

MARRIOTT

ALUMNI MAGAZINE



Wounding the Giants

How to Spot a Ponzi

The Making of George Romney



ACCOUNTING PROGRAM RANKS THIRD IN *U.S. NEWS & WORLD REPORT*

The Marriott School's accounting program ranked third and its international business program ranked nineteenth in specialty categories in *U.S. News & World Report's* "America's Best Colleges" survey, up from fifth and twenty-first respectively in 2006.

"We are extremely pleased by the recognition our program receives in *U.S. News & World Report*," says Kevin Stocks, director of the School of Accountancy. "We feel our accounting curriculum is very innovative, our students are bright and willing to work, and our faculty members are among the best in the country."

Also, the Marriott School's undergraduate program is numbered among the top fifty in "Best Business Programs," ranking thirty-eighth overall.

The survey ranks about 1,400 four-year accredited colleges and universities by mission and region. BYU is counted among "national universities" that offer a full range of undergraduate majors as well as master's and doctoral degrees.

BYU ranked seventy-ninth overall, twenty-sixth in the "Great Schools, Great Prices" category, and sixteenth in the "Least Debt" category.

Princeton topped the overall rankings, followed by Harvard, Yale, Stanford, and Caltech.

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Visit *Marriott Alumni Magazine* online at marriottmag.byu.edu

Cover photo by Bradley Slade.

“Mr. Integrity”

BY JOSEPH OGDEN



They called him Mr. Integrity and even Mr. Canada. “He was one of the most unique men I’ve ever had the privilege of associating with,” said Elder L. Tom Perry.

“He was loyal to the Lord and loyal to those who invested responsibilities in him,” added President Thomas S. Monson.

“He will go down in history as one of the greatest counselors to ever serve in the presidency of the church,” said Elder Marvin J. Ashton.

President Nathan Eldon Tanner passed away nearly twenty-five years ago. Yet his legacy as an extraordinary businessman, government official, and church leader lives on in those who knew him and in the thousands of students who pass through the Tanner Building every year.

Perhaps no one in our time achieved more as a business leader while developing the characteristics of integrity better than President Tanner. Throughout life he spoke often about this virtue and seemed to consider its development to be the crowning achievement of one’s life.

“We have heard sermons and exhortations upon honesty, trust, righteousness, dependability, truthfulness, kindness, justice, mercy, love, fidelity, and many other principles of right living,” he said in a general conference talk. “When one has integrated all of these attributes within his being, when they become the moving force of all his thoughts, actions, and desires, then he may be said to possess integrity.”

The embodiment of all these merits under the banner of integrity shows just how multifaceted President Tanner considered this virtue. I personally find it interesting that he included the need for love, kindness, and mercy as essential components of integrity.

Although a lifelong goal, President Tanner’s pursuit of personal integrity did not happen in isolation. He simultaneously developed his natural gifts for management and finance—becoming president of Merrill Petroleum and heading up one of the largest public works projects ever undertaken in Canada, the TransCanada pipeline. He was speaker of the Alberta Provincial Legislature and later minister of

lands, mines, minerals, and forests.

He served as a bishop and a stake president before being called as an assistant to the Twelve at age sixty-two and as an Apostle at age sixty-four. Only one year later, N. Eldon Tanner was called as a counselor in the First Presidency of the church. He served as counselor to four different presidents during the next twenty years.

With nearly a quarter century passing since President Tanner’s death and as we begin a significant addition to the N. Eldon Tanner Building, we felt it important to look back, to reexamine how a person achieved so much and stood for even more.

Enclosed with this issue of *Marriott Alumni Magazine* is a thirteen-minute DVD, *N. Eldon Tanner: A Portrait*. I hope you will sit down for a few minutes with some of those who knew him best, including: President Thomas S. Monson, President Boyd K. Packer, Elder L. Tom Perry, and Sister Ardeh G. Kapp. Please enjoy this brief look back at the exemplary life of N. Eldon Tanner.

Sincerely,

Joseph Ogden
Assistant Dean

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GLIMPSES

THE WORLD IS OUR CAMPUS

Visiting with top executives, touring bustling factories, and meeting with micro-credit applicants is not an everyday occurrence for Marriott School undergraduate students—unless you happen to be on a business study abroad.

“I still can’t believe that one day we were climbing the Great Wall and a couple days later touring a Mazda factory in Japan and meeting with their CFO,” says Heidi Green, a senior from Centerville, Utah, majoring in finance. “We met with top executives, factory owners, NGOs, and government officials. It was awesome to be able to see business theory in practice.”

Each year, the Kay and Yvonne Whitmore Global Management Center sponsors foreign learning experiences for undergraduate business students to places like Asia, Europe, and South America. For most, these are once-in-a-lifetime experiences.

Creating opportunities and programs to help internationalize domestic students is part of the mission of the Whitmore Global Management Center.

“Because of advances in technology, communication, and transportation, glo-

By spending three to four weeks in a specific region of the world, students are able to not only see local business practices and customs but also learn about the culture and interact with the local people. They are able to see how effectively or ineffectively theories from their business textbooks are applied.

“The biggest surprise of the study

road we completed several case studies and combined previous research with site visits to round out the learning experience.”

