

EXCHANGE

BRIGHAM YOUNG UNIVERSITY SCHOOL OF MANAGEMENT

WINTER/SPRING 1986

**HEALTH
INDUSTRY
GAMBITS:
What's Next?**



The Challenge of Academic Competition

Over the years, the School of Management has recruited outstanding faculty members—almost all of whom have earned degrees from Ph.D. programs at this country's leading universities. While at BYU, these faculty members have been very active professionally. They have become excellent teachers, have published quality research, and have been involved in developing cases and writing textbooks that are used in many schools around the country. Finally, they are providing leadership in their fields as officers of national professional organizations. We are very pleased with our faculty's success in bringing national recognition to the school.

But with our faculty success has come a new challenge for the school—competition. Other schools nationwide are contacting our faculty with increasing regularity and with attractive offers designed to lure them away. In 1985, there were 16 percent more openings in management schools than there were personnel qualified to teach in such institutions. In some disciplines the problem is especially serious. For example, last year there were 300 positions for finance professors, while universities produced only 90 new Ph.D.s in finance. This shortage of qualified faculty creates major problems as universities try to attract and retain the best people possible.

In the last three years, BYU has felt the impact. Several of our established faculty members have received attractive offers from other universities, as well as from business and government. Some have left to take advantage of opportunities that provide much higher salaries. At the same time, recruitment of new teachers has become increasingly competitive.

One way we are working to meet this challenge is by attracting funding for the school's Endowed Scholars Program. Three types of endowment programs are: chairs (\$1 million minimum), professorships (\$250,000 minimum), and faculty fellowships (\$75,000 minimum). The funding of these academic endowments allows the school to support high-quality faculty members in their teaching and research and makes us much more competitive in the recruitment of new faculty members. Consequently, it is essential that we have a large Endowed Scholars Program if we are going to retain a high-quality faculty.

In this regard, I am pleased to report that the Harold F. Silver Chair in Finance and Management is in place, as are the Stephen Mack Covey Professorship in Entrepreneurship and Small Business (see article in this issue) and the Peat Marwick Professorship in Accountancy. The Denny L. Brown Faculty Fellowship is also in place, and we are working to bring to fruition several other major endowment gifts.

We have strong support from the school's National Advisory Council. At its November meeting, a goal of raising a \$10 million endowment was approved. This NAC support is important to us, but the support and commitment of you, our alumni and friends, are needed if the Endowed Scholars Program is to succeed. Your ideas, suggestions, and contributions will be appreciated and will help the school achieve continued academic excellence in management education. I would like to hear from you. Please write or call me for further information about the Endowed Scholars Program.

Paul H. Thompson

C O N T E N T S

BRIGHAM YOUNG
UNIVERSITY SCHOOL
OF MANAGEMENT

WINTER/SPRING 1986

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Richard E. McDermott

If you've been snoozing for the past twenty years—or for the past twenty minutes—you may wake up to a whole new world in the health care industry. Perhaps no other industry has experienced such revolutionary change in so short a time. Find out why and what it means to you.

- 12/ **Health Care Megatrends**
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Health economist Bob Parsons looks at trends reshaping the health care industry's most fundamental assumptions. The times are changing—rapidly.

- 14/ **Linking College to Corporation: Affiliate Program Builds Partnerships**
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- 16/ **The Stephen Mack Covey Professorship in Entrepreneurship and Small Business: The Virtues of Industry and Thrift**

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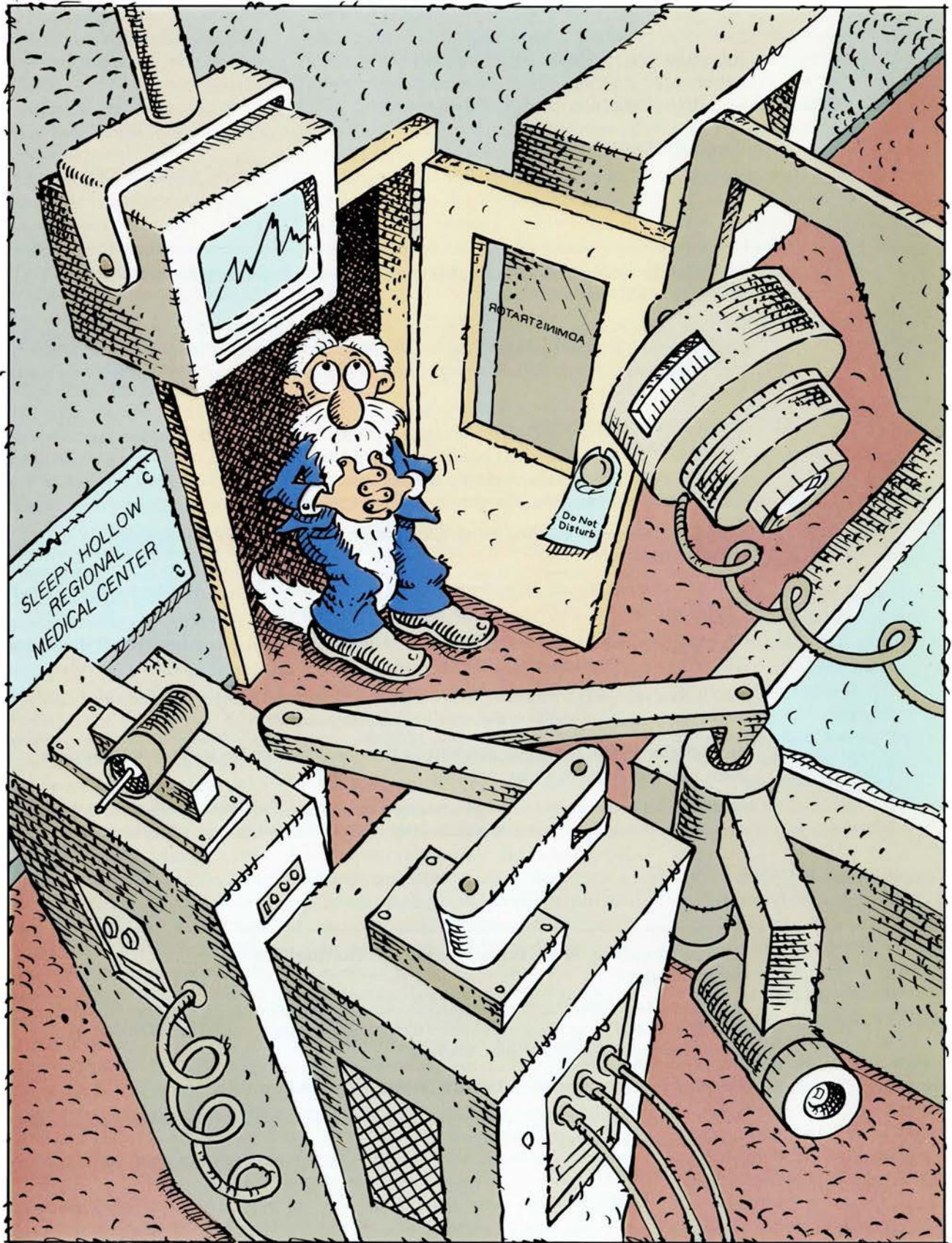
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VAN WINKLE SYNDROME RIPS HEALTH CARE INDUSTRY

PROVIDERS ALTER OPERATION

Richard McDermott

"Rip's heart died away at hearing of these sad changes in his home and friends, and finding himself thus alone in the world. Every answer puzzled him; . . . in the midst of his bewilderment, the man in the cocked hat demanded who he was and what was his name?"

"'God knows,' exclaimed he, at his wits' end: 'I'm not myself—I'm someone else—that's me yonder—no, that's somebody else got into my shoes—I was myself last night, but I fell asleep on the mountain, and they've changed my gun, and every-

thing's changed, and I'm changed and I can't tell my name or who I am!'"

Rip Van Winkle awoke after twenty years to find a world different from the one in which he had been raised, the one to which he had grown accustomed. For him, the experience was confusing and lonely.

