

EXCHANGE

A stylized map of Illinois is the background. It features a network of glowing highway shields in various colors (red, blue, green, yellow) with numbers like 39, 80, 57, 65, 74, 31, 55, 110, 41, 72, 36, 57, 70, 55, and 23. City names are scattered across the map, including Rockford, Chicago, Aurora, Joliet, Peoria, Bloomington, Decatur, Indianapolis, Springfield, and Vandalia. The word 'ILLINOIS' is prominently displayed in the lower-left quadrant. The overall aesthetic is futuristic and digital.

SPRING 1994
THE J. WILLARD
AND ALICE S.
MARRIOTT SCHOOL
OF MANAGEMENT
BRIGHAM YOUNG
UNIVERSITY

THE FUTURE OF THE
INFORMATION SUPERHIGHWAY

DEAN'S OFFICE

J. Willard and Alice S. Marriott
School of Management



I am delighted to invite you to read carefully the pages of the Spring 1994 issue of Exchange magazine. Longtime readers will recognize that this issue is somewhat different from past issues. The significance of the changes, however, is that they reflect "updates" within the Marriott School. I have chosen to mirror them in Exchange to better show how we are constantly working to keep the Marriott School's programs, facilities, and faculty in step with the ever-changing world of business.

At a time when increases in U.S. employment are largely the product of small business growth, we are including an entrepreneurial success story among our feature articles in this issue of Exchange. It helps to explain why we are placing a growing emphasis on entrepreneur studies in the Marriott School. A companion article examines the meaning and projected future impact of the North American Free Trade Agreement (NAFTA), which is expected to bring special opportunities and challenges to small businesses.

Another feature article describes the "information superhighway" of the 1990s that will link homes, businesses, governments, agencies, and schools by fiber optics. This new development will provide interactive access to dozens of facilities and information sources that currently require more time-consuming media to reach.

The international diversity of our student body is reflected in a story about Alemayeshu Eshete, an MBA student from Ethiopia. This diversity is constantly fed by the exceptional foreign language capability of our student body. Another story describes how increased mentoring by business-savvy MSM alumni helps to enhance the "real-world" business preparation of our students. Yet another preparation-focused story examines some of the reasons behind the continued top-10 rankings enjoyed by the MSM's undergraduate and graduate accounting programs.

Finally, the highly recognized scholarship of our faculty is the focus of a brief article on the Marriott School's Fulbright scholars. Their academic excellence has led to Fulbright Committee invitations to spend school years abroad both lecturing and doing research in their specialties in universities around the world.

I trust that you will enjoy reading about the Marriott School's continuing commitment to excellence in business education.

Sincerely,

K. Fred Skousen, Dean

EXCHANGE

SPRING 1994

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Ned C. Hill

The interactive communications network of the future will connect our homes, businesses, schools, and government agencies via two-way fiber optics. It will change the way we shop, pursue recreation, and do homework, and it's just around the corner.

THE J. WILLARD

AND ALICE S.

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SPOTLIGHT ON . . .

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Information

superhighway

WHAT'S IN IT FOR YOU AND YOUR FAMILY?

IN the 1950s the interstate highway system revolutionized U.S. transportation. With this new nationwide network of limited-access roadways, truck transportation quickly replaced railways as the primary mover of goods from manufacturer and farm to the marketplace. The interstate highway system also created an automobile-centered populace able to travel with ease between distant locations. Fast-food restaurants, gas stations, and motels were soon found clustered around freeway exits, and commuters moved toward freeway-oriented residential living.

A new highway system of the 1990s is sure to have just as profound an impact as the interstate system had 40 years ago. But instead of carrying goods, the new highway will carry information; and instead of concrete and asphalt, the new highway will be built of optical fibers, computers, and satellite links. Some call it an *information superhighway*, and we can only guess at its influence on our businesses, families, and economy. Vice President Al Gore said, "This is most likely the most important and lucrative market of the 21st century."¹ John Sculley claimed that this innovation will foster a new market totalling \$3.5 trillion in annual sales.²

WHAT IS THE INFORMATION SUPERHIGHWAY?

The information superhighway envisioned by many is a vast network linking all homes, businesses, universities, hospitals, and government agencies with optical fiber. Why optical fiber? Because these tiny glass strands can carry so much information. While copper cable, which now connects homes with telephone companies and cable TV providers, may have to suffice until optical hookups are made, copper wires can't carry nearly enough information for all the services the superhighway will eventually provide.³

The optical fiber networks will be connected to very large, high-speed computers that enable information providers and users to "converse." Where distances are great, satellites will link these computers.

BY NED C. HILL

JOEL C. PETERSON

PROFESSOR OF

BUSINESS

ADMINISTRATION

PHOTOGRAPH BY

JOHN SNYDER

What Service Will It Provide?

What kind of information can be carried on this superhighway? Virtually anything that can be digitized—that is, converted to bits (zeros and ones) and stored in a computer (see Figure 1). The following examples explain the possible impact on entertainment, politics, shopping, health care, and the workplace.

Entertainment: One evening you decide you'd like to see *Gone With the Wind*. You turn on your intelligent television/computer, scroll through an electronic shopping mall (menu) of possible services, select "Movies," scroll through a catalog of movie titles, and select *Gone With the Wind*. You specify that the movie should begin in 15 minutes, allowing enough time to pop some popcorn. Your phone/cable company will bill you for the movie at the end of the month.

Education: Your 10-year-old daughter is studying Russian at her elementary school. But because the school has no Russian teacher, your daughter goes into the school library and uses a computer connected to a Russian-language service. She sees objects displayed on the screen and hears the words pronounced. At the end of the session she takes a test, which is corrected on-line. Based on her test profile, she is given pointers on how to improve. As part of the lessons, she sees a video tour of Moscow. In the evening, she can use the family television/computer to review her Russian lessons and do her homework.

Politics and Polling: The congressional representative from your area

wants to determine what constituents think about a pending House bill. He or she sends an electronic mail (e-mail) message to all residents of the district and explains the issues involved. A reply, via e-mail, is requested by next Tuesday—before the vote is held.

Shopping: You would like to purchase a new winter coat. Again you scroll through the services menu on your television/computer and find a service that locates coats according to your specifications. You key in a price range, features, weight, etc. The service lists several suppliers that offer coats meeting your specifications. You examine their electronic catalogs and ask for a video display of the coats. One at a time the coats appear on your screen for inspection. You have the option of zooming in on the stitching around the pockets and the zipper construction. After collecting information on several coats, you select from another menu a consumer service that rates specific brands on features, price, and durability. Using this information, you order a coat and authorize your bank to electronically pay the bill from your checking account.

Health Care: You live in a rural area that has a small hospital with no specialists. You have just entered the hospital with symptoms that baffle the general practitioner on the staff. He takes your medical history and enters the information into a computer connected via the superhighway to a correspondent hospital in a large metropolitan area. A specialist there reviews your symptoms but finds she needs more specific information.

She asks to see X-rays and interview the local doctor while you are being examined. The X-ray images are transmitted to the specialist. Using a video camera and telephone connected to the network, the specialist guides the local doctor through a long-distance examination and diagnosis.

The local hospital also sends an e-mail inquiry to your insurance carrier to determine what services are authorized. Once you are treated, the hospital files an electronic claim with the insurer, and payment is sent electronically through the banking system.

The Workplace: You are marketing manager for your firm. You come to the office only one day a week. Each morning you hold a staff meeting via the teleconferencing service provided by the superhighway. You talk directly with the staff, see them on your split television/computer screen, send reports back and forth, and give directions either orally or through electronic mail. Of course, most of the staff are also working from their homes. This arrangement saves considerable travel time and reduces air pollution in congested metropolitan areas. Staff members on the road are brought into the loop through cellular phones and laptop computers in their cars or hotel rooms. Each hotel/motel room across the country is fitted with an optical-fiber port so guests can access the superhighway when they travel.

How Will It Impact Your Business?

A significant part of the information superhighway is already being implemented in business-to-business communications—especially in the realm of electronic documents. Much of commerce is carried out via the exchange of formal business documents: purchase orders, invoices, and remittance advices. Electronic data interchange (EDI) is the electronic transmission of data from one computer to another in a structured, computer-processable format that eliminates the need to manually re-enter the data.⁴ EDI and its subset, electronic funds transfer (EFT), are already being used

FIGURE 1. Types of Information Carried Over the Superhighway

VIDEO	For movies, teleconferencing, videophone
AUDIO	For voice, music, telephone, voice mail
FACSIMILIE	Standard fax
ELECTRONIC MAIL	For letters, memos, books, newspapers
ELECTRONIC DATA INTERCHANGE	For business documents, payments, catalog orders, bank statements
FILE TRANSFER	For software, graphics, CAD/CAM, statistics

by over 30 percent of all firms in the U.S.⁵ and are spreading to all parts of the developed world.

The infrastructure needed to facilitate EDI implementation is now largely in place. This infrastructure consists of widely accepted format standards, inexpensive translation software to convert data into the standards, value-added communication networks to connect computers relatively easily, and significant EDI educational/training support. Of course, inexpensive computer hardware enables even small firms to access EDI.

In addition, EDI growth in recent years has been fostered by large companies inducing smaller trading partners to become involved. More and more firms are being told, "Do EDI, or else we will not do business with you in the future." Examples of firms that have made EDI almost mandatory are GM, Ford, Chrysler, WalMart, K-mart, Pacific Bell, SuperValu, Bergen Brunswig, Dillard's, and Levi Strauss. Pacific Bell, for example, includes being EDI capable in their contracts with suppliers. Bergen Brunswig charges suppliers a \$25 fee if a paper document is used instead of EDI. Dillard's charges \$50 per document if a paper purchase order must be sent to a supplier and \$50 per document if the supplier cannot send back an EDI invoice.

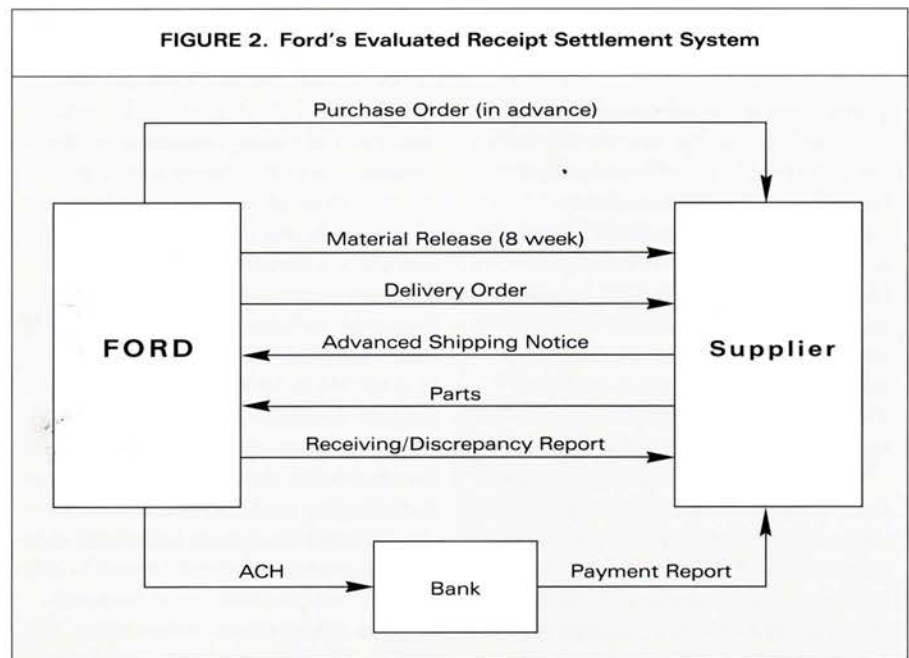
How do we know what the information superhighway will do to businesses? Since many companies are already involved, we can observe their experiences.

▪ *EDI in the Automotive Industry.* Ford's evaluated receipt settlement procedure is used with many of its suppliers.⁶ Figure 2 illustrates the flow of electronic information between the two parties.

1. A purchase order is negotiated to cover many months of purchases. The price and approximate quantity are determined.

2. Ford sends over an information network a weekly material release to the supplier. This document projects Ford's specific requirements for parts over the subsequent eight weeks.

3. Several days before actual delivery, Ford sends an electronic delivery order that provides details



about bar coding that must appear on the packaging and about delivery time and location.

4. The product is delivered to Ford, and an electronic receiving/discrepancy report is prepared if any mistakes are detected.

5. Ford pays the supplier via an electronic credit through its automated clearinghouse.

What happened to the traditional invoice? It's not there. What does an accounts payable manager do in this process? Is one even needed? What happens to the account labeled "accounts payable" under such a system? Where does the cash manager fit in? Certainly the traditional roles of both accounts payable manager and cash manager are very different (if they need to exist at all) under Ford's new scheme.