Students who participate in a business study abroad not only receive academic credit but also credit toward fulfilling the Global Management Certificate, which is designed to add an international component to a Marriott School education.

“We believe it’s important for students to recognize the competitive advantages and disadvantages available in different countries and regions. We want them to think more deeply about where a product comes from and to better understand different cultures.”

—Lee Radebaugh



balization is becoming more and more evident in the products we buy and use every day,” says Lee Radebaugh, Whitmore Global Management Center director. “As a result, we believe it’s important for students to recognize the competitive advantages and disadvantages available in different countries and regions. We want them to think more deeply about where a product comes from and to better understand different cultures.”

abroad was learning how diverse each country is,” says Spencer Johnson, a senior from Alpine, Utah, majoring in management. “I served my mission in Taiwan and expected all Asian countries to be fairly similar. But we discovered very different and unique business cultures in places like Vietnam and Japan.”

A business study abroad explores a large amount of curriculum in a very short period of time. To make the most of this experience, students are required to prepare academically before leaving the United States.

“We analyzed each market’s financial and economic structure as well as studied their histories and cultures before leaving campus,” says Joan Young, co-director of the 2007 Asia Business Study Abroad. “On the

“It was fascinating to meet with European companies like Ducati and learn how they have marketed such a small brand and turned it into an international name,” says Garrett Bradham, a junior from Suwanee, Georgia, majoring in international relations with a minor in management. “We also met with expats to learn about the challenges and opportunities of taking a job overseas.”

Regardless of the location, each program offers students unique learning opportunities and a healthy dose of adventure. “We had been on a bumpy bus for more than an hour and had tromped through the mud in the middle of a downpour in Vietnam,” Green says. “But the entire time I kept thinking this is one the coolest experiences of my life.”



Wounding the giants

STRATEGIES TO SUCCEED AGAINST THE BIG GUYS

Written by Grant Madsen

Photography by Bradley Slade

In the late 1990s Austrian businessman Dietrich Mateschitz launched a new, unproven product into the United States soft drink market—the same market dominated by industry giants Coca-Cola and Pepsi.

The move flew in the face of lessons any business student learns in Strategy 101. According to Michael Porter's famous Five Forces Model, large barriers to entry—obstacles in the path of those seeking entry into new markets—*should* have discouraged Mateschitz from getting past the conception phase of his endeavor.

After all, why would a rational person ever choose to compete with the likes of Coke, a company that spends billions of dollars on marketing each year to build and maintain its brands?

But the confident Mateschitz ventured forward, launching an “energy drink” called Red Bull. In the process he created a wildly successful new product category and made a personal fortune.

IN SEARCH OF THE HOLY GRAIL

Whether a fledgling entrepreneur, seasoned CEO, or someone in between, most businesspeople are attracted by what could arguably be considered the “holy grail” of enterprise—the chance to sell products in markets where companies enjoy large profit margins and even larger mass-market appeal.

Soft drinks. Sneakers. Software. Once these grails are acquired, companies like Coca-Cola, Nike, and Microsoft protect their product with gusto, erecting as many barriers to entry as possible in an effort to prevent would-be pillagers from encroaching on fruitful turf.

Alas, to those on the outside looking in, the allure of above-average profits is often too much to disregard. Before long, emboldened entrants like Red Bull's Mateschitz talk themselves into competing in attractive markets, challenging incumbents in a battle that's unequal and usually short-lived.

Was Mateschitz' Red Bull experience a fluke? Or do companies really profitably enter attractive markets without getting clobbered? Can tiny Davids methodically slay—or at least wound—seemingly insurmountable Goliaths?

The answer is yes, according to two Marriott School professors whose research on the topic was recently published in the *Harvard Business Review*. Co-authors David J. Bryce and Jeffrey H. Dyer contend that smart managers employ three key strategies, usually in combination, to crack even the best-guarded markets.

Although there are savvy managers who understand the importance of not attacking the competition head on, the duo's efforts more formally “provide a framework for companies to conceptualize how to design a successful indirect attack,” says Bryce, an assistant professor of organizational leadership and strategy. The three strategies to launch a successful indirect attack include: (1) leveraging excess capacity in existing assets or resources, possibly including those of partners, (2) reconfiguring the value chain, and (3) creating products that initially appeal to niche customers but not mainstream customers.

“We don't give them the answers; we don't tell them exactly what to do,” he continues. “But when companies are contemplating

an expansion move, they can get everybody in a room and say, 'Ok, folks, we've got to brainstorm around these three components and come up with an approach to this market that relies on these kinds of ideas.'"

LAUNCHING INDIRECT ASSAULTS

To uncover the strategies, Bryce and Dyer examined companies that successfully entered the United States' most profitable markets between 1990 and 2000. At the end of their four-year study, they identified three intriguing findings.

First, intimidating tools of the incumbent—including price wars, ad blitzes, and lawsuits—didn't faze entrants all that much. In fact, there were almost five times as many entrants to the top ten most profitable markets as there were to average industries.

"The analogy we use is that bees are attracted to the honey and that's also where the incumbents see the big upside," says Dyer, the Horace Beesley Professor of Strategy. "What they don't fully appreciate is the downside or the risks of entry and the barriers to enter those markets. I think people enter because of hubris, overconfidence—they think they can make it work when others haven't, and they often find they're wrong."

