of the silver produced in nineteenth-century America found its way to China.

Aside from the Chinese insistence that its foreign trade be paid for primarily in silver, there were other reasons why it was difficult to do business in the Middle Kingdom.[4] Foreign trade invariably brought foreigners, and more significantly, foreign ideas. Since early times the Chinese found ways to deal with foreigners, which included isolating them from contact with the native population. One early device was to exclude foreigners from inside walled cities. In the thirteenth century, Marco Polo reported that foreign merchants were obliged to live and conduct trade outside the walls, depriving them of the comforts and protection of the city. More recently (in the nineteenth and twentieth centuries), the Chinese often concentrated foreigners into concessions (currently special economic zones, guest hotels, and residential compounds), which similarly attempt to limit the dissemination of foreign ideas and practices.

DISDAIN FOR FOREIGN IDEAS Qing Dynasty Emperor Yongzhen in 1723 expressed contempt for foreign ideas when he communicated to Christian missionaries in Beijing, "You want all of the Chinese people to be your believers. I know that this is your intention. But try to think this: once this is the case, whose people will they be? Won't our people become the people of your kings? By that time, our people will know only you, and once there is war along the border our people will listen to your commands." Speaking in a similar vein, the former party secretary of the People's Republic of China, Hu Yiaobang, cautioned his countrymen about foreign things and ideas. "We should adopt dual tactics that firmly implement our open-door policy on the one hand and on the other resolutely resist the rotten things of capitalism, including bourgeois ideology and its life-style. The 'sugar-coated bullets' are not only one kind, but at least two: one is the material 'sugar-coated bullet' such as money, beautiful women, and foreign goods that try to corrupt us materially; the other kind is the spiritual 'sugar-coated bullet' like the rotten capitalist ideology, point of view, culture, art, and life-style, which attempts to corrupt us ideologically, relax our fighting will, disintegrate our beliefs, and mess up our thinking."[5] Both the emperor and the party secretary mirror traditional Chinese concern that foreigners create divisive loyalties, which destroy the monolithic structure of China. Though modern China traders disavow any desire to corrupt Chinese society or to create divided loyalties among its people, history is replete with instances where the efforts of foreigners have done irreparable harm.

Harmony, which for the Chinese embraces obedience, is a time-honored virtue. Spence[6] notes that education was the key to social harmony and political stability. From the Confucian classics the young learned obedience, morality, and the norms of acceptable behavior. Consistent with historical tradition, *The Washington Post* reports that Chinese students in Hangzhou are now required to show that they adhere to the "five loves," including a love of socialism, of the Communist Party, of labor, of science and technology, and of the motherland, and to uphold the "three

PHOTOGRAPHY BY HOWARD W. BARNES



Elementary school children

Hauling hand-cut fence stones

goods," which include physical fitness, studying hard, and working well.[7] The efforts to rein-in young malcontents appear to be aimed at excluding the kind of students who launched street demonstrations in early 1987. Forced adherence to dogma is not new in China. From the time of Confucius, Chinese students have characteristically been "inductive" reasoners in that they learn principles by rote processes laid down anciently by Confucius, Mencius, Lao Tzu, and later by Mao Tse-tung. The inductive reasoner learns principles and seeks to find application in the world, while the "deductive" reasoner observes a phenomenon and searches for explanations and causes. The inductive reasoner is limited by the tools or principles in his possession, while the deductive reasoner is unencumbered in his search for theory, old and new. The education reforms announced in Hangzhou are not new, but merely part and parcel of a historic effort to accommodate new knowledge within the fabric of traditional morals and thought. Writing in the 1860s, Feng Kuei-fen, a scholar from Suzhou, suggested that new knowledge from abroad be added to the foundation of traditional thought. Feng concluded that, "If we let Chinese ethics and famous [Confucian] teaching serve as an original foundation, and let them be supplemented by the methods used by the various nations for the attainment of prosperity and strength, would it not be the best of all procedures?"[8] Neither now, nor in the past, has Chinese education been prepared to accept ideas purely on the basis of utility, but only if they fit into the framework of accepted thought.

THE LEGACY OF COLONIALISM The People's Republic of China can legitimately claim two historic achievements: namely, breaking the system of land tenure, where peasant families were literally held like chattel by land owners; and, secondly, the restoration of Chinese sovereignty. Not since the seventeenth century has China been rid of foreign claims on its territory. In 1997 and 1999, China will finally remove the last vestige of colonialism when Hong Kong and Macao come under jurisdiction of the central government. As much as Westerners might lament the changes that will inevitably occur in Hong Kong, the issue must be seen in a larger context. The restoration of the Chinese family (nation), with all its constituent geographic parts, is a hope passionately held by the vast majority of people on the mainland. Almost to a person, the Chinese are aware of the grievous deeds of foreign powers, which among other things required customs authorities to permit the importation and sale of foreign opium after 1839. Beginning in 1850, peasant-based rebellions sought to rid China of its "foreign devils," ultimately leading to the overthrow of the effete Qing dynasty in 1911. While the creation of a republican government did not dispel foreign interests, including foreign concessions, it was a precursor to what the mainland Chinese call the Liberation of 1949. The Liberation marked the demise of foreign concessions and the end of all but two of the Colonial enclaves, Hong Kong and Macao. Not only were the followers of Mao Tse-tung anxious to restore territorial sovereignty, they were also determined to end foreign land tenure and the foreign ownership of factories and businesses.

Following the 1911 Revolution, anti-foreign sentiments boiled over from time to time. Fairbank and Reischauer[9] note that in the 1920s both the Nationalist Party (Kuomintang) and the Chinese Communist Party recognized imperialism and warlordism as the twin evils of nationalism. In 1925 an upsurge of anti-imperialism combined with the militant anticapitalist labor movement. At that time foreign powers still exercised vast power in China; the Japanese were firmly entrenched in Manchuria and Shandong provinces, the British ran the nation's largest coal operation. In Tianjin (near Beijing[10]) the concessions were governed by the British, French, Japanese, and Italians; a foreign military presence remained in Beijing, much of Shanghai was governed by foreign powers, and the trade of South China was dominated by Hong Kong.[11]

Perhaps the most painful aspect of foreign intervention in China's affairs concerned the opium trade. The plaintive appeal of Commissioner Lin Tse-hsü in his 1839 letter to Queen Victoria reflects Chinese feelings of exploitation.

The kings of your honorable country by a tradition handed down from generation to generation have always been noted for their politeness and submissiveness. . . . But after a long period of commercial intercourse, there appear among the crowd of barbarians [a general reference to foreigners] both good persons and bad, unevenly. Consequently there are those who smuggle opium to seduce the Chinese people and so cause the spread of the poison to all provinces. . . . Let us ask, where is your conscience? I have heard that the smoking of opium is very strictly forbidden by your country; that is because the harm caused by opium is clearly understood. Since it is not permitted to do harm to your own country, then even less should you let it pass on to the harm of other countries—how much less China! Of all that China exports to foreign countries, there is not a single thing which is not beneficial to people: they are of benefit when eaten, or of benefit when used, or of benefit when resold: all are beneficial. Is there a single article from China which has done any harm to foreign countries? . . . If China again cuts off this beneficial export, what profit can the barbarians expect to make? . . . . Articles coming from outside China can only be used as toys. We can take them or get along without them. Since they are not needed by China, what difficulty would there be if we closed the frontier and stopped the trade?[12]

Several important conclusions may be drawn from Commissioner Lin's "moral" advice to Queen Victoria. The most important is the feeling of outrage against foreigners who exploit China for profit and do so without regard to the irreparable harm done to her citizens. The second conclusion is a feeling of utter helplessness in that the letter was merely intended to prick the consciousness of the Queen. Without sufficient military power, China's recourse was limited to cutting off exports, a threat which later events proved ineffectual. Finally, it can be concluded that China views herself, now and historically, as an autarkic state. Except for the threat of bordering nations, China could (and can) get along without foreign articles, or "toys" as Lin described them. It should be recognized that China's 1972 move to normalize relations with the United States was dictated in large measure by her recognition that she was surrounded by hostile, or potentially hostile, neighbors.

MISTAKEN FOREIGN REACTIONS TO CHINA'S TRADE AMBIVALENCE Against this backdrop of history, it is possible to understand some of the Chinese xenophobia. China wants modernization, but not at any price. Former Party Secretary Hu

Members of a rural production brigade building a dam by hand

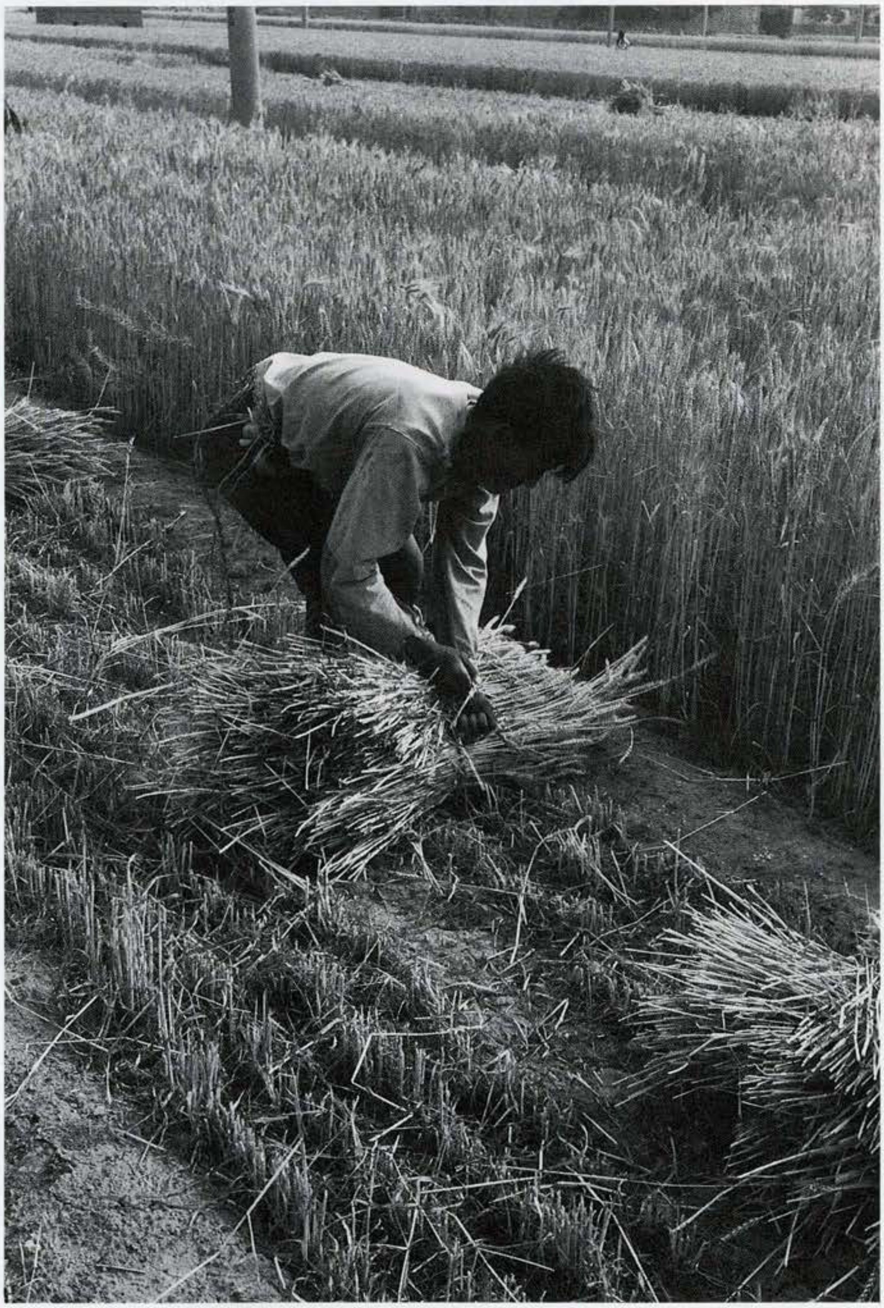
Bridge at the Summer Palace (Beijing)