Using this system, Ford has almost eliminated inventory supporting the assembly line, saving billions of dollars in inventory investment and storage, personnel, and transaction processing.

▪ *EDI in the Pharmaceutical Industry.*

Another example of electronic communications impact is the Bergen Brunswig Drug Company of Orange, California,⁷ one of our country's largest distributors of pharmaceutical products. With EDI, Bergen Brunswig receives orders through a 10-ounce, hand-held, bar code scanner used directly by the

pharmacist. For each product ordered, UPC (Uniform Product Code) numbers on the pharmacist's shelf are scanned via laser; the pharmacist keys in only the quantity desired. The order is downloaded to a microcomputer and electronically sent to Bergen Brunswig over a communication network. Within five hours, the pharmacist receives the order. EDI resolves many payment problems, greatly reduces returned merchandise, eliminates the manual process, and nearly eliminates errors.

In the old paper environment, the sales person was essentially an order taker who spent most of a sales call writing a complex order, resolving past payment disputes, and handling returned merchandise ordered in error. With EDI the sales person is not needed as an order taker and now becomes more powerful in the role of merchandising consultant. Sales patterns, now available because of EDI, are carefully analyzed. By using laptop computers, the merchandising consultant receives reports from headquarters and can show each pharmacist an on-line, customized sales presentation tailor-made to the pharmacist's needs.

Bergen Brunswig has extended its electronic data processing to other functions. Recently, four fully automated distribution centers were opened. These centers take in an EDI purchase order and fill it automatically in a computerized warehouse. Error

Who Are the Major Players?

The effort to construct an electronic superhighway brings together the three areas of computers, telecommunications, and the media. Computers—including both hardware and software—handle the switching, the electronic mailboxes, and the applications necessary to make the network run. Telecommunications moves the messages between supplier and user. The media provide the information: movies, stock prices, books, etc.

A number of very large players in these three areas have begun merging companies in an effort to enjoy a wider span of control over the network. In October, for example, Bell Atlantic, one of the Baby Bells created by the 1984 breakup of AT&T, merged with Telecommunications, Inc. (TCI) in a \$12 billion dollar deal.⁹ This action gives the nation's largest cable provider (13.2 million subscribers) access to telecommunications technology and one of the largest telephone companies access to the cable/entertainment network. Previously, TCI had bought large stakes in Turner Broadcasting and other entertainment companies such as QVC Network.

Other companies have been busy, too.¹⁰ USWest bought 25 percent of the media giant Time Warner Entertainment in May 1993. British Telecommunications bought a 20 percent stake in MCI, and MCI acquired BT's value-added network in North America, including one of the most successful electronic data interchange networks used for sending electronic business messages. At the present time, Paramount is being fought over by two cable/network giants—QVC Network, Inc. and Viacom—in a battle that could cost the victor \$10 billion. Bellcore, the research and development arm of the regional telephone companies, has recently announced a joint venture with Digital Equipment, Hewlett-Packard, Northern Telecom, and a number of other companies to develop hardware needed for the superhighway. The forecast is for continued merging and joint venturing as firms jockey for position in creating the superhighway.

rates for electronic warehouses are extremely low. With Bergen Brunswig's electronic ordering and manual filling, the accuracy is 99.6 percent. With the opening of automated warehouses, the company hopes to achieve a level of 99.97 percent accuracy.

The result of using only this small part of the information superhighway has been very significant for Bergen Brunswig. Its sales per employee went from \$100,000 in 1976 to over \$1.8 million in 1993. Customer loyalty jumped immensely and overhead costs are the lowest in the industry. On the other hand, the company found that changing information flows also required changes in traditional personnel roles.

▪ EDI in Health Care.

Electronic communications is having a very significant impact in the health care industry. Some authorities estimate that claims processing accounts for almost 20 percent of the overhead in our health care system. In the past, claims processing has been a most labor-intensive, time-consuming operation. For several years insurance companies and health care providers have been working together to create format standards that could be used across the country for claims processing and other information exchanges. As a result, the government's Health Care Finance Administration now receives over 70 percent of its hospital Medicare claims electronically. Work is currently underway to convert the 300,000 other health care providers (doctors, pharmacies, and clinics) to electronic filing.

In New York, a program is underway to pre-authorize patients as they enter the doctor's office. A Medicaid recipient presents the office with a magnetic card containing identification information. An electronic message is sent over a network to the state Medicaid office. In just a few minutes, the doctor receives an electronic reply authorizing or denying coverage.

Blue Cross Blue Shield of Virginia has established a specialized value-added communication network that connects doctors, pharmacies, hospitals, and insurance companies in a multistate region. This service acts as a minisuperhighway for its members.

What Has to Happen to Make the Information Superhighway a Reality?

As you may surmise from the examples, the kind of information exchange envisioned requires the convergence of several different technologies and players. The technological ingredients are, to a large extent, already available. We can digitize most types of data but, of course, digitizing *Gone With the Wind* would require huge amounts of computer memory. The hard part is getting the technology implemented across a sufficient number of businesses and homes. Just connecting houses to optical cable would cost, by some estimates, \$1,000 to \$1,500 each, an investment of over \$100 billion.⁸ Since about 65 percent of U.S. homes are already connected to cable TV, and since coaxial cable used for such hook-ups can provide many of the services, a good basis for the superhighway already exists. Eventually, optical fiber will have to replace coaxial cable, but the latter should last for a few years.

The information superhighway will be built by private enterprise, not government. The role of government will be to fund research and development on technology and to regulate the environment and hasten the process. But no one expects government to play a central role in actual implementation.

What Stands in the Way?

Several factors impede the progress of the information superhighway. First, regulation is heavy in the communications area. By virtue of the technology, a communications business, such as a telephone or cable TV company, often obtains a monopoly in its service area. Since competitive economic forces can't provide the regulatory hand, governments step in. This was the case with AT&T, essentially a monopoly in telephone services until the 1980s. At that time, regulators forced the company to permit competition in long-distance services. In 1984 AT&T was broken up into seven Baby Bells that were severely restricted in the types of services they could provide. For example, they could not own any cable company in their

service areas. Nor could they use satellite links or conduct research and development except as it applied to their existing networks.

Gradually the laws have changed.

In August 1993, for example, a federal judge struck down the provision of the Cable Act of 1984 prohibiting Baby Bells from owning, creating, or packaging video programming in their service areas. This opened the door for more mergers like that between Bell Atlantic and TCI. Will future government regulations produce an environment that permits the creation of enough capital to build the superhighway, or will regulations hamper development?

Second, the investment is huge, and the providers of capital want to be compensated. But rates for cable TV and phone companies are set by local regulatory bodies. Will rate-making bodies permit current rates to go up so phone and cable companies can raise the funds as well as achieve a return on their investment? Should current phone users be required to pay for future superhighway services that some of today's users may never see? This is one reason the telephone companies have demanded the opportunity to expand into other areas—so they can eventually reap the reward of their investment in the superhighway via other avenues than regulated rates.

Third, technology standards present barriers. While we have extensive standards for message content, we have

no nationally accepted standards for mixing text, graphics, voice, and video. Each player currently uses its own protocols and formats. At present, national standards bodies are several years behind technology. Until standards makers are able to coordinate various service providers, we will have problems creating a network accessible to all users.

A fourth barrier is public acceptance. Do people really *want* or *need* movies on demand? Will we accept part of our educational system being delivered by computer/television? Will we shop via computer? Will we change our work habits? When telephone bill paying was introduced in the late 1970s, the experiment was a resounding failure. People liked writing checks and having a canceled check for a receipt. Are people now comfortable enough with computers to use the services the superhighway provides? And, more importantly, will they pay for those services?

Conclusions

While the information superhighway holds out the promise of enormous service capabilities to individual consumers, its full implementation is still a few years away. Already telecommunication companies, computer manufacturers, and media giants are preparing for the battle over who will build the highway and who will control it. Although the consumer part of the superhighway

is still a dream, the business-to-business side is already taking off. Electronic data interchange—one element of the superhighway—can give us some idea of how corporations might be affected. EDI appears to be entering an explosive growth phase in U.S. business practices. Worldwide EDI implementation cannot be far behind. E

Notes

¹ Vice President Al Gore, quoted in Larry Reynolds, "Speeding Toward the Information Superhighway," *Management Review*, July 1993, p. 62.

² Former Apple CEO John Sculley, quoted in same article.

³ Peter Coy, "How Do You Build an Information Highway?" *Business Week*, September 16, 1991, pp. 108–112.

⁴ Hill, Ned C., and Ferguson, Daniel M., "Electronic Data Interchange: A Definition and Perspective," *EDI FORUM: The Journal of Electronic Data Interchange*, Founding Issue, March 1989, pp. 5–12.

⁵ Masson, D.J., and Ferguson, Daniel M., "The State of U.S. EDI: 1993," working paper, October 1993.

⁶ Hill, Ned C., "EDI in the U.S. Automotive Industry," invited paper in *Proceedings of the EDICOM Conference*, published by Korea Trade Network, Seoul, Korea, October 28–29, 1993.

⁷ Hill, Ned C., and Swenson, Michael, "Bergen Brunswick: An Update on an Industry EDI Leader," *EDI FORUM: The Journal of Electronic Data Interchange*, Volume 6, No. 2, August 1993, pp. 60–63.

⁸ Peter Coy, *ibid.*

⁹ "Bell-Ringer! How Bell Atlantic and TCI Hooked Up—And What It Means for the Information Age," *Business Week*, October 25, 1993, pp. 32–36.

¹⁰ "Merger Activity Is Up 29% This Year on Flurry of Telecommunications Deals," *Wall Street Journal*, June 16, 1993, p. C1.

Would My Company Benefit From EDI Implementation?

YES if:

1. A major customer says, "Adopt EDI or no more orders."
2. You send or receive many standardized documents, such as purchase orders or invoices.
3. You employ many people who manually key information from documents to computers and/or computers to documents.
4. You have time-sensitive documents (such as delivery orders) that must quickly pass from one computer to another.
5. You have long lead times—and consequently high inventory—that could be reduced by electronic communications.

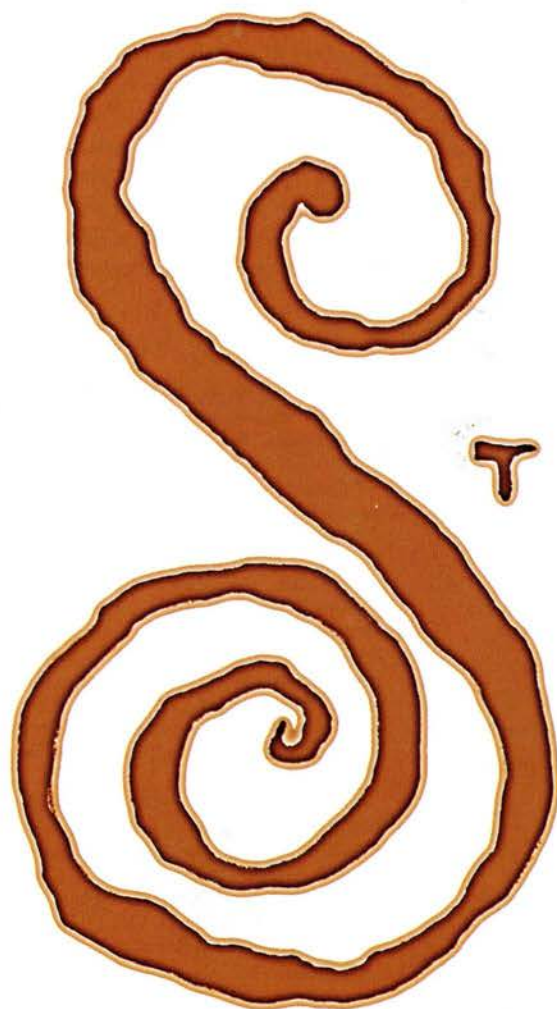
6. You need to improve customer service by getting a better handle on such things as order status, information accuracy, or timely response.

NO if:

1. Most of the documents you send and receive are person-to-person documents rather than computer-to-computer documents.
2. You have very few documents going to any one trading partner.
3. Your business communications are not very time or error sensitive.
4. You have little competition and enjoy large profit margins.

By Paula Maroney

President and CEO, The Maroney Group



STARTING

A N D G R O W I N G

A B U S I N E S S

IN earlier generations, many people felt that major corporations were where the major job growth and economic activity would occur. Today, however, many large companies are severely downsizing or even struggling for survival, and small businesses are seen as a vital key to economic prosperity. Perhaps my experience with starting my own company can provide some useful information for others who are thinking of joining the entrepreneurial movement.

