

EXCHANGE

BRIGHAM YOUNG UNIVERSITY SCHOOL OF MANAGEMENT

FALL 1980



Managing in the
Turbulent '80s

DEAN'S REPORT

The mission of the BYU School of Management is to prepare people for leadership in private and public organizations as well as for Church service throughout the nation and the world. As we anticipate the challenges of the 1980s, we feel there are five major activities which will help us accomplish our stated mission.

1. The continuing development of first-rate, highly motivated, productive faculty.

While we have every reason to be satisfied with our present faculty, we will focus on several key thrusts for continued faculty development. First, we will seek to increase the number of faculty positions to reach more desirable student-faculty ratios by identifying and recruiting the finest Latter-day Saint scholars from throughout the world. We will also seek to increase the number of faculty members participating in high-quality professional development leaves. Finally, we will seek to increase funds for spring / summer research and development. These efforts, we are confident, will result in the finest business school faculty anywhere in the world.

2. An on-going program of student development. Naturally, we will continue to recruit students to our program who are better prepared both by their academic background and by their outside experiences. Particularly, however, we expect our recruitment efforts to result in increased enrollment of women, American Indians, and foreign students. Furthermore, it will be our goal to expand the accessibility of many of our programs to persons who are not able to attend classes full time at the university. This will be accomplished by increased emphasis on our university extension and home-study services as well as our involvement in off-campus seminars and institutes for current and potential managers.

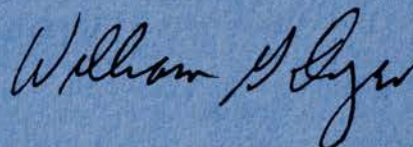
3. Improved placement support for our graduating students. Although our record is very good in the area of student placement, we are constantly seeking improvement by increasing our contact with potential employers in the private and public sectors. Of course, the National Advisory Council will continue to play an important role in this process with their contacts in the worlds of government and business. Likewise, the Management Society will seek to increase the involvement of our alumni in student placement.

4. An improved physical/technical environment. The new N. Eldon Tanner Building represents our commitment to providing a suitable physical environment for learning. Construction of the building will begin this fall and should be completed in two years. For the first time in years, the entire School of Management faculty will be housed together, and all major programs will have excellent physical facilities. In conjunction with the building, we have also made a major investment in microcomputers to provide experiences for students and faculty in the computerized aspects of the organizational world.

Although we have already raised several millions toward the building, it should be remembered that additional millions must yet be raised to complete the funding of this structure.

5. An expanded base of financial support. We are grateful that the university and its Board of Trustees have been generous in providing sound financial support. However, if the School of Management is to continue to move beyond its basic programs, we must assume increased responsibility for raising additional money. Such funds are needed for new research, new programs, faculty development, curriculum improvement, and student scholarships. It is primarily with this in mind that the Management Society has been organized. Participation in the Society comes as alumni and friends contribute to the School of Management through the Church Development and Alumni Giving Programs. Of course, the National Advisory Council also has been a bulwark of support in helping to finance needed programs in the past. We will continue to rely on its assistance in the future. As we continue to expand our association and involvement with our alumni and friends, we hope they will feel a need to support on-going activities.

The 1980s, although challenging, will provide tremendous opportunities for the BYU School of Management. Through a conscious, consistent effort to accomplish the goals we have outlined above, we are sure that the ultimate goal of fulfilling our stated mission will be realized.



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EDITOR'S CORNER

"Managing in the Turbulent '80s" is certainly an appropriate theme for this issue of EXCHANGE. The turbulence of the '80s will be created by the many changes facing managers. The 1980 manager will be faced with new and unusual opportunities and challenges.

Reginald H. Jones, chairman and CEO of the General Electric Company, states that "the business environment of the 1980s will be dominated by efforts to solve the very problems we inherited from the 1970s." Alvin Toffler and Peter Drucker coined the terms "future shock" and "age of discontinuity" as buzz words for the 1970s, connoting increasing disruption and complexity in our world. Today these scholars speak of "the third wave" and "turbulent times" to further their predictions of soaring complexity in the 1980s. The myriad forces working on society, the economy, and people who work in organizations in the coming decade will no doubt increase complexity of the manager's tasks.

In this issue we address several of these forces. Our feature articles address problems of social pressures which influence white-collar crime, family disruptions, changing demographics in the work force, financial policies which affect home ownership, technological changes which affect our productivity and the way we manage others, and finally, philosophical changes as we come to recognize the need for accepting personal responsibility and not over-relying upon organizations to satisfy our basic needs.

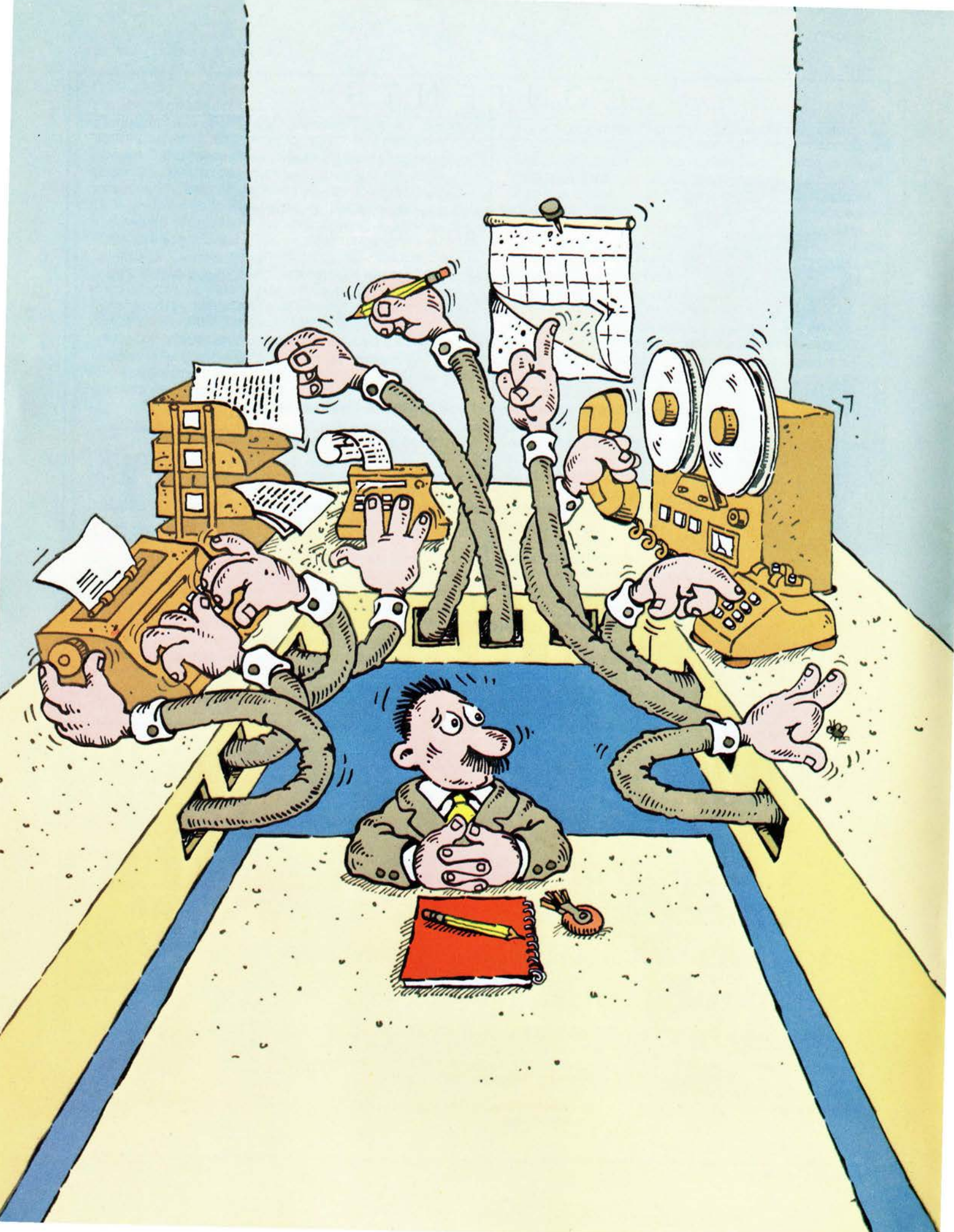
I sincerely hope this collection of articles will be stimulating and useful to you as readers. We are excited about EXCHANGE magazine and the work that is being done by professionals here at Brigham Young University. Your comments, of course, are always welcomed and encouraged.

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The possibility of reducing total business costs by 20 to 25 percent, improving productivity, having vital information at his fingertips, and being able to communicate instantly to any one of the 9000 other offices in his corporation have been intriguing incentives for Pat McHenry, a typical American manager, to investigate the so-called "office of the future" movement.

Pat's first exposure to this new concept came when Business Week (in 1975) carried an article entitled "The Office of the Future." This article sought to portray what a future office might resemble if the powers of technology were put to work to solve the problems of the office. The futuristic scenario describes how an executive seated at a TV-like display can call up

information, compose documents, transmit and receive messages, and perform many other office activities electronically. In this system, data processing computers, word processors, telecommunication devices, and other equipment all work together in an integrated fashion. It is a true utopian working environment compared to the offices of today.

The Office of the Future: Managing the Changes

By Dr. William H. Baker and
Dr. Harold T. Smith C.A.M.

D

uring these past few

years, since the first "Office of the Future" article was published, countless articles have been written and speeches given on the topic of office automation, but few offices have made major progress in implementing this ideal. Vendors of electronic office technology continue to sell increasingly more sophisticated systems to organizations, thus advancing office technology. But each installation of this equipment is just a small step toward the total integrated information systems comprising a true "office of the future" concept. Offices are still people-intensive entities with secretaries, clerks, and managers working to accomplish the administrative responsibilities of the larger organizations they serve. Increasing workloads and rising labor costs make it imperative that the trend toward the adoption of automated technology in the office continues at an accelerated

pace. This article will identify a number of driving forces behind the trend toward the automated office of the future and will also describe several restraining forces holding it back. We will also focus on specific actions that should be taken by managers to move wisely toward a smooth-functioning automated office.

Driving Forces

At least four driving forces have been identified as being the major stimulants behind the movement toward the automated office of the future: (1) high office costs, (2) low productivity,

(3) increased information needs, and (4) more powerful and useful technology.

High Office Costs. Many decades ago, before businesses had grown to their present massive size, before widespread governmental intervention into business, before the advent of com-

puters, and before the trend toward service industries, the functions performed by the business office were rather insignificant when compared to today. Governmental reporting requirements were limited. Information processing was performed by human labor assisted by a few simple office machines. Business organizations were much smaller and were much more product oriented rather than service oriented. Hence, the number of blue-collar workers far exceeded the number of white-collar workers.

As businesses enlarged and as the demands for greater information and

The annual cost of office information workers was \$800 billion in 1979, and is rising at a rate of 12 to 15 percent per year. If left uncontrolled, these costs could reach \$1.5 trillion per year by 1990.

support services provided by the office increased, the gap between the numbers of blue-collar workers and white-collar workers began to narrow. In 1979 the number of "information workers" surpassed the number of "noninformation workers" in our work force for the first time.

The annual cost of these information or office workers was estimated at \$800 billion in 1979, and these costs are rising at a rate of from 12 to 15 percent per year. If left uncontrolled, these costs could, by 1990, increase to \$1.5 trillion per year at the present rate! Of these costs, about 75 percent are human costs—only 25 percent are applied to supplies, capital equipment, and overhead.

Of the total personnel cost, approximately 75 percent is for managers, professionals, and other knowledge workers; the remainder represents clerical costs. When the capital equipment investment rate—the amount spent for the workers' tools—for clerical workers is compared to those of factory workers and farmers, some rather startling differences are found. The average capital equipment investment rate for each factory worker is \$24,000; for each farmer, \$35,000; and for each clerical worker, \$2,000.

Office costs have in the past gone relatively unnoticed by top management. Their attention has been typically focused on increasing productivity in manufacturing and on increasing sales volume. With the high office costs of today and with the current economic difficulties, however, top managers are beginning to look more carefully at their office costs and are directing some efforts toward reducing them wherever possible.

Low Productivity. Productivity of office workers over the past several decades has stayed relatively constant. An intriguing contrast can be drawn between office worker productivity and the productivity of farmers. The percentage of the total U.S. population engaged in farming activities in 1930 was 24.9. By 1977, this figure dropped to 3.6. The following productivity figures illustrate some of the increases experienced by American farmers:

From the early 1950s to the mid-1970s, for example, the annual average yield of corn leaped from 39.4 to 87.1 bu. per acre, wheat from 17.3 to 30.4 bu. per acre, potatoes from 15,100 to 25,800 lb. per acre, milk from 5,400 to 10,600 lb. per cow, and eggs from 181 to 234 per laying chick-

en. At the same time, the man-hours necessary to produce each 100 lb. of chicken broilers dropped from eight to one.¹

To increase output of the office, most organizations have simply hired more office workers rather than finding new ways to make the existing work force more productive. (It is interesting to note, in connection with agriculture, that "while the number of farms and the farm population have plummeted, the number of employees at the Agriculture Department has grown like weeds. In 1930 there were 26,050 employees, 98,694 in 1960, and 127,497 in 1977."²) With current productivity concerns in mind, today's managers are beginning to look toward technology as an aid to make their office workers more productive.

More Information Needs. An important factor in the growth of office expenses is the increasing amount of information available and the increasing need for more, or at least more selected and relevant, information. With the mountains of information created by computers, the many duplicates of documents that are made in large and complex organizations, the volume of new information created by those engaged in research and development, and the reporting requirements of government, information has truly become an expensive resource. The White House Office of Management and Budget has indicated that the federal government "has about 5,000 reporting requirements to which business, recipients of federal aid, and the general public must spend a total of 786 million hours a year responding."³ Add to these requirements the need to have large amounts of information available just to stay competitive with other organizations in one's industrial line.

It is ironical to note that computers have helped to answer the call for more and better information, but at the same time they have created more information management problems. At least one person has suggested that what we need now is not more *management information* but rather more *information management*.