Yiaobang, with others, recognized that "The open-door policy that we are implementing has brought us many favorable things, but at the same time many germs as well."[13] The on-again, off-again efforts to attract foreign investment should be viewed not so much as the consequence of political instability in Beijing, but as an expression of the collective ambivalence the Chinese have regarding foreign contacts. For all of their virtues, the Chinese are not a cosmopolitan people.[14] The very name "The Middle Kingdom" conveys a feeling of China's being at the center of the universe. While recognizing that buildings may be taller in other countries, cars more numerous, and the life-style more abundant, nonetheless on important matters such as civilization, culture, and family, most Chinese believe that their country is first among nations. China wants to trade, to improve agriculture, industry, technology, and especially national defense. But history has taught Chinese leaders to be cautious in their dealings with foreigners. They are particularly concerned that foreigners in search of profit will bring consequences akin to opium, namely the spiritual corruption of the people. In addition to understandable caution in dealing with foreigners, there is apparent disagreement among top-echelon government members as to how modernization should be achieved. Noting the success of China's agriculture in achieving national food self-sufficiency, some argue that the "Responsibility System" (decentralization of decision making combined with family stewardship of land) should be extended to light industry and trade. Others fear the gains of the Liberation will be lost if increasing numbers of people become motivated by personal gain. The efficiency of the market system in providing goods and services is widely recognized in China, but the market system is also viewed with substantial skepticism owing to its inability to distribute wealth equally. Seen as a continuum between efficiency (market system) and equality (socialism), the Chinese are moving slowly and cautiously toward efficiency, but the movement is neither assured nor will it be without reverses. I once asked my class in China what they thought the maximum difference in wages should be between entry-level workers and managers of large enterprises. After some discussion, the class responded that they thought a senior manager should not earn more than three times as much as the lowest paid worker. Asked of their opinion about an industrialized nation where top managers earned, on average, eight times as much as beginning workers, the class indicated that this was wrong. The unnamed country was identified as Japan. When asked their reactions to some senior managers earning in excess of 200 times the wages of entry-level workers, the Chinese students found this hard to believe and wrong in principle. The latter country was identified as the United States. The opinions of the class reflect general attitudes in China that society should assure that wealth is distributed more or less equally, and that it would be potentially harmful for some workers to receive a disproportionately large share of the income of an enterprise. There are also vested interests in the Chinese political, military, and industrial hierarchy that bode ill for change. Those who have worked hard and sacrificed much to be members of the cadre[15] will not willingly give up their positions and perks. Added to this, the elderly senior government and military officials view themselves as the conscience and guardians of the Liberation, who have a special responsibility to keep alive socialist principles and the preeminent role of the Communist Party. As in any society, China is a mixture of selflessness and self-interest. **THE FUTURE** The Chinese are a proud people, not in the sense of arrogance, but rather as a reflection of their ability to meet and cope with the challenges of man and nature. In modern China one never sees kowtowing or other expressions of subservience. Even the poorest peasant farmer looks at foreigners eye to eye as equals. The Chinese have no reason to slavishly accept foreign ideas and technology; history has shown them to be survivors. Judged from a historic perspective, the Chinese political and economic system will evolve according to its own agenda. In the longer term, China will follow neither the Soviet pattern of communism, nor will it evolve along the lines of Western market-oriented democracies. In dealing with China, foreigners must learn patience and recognize the Chinese desire for mutual benefit. Outsiders cannot expect to sell goods and services to China

Suspension bridge over the River of Sorrows (Yellow River) at Shandong without buying Chinese products. Foreign businessmen must be ever mindful that production in China is not dictated solely by demand. Accustomed as Westerners are to anticipate and supply products and services demanded in the market, care must be exercised in China to offer goods and services which also meet the objectives of the state. When a product—such as the McDonnell-Douglas MD-80, which is currently being assembled in Shanghai—meets the objectives of the state, foreign relationships succeed. On the other hand, ventures will not succeed if they fail to meet the priorities of the state or are unable to provide products users want and at prices they can afford. Opportunities exist in China for trade and investment, but the negotiations, plans, and preparations will necessarily proceed according to the Chinese agenda. The Chinese are skilled negotiators who recognize that time and information and possibly power are in their favor. Time and money are equated in the foreigner's mind; the Chinese are not so burdened.

Women weaving fish nets at Dayudao (Big Fish Island)

Harvesting the spring wheat crop by hand



NOTES

[1]The people of Salem had no idea what to do with the large beast, hence, the term "white elephant."

[2]Fernand Braudel, *The Wheels of Commerce* (New York: Harper & Row, 1982), pp. 219–221.

[3]Peter Hopkirk, *Foreign Devils on the Silk Road* (Oxford: Oxford University Press, 1980), pp. 20–21.

[4]The Middle Kingdom refers to the English translation of the name by which the Chinese call their country, Zhong (middle) Guo (country).

[5]Hu Yiaobang, "On the Issue of Political Ideological Work," *People's Daily*, January 2, 1983.

[6]Jonathan Spence, *To Change China: Western Advisers in China 1620–1960*, (Boston: Little, Brown and Co., 1969), p. 129.

[7]Daniel Sutherland, "Beijing Tightens Control: Students Must Show Ideological Virtues," *The Washington Post*, May 4, 1987, p. A17.

[8]Teng Ssu-yü and John K. Fairbank (ed.), *China's Response to the West*, (Cambridge: Harvard University Press, 1954), p. 52.

[9]John K. Fairbank and Edwin O. Reischauer, *China: Transition and Transformation*, (Boston: Houghton Mifflin, 1973), p. 447.

[10]The Chinese Translation of Beijing means northern capital. During the Kuomintang period Nanjing was the capital of the Republic of China. Peking meant northern city.

[11]Fairbank and Reischauer, *Op. cit.*, p. 446.

[12]Ssu-yü and John K. Fairbank (ed.), *op. cit.*, pp. 24–26.

[13]Hu Yiaobang, *op. cit.*

[14]A perceptive observation made in 1984 by Professor Larry T. Wimmer prior to the author's leaving to spend a year in China.

[15]A term commonly used in China that refers to middle- and senior-level administrators.

FOREIGN LANGUAGE COMPETENCY

IN THE SCHOOL OF MANAGEMENT

by Lee H. Radebaugh and Max L. Waters

In its 1979 report President Carter's Commission on Foreign Languages and International Studies stated: "Our gross national inadequacy in foreign language skills has become a serious and growing liability. It is going to be far more difficult for America to survive and compete in a world where nations are increasingly dependent on one another if we cannot communicate with our neighbors in their own languages and cultural contexts."[1] These conclusions were reiterated in a report prepared as a result of the Wingspread Assembly on Foreign Language and International Studies: "Although English is widely used in the world, Americans who rely on that fact are hampered in international discourse, whether it be for diplomatic, business, or cultural reasons."[2] This article looks at the U.S. position in the world economy, explores the role that foreign language capability might have on that position, and shows what BYU is doing to take advantage of the foreign language capabilities of its students.

THE U.S. IN THE WORLD ECONOMY

Over the past two decades the industrial competitiveness of the U.S. has declined substantially. A number of indicators reflect that decline, including productivity growth rates, trade deficits, and share of the world's total Gross National Product. The average annual change in U.S. productivity from 1960 to 1983 was only 1.2 percent, compared with 5.9 percent in Japan and 5.3 percent in Korea. Even France and West Germany enjoyed productivity rates more than double that of the U.S. during the same time period. Even more disturbing is the fact that productivity increased in the U.S. at an annual rate of only .5 percent from 1973 to 1980.

In 1971 the U.S. suffered its first balance-of-trade deficit of the century. Since that time deficits have practically become an annual event. The trade deficit in 1986 was $166.3 billion, which equaled 4 percent of the GNP. A strong U.S. economy and strong U.S. dollar during the early 1980s led to a surge in demand for foreign products in the U.S. and a drop in demand for U.S. products abroad. Structural problems have also caused U.S. products to lose their market share abroad.

In 1950 the U.S. generated 40 percent of the world's GNP, compared with only 21 percent by Western Europe and 2 percent by Japan. By 1980 the U.S. generated only 22 percent of the world's GNP, compared with 30 percent by Western Europe and 9 percent by Japan. Much of this shift was expected, since Western Europe and Japan had significant rebuilding to do following World War II. However, a decline from 40 percent to 22 percent is significant.[3]

THE ROLE OF LANGUAGE

The reasons for the decline in U.S. competitiveness are many, and potential solutions are just as numerous. This article does not contend that language fluency will solve all U.S. competitiveness ills, but it certainly can help. David Chapin, a Japanese-speaking product manager at General Electric's Quartz and Chemicals Department, recently made the following observations. "Our business with Japan is growing rapidly, and we have a lot of Japanese customers. [Being able to speak the language of Japanese customers is] very, very helpful. When they [non-Japanese-speaking colleagues] ask questions of the Japanese customers, there is a long discussion on the other side of the table, and at the end of the discussion, the answer through an interpreter comes back as a simple 'No.' What's useful in negotiation is not just the advantage language provides, but also the understanding of the Japanese economy, the way of doing business, and the customs."[4]

FOREIGN LANGUAGE IN BUSINESS SCHOOLS

In 1984 a study was published concerning the foreign language fluency of students in 44 business schools that offered a major, minor, or co-major in international business.[5] According to the study only 7 percent of the schools required a foreign language for all business students at the undergraduate level, and none of the schools required a foreign language at the MBA level.

In the same study the respondents were asked to give their impressions of the language fluency of their students. In only 7 percent of the schools (both undergraduate and MBA) were more than 50 percent of the students perceived to have competency in at least one foreign language. In only 25 percent of the schools were more than 20 percent of the MBA students perceived to be fluent in a foreign language; that same degree of fluency was present in only 20 percent of the undergraduate programs surveyed. The degree of fluency was slightly higher for international business majors and minors, and more schools required a foreign language for their international business majors (23 percent of the undergraduate programs and 5 percent of the MBA programs). However, it can be assumed that foreign language fluency is not an important part of the education or experience of business students at most universities.

BYU FOREIGN LANGUAGE PROFICIENCY

The student body at Brigham Young University includes a significant number of students who speak, read, and write foreign languages. Not only are many students from foreign countries, but many have also served two-year missions for The Church of Jesus Christ of Latter-day Saints (LDS) in foreign lands. These two groups provide the university community an unusual opportunity to share and become acquainted with other cultures.

Of particular interest to the School of Management is the number of bilingual students preparing for business careers. These students possess a unique background for international business studies. The two-year immersion of students into foreign cultures, coupled with their language proficiency, enables the School of Management to produce graduates with a broader business and cultural background than most business schools can accomplish.