GUIDELINES FOR STARTING AND GROWING A BUSINESS

Before starting a business, a person must have a strong desire, a motivating drive that will last throughout all the challenges that will be encountered. Many people envision a successful business but never get past the dreaming stage.

What type of business will it be? Will it sell products or services, or will it manufacture something? What unique marketplace need will it fill? Entrepreneurs must be realistic in assessing their strengths as well as their weaknesses. They must honestly evaluate their personal abilities to compete effectively in the selected marketplace.

There must be sufficient capital to avoid cash flow problems. Because most start-up companies take considerable

time to generate a profit, this economic insulation must be in place during the early critical period if the business is to survive. Many new businesses fail during the early phases of life, not because the business idea was bad, but because of insufficient capital to carry the idea to fruition.

A business plan is critical in preparing for a successful business. Business plans vary in formality, but the would-be entrepreneur needs to ascertain a business need and have a plan to meet the need. Financial needs and projected cash flow are critical information, particularly in working with lending institutions. In addition, a strategic plan must be formulated with detailed plans for the next six months, one year, and three years after beginning the business. Goals must be set with time lines and measurements for success.

If the business is to have a fighting chance, the product or service must be marketed. Potential customers must know there is a business that can meet their needs. Spending large quantities of money on marketing may not be necessary, but the money that is spent needs to be focused on the target audience.

As the business survives and grows, constant monitoring of business vital signs is necessary—sales, volume, referrals, quality of products. Without fail, government regulations and competition will constantly threaten the business. Education must be acquired to learn how to work with government regulations, and ongoing marketing plans must be developed to successfully deal with competition. Support is available from other entrepreneurs and business groups, such as the chamber of commerce and professional organizations.

Personnel issues are another ongoing concern. Employees who are more concerned about their personal welfare than that



of the company must be remotivated or removed from the organization. If allowed to remain, they will poison other employees and drain vital energy from the business. But removing these negative influences once doesn't mean similar problems will not surface. An entrepreneur will naturally attract other entrepreneurs who are interested in learning how to be successful in this industry. Once these entrepreneurs learn a certain amount, they often are anxious to strike out on their own, usually attempting to take part of the original organization with them.

Starting and growing a business is a complex process! The formula includes motivation + vision + risk taking + capital + marketing + preparation + nurturing + systems - negative influences \times perseverance. Entrepreneurs are constantly driven to move forward.

History of H&W Therapy

I started my business career in April 1969 in Colorado Springs, Colorado, and have experienced virtually all aspects of starting, growing, and maintaining a business. As a physical therapist just out of therapy school, I was presented with an opportunity to run my own department in a large (200-bed) skilled-nursing facility. I had enjoyed a positive geriatric experience during my training, and I felt I would enjoy an opportunity to work with seniors.

When the opportunity arose to contract my services to the facility, I was very interested. This would be an opportunity to be my own boss and to be rewarded for my own efforts. I had a strong desire to provide service and envisioned providing care for all the facilities in Colorado Springs, so I proceeded to do what was necessary to succeed. To prepare myself to bill Medicare for my services, I gathered information about Medicare, went through policy preparation and Medicare inspection, and became a rehabilitation agency. This positioned me for private practice, and H&W Therapy was born. I was one of the original private practicing physical therapists in Colorado.

In the beginning I took care of the therapy, and the administrative staff of the nursing facility handled the billing

and administration. This arrangement worked for a while, and then I took over everything myself. Initially, I treated nursing home patients at the 200-bed facility. I found I could perform this easily, so I sought and obtained nursing home contracts with four other facilities. I treated the patients with the help of an aide, but within months I hired another physical therapist and continued to expand. Soon, two more part-time physical therapists were hired, and I obtained contracts to provide therapy services to most of the nursing facilities in Colorado Springs.

In 1976 my family and I moved to Rye, Colorado, a community located 80 miles south of Colorado Springs. Pueblo, a city between Rye and Colorado Springs, eventually became H&W Therapy's corporate headquarters.

H&W Therapy has grown tremendously in the last few years. It has expanded to more than 25 clinics in five states and has contracts with numerous nursing homes and small hospitals. Services have been expanded from physical therapy to include occupational and speech therapy. Recently, home nursing services were added. The Home Health agency has increased in size five times in the two years of its existence. In the last four years, H&W Therapy has shown 300 percent growth.

Many challenges and problems have emerged with this type of growth, including the need to (a) decentralize and delegate, (b) maintain a qualified staff, (c) constantly watch all aspects of the business, (d) and develop relationships.

Decentralize and Delegate. When an organization reaches moderate size, management must become more sophisticated. In the beginning I provided or directly supervised marketing, personnel, patient care, and finance. I was the planner and the executer. With continued business expansion, I have added an administrative staff that assumes responsibility for each function.

Maintain a Qualified Staff. With delegation and organizational growth, personnel problems are an everyday occurrence. Therapists are hired, stay a while, and then move on. Some leave on their own, and some must be involuntarily dismissed. This turnover problem is particularly difficult in my industry because of the ongoing shortage of


physical therapists. Several of my therapists decided they wanted to be in private practice, and they inevitably began their practice with part of mine. One episode involved a nursing home and all my homebound patients. Another episode involved outpatients and several referring physicians. Each time it occurred, it was upsetting. Each episode involved a trusted employee. It would have been easy to give up, but the true entrepreneur regrouped and goes forward again with resolve.

Constantly Monitor All Aspects of the Business. All areas of one's business must be constantly watched over. The minute complacency sets in, trouble occurs. Health care is very dynamic. The entrepreneur must constantly watch for problems and look for opportunities to grow. The only choice is to go forward or go back.

Develop Relationships. To be successful, I found that much time had to be spent developing customer/facility relationships. These relationships were loyal when former employees sought to destroy H&W Therapy. Regardless of how many times sections of my business were involuntarily carved out, the firm has continued to grow. I feel this is due in large part to relationship development.

The Life of an Entrepreneur

Many successful business careers in the future will be linked to small business. Entrepreneurs are a critical element of revitalization in today's economy. But an entrepreneur attempting to grow a business can count on many hours, days, and years of hard work. Sixty to 80 hours a week is realistic. Eventually things may get closer to 50 hours a week, but that may take years.

People who are looking for glory, leisure, and lots of money shouldn't start their own business. If all goes well, they may experience all those things with time. But in the meantime, they must be prepared to take great risks, work long hours, realize little glory, and get paid at less than normal rates. It requires hard work, innovation, and faith to carry on when things get really tough. More importantly, perseverance is the key—a successful entrepreneur never gives up. That's the life of an entrepreneur. 

International Focus: Alemayemu "Alex" Eschete

The Marriott School of Management's MBA class of 1995 includes 28 percent international students representing 20 countries. In an environment already more than 80 percent bilingual or multilingual, this high international enrollment further enriches the ethnic and cultural diversity of the school's business programs.

However, the advantages of such high international enrollment go beyond their business applications. While the international students learn management skills that will ultimately serve both themselves and their native countries, often their backgrounds and personal experiences contribute significantly to a broadened education for their fellow students and the MSM faculty.

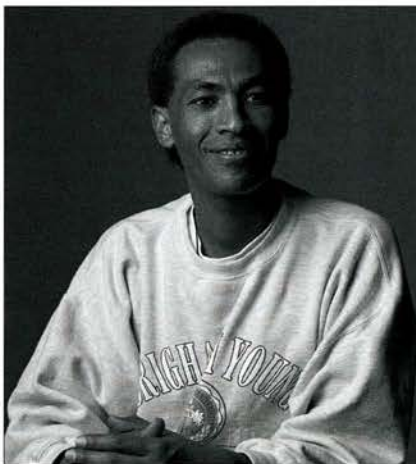


ALEMAYEMU "ALEX" ESCHETE is one outstanding international student contributing such diverse experience to the MBA program. Alex, a native of Ethiopia, is especially noted for his lifelong battle for truth. In 1977 the Ethiopian Marxist revolution brought the dictator Mengistu Hailemeriam to power, and Alex's parents, as landowners, were among the many who were persecuted because of this change of rule. Only nine years old, Alex was thrown in prison, as were other members of his family. During the following year he and his 11 brothers and sisters lived in uncertainty while his father remained missing. Later, Alex stood by while officers killed his brother on the street. This was only the beginning of many brutalities he would witness in the country of his birth.

Alex served several prison terms in Ethiopia because of his desire to be free and independent. Frustrated by the continual injustice of the government, Alex tried to flee Ethiopia when he was 19. After six days of travel to the Kenya border, he was arrested and imprisoned, wherein he was elected to represent his fellow inmates. He was released a year later because he refused to conceal the

injustices of the prison officials.

To earn money for his family some time after his release, Alex obtained permission to use his father's confiscated tractor to bale hay. He drove 200 kilometers to the countryside and worked two weeks before being arrested as a capitalist. The prison guards tortured and executed many prisoners, but



Alex was not abused as badly as the others during the year he spent there, which he attributes to his faith in God.

Ukrainian Education

Despite continual tension with the Marxist government, Alex secured a scholarship to study economic planning in the Soviet Union. Once there, he continued to struggle against restrictive political forces.

As a university student Alex was expected to take part in a daily ritual of singing praises to Lenin and gazing at a depiction of the United States on top of piles of dead bodies. Alex refused to participate in either practice; unlike many other students, he could not be deceived about the United States because he had experienced Western influences in Ethiopia before the revolution.

While in the Ukraine, Alex organized a political opposition group that secretly discussed and published methods of overthrowing the Ethiopian

dictator. He spoke so openly about his disagreements with the government that his living allowance was reduced.

Three times during his stay in the Ukraine Alex fled to Germany in hopes of permanent escape, but although the Iron Curtain had fallen, he was denied refuge and was returned to the Ukraine by the German government each time. Alex also attempted to escape to Poland.

In part, Alex's frustrations at school motivated his efforts to escape. Professors teaching capitalism, religion, and other subjects new to the Soviet Union were untrained and inexperienced, and in many cases Alex exposed untruths in their teachings. Because he freely spoke the obvious, Alex was treated as a troublemaker by teachers and students alike. One teacher even sent him to a mental hospital.

Another restraint for Alex was widespread bribery at the university. Professors emphasized that the Ukraine was financially assisting the people of Ethiopia, but instead of helping Alex they required him to bribe for the grades he earned. His refusal to submit caused him further difficulties.

After three and a half years in the Ukraine, Alex found a confidant in Chris Herrod, a young BYU graduate teaching English at the university. Chris recalls that Alex's first words to him were: "Would you like to talk about politics?" Chris was immediately interested. He was the first person with whom Alex could share his frustrations without fear of being betrayed. Their friendship soon became strong, and Chris wanted Alex to experience the United States and BYU. Despite numerous barriers, Chris Herrod and his family helped Alex apply to BYU's MBA program and brought him to the United States.

Others' Observations

In Chris Herrod's eyes, Alex's experiences illustrate the blatant abuses in many parts of the world. Few people on earth are compelled to pay a high price for truth, but some are willing to do so. Chris affirms that "Alex sees the big picture that everyone misses" because he has worked so hard to uncover truth. Chris encourages people living a safe,

peaceful existence to more fully appreciate truth and be willing to defend it. He is currently writing Alex's life story.

Kaye Hanson, associate director of the MBA program, says that Alex "is always willing to try something new or different," which greatly helped him when visa difficulties prevented him from joining the MBA class until two weeks after classes began. Dr. Hanson admires Alex's ability to persevere despite the constant obstacles he has faced in life.

Alex's Philosophy

Alex is a natural teacher and loves to discuss the purpose of life just as he thrives on politics. Alex's message is that "each of us should be a person with a purpose. People should use the challenges of life to change the world for a better way."

He observes that people all over the world have the same ambitions, feelings, and wishes for the future. Despite his difficulties in the Ukraine, the people there are "like my brothers because they are human beings just like me." Alex urges all people to avoid the constraints of self-established cultures and unite with one another.

Because Alex is unable to work while in the United States, he relies on supporters of the Ethiopian Student Scholarship Fund, which is directed by the Niles Herrod family. The fund has paid for his airfare from the Ukraine and finances his tuition, books, food, and housing. "We've got it so good that if we can help someone of Alex's caliber, we're excited to do that," says one donor. If you are interested in similarly assisting other MSM students, please contact:

Marriott School of Management
Financial Aid
730 TNRB, BYU
Provo, UT 84602

If you would specifically like to participate in the Ethiopian Student Scholarship Fund, please contact:

Dr. Niles W. Herrod
777 N. 500 West
Provo, UT 84601
(801) 375-4707

BYU Experience

Alex loves his life at BYU and is especially impressed with the professors, who he describes as "loving and helpful." When Alex arrived at BYU two weeks late for the MBA program,

he was amazed when his accounting professor hired an assistant to help him catch up. "I can only say good things. You can't compare BYU with any other place in the world."