Advanced Technology. Computer development has accelerated during the past 30 years at a rapid pace while related costs have rapidly decreased. For example, the speed of state-of-the-art IBM processors was 2,193 multi-

plications per second in 1952 and 239,120 multiplications per second in 1979. In contrast, the monthly rental cost of storing one million bytes of data was \$221,867 in 1952 and \$430 in 1979.⁴

Advancing electronics technology has had a major influence on all areas of information processing and management. Data processing, word processing, reprographics, telecommunications, and records management have all seen micro-processor and computer technology automate many functions that were previously manual routines. In addition, these administrative services are being merged into integrated systems, and boundaries between these areas are fading. Advanced technology offers all aspects of information creation, processing, retrieval, transmission, and storage in multifunction systems.

New systems, now only on the drawing board, will offer greater information management capabilities, greater ease of use, less reliance on paper, improved compatibility between systems for greater information transmission capability, and greater miniaturization of system components to ease space demands, reduce costs, and make technology available to more workers and managers.

Restraining Forces

With all these pressures on the present-day business office, one might wonder why movement toward the future automated office has not been more accelerated. In reality, there are many pressures and forces that work against the adoption of office automation and which slow the trend toward automation. Let us examine a few of these opposing forces that seem to be most prevalent.

Fear of Change. Many business people are fearful of new office technology because they suspect that their jobs might be jeopardized or that the benefits of the system might be more than offset by unanticipated disadvantages. Workers and managers have learned to perform their work using manual methods, and they are able to keep their work somewhat under control using these methods. They feel that automation would introduce new and complicated methods of performing work, that they would lose control of their own situation, that their

social relations on the job would be disturbed, and that their job requirements would become more complex and difficult. Whether these fears are justified is not the major point here. The point is that workers and managers feel the way they do, and, to them, the problems are real. Until these anxieties can be eliminated or greatly suppressed, fear of change will continue to deter the implementation of automation in the office.

Disorganization and Lack of Standardization. Business organizations have generally experienced a great deal of prosperity throughout the post-World War II years. As a result, management of growth has been one of their main problems. Added to the rapid growth problem is the problem of

aging their information. Such a condition is similar to an octopus with a brain in each tentacle.

Because of this widespread disorganization, the process of converting to automation presents a major challenge of (1) finding out what different branches of a company are doing, (2) determining standardized procedures and policies for the entire organization, (3) implementing the standard procedures company wide (including the difficult task of getting people to change), and (4) implementing automation. The difficulty of getting the "company act" together before automation can be pursued tends to cancel many automation conversions that would otherwise be undertaken.

Lack of Management Awareness.

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managing information—the bulk of which is written on paper. All phases in the life of information—creation, reproduction, transmission, utilization, storage, retrieval, and destruction—have been largely restricted to the paper medium. This paper-management condition has resulted in such problems as excessive reproduction, cumbersome and costly transmission, costly and space-consuming storage, slow and disorganized retrieval, and an overall lack of centralized control. It has become common for different branch offices of a large corporation to follow different business procedures in man-

Business managers have experienced awareness problems in two major areas—office costs and technological capabilities. Because they have not been aware of the real costs of the office element of their organizations, managers have focused more attention on improving products and sales than on cutting office costs. Even today, most top managers have no idea of the percentage of their costs going to fund office operations.

General managers have also been unaware of the capabilities available in modern automated equipment. Trade magazines addressed to adminis-

trative managers have been effective in explaining current technological advances, but magazines going to non-administrative managers generally have not carried this message well. Consequently, most managers have little understanding of how automated equipment can provide at least partial solutions to many of their management problems.

Expensive Equipment. Even though the cost of automated equipment has been decreasing, most automated equipment still represents a large outlay of funds, and many managers are not yet convinced that the benefits of the equipment outweigh the costs. Managers are frequently heard to ask, "Why buy a \$12,000 word processor when I can get by with a \$1,000 electric typewriter?" The expense of equipment is especially significant during the early marketing phase of a new technological advancement—when the vending company is trying to recover the costs incurred in the research and development of the product. As these costs are recovered, and as competition from other vendors increases, the prices of the equipment begin to fall, thus partially offsetting the impact of price as a deterring factor.

Equipment Not User Oriented. Most of the automated equipment introduced during the last 25 years has not been truly "user oriented." Equipment has been cumbersome and complex to operate, inflexible in its operation, and unforgiving of human weaknesses. As a result, users have been forced to change drastically the way they perform their work. In many cases, users are able to get more information with automated equipment, but it is not always the right information, in the right format, or at the right time.

Much of the automated equipment has also resulted in a sort of "assembly-line" approach to performing office tasks, and the work of many employees has become routine and void of real challenge. Consequently, motivation of office personnel has become a significant factor, and turnover rates have increased in many cases.

Implications for Management

Driven by the needs of managers to make the office function more efficiently and by improved technology, the office of the future movement is pressing forward. The restraining

forces tend to slow the movement while human beings and technology make necessary adjustments to each other. Some people see office automation as a paragon to solve all cost, productivity, information, communication and other problems. In reality, office automation is merely a tool that will be only as effective as the managers and office workers who use it.

Adopt Automated Office Systems. Each organization, as a part of its total organizational planning effort, should investigate the feasibility of implementing automated office systems. Strategic planning efforts should produce a long-range planning document which incorporates statements of policy concerning information and its use as a vital resource within the organization. Such strategy development and high-level policy making denote that senior management has an obligation and an opportunity to make sure that the new tools of office automation and information resource management serve the organization's best interest.

The appointment of a member of top management to oversee the investigation and implementation of information processing is vital because the new system will require decisions that affect the total organization and will change the way it does business. Also, very large commitments of resources are likely to be required. The appointed manager will be an information resource person to the senior management councils of the firm. As a generalist, this person will have a relatively small support staff of technologists who provide needed expertise. At the recommendation of the senior management member heading the group, task forces and possibly a steering committee will be appointed as needed.

Based on information obtained by the task forces, recommendations for strategic implementation steps and policy will be referred to the steering committee or to other executive councils or decision makers. The primary point is that regardless of what implementation strategies are used, senior management should assume responsibility for the planned introduction of office automation. The wise management of this process will show great benefits for the organization.

Investigate Real Information Needs. Possibly even more impor-

tant than the methods of processing, storing, retrieving, and transmitting information is the process of identifying the real information needs of an organization. Some of the pertinent questions are:

- What information is essential for various individuals in the organization?
- What additional information is helpful and should be provided if convenient and not too costly?
- What information can be eliminated?
- What formats and summary levels should be provided for various individuals?
- Where is information needed, and where should it be processed and stored?
- Who needs copies of reports, forms, and correspondence?
- What materials should be filed, and what materials should be destroyed?
- How can information be displayed and highlighted to make it more readable, understandable, and useful?
- When would estimates be adequate in replacing actual figures?
- When are information items needed?

Solid answers provided to these questions by people who use the information provide the basis for any program to manage—not just process—information. Some real payoffs in effectiveness will result to organizations that make a serious effort in this regard. This process is important, but very difficult. One giant oil company commissioned a task force a number of years ago to investigate its real information needs. Soon the group turned away from the question of *what* information is needed to address the more readily answered question of *how* information can be better processed. To date the group has not returned to the more difficult question of identifying its real information needs.

Generally, managers and other personnel should receive only that information for which a need-to-know requirement has been established. Electronic mail systems and office automation in general may tend to move us away from this objective. With new office systems people find that they can communicate more easily than in the past; therefore, they tend to communicate more information, more frequently, more widely. Typically, however, higher level managers need less

information, not more. They need good summary information with a backup of a few salient points. Also, according to management theorist Henry Mintzberg, they tend to rely very heavily on "soft" information. Soft information includes opinions, rumors, feedback on ideas, tidbits about customers and competitors, etc., as compared with hard data such as sales figures, cost of goods sold, inventory volume, and similar financial and quantitative information.

A study to determine the real informational needs of the organization should be initiated. The person appointed to head this task force should be accountable to top management. Line personnel should be involved in the identification of real needs, format, and time requirements for information. The administrative manager is in an excellent position to assume this responsibility.

Organize Administrative Support Teams. A consistent finding among office studies is that managers and professionals spend 20 to 25 percent of their time performing routine clerical activities. These tasks could easily be delegated to an administrative support team member making only one-third the salary of the professional manager. The head of such a support team can work directly with the executive or professional in an administrative assistant capacity. People with various specializations in administrative skills report to the administrative assistant and perform needed services. For example, one person with a combination of business communication, journalism, public relations, and/or English skills might be in a better position than the executive to compose a message to stockholders or a letter to an irate customer. Perhaps a person with good library skills might be able to obtain necessary facts or figures needed for a systems proposal, and a quantitative specialist could develop and interpret a needed econometric model.

The use of such support personnel could operate in a manner similar to a surgical team in which each person has highly specialized functions to perform. The highly skilled surgeon is paid to make important decisions and to perform the critical strokes of the scalpel while other team members handle the more routine functions.

Use Proven Management Tech-

niques. The last, and possibly the most important, implication for managers who desire to improve the effectiveness of their operations is to continue to apply tried and proven effective management techniques that have produced good results in the past. Some examples of these programs are management by objectives, job enrichment, team building, motivation procedures, communication techniques, and employee selection. As new personnel approaches, such as quality circles and assessment centers are developed, they too should be investigated.

Conclusion

Effective management produces results through people. In healthy organizations, employees work hard and do their best because they feel a team

spirit and because they want to see the organization succeed. These employees probably have engaged in open, two-way communication with their managers. These employees also have probably been involved in making decisions about changes that affect them. Success is likely to be obtained given this kind of healthy organizational climate with or without automated information processing systems. The ideal is to interject improved and automated systems into such well-managed organizations. ▢

¹William H. Peterson, "Farm Policy: Only Bureaucrats Win," *Business Week*, April 23, 1979, pp. 16-17.

²Ibid., p. 17.

³"Federal Paper Work: As Some Agencies Are Reducing It, Others Are Producing It," *The Wall Street Journal*, Sept. 5, 1979, p. 4.

⁴John J. Connell, "Office of the '80s—Productivity Impact," *Business Week*, February 18, 1980.

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THE WORLD OF WORK AND THE FAMILY



• • THE CHALLENGES OF THE EIGHTIES • •

IS

the American family in trouble? In recent years the family has taken an unprecedented beating from social, political, and economic pressures. The result has been the emergence of an institution beset with problems. The composition of the traditional family—working father, stay-at-home mother, and one or more children—has almost vanished. Presently only 13 percent of American families are so composed.¹

Symptoms of the family in trouble abound; for example:

- The divorce rate continues to increase.
- Juvenile crime is on the rise (more than 50 percent of felonies committed in the United States are committed by persons under age 18).
- The rate of illegitimate births has more than doubled in the past three decades.
- Suicide among young people has doubled in the past two decades.
- At least 200,000 children are physically abused by their parents or guardians every year.²

The family isn't the only traditional institution facing complex changes.

sponsibilities often including those of parent and spouse.

It is our view that the problems of the family and the work place are not unrelated. It is clear that the family has a major impact on job performance. For example, a study completed in 1977 indicated that 25 percent of the problems at work were related to family difficulties.³ Furthermore, activities on the job have a strong influence on the family. A White House conference on children concluded that "business and industry, more than any other institutions in our society, determine the lifestyle of the American family—and so have the opportunity to determine the fate of the American family and the American child."⁴ Such a strong interrelationship makes it essential that key people in both areas begin to understand how jobs affect families and how families affect jobs. In this article we hope to contribute to an increased understanding of this relationship. In addition, we will look at likely developments in the decades ahead which will impact the problems in both areas. Finally, we will discuss the implications of these developments

Many executives, salesmen, and engineers spend a lot of time in work-related travel. Consequently, a heavy burden is placed on family members who remain at home. Frequent relocation creates additional problems for the family. Americans are a mobile people; 68 percent of the nation's executives in the 25 to 40 age range move at least once every three years, 23 percent move every two years, and 18 percent move annually.⁵ Frequent moves can create serious problems in the family. One author describes the impact on some wives. "Often they become defeated people, casualties of 'success.' They are seen clinically during their third and fourth decades of life chronically depressed, lacking in hope or desire, frequently addicted to alcohol, tranquilizers, and barbituates."⁷ Some children in families that move frequently develop equally serious problems.

3. Emotional climate on the job. Occupations exist within an emotional climate that can be transferred to family life. A worker's satisfaction or dissatisfaction on the job is likely to spill over into family life. For example, William G. Dyer found that the husband's

BY THOMAS DE LONG & PAUL THOMPSON

American business seems to be in trouble, too. In 1980, major industries, such as automobile and airline companies, are incurring huge losses. Business faces persistent problems of poor workmanship, absenteeism, alienated workers, organizational sabotage, and an actual reduction in productivity in some sectors of the economy.

Most business executives, government officials, and researchers have been treating problems in the areas of family and work environments as though they were unrelated. American employees have been trying to solve their problems by focusing on the behavior of people-as-employees and have paid little or no attention to people-as-members-of-families. On the other hand, sociologists, psychologists, social workers, and family counselors have focused on individuals as members of family systems and have not looked at the impact of the world of work on the family.

In reality, companies hire whole people, not just "workers"; and these whole people have other roles and re-

sponsibilities often including those of parent and spouse.

The Impact of Work on the Family

Aspects of the job affect the family in many ways. Among these are:

1. **Time consumed on the job.** The amount of time demanded by occupations and the timing of occupational events are among the most obvious ways that work affects the family. Work takes many people away from the family for long hours each week. Many executives and professionals work more than sixty hours per week. Many workers are subjected to extensive overtime hours. Time spent commuting is a major factor in most cities for many workers. Those who work shifts find that it can seriously disrupt family life. Daniel Levinson, in *The Seasons in a Man's Life*, suggests that when conflict exists between work and family most workers focus on meeting work demands first. Most employees say that work comes before family because rewards are much more obvious in a work setting; family rewards are less measurable.⁵
2. **Mobility demands of the job.**

job satisfaction affected the whole tenor of family life.⁸ Tensions generated on the job may even lead to violence at home. Some researchers have found that workers who become frustrated on the job are more likely to take out their hostilities on their spouse or children at home. The loss of a job and subsequent unemployment is even more likely to lead to child abuse.

We have briefly identified some ways that work affects the family. Let us now turn to the other side of the relationship.