RATIOS OF BILINGUAL STUDENTS

At Brigham Young University about 30 percent of the student body is bilingual. As noted in the exhibit on the following page, both undergraduate and graduate business students exceed that level. Students in the five Graduate School of Management programs average 62.3 percent who are bilingual. The MBA program has the highest level of bilingual students with 79.6 percent. Business majors at the undergraduate level include 41.5 percent who speak a foreign language.

An analysis of where business students learned a second language indicates that 96.9 percent of the graduate students and 95.9 percent of undergraduates learned their languages while serving missions for the LDS Church. At the general university level, 91.5 percent of those speaking foreign languages developed the skill while serving a mission for the LDS Church.

The two-year interactive experience out of the country provides the students with cultural, political, and economic insights that domestic students cannot obtain without a large expenditure of both time and money in a study abroad program. Even expensive internships abroad do not compare with the knowledge gained by living among the people in a foreign land for an extended period of time.

CLASSIFICATION BY LANGUAGE

Internationally, students with European and Asian languages find business positions more readily available than students who have learned languages of third-world countries. Because of the volume of international business conducted with European and Asian countries, proficiency in these languages is particularly important.

It is important to note that no other business school has so many students who speak key Asian languages. (BYU Graduate Business: Japanese 46, Chinese 17, Korean 9; BYU Undergraduate Business: Japanese 164, Chinese 55, Korean 56.) Data are compared on the next page for the total university, for School of Management undergraduate majors, and for students in SOM graduate programs. As can be seen, the Graduate School of Management possesses a student profile that would support a substantial increase in international business emphasis.

ADVANCED LANGUAGE STUDY

Students completing a two-year mission for the LDS Church are able to take a competency test and receive credit for the first two years of language study. An analysis of language classes taken at the upper-division level by business students indicates that a number of students add to their basic language proficiency by taking advanced courses. Twenty-eight percent of the graduate students have taken advanced language courses, averaging 9.5 semester credits for each student. Thirty-two percent of the undergraduate students have taken upper-division language classes, with an average of 6.6 semester credit hours.

Although the advanced courses are helpful in developing language proficiency, additional courses are needed to assist the students in learning essential business vocabulary.

PROGRAMS FOR STUDENTS WITH FOREIGN LANGUAGE ABILITY

The major philosophy for international business education at BYU is that students need to have a sound foundation in one of the traditional business areas—accounting, finance, marketing, etc. The jobs these students accept when they graduate will more than likely be in one of these areas. The role of international business courses is to provide some breadth in their general education and depth in one of the functional areas of business. Thus students can major in one of the traditional functional areas and co-major in international business. The co-major at the undergraduate level requires the student to take at least two international business courses and demonstrate fluency in at least one foreign language. Courses are offered in general international business, international marketing, international finance, international accounting, and Japanese business. At the graduate level, the co-major requires three international business courses.

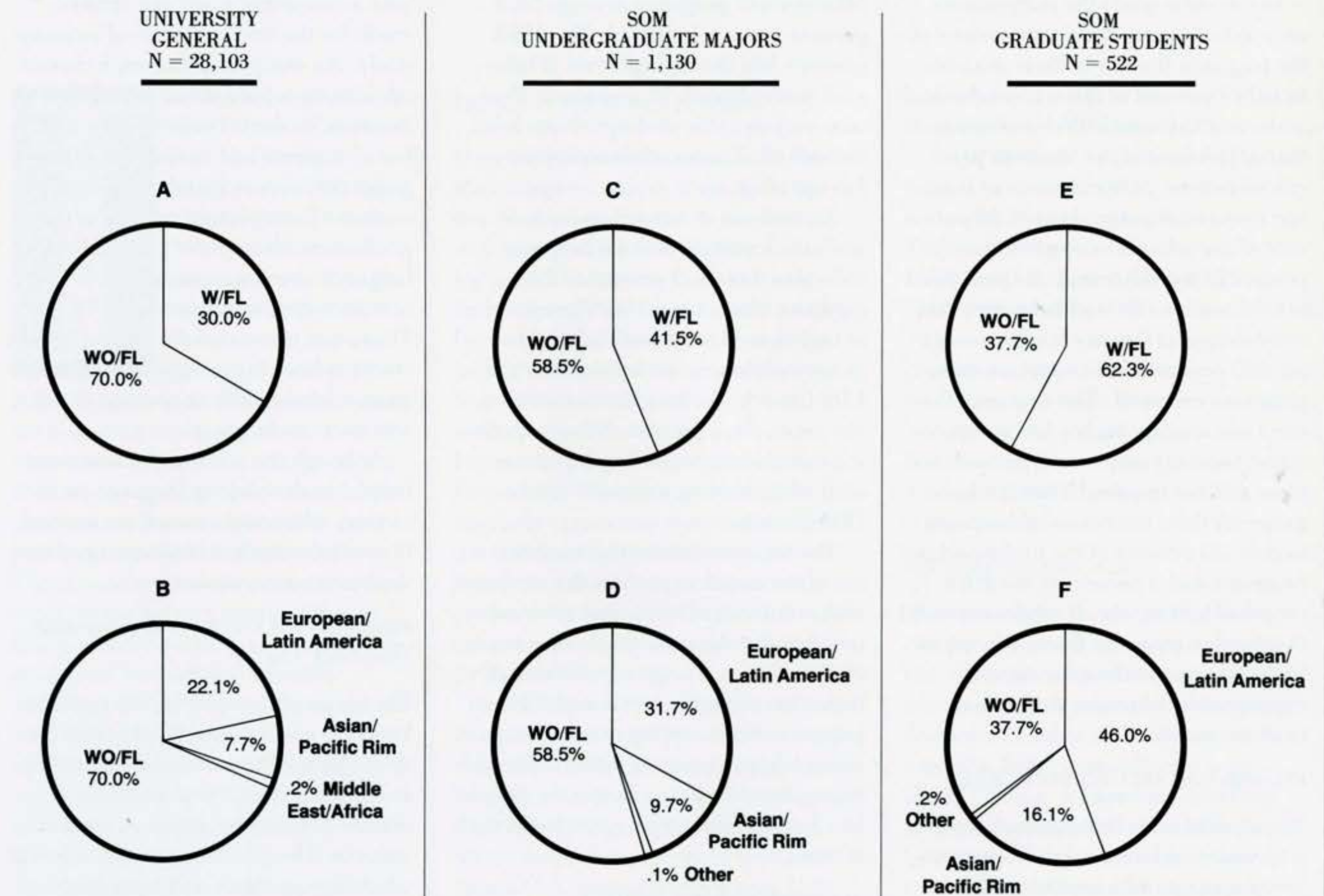
In addition to the co-major at the graduate level, students may enter a program that results in both an MBA from the School of Management and an MA in international and area studies from the David M. Kennedy Center. The program takes one semester longer than the MBA and gives the students greater depth in international studies. The joint degree also requires the students to write a master's thesis.

The strength of BYU's approach is that it can draw on the language ability that students gained from missions or classwork and incorporate that skill into the business programs. Instead of having students spend huge blocks of time in their academic program studying language, they can focus on their business education. Such students are better prepared for the competitive pressures of the international environment.

NOTES

[1]The President's Commission on Foreign Language and International Studies, *Strength through Wisdom: A Critique of U.S. Capability* (Washington, D.C.: U.S. Government Printing Office, 1979), p. 28.
[2]The National Assembly on Foreign Language and International Studies, *Toward Education with a Global Perspective* (Washington, D.C.: Association of American Colleges, March 5, 1981), p. 7.
[3]For a more lengthy discussion of this topic, see the following: Stanley E. Fawcett, *American Industrial Strength: Manufacturing's Role in Industrial Competition*, unpublished master's thesis at Brigham Young University, August 1987.
[4]As quoted by Ayako Doi in "Rising Stars in the West: Japanese-speakers in American Business," *Japan Society Newsletter* (January 1986), p. 3.
[5]Lee H. Radebaugh and Janice C. Shields, "A Note on Foreign Language Training and International Business Education in U.S. Colleges and Universities," *Journal of International Business Studies* (Winter 1984), pp. 195–199.

STUDENT FOREIGN LANGUAGE CAPABILITIES



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Lane D. Ward, *Orem, UT*
Bud J. Wardle, *Provo, UT*
Bruce E. Warner, *Sandy, UT*
Sherman Elvon Warner, *Cedar Falls, IA*
Alan P. Warnick, *Cary, IL*
Paul E. Warnick, *Walnut Creek, CA*
Robert S. Warnick, *Trabuco Canyon, CA*
James K. Washburn, *Nampa, ID*
Robyn Phillip Washburn, *Batesville, OH*
David K. and Jane H. Watanabe, *Glendora, CA*
Steven B. Watrous, *Monroe, UT*
Kent Dee Watson, *Salt Lake City, UT*
William James Watson, *Monte Vista, CO*
Douglas W. Weaver, *Slt Lake City, UT*
Melisa Kay Weaver, *Chino, CA*
Dennis O. Webb, *Cashmere, WA*
Lynn T. Webb, *West Jordan, UT*
Tony M. Weber, *Rancho Cordova, CA*
Kenneth F. Weihs, *Ballwin, MO*
Dolores M. Weller, *Reno, NV*
Joseph A. West, *Rexburg, ID*
Lawrence Brent West, *Salt Lake City, UT*
Wilbur N. West, *El Paso, TX*
Thomas Bates Westerberg, *New York City, NY*
Charles Scott Wheatley, *Palo Alto, CA*
Jack R. Wheatley, *Palo Alto, CA*
Gloria E. Wheeler, *Provo, UT*
John D. Whetten, *Alamo, CA*
John Douglas Whisenant, *Salt Lake City, UT*
J. Morgan White, *Provo, UT*
John R. White, *Murrysville, PA*
Steven V. White, *Moraga, CA*
James B. Whitehead, Jr., *Salt Lake City, UT*
Nina E. Whitehead, *Orem, UT*
Craig R. Whiting, *Minneapolis, MN*
Kay R. Whitmore, *Pittsford, NY*
Joseph E. Wier, *Waterloo, IA*
James B. Wightman, *Farmington, UT*
Calvin Coleman Wilcox, *Bellflower, CA*
R. Kim Wilde, *Russell, KS*
Robert D. Willardson, *Valencia, CA*
Patricia Wille, *Salt Lake City, UT*
Dale L. Willes, *North Highlands, CA*
Mark H. Willes, *Plymouth, MN*
Buehl L. Williams, *Santa Ana, CA*
David Glen Williams, *Morgantown, WV*
David W. Williams, *Midvale, UT*
Delon W. Williams, *Sandy, UT*
B. Gale Wilson, *Fairfield, CA*
Brent D. Wilson, *Provo, UT*
Dennis A. Wilson, *Sandy, UT*
John L. Wilson, *Solon, OH*
Joseph Harold Wilson, *Sacramento, CA*
Leroy Wesley Wilson, *Tucson, AZ*
Louise Blacker Wilson, *Boise, ID*
Merla B. Wilson, *Payson, UT*
Paul W. Wilson, *Plymouth, MN*
Thomas G. Wilson, *Dallas, TX*
Karen W. Wilsted, *Boulder, CO*
Bill D. Wirthlin, *Salt Lake City, UT*
Rex Lee Wirthlin, *Fountain Valley, CA*
Steven A. Witt, *Houston, TX*
H. Steven Wood, *Basking Ridge, NJ*
John Bryce Woodbury, *Sacramento, CA*
Leon W. Woodfield, *Springville, UT*
David M. Woodland, *Fremont, CA*
Serge B. Woodruff, *La Crescenta, CA*
Robert M. Woodward, *Escondido, CA*
Warner P. Woodworth, *Provo, UT*
Frederick Devoe Woolf, *Hacienda Heights, CA*
James S. Wright, *Denver, CO*
Mark Joseph Wright, *Hillsboro, OR*
Martin C. Wright, *Silver Spring, MD*
Norman G. Wright, *Glendale, CA*
Norman D. Wright, Sr.
Norman Dale Wright, *Orem, UT*
Leland H. Wurtz, *Long Beach, CA*
Arthur R. Wyatt, *Greenwich, CT*
Thomas T. Yamakawa, *New York, NY*
Gwendolyn Young, *Falls Church, VA*
Rodger K. Young, *West Valley, UT*
Robert Mark Youngs, *Schaumburg, IL*
Henry A. Youngstrom, *Sandy, UT*
Brian K. Zarkou, *Sunnyvale, CA*