Future Ambitions

When Alex returns to Ethiopia, he will continue his work to improve his tribe's representation in the government. In addition, he will strive to help people become more productive and self-sufficient. He wants to develop the country economically, applying the "real" business culture he is experiencing in the United States. He plans to achieve this goal in part by eventually starting his own manufacturing business. He also shows potential as an effective representative for Western companies entering Ethiopia.

While learning the fundamentals of business that will prepare him to serve his country, Alex is discovering that people love him and that many in the world are on the "good side." He in turn builds those around him by sharing his experiences and insights. As do many other international students, Alex Eschete contributes to the rich diversity of the Marriott School of Management. ■

MSM Mentor Program Offers Students Unique Opportunity

LEARNING what successful people do each day, how they make decisions, what occupies their minds, and how they handle failure just isn't obtained from traditional textbooks. Several years ago the realization of that educational "gap" led Marriott School of Management Alumni Board and National Advisory Counsel (NAC) members to initiate discussion about how to correct it. Ultimately, they concluded that "a huge network of successful BYU alumni exists, yet students haven't been able to capitalize on this resource," recalls Jack Kane, alumni board member. At that time the members became involved in creating what is now known as The Mentor Program.

The Mentor Program gives business students the unique opportunity to

draw on the experience and wisdom of successful businesspeople who are affiliated with the MSM. The program provides a framework in which students can contact volunteer BYU alumni and friends for career counseling and networking.

Ronald E. "Ron" Malouf, chair of Malouf Company, former NAC chair, and former Management Society national president, observed, "The Marriott School's Mentor Program is providing a direct line for students to the world of business and management. Through the mentoring process, lifelong friendships are built. I know from personal involvement with students how valuable this can be."

The program is not designed to facilitate job placement; rather, its purpose is to put students in touch with the real

world by developing relationships with experienced businesspeople. Jackie Donovan, a junior with an emphasis in accounting who was placed with Arthur Anderson, commented, "The Mentor Program provided me with a great opportunity to learn what it's really like to work as an accountant for a Big Six firm. Since doing so, I'm really excited to graduate next semester and to get out in the real world."

Kregg Hale, chief operating officer of The Physical Therapy Source in Provo, Utah, has been a mentor since the program's inception two years ago. He says of the experience: "Mentoring allows me to be a source of valuable information that's just not available in textbooks. If I can share with a student the wisdom and perspective I've gained over the years, I'm happy to do it."

Common Questions About the Mentor Program

What Are the Responsibilities of the Mentor?

The mentor is an information source for students, rather than a means of securing employment. Since the mentor is not responsible for finding the student a job, a low-pressure situation is created, and the student can feel comfortable asking whatever questions he or she might have.

Since the mentorship generally lasts for one academic year, meeting with the student may only be possible for mentors visiting BYU campus or living in the area. Personal meetings are not necessary but are encouraged as they provide for a better relationship.

Furthermore, responsibilities may include answering questions, giving objective opinions and suggestions, sharing experiences, and being reasonably available for periodic phone conversations or visits.

Who Can Be a Mentor?

Anyone who has valuable business experience can be a mentor. Generally, mentors include members of BYU's Alumni Board, National Advisory Council, Entrepreneur Founders, and other alumni and friends of the school. Students benefit from mentors who are business executives, managers, and entrepreneurs willing to provide career counseling, advice, and experiences.

What Happens Once I Volunteer?

A volunteer's personal data is included in a database available to students. When selected by a student, the mentor is initially contacted by the program office or by the student. Thereafter, mentors are not expected to contact the program office but are encouraged to make suggestions or share experiences.

A representative of the Mentor Program will periodically contact mentors to evaluate the participants' experiences, receive feedback, and gain insight into the mentoring relationships.

How Are Mentors and Students Matched?

Students select their own mentor based on career plans, job objectives,

and specific industry preferences. Due to the variety of career orientations and interests, some mentors will be contacted or work with students more often than others. If a mentor is not assigned to a student or not contacted regularly, he or she is encouraged "to be patient and to stay involved," says Emily Hart, director of Alumni Relations.

If you are in an area of business that is of less demand to current students, you may not be contacted regularly. Don't become discouraged. The program is growing, and students are becoming more involved all the time. Volunteers who remain involved even when not selected as a mentor are essential to the success of this program.

Willingness to be included in the database as a potential mentor improves the quality of the program by giving students a varied selection of business professions, expertise, and experiences.

What Types of Questions Are Asked of Mentors?

Students are encouraged to use the mentor relationship as a networking channel as well as an information

source. While the mentor is not responsible for finding the student employment, students will generally ask questions regarding opportunities within your firm or particular field, interviews, career choices, salaries, etc.

How Do I Become a Mentor?

"Why would you not want to be a mentor?" responded mentor Colleen King when asked how she would encourage a colleague who was interested in becoming a mentor. "My desire to have had the opportunity as a student to talk to someone with business experience led to my becoming a mentor. And I've loved saying to the kids, 'I'm a resource, take advantage of my experience!'"

An information request form is included below. To become involved immediately, call Norman Nemrow, Mentor Program director at (801) 378-3029.

Past Mentors Share Their Experiences

Jack Kane

Jack Kane regards student-mentor relationships as "a great opportunity

VOLUNTEER FORM

Name _____ Phone _____

Address _____

City _____ State _____ Zip _____

Employer _____

Title _____ Phone _____

Business Address _____

City _____ State _____ Zip _____

Please send me information about the following program(s):

- ☐ Mentor Program
☐ Day on the Job
☐ Speaking or Club Activities

Additional comments _____

Please return to Marriott School of Management, Alumni Relations Office,
490 TNRB, Brigham Young University, Provo, UT 84602.

for a student to sit in a nonthreatening environment and ask questions, no matter how silly they may be. As a student, I would have appreciated having had a successful businessperson to answer my questions; I would have really appreciated that."

Colleen King

Mentor Colleen King spent time with her student counterpart, Michael Gedris, while she was visiting BYU campus in December 1993. "Michael had been asking me a great deal about the process of choosing a career and about making decisions.

"At the Mentor Luncheon held during the 1993 fall semester NAC meetings, I gave him some assignments; I asked him to do a short exercise. My objective was to help facilitate his decision-making process without telling him what to do. I wanted him to make the final decisions. The next morning we met for breakfast, and he shared with me the results of the exercise and the decisions he had made. He seemed to have made a fantastic decision! I'm glad to have had the chance to be a resource."

Kregg Hale

"I don't feel obligated to be a mentor;

I feel it's a chance to give. One hour on the phone could be incredibly beneficial to a student. I probably haven't given up more than five hours this whole semester. I know that as a student I could have benefited from that kind of help."

Living in Provo, Kregg has a better chance of interfacing with his students but says he'd encourage businesspeople in other areas to become involved as well. "If a colleague asked what I thought about their becoming involved in the program, I'd point out that there's probably a student who needs their help." E

School of Accountancy and Information Systems: One of the Nation's Best

TO BE CLASSIFIED as an excellent accounting school at least four criteria must be met," states Dr. W. Steve Albrecht, director of BYU's School of Accountancy and Information Systems (SOAIS). "Those criteria include: competent faculty, contemporary curriculum offerings, outstanding student body, and visible industry and alumni support." Based on this philosophy, Dr. Albrecht and others have been instrumental in making BYU's accounting program one of the top in the nation.

According to the 12th Annual Professors' Survey, published in the August 15, 1993, issue of *Public Accounting Report*, BYU's undergraduate program rose to third in the 1993 rankings, up from last year's fifth place. The survey also ranked BYU's graduate program sixth in the nation, an increase from its 1992 ranking of seventh. The rankings are taken from selections made by chairs and professors at the nation's accounting schools.

Albrecht attributes much of the program's increased national visibility to a \$250,000 grant received by the School of Accountancy in 1990 for stimulating innovative curriculum changes and improving methods of instruction. Each of the four areas specified by Albrecht—curriculum, faculty, student body, and industry support—

have been enhanced as a result of the grant and subsequent curriculum innovations. The following information summarizes changes and strengths in these four areas, as key elements in what makes BYU's School of Accountancy one of the best professional accounting programs in the nation.

■ CURRICULUM

Motivation for Change

In 1986, the American Accounting Association "Bedford Committee" report concluded that "current university accounting programs are failing to recognize the extensive changes taking place in technology, in societal values, and in social, government, and business institutions." The report

identified several skills and knowledge competencies that should be taught in university accounting programs. Another report, "Perspectives on Education: Capabilities for Success in the Accounting Profession," issued in 1989 by the partners of the then eight largest international accounting firms, reiterated the Bedford Report conclusions.

Subsequent to the Perspectives paper, the Accounting Education Change Commission (AECC) was created, funded by a \$4 million contribution from the eight largest CPA firms. The AECC funds curriculum change projects at universities and community colleges, one of which is Brigham Young University.

Although BYU has always had a strong accounting program, in 1989

Top 5 Undergraduate Programs

1993 Rank	School	1992 Rank
1	University of Illinois	1
2	University of Texas	2
3	BYU	5
4	Univ. of Southern California	3
5	University of Michigan	4

Source: *Public Accounting Report*, August 15, 1993

Top 6 Graduate Programs

1993 Rank	School	1992 Rank
1	University of Illinois	1
2	University of Texas	2
3	Univ. of Southern California	4
4	Stanford University	3
5	University of Michigan	6
6	BYU	7

Source: *Public Accounting Report*, August 15, 1993

the accounting faculty identified weaknesses in its educational package. As a result, an SOAIS faculty task force began meeting biweekly to consider changes to the SOAIS curriculum. The task force focused on the competencies identified in the Bedford Report and the Perspectives paper, and identified a suitable curriculum for teaching these competencies.

At the time, the accounting faculty voted unanimously to apply for an AECC grant and to focus the curriculum change on courses typically taught in the junior year. As a result of receiving the grant, a "junior core" curriculum was developed. The changes required significant adjustment to the program, but the curriculum restructure has been successful and well received.

Eight Curriculum Innovations Adopted

Consequently, BYU's accounting curriculum was recognized as "today's most successful innovation in accounting education." The award, which was presented at the 1993 American Accounting Association meetings in San Francisco, was given to BYU based on the following eight curriculum changes developed by SOAIS faculty:

- *Integrating Nontechnical Skills With Technical Accounting Instruction*

Competencies such as communication skills, interpersonal skills, critical thinking, and efficiencies under imposed pressures and deadlines are now part of each classroom experience—in addition to the traditional technical, content-based competencies.

- *Organizing and Integrating Technical Content by Business Cycle*

Business cycles now provide the curriculum structure for introducing technical topics. Within the framework of business cycles, such as sales and collections, acquisition and payment, etc., topics traditionally taught in several different classes are covered once from the perspective of all functional areas of accounting. The "overall big picture" helps students see integration

and dependencies of all areas of accounting.

Skip D'Orazio, Partner in Arthur Andersen & Co., complimented BYU's innovations when he said, "I can see why it is ranked so highly on a national basis. Their recent experience with an innovative approach to teaching accounting curriculum from a business cycle standpoint utilizing group projects to accomplish the learning is very exciting to see."

- *Teaching Business-Events Systems Approach*

Systems faculty introduced external and internal agents and resources

- *Using a Faculty Team Approach to Planning, Teaching, and Evaluation*

Faculty meet weekly to discuss grading, assignments, coordination, teaching plans, and outcome measurements. Where possible, professors from different functional areas have team-taught integrated topics. Team planning and teaching have increased faculty unity.

- *Developing Detailed Teaching Plans for Each Class Period*

To facilitate team-teaching and content integration, common teaching plans were developed to specify content of each class experience. These teaching plans, with accompanying

Curriculum, faculty, students, and alumni and industry support have made BYU's professional accounting program one of the best in the country.

involved with business cycles and system characteristics that best capture the key information concerning events. Thereafter, systems concepts can be incorporated in other topics: financial, tax, managerial, and auditing.

- *Using New Teaching Strategies*

Students are not only learning technical information but are also becoming more balanced through activities such as student oral presentations (some videotaped), more class discussion, and in-class writing assignments. Also, group interaction both in and out of the classroom, oral examinations, and more essay questions and case studies on written examinations have been implemented.

- *Grading Nontechnical Competencies*

The faculty developed evaluation documents and procedures for communication skills, group activities, and other unstructured involvements. Students are responding more aggressively to the nontechnical competency activities now that they are being evaluated on their progress.

supplemental material, are the basis for student packets that are sold to junior core students.