The duo's second finding was that new entrants in attractive markets had a particularly tough go of it, typically earning returns 30 percent lower than counterparts in all other less attractive industries.

Finally, when entrants into attractive markets were profitable, their returns on assets were nearly seven times those of all entrants to the top markets and almost four times the returns of the profitable entrants in less attractive markets.

So how exactly did the underdogs do it?

When Bryce and Dyer identified the strategies that successful entrants used to surmount barriers to entry, one theme stood out: entrants never attacked incumbents directly, instead relying on methods of indirect assault. The more indirect the attack, the more likely it was to work.

In their article the professors put it this way:

Smart newcomers refuse to challenge incumbents on the latter's terms and turf. They don't duplicate existing business models; they don't compete for crowded distribution channels; and they don't go after mainstream customers—at least not at first. Almost without exception they take a page out of the military handbook: Never attack the enemy in its strongholds initially. Attack at its weakest points, gain competitive advantage, and later, if doing so meets your objectives, attack its strongholds.

Red Bull is a classic example of just such an approach, the professors say. The company entered the U.S. soft drink market selling a skinny, \$2-per-8.3-ounce can of highly caffeinated soda. The product was initially distributed via bars and nightclubs, touted as an instant kick-in-the-pants for tired twenty-somethings more

interested in partying than in a good night's sleep.

The product caught on, gaining enough of a following and generating enough profit that Red Bull was eventually able to maneuver its way into conventional stores. By increasing advertising that touted the drink's energy enhancing properties, the company soon enjoyed a 60 percent share of the newly created \$650 million energy drink market by 2005.

In contrast, Richard Branson, the CEO of Virgin Drinks, took a much more direct approach when he attempted to launch Virgin Cola in the United States. To drive home the point that he saw the entry of his beverage into the market as a head-to-head fight with Coke and Pepsi, Branson drove a tank through a wall of cans. Despite his braggadocio, Virgin wasn't able to get past the incumbents' strong grip on shelf space. Although people flying Virgin Airlines today can still enjoy a can on some flights, Virgin Cola flopped in the United States, never making much of an impression in the marketplace.

"When companies go after customers that incumbents are ignoring; if they can go for fringe customers; if they use a very different business model so that the incumbent doesn't see it as direct competition, the new entrants have time to amass the resources to eventually withstand a retaliation from the big players," Dyer says.

MAGIC THROUGH COMBINATION

According to Bryce and Dyer, companies can avoid repeating Virgin's mistakes by considering three basic strategies to mount a successful indirect attack.

First, leverage the excess capacity in existing assets and resources or those of partners. Second, reconfigure value chains—the value adding activities a company performs—by changing the nature of the activities themselves or by changing their order. And third, create products that initially appeal to a niche of customers.

On their face, the three strategies don't seem revolutionary, but there's more to the approach than initially meets the eye, Dyer says.

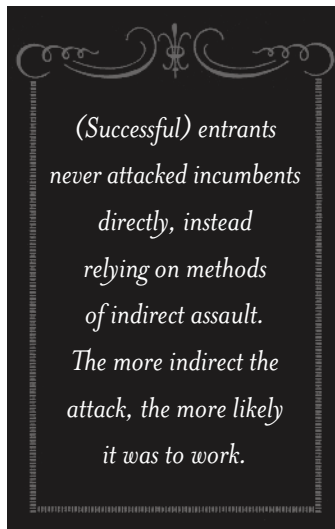
"What's new here is that we determined you're going to be much more successful if you can use these entry strategies in combination or in pairs, or even use all three simultaneously," he says.

It's not just a matter of *only* leveraging resources or reconfiguring value chains or going to niche markets. Those elements, by themselves, "are not really all that interesting," Bryce admits. "It's when companies use a combination of those approaches to come up with some really innovative strategy that they're able to effectively position themselves to grow and flourish."

MIX AND MATCH

One company Bryce and Dyer identified that successfully combined the strategies of "reconfiguring the value chain" and "creating a niche" is Skype. Using Skype's software, customers can make inexpensive phone calls via the Internet.

Getting into the telecom services industry is cost prohibitive because of the vast amounts of capital required to build the



infrastructure for a nationwide network. To successfully compete Skype reconfigured the value chain by answering the somewhat subversive question, “How can we use the very network created by our competition to compete against them?”

At the same time, Skype successfully targeted a niche market of people intrigued by the idea of saving money by circumventing the established system. Initially, the telecom giants didn’t pay much attention to the company. But the appeal of inexpensive phone calls quickly attracted a critical mass of customers and *that* attracted the attention of eBay, which acquired the company two years after its start for a cool \$2.6 billion.

Of course, the strategies identified by Bryce and Dyer don’t just work for Internet startups. In fact, Bryce says using the framework itself more completely appeals to large companies. His reasoning? Small companies don’t usually have substantial assets or resources they can leverage, leaving value chain reconfiguration and niche strategies as their primary entry options.