School of Management Alumni Board

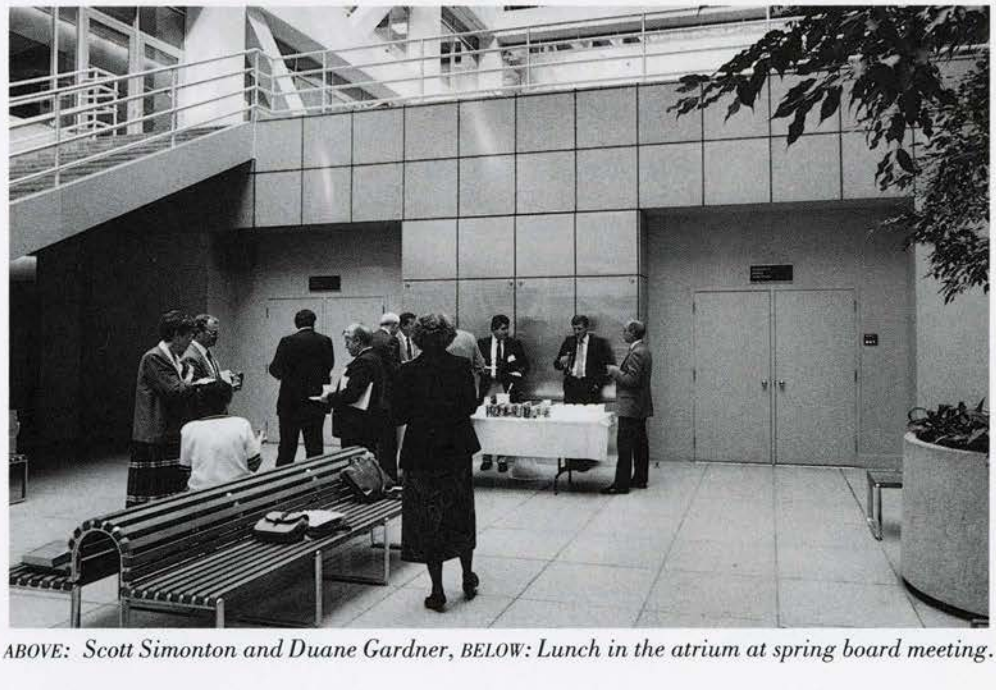
The School of Management Alumni Board, which has just begun its second year of operation, is now fully staffed and organized. The board is composed of 29 of the school's most successful alumni.

At the April board meeting, W. Lowell Benson (BS '62) of Salt Lake City, was re-elected president, with Eugene Garrett (BS '55) of El Cajon, California, president-elect, and Ross Davidson (MBA '76) of San Antonio, Texas, vice-president.

The board drew up and ratified a charter, then separated into committees to work with student relations, alumni relations, and fund raising. The board, as a whole, acts in an advisory capacity to the school. Its members are strongly committed to helping the school reach its full potential by contacting alumni and building support for and enhancing the image of the school.

Other board members are: James A. Bowden (MBA '74) of Boise, Idaho; Denny L. Brown (BS '60) of Arlington, Virginia; Albert Choules, Jr. (BS '51) of Phoenix, Arizona; Ralph Christensen (MOB '77) of Colorado Springs, Colorado; Lawrence L. Corry (MBA '65) of Ogden, Utah; Gary Driggs (BA '59) of Scottsdale, Arizona; Bobbi Foutz (second-year MBA student) of Provo, Utah; Duane L. Gardner (BA '58) of Salt Lake City, Utah; Gregory C. Glenn (BS '76) of Calgary, Alberta; Robert E. Green (MBA '67) of Villa Park, California; Gerald M. Hinckley (BS '76) of Fremont, California; Mel Hutchins (former All-American basketball great) of Sacramento, California; Charles E. Johnson (BS '60) of Salt Lake City, Utah; Victoria Laney (MOB '77) of Atlanta, Georgia; J. Kent Millington (MBA '75) of Colleyville, Texas; Janet Page (BS '66) of Glendale, California; Kent Price (BS '67) of Grandville, Michigan; William D. Price (MPA '71) of La Mesa, California; C. Vern Pyne (BA '71) of New Jersey; Marva Sadler (MBA '81) of Stormville, New York; Scott Sampson (senior in human resource development) of Walnut Creek, California; Ralph Severson (MBA '71) of Orinda, California; G. Scott Simonton (BS '71) of Mesa, Arizona; Richard C. Stratford (BS '62) of San Marino, California; Donald M. Wood (MBA '72) of Salt Lake City, Utah; and Virginia Wright (MPA '81) of Orem, Utah.

Lowell Benson, president of the alumni board



ABOVE: Scott Simonton and Duane Gardner, BELOW: Lunch in the atrium at spring board meeting.

International Students and Alumni Abroad

In 1982, 11 international students graduated from the five graduate programs in the School of Management. However, in the past five years the interest of international students in Brigham Young University has increased significantly. In 1987, 30 international students completed SOM graduate degrees. The greatest interest in terms of geographic area has shifted from Canada to the Pacific Rim. Hong Kong led the list with seven graduates. Canada was second with four graduates, but was closely followed by Taiwan with three, Korea with two, and the People's Republic of China with two.

International students now compose slightly more than 10 percent of total enrollment in the graduate business programs. The influx of international students has added new dimensions to the classes and a fresh perspective in case discussions, since their experiences have occurred in the context of different educational, political, legal, economic, and cultural systems. This diversity certainly adds to the international business understanding of all the students.

As these foreign students graduate, most return to their home countries. At the same time many American graduates accept expatriate assignments. Graduates of the David M. Kennedy Center for International and Area Studies and of the J. Reuben Clark Law School are also leaving BYU and taking positions overseas in the business, government, and legal professions. Recognizing the need to maintain better contact with their international graduates, these three organizations within the university have formed an informal international association.

Negotiations are underway to establish a formal international association with which anyone interested in international business, government, or law could be affiliated. In the meantime, local chapters are being formed around the world along the same pattern as Management Society chapters in the United States. At this point the chapters are called the BYU Forum. The first two chapters established were in Hong Kong and Sao Paulo (Brazil). The two people most instrumental in establishing the Hong Kong chapter were Greg Jackson and Ron Jones. Greg was a BYU undergraduate and received his master of international management degree at Thunderbird. Ron received his MBA from BYU. The person most instrumental in establishing the chapter in Sao Paulo is Danilo Talanskas, a 1986 graduate of the MBA program who is working for Black & Decker in Brazil.

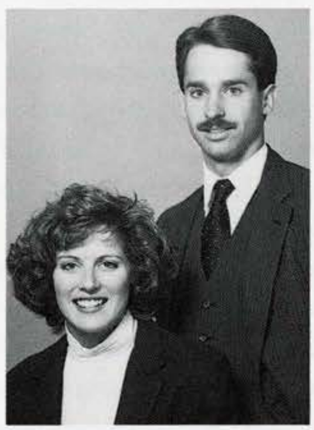
In addition to these first two, chapters are now being established in Seoul, Korea; Taipei, Taiwan; Tokyo, Japan; and two potential locations in the Middle East. These chapters should be established by the end of 1987 and others underway in 1988.

The two major purposes of the national chapters are to provide a network for graduates to become acquainted professionally and provide a solid contact with the professional programs at BYU. Even though BYU graduates often form the nucleus of the chapters, their members include graduates from other Utah schools (both LDS and non-LDS) as well as LDS professionals who have no connection to BYU or other Utah schools. This expanding international association should enable the School of Management to better serve its alumni.

Student Council

The School of Management Student Council is going strong as it begins its second year of operation. Dean Paul H. Thompson has appointed two new co-chairs to lead the council for the 1987–88 school year.

The new leaders are Barbara (Bobbi) Foutz, from Ohio, and Scott Sampson, from Walnut Creek, California. Scott is a senior majoring in human resource development and has been heavily involved in student activities. Bobbi is a second-year MBA student who received her BA degree from the University of Colorado in communications.



New Student Council leaders, Bobbi Foutz (left), and Scott Sampson.

In addition to the leaders of each of the twelve SOM student organizations, the council includes several students who have special appointments as members at large.

A number of projects are already in the works for the school year. The first of these was a Student Involvement Day, held on September 10. The activities of this day helped acquaint SOM students with the administrators, the various student organizations, and other facets of the school. A "Meet the Dean" reception gave students the opportunity to meet and talk with Dean Thompson and other school administrators. Each organization set up a booth to distribute information about its purpose and functions. A special lecture was also presented that evening. Such activities should stimulate increased participation in various student groups and also foster a sense of community within the school.

The student newspaper, published once a month, is also sponsored and coordinated by the Student Council. Some of the other activities on the calendar are Career Connections, in which alumni return to campus to advise and counsel students interested in their various professions. The Intern for a Day Program matches students and employers for a day on the job during the Christmas break. This gives students the chance to see what it would be like to work in various fields. Also in the planning stage is a big graduation party to be held in April.

There is a good deal of enthusiasm and interest in these and other activities. Everyone looks to the council for great things this year!

HOSPITALITY

Aloha Style!

CHANCES are that the next time you call a travel agent, check into a hotel, or eat in a restaurant in the Pacific Basin, you will be served by a graduate of one of the rapidly expanding hospitality programs in the Business Division of Brigham Young University–Hawaii. Almost 13 percent of the Laie campus students are majoring in the travel, hotel, and restaurant programs. Just as tourism is the leading industry in Hawaii, these programs are number one at the school.

Since the inception of the travel program in 1973, and with related programs added in 1978, the tourism curriculum has expanded beyond the hopes of its founders.

The travel management program has over 150 majors, while the hotel and restaurant management programs (which were combined beginning Fall Semester 1987) enroll about 75 students. Several are enrolled in both the travel and the hotel and restaurant programs. The popularity of these majors results in part from the importance of tourism to the students' native countries. They come from areas such as Fiji, New Zealand, Samoa, Hong Kong, Singapore, Korea, Sri Lanka, and mainland China, as well as the continental United States.