- *Using Textbooks as Resources Rather Than Allowing Them to Drive Curriculum*

Case studies as well as extensive readings from *The Wall Street Journal*, *Business Week*, *Forbes*, *Fortune*, and other periodicals are used to provide current and relevant applications to the educational process. Students thus become better acquainted with the real world.

Dominic Tarrantino, AICPA chair and partner in the New York City office of Price Waterhouse, stated his confidence in the program's curriculum.

The new core curriculum trains people to deal with issues as they occur in the real world from a multifaceted perspective. An acquisition can't be addressed from just a tax perspective, but rather from an overall business perspective. Concurrent study of the audit, accounting, tax, systems, and business aspects helps BYU students address the right issues with the right approaches.

BYU Hosts Curriculum Seminar

As a result of developing the model curriculum, BYU hosted a seminar to instruct other schools on specific curriculum topics. Representatives were selected from each of 26 schools that submitted attendance proposals to

The Program at a Glance

Freshman and Sophomore Years

Students complete general education, pre-business, and pre-accounting requirements.

Junior Year

Accounting students enroll in integrated, team-taught program of three hours classroom experience, four days a week, for one academic year. At the year's end, students apply to five-year master's program (MAcc) or elect to graduate with a four-year bachelor's degree.

Senior Year, First Semester

150 students are accepted into the MAcc program. They join MBA and MOB (master of organizational behavior) students for a team-taught, three-hour-per-day, integrated program. Bachelor's students and those not admitted to MAcc take undergraduate courses.

Senior Year, Second Semester

MAcc students specialize in tax, information systems, or professional accounting. Bachelor's students complete their degrees.

Fifth Year

MAcc students continue specialization in one of the accounting areas. Graduates receive both master's and bachelor's degrees in accounting.

the Accounting Education Change Commission. The AECC invited BYU to host the conference "because of its excitement for the curriculum that BYU developed," commented Albrecht, who hopes "other schools will follow BYU in focusing on expanded competencies, relying less on lecture-based instruction, and rethinking their curriculums."

■ COMPETENT FACULTY

The backbone of BYU's successful curriculum is the program's faculty, a group comprising some of the most knowledgeable, competent professors in the United States. "The faculty has demonstrated creativity and receptivity to change in the new junior core program, as well as changes in the MAcc program," commented Rick Sanders, partner for the San Jose office of Deloitte & Touche.

Among other qualifications, three key characteristics make the Marriott School of Management's accounting faculty exceptional: relevant research and publication, concern for teaching, and meaningful interaction with the business world.

Research and Publication

Faculty research and publication achievements and overall performance are reviewed and evaluated periodically by program directors. Those who teach in the SOAIS maintain not only a high caliber of teaching but are also expected to conduct research and to publish applicable information.

Dr. Albrecht, who conducts one-on-one faculty reviews, says he is "impressed with the visibility and international scope of the research and publication coming out of BYU." He added, "Faculty members are participating in applicable professional research and publication that relates to the classroom instead of delving into topics of a less useful nature."

One of the advantages BYU students frequently have is to be taught by professors who are also authors of the textbooks and resource materials being used in class. The current

accounting curriculum has available BYU faculty-authored textbooks for introductory accounting; managerial accounting; partnership; incorporation; and estates, gifts, and trusts taxation.

These texts and materials are used nationwide in other schools and in professional continuing education programs. They are considered to be some of the best in the field. In addition, faculty from other Marriott School departments that offer elective classes to accounting students are accomplishing the same level of excellence in the classroom and from the publisher's desktop.

Teaching and Mentoring

"While the School of Accountancy has recently increased emphasis on research and publication, the SOAIS has always enjoyed a reputation for outstanding teaching," recalled Ernst & Young partner Scott Peterson of the San Francisco office. "While students at many top-20 programs may have little or no exposure to the 'name' faculty and spend much of their academic careers learning from graduate assistants, at BYU all of the top faculty are intimately involved in teaching and mentoring students."

According to program directors, SOAIS faculty have been asked to shoulder very heavy teaching and research loads in the last three years. The new curriculum is significantly more labor-intensive than ever before and requires much more than merely preparing lectures. Nevertheless, faculty members have not diminished the quality of their teaching.

"Our teaching philosophy here at BYU," explained Dr. Albrecht, "is that the student is the customer." And just as customers, students have the prerogative to give feedback to faculty through written evaluations. At the end of each semester, students complete written professor evaluations for each class. A great deal of emphasis is placed on these evaluations in faculty reviews and in subsequent merit increases. However, "SOAIS professors excel because they want the students to succeed."

Practical Industry Experience

MSM faculty members are not only competent professors but they also are respected as professionals and consultants. Dominick Tarrantino, AICPA chair and Price Waterhouse partner, said of the faculty, "they are highly regarded well beyond the confines of Provo, Utah." Many faculty teach continuing education courses for large accounting firms as well as developing curriculum for training programs. Other professors are in touch with business leaders through administrative roles.

According to a current MAcc student planning to graduate in December 1994, "Faculty who have exposure to the real business world share their insights and experiences in the classroom." Another commented, "Professors who have interaction with industry or who have administrative obligations are adequately available to help me outside of the classroom. They have an 'open door' policy and are very willing to spend time answering questions outside of office hours."

■ OUTSTANDING STUDENTS

Several factors indicate that as a result of the School of Accountancy's new identity, both the number and quality of applicants have increased. Applicant screening processes, national achievement, and views of industry leaders speak highly of BYU's accounting students. Why?

Screening Process

Students entering the School of Accountancy and Information Systems are screened at least three times. Admittance to BYU is an accomplishment for any student, considering average high school GPA and ACT scores of freshman are 3.7 and 26.2, respectively.

The second screening, admission to the Marriott School of Management, is referred to by students as the "weeding-out stage." Those accepted to the MSM generally have an average university GPA of 3.4. At this point, administrators expect a fine group of applicants from which to choose 240 students per year for admission to the SOAIS. With

an average GPA of 3.59, incoming SOAIS students are prepared for the academic demands of the program.

Furthermore, only a select 150 students are accepted to continue in the Master of Accountancy Program. Because of the general excellence of the student body, both master's and bachelor's students are highly sought by industrial and professional firms.

■ ALUMNI AND INDUSTRY SUPPORT

Contributions

In his director's message published in the fall 1993 issue of the SOAIS newsletter, Dr. Albrecht commended the "tremendous alumni and friends" of BYU. The school depends on "donations from SOAIS alumni and friends in support of the accounting program." Albrecht gave an example of four partners in one CPA firm, the firm's only BYU alumni, who each made a five-year commitment to contribute several thousand dollars per year to fund a \$250,000 professorship." Dr. Albrecht expressed gratitude in his newsletter message to "those four and to all alumni who support the SOAIS financially."

"Financial contributions to the SOAIS are still only 1/30th the amount contributed annually to the accounting department at USC, a school BYU leapfrogged last year in the national rankings," Dr. Albrecht noted. He also pointed out that, while generous, LDS Church resources for the program are limited. "In order to stay competitive with top schools, additional operating funds must be raised." The school encourages graduating students to become involved in donating early in their careers. Even if donation amounts seem insignificant, the support does make a difference. Some firms match employee donations, a practice that significantly benefits the SOAIS.

Recruiting

The SOAIS is known for its high job-placement success. One master of taxation student who interviewed on campus commented, "I interviewed with five firms, and all five gave me

offers." Similar success has come for most job-seeking students at both undergraduate and graduate levels. In fact, of the 108 1992-93 master's-degree graduates who interviewed on campus, 100 percent received at least one job offer. Of the undergraduate class, 97.4 percent received offers. "We're proud of those statistics," commented Jay Irvine, MSM placement coordinator.

Mark Chain, Deloitte & Touche partner, said, "When I think of BYU graduates, a number of attributes come to mind, including mature, focused, well-educated, high achievers, strong work ethic, excellent interpersonal skills, and leadership experience." Ernst & Young partner Scott Peterson added that "Many BYU students, by virtue of their voluntary Church mission experience and general background, tend to be more mature and serious about their careers." Peterson commented further:

"We find BYU students have a number of qualities that, compared with their peers at other universities, put them in very select company. Admissions criteria are very high. Few, if any, programs can claim such a high percentage of students who have lived overseas or who have fluency in a foreign language. As a result, Ernst & Young has designated BYU as a National Focus School for recruiting purposes."

The number of undergraduate and graduate students placed through on-campus interviewing this year is higher than national averages. While *USA Today* claimed that 1993 on-campus recruiting dropped 7 percent over 1992, "according to a survey of 245 employers by the College Placement Council in Bethlehem, Pennsylvania," BYU's recruiting remained strong. "I'm not complaining," said one BYU MAcc student. "Now all I have to do is decide which offer to take. Recruiters really want BYU students."

BYU's accounting program will continue to be a valuable contributor to the accounting industry. Dallas Bradford, office managing partner of Arthur Andersen's Salt Lake City office, described BYU's current accounting program as being "positioned to maintain an outstanding level of excellence for many years into the future." ■

A CASE IN POINT

The cases presented here are intended to encourage reader participation. Each one provides a challenging, true-to-life management situation. Please share your solution with EXCHANGE readers (see instructions at the end of this article).

The Previous Case

You are a well-respected manager in a visible, publicly held corporation. Recently you were assigned to a three-member team responsible to research public interest issues that the CEO of your firm must deal with as a member of a governor's task force. The other two members of your team, like yourself, have solid business school backgrounds and good performance records since joining the company. Fortunately, despite the obvious potential for competition between you, the three of you are quite compatible. So far, you have demonstrated an ability to work well as a team.

Now, however, a problem has developed. In the course of putting together biographical files on the three of you, a staff secretary has uncovered evidence suggesting that the academic credentials of one of your colleagues are falsified. Her reason for compiling the biographical information was to respond to a news media request for it. (To increase public visibility for his task force, the governor has convinced a local daily newspaper to run weekly "spotlights" on its members and on their support staffs.) The secretary—who is relatively new and inexperienced—has now shared her findings with you and asked you to please take care of it. The secretary's documentation of the discrepancies is very thorough, and there appears to be no recourse but for you to notify the CEO that one of your two teammates did not achieve the prestigious business school recognition that has been claimed.

As you consider how to approach the CEO, you realize there is a great deal of personal risk in making such an accusation. Clearly, exposing the falsification now may save the company—as well as the CEO and possibly even the governor—from possible future public embarrassment if your colleague's embellished credentials are published, then challenged. However, there is the very real risk of your being seen as one whose only concern is getting ahead, whatever the cost to other people. You have the alternative to leave the firm, of course, but you know you'll have trouble finding a job with the kind of pay you're enjoying.

Uncertain of the best course of action, you decided to take a former boss within the company into your confidence. Earlier today you shared your dilemma with him and asked his advice. "Just keep it to yourself" was his counsel. "The chances of it ever being a public issue are remote," he observed, "so don't mention it to anyone, and tell the secretary to do the same. If you expose the other guy, everybody in the company who hears about it will say you did it out of personal ambition. Then you'll get branded as a backstabber, and your career will be over around here anyway."

Your Solutions to the Previous Case

- Your case makes some erroneous assumptions: 1) That I am responsible for sharing knowledge discovered by someone else that does not pertain to me personally; and 2) That each individual who now has knowledge of the accusation or the truth—the secretary, the former boss, and my colleague—have a lesser obligation than I do in telling the truth.

Total responsibility in responding to the charges of falsification of academic credentials is in the hands of my colleague—not me. I would let him know what I know and who else knows. *He* must decide to either respond to the charges or ignore them.

—Joseph E. Gonzalez
Phoenix, AZ

- Clearly there are absolutes. Truth will be forthcoming in the case study. If the secretary could uncover the problem with her limitations, it is an absolute that others will be able to do the same and will. Both the CEO and the team member should be given the results of your information in writing. It will be their decision how to handle the matter, not yours. If your job is lost, that wasn't one of the absolutes anyway.

—R.L. Johnson
Tucson, AZ

(Editor's note: R.L. Johnson reports that a very similar situation was played out through a community college in Tucson. An administrator falsified academic credentials to get a job and ended up losing the job when his ruse was uncovered. He comments further that "...the matter played very well in the newspapers and, in the process, almost destroyed the administration of the community college and even put the accreditation of the school in question.")

- Inform the suspect team member in writing of your discovery and how you discovered it. Tell him the information needs to be corrected, if in error, and that you will be willing to independently verify the corrections to avoid any follow-up questions. Explain the importance of verification to avoid any possible future public embarrassment to your organization's reputation.

Offer to discuss it further with him if the credentials are in fact false. If he confesses, advise him to inform the CEO himself. Give him a time frame to resolve the problem after which you will be forced to inform the CEO. Provide the secretary with copies of this correspondence as verification of your good faith actions. The problem is *his*, not yours.