Wal-Mart is a big-box retailer that has effectively leveraged its value chain and assets to snag a 5 percent share of the overall U.S. soft drink market, say Bryce and Dyer. Because the company owns the very shelf space manufacturers covet, Wal-Mart was able to nimbly jump that typically large hurdle to place Sam’s Choice brand beverages within the reach of millions of customers. In addition, Wal-Mart worked closely with premium private-label manufacturer Cott Corporation to design a production and distribution system that allowed the companies to get soda into stores more cheaply than incumbents.

Unlike Virgin Cola’s attempted entry into the market, Wal-Mart succeeded partially because Coke and Pepsi were unable to change their business models, Dyer says.

“It’s a much simpler way of doing distribution, and Coke and Pepsi can’t imitate as easily the reconfiguring of value chain in the activities as they can simply imitate a niche energy product or a fruit-based drink, for example,” Dyer says.

TRIPLE THREAT

Most companies combine two of the strategies to great success. However, Jakks Pacific, a California-based toy and action figure manufacturer, has entered the highly profitable video game industry by combining all three.

Instead of selling expensive video game consoles that require the purchase of games on cartridge or disc, Jakks Pacific only offers easy-to-use handheld video game controllers that plug directly into television sets. Jakks’ games come installed directly on the controller and cost somewhere in the \$20 range. Featuring characters from movies, television, and comic books, Jakks Pacific

appeals to preteen kids and price-conscious adults.

Of course, the quality of the games doesn’t compare with that of Xbox 360 or PlayStation 3, but that’s not the point. The games are portable, fun, and inexpensive. According to Bryce and Dyer’s estimates, the company’s game sales increased by approximately \$25 million per year from 2003 to 2005, and overall company revenues doubled from \$316 million to \$661 million. In comparison, Microsoft has lost \$4.5 billion since launching the original Xbox in 2002—its direct attack on industry incumbents—and has yet to turn a profit on the product.

Through the lens of the Bryce-Dyer model, Jakks Pacific scored a hat trick by, first, partnering with others to leverage brand capital from well-known TV programs and movies to create new games. Second, the company reconfigured the value chain by including game software directly in the game controller and licensing content directly from intellectual property owners. And third, Jakks Pacific cultivated a niche audience by targeting adults and children who want the fun of playing a video game without having to grow extra fingers to manage complex multibuttoned controllers.

FRAMEWORKS AND THE REAL WORLD

Jakks Pacific, Red Bull, and Skype have employed the strategies outlined by Bryce and Dyer to great success. But do most managers even think about market entry in this way?

“There’s one type of company that’s very deliberate about applying the strategies and says, ‘Look, we are small; we are underresourced. We simply don’t have the investment funds or the wherewithal to go up against a major company. Let’s

look for some alternatives that will give us the opportunity or the ability to get into this market,” Bryce explains.

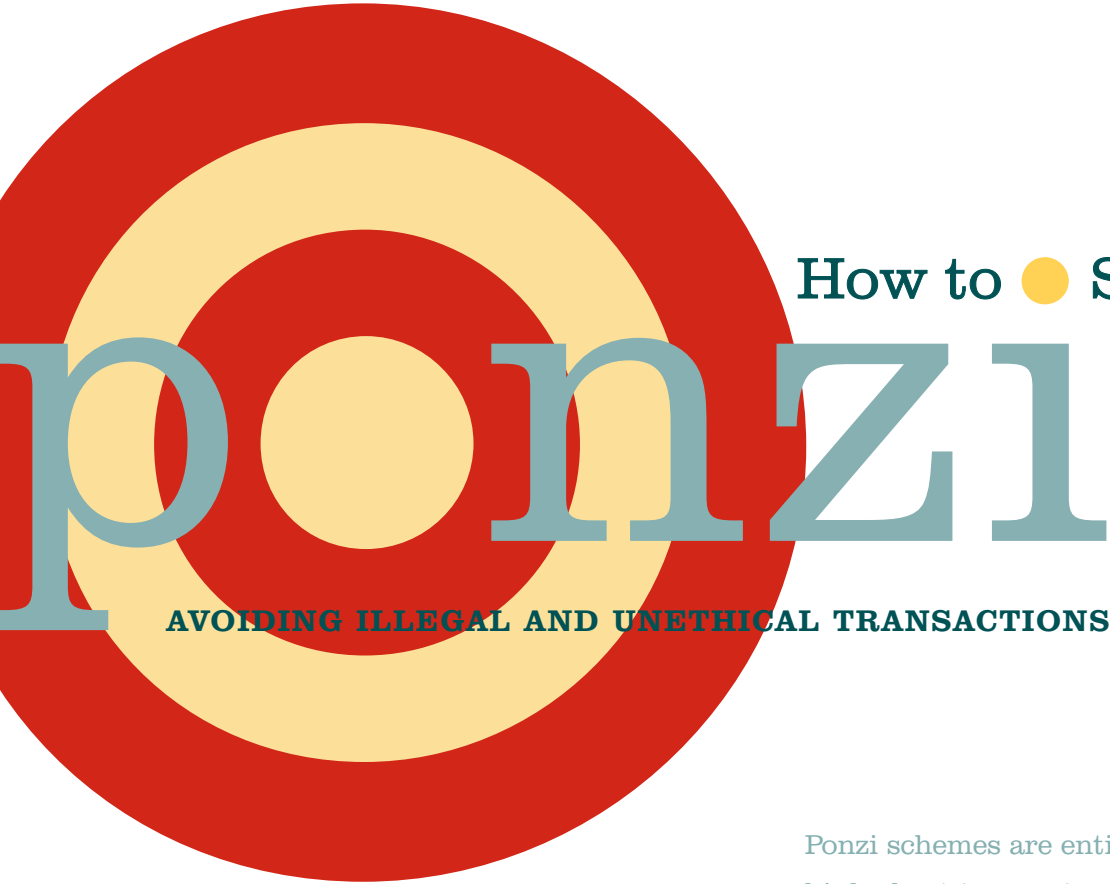
The other kind of company gets there in an evolutionary way. “What you have is this natural process in which, as companies are expanding, they look to what they know how to do and add to it incrementally to expand successfully,” Bryce says. “When they do that, they wind up just naturally moving into niches, leveraging existing resources, or—more radically—reconfiguring the value chain.”