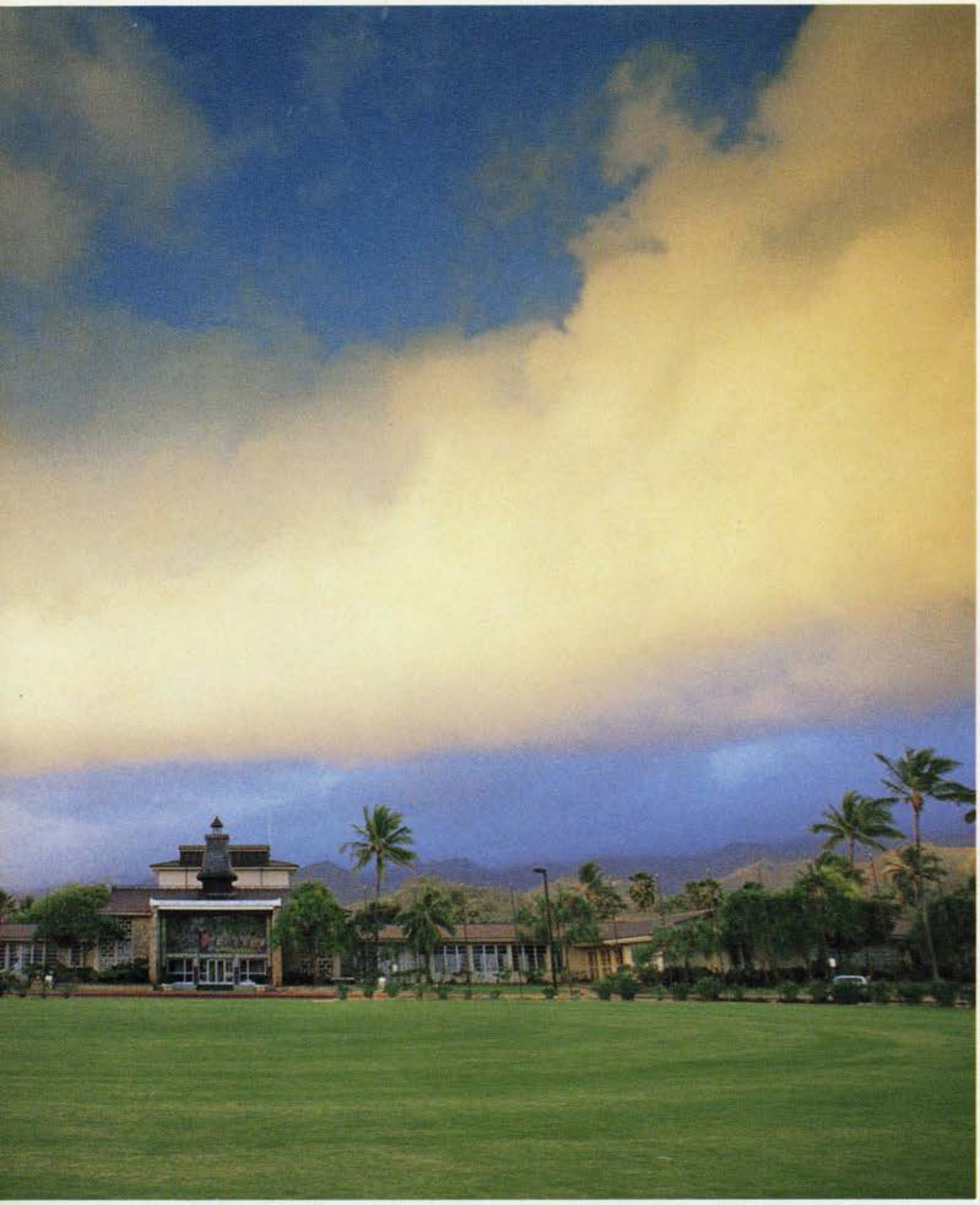
Majors are required to complete a flexible cooperative internship. They may take from one to 24 credit hours, and they may be involved in the internship from three months to a year. While many of the students intern on Oahu and the neighboring islands, locations are as varied as an atlas. For example, students in the hotel and restaurant program have interned at the St. Bonaventure in Los Angeles, the Plaza in New York, as well as in Fiji, Hong Kong, and Dallas. The programs enjoy excellent working relationships with such major chains as Westin, Hyatt, Hilton, Sheraton, Marriott, Marriott Host, Transworld, and Stouffer. This past summer more than 20 hotel and restaurant majors served internships with the Marriott Corporation at its new hotel, the Marriott Desert Springs Resort and Spa, in Palm Desert, California.

During their internships students work in many phases of hotel, restaurant, and travel management, putting their learning to practical use. And many companies have offered them post-graduation employment.

by Gary R. Smith, Gerald V. Bohnet, James W. Geddes, and Roger Higgs

TRAVEL MANAGEMENT

As travel, both business and personal, continues to increase, travel-related industries will provide employment opportunities for qualified professionals. The travel management program prepares students for such opportunities. Majors may pursue a one-year certificate, a two-year associate of science degree, or a four-year bachelor of science degree. The curriculum includes intensive training and experience in travel itineraries, ticketing, reservations, travel operations, communications, and management, as well as a variety of courses designed for cultural and academic enrichment.



Also included are fundamentals of travel, history, geography, destination points, tours, domestic fares and ticketing, international fares and ticketing, computer reservations, marketing, sales, agency management, accounting, office management, and the internship program.

THE FOOD SERVICE INDUSTRY

Food service is one of the largest industries in the world, and the need for trained managers is growing each year. Students majoring in the restaurant management program at BYU–Hawaii are finding exciting, rewarding careers with companies throughout the world. The program was recently recognized by the National Restaurant Association as the outstanding program in the state of Hawaii and was one of the finalists in the national competition.

Restaurant management was formerly a separate program that students usually completed along with hotel management. Combining the programs this semester gives the total curriculum additional strength and provides graduates with enhanced career possibilities.

The associate of science degree requires completing at least 66 semester hours, and the bachelor of science degree is a 133-hour program.

A significant feature in the restaurant program is the $150,000 Marriott Training Kitchen, donated in the late 1970s by the Marriott Corporation. The facility is a complete, working, quantity-food production kitchen, used as both classroom and laboratory. In one of their courses students use it to prepare four luncheons accommodating 150 people each, featuring international themes and foods. The kitchen is also used by student groups to cater campus events and socials.

The restaurant program emphasizes management through both general business management courses and specific restaurant management courses. Management specializations such as hotel food and beverage, institutional food service, catering, sports stadium food outlets, restaurant, and sales are offered.

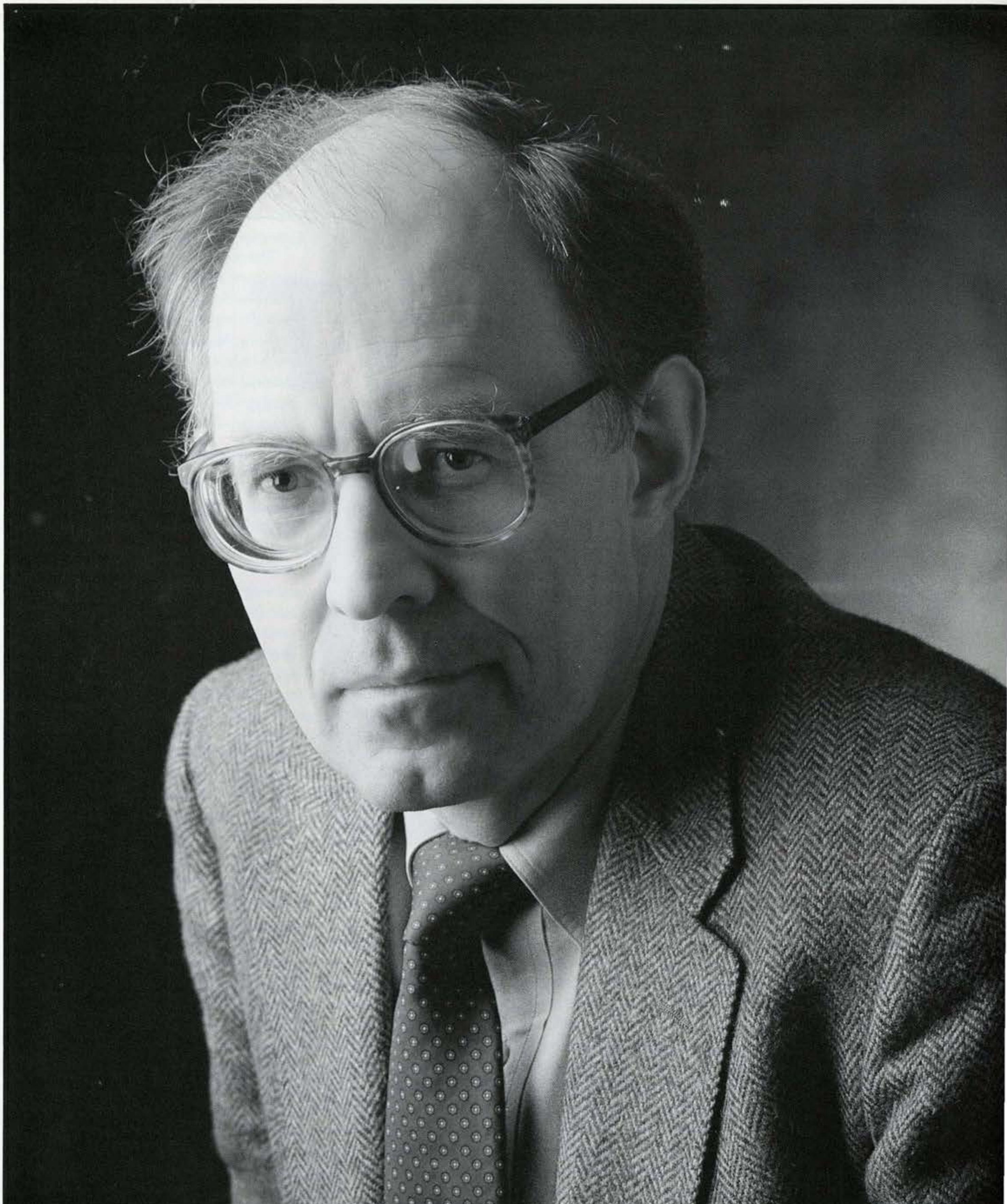
THE ACCOMMODATION INDUSTRY

The hotel management emphasis of the newly combined program prepares students for entry-level employment as well as management-level positions in the accommodation industry. The curriculum includes intensive training and experience in the fundamentals of hotel management, front-office procedures, housekeeping, maintenance and security, and hotel operations.