—Michael R. Phillips
Fruit Heights, UT, MPA '81

• I would go to the team member and confirm or disprove the falsification of his credentials. I would discuss with him the potential embarrassments that could come upon our superior and company and ask him how he thinks the matter should be handled. If the transgressor did not resign from the team or go to the team organizer and rewrite his biography, I would then bring the matter before our other fellow team member, willing to abide with the unanimous decision, resigning myself if the decision was not according to my conscience.

If my resignation required justification, my response would simply be, "I differed in principle with others of the team."

—C. Larry Jeppesen
West Chicago, IL

• I don't have a "dilemma"—and would not have gone to my "former boss." (He is out of the loop anyway because of his answer.) My teammate is the one who has the problem.

Privately, I would give all the history and information that I received from the secretary to my teammate and let her "handle it."

—Robert O. Eleson
Belmont, CA

• The issues are fairly simple. The company is visible, publicly held, and researching a public interest issue. The team should be composed of people who have honesty, integrity, and a feeling of fiduciary responsibility. As part of the team I need to meet these guidelines myself.

As for my coworkers viewing me as an opportunist, I refuse to compromise my integrity simply because my standard contradicts the opinions of others. I have a duty to the CEO, the shareholders, and the public, which I take seriously.

The CEO needs to be informed so that he can deal with the individual involved. If he chooses not to, then at least I have fulfilled my responsibility and maintained my integrity to those I represent.

—Michael C. Meyers
Orem, UT

• The only option considered to date is to take the information on the colleague's questionable credentials directly to the CEO. I would discuss the secretary's discovery with the colleague. We have worked well together. He deserves an opportunity to explain or to confess. In any case, the problem is really his. A recent scandal involving a Texas official who did not earn the degree she claimed to have led to her resignation, her trial by the media, and political damage to the governor.

—Jeff Kirk
Tomball, TX

• A two-step approach is recommended: First, confront the colleague with the findings, offering the opportunity to explain or acknowledge the facts. In the event he cannot explain the record and refuses to reveal his past to management, the second step is to present the facts to the CEO.

This is a "no-win" situation from which none can profit. The approach recommended minimizes the damage. If the facts are not made known now they will surely be discovered later by others. The resulting damage of implication of a "coverup" would be devastating. The integrity of the firm and upper management is at risk, as the press is ruthless with such situations.

—C.T. Asay
Austin, TX

The New Case


You are the owner of a local food processing plant. Your company sorts, cleans, cuts, cooks, and cans fruits and vegetables brought to you by local farmers. Most of the heat for your cooking operation is provided by antiquated furnaces that burn recycled motor oil for fuel. The oil doesn't burn entirely clean, but it meets minimum EPA emission standards and it's cheap, so you burn it anyway, despite the complaints of some local citizens. The complaints are mostly from people who live nearby, but they are largely offset by the support of local merchants and employees who are grateful for the jobs and the income the plant provides to surrounding communities.

Recently, you read an environmental report in a local newspaper suggesting that the recycled motor oil you are burning in your furnaces is the primary source of airborne contaminants, such as arsenic, lead, and zinc, that cause bronchial infections among children. The local and network TV news programs have also covered the study widely, and local reporters have singled out your firm as an offender. According to one newspaper, the Environmental Protection Agency will likely raise its standards within the next year to require plants like yours to phase out the burning of recycled motor oil.

Your challenge is a complex one. There's more to it than

the obvious trade-off of clean air for jobs. If you decide right now to stop burning used motor oil, your marginally profitable company will have to incur considerable debt converting to natural gas furnaces. An alternative is to modify the old furnaces for gas, but you're unsure how long the old ones will last or if they're even safe enough for gas-burning. It could cost as much to modify them as to replace them. Another concern is plant closure during modification or replacement. In recent years it hasn't been necessary to close for part of the year because you've managed to arrange for a year-around supply of imported fruit and vegetables. In fact, it is the ability to run the plant throughout the year that has kept the company profitable.

What Would You Do?

Please explain in 125 words or less how you would handle this situation and why. Send your response to *Exchange* magazine "Case Solution," Marriott School of Management, 588 Tanner Building, Brigham Young University, Provo, UT 84602. Please include your full name, plus your degree and the year it was conferred if you graduated from the Marriott School. If you did not attend the MSM, please provide us your full name and current city and state of residence. 



BY EARL H. FRY
& LEE H. RADEBAUGH

.....

NORTH

P R O S P E C T S A N D C H A L L E N G E S

AMERICAN

On January 1, 1994, the North American Free Trade Agreement (NAFTA) came into effect after being approved by the national legisla-

tures in Canada, the United States, and Mexico. Within 15 years NAFTA will create a free-trade zone of note-worthy characteristics:

- an area of over 21.3 million square kilometers, extending from the Yukon to the Yucatan; ■ a population base of 370 million people
- an area with a combined annual gross domestic product of \$6.7 trillion; and ■ a three-way merchandise trade of nearly \$270 billion annu-

ally.¹ NAFTA will also unite economically

three federal systems in which governing

authority is divided constitutionally between

ECONOMIC

the national government and state/provincial governments. Indeed, businesses that hope to take advantage of NAFTA must learn to contend

with a governmental maze consisting of three national governments, 91 state/provincial governments, two federal districts, five major terri-

torial governments, and tens of thousands of county and local governments. ILLUSTRATION BY CAROL NORBY

INTEGRATION



NAFTA: Its Origins

Undoubtedly, both the Canada-U.S. Free Trade Agreement (FTA) and NAFTA were partly a reaction to regional economic integration occurring on other continents. The most significant of these is the European Union (formerly the European Community), with 12 nations, 350 million people, and a \$6.5 trillion combined GDP. Most of the major provisions contained in the Treaty on European Union (the Maastricht Accord), signed November 1, 1993, are expected to be implemented by the end of the decade, resulting in sweeping economic and, in some cases, political integration. The European Economic Area (EEA) was also created in 1993 (July), joining EU with six members of the seven-member European Free Trade Area (EFTA) and eventually producing tariff-free trade in a market with 375 million consumers.²

The FTA between the United States and Canada went into effect in 1989, with a 10-year phased implementation. Canada-U.S. bilateral economic linkages are the most extensive in the world, with more than \$192 billion in goods and \$27 billion in services crossing the 49th parallel in 1992 alone.³ Canada is the leading national market for U.S. exports and ranks second behind the United Kingdom as a destination for U.S. direct investment.⁴ It is also the number-one source of foreign tourists, accounting for 18.4 million of the estimated 46.5 million foreigners visiting the U.S. during 1993.⁵ In return, Americans account for almost 90 percent of the foreign visitors to Canada each year.

Canadians shipped 77.6 percent of their merchandise exports to the United States in 1992, with American buyers purchasing 25 percent of everything Canada produces. Canadian companies with subsidiaries in the United States also provide job opportunities for 740,000 Americans, 123,000 more than Japanese-owned firms and

227,000 more than German-controlled enterprises. In total, more than three million jobs on each side of the border are attributable to bilateral trade, investment, and tourism linkages.⁶

Mexico entered the trade-negotiation stage in June 1990, when President Carlos Salinas de Gortari and President George Bush agreed to commence Mexico-U.S. bilateral trade discussions. The United States is the largest market for Mexican exports, the leading foreign direct investor (with U.S. investment almost tripling between 1986 and 1992), and the number-one source of foreign tourists.⁷ Mexicans are the second leading source of foreign tourists for the United States, with 8.7 million expected during 1993.⁸ Approximately 70 percent of Mexico's imports and exports are also directly linked to the U.S. marketplace, and Mexicans are the 21st leading foreign direct investors in the United States.⁹

Although NAFTA will be fully implemented within 15 years, much of the accord will be implemented in a decade or less. For example, Mexico will eliminate immediately all tariffs on nearly 50 percent of the industrial goods it imports from the United States and Canada.

NAFTA is an expansive free-trade accord, because it will not only eliminate tariffs but also do away with many onerous barriers linked to the flow of services, investment, and agricultural commodities. Procurement restrictions for both government agencies and state-owned enterprises will be eased, intellectual property protected, standard technical specifications made fair and transparent, and trade dramatically liberalized in sectors as diverse as land transportation and telecommunications.

Rules of origin will also be simplified for most products, with 50 percent North American content being sufficient for duty-free treatment, although this increases to 60 percent for automotive parts and to 62.5 percent for automobiles and light trucks. Finally, FTA's innovative dispute-settlement mechanism will be transferred to NAFTA, a mechanism that can be highly effective, especially in the resolution of antidumping and countervailing duty cases.

Once NAFTA is successfully launched, negotiations should begin rather quickly with Chile and then with other nations in Latin America, giving impetus to the Enterprise for the Americas Initiative, originally proposed by President Bush. Moreover, such discussions may not be limited exclusively to the Western Hemisphere—several nations along the Pacific Rim have expressed an interest in joining NAFTA. The three NAFTA founding members would each have veto power over new entrants, although each would remain free to negotiate separate bilateral trade accords with any other country.

The United States and NAFTA: An Examination of the Divisive Issues

In the months prior to NAFTA's passage, Americans were deeply divided over the issue. After emerging from the recent U.S. recession, many Americans still worry about their employment outlook and have concern for Ross Perot's notion of a "giant sucking sound" of jobs heading south of the border.

Although the United States experienced greater economic growth in 1993 than any other G-7 nation, recovery from the recent recession has been unusually weak. Historically, the United States has been a job-creating machine, almost doubling the number of jobs between 1960 and 1993, whereas the European Community has added only 10 percent more jobs during the same period.¹⁰ However, the economic growth rate in the period since the recession ended in early 1991 has been less than half the level of previous recoveries, and the rate of job creation has been less than one-quarter of previous levels.¹¹

Six major arguments are made by NAFTA opponents. However, when these arguments are examined in detail, they tend to lack credibility.

(1) *America will lose millions of jobs to Mexico.* Ross Perot suggests that up to six million U.S. jobs may move to Mexico because of the great wage disparity between the two countries. True, the average manufacturing wage in Mexico is one-seventh that of the United States; but at \$2.50 per hour

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for wages and fringe benefits in the manufacturing sector, Mexican wages are about 20 times higher than in Russia, China, and other parts of Asia. Thus, if U.S. companies are going to leave simply to find lower wages, they will undoubtedly go elsewhere in the world and still take advantage of low U.S. import tariffs.

Furthermore, the critical issue is "unit labor costs," not wages; in other words, what it costs a company to make one of its products. In addition to wages and benefits, this formula takes into account worker training, turnover, and absenteeism; the costs of getting component parts to the plant; shipping finished products to market; the cost of capital; and taxes and other fees.

When one focuses on unit labor costs, very few Mexican or Canadian industries are as competitive as their U.S. counterparts. This helps explain why General Motors, Lionel Toys, and other U.S. companies are beginning to shift some production out of Mexico and back to the United States. Because average labor cost constitutes only 15 percent of total manufacturing costs, the labor cost savings do not outweigh other factors, such as inferior infrastructure, greater distance from traditional customers and suppliers, and the possibility that future wage increases might erode initial savings.¹²

Moreover, NAFTA will result in all tariffs disappearing, and Mexican tariffs are currently 2.5 times higher on average than U.S. tariffs. Many U.S. companies originally located subsidiaries in Mexico because high Mexican tariffs precluded exporting their goods from the United States. This is especially true in the auto industry, where Mexico has strict limits on imported cars. With the disappearance of tariffs under NAFTA, many more American industries will be able to service the Mexican market directly from their facilities in the United States, thus preserving and even adding jobs in the U.S. economy.

A good example is Ford Motor Company's recent announcement of a NAFTA-influenced shift in strategy. Just before Christmas 1993, Ford announced it will increase 1994 auto

exports to Mexico by 25,000 vehicles, from only 1,500 vehicles in 1993, and it expects exports to Mexico to hit 50,000 vehicles per year by 1996. Ford management estimates that 1994 export increases would add 550 new jobs and create enough overtime to create the equivalent of 450 additional jobs.

(2) *Mexico is a developing country and offers few market opportunities for the United States.* Mexico's economy is only 1/20th that of the U.S. and is similar in size to the state of Illinois. Thus, critics argue that NAFTA is asymmetrical, giving Mexican companies access to the world's largest marketplace, whereas U.S. companies gain access to a market smaller than that of several American states.

However, from 1986 through 1992, U.S. merchandise exports to Mexico tripled, creating at least 300,000 new jobs for U.S. workers in industries that provide wages from 10 to 15 percent above the national average. Mexico has been the fastest growing market for both U.S. manufactured and agricultural goods and now ranks as the United States' third-largest trading partner, behind Canada and Japan. Moreover, in 1992 U.S. industry shipped more manufactured goods to Mexico than to Japan, in spite of Japan being a larger and much more affluent nation. Already, 70 cents of every dollar spent by Mexicans on imports is used to buy U.S.-made goods, far more than any other country except Canada.