In the end, it’s not just the companies that benefit. “Companies that apply the framework and are more creative in their entries strategies are, first of all, more competitive,” Bryce says. “But more broadly, this has the potential of enhancing the overall standard of living because the companies are able to create products and services in niche areas at lower cost. That ultimately serves the consumer.” **M**

ABOUT THE AUTHOR

Grant Madsen is the marketing director at American Crafts. He earned a BA in communications from BYU in 1998 and an MBA in 2007.





How to ● Spot a

ponzi

AVOIDING ILLEGAL AND UNETHICAL TRANSACTIONS

Ponzi schemes are enticing. They offer abnormally high short-term returns but require an ever-increasing flow of money to keep going. They are also illegal and result in the vast majority of investors losing their shirts and maybe more.

By Ned C. Hill ● Illustrations by Adrian D'Alimonte



PONZI

INC.

In January 2006 a student came into my office and handed me a card he had found in the Tanner Building advertising a company called 12 Daily Pro. He said somebody had been distributing these cards around the building, encouraging students to invest in a “business opportunity.” It suggested that you could invest \$6 to \$6,000 and earn a 44 percent return in twelve days (that compounds to 5.6 million percent annual return). I thought that was quite generous compared to the stock market, which averages only around an 11 percent long-term annual return.

THE WORKINGS OF A SCHEME

The card called this program a “new economic paradigm.” I thought to myself, that was probably all you’d be left with after you invested in this scheme—a pair of dimes. I figured this probably was a Ponzi scheme. A Ponzi scheme starts out with one person

or organization at the top. That person promises a great rate of return on investments and gets a couple of other people to invest their money. The key to Ponzi schemes is that the returns come from new investors and not from any real economic activity. You’ve got to get more people to join and contribute their money to the previous investors, expanding from the top down like a pyramid. It has to grow quite rapidly or the promised returns cannot be paid and the whole scheme falls apart.

Deciding to warn our students and faculty, I sent an email to all throughout the Marriott School reminding them that such schemes are illegal, unethical, and immoral. The next day a local TV channel carried the story, and the following day the electronic payment service for the scheme froze all the company’s accounts and essentially shut them down. A few weeks later the SEC filed a securities fraud charge against the head

of the company and against the company itself, calling it a Ponzi scheme. It wasn’t long before the wheels came off.

MEET MR. PONZI


Ponzi schemes began with an immigrant from Italy named Charles Ponzi. He was born in 1882 and worked various odd jobs before he decided to start a magazine in 1919. While corresponding with someone in Spain, he realized that letters from Spain that included a postage coupon for the reply letter could be turned into the U.S. Post Office for stamps. One postal reply coupon in Spain cost \$.01, but it was worth \$.06 of stamps in the United States. That was Ponzi’s “investment.” He made an announcement about his plan, promising investors a 50 percent rate of return in ninety days. He actually delivered returns to his first investors in forty-five days. In all, he received about \$15 million from investors—a huge amount of money back then.

Ponzi became one of the most reputable citizens in Boston in that year, touted as one of the brilliant financial minds. Unfortunately, he wasn’t making money with those stamps at all. Having people buy stamps in Spain and sending them stateside was too much trouble. It was much simpler to give investors their return from the investment of newer investors and repeat the cycle as more money came in. The whole scheme fell apart in 1920, and he was arrested, convicted of fraud, and sentenced to twelve to fourteen years in prison. During a prison transfer he escaped, went to Florida, and started selling underwater land as property developments. He was arrested again and eventually deported back to Italy, where he died. But his legacy is very much alive and well and burgeoning on the Internet to dimensions Mr. Ponzi never imagined.

EVALUATING ECONOMICS AND ETHICS

There are some things that can help you determine whether a company is a sound investment. In economics there is a principle called the risk-return trade-off. When there is high risk, you expect to be compensated with a higher return. But if you put your money in a very low-risk federally insured savings account in a bank, you should expect a very low return. If you put it in the stock market, you can expect





In today's world, schemes can originate anywhere at a very low cost and spread rapidly over the globe.

Tracing anything back to the perpetrator is almost impossible. All of this makes these kinds of scams even more dangerous.

a higher return. The recent Ponzi scheme promised the equivalent of a 5.6 million percent annual rate of return. What should that tell us about the risk involved? It would be enormous!