Thousands of modern day Rip Van Winkles are waking up in America's health care industry. For all too many of

today's hospital administrators and physicians, this bewilderment is quite familiar. More changes have occurred in the health care industry in the past five years than in the previous twenty. In a short period of time, the basic assumptions of health care delivery have changed. For most health care providers, the industry is suddenly quite different from the one they entered and for which they were trained.

Driving Forces behind the Change

One driving force behind this change is a new philosophy of cost control that is gaining favor in government and industry. During the 1970s, many legislators felt that the best approach to cost control was to regulate hospitals much as if they were public utilities. Consistent with this philosophy, federal and state governments enacted laws mandating governmental or quasi-governmental agencies to develop centralized planning and to review and approve requests for new hospital facilities and equipment. In some states, agencies were even established to approve hospital room rates and ancillary charges.

The problem with applying a regulation model to the health care industry is that unlike utility companies, hospitals do not provide the same services to all customers. Differences from hospital to hospital in patient age and severity of illness treated, and in the volume and complexity of services provided, make it difficult for a central planning body to gather enough information to make intelligent decisions.

The problem is further compounded by the composition of legislative regulatory bodies; those making the decisions often lack the time and technical background necessary to understand the industry they attempt to regulate.

Incentive Reimbursement

With the failure of regulations to effectively control health care costs, emphasis over the past two years seems to have shifted to the development of programs that create incentives for eliminating waste and inefficiency, what theorists have called a "market mechanism approach."

Some feel that the best way to eliminate waste is to design new physician and hospital incentive payment systems. Such systems should make the waste and excessive utilization of health care resources as costly to the health care provider as they now are to the patient. To understand this approach, we need to understand the

problems traditional payment systems have generated.

First, we must recognize that the health care industry lacks many of the incentives for efficiency that exist in other sectors of the business world. One reason for this is the inability of the consumer to judge the necessity for or quality of the product. Since the patient is usually unable to determine the services necessary to attain (or retain) health, this must be delegated to the physician.

Since a physician's income under a traditional "fee-for-service" payment system is a function of the volume and complexity of services rendered, "fee-for-service" becomes a conflict of interest by giving the physician an incentive to provide excessive or unnecessary services. Here are several examples:

Diagnostic Ancillary Services

Among the fastest-growing components of health care costs are diagnostic ancillary services. These include laboratory and radiology services that help physicians diagnose patients' ailments. While advances in technology have introduced a number of invaluable tools, there is growing concern that many physicians are employing them to increase personal income. Studies conducted in West Germany, where the physician/patient ratio has increased rapidly in the past decade, show that physician income is continuously increasing; the bulk of this increase comes from increased prescriptions for minor X-ray and laboratory procedures.¹

Excessive Hospital Length of Stays

A second example of inefficient resource use is the excessive (non-medically-justified) length of hospital stays. Ideally, hospital length of stay should be solely dependent on the patient's medical condition. Studies have shown, however, that other factors can influence a physician's discharge decision.

Several major studies² have demonstrated that hospital occupancy rates affect length of stay. As hospital occupancy rates decrease, both the probability of hospital admission and

the length of hospital stays increase.

One reason for this may be that hospitals would need to curtail services if certain levels of occupancy are not maintained. Since a physician's income is a function of the scope of services offered by the hospital in which the physician holds medical staff privileges, it is clearly to his or her advantage to see that the hospital maintains an adequate level of revenue.

Excessive Use of Surgery

Excessive surgical services is a third example of inefficient use of health resources. A number of studies indicate that many elective surgeries performed in the United States are not necessary, and may even be harmful.³

Hospital Incentives

Incentive problems also exist for the hospital. Since the physician selects the hospital and the services it will provide, many hospitals view the physician (not the patient) as their primary customer. While the patient's welfare is increased by providing quality health care services at the lowest possible cost, the physician's economic welfare is largely a function of the scope of hospital services provided.

Under a fee-for-service payment system, treatment at a community hospital where the physician holds medical staff privileges is clearly preferable (to the doctor) to treatment at a larger and more sophisticated facility where the patient must be referred to another physician. As a result, many of the smaller hospitals have procured complex and expensive equipment that cannot be fully utilized, equipment that should be reserved for larger and more specialized facilities or shared among several smaller facilities.

DRG Reimbursement

One of the most controversial forms of incentive reimbursement ever developed was implemented in October 1983 by the Health Care Financing Administration (HCFA), the agency responsible for financing Medicare. Known as Diagnostic Related Group (DRG) reimbursement, this system has had a greater impact on the way physicians and hospitals deliver health care

than any other single piece of legislation.

Under DRG reimbursement, hospital patients are assigned according to age, sex, diagnosis, treatment procedure, and discharge status to one of 467 diagnostic related groups. Each DRG represents an illness and carries a specific rate of reimbursement. If a provider treats a patient for less than the recommended amount, it can keep the excess. If costs are more, it must absorb the loss. In a sense, the DRG reimbursement represents a "fixed-price" contract for treating illnesses.

DRG reimbursement has done much to eliminate the incentive for excessive services. Physicians previously favored by hospital administrations for "selling" longer-than-average length of stays and generous utilization of X-ray and laboratory tests now face the hostility of administrators who find their hospitals providing services that no longer generate revenue.

Administrators who previously used new hospital beds and equipment to recruit and hold medical staffs are now faced with the possibility that facility and capital equipment costs may not be reimbursed simply because they were incurred.

No longer able to pass all costs to the patient or insurance carrier through "cost reimbursement" payment agreements, hospitals are, for the first time in their history, implementing cost accounting systems designed to reveal to the administrator the true costs of individual services.

DRG reimbursement has provided an incentive to reduce hospital length of stays. It has also provided an incentive for physicians to provide services, where possible, on a more cost-effective "outpatient" basis. This in turn has increased the demand for outpatient surgical and extended care facilities.

Unable to increase revenues by extending lengths of stay or increasing utilization of ancillary services, many hospitals are reviewing their services to see if those services are responsive to patients' needs. Many hospital administrators are involved in marketing efforts designed to capture a greater share of the existing patient base. The patient, not the physician, is clearly becoming the "customer."

While most professionals in the field acknowledge that DRG reimbursement has resulted in a reduction of health care costs, the existing system is far from perfect. The fixed payment for each DRG was designed to represent the average cost a hospital should incur in treating a specific problem. While recognizing that no two patients would require exactly the same resources, DRG administrators also felt that the increased cost of those patients requiring slightly more resources in the treatment of their illness would be balanced in the long run by the reduced cost of those patients who require less.

This is probably true for the "average" patient in each DRG category. Not all patients are "average," however, and there is some evidence that hospitals are not being properly compensated, even with the costlier compensation program, for patients with illnesses of unusual severity.

Certain services traditionally provided by hospitals are not easily accommodated by DRG reimbursement. One such service that will have long-term impact is medical education. Congress has recognized that teaching hospitals have higher legitimate costs, and has directed HCFA to see that these are adequately reimbursed. However, an equitable method to include these costs in the DRG has not yet been developed.

Since reimbursement for each DRG was based on the existing state of medical practice at the time this payment system was developed, many feel that DRG reimbursement will discourage the development of new technologies and the introduction of new products and services that might increase the quality of care.

Since hospitals are paid on the basis of diagnosis rather than on the basis of length of stay or hospital resources consumed, there is some indication that physicians may be increasing the severity of their diagnosis in an effort to increase hospital reimbursement. This concern has caused HCFA (and other insurance carriers that now use DRG-type reimbursement) to evaluate the possibility of implementing new incentive reimbursement systems that would even more closely align the medical and economic interests of physicians and

hospitals to those of the patient.

Capitation Payment

One system currently under evaluation is capitation payment, a system upon which most health maintenance organizations (HMOs) are based. Under this system, the provider is paid a fixed amount for each patient covered, regardless of the services actually rendered, for a specific period (such as a fiscal year). Health maintenance organizations have grown dramatically over the past five years, and the possibility of capitation payment for Medicare patients is receiving serious consideration.