The Impact of the Family on the World of Work

The recent Academy Award-winning movie *Kramer vs. Kramer* illustrates how changes in the family can impact work organizations. Initially Mr. Kramer's loyalty to the organization and his long working hours were factors that contributed to the couple's separation and eventual divorce. However, as Kramer became a single parent his efforts to be a good father seriously affected his job. Caring for his child led to tardiness, missed appoint-

American employers have been trying to solve their problems by focusing on the behavior of people-as-employees instead of as people-as-members-of-families.



ments, absenteeism, and low job performance. Finally, his performance led to his being fired. This example points out several ways that families can affect employers. Here are some outcomes:

1. **More frequent absence from the job.** Many employers continually struggle with the problems of tardiness and absenteeism. Workers who are having difficulties at home such as marital discord, children with drug dependency or other problems at school, or even everyday problems such as sick children, new babies, and paternity leave, are examples of concerns related to absenteeism and tardiness. Absenteeism on the assembly line or in a work team can make it much more difficult to maintain high productivity.
2. **Reduced performance.** Worrying about family problems may lead to low performance, particularly when a job requires a high level of concentration. One article on executive divorce cited examples where executives with marital problems made mistakes that cost their employers a great deal of money.⁹ Once again the *Kramer vs. Kramer* film is a case in point. Workers with family problems often reorder their priorities and place work near the bottom.
3. **Turnover or stifled mobility.** The increase in two-career families is having a significant impact on job turnover. Trying to balance two careers in a mobile work force may lead to people changing jobs to accommodate their spouse or, on the other side, refusing transfer opportunities because of the difficulty of finding a satisfactory job for the spouse in the new location. Another

factor that contributes to turnover is the attitude of the spouse toward their partner's job. One study of a large sample of salesmen who quit their jobs found that the wife's attitude toward the husband's job was a major factor in the husband's decision to resign.¹⁰ Another example found a university professor wanting to leave his position, but his wife was unwilling to give up the status of being a professor's wife.

4. **Development of distorted work values.** The family is a major factor in the development of values in children. David Cherrington has found that the work ethic is on the decline in the United States, and the family is a major contributing factor to this decline.¹¹ If American families do not instill a strong work ethic in their children, American employers are likely to find it much more difficult to compete with companies in countries that retain a more positive attitude toward work.

The thrust of the article to this point has been to demonstrate the present relationship between the family and the world of work. But what about the future? What changes are likely to take place in the next decade, and what will their impact be on the two institutions we have been discussing?

Changes to Look for in the 1980s

In the next decade we can anticipate major changes which will impact the relationship between work and the family including: (1) Age of the work force, (2) Worker expectations, (3) The nature of families, and (4) The nature of jobs.

1. **Age of the work force.** Figure 1 presents some projections by the Bureau of Labor Statistics about the work force in the next decade. For purposes of this analysis we have grouped the labor force into three age groups. Two projected changes are of particular note: (1) the relative shortage of youth in the work force, and (2) the dramatic increase in the number of workers in the age range where promotions most often occur. Because of the low birth-rates of the 1960s, the number of young workers is expected to fall sharply in the 1980s. Figure 1 shows a decline of 3.4 million persons between

the ages of 16 and 24, which will reduce the share of the labor force below the age of 25 by more than five percentage points to 19.1 percent. Even more drastic is the increase in the number of workers in the 25-44 age bracket, those most likely to be promoted. From 1980 to 1990 we can expect a 29 percent increase (13.8 million workers) in this age range. The overall result is significantly more people competing for promotions and supervisory positions.

This suggests a substantial increase in the number of experienced employees in the work force in the next decade. It also suggests intense competition for promotions coupled with substantial career disappointment for many.

The years from age 25-44 are also the prime years for child rearing. The result: the proportion of the work force most actively engaged in child rearing will be facing increasing job competition. We will elaborate on the implications of this shift later in this article.

2. **Work expectations.** Many social observers have written about the changing values of American workers. This change is evident in the 1970s and is likely to have an even greater impact in the 1980s. Daniel Yankelovich describes "a new breed" of Americans who have a very different set of values. These new values and beliefs are so different from the traditional outlook that they promise to "transform the character of work in America." He contrasts the new values with the old values as follows:

For those who remain faithful to the old values, particularly adult men with families, a paid job is the classic road to self-respect—the chance to discharge one's obligations to others, to achieve identity, respectability, economic security, material comfort, and social mobility. Under the new values, a paid job symbolizes independence, freedom, challenge, belonging, a chance for self-fulfillment, and hope for the future, not just for the family man but also for women, single men, and young people of both sexes.

Yankelovich estimates that the "new

breed" constitutes more than 50 percent of the American people, and this proportion is likely to increase in the next decade.¹³

In addition to values shifts, worker expectations concerning education levels are being revised. In the 1950s and 1960s the number of college students tripled with bachelor's degrees awarded increasing by 90 percent while master's and doctoral degrees jumped more than threefold. This increase in educational attainment is an indication of rising expectations. The increased number of workers who expect challenging jobs which apply their education will put a great deal of pressure on employers in the 1980s.

3. The nature of families. In the 1980s there will be attempts by families to create closer ties. For financial reasons, members of extended families will become more interdependent. Also, individual family members will feel a greater need to help meet the financial demands of the family rather than depending on one breadwinner.

At the same time, society will need to adjust to a variety of new family lifestyles. *U.S. News and World Report* focused on seven types of family systems which will become more prominent in the 1980s. First, the two-career family with children will become more fashionable. Child rearing will primarily be the responsibility of baby sitters and/or day-care centers. The second lifestyle change will see more fathers having custody of children. Third, the number of childless couples will increase. The rationale for not having children will vary from financial concerns to needs for greater independence. The fourth lifestyle will be the traditional family where father works and mother remains at home with one or more children. It is predicted that few families will choose this lifestyle. The fifth lifestyle calls for the mother working full time and the father becoming a house-husband. In the 1980s many fathers will spend more time in the home, although few couples will completely reverse the traditional roles. A sixth form of family system is the three-generation household. These are expected to increase as financial conditions make it necessary or attractive for more and more older

children to move back with parents after marriage. The final family system will consist of the single parent. This particular lifestyle will continue to generate considerable stress, both for the parent and children involved.¹⁴

One of the implications of this wider variety of lifestyles is that there will be fewer families with a parent at home to care for the children. Going back to Figure 1, we can see that the number of women in the labor force between the ages of 25 and 44 is expected to increase from 18.1 million to 24.8 million. If the proportion of working women who have children continues at the present level, there will be a very large number of children in families without a parent at home. That will increase from a figure already estimated at more than 30 million children under the age of 18 with working mothers. Parents and employers will need to look for new ways to deal with this situation in the 1980s.

4. The nature of jobs. In recent months we have heard a great deal of talk about "reindustrialization." Much of this discussion focuses on the application of minicomputers and robots to manufacturing. One possible implication of these developments is a major reduction in blue collar jobs. By some estimates, 50 to 75 percent of all U.S. factory workers could be displaced by robots before the end of the century.¹⁵ The hope is that semiskilled blue collar machine operators will be shifted to jobs as white-coated technicians. In the most pessimistic view, there is likely to be a high level of unemployment while this massive shift is taking place.

Unemployment has serious consequences for families. Several studies

indicate that unemployment of fathers is strongly related to increased child abuse and excessive family stress.¹⁶

Another possible outcome of reindustrialization is geographic relocation. Many families may be forced to move from declining economic areas to more prosperous locations. Such uprooting will result as plants which have become "noncompetitive" close their doors. Situations which force workers to relocate have serious implications for families.

In a more optimistic view, the shifting of workers from assembly line jobs to technician jobs could have a beneficial impact. Workers may be able to move from dirty, boring, and noisy jobs to much more interesting and challenging ones.

We have identified four major changes that are likely to impact workers and their families in the next decade. There are others that might be considered. However, these changes are sufficient to suggest that the 1980s will be a period of considerable turbulence for both workers and families.

Implications for the World of Work

Organizations that plan to hire and retain high quality employees will need to respond to the kinds of changes we've been discussing. They will no longer be able to treat individuals as if they live in a vacuum. The inter-relationship between the individual, career, and family will have to come more clearly into focus.

Lotte Bailyn and associates (1977) suggest that in the future people will seek a wider variety of satisfactions from their work. Some will seek career advancement, others will seek an environment which provides for more time with family, others will desire a secure position, etc.¹⁷ The trends we have identified support this point of view. The changing values of modern workers and the diversity of living styles suggest that a narrow focus on economic rewards or a single benefit package will not work in the 1980s. Organizations will need to focus more on matching individual and organizational needs. Clark Kerr suggests that in the past employers have relied on the "device of the common rule," which is one rate of pay, one length for the work



Business and industry have the opportunity to determine the fate of the American family and the American child.

week, one set of job descriptions, one health plan, one set of working hours, etc. The "common rule" approach is not likely to work in the next decade.

The workers of the 1980s will demand options in hours of work, places of work, and rewards of work. They will seek a multiple option society instead of the society of the common rule.¹⁸ Organizations in turn need to develop more progressive personnel practices if they are going to tap the energies of the new breed of workers.

Multiple options will be of special value to workers interested in meeting the needs of their families. Organizations should give special attention to six major areas as they review the personnel policies that affect families. These areas are as follows:

1. Hours of work. Organizations could be very helpful to families by adopting flexible working hours (flextime) and by expanding the use of part-time workers or work sharing. A flexible work schedule permits variation in work start-up and completion times. The rigid 9-to-5 schedule may be convenient for the employer, but it presents serious problems to parents who need to get children to school or meet them after school, etc. The employees benefit by getting more control over their time (something that is valued by the new breed). The company also benefits. Flextime has been shown to result in fewer absences, less tardiness, and increased potential to serve customers with longer hours. Flextime is a very inexpensive way for employers to join the multiple-option society.

Part-time jobs can also be a desirable option. Such jobs have increased substantially so that more than 15 million persons now work part time.¹⁹ This option can be very attractive to workers who want to spend more time with their families. However, part-time work can also be beneficial for employers. An American Management Association survey showed that part-time employment raised output and cut fatigue in 60 percent of the cases.²⁰ Current personnel policies, however, discriminate quite unfairly against part-time workers. Most companies provide a full benefit package for full-time employees

and none for those working shorter hours. This is one policy that needs revision if organizations hope to respond to employee needs in the 1980s.

2. Employee relocation. Earlier we pointed out that many employees are moved quite frequently by their employers. However, it is becoming much more common for people to refuse a request from their employer to relocate. The time for employers to reassess their transfer policies is past due. Corporations which move their managers frequently to give them broad exposure to the organization must seek other options. The dual-career couple will continue to force organizations to reevaluate their transfer policies. The most effective employers will consider not only the organization's needs but also the needs of the employees and their families as they revise their practices in this area.

3. Job redesign. Earlier we indicated that occupations have an emotional climate that can be transferred to family life. There are many jobs that are dehumanizing to employees and seriously impair their abilities as parents. These jobs need to be redesigned. Some characteristics of jobs that need to be redesigned are those with low opportunity, low autonomy, and low skill. Ideally, reindustrialization will help with many of these jobs.

Another area for continuing improvement is working conditions. Excessive noise, smoke, heat, and cold are examples of environmental conditions that leave an employee physically exhausted at the end of a work day. Efforts to improve the quality of work life will benefit families as well as individual employees and their organizations.



4. Benefits. Benefit plans in most organizations are designed to meet the needs of the traditional family—a male employee with a wife and children to support. However, this family type now represents only 13 percent of all U.S. families. This is another area where multiple options are sorely needed. Many companies have resisted the idea of developing different benefits options because of the additional record keeping and the restrictions imposed by insurance companies. Computers can help solve the record-keeping problem. Progressive companies will now invest the energy necessary to develop a variety of benefits to match the diversity of their employees.

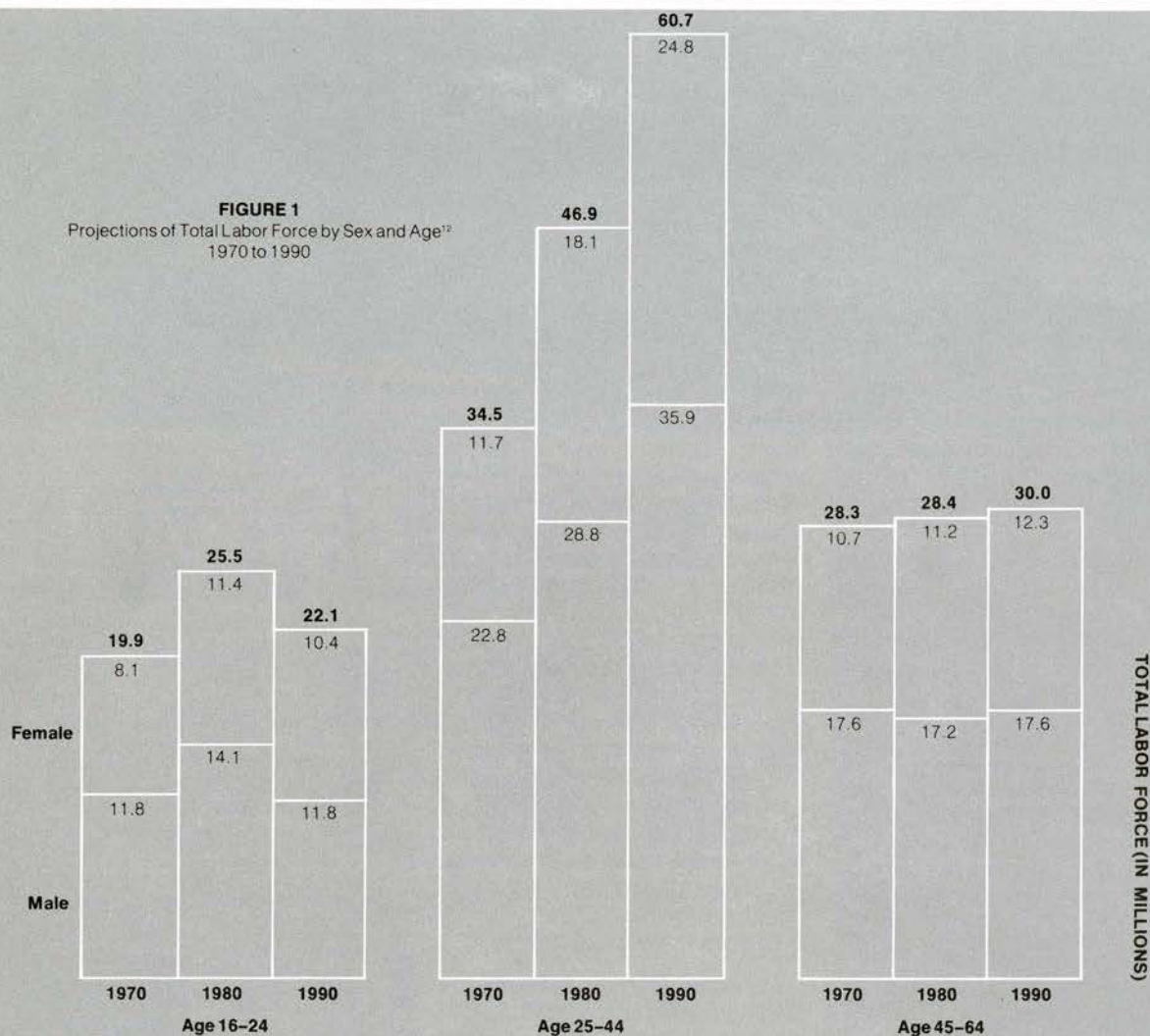
5. Day care. Forty percent of mothers with children under the age of six were in the labor force in 1977, which amounts to 5.5 million women. If current trends continue, those numbers will increase over the next ten years. This makes day care a major concern. In the debate on this topic in recent years, many people have pushed for government funded day-care facilities, but government has done very little to address this need.²¹ Others have argued that employers should provide child care for their employees at the plant or office. However, very few companies now provide on-site child care. A 1978 survey of 309 companies found only one with a day-care center.²² Still another view is that day care should be provided close to home and neighborhood rather than on the job. One study indicated that the majority of parents prefer this alternative.²³ The problem still remains of who will provide day care. Perhaps the most promising options call for the cooperation of many institutions, employers, social agencies, churches, and government working together to provide quality child care for this large number of children.