Investors need to be given the opportunity to assess the risk that's involved in any contemplated investment. Were the investors in this scheme, for example, able to assess the risks adequately? Were the risks thoroughly communicated? Of course, the answer was no. The 12 Daily Pro web site failed to point out the source(s) of this handsome return nor did it explain that when the supply of gullible investors ran out, everyone left in the scheme would lose all their money.

What about some of the ethical principles involved in these companies? Honesty is the basic foundation of all ethical principles and behavior, and it was nowhere to be found in this example. Nobody mentioned this was a potential Ponzi scheme. The marketing information simply talked about a great "business opportunity" with an amazing return. The information was not honest nor fair to investors—especially the less-informed. In the end, the scheme did not create wealth—it just transferred wealth from the gullible to the clever and dishonest.

In today's world, schemes like these can originate anywhere at a very low cost and spread rapidly over the globe. Tracing anything back to the perpetrator is almost

impossible. All of this makes these kinds of scams even more dangerous. I've composed my own list of the top ten types of scams.

1. *Easy Business Opportunities*

The most common one is the "easy business opportunity." The pitch is: little or no work involved, a great income, little cash outlay, the ability to work at home, and other similar promises. Most are really pyramid schemes or problematic businesses that aren't really an opportunity at all—they're a way to transfer money from your pocket to someone else's.

I conducted an online search for "make money fast" and got three million responses. One I pulled off, Mobile e-Cash, said, "Set up your business in two hours. Make \$11,000 a month. It's not multilevel marketing; it's not gifting or chain letters." The web site doesn't ever say how you're going to make the money, even though it's guaranteed. The site claims that if you send \$57.97 you will receive a package that will help you make \$15,239.97. They have it down to the penny.

2. *Work-at-Home Schemes*

I've known many stay-at-home spouses

who wanted to support the other spouse in school, so they looked into work-at-home programs. An example is Netdata Solutions. If you send in \$485, they send you a software package and a list of doctors in your area who need medical billing services. With this software, doctors supposedly send you patient bills that you then bill to the insurance company. However, the Federal Trade Commission found that the training was inadequate; it didn't really explain the complexities of medical billing. The software was virtually unusable, and the doctors on the list did not actually need the service. Many people lost a lot of money.

3. *A Miracle Cure*

Search for "lose weight effortlessly" or "cure hair loss" online, and you'll get tens of thousands of web sites. They claim scientific breakthroughs, but most simply don't work—and some are actually harmful. They promise miracle cures, but usually they include nothing more than a CD or audio download that costs a lot of money.

4. *Corrupt Sales Scams*

We've seen our share of sales scams where the pricing is too good to be true, and the

operation is usually run through network marketing. A few years ago, kids came through Provo neighborhoods selling, on behalf of high schools, coupons that cost \$30, which allowed you to receive thirty boxes of cereal delivered to your home. That sounded too good to be true. Cereal at the grocery store costs \$3 to \$4 per box—so how could you buy something for a dollar and have it delivered to your house?

It turned out the distributors bought the coupons from the originator for \$13 per sheet, the schools bought the coupons for \$17, and the students sold them to consumers for \$30. Sure enough, the cereal did get delivered for the first two or three weeks, but then there were no more deliveries. The coupon holders called the originator, but the firm was nowhere to be found.

5. Chain Letters

I mention chain letters because they are an old way to scam people. But now with email they can be done a lot faster and a lot more effectively. The idea is that you receive a letter asking for a small amount of money—\$5 or \$10—to be sent to the top five people on an attached list. You then remove the top one, add your name to the list, send it on to five more friends, and you'll get \$15 or \$25 in return, and it will go on and on while you make lots of money in the process. Chain letters are illegal, and nearly everyone who participates loses money. Sometimes they involve a product like a recipe to try to get around the chain letter law, but they're still illegal.

6. Investment Seminars

Another one of my favorite schemes is investment seminars. Some of them are actually legitimate, but they're few and far between. The idea here is to get rich using certain "secrets" only available from the organization that knows "how the markets really work." There was one famous seminar that claimed to show how previous seminar participants were making money online using these "secrets." Unfortunately, the transactions were bogus.

The cost of these seminars usually starts out small, but to really learn the "good stuff" you normally have to pay thousands of dollars for additional training. Often, the investments they suggest are high-risk and high-leverage that are probably not the best

for most of us. Many are based on old techniques that may or may not have worked well in the past. Usually, the only people making money in these kinds of things are the people who run the seminars, not the people who attend them.

7. Gone Phishing

One thing you need to worry about—and I include this not because it's an investment scheme but because it severely damages you—is phishing. Almost everybody has received a phishing request. You might get it in an email saying your bank account has been frozen or your investment account has been compromised. The email asks you to click on a log-in icon and then verify your account information, personal identification numbers, and even passwords.

The web site might look legitimate and might look just like your bank or investment firm's web site. However, underneath is another web site, and the information you enter is transferred somewhere else where it is gathered by people who will rob you blind. This happens quickly, and it is very hard to get the problem fixed. A related scheme, called pharming, embeds virus-like programs into your computer,

stealing your account and log-in information when you enter it online.