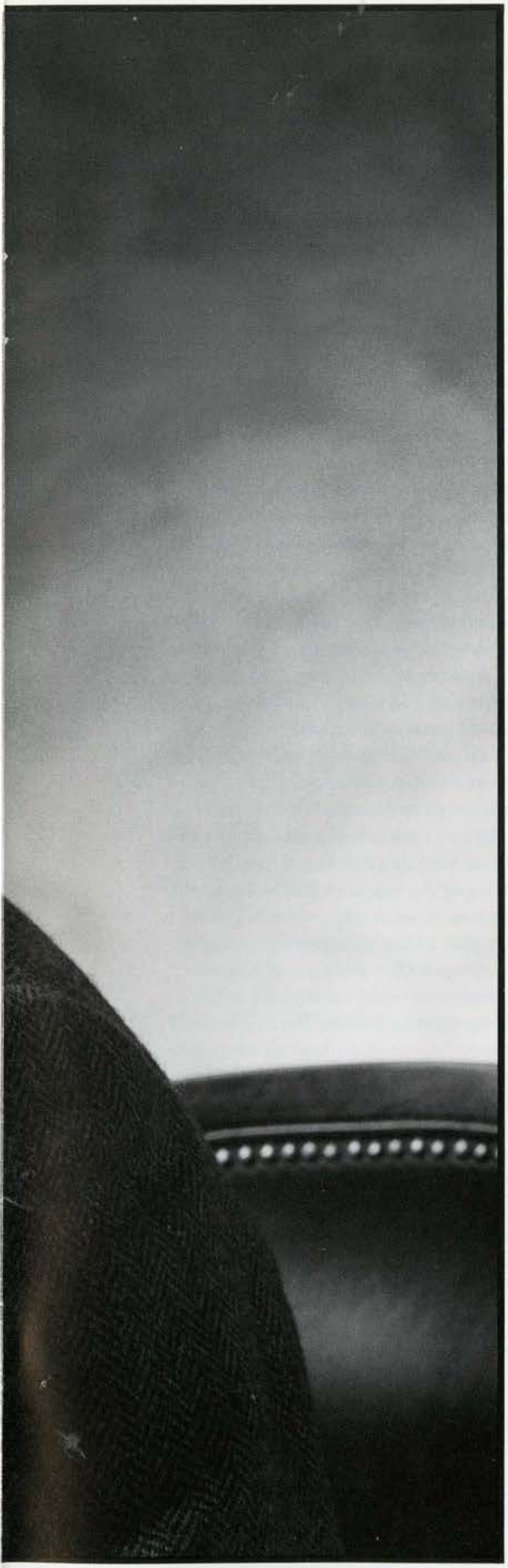
Graduates can look forward to very attractive career opportunities. Most major hotel corporations are involved in aggressive, worldwide expansion programs. In Hawaii alone there are more than 300 hotels employing in excess of 25,000 workers. The islands' major hotel chains have just enjoyed their best year ever. And new hotels are being built worldwide to meet the expanding needs of travelers.

QUALIFIED GRADUATES

Each of the hospitality specialty programs at BYU-Hawaii meets the needs of the industry it serves. The curriculum is largely determined by market demands, and the program directors can draw upon years of experience for both classroom instruction and program administration. Because of their focused, practical education, graduates from the hotel, restaurant, and travel programs at BYU–Hawaii are well qualified to apply their skills and knowledge in the industry.



PHOTOGRAPHY BY JOHN SNYDER



THE LEARNING METAPHOR

A LOOK AT OUR ROLES IN ORGANIZATIONS

This is an edited version of the address delivered by J. Bonner Ritchie at the Outstanding Faculty Awards Banquet, February 18, 1987.

A few days ago Bill Dyer and I were driving down to Southern Utah, and we stopped at a little restaurant in Beaver and had some pinto bean pie—a little different, but very tasty. In that setting we talked about a variety of things, and Bill, in his sensitive and friendly way, asked me for a kind of assessment of my past and future. (The future was more fun than the past.) As a result of that conversation with Bill, and building on some of the ideas we shared, I would like to suggest a few perspectives on teaching, organizations, and values.

ROLE INCONGRUENCY

It's hard for me to talk about anything without talking about a philosophy of organizations. Let me suggest a few issues for your consideration. In *As You Like It*, Jaques was considering, in a kind of melancholy sense, the dilemma of a deposed duke. He was trying to put in perspective what happens when somebody loses a kingdom or a power base. He said:

All the world's a stage,
And all the men and women merely players;
They have their exits and their entrances,
And one man in his time plays many parts . . .
(*As You Like It*, II,vii)

Shakespeare goes on to describe the seven stages from infant to schoolboy to soldier to lover to adult to old age, and in the end the return to childish conditions.

But I would like to address the different roles we play in organizations rather than the stages in the maturation process. The point is that we are actors on an organizational stage. I would suggest that this metaphor could be applied to every organization we are part of—the family, the church, the university, the state, a temporal or eternal organization, voluntary or involuntary. The interesting questions to me are: who writes the script, who creates the set, who does the directing, where do the cues come from, and what happens when you think you're in one play and you're really in another—which is what I see all the time in church, in business, in government, in the family. I'm troubled and critical of that role incongruency.

While I do see a lot of individual growth, I also see a lot of damage done in organizational settings.

The reason is that organizations are the setting where we decide who and what we are. There is no identity in the absence of an organizational association. In the process of deciding our identity and putting it into action via some organizational contribution, we can have a very positive effect or a very negative one. For example, in a theological context, we may define ourselves as children of God, and that may give meaning to some eternal perspective, but it's only in the organization of some divine family that it has any meaning. The important thing is the *relationship*. In the long run only knowledge and relationships endure. Everything else gives way, and as we develop that knowledge and nurture those relationships, we decide who and what we are, and that always takes place in an organization.

Now, what happens when you are playing the role of a sensitive, learning child and somebody else is playing the role of an athlete in a win-lose game? What happens when you're playing a role in a political power game and somebody else is sensitively pleading for love? What happens when you see yourself arrayed with might and authority and somebody else is pleading for forgiveness and salvation? Do you ever play the wrong role? Is there ever an incongruity that is troublesome? And what is the cost of that incongruity?

"If it ain't broke, don't fix it," is the sad commentary on the notion of the job metaphor, because there are a lot of things that "aren't broke" that don't deserve to exist.

In the delightful story of the Beowulf legend from the standpoint of the monster (as John Gardner records in *Grendel*), an old man troubled by the abuses of the state and the king says, "All systems are evil. Not just a trifle evil. Monstrously evil." Systems are evil, often not because somebody intends them to be, although that may well be the case occasionally, but because people are playing different roles than somebody else prescribes or expects. Organizations are monstrously evil when one person is looking for love and another is on a power trip. Evil is when somebody exercises unrighteous dominion over a weak individual.

ORGANIZATIONAL METAPHORS

In our attempt to define an organizational role, it is important that we understand the metaphors of organization that shape our thinking and action. In order to avoid being victimized by our metaphors, we need to put them in perspective *and* transcend them. As an illustration, let me describe a few possible metaphors and their implications.

When you define the organization as a natural-biological metaphor, the criterion for success is adaptation by the individual. That is not always wrong. Indian tribes have often survived with a philosophy of the earth that consists of an adaptive strategy. But it's not always appropriate—sometimes it implies immoral surrender. This metaphor is useful but limited.

When your metaphor is "it's just a job," the criterion is duty. And that is not all bad, but sometimes duty in a job can lead to severe abuses or very trivial behavior. "If it ain't broke, don't fix it," is the sad commentary on the notion of the job metaphor, because there are a lot of things that "aren't broke" that don't deserve to exist. The fact that they're running does not impute virtue. And the fact that they break down does not mean they need to be fixed, nor does the absence of breaking down mean that they do not need attention. A lot of things that we're doing need to be changed. And a lot of things that work are not worth doing. "If it ain't broke," it still might be worth casting aside rather than being trapped in the metaphor of a job, doing what somebody else has defined as a duty. "Doing a job" is not a virtue unless you have a higher metaphor that describes it and defines it as such.

The organizational metaphor of a game may mean "winning is everything." To some it means tearing an announcement of a job interview from a bulletin board because they don't want anybody else to have it. Or, tearing pages out of a library book so no one else can read the assignment, so they can be better prepared for class. It means the insidious, the calculated, and the default logic that many people follow as they approach the organization as an athletic contest. Somehow winning and the score card is what matters. That's not all bad when you're on a tennis court, but a tennis game on a symphony stage is incongruous. Can you tell the difference when you walk off the court and onto the stage?

The organization as entertainment is great, at times. The criterion is fun or hedonism. In one context that serves us well, but one long trip to Las Vegas should dispel the notion of that being a long-term virtue. Organization as entertainment, as a place where we play games with people, as a place where we play games with ourselves, as a place where we somehow have to be continually entertained—one long-running Sesame Street—doesn't work. As an example, one of the best training films I've seen is the one that Ford Motor Company made many years ago called "It Ain't Disneyland," where Ford tried to present a more realistic image of the company as something other than Mickey Mouse fun, entertainment, and games. In the long run there will be hard work, disappointments and conflict—let's not develop too many unrealistic expectations. A lot of things are fun that aren't worth doing. A lot of things are worth doing that aren't fun.

As a political metaphor, the organizational criterion is power and the exercise of control or domination over others. There are times when it's appropriate, but again, it's a very limited metaphor.

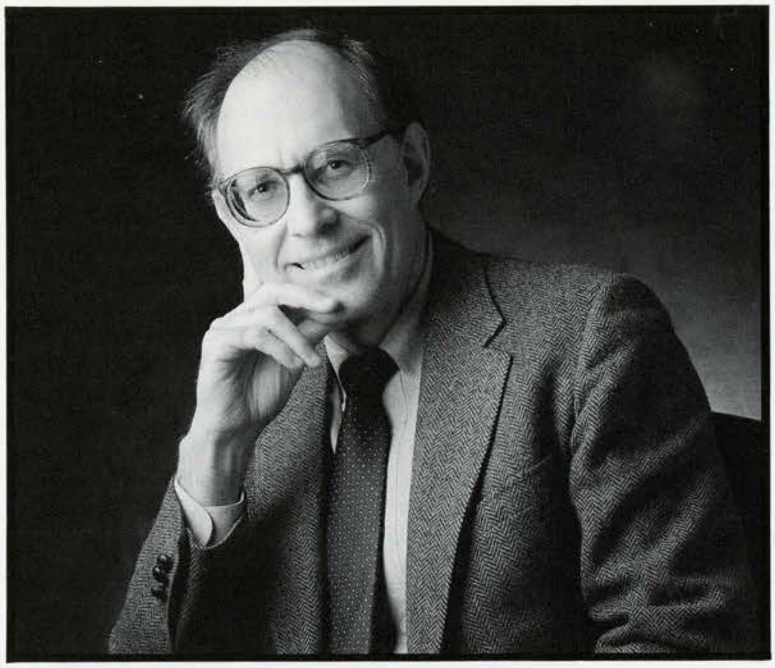
Art is a very appropriate and fun metaphor, and beauty is the criterion of the organization in that context. Organizations ought to be aesthetic and beautiful at times, but it's limited. They won't always be that.

One of my favorite classic metaphors comes from the old West—the cowboy. The criterion is survival. Some of us are marvelous survivalists, and I grew up in a world for a short period of time that could be considered a cowboy world. Herefords and Percherons still have a Ritchie brand as I drive through Heber Valley. And, in fact, one of the reasons this evening serves a useful purpose is to convince people that my father is not a Jewish rabbi and my mother a Catholic nun, as one professor tells students. We really did grow up on a farm in Heber City. At any rate, I have an enormous amount of respect for cowboys. And riding the range and taking care of yourself, being able to sleep on a saddle and take down a winter fence by flipping the loop off the fence with the toe of your boot is a rare skill. But it's not the only skill, and it's a very limited metaphor as we see these days when headlines in *Newsweek* and other popular media negatively describe a contemporary political leader as a cowboy. In a way that is sad, because a shootout at O.K. Corral is a great story for some purposes—but it doesn't always fit a twentieth-century U.S. president trying to conduct international relations.

I noticed severe limitations in extrapolating from the world of the cowboy to the corporate world in an organization I've been working with the last few years. As I observed the dysfunctions of individuals trying to hang on to the old cowboy culture in an environment demanding different behavior, I realized how trapped we can become by limiting paradigms. In this case I attempted to introduce a metaphor of music. In fact, as I read current administrative and management literature I find the old cowboy, military, and sports metaphors giving way to music. Criteria for music metaphors might emphasize harmony, balance, aesthetics, inspiration, "playing off the same score," and the sensitive role of the conductor. Music gives the sense of high expertise and specialization with a great need of coordination—all conditions of our current world. If you are stranded all night in the desert, that is an excellent time to be a cowboy; but on the complex stage of contemporary organizational leadership, something more is needed.