6. Reward systems. Organizations will have to create more flexible reward systems for employees. Equally important, the organization should not penalize people for making decisions which have the family as the central focus. The more that organizations come to realize that transfers, pro-

By some estimates, 50-75 percent of all U.S. factory workers could be displaced by robots by the end of the century.

Forty percent of mothers with children under the age of six were in the labor force in 1977.

FIGURE 1
Projections of Total Labor Force by Sex and Age¹²
1970 to 1990



motions, and lay-offs affect family patterns and satisfaction, the better off both the family and the organization will be.

The future calls for use of more lateral moves, more sabbaticals, more downward moves, and more on-site counseling for employees and families as strategies to enhance both the organization and the family. The more people want different things out of work, the more dynamic and flexible the organization will need to be to keep its most valuable resource: human potential. Ed Schein of MIT suggests that flexible human management in the 1980s will make the difference in whether organizations are successful or not. Managers at all levels in the organization must be able to respond

flexibly to the needs of the organization and to the needs of subordinates.²⁴

These are six areas where employers might take action to improve family life in the next decade. Some people have asked why employers should worry about this problem. We are convinced that employees who have fewer family problems to worry about will have more intellectual and physical energy to devote to the job. The result will be a better, more productive employee.

Implications for Families

We have focused on what employers can do to reduce detrimental effects of work on families, but the family itself also has a responsibility to protect and improve itself as an institution in the

1980s. Indeed, the greatest source of energy to work on this problem must come from family members. But what can families do? We have identified so many pressures on the family that it appears it may be impossible to deal with them. That is not our view. The family is a very resilient institution, and it has survived serious challenges before. There are concrete actions that can be taken. Here are a few of them:

1. Increased awareness. People need to become much more aware of the impact of work on the family. Often husbands and wives blame themselves or their spouse for problems they are encountering in the family when problems at work may be the primary cause of the difficulty. When people expe-

rience problems, they should look for problems in the work / family relationship as well as in interpersonal relationships in the family. This article may help people become more aware of this issue, and many of the references cited would be worth looking at as well.

2. Establish priorities. Most work organizations have established goals and objectives that are designed in part to motivate employees to work for the benefit of the organization. Very few families have taken the time to develop their own objectives. Family members need to decide on their own goals and objectives and then establish major objectives for the family. A family with a clear set of goals is better prepared to respond to demands of the workplace. After careful discussion, a family may decide it is not in the best interest of all family members to respond to such corporate desires as relocation or excessive travel.

3. Increase discussion time. Many families do not talk and listen to each other as much as they should. Dr. Lee Falk describes families that are not functioning as families:

*They are just people who happen to be living under the same roof, but there's very little interaction. Fathers go off to work; mothers go off to work. When they come home, they sit side by side in front of the television set. What you have are two parents who simultaneously ignore their children.*²⁵

Busy people can still find time to talk with their children and their spouse. The more time that family members spend at work, the more important it is for them to spend time talking with other family members. Urie Bronfenbrenner suggests that each person in the family work three-fourths time and devote the remaining time to living, parenting, being a child, a friend, a neighbor.²⁶

4. Develop support systems. The industrial revolution (and all that has followed) has removed almost all of the family support systems. Frequently moves take nuclear families away from grandparents, uncles and aunts, and close friends in neighborhoods and communities. Families need to work hard at developing support systems. Where possible, these should include

the extended family—grandparents and other relatives. It is also possible to develop support systems in neighborhood or religious groups. Children especially need to feel that there are a number of people at all age levels who care about them. As families realize that enhancing relationships takes work, family counseling may provide a medium for support and increased family interaction.

5. Greater recognition. Finally, today's society gives little recognition or support for one's role as a parent. If both husband and wife are interested in a career, few superiors recognize or even care what role the subordinate is playing at home. Spending time with the family can mean frustration with one's career ambitions, particularly when a married couple is interested in a dual career. The role of mother in a family has become an increasingly isolated position. As neighborhoods and communities have decreased in their influence on children, the responsibility of child care falls even more heavily upon the mother. Without support of some kind, the role of the American woman can be frustrating at best. Greater enhancement of the status of women in all walks of life is needed—in the home as well as on the job. In addition, fathers who choose to spend more time at home and give up more extrinsic organizational rewards need to be rewarded more by a society which has pressured the father to leave the home and focus on work.

In this article we have developed the idea that occupation and the family are strongly related. What happens in each area will have a major impact in the other. Furthermore, there are a number of changes coming in the next decade that will put additional pressures on these two institutions. That is why it is very important for both employers and families to take action to strengthen the family and the organization.

It will not be easy to meet the challenges we have described, but we see in the 1980s a renewed and growing interest in the family and personal relationships. If that interest is translated into action, we will have stronger families and more effective organizations in the next decade. ■

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¹⁰Jolson, M. A. and Gannon, M. J., "Wives—A Critical Element in Career Decisions," *Business Horizons*, February 1972, pp. 83-88.

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¹²U.S. Department of Labor, Employment and Training Report of the President, U.S. Government Printing Office, Washington, D. C., 1977, Table E-2, p. 253.

¹³Yankelovich, Daniel, "Work, Values, and the New Breed," *Work in America*, C. Klortz and J. Rosow (Eds.), D. Van Nostrand, New York, 1979, p. 3.

¹⁴"The American Family: Bent but Not Broken," *U.S. News and World Report*, June 16, 1980, pp. 48-58.

¹⁵"And Man Created the Chip," *Newsweek*, June 30, 1980, p. 55.

¹⁶Gelles, R., "Child Abuse as Psychopathology: A Sociological Critique and Reformulation," *Violence in the Family*, S. Steinmetz and M. Strauss (Eds.), Dodd Mead, New York, 1974, pp. 190-204.

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¹⁸Kerr, C. and Rosow, J., *Work in America: The Decade Ahead*, D. Van Nostrand, New York, 1979, p. xxvii.

¹⁹U.S. News and World Report, June 16, 1980, p. 58.

²⁰Ibid.

²¹Woodworth, M. and Woodworth, W., "Women Working," *EXCHANGE* (BYU School of Management), Spring / Summer, 1978, p. 33.

²²U.S. News and World Report, June 16, 1980, p. 57.

²³Cochran, M. and Bronfenbrenner, U., "Child Rearing, Parenthood, and the World of Work," *Work in America: The Decade Ahead*, p. 152.

²⁴Schein, E., *Career Dynamics: Matching Individual and Organizational Needs*, Addison Wesley, Reading, MA, 1978.

²⁵U.S. News and World Report, June 16, 1980, p. 60.

²⁶Ibid.



We are convinced that employees that have fewer family problems will have more energy to devote to the job

BRIEFLY

INTERNATIONAL EXECUTIVE OF THE YEAR AWARD

The School of Management is happy to announce that the recipient of this year's International Executive of the Year Award will be A.W. Clausen, president of Bank America Corp. This award will be presented at the National Advisory Council meetings in November 1980. We are delighted that Mr. Clausen has accepted this award and that he will be attending our NAC meetings. We will have further details on this International Executive of the Year Award in the next issue of EXCHANGE Update. ☐



MANAGEMENT SOCIETY

In the spring of 1980, Dean William G. Dyer said, "We want our graduates and friends to feel that they have a share in Brigham Young University and the School of Management. The Management Society is the vehicle for keeping all of these supporters involved and active in our future. We encourage active participation. It is a vital part in linking the campus with the mainstream of management practice." In accordance with that goal and charge, many important programs have been planned to involve our alumni and friends in the activities of the School of Management. One of the important functions performed under the auspices of the School of Management this summer was a series of luncheons held in many cities throughout the nation including New York City, St. Louis, Houston, and Detroit. As a student body, faculty, and staff of the School of Management, we were delighted and extremely appreciative of the responses received by loyal alumni, friends, and supporters as members of the Dean's staff traveled throughout the country. Many hundreds of alumni were contacted and made to feel a part of the dynamic workings of the college.

We encourage all alumni and BYU friends to keep us posted on how we in the Management Society can best serve you as you continue to support BYU. ☐

Stan Quackenbush
director of
External Relations

1980 NAC MEETINGS

Our National Advisory Council Meetings this fall will be held November 6, 7, and 8, and we anticipate that approximately 75 executives will participate. The meetings will begin with fireside sessions Thursday, November 6, which will be hosted by faculty members and led by members of the National Advisory Council.

Friday, November 7, participants will be welcomed by BYU President Jeffrey Holland, after which NAC members will discuss issues relating to the college's departments and institutes with chairmen and directors of the various programs. Additional interaction between the NAC and faculty will take place over lunch. Friday afternoon roundtable discussions are scheduled in which NAC members will visit with groups of students.

Friday evening a banquet will be held in

the Main Ballroom in the Ernest L. Wilkinson Center at which the Executive of the Year Award will be given to an outstanding international business executive, Mr. A. W. Clausen.

Saturday, November 8, the final NAC business meeting will be followed by a very special event: the groundbreaking for the new N. Eldon Tanner School of Management Building. Steve White, who has presided as chairman of the NAC for the past three years, will be honored together with members of the NAC who will be completing their terms of active service. Kathrine Nielsen will also be recognized for her term as NAC Women's chairman. Groundbreaking ceremonies will be completed in time for the NAC members to attend a buffet and the BYU vs. North Texas State football game. ☐

NATIONAL ADVISORY COUNCIL

The National Advisory Council of the School of Management at Brigham Young University was established in the mid-1960s. Today it consists of about 150 business and government executives from throughout the nation including those who are on emeritus status having provided faithful service to the college for many years. The Council works closely with our faculty to promote excellence in

the education of future business and government leaders.

The activities of the Council are facilitated through the Education Alliance, an organization of National Advisory Council members and College of Business/Graduate School of Management students and faculty. The goals of the Alliance are to promote dignity, intellectuality, and spirituality for individual self-realization; to fos-

ter an understanding of, and an appreciation for, the role and contribution of business in society; to promote business and government leadership and its capacity for effecting orderly change in meeting the needs of society; and to achieve educational leadership at BYU with programs that develop excellent teachers, responsible administrators, and effective business and government practitioners. ☐

In

1979, *Time* magazine described computer theft as a growth industry.

A U.S. Senate subcommittee estimated total losses attributed to white-collar crime to be \$200 billion a year and growing fast. Computer crime is infinitely more profitable than robbery or burglary, while the odds that the criminal will be punished are infinitely lower. By some estimates, perpetrators of computer-related fraud have a 3,000 to 1 chance of successfully evading detection, prosecution, conviction, and imprisonment. These are certainly not bad odds when you consider that the average take for 339 cases of computer fraud examined in one study was a half million dollars. In short, computer crime offers enormous profit potential with relatively low risk.

The problem is further aggravated by the ways that society actually reinforces white-collar crime.

As indicated in our previous article (EXCHANGE Update, Spring 1980), people become involved in white-collar crime because (1) they are placed in situations where they are faced with high degrees of *situational pressures*; (2) they are faced with attractive *opportunities* to commit, conceal,

WHITE COLLAR CRIME

The Growth Industry of the 80's?

by W. Steve Albrecht, Marshall B. Romney, David J. Cherrington

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The problem is further aggravated by the ways that society actually reinforces white-collar crime. As indicated in our previous article (EXCHANGE Update, Spring 1980), people become involved in white-collar crime because (1) they are placed in situations where they are faced with high degrees of *situational pressures*; (2) they are faced with attractive *opportunities* to commit, conceal, or not be punished for their illegal acts; or (3) they have a low level of *personal honesty*. These three forces interact to determine whether or not a person will commit white-collar crime as illustrated in the model in Figure 1. A person with a high level of integrity and little opportunity and pressure to commit fraud will most likely behave honestly. But criminal acts become increasingly likely as individuals with lower levels of personal honesty are placed in situations with increased pressure or convenient opportunities to commit white-collar crime.

The forces that contribute to these three motivations are largely determined at three levels: society, the work place, and personal experiences. What is frightening is that the forces causing an increase in white-collar crime are greater than ever today and are in-

creasing at all three levels. The purpose of this article is to identify key societal factors that contribute to an increase in white-collar crime. There are eight societal factors that lead to an increase in white-collar crime either through increasing opportunities, creating situational pressures, or lowering the level of personal honesty of Americans. These eight factors are: (1) failure of businesses to prosecute, (2) problems with our criminal justice system, (3) ostracism of whistleblowers, (4) a lowered level of personal integrity, (5) inflation, (6) the increased size of businesses and government, (7) the increased use of computers, and (8) proliferation of the egalitarian idea. The first five of these factors are problems that can be dealt with and remedied; the last three are descriptions of societal factors that contribute to white-collar crime but which probably cannot be changed.