New Directions

Whatever cost-containment strategies are used in the future, one fact seems sure: the day when physicians and hospital administrators provided the only input on how health care resources should be organized and utilized is gone forever. Patients, insurance companies, employee groups, and governmental agencies are more informed, better organized, and more strongly determined to develop a health care delivery system that will meet their economic and medical needs. How successful traditional providers will be in adapting to this environment will largely depend on their ability to adjust their own economic interests to those of their patients.

Washington Irving tells us that Rip Van Winkle "resumed his old walks and habits. He took his place once more on the bench at the inn door, and was revered as one of the patriarchs of the village, a chronicle of old times." For the hospital administrator and physician, this option, unfortunately, is no longer available. ▢

Notes

1. See Paul J. Feldstein, *Health Care Economics* (New York: John Wiley and Sons, 1979), p.167.
2. See J. A. Rafferty, "Patterns of Hospital Use: An Analysis of Short Run Variations," *Journal of Political Economy*, 79:1, (January-February, 1971), pp. 154-165. Also Steven R. Eastaugh, *Medical Economics and Health Finance* (Boston: Auburn House Publishing Co., 1981), p. 278.
3. George N. Monsma, "Marginal Revenue and the Demand for Physician's Services," in *Empirical Studies in Health Economics*. Ed. Herbert E. Klarman. (Baltimore and Brooklyn: The Johns Hopkins Press, 1970), p. 145.



G. Fred Streuling

FROM BOMB SHELTERS TO TAX SHELTERS

Roger K. Terry

He leans back in his blue desk chair with Timpanogos framed in the window behind him. "I can remember going to sleep scared every night," he says, recalling vivid images painted on the impressionable canvas of a ten-year-old's mind. Neubrandenburg, where Fred Streuling was born, lies sixty miles north of Berlin, but close enough that on those frightful nights of 1945 "the whole sky was ablaze." He remembers being awakened in the middle of the night to go down to the cellar, and then overhearing the men talking about an emergency exit they had built. "It's no good. If a bomb hits the house we'll all be dead."

Such images seem incredibly distant from the attractive office in the Tanner Building that overlooks Cougar Stadium, the Marriott Center, and the Provo Temple. But the path that Fred Streuling calls "an interesting life" has taken him from war-torn Germany to the directorship of BYU's School of Accountancy.

At an evening banquet on February 19, the School of Management honored Professor Streuling as the 1986 recipient of its Outstanding Faculty Award. The award was established in 1972 to honor annually a faculty member whose professional contributions at Brigham Young University merit special recognition. The award was presented by Dean Paul H. Thompson at the banquet. In preparing some remarks for his acceptance of the award, Dr. Streuling wrote a talk about taxation, then tore it up and prepared instead what he called "the Americanization of Fred," including some of the more significant events along the unusual path he has traveled.

Growing up in Nazi Germany, he says, was not easy. At age ten every boy was required to join Hitlerjugend, and Fred was assigned to help at the town's railroad station. An experience at this station made him first suspect that some things in his homeland were not quite what the propaganda claimed they were. One day a cattle train pulled in. He noticed barbed wire nailed over the air holes, and as the train slowed to a stop he heard the shuffling of feet, then emaciated faces appeared behind the barbed wire. "Wasser, Wasser," they pleaded and held out thin sardine cans. He tried to fill them with water, but so many hands reached out that in their desperate attempt to fill their cans all but a few drops spilled on the dry ground. Almost at once the Gestapo came and told him to get away. He didn't know who those people were—all he knew was that they were being starved, treated like animals, in his country.

As the tide of war turned and the Allied forces pushed toward Berlin from east and west, the bombing started. Neubrandenburg was not a primary target and was only occasionally bombed, but Dr. Streuling realizes now how fortunate his family was, for their house was not hit. The nearest strike was some 200 yards away—near enough, however, for a frightened ten-year-old, or for that matter, anyone else.

One day, he recalls, the headline in the newspaper read: "Der Führer ist tot." A direct artillery strike had hit Adolf Hitler's bunker, the paper reported, and killed him as he defended Berlin against the Russians. Dr. Streuling remembers going to school the next day and crying for this fallen "hero." Only after the war did he learn the truth—that Hitler had

committed suicide, a coward's escape—and it devastated him that his own country would lie to him.

The approach of the Russian army was a frightening specter to the German people, and his mother had always told Fred and his younger sister that when the Russians came they would escape on bicycles. But one day the government issued an order that all bicycles would be confiscated. The soldiers of the brave German army, which was running out of gasoline, would pedal their way to victory. His mother went directly to the registration office to tell them that she and her two children were leaving, but she received a simple "No, you're not!" in response. She didn't tell her children about this; she merely got them up at 5 a.m., and with two bikes and as much baggage as they could carry, they fled the city.

They made their way to Westerland on Sylt, an island in the North Sea where his father was stationed. There, after the war ended, they received an invitation from the Latter-day Saints to attend their church in Husum, a city on the mainland, some fifty miles away. When Fred's father revealed that he was a Mormon, the rest of the family was very surprised, for he had married his wife in the Lutheran Church and never said anything about the Mormons. Fred joined The Church of Jesus Christ of Latter-day Saints in 1950 and became simultaneously a convert and a third-generation Mormon (his grandmother was also a member).

"I had an unexplainable urge to go to America," Dr. Streuling says, but no one in America would sponsor him. Finally the branch president in Husum arranged for Fred, his mother, and his sister to emigrate. "I can remember sitting on the bow of the ship trying to get a glimpse of America," he recalls. The family settled in Salt Lake City, but soon after his arrival Fred entered the U.S. Army and returned to Germany as a member of the occupation forces. Upon his release he entered the University of Utah. From 1958 to 1960 he served a mission to Western Canada. After his mission he enrolled at Brigham Young University and received a B.A. in

accounting (1963) and a Master of Accountancy (1964).

After graduation he worked as a senior tax accountant for Arthur Andersen & Co. in San Francisco. In 1971 he completed his Ph.D. at the University of Iowa, where he was the recipient of the American Accounting Association and Haskins and Sells Fellowships. At the University of Texas he was twice selected as his department's nominee for the Jack G. Taylor Teaching Excellence Award. Since 1976 he has been a member of the accounting faculty at Brigham Young University. At BYU he was named the outstanding teacher for second-year MBA courses in 1978 and 1979, and he received the School of Accountancy Faculty Excellence Award in 1980.

Dr. Streuling has served as a consultant for the Internal Revenue Service and has twice been a visiting professor at the University of Minnesota. He has been very active in national organizations, having served on committees in the American Accounting Association and the American Institute of Certified Public Accountants. He has been both secretary-treasurer and president of the American Taxation Association and, in 1978, was elected as the first editor of *The Journal of the American Taxation Association*.

He is married to the former Maurine Pitt, and they are parents of four children: Kent, Kirk, Krista, and Kara. He has been branch president of the BYU 51st Branch and bishop of the Orem 73rd Ward. He is presently a member of the high council of the Orem Northeast Stake.

The path of his interesting life has taken him from the oppression of Nazi Germany and the terror of World War II to the demanding (yet comparatively tranquil) role of accounting professor, church leader, husband, and father. And his experience has taught him a valuable lesson—freedom is a precious gift. "I treasure my privilege," he says, "to exercise my right at the ballot box." And typical to his sense of humor, he adds: "I found out that freedom here (in America) was unbelievable. You could make jokes about the president." ■

Howard Barnes

Person to Person in the People's Republic

When Howard Barnes talks about his recent year-long teaching experience in China, he has much to say about Chinese students' superior ability to memorize and learn versus American students' superior ability to question and critically analyze, about the difficulties of teaching business policy to students whose English language abilities are often inadequate, and about the economic problems created by the absence of entrepreneurial opportunities for the country's people.

But it is when Barnes speaks of the rich personal relationships he developed with many of his Chinese students—of the children who greeted him while jogging, of the emotions of being present on Christmas Day when an old church was restored to its original, religious purpose after being used as a sandpaper factory for years—it is these things that clearly made a lifelong impression.