THE TRANSCENDENT METAPHOR

While I think that all of the above metaphors may be fun and often useful (with music having more to offer than most of the others), there is still a transcending value or commitment that I feel is crucial. In order to find the meaning that enables the individual and gives purpose and perspective to our organizational involvement, we have to do better than even a beautiful symphony. For me, that is the organization as an educational metaphor, with a criterion of learning. Here the values are expressed as growing, developing, teaching, serving, and building a foundation of human dignity. Is there any other purpose that should override these? Even in a short-run military



situation, for example, our reason for existence is only to obtain a society where those educational values can be realized.

The organization as an opportunity to learn becomes, for me, a transcendent paradigm for life. In the classroom, corporation, political party, athletic team, family, or government we are helping people build bridges between dreams and reality. Sometimes we question the means as being painful, slow, difficult, etc., but the end is learning. In that context I would invite your attention to a quotation that is one of my two or three favorite references in literature. It is the *real* text for the organization as a learning system. The context is the young King Arthur, struggling with depression, frustration, irritation, and a life of leisure that needed to be translated into a life of meaning. These things weren't being managed too well in the mythical story. He goes to the magician, Merlin. Merlin, talking to the young King Arthur, says:

The best thing for being sad . . . is to learn something. That is the only thing that never fails. You may grow old and trembling in your anatomies, you may lie awake at night listening to the disorder of your veins, you may miss your only love, you may see the world about you devastated by evil lunatics, or know your honor trampled in the sewers of baser minds. There is only one thing for it then—to learn. Learn why the world wags and what wags it. That is the only thing which the mind can never exhaust, never alienate, never be tortured by, never fear or distrust, and never dream of regretting. Learning is the thing for you. Look at what a lot of things there are to learn—pure science, the only purity there is. You can learn astronomy in a lifetime, natural history in three, literature in six. And then after you have exhausted a

If you are stranded all night in the desert, that is an excellent time to be a cowboy; but on the complex stage of contemporary organizational leadership, something more is needed.

milliard lifetimes in biology and medicine and theocriticism and geography and history and economics—why, you can then start to make a cartwheel out of the appropriate wood, or spend fifty years learning to begin to learn to beat your adversary at fencing. After that you can start again on mathematics, until it is time to learn to plough. (T.H. White, *The Once and Future King*, p. 183.)

The things you learn are not as important as the process of learning. And the organizational stage that we become part of is not so much to master a particular thing—that's discretionary and often trivial. But it *is* to master *something*, it *is* to learn. The organizational stage is to develop a process, the capacity, and the passion for observing a world, making sense out of it, learning to cope with it, and transcending the trivial criteria of measurement used by the majority of observers of our behavior.

STARTING OVER AGAIN

For those who define organization as the means of accomplishing a profound task, which in retrospect is often not so profound at all, my answer is, let's change the organization and make it a more useful learning experience.

For those who define organization as the means of accomplishing a profound task, which in retrospect is often not so profound at all, my answer is, let's change the organization and make it a more useful learning experience.

Some of you heard my 10 percent flip, 50 percent serious, 40 percent devil's advocate comment when I said we ought to dissolve the structure of the School of Management and start all over again. I believe it, not because I have a better solution, but because I think we need the learning experience of trying to do something better. I'm convinced that we can do it better. I'm convinced that we'll make mistakes along the way, and we'll all be better off as a result of those. "It may not be broke," but it's not necessarily worth keeping. And if we can develop that learning framework, that learning paradigm, that adventuresome process, I think we can create a more integrated, exciting, and rewarding learning experience for our students. And not only for our students, but for ourselves.

But most importantly, I'd like to see us trying. Some ask me, is there anything that's not worth trying? Yes, there is. We have to prioritize, and everything is not worth doing—and everything that's worth doing is not worth doing well. A lot of things are worth doing in a very mediocre way, for example, cleaning house and even the holding of certain meetings. The process of getting people together and deciding who we are and what we're doing and what's worthwhile is a learning experience and far outweighs some abstract definition of efficiency in the School of Management.

Now I did have a proposal, but the best I could do was an alphabetical structure where we just go down the alphabet and every twelve people constitute a department and the twelfth person is the department head. I think maybe we can do better than that, but that might be a good start.

THINGS THAT MATTER MOST

Another one of my favorite sources of insight comes from an oft-used and sometimes misused poem by Robert Frost.

Two roads diverged in a yellow wood,
And sorry that I could not travel both
And be one traveller, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that, the passing there
Had worn them really about the same,

And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.

I would suggest that the road less traveled may be our salvation, not in terms of the measurable production output, but the learning process that we as friends and colleagues, and occasionally antagonists, might enjoy as we sharpen our capacity for observation and analysis, and our capacity for deciding on priorities, so that in the end what really matters most is not at the mercy of things that matter least. Deciding that people do matter more, that many of our efficiencies will go by the way, and many of our "brilliant" articles and contributions will be lost in the stacks of the library. But the development of a child in the home, the love of a student in the classroom, the support of a colleague in a daily encounter will last.

May we find within us the will to make our organizations passionate learning experiences with a tolerance for those whose model, paradigm, or metaphor is not exactly ours at the moment. Even tolerance for those on a power play when we're not. May we have the ability to teach that we're not all playing the same game. If we could develop a sensitivity for the learning metaphor, I think life would be more meaningful, and more fun. More painful, also, but far more growth producing. And in that touching of the life of that child, that student, or that colleague may come a transcendent commitment to those values that somehow do matter. May it be our lot to find in ourselves that capacity to appreciate and understand and be tolerant of each other and to try to change our own metaphors to make them more consistent with the things that ultimately matter.

Briefly

Dean's Update Seminars

Shortly after becoming dean, Paul H. Thompson made the following statement concerning his role in the School of Management:

My major charge as dean is to build many more individual partnerships. By doing so, the larger partnership of the School of Management and its friends and alumni will be strengthened.

One outgrowth of his desire to create lasting partnerships with alumni and friends is a pilot program called the Dean's Update Seminars. These half-day seminars have allowed the Dean to become better acquainted with alumni and friends during luncheons or dinners and then discuss with them certain skills needed by effective executives. Dean Thompson, who has researched managerial skills and careers since his graduate work at Harvard, opens each session with a discussion of the four career stages. He then focuses on the final stage, emphasizing key activities used by effective executives. These activities include: 1) providing direction, 2) sponsoring key people, 3) networking, and 4) using power for the benefit of the organization. Through case studies and examples, Dean Thompson illustrates how executives can succeed or fail, helps participants understand their own potential, and explains how they can sharpen their own managerial skills.

The seminars have been limited to 40 persons to allow for the exchange of ideas during the discussions. Executives and entrepreneurs have been invited to seminars in San Diego, Orange County, Los Angeles, Palo Alto, San Jose, Sacramento, Oakland, Fort Worth, the Scottsdale-Mesa area, Salt Lake City, and Provo.

In addition to the Dean's presentation, participants were introduced to the research and publications of faculty members through a special book display. More than 40 recently published books were displayed—on subjects as diverse as family businesses, careers, and rearing children. Future seminar series will feature faculty members who will discuss their management research. The Dean's Update Seminars are part of a continuing effort by the School of Management to create and sustain partnerships between the academic and business communities.

Faculty Awards

The 1987 Outstanding Faculty Award was presented by Dean Paul H. Thompson to J. Bonner Ritchie, chairman of the Organizational Behavior Department, at an award banquet on February 18. Also presented at the banquet were the Exxon Teaching Excellence Awards, to Kate I. Kirkham, associate professor of organizational behavior, and Gary F. McKinnon, associate dean of the School of Management.

The Outstanding Faculty Award was established in 1972 to honor a faculty member who has made outstanding professional contributions while at Brigham Young University. The criterion for selection is excellence of contribution in one or more of the following areas: professional service, publication, teaching, research, and administration. The award is based upon accomplishments in the last three to five years.

Bonner Ritchie came to BYU in 1973 from the University of Michigan, where he had served as assistant and associate professor in the School of Business. While at Michigan, he received the University Distinguished Teaching Award (1971). Prior to his appointment at Michigan, and following his doctoral studies at Berkeley, he spent a year on the economics faculty at St. Mary's College of California. He completed a Ph.D. in labor economics and organizational theory in 1968 and since then has spent much of his time teaching about or working with organizations. His application of organization theory has occurred in such diverse settings as the Utah Navajo Development Council, Motown Records, General Motors, Southwestern Bell, General Foods, The Year 2000 Committee, and Hewlett-Packard. The 1987 Outstanding Faculty Award is the most recent among many impressive citations acknowledging Professor Ritchie's dedication to teaching and scholarship.

Kate Kirkham received her Ph.D. in organizational behavior in 1977 from Union Graduate School (Union of Experimenting Colleges and Universities). She came to BYU in 1978 after having spent eight years as a training consultant and human relations specialist for the National Education Association. She has been involved in the development of educational programs and has published several articles on the human resource in organizations.

Gary F. McKinnon became associate dean in 1984. He is also an associate professor of business management specializing in marketing theory and research, consumer behavior, and business policy. He has been a faculty member at Southern Illinois University, BYU—Hawaii, the University of Montana, and the University of Utah. He is a member of several professional associations and has published extensively in the area of marketing and consumer behavior.

Faculty News

The Utah Association of Certified Public Accountants recently appointed G. Fred Streuling president of its southern chapter. He is currently director of the BYU School of Accountancy. Appointed secretary-treasurer was J. Owen Cherrington, professor of accounting at BYU.

Christopher B. Meek, director of the University Small Business Development Center at BYU, is one of 45 outstanding American professionals named to Group VIII of the W. K. Kellogg Foundation's Kellogg National Fellowship Program. As one of the Kellogg fellows, he will receive a $30,000 three-year grant and salary compensation to pursue research. Meek is an assistant professor of organizational behavior.

At the end of the 1986–87 school year, five School of Management employees retired. Stephen Brower from the Institute of Public Management, Kenneth Davies and Richard Oveson from managerial economics, Betty Petersen from information management, and Peggy Card from the advisement center will be remembered for their years of service and their commitment to excellence.

Lennis M. Knighton, professor of public management and health administration and former director of the Institute of Public Management, was called to serve as mission president in the Brazil, Rio de Janeiro Mission. This new three-year assignment began 1 July 1987.

Entrepreneur in Residence

In February 1987 Max Farash, chairman of the board and CEO of the Farash Corporation, accepted an invitation from Dean Paul H. Thompson to become the School of Management's first Entrepreneur in Residence.

Mr. Farash has been credited with initiating the redevelopment of downtown Rochester, New York. He was awarded the Rochester Area Chamber of Commerce Civic Medal in 1981 and the Monroe County Community Award in 1984.

During his stay at BYU Mr. Farash met with the Collegiate Entrepreneurial Organization and the student chapter of the Management Society. He addressed several classes and interviewed graduate and undergraduate students for internships with his Rochester-based company. The highlight of his visit was an entrepreneurship lecture, "The Future of Entrepreneurship," delivered to 350 students.

The School of Management appreciates Mr. Farash's willingness to serve the university and school, and the example he provided for future Entrepreneurs in Residence.

Scholarships Funded

Two more members of the Utah business community have joined the School of Management in its efforts to provide quality education for management students. Unisys Corporation (formerly Burroughs) has funded a $1000 scholarship available to MBA and information management students. Jack Sutherland, branch manager of Unisys, presented the scholarship and said, "We recognize BYU as one of the leading schools in business, and we want to hire BYU students." The first recipient is K. David Scott, a second-year MBA student from Provo, Utah. David also worked as an intern with Unisys this past summer.