Failure of Businesses to Prosecute

It has been estimated that less than

15 percent of all white-collar crimes result in criminal proceedings. Firms and organizations give several reasons for choosing not to prosecute. One reason is that they fear the adverse publicity that could result if the public were made aware of the presence of white-collar crime in their firms. They are afraid that such an awareness could cause people to suspect negligence in not detecting the frauds sooner, and the result would be adverse publicity, possible litigation, increased regulatory restrictions, or adverse consumer reaction. In fact, a number of firms that have prosecuted perpetrators claim that the loss resulting from the adverse publicity exceeded their losses from the white-collar crime. Another reason cited for failure to prosecute is the fear of countersuits for libel, malicious prosecution, false arrest, etc., by the perpetrators. Although these fears are important deterrents to prosecuting white-collar criminals, the single most significant reason for nonprosecution is the high costs of legal fees and adverse public reaction. These costs are seldom offset by the rewards of successful prosecution.

Problems with the Criminal Justice System

There are several inefficiencies in the criminal justice system which contribute to increased white-collar crime. With respect to prosecution and its associated costs, the justice system all too often lets perpetrators walk free because of high placed connections, bribes, judges who are reluctant to condemn someone of middle-class "respectability" to a prison term, or lawyers who use a variety of delay tactics, making the prosecution efforts extremely expensive and time consuming. As a result, many U.S. attorneys won't prosecute a case involving a few thousand dollars. Instead, they recommend that embezzlers be quietly fired, since that is the only economically feasible alternative.

A second justice-related factor is inadequate punishment of perpetrators. Judges have been trained to prosecute "knife and gun" types of crimes where the evidence can be felt and seen, not

"victimless" crimes committed by first-time offenders. Since many white-collar criminals are God-fearing, civic minded men or women who have spent lifetimes in sincere and honest dedication and service to their families, their churches, their country, and their communities, it is very hard for a judge to send them to jail.

The law enforcement community often views white-collar crime quite differently than it does violent crime, tending to see it as a civil rather than a criminal matter. In those cases where incarceration is recommended, it is usually only for a few days rather than the typical five-to-ten-year sentences



Computer thieves are technical experts who can program computers to cover their trail.

A person with a high level of integrity and little opportunity and pressure to commit fraud will most likely be honest. But criminal acts become

given other offenders.

There are several examples of fraud perpetrators getting light sentences. One of the perpetrators of the \$100-million Homestake Oil Fraud spent a grand total of one night in jail. In another case, a person who defrauded Pacific Telephone and Telegraph of \$1 million worth of electronics equipment spent 40 days in jail and settled out of court for \$8,500. Probably the most notable instance, however, was a San Diego businessman who, after being accused of "misplacing" some \$200-million, received a sentence of five years probation and a \$30,000 fine payable at \$100 a month for 25 years without interest.

Ostracism of the Whistle Blower

A third factor that contributes to increased fraud is ostracism of the whistle blowers (informants). Research revealed instances where the only individuals who were either persecuted or prosecuted in a white-collar crime were the whistle blowers. An example of this phenomenon involves a CPA firm which informed one of its clients that the client's employees were committing fraud. The CPA firm's reward for that disclosure was dismissal as the corporation's auditors. Another interesting example of ostracizing informants was a government meat grader who found evidence of widespread fraud when the Department of Agriculture sent him to Chicago. Working with the FBI, the informant forced resignation of more than 70 percent of the city's meat graders on corruption charges. His reward for blowing the whistle was a record for the longest tenure in the service without promotion—26 years.

A Lowered Level of Personal Integrity

Two factors contributing to a decreased level of integrity in America are: (1) less honesty training now than in previous years, and (2) increased publicity given to dishonest leaders. Many executives interviewed in our research expressed a strong concern that schools, churches, and families are not teaching honesty as rigorously today as in past generations. If, as they fear, honesty training has decreased, it represents a serious problem because research in moral development has shown that there is a general trait of honesty only in those individuals whose parents (and others) consistently reinforced them for honest acts.

A second factor contributing to a lower level of personal integrity is the increased awareness of leaders who have been accused of involvement in fraudulent types of activities. On the political front, there are the publicized cases of Spiro Agnew, Richard Nixon, Bert Lance, and others that tend to pro-

vide the feeling that "everybody else does it," or "if they can, why can't I?" On the business side, there are the famous cases of C. Arnold Smith and others who have been accused of defrauding companies and individuals of millions of dollars and receiving very light sentences. While public exposure and embarrassment were certainly forms of punishment, a society that fails to impose criminal sanctions on these individuals conveys a message to some that such illegal behavior may be acceptable.

Inflation and Recession

Inflation contributes to increased white-collar crime by creating financial pressures on individuals. When people see their salaries and personal income eroded by inflation it is easier to view positions of trust as opportunities to commit victimless crime and resolve financial problems. Inflation is even a greater factor given the current tax system. As inflation pushes people into higher income levels, taxes take a larger percentage, and the result is less purchasing power. When this decreased purchasing power is felt by individuals who have accustomed themselves to certain standards of living, white-collar crime is sometimes seen as the only answer. In fact, it may even be regarded as an acceptable answer if the perpetrator disagrees with the way he or she is being treated in an organization or the way in which tax dollars are being spent.

be difficult to trace the fraud to them. *Second*, increased size contributes to fraud by making people either apathetic or antagonistic toward organizations. This attitude often leads to a "Robin Hood Syndrome," a condition where perpetrators feel that doing harm to people is highly immoral but doing harm to large

And *third*, most firms are managed by individuals who only own a small fraction of their firm's outstanding stock. This situation allows a conflict of interest among firm managers and external investors. For example, if the managers were to divert the firm's resources to use as they enjoy, allow lax discipline among subordinates, or embez-

FRAUD, EMBEZZLEMENT, CONSPIRACY, CONTRIBUTING TO THE DELINQUENCY OF A COMPUTER, LARCENY

Entered NCIC
7-10-80
8-10-80

WANTED BY FBI
COLLAR R. WHITE

FBI No. 273-736-RB
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DESCRIPTION

AGE 33
HEIGHT 6'2"
WEIGHT 165 lbs.
BUILD Average
HAIR Brown
OCCUPATION Businessman
SCARS OR MARKS Without blemish
EYES Hazel
COMPLEXION Medium
RACE White
NATIONALITY American

CRIMINAL RECORD

None

CAUTION

WHILE SUSPECT MAY APPEAR HARMLESS AND PERHAPS EVEN HONEST, HE MAY AT ANY TIME SEIZE AN OPPORTUNITY TO TAMPER WITH PROGRAMS, ALTER MEMORIES, RECEIVE KICKBACKS AND MISAPPROPRIATE. HE GENERALLY HAS NO FEAR OF CRIMINAL PROSECUTION.

Collar R. White

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Director
Federal Bureau of Investigation
Washington, D.C. 20535

The Increased Size

of Firms and Government

There are at least three ways in which larger size contributes to an increase in white-collar crime. *First*, being a member of a larger organization creates anonymity, which reduces the chances of being caught or punished. People are more likely to commit fraudulent acts when they believe it will

institutions is not because "they are so large that they won't miss what I take from them." In other words, robbing from the rich to give to the poor is not wrong, and it's especially nice if the perpetrator is the one who's poor. This "Robin Hood Syndrome" is made easier when no bodily harm is inflicted; in fact, the only one hurt is a large corporation or government agency.

zle, the marginal cost of such activities would be only a fraction of the total resources involved. The managers, however, would reap the total benefits of these alternative resource misappropriations. If managers are self-utility maximizers, they will allocate firm resources to satisfy their own desires until the marginal expected benefits from doing so just equal the mar-

ginal costs. The remaining, larger fraction of the cost will be imposed upon the firm's external owners. This same argument can be used to suggest that managers have incentives to falsify reports, since they realize that their performance will be evaluated with this information. By falsifying reports managers can continue to maximize their utility, and the shareholders may not be able to discover that they are diverting resources to themselves.

There are four reasons why increased use of

been some improvement, the development of safeguards for computers has lagged behind other developments in computer technology. Most computer thieves are technical experts who can program their computers to cover their trail. Indeed, it has been estimated that only one percent of all computer crimes are detected.

In addition to the dollar losses, it is expected that in the next few years terrorists and unfriendly nations will use the computer to raise havoc among Amer-

Parker (Stanford Research Institute) concluded that many of the perpetrators felt that it was immoral to harm people but did not feel that any harm was done in computer fraud. To many people, the computer symbolizes a system of uncaring power that tends not only to instill efforts to strike back at the machine but also to offer a set of convenient rationalizations for engaging in fraudulent activities. After all, stealing from a large corporation by means of a machine is impersonal and carries none of the violence of a personal confrontation that is associated with conventional thievery. Many computer criminals believe that somehow it is not the company's money, just monopoly game money, when the computer is the instrument used in perpetrating the fraud.

A third reason why white-collar crime is easier to commit with a computer is that there is no need to physically transport the stolen goods. The ability to transfer funds by telephone allows for increased amounts of money to be stolen without having to risk being caught with the evidence.

Finally, most juries and judges don't know how to deal with computer crime. There is a lack of laws identifying honest and dishonest acts, and most judges were schooled in law 20 years ago and haven't yet caught up with computer and teleprocessing technology.

Proliferation of the Egalitarian Idea

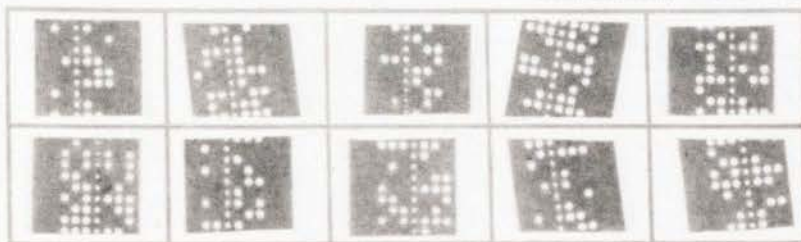
As our society has become more socialistic, it has become easier to justify the notion that everybody should be equal or at least no one should be destitute. This increased acceptance of egalitarian ideas makes it easier for more people to justify illegal activities and see crime as an answer to their problems. Crime, like welfare, is another way of getting something for nothing. This increased welfarism makes it easier to rationalize the misappropriation of corporate or governmental assets as a way of sharing the wealth—of income redistribution. As evidence of this attitude, many Americans now feel that they pay more than their "fair share" of taxes and say they would cheat if they didn't think they would be caught.

computers has enhanced the opportunity to perpetrate and conceal fraud. First, traditional measures of internal control are ineffective or difficult to accomplish because, while there has

been some improvement, the develop-

ment of safeguards for computers has lagged behind other developments in computer technology. Most computer thieves are technical experts who can program their computers to cover their trail. Indeed, it has been estimated that only one percent of all computer crimes are detected.

FRAUD, CONSPIRACY TO COMMIT FRAUD, CARRYING A CONCEALED PROGRAM, THEFT WANTED BY FBI MULTIVAC 4000 SERIES R



DESCRIPTION
AGE: 4 years
HEIGHT: 5'0"
WEIGHT: 490 lbs.
BUILD: Cubicle
HAIR: None
EYES: Dotted (when printer output properly serviced)
COMPLEXION: Blue
RACE: None
NATIONALITY: All
OCCUPATION: Data Processor
SCARS OR MARKS: Small dent in lower left service panel
CRIMINAL RECORD
Ubiquitous accomplice in white collar crime. Known to be an electronics wizard, skilled at rapid computation, and amenable to obfuscation or destruction of evidence.
CAUTION
THIS CRIMINAL ACCOMPLICE IS UTTERLY DEVOID OF CONSCIENCE AND WILL UNQUESTIONINGLY AID PERPETRATORS OF FRAUD. CONSIDERED TO HAVE NO ARMS.

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Federal Bureau of Investigation
Washington, D.C. 20535

The law enforcement community often views white collar crime as a civil rather than a criminal matter.

What Can Be Done?

The magnitude of the white-collar crime problem makes it imperative that answers to these problems be found and implemented. While it would be difficult and maybe even unwise to eliminate the last three descriptive factors (increased size, increased use of computers, and increased acceptance of egalitarian ideas), there are steps that can be taken to remedy the other problems. With respect to failure to prosecute, businesses must be willing to prosecute and penalize employees. Somehow, they must be convinced that even though it is not economically justified in the short run, in the long run, prosecution is the only sensible answer.

In those cases where prosecution is absolutely not feasible, other penalties must be imposed on white-collar criminals. The silent dismissal of dishonest employees merely conveys a signal to other employees that there is little or no risk in being dishonest. As a minimum, other employees must be informed about the disciplinary action taken against perpetrators.

With respect to the criminal justice system, prosecution must be made easier. White-collar crime has got to be viewed as a serious offense, and perpetrators should be strictly punished. The research showed that incarceration is a very strong deterrent for white-collar criminals and that there is an extremely small amount of reci-

divism among those who have been jailed. In most cases, the embarrassment suffered by white-collar criminals from imprisonment was extremely severe.

Concerning ostracism of whistle-blowers, firms and organizations can do several things. One approach that has worked quite well is to require all managers and employees in positions of trust to sign a form indicating that they have neither committed a white-collar crime or know of anyone in the organization who has. In addition, some firms have started rewarding whistleblowers. Although such rewards have not reached the stage that they have in the Soviet Union, where whistleblowers are national heroes, it is surprising how effective a monetary reward is in uncovering white-collar crime.

Solutions to the problem of decreased integrity are more societal in nature. Schools, churches, and especially homes must rigorously teach honesty. The "get what you can from whom you can" attitude has to be replaced by one of "this is right and this is wrong." In addition, morality and ethics have to be emphasized. Unlike the early Roman civilizations, where morality was debated and made explicit in schools, Americans are "hung up" on the notion of legality. In our society, if something's legal, it's ethical. Moral development research suggests that only

those individuals who are taught ethics at early ages and are taught to label different kinds of situations honest or dishonest will possess a general trait of honesty. Others will merely be situationally honest, doing what's right in those circumstances where the constraints and rewards are greatest.