He spoke about all these things, but more especially of matters of the heart, during an interview in his office about two months after he and his wife, Janet, returned from his year at Shandong University as a Fulbright scholar.

"A considerable personal relationship developed with my students," he recalled. "Some of it was very, very touching."

"China's not a country you go to to see spectacular scenery, though you see grand historic monuments to human effort such as the Great Wall or the terracotta soldiers at Xian. The reason

you go to China is to see China's people. They are incredible people. They're tough and resilient, proud but not arrogant. The daily contact with the Chinese people was very, very satisfying."

Barnes taught two classes per semester while at Shandong University, both business policy classes. He was impressed with the native intelligence of his students, but struggled with their training to be passive absorbers of knowledge instead of questioning, active pursuers of new ideas. One of his chief goals for the students, then, next to helping them improve their English language abilities, was to instill a value for the questioning mind, for participative learning, and for discussion.

One of his aids in that quest was, ironically, the words of Lao Tsu, a Chinese philosopher who lived about 2500 years ago. Barnes has used the saying in his classes at BYU, and he used them in his Shandong University classes.

"A leader is best when people barely know he exists," Lao Tsu said, "not so good when people obey him, worse when they despise him. But of a good leader, who talks little, when his work is done and his aim fulfilled, they will say, 'We did it ourselves.'"

The Chinese have forgotten those words, and Barnes believes they ought to revive them.

"I think that's a profound statement of management and one that the Chinese really ought to relearn. . .," he said. "I think China's become a hierarchical society. . . [with] some very strong tradi-



tions of information flow and direction coming [from the] top down.

I think that's inherently inefficient and needs to be remedied. . . . There ought to be a welling up of ideas and contributions."

Barnes had several opportunities to demonstrate the principles of initiative and assertiveness—what he terms an issue of "cursing the night or turning on a light." One opportunity came about very naturally. A severe storm had broken a windowpane in one of the classrooms during the bitter cold winter, and a request to have it fixed seemed to fall on deaf ears. Since by law the classrooms could not be heated above 40 degrees, the cold was almost unbearable.

After several weeks, Barnes brought to class tools and a piece of cardboard, then proceeded to fix the pane. His students were appalled, and they expressed their shame that a person in such a superior position would condescend to doing repair work for the sake of their comfort.

"That made a profound impression upon them—such appreciation that a teacher would be so concerned. One of them wrote later saying no Chinese teacher would ever have done that. It's again the issue of cursing the night or turning on a light. 'Turning the light on' is sometimes an easy solution, but they were prepared to go through the whole winter with that window open."

Another experience Barnes was able to exploit as a lesson to his students was his business dealings with the China International Travel Service, the country's state-owned travel agency. He used the service several times to make arrangements for trips to Beijing, about 250 miles away, and he found it extremely frustrating. To arrange for train tickets and hotel accommodations it took three 14-mile trips on his bicycle.

"Even at that it was touch and go. . . . The hotel arrangements were on the basis that we would be met at the train in Beijing by another travel agent who would tell us where to go. But in Beijing, the agency representatives never met us, so the train would arrive

at 4:45 in the morning and we'd have to find someplace to get in out of the cold. The travel agency office opened at 9 o'clock, and if we tried to go to the hotel first, they would rebuff us and send us back. It was very, very difficult."

It was also an excellent case study in the shortcomings of a monopoly. Barnes used the travel agency as his "whipping boy," he said, and was able, in time, to help his students see that competition is healthy.

"I would ask students, 'Now, how can we improve this service?' After a period of time, they said, 'They don't work hard because there's no incentive.' I said, 'Right. We've got to have competition. How can we make sure that that person is at the railroad station to meet me in the morning?'

"'Well, let's give him an incentive, an advantage to being there.'

"'You mean compensate him?'

"'Yes.'

"'What can we do with the travel service so that I don't have to make three 14-mile bicycle trips?'

"'Well, with competition, maybe they'll come out to see you to make the arrangements.'

"So by identifying a common problem and causing them to think, their creative minds would come up with all kinds of solutions. But at the inception of this kind of experience, they would accept that [the agency's poor service] as a given. They would say, 'Well, the people in the travel service are doing all they can, so we just have to accept it.'"

Not all students were able to break out of the traditional way of thinking, but many were. One student in particular was profoundly affected by Barnes' instruction. He wrote Barnes a long letter in the form of an essay which he titled "A Light in the Dark—To Professor Barnes." In it, he outlined what he had learned from Barnes' courses.

"We are used to getting information in the class. We are told what's right and what's wrong. We take it for granted that it's already proved to be true.

"Professor Barnes has brought us into a new world of no absolute answers, but various possibilities, and all these possibilities we should try to find for

ourselves. . . . Instead of an absolute answer, we have a great deal of alternatives for every problem. Professor Barnes has developed our thinking."

One of the things most strongly impressed upon Barnes, he said, was the personal sacrifice his students were willing to make for an education—the difficulties under which they were willing to live in order to learn.

"I was constantly aware of how hard the conditions were for the Chinese students. Our classroom never reached above 40 degrees in the winter months. Students would wear as much as seven layers of clothing. I taught in a down parka.

"Because I could move around in class, I would stay relatively warm, so I would have to stop and say, 'Let's all stand up and stretch and walk around,' so they could be comfortable too."

Students had no heat in their sleeping rooms, so the temperature was below freezing most of the time. If water spilled on their floor, Barnes said, it could be there for months. Eight students shared each small room, and they were permitted to bathe but once a week in the university bathing facility.

"Knowing that kind of sacrifice and commitment and that appreciation for your contact was very, very moving," he said.

For Barnes and his wife, conditions were considerably better, though still difficult. Their spacious, spartan apartment never reached above about 55 degrees in the winter. The food, consumed in a common eating area, was healthful but monotonous—mounds of cabbage and repeated dishes of rice and fish. Through it all, the Chinese were the Barnes' examples.

"We learned something from the Chinese—that with patience you can survive and endure. But then it's embarrassing to talk of surviving and enduring, because we were doing so much better than anyone we knew.

"We also learned that the Chinese are incredibly gracious. They're among the best hosts in the world, and they always have been. They really embrace you. They have deep feelings of affection and warmth for you—it's overwhelming." ■



New Faculty Books

Ray H. Garrison (School of Accountancy) recently published the fourth edition of his market-leading text, *Managerial Accounting* (Business Publications, Inc., 1986).

Gene W. Dalton (Organizational Behavior) and Dean Paul H. Thompson produced what has been called a "ground-breaking book" describing the four major stages of career growth—the apprentice, colleague, mentor, and director stages. An understanding of what is expected of people at each career stage is seen as a key to professional success. The book is called *Novations: Strategies for Career Management* (Scott-Foresman, Inc., 1986).

Paul R. Timm (Information Management) and Brent D. Peterson (Organizational Behavior) teamed up to produce the second edition of *People at Work: Human Relations in Organizations* (West Publishing Co., 1986).

Paul R. Timm (Information Management) coauthored with BYU grads Ray L. Young and Christopher G. Jones a new book called *Business English and Communication* (Prentice-Hall, Inc., 1986). In addition, a second edition of Timm's *Managerial Communication* has been released by Prentice-Hall, Inc. (1986).

Harold T. Smith and William H. Baker (both in Information Management) authored a text, *Automated Office Systems Management* (John Wiley and Sons, 1985).

Lee H. Radebaugh (associate dean) coauthored the second edition of *Inter-*

national Accounting and Multinational Enterprises (John Wiley and Sons, 1985) and the fourth edition of *International Business: Environments and Operations* (Addison-Wesley Publishing Co., 1986).

K. Fred Skousen and W. Steve Albrecht (School of Accountancy) coauthored with Harold Langenderfer the third edition of *Financial Accounting* (Worth Publishers, Inc., 1986).

G. Fred Streuling (School of Accountancy) coauthored with James H. Boyd and Kenneth H. Heller *Federal Taxation of Partners and Partnerships* (Prentice-Hall, Inc., 1986).

Romney Elected

Dr. Marshall B. Romney (School of Accountancy) is currently president elect of the Information Systems/Management Advisory Services section of the American Accounting Association. He will serve as president in 1987.