In addition, the United States shifted from a \$5 billion merchandise trade deficit with Mexico in 1986 to a \$5 billion trade surplus in 1992. Currently, the purchase of U.S.-made goods in Mexico is \$450 per capita, compared to \$385 in Japan and \$296 in Europe.¹³ As tariff barriers disappear under NAFTA, Mexico's 85 million consumers should buy even more U.S.-made products.

(3) *U.S. companies will flee to Mexico to take advantage of lax environmental standards.* Until recently, Mexico's environmental record has been very poor, and parts of its northern border with the United States are literally cesspools. However, Mexico's environmental laws are generally as strict as those in the U.S. and Canada, and President Carlos Salinas has

increased spending on enforcement several hundred percent over the past three years. Indeed, Mexico has pledged \$460 million over a three-year period for environmental clean-up efforts along the Mexico-U.S. border and is currently committing \$2.5 billion per year for all its environmental projects. This represents almost 1 percent of GDP, about the same proportion that France allocates for its programs.

The cost of reducing pollution in the dirtiest U.S. industries is estimated to be less than 4 percent of output value, so lax environmental standards should not be a key reason for a firm to move its production to Mexico.¹⁴

In addition, the environmental agreement approved by the three executive leaders in August 1993 will create a North American environmental commission that will monitor, investigate, and recommend action be taken against any company that violates national environmental laws. This is the first free-trade agreement in the world to contain such an environmental protection clause.

Which scenario will likely lead to Mexico cleaning up its environment more quickly and efficiently: A Mexico *without* NAFTA, which becomes more isolated and experiences less-significant economic growth, or a Mexico *with* NAFTA, which continues to grow economically and is monitored by a North American environmental commission composed of Americans, Canadians, and Mexicans?

(4) *U.S. companies will be placed at a disadvantage because the Mexican government does not respect workers' rights.* A far too cozy relationship exists between Mexico's largest trade unions and the dominant political party, the PRI. Labor unions in Mexico do need more autonomy and must free themselves from some of the oppressive leadership that has long dominated their ranks.

Nonetheless, Mexico's labor laws are quite liberal, and many even predate similar U.S. standards established earlier in the century. In addition, compared to the U.S. and Canadian economies, the Mexican economy has grown much more rapidly over the past few years, and the rate

of increase in both the average wage and the minimum wage has been much higher in Mexico. Furthermore, one NAFTA clause establishes a North American commission on workers' rights to monitor how labor laws are being enforced and to blow the whistle on any company or government unit that fails to offer adequate protection to employees. This is a major step in the right direction and will help Mexican workers far more than if the U.S. Congress had rejected NAFTA and Mexico then distanced itself further from both the United States and Canada.

(5) *Mexico is not a democracy and thus is unworthy to enter into a free trade agreement with democratic countries.* The PRI has dominated the Mexican political landscape since 1929, and the country has been essentially a one-party state for decades. Nevertheless, in tandem with Mexico's dramatic shift to a market-oriented economy during the mid-1980s and early 1990s, democratization is beginning to take root. Mexico is a federal system with 31 states and one federal district. Opposition parties have captured control over a few states during the Salinas presidency, and rules have been liberalized in Mexico's Congress to provide a more visible role for opposition forces.

Certainly more must be done. Opposition forces need better media access, and future elections should include U.N.-designated international monitors. But as Mexico opens to the rest of the world economically, it is also opening politically at home. With NAFTA in place, and with increased interaction and networking among groups in the United States, Canada, and Mexico, this movement toward greater democratization is likely to continue. Conversely, without NAFTA Mexico could become more insular and more estranged in its relations with its northern neighbors, and the impetus for major political reforms could wane.

(6) *Increased investment in Mexico will rob the U.S. economy of needed investment capital.* Indeed, some companies will probably invest in Mexico to take advantage of the large, growing Mexican market and low labor costs. However, the assumption is that

companies have only two choices: invest in Mexico or invest in the United States. That is not the case. If firms are looking for low-cost labor, they will move capital to any country that offers the right labor environment. The real choice might be Mexico or Thailand, not Mexico or the United States. Most likely, NAFTA's passage will result in more investment in the United States—as suggested in the previous Ford example—taking advantage of U.S. economies of scale to service the growing Mexican market.

Future Impact

Now that NAFTA has been passed, what differences will we see? The immediate winner regarding the NAFTA accord is President Clinton. A NAFTA defeat would have made it virtually impossible for him to negotiate other trade deals, including the Uruguay Round of the General Agreement on Tariffs and Trade, which was approved in December 1993. Further, a NAFTA defeat would have damaged President Clinton's reputation in the foreign policy arena.

Companies with investments inside North America will also be winners. Although tariffs on trade involving Canada, the United States, and Mexico will be phased out, countries outside of North America, such as Japan and the members of the European Union, will still have tariffs levied on their exports to North America. That will give North American companies differential access to North American markets. In fact, the NAFTA agreement may result in attracting significant foreign capital, as Japanese and European companies attempt to establish a presence in the new market, just as the creation of the European Community—later the European Union—resulted in significant foreign investment moving into Europe.

With NAFTA in place, manufacturers must develop a North American strategy. U.S. and Canadian firms might take the approach of Ford and simply increase U.S. production to service the Mexican market. Thus, Mexican companies might have the most to lose initially, because eliminated trade barriers will expose them to competition

from world-class U.S. and Canadian competitors. However, Mexican firms will adjust quickly to the new competitive environment. Some low-tech operations may flow to Mexico, leaving high-tech jobs in the richer U.S. and Canadian markets. No one can accurately pick the winners and losers. But the enterprises that emerge will clearly be global competitors.

With the passage of NAFTA, business will never be the same. However, it would have been a political disaster for the United States to turn its back on Mexico while preaching the importance of open and free markets to the rest of the world. Over the next decade, experience will tell whether NAFTA is the correct strategic response to global competitive pressures. Chances are that it will be. ■

Notes

¹ NAFTA had to be ratified by the three executives and then approved by both chambers in the Canadian Parliament and the U.S. Congress, and by the Senate in Mexico.

² In a recent referendum, the voters of Switzerland decided to stay out of the EEA. The other members of EFTA are Austria, Finland, Iceland, Liechtenstein, Norway, and Sweden.

³ Christopher L. Bach, "U.S. International Transactions, Fourth Quarter and Year 1992," *Survey of Current Business*, March 1993, pp. 79 and 104, and *Survey of Current Business*, June 1993, pp. 76–79.

⁴ Russell B. Scholl, Jeffrey H. Lowe, and Sylvia E. Bargas, "The International Investment Position of the United States in 1992," *Survey of Current Business*, June 1992, p. 51.

⁵ These estimates are provided by the United States Travel and Tourism Administration. See the *New York Times*, October 31, 1993, V, p. 3.

⁶ See Earl H. Fry, *Canada's Unity Crisis: Implications for U.S.-Canadian Economic Relations* (New York: Twentieth Century Fund, 1992), pp. 1–13.

⁷ Bach, p. 79, and Scholl, p. 51.

⁸ *New York Times*, October 31, 1993, V, p. 3.

⁹ Scholl, p. 54, provides direct investment statistics for 1992.

¹⁰ *The Economist*, October 9, 1993, p. 17.

¹¹ *Wall Street Journal*, November 1, 1993, p. A1. In the 2-1/2-year period following the end of the recession in 1991, GDP growth was 6.0 percent versus 13.3 percent for the "typical" recovery period, and employment growth was 1.7 percent versus 7.4 percent.

¹² "NAFTA: The Showdown," *The Economist*, November 13, 1993, pp. 24 and 26.

¹³ "The United States and Mexico: A Growing Trade Partnership," in *Government of Mexico, NAFTA: A Partnership for Growth and Competitiveness*, 1993, p. 1. Statistics derived from a report by the Office of the U.S. Trade Representative.

¹⁴ "NAFTA: The Showdown," *The Economist*, November 13, 1993, p. 26.

MSM Update

National Advisory Council Holds Annual Meeting

The 1993 annual meeting of the Marriott School's National Advisory Council (NAC) took place November 18–20 on campus. Under the direction of Mark H. Willes, vice chair of General Mills and NAC chair, the council welcomed three new NAC members: Ralph F. Severson, a partner in Goldman Sachs; LeRoy K. Speirs, CEO of Maison Investment Management Company; and Dean G. Wilson, president of TJ Products and former officer of U.S. Steel. NAC members and their spouses met with students, faculty, and special guests in sessions organized to emphasize the exchange of ideas and experiences. Highlights included presentations by Donald L. Staheli, president and CEO of Continental Grain, and Joe Galli of the Black & Decker organization.

1993 International Executive of the Year

Friday evening, the MSM and its NAC honored Mr. Alonzo G. Decker, Jr., chair of the Executive Committee of The Black and Decker Corporation, as the MSM's International Executive of the Year. President Thomas S. Monson of the LDS Church First Presidency presented the award to Mr. Decker. In his remarks, President Monson told attendees of Mr. Decker's outstanding career,



Alonzo G. Decker Jr. (left) and Thomas S. Monson

as well as his commitment to community and educational projects. Following the presentation, Mr. Decker made brief remarks that were followed by a special video presentation on the corporation and Mr. Decker's contributions.

Leadership Alliance Salute to Leadership

During the October Management Society Meeting, Dean K. Fred Skousen hosted the Fall Salute to Leadership to honor Leadership Alliance supporters. The Honorable George W. Romney, former governor of Michigan and secretary of Housing and Urban Development, was guest speaker. He discussed the need for strong leadership, for volunteers, and for a recommitment to positive values and attitudes. His enthusiastic presentation provided those in attendance with much food for thought in the area of social responsibility.

Thorsell Professorship Established

In October 1993, the Hazel Speirs Thorsell Professorship in Sales was endowed with a gift from Edwin R. Thorsell. The endowment's income will support an outstanding faculty member involved in teaching sales and may provide student support through assistantships and/or scholarships. In accepting the gift, Dean Skousen stated, "The Marriott School honors Mrs. Thorsell for her sustaining support of her husband, Edwin, who has served for 55 years in the business world in the field of sales and sales management. Together Hazel and Edwin lived a lifestyle that is an outstanding role model for management students."

The Julio E. Davila-Halls Family Scholarship

During late summer 1993, the Halls family, friends, and associates funded an endowment for the Julio E. Davila-Halls Family Scholarship. This scholarship honors Elder Davila of the LDS Church Second Quorum of the Seventy. The criteria, established by the donors, indicate that the recipient(s) should be international, preferably Latino. Davila-Halls scholars can be undergraduate or graduate, with a major in

accounting. If no qualified international accounting student applies, then other qualified MSM students regardless of nationality may be considered. The first Davila-Halls Family Scholar is Juan Escobar from Paraguay. He is pursuing a master's degree in accounting.

1993 Management Society Annual Meeting

Under the direction of national Chair Richard E. Cook, approximately 75 chapter officers of the BYU Management Society met on campus during Homecoming weekend (October 22–23). President Rex E. Lee met with the group Friday morning to give a brief report on BYU and current challenges. His remarks were followed by Dean Skousen's report on the status of the Marriott School of Management. Members of the Society's National Steering Committee gave presentations on the need for chapters to develop programs that provide educational opportunities for members and internships and mentors for students. Special sessions were held to instruct new officers on the MSM Infosystem and the role it will play in preparation of a national Management Society directory.

Entrepreneur Founders Fall Conference

This year's Entrepreneur Founders Conference was held September 23–25. Thursday evening the Annual Founders Dinner hosted Elder Monte J. Brough of the LDS Church First Quorum of Seventy. It was held at the Provo Park Hotel. Elder Brough shared experiences and interest in entrepreneurship. He holds a PhD in entrepreneurship, which he earned from the University of Utah. He likened the entrepreneurial spirit to how the LDS Church must work in the world, that often you have to be very creative in accomplishing tasks that have never been done before.

On Friday, President Rex E. Lee reviewed BYU's progress and extended his appreciation for participation in this important area.

The conference opening session featured Dean K. Fred Skousen welcoming and addressing the Founders. John D.

McKeon, chair of the Entrepreneur Founders, conducted the meeting's business portion. The Entrepreneur Founders Board was introduced: John D. McKeon, chair; Stephen B. Oveson, chair-elect; LeRoy K. Speirs, past chair; Larry K. Bair, Ray A. Crosby, Ronald J. Kimball, Richard Knapp, Paula J. Maroney, and S. Lee Ross. Special thanks were given to John E. Ord for his service as past chair. Rick C. Farr, new assistant director of the Center for Entrepreneurship, made a presentation.