Finally, the effects of inflation and recession must be minimized. While it would be great to eliminate inflation completely, a first mitigating step would be to index the tax system so that losses in purchasing power don't result from being pushed into a higher tax bracket. Certainly, it is individuals who suffer most from inflation.

These suggestions certainly aren't exhaustive or maybe even acceptable. Something must be done, however, to decrease pressures and opportunities and increase personal honesty. Without some such efforts, white-collar crime will continue to escalate in the United States. ■

TRIAL TRACING PATH OF RIFLE SMUGGLING

U.S. Prosecutors Try to Establish Routes From North Carolina to Irish Republican Army

Special to The New York Times.
RALEIGH, N.C., Sept. 27—Almost unnoticed, a tangled tale of intrigue, international arms smuggling and organized crime is unfolding here, as prosecutors in a courtroom are told that a robbery of a U.S. bank occurred that the criminal w. punished are infinitely lower. By some estimates, perpetrators of computer-related fraud have a 3,000 to 1 chance of success.



"If I had it to do all over, I would struggle to put myself through school and become a white-collar criminal."

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Editor's Note

ome ownership has long been a part of the American dream. But, as housing costs have continued to escalate, that dream house has become elusive for many—especially the first-time buyer. A large factor in these increasing costs has been the cost of financing. Interest rates have jumped well above their historic levels, drastically affecting the price and availability of homes. This article discusses the financial institutions which provide the funds for home mortgages in the turbulent times which they—and we as home buyers—face in the '80s.

The United States has a unique system of financial institutions involved in housing finance. Composed of 14,000 commercial banks, 5,000 savings and

ditional unemployment, a misbalance in the supply and demand of building materials, and increased inflationary pressures.

Although the housing finance system itself does not cause housing cycles, the system has aggravated the swings precipitated by other factors. This happens as funds which are normally available for home mortgages are withdrawn from the market during periods of tight credit—just when they are needed most. The reason for this "disintermediation" of mortgage funds is that during times of tight money, the government-regulated maximum rates of interest available to depositors from financial institutions, especially mortgage-oriented thrift institutions like S&Ls and MSBs, are unattractive compared to the rates of return offered in other financial markets. Consequently,

Pressures for Change

One of the best measures of the long-term viability of any institution or system is its ability to adapt effectively to existing conditions. As conditions in the housing market have been changing, the system of housing finance has been adapting as well. Usually, no event or force has brought about this adaptation; rather, a variety of factors have been involved which interact constantly among themselves. In the financial institution and housing finance area, adaptation is effected through the complex interaction of six basic factors, including:

1. The federal government—with different roles played by the executive, legislative, and judicial branches. However, these branches can often be found to be working at cross purposes to each other.

FINANCING HOME BUYING: A Look at the '80s

By Kent W. Colton

loans (S&Ls), almost 500 mutual savings banks (MSBs), more than 750 mortgage bankers, and more than 21,000 credit unions, these institutions and others form a crazy quilt which has done a remarkable job serving the financial and housing needs of our country over the last 40 years. However, during the past decade and a half, the residential construction industry has undergone three major housing cycles, and we are now involved in a fourth. Such cycles have been caused by a combination of factors, including rising housing and energy costs, inflation, unemployment, general economic cycles, and changing population patterns. Of course, housing cycles are not only costly to home buyers who cannot obtain financing, but they compound existing economic problems through ad-

depositors take their money elsewhere, and sources of mortgage funds are dried up.

Traditionally, these problems have been compounded during those periods when short-term interest rates are higher than those for long-term funds. Investments by thrift institutions have been restricted by law primarily to long-term mortgages. Therefore, the rate of return available to these institutions through these long-term mortgage assets is relatively fixed. As short-term interest rates for deposit funds rise above those available from long-term mortgages, thrift institutions are forced to pay more for their short-term liabilities—deposit funds—than they receive for their long-term assets—mortgages. If such a mismatch between assets and liabilities continues, it can be devastating.

2. Regulatory agencies at the state and federal levels. Fortunately, when adaptation has been stifled at one level, it has sometimes been able to move ahead on another level.
3. Concerned industries, which include not only financial institutions, but many other housing-related industries. As many of these industries compete among themselves, they have often worked in opposition to each other and have, therefore, negated their influence in the change process.
4. Technological innovations. As changes occur in the technology of financial institutions, such as the wide application of computers and electronic funds transfer, innovations become possible which alter the balance of power in the financial world and thereby add to the uncertainty of where we are headed.

5. The public, including consumers. Of course, the public is deeply involved, as both borrowers and savers, in the world of housing finance and financial reform. Obviously, however, the perspective of the saver (looking for high return on savings) usually competes with that of the home owner (looking for low mortgage rates).

6. Economic and market conditions. While rising inflation and high interest rates have created an environment sometimes hostile to housing-oriented thrift institutions, the marketplace has both created pressures for change and responded by developing new financial instruments.

The Silent Revolution

The constant interaction among these six factors has produced a veritable revolution of financial reform. It began somewhat slowly in the early 1970s, but at this point it is moving rapidly. Consequently, the environment and activities of financial institutions in the 1980s will differ sharply from those of the past. Following is a discussion of some of the most important recent elements of the financial reform revolution.

Money Market and Other Deposit Certificates. Perhaps the most significant innovation of the past decade came on June 1, 1978, with the introduction of the money market certificates (MMCs). The MMC has allowed thrift institutions to effectively compete for depositors' money during times of tight credit, but it has also shortened the terms of thrift liabilities and created pressures for higher mortgage rates. At the end of 1978, MMCs in insured savings and loans totalled \$42.8 billion and accounted for ten percent of their deposit balances. Only a year later, MMC receipts in savings and loans had

grown to \$127 billion or nearly 28 percent of their deposit balances. Some researchers estimate that by the end of 1984, fully two-thirds of savings and loan liability will be found in short-term liabilities such as MMCs and marketable certificates of deposit (CDs) of \$100,000 or more (referred to as jumbo CDs).

Other time certificates have also been authorized, and restrictions on minimum deposits and early withdrawal have been eased. For example, on January 1, 1980, financial institutions were authorized to issue a new two-and-one-half-year certificate of deposit. The allowable rate of return is set to be competitive with the return on treasury borrowings, and such certificates are expected to be popular with savers, especially when the short-term rates on Treasury Bills and MMCs are low relative to those two-and-one-half-year certificates.

Expanded Depository Powers. In 1972, the first Negotiable Order of Withdrawal (NOW) experiment began in Worcester, Massachusetts. And, in 1973, Congress authorized NOW accounts on a trial basis in the states of New Hampshire and Massachusetts. Innovation and pressure at the state level fueled the growth of this concept, and the NOW experiment expanded to Rhode Island, Connecticut, Maine, Vermont, and New York. In March, 1980, the Depository Institutions Deregulation and Monetary Control Act of 1980 authorized NOW accounts nationwide. Essentially, the NOW account allows thrift institutions to offer checking accounts that earn interest. What began as a modest innovation with 43,000 accounts and \$45 million in deposits by early 1973, has grown in New England to 2.3 million accounts and \$3.8 billion in deposits. Presently

authorized nationwide, the impact of NOW accounts is sure to be substantial.

Alternative Mortgage Instruments.

For years, the financial industry has discussed alternative mortgage instruments as a means of diversifying the asset side of portfolio holdings, especially for thrift institutions. Gradually, some of these concepts have been adopted. For example:

1. The Variable Rate Mortgage (VRM) allows the interest rate to shift by a half of a percentage point per year up to a 2.5 percent maximum.
2. The Graduated Payment Mortgage (GPM) is intended to allow borrowers to pay less in the early years and more in later years when rising income allows higher payments.
3. The Renegotiated Rate Mortgage (RRM) starts at the market rate but would be renegotiated every three, four, or five years. The rate could change by a half of a percentage point per year up to a maximum shift of five percent.

Consumers are likely to resist such mortgages as the VRM and the RRM because they may bring higher rates of interest and uncertainty. However, because these mortgages provide lenders with more flexible assets, higher interest when rates rise, and a better balance of assets and liabilities, some types of more flexible mortgage instruments seem inevitable.

Mortgage-Backed Securities and an Expanded Secondary Market.

In recent years, thrift institutions have increasingly attempted to tap the resources of large institutional investors for sources of mortgage funds. This has been accomplished primarily through the use of two financial instruments, mortgage-backed bonds (MMBs) and pass-through securities (PTSSs).

1. Mortgage-backed bonds are bonds which are sold by thrift institutions to direct investors, the interest and principal of which are backed by the home mortgages held by the thrift.
2. Pass-through securities, on the other hand, are essentially bundles of mortgages which are "resold" by the thrift to institutional investors on the secondary market.

The effect of both of these instruments is to allow thrifts to generate additional amounts of money which may be plowed back into home mort-

The environment and activities of financial institutions in the 1980s will differ sharply from those of the past.



gages. Obviously, however, these securities may substantially alter the way S&Ls do business: their role may change from that of actually owning and holding the mortgage to that of originating and servicing a mortgage which will be purchased and owned by an institutional investor.

Virtually untried 10 years ago, PTSS today account for more than \$87 billion in mortgage debts while MBBs totalling \$2.3 billion have been issued by savings and loan institutions in the United States.

Technological Innovations. Development of electronic technologies applicable to financial institutions is altering the way these institutions compete for funds. For example, automatic teller machines and point-of-sale terminals are attracting growing interest from commercial banks as well as thrift institutions. Also, "bill-payer ser-

vices," whereby financial institutions can pay bills directly for customers, has heightened competition among thrifts and commercial banks.

State Housing Finance Agencies and Mortgage Revenue Bonds. State housing finance agencies are relatively new actors in the process of housing finance. Although some have experienced financial difficulties in the past, they now seem to be receiving positive support from both federal agencies and state governments. Besides assisting in federal- or state-funded projects for state-subsidized housing, a number of state and city agencies have begun to issue tax-exempt mortgage revenue bonds where local bonding authority is used to raise money for single-family home mortgages. Because interest received from such bonds is essentially tax exempt to the holder, mortgage revenue bonds are

able to raise money at significantly reduced interest rates. This provides expanded opportunity for people in lower income brackets to receive reduced rates on their home mortgages. However, because some feel that such bonds may compete unfairly with private financial institutions as well as provide a drain on federal taxes, Congress is currently reviewing legislation to limit tax-exempt mortgage revenue bonds, and some type of limitation will undoubtedly be established.

Although each of the reforms and changes discussed above (and these items only begin to scratch the surface) have not meant comprehensive reform in and of themselves, the aggregate is impressive—and so are the implications. Further, these movements undoubtedly established the pressure to achieve comprehensive congressional reform at the national level.

National Legislation

Throughout the last decade—during this silent revolution—a number of people proposed comprehensive national legislation to provide a new context for the change which was under way. Efforts for comprehensive reform were stymied through much of the decade of the seventies.¹ But on March 31, 1980, the Depository Institutions Deregulation and Monetary Control Act was signed into law. This new act eased some of the pressures on mortgage-oriented thrift institutions, but it also raised important new questions and issues. Basically, the effects of the legislation may be grouped into four areas:

1. Broadened deposit/liability powers of thrift institutions. This will allow S&Ls and MSBs to offer negotiable order of withdrawal (NOW) accounts (in essence an interest-bearing checking account), and a full range of family financial services. These powers will open access of thrift institutions to new sources of funds which can be used for housing finance and other investments.

2. Broadened investment/asset powers of thrift institutions. This will allow thrifts to participate on a limited basis, up to 20 percent of their assets, in such short-term investments as consumer credit, automobile loans, and commercial paper (the majority of their investments will still be in housing). Rates on such shorter term assets would rise more rapidly during periods of tight credit giving thrift institutions greater flexibility in adjusting to pressures for higher rates of interest on deposits.

3. Expanded number of alternative mortgage instruments. As discussed

previously, this measure will provide expanded flexibility for lenders in dealing with shifts in interest rates.

4. More flexible deposit rate ceilings through a phase-out of Regulation Q ceilings over a six-year period. This will allow financial institutions to more effectively compete for deposit funds during periods of tight credit, thus alleviating some of the pressure for disintermediation.

With passage of the new legislation, our system of housing finance has moved into a new era. It is no longer possible to look back to the past. With the change comes new opportunities—complete with risks and potential difficulties. This next decade will be a period of transition. The remaining question is whether we can adapt to change in such a way that we can avoid major disruptions.

A Look to the Future

A number of possible outcomes exist for the future. Although no one has a crystal ball which will allow us to predict the results with precision, reform is far enough along that it is possible to begin to examine the financial impacts in each of three areas.

Impact on Financial Institutions. The impact of financial reform on financial institutions themselves will be wide-ranging. Basically, there are six areas of concern.

1. Many have argued that financial reform will mean the homogenization of all financial institutions. Considering the current direction of federal reform, such an outcome is unlikely. For one reason, even under the most liberal reform considerations, thrift institutions will not be given *commercial* lending

powers. Further, S&Ls and MSBs will continue to view housing as their primary lending activity.

2. The trend toward money market certificates and jumbo CDs can be expected to continue. As indicated previously, perhaps two-thirds of S&L liabilities will be in such short-term instruments as early as 1984. On the other hand, thrift institutions will continue to experience a need for competitive middle-range liability instruments. The two-and-a-half-year certificates introduced in 1979 should find growing popularity, particularly as shorter term interest rates drop relative to longer range rates. Other midrange instruments will also probably be developed as time proceeds. Furthermore, the NOW accounts which have been legalized nationwide will also help to provide flexibility for thrift institutions.

3. On the other side of the balance sheet, the thrift institutions will continue to experience increased need for flexibility in their assets. To meet these requirements, thrifts may be expected to become more involved in consumer lending. Regarding mortgages, new mortgage instruments, such as the renegotiated rate mortgage or the price level adjusted mortgage will also be required if the thrift industry is to function in the decade of the '80s. One innovative mortgage instrument now being discussed which may be offered in the future is a graduated payment, renegotiated rate mortgage.

4. The future will also likely see a continued trend toward thrift institutions offering a full range of services in order to become "family financial centers." "Bill payer services" and automatic teller machines through the use of computers in banking will probably become more common.² As the new law provides, thrifts will be expected to assume more of the powers currently held by commercial banks. With such capabilities, the thrift industry should be able to become more competitive in attracting customers and servicing their needs.