International Executive of the Year, 1985: Trammel Crow

Mr. Trammel Crow was honored as the School of Management's 1985 International Executive of the Year. At a Wilkinson Center banquet attended by more than 400 people, Mr. Crow set aside his prepared speech to express his deep appreciation for the award he said should be renamed the "Friendship Award." He elected instead to "take a random walk through [his speech] and say the things I want to say to you wonderful people . . . who may not know how lucky you are to be in such a wonderful, mutually affectionate and mutually supportive society and family."

As founding partner of Trammel Crow Company, the honoree in turn honored several BYU graduates, now key employees, who helped make Trammel Crow the largest real estate organization in America. While commenting on the scope of his company's real estate activities (which include construction of the New York World Trade Center), Mr. Crow stressed the company philosophy: to be the best. "We're the best because best is what we want to be. And best means that we're giving more to the people who are our clients, to the

cities we work in, and to each other. We do the things that make us feel good about ourselves."

Mr. Crow and his wife, Margaret, were hosted by President Gordon B. Hinckley, President Jeffrey R. Holland, and Dean Paul Thompson. After receiving the award honoring his executive excellence and integrity, Mr. Crow said "I'm going back to Dallas a different man than I came."

Alumni Reunions Scheduled

Reunions will be held October 24-25, 1986, for all classes graduating in years ending with a one or a six (1951, 1956, 1961, 1966, etc.). The get-togethers are part of Homecoming activities, which include the football game, Homecoming Spectacular, parade, and other festivities. Plan to join us.

If you would like to help or if you just plan to attend, please contact our alumni representative, Emily Hart, at (801) 378-5083 or 730 TNRB, BYU, Provo, UT 84602.

Management Society

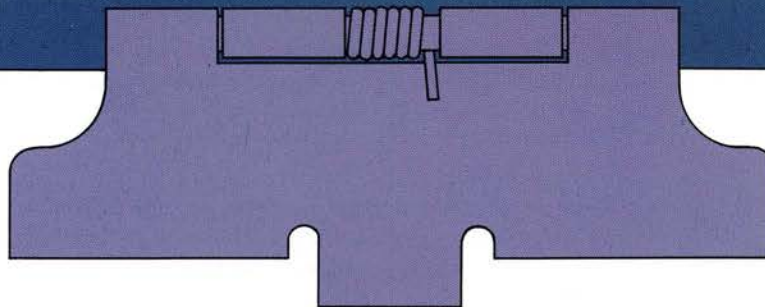
We invite and encourage all readers of *Exchange* magazine to consider membership in the Management Society.

The Management Society provides a way for BYU alumni and friends to remain close to the university and to enhance their careers while providing service to other Society members.

Local chapters conduct periodic luncheons, meetings, and other events to stimulate exchange of management expertise and to develop personal relationships among members.

Members may participate in the School of Management's Continuing Education Programs and will receive regular communications from the School, including *Exchange* magazine. In addition, members are invited to attend annual national seminars held at the Brigham Young University campus.

For a complete list of management society chapter presidents, contact the Management Society executive director, Stanley F. Quackenbush, 730 TNRB, BYU School of Management, Provo, UT 84602. ☐



Healthcare Megatrends

School of Management Professor Robert J. Parsons, working with three area health care professionals has identified ten "megatrends" that will have direct impact on American physicians and, indirectly, on their patients. Implications of each trend are condensed here. For a copy of the complete article that served as the basis for this presentation, you may write to Dr. Parsons c/o BYU School of Management, Provo, UT 84602.*

Ten Major Trends Affecting Health Care

Trend One

The number of physicians will increase dramatically relative to the U.S. population. From 1978 through 1990 the number of physicians in this country will increase 43 percent, while from 1990 to 2000 the number will grow by another 20 percent. Thus, physicians per 100,000 population will increase from 171 in 1978 to 215 in 1990 and

then to 240 in 2000.

Implications of this trend indicate that new doctors will have increasing difficulty establishing a practice due to the decreased number of patients per physician. Competition for a limited patient base will lead to additional efforts to attract and retain patients. On the plus side, this increasing supply will alleviate the doctor shortages experienced in some areas of the country.

Trend Two

Physician incomes will grow slowly, if at all. With more doctors available, the median number of patient visits (and concurrent billings) will decline. Additionally, with more women becoming physicians, a decline in patient visits per doctor can be expected. Studies indicate that female doctors see 30 percent fewer patients per week and spend 20 percent more time with each patient than do their male counterparts.

Real growth in physician income, adjusted for inflation, was negative for the period between 1972 and 1982. While nominal average income rose from \$47,240 to \$99,500, adjusted for inflation income fell from \$47,240 to \$46,670. Real physician income will show moderate to zero growth.

Trend Three

Group practices will become the dominant mode of medical services, due to the increasing physician supply, developing competition, trends in prepayment and contract services, and financial and professional liability. Insurance companies strongly favor group practices, asserting that such practices are more efficient and better able to control costs.

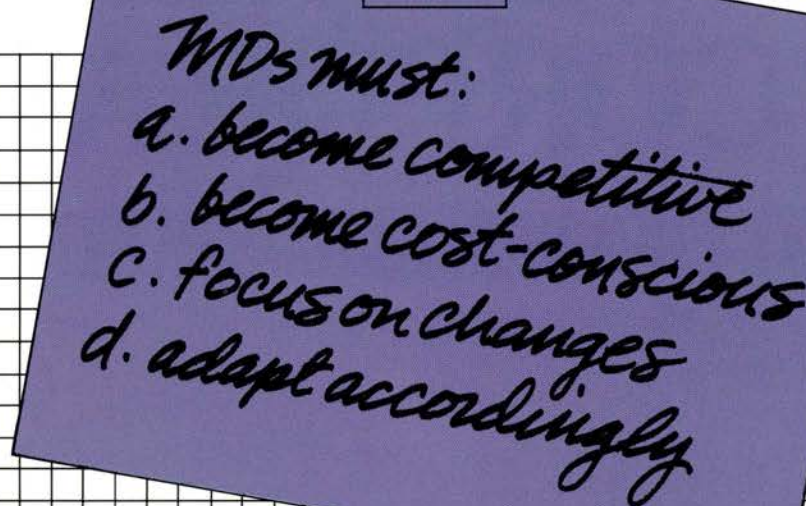
Trend Four

Medical practices will emphasize cost-conscious behaviors in medical services. Doctors will face increasing pressures to reduce the use of expensive, non-cost-effective procedures. In addition, group practices will accumulate profits for future marketing and expansion activities, rather than distributing the profits among the physicians.

Trend Five

Physicians will have less freedom in prescribing medical care. Instead, patterns of care will be mandated by third parties such as health maintenance organizations (HMOs) and insurers. HMOs and preferred-provider organizations (PPOs) will grow rapidly, captur-

* In doing this research, Parsons worked with William K. Willson and David F. Youkstetter of the Brighton Consulting Group and Dr. David A. Burton, vice-president of Research and Development for Intermountain Health Care, Inc.



MDs must:

- a. become competitive*
- b. become cost-conscious*
- c. focus on changes*
- d. adapt accordingly*

ing 20 percent of the health care market by 1995.

Trend Six

Physicians will be subjected to more fees and standard reimbursement restrictions such as those common with HMOs. Likewise, doctor incomes will be affected by increased efforts to cap Medicare costs. Medicare accounts for approximately 18 percent of physician revenues now. Doctors will be induced to use minimum medical services whenever possible.

Trend Seven

Patient loyalty to a particular doctor will drop. Faced with several alternatives, dissatisfied patients will be more prone to leave one health care provider for another. In 1963, only 38 percent of patients questioned would leave a doctor because they were not satisfied with the physician or his/her staff. In 1969 this figure increased to 44 percent; in a 1976 survey it was 52 percent; in 1982 the figure rose to 59 percent. Common reasons given for dissatisfaction were that physicians did not come across well, that they did not inform patients adequately about the delivery of care, and that patients had to wait too long to see them.