8. Charity Cases

Who has not received a desperate email plea from some faraway country? It always contains some kind of sad story designed to win your sympathies and induce you to send them money. They eventually ask for your bank account information so you can help them transfer money for some charitable cause or another—for which you will be richly rewarded. Be careful.

9. Commodities

In troubled economic times, commodity prices tend to fluctuate, and "you can make good money in these markets." I don't know if anybody can regularly make good profits in the commodities market, because they are exceptionally risky. When you enter into futures contracts you can lose not only your original investment but much more. It's true that commodities or currencies do fluctuate, but the fluctuation is very difficult to predict. So when you hear commodities like oil futures being advertised on the radio to the common consumer, realize it's a very risky proposition.

Protect confidential information.
Apply the tests of economic
and ethical principles to any
potential investment, and
speak out when you see things
that are unethical or illegal.

10. Multilevel Marketing

I'm not against multilevel marketing programs per se. But sometimes important information and risks are not disclosed adequately. Marketing materials claim "this is a great way to make easy money with proven programs that offer great returns—with products that practically sell themselves."

The reality is that success in a multilevel marketing program is very difficult for most people to achieve. In fact, a very high percentage of those people lose money. The risks are sometimes not spelled out, or the products may not be what they claim to be.

This isn't an indictment of all multilevel marketers. There are some who follow through very well and disclose risks. But if you find that most of the product is bought by distributors, that's not a good sign. What is the product they're selling? Is it really worth something in the marketplace? Is the price reasonable? You should ask these and other questions when confronted with a multilevel marketing program.

SNIFFING OUT A SCAM

There are questions you want to ask when confronted with any business proposition.

- Is the promised return unusually high? Remember the risk-return trade-off—if somebody promises you a high return, there's also a high risk.

- Is the price of the product relative to the normal market price? Often a scam will price its product significantly above or below a reasonable market price. Either way, that should be a red flag.

- Does the sale require pressure tactics? If you have to buy it before sundown, you know something is wrong.

- Do you have to have a special connection with the seller through church, a club, or social network?

- Does the seller have a good reputation?

There are many ways to find out about the kinds of schemes that may lure you. A good place to start is the Federal Trade Commission. It keeps track of the latest schemes and scams and publishes online information about them at: www.ftc.gov/bcp/menus/consumer/invest/schemes.shtm.

Teach your family and friends about avoiding scams. Protect confidential infor-

mation. Apply the tests of economic and ethical principles to any potential investment, and speak out when you see things that are unethical or illegal.

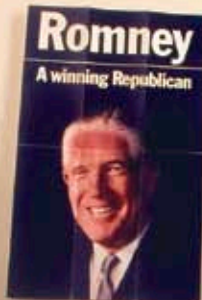
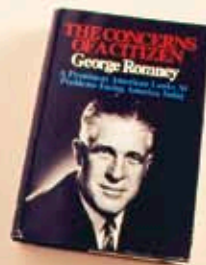
The overriding principle here is to make sure your financial foundation is solid, which is something these scams can't provide. Make sure you have things like adequate health and life insurance. You ought to have enough stored in mutual funds or in savings accounts to last you at least three months, so that if adversity comes along, you're protected. Make sure you have a home, which is one of your best investments, and a checking account that doesn't bounce checks. Take advantage of tax-deferred investments, retirement plans, and similar products before you start doing other things.

I hope that all of us will protect ourselves against the myriad schemes that confront us and our families with ever-increasing frequency. They may very well prove disastrous to your financial foundation. **M**

ABOUT THE SPEAKER

Ned C. Hill is dean of the Marriott School of Management. This text is adapted from his presentation at the Marriott School's Management Conference 29 June 2006.





THE MAKING OF

G ★ E ★ O ★ R ★ G ★ E ROMNEY

LOOKING BACK—A CENTURY SINCE HIS BIRTH

By Kathleen Lubeck Peterson

Photography by Bradley Slade

Rumor has it that if a Romney were to drown in a river, the body would be found upstream. Romney determination, it is said, is nothing to be trifled with.

That hereditary drive put George Wilcken Romney in the company of presidents and prophets, business barons and civil rights activists, wrapped around a secure foundation of family, church, and a razor-sharp focus to make America better.

Born on 8 July 1907, George Romney passed away 26 July 1995, while exercising on his treadmill.

This year marks the one hundredth anniversary of George's birth.

★ GROWING UP ROMNEY ★

The young George got a strong dose of family fortitude—and change—early on. At age five he and his family fled the Mormon colony of Chihuahua when Pancho Villa expelled the Americans from Mexico.

They left behind a profitable business and found only a refugee-like existence in El Paso, Texas. The family then moved to Los Angeles, and George's father entered the contracting business. The 1921 recession brought financial reverses, and the Romneys started over in Idaho. Just as business was prospering, the 1929 depression hit, and once again they had to rebuild, moving this time to Salt Lake City.

Even in high school, both George and his future wife, Lenore LaFount, stood out in the crowd. As seniors, he was nominated for student body president and she for vice president. "The kids voted for me, but they didn't for her because they said if we were both elected, she'd run the school," George said.¹ Later, after Lenore married George, she ran for the Senate in 1970, winning the primaries but losing the final election.