5. There will be a continued emphasis among thrift institutions on turning to the secondary market as a means of providing funds for housing finance. Already begun with the movement toward pass-through securities and mortgage-backed bonds, this trend holds the potential of providing greater resources for housing by tapping institutional investors and helping to integrate the mortgage and bond mar-

The secondary market could be providing 40-50 percent of all conventional mortgages within 5 to 10 years.

kets. However, this will undoubtedly alter the way many S&Ls operate by focusing more of their profits on originating and servicing mortgages, but some of the risks involved in maintaining the precarious balance between long-term assets and short-term liabilities will be eliminated. In fact, this movement is now so strong that it is possible that the secondary market could be providing 40 to 50 percent of all conventional mortgages within five to ten years.

6. Throughout the coming decade, some thrift institutions will likely face severe solvency problems. The source of their difficulties will be in their stock of assets which are frozen in low-yielding mortgages issued in the 1960s and 1970s. Consequently, the 1980s will see increased pressure to allow thrift institutions to sell their older low-yielding mortgages to federal credit agencies such as FNMA or GNMA. Further, because of the significant spread between the rates of the older mortgages and current rates, the market price for such mortgages will be far below face value, and government subsidies may be required to help absorb the loss and keep thrift institutions solvent.

Impact on Housing. There are at least three areas of concern regarding the future of the housing market: (1) the effect of financial reform on interest rates, (2) effect on the overall size of the inventory of houses, and (3) the impact on housing cycles.

The first two areas are closely related because, as mortgage rates vary, the demand for housing is influenced, and therefore, the overall level of homebuilding. To some extent, the impact of financial reform on future mortgage rates and on the rate of home building will likely be offsetting. On the one hand, access of thrift institutions to expanded deposit powers through NOW accounts or checking accounts will provide new sources of money, a portion of which will undoubtedly be invested in housing. On the other hand, the involvement in consumer lending may lead to a smaller percentage of thrift institution assets in housing. Furthermore, greater flexibility in the interest rates paid to depositors will enhance the ability of thrifts to compete for funds during periods of tight credit; but, increases in deposit rates and other changes may alter profit margins and apply pressure to raise mortgage rates. Since the effects of re-

form seem to push in counter directions, the ultimate impact on future mortgage rates and the stock of houses is still unknown.

The future in the third area—housing cycles and the stability of the flow of mortgage funds—is slightly clearer but still imprecise. Three basic trends may be expected to affect the availability of mortgage funds:

1. Flexible ceilings on rates of return offered to depositors will allow thrifts to

sumer's interests can no longer be taken lightly. Savers may be expected to continue to demand and to get a more equitable distribution of interest on deposits. For the borrower, this could lead to difficulties, however. As higher rates of return are paid on deposits, savers will no longer be subsidizing borrowers. As interest rates for borrowers rise, housing costs will continue to skyrocket. This, of course, will especially mean difficulties for the first-

**As higher rates of return
are paid on deposits,
savers will no longer be
subsidizing borrowers.**

compete more effectively for funds in periods of tight credit.

2. The development of new "savings" instruments will provide thrift institutions with new sources of money.

3. Broader investment powers will allow thrifts to offer alternative mortgage instruments and shorter term credit which will allow a return on investments that more effectively match the rising costs of funds.

Once again, however, there are offsetting factors. Thrifts may be expected to increase their deposit base, but a portion of these increased funds will likely find its way into nonhousing loans. Even with an altered system of housing finance, housing cycles will undoubtedly continue to appear periodically, due to a variety of factors including inflationary pressures and fluctuations in monetary policy. Hopefully, however, extremes of the cycles will be eased.

Impact on the Consumer. Considerations of the borrower and the saver have traditionally been secondary in the discussion of housing finance reform. Now it appears that the con-

time buyer. To compensate, there will probably be a growing number of government programs to aid first-time home buyers. Included may be such programs as a tax deduction for saving for a first downpayment, increased use of graduated payment mortgages, greater use of "wrap-around" mortgages to allow buyers to assume lower interest rate mortgages, inclusionary zoning (forcing developers to build a certain number of low and moderate income housing units in return for zoning concessions), and tax-exempt mortgage revenue bonds.

The next decade will undoubtedly be a period of transition. New opportunities exist, but there are also numerous risks. The future of our system of housing finance will depend on our ability to adapt. ☐

¹For a discussion as to why these efforts failed, see Kent W. Colton, "Financial Reform: A Review of the Past and Prospects for the Future," *Journal of the American Real Estate and Urban Economics Association*, Spring, 1980, and Sidney L. Jones, *The Development of Economic Policy: Financial Institution Reform*, The University of Michigan, 1979.

²Kent W. Colton and Kenneth L. Kramer, *Computers and Banking*, Plenum Publishing Company, New York, New York, 1980.

NEW HOME FOR THE SCHOOL OF MANAGEMENT

November 8, 1980, has been set for the ground breaking for the N. Eldon Tanner Building, the new home of BYU's School of Management. The seven-story structure will be a monument to both President Tanner and the university's increasing role as a major influence in the business world of tomorrow. The modern structure will cost \$12 million. Completion is expected in late 1982.

The Tanner Building is a tribute to a man who has been successful not only as a business leader but as a spiritual leader as well. President Tanner's many accomplishments and fine character traits have long served as a model for graduates of BYU's School of Management. His many accomplishments are well known to the friends of Brigham Young University.

Planners and architects have tried to create an edifice that will be remembered not just for the educational operations it houses, but for the attractive, functional way it makes use of the available space. The Salt Lake architectural firm of Fowler, Ferguson, Kingston and Ruben have designed for us a structure that will be a campus landmark.

The structure will be located northeast of the Richard's Physical

Education Building, a site selected to take maximum advantage of the sun's rays. Sunlight will stream through windows on the south and north faces of the rectangular structure, and through the glass-covered central atrium, permitting light to reach interior rooms.

The landscaped atrium (central court) will serve another function as well. Outside air entering the building will be preconditioned before being circulated to interior rooms. The result is a considerable saving in energy costs.

The 120-foot-high building will also serve as an easy passageway from the upper level of campus to the lower level. Elevators will make the building particularly helpful for the handicapped.

The 120,000 square foot building

will have two auditoriums. It will house School of Management faculty members in individual offices within department complexes. Classrooms, study rooms, laboratories, library facilities, and computer facilities will be among the best available anywhere in the country. We are delighted to present this artist's conception of the new N. Eldon Tanner Building, the future home of the BYU School of Management.

This beautiful new facility is financed totally by the donations of friends of Brigham Young University. We encourage anyone interested in participating in our fund-raising effort to contact Dean William Dyer. Your help and continued support will be greatly appreciated. ☐





We Need a Nation of

ADAPTED FROM A FORUM PRESENTATION AT

BY J. BONN

I

Personal Responsibility and Organizations: We Need a Nation of Scholar-Leaders

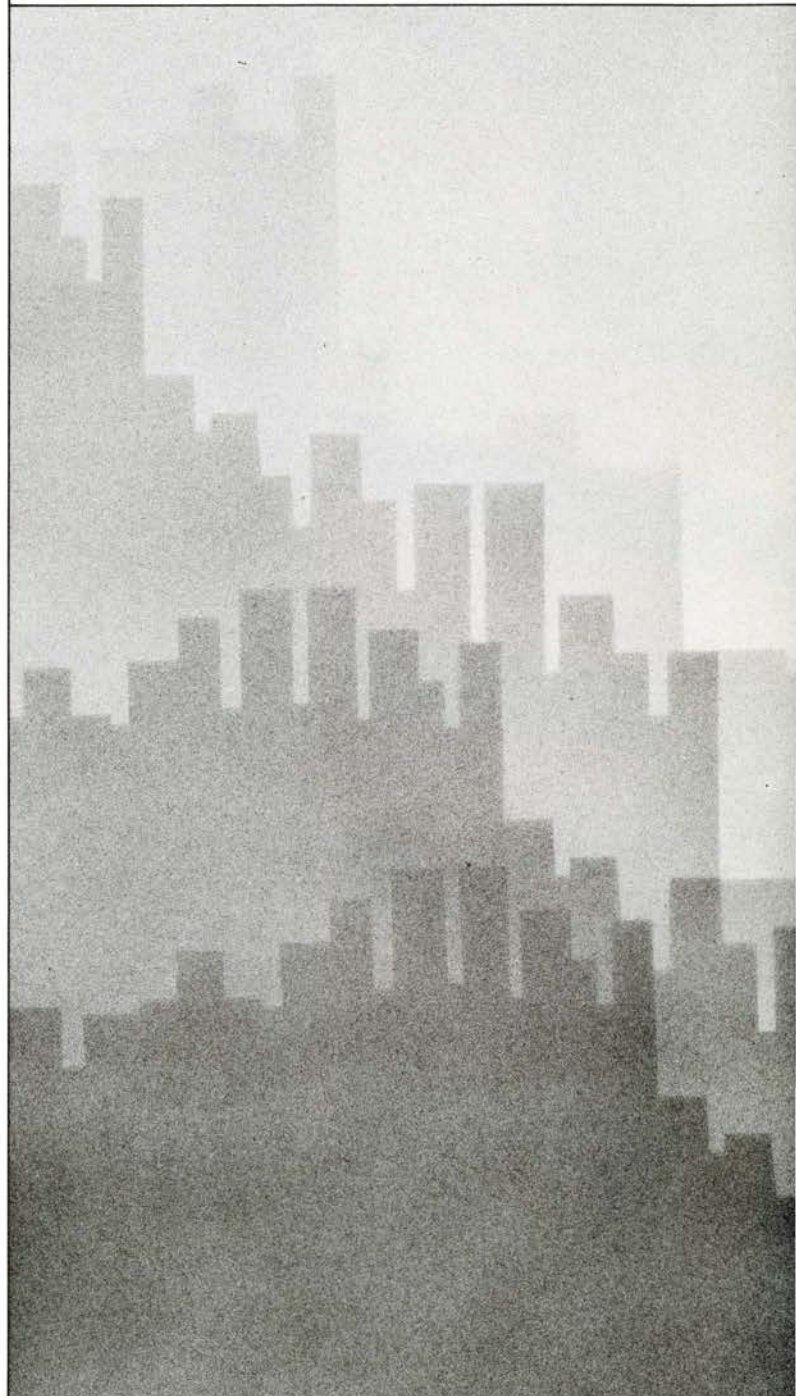
In the book, *The Once and Future King*, T. H. White retells the legend of King Arthur. In so doing, he captures an interesting dimension of growing up, learning, and accepting responsibility. When the young Arthur, affectionately referred to as "Wart" in the account, is despondent, a little confused, and sad, he goes to Ector and asks what he should do. Ector says he should go see the magician, Merlin, for some advice as to how to handle his frustrations. When he approaches the magician, Merlin responds as follows:

"The best thing for being sad," replied Merlin, beginning to puff and blow, "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 milliard of 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."

I

Learning: A Solution to Life's Frustrations

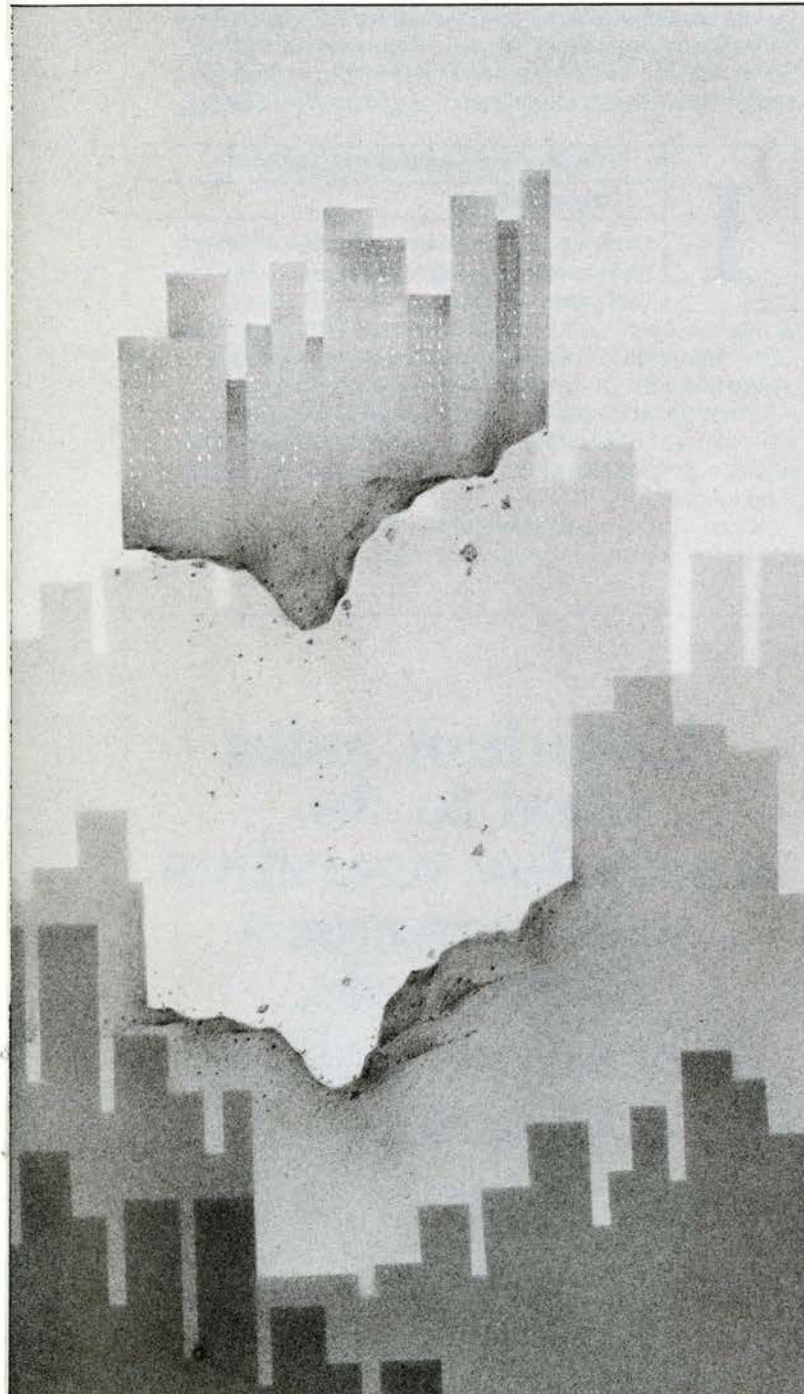
subscribe to that advice. The solution to life's aggravations is to learn. And the solution to a frustrating life is to develop an attitude of learning. Each of us needs to develop an attitude toward life, toward organizations, toward the university, toward the Church, toward the state, toward the corporation, and toward each other of learning and of growing. We reduce the anxieties and confusions of life by developing a criterion for thinking that is based on analysis, interpretation, ex-



f Scholar-Leaders

BRIGHAM YOUNG UNIVERSITY JUNE 17, 1980

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trapolation, and extension of ideas rather than on judgment, classification, and rigid acceptance or rejection.