The major implication is that physicians who wish to keep current must be perceived as responsive to their patients' feelings and respectful of their time.

Trend Eight

Advertising and marketing of health services will increase. Since recent court rulings allowing physicians to advertise, polls have shown that support for advertising is split clearly by age. Doctors age 45 and over favor advertising in only one case in ten, while among younger physicians one in four favors the use of ads. Although the majority still opposes advertising, a significant softening of that opposition is occurring and will continue. Physician advertising and marketing will become an accepted and normal practice.

Trend Nine

Physicians will become increasingly involved in the financial and operational concerns of hospitals. To an increasing degree, the relationship between doctor and hospital is increasingly interdependent—essentially a joint venture in many cases. More physicians are joining hospital staffs as paid employees rather than functioning essentially as customers of the hospital.

Additional training of doctors in administrative skills is called for.

Trend Ten

The increasing threat of professional liability will force doctors into group practices and salaried hospital positions for self-protection. Medical malpractice losses by insurance companies are increasing by 20 percent a year.

Insurers in New York State claim that for every \$100 in premiums received, they pay out \$157.10. One insurer was granted a 52 percent hike in premium rates to physicians. As a consequence, a New York internist can expect to pay a yearly premium of \$16,247, while a neurosurgeon will pay an incredible \$101,000 annual premium. Hence, doctors will continue to enter into arrangements that will minimize such expenses.

Implications of the Ten Megatrends

As a whole, these ten trends stress that the emerging, competitive, cost-conscious environment requires that physicians themselves learn to become competitive and cost-conscious. Physicians who will survive the emerging environment will be those who focus on changes and adapt accordingly. ■

LINKING COLLEGE TO CORPORATION

AFFILIATE PROGRAM BUILDS PARTNERSHIPS

Byron J. Anderson

The BYU School of Management's faculty and staff look back on 1985 with considerable—and justifiable—satisfaction. The goal of becoming a nationally recognized business school is coming into focus thanks, in large part, to the financial support of many willing individuals and corporations.

A major School effort during the coming years will be to expand our ability to reach out to you, our friends and supporters, and to help you feel a part of the unique mission of our college.

Dean Paul H. Thompson recently reported to the college's National Advisory Council that we have made significant progress toward the major goal of national recognition by focusing on attaining a better understanding of today's management problems and challenges. At the heart of this approach lies the mutually productive cooperation—the crucial partnership—between the faculty and members of the management community. This link between our School of Management (SOM) and the real world of work has never been stronger.

Affiliate Program Funding Uses

One approach to further strengthen this partnership between college and corporations is our Affiliate Program. The Affiliate Program provides a systematic way for business organizations to provide funding support while receiving some useful responses in return. Funding received is used to—

- ☐ Structure new courses that enable students to deal with most current business problems and challenges, such as technical changes, entrepreneurship, ethical dilemmas of modern society, and the changing nature of the corporation.
- ☐ Research current issues and problems facing the increasingly complex business world, thus providing resources for members of the business community as they search for solutions.
- ☐ Develop better ways to educate today's executives, who wrestle with problems that impact not only

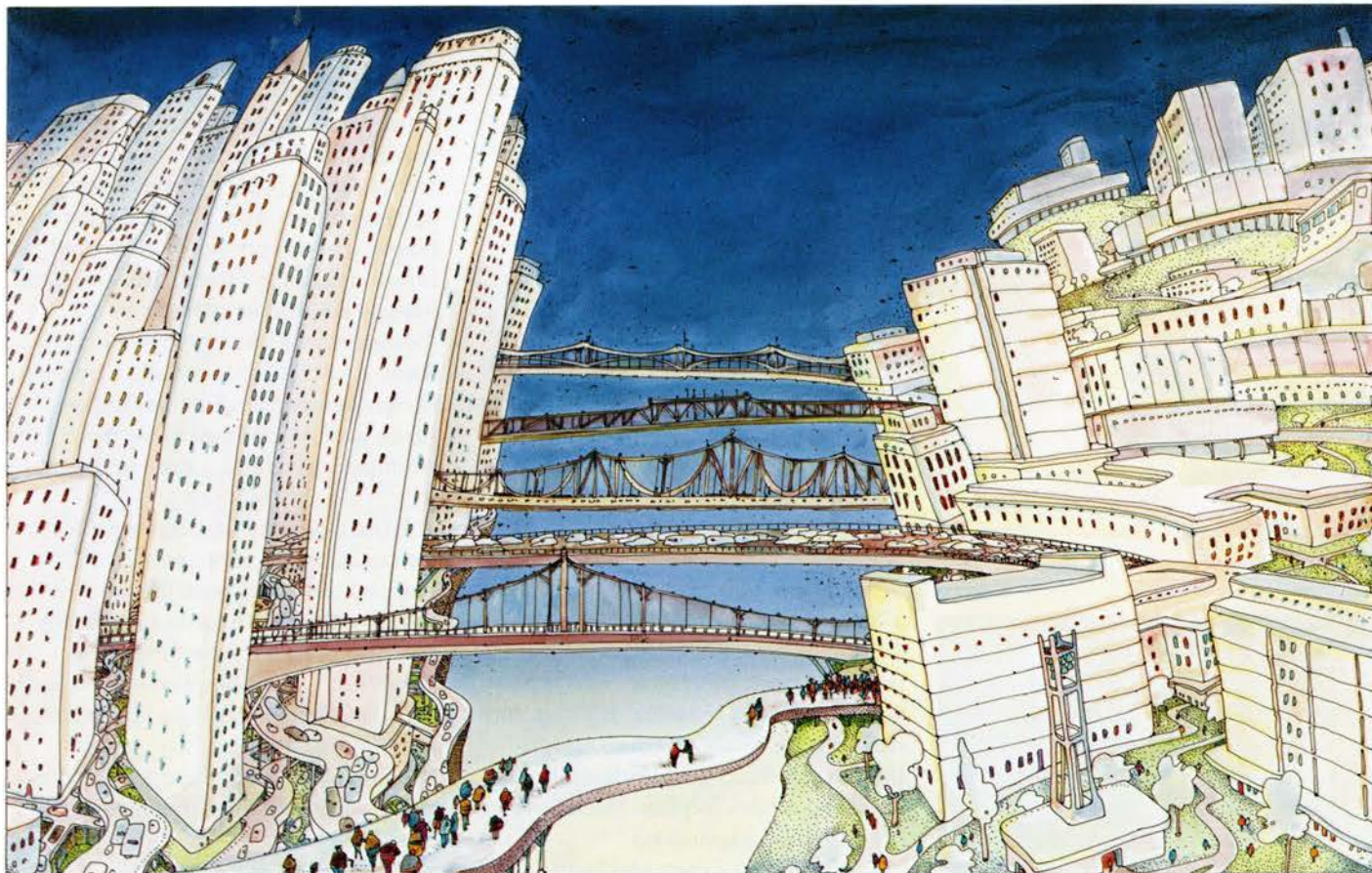
individual companies but the worldwide economy as well.

- ☐ Create professional development leaves for faculty, enabling them to experience hands-on organizational issues that will make them better teachers for future generations of managers.

Won't You Join Us?

We invite your company to become a School of Management Affiliate. By so doing, your organization helps us meet some critical funding needs. In addition, you'll be eligible for the following as expressions of our appreciation:

- ☐ Invitation to an annual presentation by the dean and selected faculty members reporting the latest in management research and discussion of current business issues.
- ☐ Participation in faculty-executive discussion groups held on the BYU campus. These small-group buzz sessions will enable you to meet fellow



executives and many faculty who wrestle with the same challenges facing you.

□ Invitation to participate in "Topic Conferences," where one or two people from selected Affiliate corporations spend several days in intensive interaction with faculty members expert in the topics your organization needs to better understand.

□ Exposure to on-campus experiences for selected Affiliate corporation executives, providing access to classes, to informal exchange with faculty members, and to participation in research efforts with senior faculty—an excellent way to pick the brains of our people as they do research and investigative projects dealing with areas of special concern to your company.