Citibank of Utah has also provided funding for a $1000 Citibank MBA Scholarship. Citibank Contributions Director Myra Williams emphasized that Citibank is pleased to join with other corporate supporters in providing the scholarship. The first recipient is Rebecca Cochran, a first-year MBA student from Blanding, Utah.

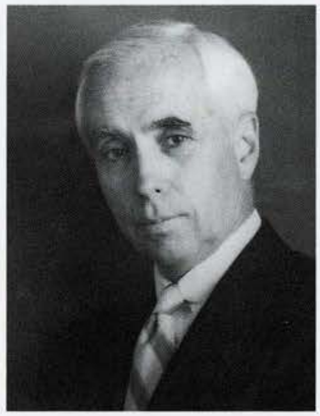
Smith Professorship Awarded

David K. Hart, a faculty member in the Institute of Public Management, has been named as the first recipient of the J. Fish Smith Professorship in Free Enterprise Studies and Business Ethics.

The professorship was created to advance the understanding of and commitment to responsible free agency in business. Menlo and Mary Jane Smith of St. Louis, Missouri, donated the funding in honor of J. Fish Smith, Menlo's father.

Hart teaches ethics courses for the Graduate School of Management and is doing research on moral and ethical issues of free enterprise. As a part of that research, Hart helped design and participate in a recent conference on organizational ethics, which will result in a major ethics publication.

Two scholarly journals, *Public Administration Quarterly* and *Public Adminstration Review*, have named articles written by Hart as the best published in a given year. He has published four



books, one of which was translated into Japanese, 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.

He has been a Danforth Fellow and a Danforth Associate. Before joining the BYU faculty in 1983, Hart taught at the University of Washington School of Business for 15 years. At Washington he received the Professor of the Year, Alumni Distinguished Teacher, and Beta Gamma Sigma Distinguished Teacher awards. He also has taught at San Francisco State College.

Hart received his bachelor's degree from Brigham Young University, his master's degree from the University of California—Berkeley, and his doctorate from Claremont Graduate School in Claremont, California.

Menlo F. Smith is chairman of The Sunmark Companies, a group of international companies with subsidiaries in snack food and confections manufacturing and marketing as well as in real estate, electronics, and other fields. Smith, who holds membership in a number of professional and community service organizations, received a bachelor's degree from the University of Utah.

Indiana U. Professor Receives Peterson Professorship

Ned C. Hill, a new faculty member in the School of Management and former associate professor of finance at the University of Indiana School of Business, has been named the first recipient of the Joel C. Peterson Professorship in Business Administration.

Joel C. and Diana J. Peterson established the award last year to bring outstanding faculty members to BYU and to support educational excellence among future students. The Petersons are BYU alumni and serve on the National Advisory Council of the School of Management.

Hill serves on the board of directors of the Financial Management Association and is on the certification council for the National Corporate Cash Management Association. As a contributing editor to the *Journal of*

Cash Management, Hill has had many articles published in refereed journals. He has also contributed to three books on cash management and financial management.

The MBA association at Indiana University has presented Hill with Teaching Excellence Awards three times. The Bank Administration Institute has also awarded Hill the Robert R. Fentress Prize for best paper in cash management in 1984.

Hill received his bachelor's degree from the University of Utah and his master's and doctoral degrees from Cornell University.

Joel Peterson received his bachelor's degree from BYU, where he was student body president and valedictorian. He received a master's in business administration from Harvard University.

Quotable

Speaking at the Entrepreneurial Lecture Series on March 24, 1987, Larry H. Miller, owner of several automobile dealerships and the Utah Jazz NBA franchise, told students: "We often hear the saying, 'Opportunity knocks just once.' I submit to you that that is an incorrect statement. Opportunity is everywhere. We are in a free enterprise society. I think [our society] offers tremendous opportunity for those of us who really want it. All of us say we want it—we want the good things it has to offer. But not as many of us are willing to pay the price to get it. But for those of us who are willing to pay the price in terms of caring, time, and effort, we are going to be able to accomplish whatever levels we want to. It's really an irony how so many employers are always saying, 'Good people are hard to find.' Then I'll come and visit with a group of people like this, and [they] are saying, 'There's no place for me to go.' "

Gary H. Driggs, president and CEO of Western Savings & Loan Association, addressed a group of students in the Executive Lecture Series on January 8, 1987. Speaking in the context of the economic outlook for 1987, he pointed to an attitude shift that has occurred in the United States. "[Non-financial debt] was relatively stable all during the '60s. As soon as we hit the '70s it started to skyrocket. The ethic of the '70s was 'buy now, pay later.' Why? We'd had prosperity for 25 years, and the idea of saving for a rainy day and having to defer pleasures until your old age became totally unacceptable. Borrowing was made easier by a proliferation of credit cards. Credit terms such as the 95 percent conventional home loans relaxed, and many loans were available at 100 percent. Tax laws encouraged borrowing by both corporations and individuals. Heavy debt became socially acceptable. People wanted everything from the government, but didn't want to pay. We became hooked on debt—a nation of spendthrifts. We had prosperity for 25 years—thought it would go on forever. We'd lost the memories of the depression of the 1930s. Real family purchasing power increased 2 percent per year from World War II to 1973. [But] purchasing power has not significantly increased since 1973. If you take out the taxes and inflation, there is no real improvement. But how have we kept it going? Borrowed. Consumers have maintained their high living standards with debt."

Kent Calder of the Woodrow Wilson School of Public and International Affairs at Princeton University delivered the annual Stratford Lecture on November 13, 1986. Speaking about the challenge U.S. firms face in gaining market access in Japan, he said: "Looking across the spectrum of trade areas, I think that the most serious and the most intractable obstacle to expanded market access in Japan is the distribution system. Small-scale store owners are a major constituency of the ruling Liberal Democratic Party in Japan. The Japanese are using their distribution system as a labor reservoir, as a means of keeping unemployment from rising. Unemployment in Japan is around 3 percent now. It would be at least 5 [percent] and probably higher if it weren't for these increases in employment in distribution. It's made distribution tremendously inefficient there. Those of you who have spent time in Japan will recognize that one doesn't see supermarkets, or large chain stores, or retailers of merchandise as well as food. The Japanese are very consciously preventing development of supermarkets and chain stores because they're trying to preserve the employment in this sector . The implication of these controls of distribution is that large-scale, independent mass marketing, especially through large stores, is increasingly difficult in Japan."

J. David "Bud" Billeter of Billeter, Pingree & Company, a NAC member and professional medical-dental consultant, was the School of Management's August convocation speaker. In addressing the idea of integrity, Mr. Billeter gave the following example: "It was during the revolutionary war that Richard Jackson was accused of an intention to join the British army, and he admitted to the truth of the charge. He was committed to the county jail, from which he could have escaped easily. But he considered himself held by due process of law, and his sense of duty forbade flight under such circumstances.

"He asked leave of the sheriff to go out and work by day, promising to return each night. Consent was given readily, as his character for simple honesty was well known, and for eight months he went out each morning and returned at evening. At length, the sheriff prepared to take him to Springfield to be tried for high treason. Jackson said this would be needless trouble and expense, for he could go just as well alone. Again his word was taken and he set off alone. On the way he was overtaken by Mr. Edwards of the Council of Massachusetts, who asked [where] he was going. 'To Springfield, sir,' was the reply, 'to be tried for my life.'

"The proof was complete, and Jackson was condemned to death. The president of the council asked if a pardon should be granted. Member after member opposed until Mr. Edwards told the story of his meeting with Jackson in the woods. By common consent a pardon was made out. The childlike simplicity and integrity of the man had saved his life."

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

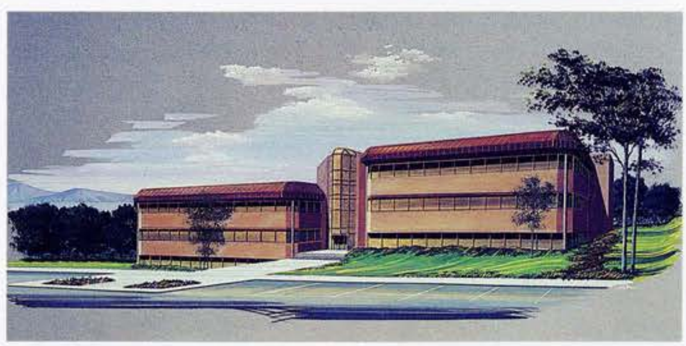
WordPerfect Corporation, the world leader in word processing software, believes in the future of the City of Orem. So much so that phase one construction is underway on WordPerfect's world headquarters, the anchor complex of Orem's new Timpanogos Research and Technology Park. Over 135,000 square feet 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.



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777 South State Street
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Endnote

Somewhere between memorizing the *Chicago Manual of Style* and learning how to put my sprinkling system together I found a few moments to look beyond the grammar—and even the content—of this issue and consider the purpose, the direction, and the readers of *EXCHANGE* magazine.

In its early years the publication was, more than anything, a PR piece, aimed at creating a positive image for the School of Management among corporate leaders. In recent years *EXCHANGE* has acquired a much expanded readership—consisting mainly of the ever-increasing ranks of SOM alumni—and for this reason I feel the need to redefine the identity of the magazine. After some contemplation I finally concluded that *EXCHANGE*, like so much in life, can best be described in light of what it is *not*.

EXCHANGE is not a scholarly journal. We don't want to publish the *Harvard of the West Business Review*. We aren't aiming to impress scholars and theorists. But we are a university, and as such we have a responsibility to educate. And we must always remember you, the reader, and what interests you. More on this in a moment.

Neither is *EXCHANGE* an alumni newsletter. But we do send it to every alumnus and alumna (provided we have a current address). We need to let you know what is happening on campus, and in a limited way, what is happening to your former classmates out in the wide, wide world.

EXCHANGE is not a fund-raising brochure. It is, however, a reflection of the quality of the School of Management. We hope it will promote a favorable image, so that people with a healthy quantity of this world's wealth will feel good enough about what we are doing that they will help us finance our educational mission.

EXCHANGE is not the *BYU General Catalog*. Now and then, however, it will feature the various departments and programs within the School of Management.

EXCHANGE is neither a collection of faculty research notes nor an attempt at investigative journalism. We will continue to address themes in each issue and select for publication the most informative, insightful material that has recently surfaced at the School of Management (be it in the form of executive lectures, convocation addresses, faculty articles, or even student research papers). Our main concern is to serve you and continue to educate, inform, and respond to your needs.

As the new editor I am determined to make this publication more reader oriented. What topics would you like *EXCHANGE* to address? What are your needs and interests? What programs, people, or developments in the School of Management would you like to hear about? How should we change *EXCHANGE*? What should we retain and what should we discard?

Drop me a note. Respond to the ideas in any of the articles. I welcome—and will begin to print—letters to the editor. Send me questions about faculty members, current research efforts, MBA starting salaries, or the dean's shoe size. I will find and print answers. I want to hear from you. If you have written a particularly outstanding and relevant article, send me a copy. For your information, future issues will address ethics, retailing, productivity, and quality.

Please send your correspondence to *EXCHANGE* Magazine, 687 TNRB, Brigham Young University, Provo, UT 84602. I'm looking forward to hearing from you.

Roger K. Terry
Editor

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