T

Student Versus Scholar

Perspective

he term *student* is a revered term to me. Although I will suggest a metaphor that may not reflect my reverence toward students, I do so only to make a point. Students are like computers. The system sits there waiting for an input to be determined by something like a professor, a textbook, or an expert source that tells the student what is appropriate or what is desirable or what is true. The information is put into the computer and, by some previously designed operational system, is classified, perhaps processed a bit, and then stored in some way for easy retrieval. That retrieval is triggered by something like a question in a classroom, an assignment to write a paper, or a question on an examination.

I wonder if our student model has corrupted us in the ability to learn and to grow. I wonder if we have simply mastered the art of taking a class. That can be pretty empty. There is life after college!

We should develop an eternal perspective rather than a semester perspective. We have different people reviewing and evaluating rather than a single teacher, and sometimes the student model gets in the way. Sometimes the student model undercuts our capacity to cope in a complex world. What is needed today is a scholar model.

A student asks what to do, a scholar searches and proposes what to do. A student blames the system for failure, a scholar has no need to blame anyone. He or she accepts responsibility for correcting a failed system. A student listens to judge, a scholar listens to learn. A student transfers to the university, to the professor, to the boss, or to God both credit and blame that the individual should accept. In the process of so doing, we default in the most important function we have to perform: to decide what the meaning of life is.

F

The Scholar and Personal

Responsibility

rom the scholar perspective, we do not search for the meaning of life, we define it, we develop it, we create it. We don't seek out who we are. Our identity is not found by searching across the land. Our identity is something we decide. Students

expect someone else to define them; scholars accept the responsibility of defining themselves. Students expect the textbook to have the answer, and they want to know whether it is A or B. Scholars accept the fact that A may be more appropriate today, but B may be tomorrow.

I was intrigued recently in reading Norman Cousins's book, *Anatomy of an Illness*, where he describes how he accepted the joint responsibility with his doctor for his own health. He was told that his odds for getting better were 500-1 against, and he said when that announcement was made he decided he had to become a participant in this process in a way he had not considered previously. Norman Cousins, as the editor of the *Saturday Review*, had available to him a research staff. He sent his research staff out to do a survey of various medical findings, and he found that what his doctors were prescribing was not accurate. Norman Cousins did not blindly accept the diagnosis and prescriptions his doctor had arrived at working with incomplete data. Norman Cousins took the scholar-leader role and asked why. He found that the prescribed medication and the hospital environment were inappropriate. He determined that what he really needed was some Vitamin C, some laughter, and a pleasant environment. He moved himself out of a hospital into a nice hotel room. He started taking Vitamin C and watching Laurel and Hardy movies and he got better.

Cousins became part of the healing process. He applied the power of the participant, rather than to sit back and defer to the expert doctor.

Another example touches upon an uncomfortable and a difficult issue, but one that I find terribly compelling. Victor Frankl in *Man's Search for Meaning*, describes the fate of people in the concentration camps in Nazi captivity. He argues that what was needed was a fundamental change in attitude. Attitudes towards life, he said, had become too self-indulgent, too narcissistic, too self-serving, to really understand what was going on and to survive the brutality of the camp. In talking about the men in his camp, he said, "what was really needed was a fundamental change in our attitude towards life. We had to learn ourselves and furthermore we had to teach others that the issue was not what we expected from life but what life expected from us. We needed to stop asking what the meaning of life was and instead think of ourselves as those who were being questioned by life daily and hourly."

<p>O</p>	<p>Beyond "Looking Out for Number One"</p>
	<p>ur answers must consist not simply in talk and meditation, but in right action and conduct. Life ultimately means accepting responsibility to define appropriate answers to each problem as it comes up. The more you look for the meaning of life, I would argue, the less you would find it. We can only be trapped by the contemporary pop psychology of "looking out for No. 1," "winning through intimidation," "pulling your own strings," "being your own best friend," and the whole raft of pop psychology books that tell you how to beat the system, take care of yourself, indulge yourself at the expense of other people, be calloused and insensitive to the needs of the world around you in order to come out on</p>

top and win that game of competition with each other. The more we become victimized by such philosophies, the less capable we are of turning each of life's events into a learning experience rather than just an historical occurrence. We have got to become an involved part of the dynamic, rather than a simple part of a static system.

This issue of self-service is not new. It is not a product of our most recent five years. I refer to John Steinbeck's comments in *Grapes of Wrath*, where he described some of the landowners of the 1930s: "Some were kind because they hated what they had to do. Some of them were angry because they hated to be cruel. Some of them were cold because they long ago found that one could not be an owner unless one were cold. And all of them were caught up into something larger than themselves. Some of them hated the mathematics that drove them and were afraid. Some worshipped the mathematics that drove them because it provided a refuge from thought and from feeling."

<p>I</p>	<p>The Student and Overreliance on Organizations</p>
	<p>think we have overdemanding our organizations to the point that we can only, ultimately, feel betrayed. Our economic, political, academic, social, and religious systems cannot answer all of the demands that we place on them. They cannot be aware enough. They cannot have an efficient enough information processing system to cope with the exponential explosion of information. They cannot acquire, digest, analyze, and resolve all of the complex and contradictory data received.</p>

There is growing evidence of the failure of organizations just as there is growing evidence of shortcomings in the

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student perspective of life. Consider these examples:

Fifty percent of Organizational Decisions Ignored. For the past 15 years, I have been collecting observations of managers, executives, people who seemingly are in positions where others expect them to run an organization. One of the things I found interesting was that about 50 percent of the decisions these people make are never carried out in organizations. Not 50 percent of the random comments in a hall "why don't you look into this, Sue," but 50 percent of the formal decisions you can trace to board minutes, to memoranda that are distributed in an organization. Half of those decisions are not carried out! Why are they not carried out? Because no one person knows enough to account for all the variables in making those decisions. No one person nor one group—not the Soviet Politburo, not the Board of Directors of Exxon—can make all the decisions that will dictate the behavior of every member of that organization. "Democracy by default" may not sound elegant, but I think it comes from the inability to account for or control all the variables. The result of these decisions based on incomplete information: 50 percent of the decisions are not carried out.

When I was collecting my observations on this particular issue, I attempted to ask many people for their evaluations. When I would fly in an airplane, I would try to sit next to a person I felt was a business executive. (Sometimes I was badly mistaken, and that was an interesting experiment in itself.) I would sit next to someone that looked like an executive and I would say, "I am doing a research project, and I have been working in an organization where I find that half of the decisions made are not carried out. What do you think? It seems high to me. Can you believe that that is really true?" The responses I got were almost all confirming. In fact, one individual said, "Gee, I think that is

right and maybe it is even a little low. If 50 percent of my decisions got carried out, I would be delighted."

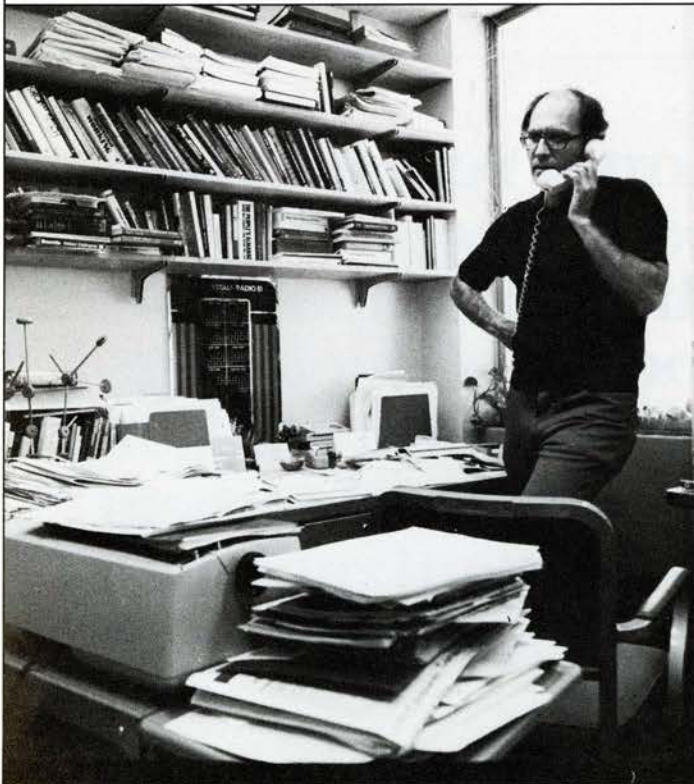
The Wrong Decisions Are Carried Out. This same respondent went on to make another point about failings in organizations. After confirming that many decisions are, in fact, ignored, he went on to say, "But I would argue that the survival and success of business depends on that 50 percent that are not carried out."

That is a telling argument, the fact that many decisions *shouldn't* be carried out. Now again, that is not comfortable to the administrator or the executive who sits back frustrated because orders are not followed. And, unfortunately, I have observed that oftentimes it is the wrong 50 percent that are not carried out. The good decisions are resisted by the rebellious deviants, and the bad decisions are implemented by enthusiastic zealots. Somehow we need a nation of scholars, a nation of leaders, to discriminate as to which decisions *ought* to be carried out. But the more important point is not to sit back in judgment of which 50 percent, but to become part, in a responsible way, of that process.

There Is a Crisis in Organizational Leadership. I have been collecting other data about organizations which reveal an interesting trend. There is a crisis of leadership. There is, indeed, a crisis of confidence in our institutions: government, corporate, union, and military. I have been measuring the attitudes that people have toward those above and below them in organizations. I found it interesting that 15 years ago when I started studying this, I asked people to rate some of their character traits on seven-point scales. Consistently, these self-ratings came out about 5.7. Now there is nothing very significant about that particular point until we use it as a reference for comparison.

In the course of this research I also asked people to rate, using the same seven-point scales, their bosses and their subordinates. Fifteen years ago, they saw their bosses at about a 6.0 (three-tenths of a point above themselves) and they saw their subordinates at a 4.2 (about a point and a half below them). That was a consistent pattern regardless of organizational level. Vice-presidents saw the president at about a 6, themselves at 5.7, and the department heads at about a 4.2. First line supervisors saw themselves at about a 5.7, their foreman at about 6.0 and their subordinates at about the same point of 4.2. These people saw themselves as a lot better than their subordinates, and almost as good as their boss. Therefore, when they communicate with the boss, they expected the boss to have full confidence in them and to think they were almost as good as the boss. Conversely, however, they expect subordinates to be inferior clods, and they talk down to them, disregard them, and belittle them. They have little confidence in subordinates' ability to function, and, therefore, they over-control them and harass them.

Those indicators held for several years. But as the 1970s began, I started getting different data. People still rated themselves at 5.7 on an average, still put their subordinates at about a 4.2, but now the bosses were coming in at a 5.7 also. So now my conclusions about their relationships changed. They now saw themselves as a lot better than subordinates, and as good as their boss. Many people now felt that they could do the boss's job as good as the boss. They were losing confidence in their superi-



ors. By the middle of the '70s the data changed again. Starting in 1975 or 1976 the data started to look this way: Individuals still rated themselves at 5.7, subordinates about 4.2 and bosses were averaging 5.3. Now my interpretation changed one more time: they now see themselves as a lot better than their subordinates and quite a bit better than the boss. They concluded that there is nobody in the world as good as themselves!

Organizational Lying. One further bit of evidence of the failing organization was reflected in a recent study of organizational lying—outright misstatements of the truth. The study discussed the external pressures on organizations to misrepresent their performance. The emphasis is on the facade rather than substance. Organizational rewards come from positive external reports, valid or not, instead of the internal criterion of genuine service.

There are pressures to lie and to misrepresent in all organizations. These need to be identified.

T

The Organization As a Haven from Self-Responsibility

he organization has become a mechanism that many of us use to absolve ourselves of the burden of making decisions that only we can make and of accepting responsibility for thinking. Organizations will not and cannot replace the individual's need to become a scholar-leader who participates in the dynamic process of deciding. We cannot be spectators. We cannot shift the burden for self-development to others. Besides, organizations simply don't work that well.

As a "student" society, we have come to expect of organizations functions that only we as individuals can be responsible for. And when they fail to meet these expectations, our confidence in organizational leadership drops.

We all need to be scholar-leaders. Our contemporary society is so complex, that it behooves each of us to become not only minimally informed, not passive members, but incredibly well-informed, active members. The burden is severe on all of us to be scholars and leaders, to develop the analytical tools to understand what organizations in our societies are doing, and to make fewer demands upon them. Not fewer demands in terms of morality or ethics, but fewer demands in terms of the universality of organizations serving needs we must ultimately be responsible for as individuals. We must demand of leaders of essential organizations, dignity and morality. We must expect less in terms of total output.

Our civilization depends on that informed citizenry in a way we have never depended on it before. The information available is too complex, the demands and opportunities for immorality are too high, the demands and opportunities for misrepresentation are too great, and the opportunity for organizational encroachment in private lives is too great.

But the positive opportunities are also great for accepting responsibility for our own involvement in life as scholars, defining our own learning and performance objectives, evaluating ourselves, making proposals instead of simply asking questions, and listening to learn rather than to judge. I hope we can do that. I hope we can become enthused, committed, informed participants rather than ones who sit back condemning the system because it does not define things our way. And in the process, I hope that we clearly can gain an increased confidence in ourselves. I hope that we don't wait for the university or for the nation, or the state, or the corporation to change our world—but instead, accept responsibilities for being part of it. When organizations fail, don't just blame the system, but accept the opportunity to become part of a changing process of the world in which we live. ☐

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