□ Opportunities for teams of faculty and graduate students to visit your corporate locations to conduct training programs and provide consultation services. The School will provide liaison between your company and our faculty.

Levels of Participation in the Affiliate Program

Three levels of participation are available to organizations. Companies donating \$10,000 per year or more are designated as DEAN'S AFFILIATES. Such organizations will have direct access to the dean, who will serve as their primary contact with the School.

LEADERSHIP AFFILIATES are those organizations donating \$5000 or more (but less than \$10,000). Their primary contact with the School will be a designated senior faculty member.

Donations of \$2000 to \$4999 qualify a company to be a SCHOOL OF MANAGEMENT AFFILIATE and to receive the benefits we've described. Primary contact with the School will be handled by William Siddoway, director of External Relations. Bill has overall administrative responsibility for the Affiliate Program.

Affiliates at all levels also receive—

□ A subscription to the School's award-winning *Exchange* magazine, published twice a year to focus on critical management issues and trends.

□ Access to publications and working papers of SOM faculty.

□ Priority access to high-quality graduates through the University Placement Office and the SOM's Career Development Center.

How To Get Involved

Register your company for one of the three levels of the Affiliate Program today. To do so, send your donation to the School of Management, and then designate a person in your organization to be the principal contact—the person we will coordinate with as we carry out the program.

As Affiliates, corporations benefit from constant access to current information, insights, and consultations with our nationally recognized faculty. Through strong partnerships with corporations, we can maintain and intensify our movement toward the very best in management education. Together, corporations and the School of Management can build a partnership with the greatest of benefits to both. ■

THE STEPHEN

MACK COVEY

PROFESSORSHIP IN

ENTREPRENEURSHIP

AND SMALL

BUSINESS

The virtues of

industry

and thrift.



The BYU School of Management (SOM) has the challenge and opportunity to be a positive force in the future careers of many young men and women. SOM faculty members have a strong sense of mission regarding the academic development of the ever-increasing number of young people enrolled in management studies who look to the faculty for guidance and direction, both intellectual and ethical. To provide this ethical guidance and direction, the School will draw upon its rich Mormon heritage.

Bearing this challenge and heritage in mind, the School of Management has established a Name Professorship Program that will honor outstanding business leaders. In order to be honored by a "name" professorship, the person must have been financially successful, but even more, must have been honest and ethical in all business dealings; have had a strong family orientation; and have exemplified gospel ideals through deed and action. Stephen Mack Covey is the first to be so honored.

Stephen Mack Covey was born November 4, 1869, to a family of pioneer Mormons in Salt Lake City, Utah.

Life for the Coveys, as for all pioneers, was difficult. Stephen's parents taught him early the virtues of industry and thriftiness. He had little formal education, but a great desire to learn. He attended grammar school and at the age of 22 registered at the University of Deseret in Salt Lake City. After his marriage, he attended Salt Lake Business College.

Stephen's business experience began at the age of 17, when he became a partner with his father and brothers. They invested in sheep, and although Stephen had no money to pay for the few head that were his, he more than compensated his father by his hard work and dedication. Their business, with headquarters in Cokeville, Wyoming, prospered, and the herd soon grew to over 60,000 head.

One night, while tending sheep in the open grazing country of Wyoming, Stephen had an experience which changed his life and directed his future. The story is recorded in his own words:

"Away back in the nineties, when I was a youngster and herding sheep in

this dreary section of Wyoming, I became lost in a raging Northeast blizzard and was forced to 'lay out' all night at the place where Little America now stands. That long January night in that terrible storm, with a fifty-mile wind and the temperature about 40 degrees below, passed very, very slowly, and, oh, how I longed for a warm fireside, something to eat, and wool blankets. I thought what a blessing it would be if some good soul would build a house or shelter of some kind at that Godforsaken spot. Many times in my heart I've promised one there. . . even dreamed of it."

From that point on, Stephen's sense for business adventure ignited. He stopped at nothing until the answer was found or the feat to further the family business or to improve the lives of neighbors was accomplished. Two early accomplishments included pioneering the Covey Canal Company, which brought water to the Bear River Valley, and establishing the Uintah Development Company.

In the 1920s, Stephen left the ranching business and built the Covey Corporation Building in Salt Lake City and started an automobile dealership. Later he went into the entertainment business and formed the Covey Brothers Amusement Company, which owned the "Coconut Grove" ballroom, the largest dance hall under one roof in the United States.

In 1933 he organized the Covey Gas and Oil Company with stations in Utah, Idaho, Wyoming, and Nevada. The company expanded with motels and restaurants adjacent to the service stations. It was then that Stephen Mack Covey remembered his experience as a young man in the Wyoming wasteland. Though his idea met with the criticism of many, Stephen was determined to see his vision of a resort in the Wyoming desert through. With great planning and imagination, the Little America Motor Lodge at Little America, Wyoming, in the Sweetwater County desert, was built. In Stephen Mack Covey's words:

"A few years ago when I saw Admiral Byrd's picture of Little America in Antarctica and his isolation so many miles from his base of supplies, it reminded me of my experience in that



The Donors

The Brigham Young University School of Management expresses deep appreciation for the generous donation of Lucille Janette Covey and Lynn S. Richards that has provided for the endowment of the Stephen Mack Covey Professorship.

Lynn and Lucille attended Brigham Young University after their marriage, where she did postgraduate work. In 1926 they left for Stanford Law School, where Lynn received his Juris Doctor degree.

During her life, Lucille has been active in the business affairs of Covey enterprises, including the motel, gas, and oil businesses. Although she has served as trustee, partner, officer, and stockholder, she considers her greatest accomplishment to be that of a homemaker. She has made numerous contributions to Brigham Young University's Karl G. Maeser Fund, President's Club, and School of Management.

Lynn S. Richards has practiced law in Salt Lake City for over fifty years. He is active in many civic and professional organizations and has served on the boards of directors of more than twenty-five corporations. The Richards are the parents of five children, and they have thirty-six grandchildren and thirty great-grandchildren.

Additional contributions in recognition of Stephen Mack Covey are respectfully invited from family, friends, and associates. ☸

Nor'easter. The thought came back to me to fulfill that promise, to erect a monument and haven of refuge on the spot of my harrowing experience. The name, of course, was a natural: 'Little America.' "

Today Little America is a stopping place for thousands of travelers making the east-west trek. It is indeed "a place of refuge."

In the years that followed, Little America Corporation expanded with a hotel in Salt Lake City. Stephen formed the Covey Distributing Company to service transcontinental trucking lines in connection with his transportation and tourist business.

Throughout his business career, Stephen was a gifted manager and leader. He believed in personal supervision of employees and demonstrated his belief by laboring hand-in-hand with his workers, spending the hours needed until they understood what he expected. Above all he was known for his integrity. "I have enjoyed a very busy, hard, working life," he once said. "I think hard work, honesty, and consistency are the essentials for successful business."

At home he is remembered as a kind and loving husband and father. He enjoyed outdoor recreation, especially fishing and boating. He married Hannah Ashdown Saunders in 1895. They had six children. He died June 9, 1959, at the age of 89.

To date, twenty-three of his heirs have attended Brigham Young University.

The Covey Gas and Oil Company and Little America Refining Company have since become Sinclair Oil Corporation. Little America Hotels, including Little America, Wyoming, continue in operation. They stand as a monument to the entrepreneurial spirit, vision, and integrity of Stephen Mack Covey.

About the Professorship

The Stephen Mack Covey Professorship in Entrepreneurship and Small Business will serve as a source of inspiration and knowledge for young men and women who are preparing themselves, through the rigorous academic programs of BYU's School of Management, to enter the professional world of business. The principles taught through the professorship will be representative of the ethical and effective character of Stephen Mack Covey. The recipient of the professorship will, through teaching, research, and publication, honor the name of Stephen Mack Covey and exemplify those praiseworthy qualities for which he was so well known: hard work, honesty, consistency, integrity, and entrepreneurial skill.

The professorship will be endowed by the generous donation of Lucille Covey Richards and Lynn S. Richards, the daughter and son-in-law of Stephen Mack Covey.