Alumni Board

The MSM Alumni Board held its semi-annual meeting in October. Ten new members joined the board, with four others rotating to senior member status. Joining the board at the fall meeting were:

- Dixon Abell ('77), Exec. V.P., Ouchita Fertilizer Co., Monroe, LA.
- Vance Fager (MPA '82), V.P., Brim, Inc., Portland, OR.
- Richard Hanks ('83), V.P., Marketing Strategy and Operations, The Marriott Corp., Washington, D.C.
- Paul Hawkins ('77), Pres., Hawkins-Edwards, Spokane, WA.
- Denise Houghton (MBA '87), Director, Inpatient Care, MacNeal Hospital, Berwyn, IL.
- Christina Peterson (MBA '84), Health Care Consultant, Walnut Creek, CA.
- Robert Simpson ('75), Director, Fiscal Services, Mission Hospital Regional Medical Center, Mission Viejo, CA.
- Holly Tomlinson (MS '72), Policy Analyst, U.S. Dept. of Interior, Washington, D.C.
- Richard Vance ('80), Senior Buyer, Shell Oil Co., Houston, TX.
- Roger Walker (MHA '86), Exec. Dir., Cardston General Hospital, Cardston, AB.

Rotating to senior member status are:

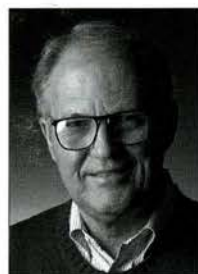
- Bruce A. Bates (MBA '78), Sr. V.P., Bank of America, Phoenix, AZ.
- Scott Bergeson (MBA '64), Sr. V.P., American Stores Co., Salt Lake City, UT.
- David C. Hatch (MOB '79), Pres., Risk International Services, Akron, OH.
- David A. Nielsen (MBA '73), V.P., Equipment Syndication, Pacific Atlanta Systems Leasing, Phoenix, AZ. E

Five Fulbright Scholars on MSM Faculty

AMONG THE 130 full-time faculty in the Marriott School of Management are five people with the lofty distinction of being Fulbright Scholars. All five have spent at least one academic year doing research and/or teaching in

a foreign land at the invitation of the J. William Fulbright Scholarship Board.

The five MSM Fulbright Scholars are: Howard Barnes, professor of managerial economics; Phil Bryson, a professor



Howard Barnes

of managerial economics who is currently on leave while he serves as mission president of the Czechoslovakia Prague LDS Mission; Claudia Beth Haynes, visiting associate professor of managerial economics; Chris Meek, associate professor of organizational behavior; and Gloria Wheeler, associate director of the MSM's Institute of Public Management.

Howard Barnes was the first of today's Fulbright designees to teach overseas. He spent the 1984-85 academic year teaching management at Shandong University. Dr. Barnes' assignment took place in the Jinan Province of the People's Republic of China.



Gloria Wheeler

Most recent among the MSM Fulbright Scholars is Chris Meek. Dr. Meek spent the last school year (1993-94) as a full-time lecturer at the



Chris Meek

university of Ryukyus in Japan. Claudia Beth Haynes, the newcomer among the five, has the distinction of having been invited twice to teach

and do research abroad. She taught in the University of Indonesia's Master of Management Program in 1989-90, then was a senior scholar/lecturer



Phil Bryson

in the American Studies Center, Shanghai International Studies University, in 1990-91. During the 1990-91 academic year, three of the five worked abroad. In addition to Dr. Haynes, both Phil Bryson and Gloria Wheeler served their Fulbright Scholarships. Dr. Bryson lectured and did research in economics at the University of Marburg in the Federal Republic of Germany (then West Germany). Dr. Wheeler taught in the MBA program at the Lahore University of Management Sciences in Pakistan.

For nearly half a century, the U.S. Government-sponsored Fulbright Program has extended opportunities to faculty, teachers, students, and professionals to conduct research, teach, and study abroad. The program has grown from offering a relative handful of scholarships in the beginning to an expected 1995 "class" of some 1,000 invitees who will travel to more than 135 countries.

Today, as at its inception, being a Fulbright Scholar is a very prestigious honor. Recipients of Fulbright Scholarships must be strongly endorsed by their colleges or universities, must be U.S. citizens, must hold a PhD or other appropriate terminal degree for their field or equivalent professional status and recognized standing. All who are offered lecturing assignments must also have suitable college or university teaching experience. E



Claudia Haynes

Spotlight On...

Chicago Inner City Youth

Phil Stoker and Creg Ostler stick together in community work as well as in employment. Phil and Creg, both alumni of the Marriott School of Management, are also both employed at Harris Bank in Chicago and work outside the office on a project to assist the Chicago Inner City Youth Program.

Phil Stoker graduated from BYU in personal financial planning in 1980 and received his MBA from the MSM in 1989. He and his wife, Diane, have five children and are expecting a sixth. Now a vice president of financial planning for Harris Bank, Phil previously worked for the LDS Foundation and operated his own financial planning business. He serves as president of the Chicago chapter of the International Association for Financial Planning and is on the board of the Chicago BYU Management Society.

Creg Ostler received his undergraduate degree in personal financial planning from BYU in 1980 and in 1986 completed an MBA in finance at the University of Chicago. He and his wife, Sondra, are the parents of five children. Creg also works for Harris Bank as a financial planning vice president. He is a certified financial planner and adjunct faculty planner for the College for Financial Planning in Denver. In the past he worked as a financial planner for Northern Trust Bank and Continental Bank as well as for Shearson Financial Planning in Seattle.



Phil Stoker

Years ago, while observing the harmful influences of gangs and bad schools on inner-city children, Creg and Sondra Ostler dreamed of finding a way to show these youth that life need not be governed by the negative forces surrounding them. Their dream was adopted by a group of professionals in the Chicago area two years ago. Program coordinators use summers, the prime recruiting time for gangs, to transform boys age 9 to 13 into "urban pioneers."

In conjunction with student counselors from Ricks College and volunteers in the Chicago area, Creg and Phil take the boys—most of whom have never been outside the city—to a camp about an hour from Chicago called "Summer Quarters." Here the boys work hard, play with live farm animals, and participate in a number of other activities. Last summer the younger children spent a week at camp; the older ones spent two weeks. All are required to live by high standards of behavior.

Many of the boys have lost family members or friends to gang violence.

Some are uncertain about their own future and don't feel motivated to prepare for adulthood. Accordingly, the program is designed to show them a facet of life completely removed from the adversity of the city. Program coordinators seek to build learning skills, positive self-esteem, and teamwork abilities. The boys learn crafts and woodworking, go on nature



Creg Ostler

hikes and fishing trips, participate in career nights, and on the last day present a program for their families and friends.

Referring to the experience, one participant said, "I like this place a lot, but it's not the place—it's the people in it." Another said, "At Summer Quarters I learned many things, but the most important was love."

Last summer, girls took part in a day program held in the city. Ricks College students and local volunteers taught cooking, crafts, hygiene, and career planning to the girls, some of whom were joined by their mothers. Over 100 volunteers from the Chicago area participated in the Inner City Youth Program last year. Phil and Creg hope to someday collect enough funds to purchase a camp of their own, where they can expand the program to serve boys, girls, and parents on a broader scale. Says Phil, "We're just scratching the surface now. Our goal is to get the camp running on a year-round basis and help many more of our inner-city youth."

If you are interested in participating in the Chicago Inner City Youth Program, contact Phil Stoker, (312) 461-2167, or Creg Ostler, (312) 461-4055.



Participants in Chicago's Inner City Youth Program gather in a rural summer setting to become "urban pioneers."

Cynthia Mattson

Cynthia Romans Mattson, combination cottage entrepreneur and homemaker, is a magnificent balancer of professional, community, church, and family involvements.

Cynthia graduated from the MAcc program in 1979 with an emphasis in audit. She then spent three years in Chicago at Arthur Anderson performing audit work for utility companies,



Cynthia Mattson

school districts, and other large organizations. After the first year in Chicago, she married Rand Mattson, a dental student at Northwestern University. Two years later Rand graduated, and the Mattsons moved to Roy, Utah, where Rand established his dental practice.

Back in Utah, Cynthia taught accounting at Weber State University for one year. During that time she started her own business preparing financial statements, payroll documents, and tax returns for dentists. She also performed audits and did contract work for other CPAs.

Since then, Mattson's business has grown. She now supports 12 dental clients, including her husband, and prepares between 80 and 90 tax returns each year. She admits that "July is a really busy time," but she manages to do most of her work during the school year.

As the Mattsons' three daughters were born, Cynthia faced her greatest life's challenge: the decision of whether to work full time, to be solely a homemaker, or to select a combination of the two. Having chosen the latter option, Cynthia organizes her time with afternoons and evenings free for nonaccounting activities. Being at home with her family while staying active in the professional world, she has struck a very satisfying balance.

Cynthia has been president and treasurer of the PTA, a member of the local school board, and a soccer coach. In addition, she is treasurer of the Northern Chapter of the Utah Association of CPAs and is active on the state board of the Alliance to the Utah Dental Association. She now serves as a Primary chorister and stake music chair in the LDS Church and names activities chair as her favorite past position. When asked about Cynthia's greatest contribution, a friend cited her willingness to volunteer in numerous capacities and still "take the heat."

To those interested in basing a small business in their home, Mattson suggests getting several years of real-life experience. "I have found my background to be invaluable; it allows me to present myself in a very professional manner." She suggests, "Learn the standards of your industry. Being in the home, you must overcome the bias of others thinking your vocation is just a hobby. You must be more professional than the professionals."

Gary L. Benson

Gary L. Benson's entrepreneurship research, education, and training have received international attention. An MSM graduate, Benson directs the entrepreneurship program at the University of Wisconsin—Whitewater (UWW). He is the Irvin L. Young Entrepreneurship Chairholder and Wisconsin Distinguished Professor of the UWW College of Business and Economics.

Before joining UWW in 1990, Benson served as the Monus Entrepreneurship chair, dean, and MBA program director at Youngstown State University's School of Business Administration. His past involvements also include extensive domestic and international consulting.

Benson earned a PhD in business management from Arizona State University after graduating from BYU with a bachelor's degree in business (1971) and a master's degree in public administration (1972).

Benson received a Pulitzer Prize nomination in editorial journalism for his entrepreneurship newspaper column and a preliminary Nobel Prize nomination in economics for his overseas trade missions. Benson's column, originally published in the *Janesville Gazette*, has been carried by newspapers throughout the United States. Another of Benson's columns is translated and published in Russian and will soon be published in Chinese and in Zulu (Africa).

Dr. Benson's Nobel Prize nomination focuses in part on his initiation of a trade mission/student exchange program

to Russia. In February 1993 Benson accompanied 40 Wisconsin-area businesspeople and students to the former Soviet Union. He returned to Russia later in the year to help create a six-hour television special focusing on the importance of entrepreneurship in Russian market reform.

Benson has long worked to promote the importance of entrepreneurship. He notes that two-thirds of all new jobs created annually in the U.S. originate with new businesses of



Gary L. Benson

25 or fewer employees. "All business students should be exposed to entrepreneurship in much the same way as they are currently required to study accounting, economics, or other business subjects," Benson says. "This experience can later help them in their professional careers to keep their companies innovative and competitive."

Benson believes in introducing students to entrepreneurship at an early age, which he does through the Entrepreneurship Boot Camp for Teens at UWW. The five-day program, offered to youths ages 12 to 17, teaches basics of world economies, capitalism, how to read *The Wall Street Journal*, and how to develop business plans.

Dr. Benson and his wife, the former Margie Hammer, are the parents of six children. E

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An expression of gratitude from MBA student Daniel Gomez

"I don't know all who helped me, but I want to be like them."

"COMING TO Brigham Young University has opened my eyes and changed my life," says international MBA student Daniel Gomez from Argentina. "Receiving an MBA and being at BYU are important in preparing me, spiritually and academically, to better serve my family, the Church, and my people.

"It has been a wonderful blessing, and we are more anxious than ever to go home to serve. Every cent that has helped me will gladly be repaid. In addition, my wife and I want to continue to contribute so others can have the same opportunity," adds Daniel.



International MBA student Daniel Gomez, his wife Sandra, and their children Jeannette, Eliana, and Danny.

"I understand sacrifice. My parents gave up much to send me to school in Argentina. I'm deeply grateful. Someone has also sacrificed for me to come to BYU. And for that I'm grateful.

"I don't know all those who helped me, but I want to do more than thank them; I want to be like them."

Thanks to all who provide to Daniel—and others—the opportunity to receive a graduate management degree through the International Student Sponsor Program. Your investment in education has eternal significance. It has no end.