The recipient is to be named by the Stephen Mack Covey Selection Committee. Appointment will be for three-year intervals, with an opportunity for reappointment.



S.L. OLSEN, M.D.

Hospitality in the Hospital

Marketing Research Serves Up Patient Satisfaction

Reba L. Keele Peggy E. Delany Sheri J. Bushnell

Item: A hospital in Utah Valley—long regarded by area residents as the maternity center of America—now offers a steak dinner for new mothers and their partners to entice potential patients. Not to be outdone, a relatively new hospital a few miles away offers the steak dinner, plus lobster, to its patients.

Item: In Minneapolis, several hospitals are offering gourmet meals as part of their standard fare, together with big-screen television sets in their rooms.

Item: As recently as 1978 there were six senior marketing executives in U.S. hospitals; today there are over two thousand. And while advertising for patients was, not long ago, a professional no-no, last year this country's health care providers laid out \$41 million for television advertising alone.

The health care profession isn't just a'changing; it *has* changed—dramatically. Hospital beds are empty, and patients are demanding the right to be active participants in their medical care and to have their social and emotional—as well as medical—needs attended to. As patients' expectations change and as supply in the industry greatly exceeds demand, health care providers are faced with having to entice “customers” to their centers and then having to do more for the patients than has ever been done before.

To remain viable, hospital staffs have begun hiring consultants who can transfer the marketing research techniques of other industries to the health care industry. In the process, administrators are often seduced by the magic of num-

bers as they focus solely on quantifiable research methods and changes. However, using typical marketing strategies based on limited research or on quantitative studies alone can lead to meaningless or indefensible conclusions in this service industry.

One hospital, for example, asked patients to rate it and other area hospitals on a 10-point scale. The lowest rating for any of the hospitals was above 6 on the scale, or better than average, but the administrators agonized over why one hospital received only a 6.4 rating while another was rated 7.3. In their concern for numbers, the administrators failed to ask one simple question: Was it possible that the public perceived most of the hospitals in the area as being essentially similar, and all as being of fairly high quality?

In our work in establishing the Center for Women's Health at Salt Lake City's Cottonwood Hospital, we learned very quickly that statistical significance must also be supported by social significance. We discovered this after we had administered standard statistical surveys to patients who were with us during the remodeling of the center and then to patients housed in the new facility.

The first group was subjected to all the sights and sounds of construction, complete with ugly temporary wall-board springing up in new places each day as rooms were finished and others then blocked off. Interestingly, everyone made the most of a bad situation. Patients used the temporary walls to announce the births of babies, the nurses did humorous decorating in the space they had available, and we gave each patient a single rose as a way of expressing our appreciation for good humor and patience.

The second group experienced a new environment that was more like a very nice hotel than a hospital. Each patient still received the gift of a single rose, but only because it had been adopted as the Center's logo.

Much to our surprise, there was no significant statistical difference in the ratings given by the two groups. Had we not also completed extensive interviews with each patient completing the standardized survey, we would not have

been able to understand the results. And understanding was critical. We had, after all, just invested a great deal of money in a state-of-the-art facility. We also knew we had lost a part of our market share during the process (in spite of the expressed satisfaction).

What we found as we analyzed both sets of data was that the patients' assessment of their "medical" care was based on such factors as expressions of warmth and sympathy by the staff, the willingness of doctors to listen, blankets and warm stethoscopes, clean rooms, adequate privacy, and other amenities such as roses, gift packs, and free steak dinners.

It became apparent that, though educated, the patients had no real way of evaluating the quality of the actual medical care they received. (Interestingly, even nurses who were patients judged their medical care by the same criteria.) Their evaluations were based on perceptions—not on medical realities—of how well their emotional, social, and psychological needs were met.

Clearly, the patients responded more to the human interactions they had with the staff than to the facility. That did not diminish the importance of the facility, but it helped us make some important marketing decisions that would have been made differently had we not conducted the interviews.

The quality of our staff and their genuine warmth became the focus of our marketing strategy rather than our admittedly beautiful facility, which was to have been the original focus. The homey atmosphere helped attract new patients, but we knew we would keep them (and benefit from their referrals) only if the staff did their part.

As part of our marketing campaign, then, we taught our staff about their role in the campaign and about their need to remove obstacles that prevented them from responding appropriately to the patients. Everyone involved—staff and administrators—knew we could not advertise until we were certain the Center would deliver the services we were advertising.

The marketing campaign that resulted was very different than the one we had originally planned. The radio

ads used the warm, caring voice of the director of the Center and talked about the support women would receive in their choices, the Center's reasonable costs, and the warmth of a well-qualified staff. The newspaper ads featured photos of the facility and copy dealing with these same areas. The rose logo (which was not our original choice) became the symbol of the commitment the Center had to women and their concerns.

Evidently, the plan worked. An external marketing study done a little more than a year after the beginning of the marketing campaign showed that 49 percent of those women randomly surveyed along the Wasatch Front recognized the name of the Center and the rose logo. More significantly, the market share of the Center increased from 15.2 percent in 1983 to 18.0 percent by September 1985, while the market share of the Center's primary competitor fell from 15.9 percent to 13.6 percent in the same period.

As health care organizations become increasingly involved in marketing efforts, those involved must remember that the public still sees them as service providers. To simply apply to the health care industry the research techniques and marketing campaigns used by other industries would not account for the fact that the public still decides how good their medical care is by how much warmth and caring attention they receive.

Consumers will react with justifiable suspicion and skepticism as each organization shouts "We are more caring than the rest." The public will demand a real commitment to that caring as they become as jaded about health care claims as they are about fast food and automobile ads.

Each organization, then, will need to know what its own peculiar strengths are and market those. But they will not be able to determine them by standard quantitative methods alone. It is not possible to quantify concepts like "caring" and "warmth," and qualitative methods, such as in-depth interviews, focus groups, and observation, will become a standard part of any successful marketing effort. In this business, quality will be what counts. ■

A B O U T T H E A U T H O R S



Reba L. Keele, Ph.D., is an associate professor in the Department of Organizational Behavior. Professor Keele has recently completed a

19-month professional development leave during which she conceptualized, implemented, and directed the Center for Women's Health at Cottonwood Hospital Medical Center in Salt Lake City. Her professional interests lie in the study of social support and roles in career development and in the application of strategic management to health care organizations.

Peggy E. Delany received an MBA from the BYU School of Management and currently serves as assistant administrator—Development Services at Cottonwood Hospital Medical Center.

Sheri J. Bushnell earned a master's degree in organizational behavior from BYU and works as an administrative assistant for nursing at Cottonwood Hospital Medical Center.



Paul R. Timm, Ph.D., serves as editor of *Exchange* magazine. He is an associate professor in the Department of Information

Management, where he teaches communications courses. Dr. Timm has authored eight books in management and communication and is active in consulting and training.



Byron J. Anderson is a retired executive who serves the School of Management in the corporate relations area. Mr. Anderson was a

vice-president with Northern Petrochemical Company (Omaha, NE) and president of Anderson Associates, a property management firm in Salt Lake City.



Roger K. Terry earned his MBA from Brigham Young University in 1982 and presently serves as a part-time instructor in the Department of Business

Management. His professional interests include operations management and writing. He has written numerous articles for a variety of publications.



Robert J. Parsons, Ph.D., is a professor of health administration in the BYU School of Management and a senior consultant at Brighton Consulting

Group. His professional interest focuses on health care economics, where he is active in research and publication. Professor Parsons has served as associate dean in the School and has received considerable recognition for his teaching and administrative talents.



Richard E. McDermott is an associate professor of health administration at BYU. Before joining the faculty, he served as

assistant administrator of the Utah Valley Regional Medical Center in Provo, as administrator of the Sevier Valley Hospital in Richfield (Utah), and as vice-president of financial services for Eyring Research Institute, Inc., in Provo. He is a former president of the Utah Health Systems Agency. Dr. McDermott holds a master's degree in hospital administration and a Ph.D. in accounting.