George studied at the University of Utah, then decided to go to Washington,

D.C., where Lenore and her family were living. But when Lenore landed a lucrative \$50,000 acting contract with MGM in Hollywood, George finagled a transfer to Los Angeles from his Washington, D.C., job. It was Romney's singled-minded determination that enabled him to win the hand of his sweetheart. He called it the best sale of his life.

Marrying George was no sacrifice, said Lenore. "It wasn't hard to give up my acting career," she said. "I was so crazy about him I knew I would rather marry him than do anything else. I always wanted to be George's wife, and it didn't matter if he was the governor or a ditchdigger."²

★ FOUNDED IN FAMILY ★

Although Romney was incredibly busy, he was a family man. His four children—Lynne, Scott, Mitt, and Jane—adored him, as did his grandchildren.

“My favorite memories I have were the summers at our family’s beach cottage on Lake Huron, Canada,” says granddaughter Kristen Hubbs. “Barta (George’s nickname) was always up early to see a spectacular sunrise, to take an early walk or run, or to read.”

“He gave Mahs (Lenore) a rose every morning of their marriage,” Hubbs continues. “He loved a good joke and laughed heartily and usually longer than anyone else. He often had special treats for my grandmother, like raspberries, a pretty dress, or something special. He loved flowers and was an amazing gardener. I remember countless Sunday meals at their home, where he was the head cook.”

When the grandkids turned twelve, George would drive them across America for a month during the summer. He was an aggressive driver, even in his eighties. On one trip seventeen-year-old Matt Romney was recruited by his parents to keep an eye on George’s driving habits. Matt accosted his grandpa about his fast driving, and eventually George conceded that he needed to work on his patience. He would laugh and tell that story with friends and family.

“I get emotional thinking about this incident now, about his profound humility,” Matt says.

★ A RAPID RISE ★

Skimming the want ads in Washington, D.C., Romney noticed a secretarial position in Senator David Walsh’s office. Though Romney had few secretarial skills, he landed the job. Shortly thereafter, Walsh asked him to be a tariff specialist, and Romney sat on the floor of the U.S. Senate for nine months.

Romney’s work caught the eye of the

Aluminum Corporation of America (Alcoa), and his subsequent activities as a lobbyist for Alcoa and the Aluminum Wares Association in Washington, D.C., impressed officials in the Automobile Manufacturers Association in Detroit. In a short time his visibility within the automotive industry increased dramatically. When the Automotive Council for War Production—a cooperative effort that all 650 companies in the automotive industry organized after Pearl Harbor to expedite the output of arms—was formed in 1941, thirty-four-year-old Romney was named to head the council.

During the war Romney became the industry’s chief spokesperson, testifying frequently before congressional committees on war production methods, labor, and management in the auto industry.

He became president of American Motors in 1954 and served in that position until 1962. Few people thought Romney could compete seriously with the other “big three” auto companies or that there was a market for American-made compacts. American Motors steadily lost money until the first quarter of 1958, when it was the only auto company to show an upturn in sales, thanks to its Rambler line of compact cars.

“I was like a skunk at a picnic back then,” Romney said. “Not only had we successfully marketed the first small, economic car in the American market, I had worked out a profit-sharing program, and the other companies thought that was horrible. Share the profits with the workers? They couldn’t imagine it.”³

Romney’s involvement with the wartime cooperative effort in WWII propelled him into numerous cooperative citizen efforts, the beginnings of his activity in

public life. He attributed the development of his leadership skills to his church training and had strong ideas about what a leader should be. He served a mission in Great Britain and was later called to serve as a stake president, a regional representative, and a patriarch.

“You develop the ability to communicate and work with people, and that’s the most important aspect of any leadership responsibility,” he said. “The other skill you need is the ability to persuade, because real leadership doesn’t depend on authority.”⁴

★ POLITICALLY PERSPICACIOUS ★

It was the fight for a new Michigan constitution that brought Romney from auto making to politics. After fasting and prayer, he decided to leave American Motors to enter politics. In a heavily union state, Romney defeated Democrat John D. Swainson for the governorship of Michigan in 1962 by less than one percent. Romney served three terms as governor, helping revise the state’s constitution and tax laws.

He introduced open housing to the state’s suburbs and mandated that every state board include representatives of Michigan’s diverse population. He resigned from his athletic club because blacks were not welcome. He mandated a civil rights commission, the first in the nation, and marched with Martin Luther King Jr. in Detroit. After King was assassinated in 1968, Romney flew to Atlanta and was one of a handful of Republicans to march in King’s funeral procession alongside Coretta Scott King.⁵

Romney was not shy about expressing his opinion on national problems. As governor he constantly amazed the Michigan press with his directness on issues. And

ABOUT THE ROMNEY INSTITUTE OF PUBLIC MANAGEMENT

The institute was named for George W. Romney in 1998. It offers a master’s degree in public administration through both pre-service and executive programs. The institute has a long tradition of preparing people for careers in public service and is dedicated to educating men and women of faith, character, and professional ability who will become outstanding managers and leaders in public and not-for-profit institutions.

The Romney Institute is a tight-knit group of faculty, students, and alumni striving for common goals. A notably approachable faculty, a collaborative environment for students, and a strong alumni network distinguish the Romney Institute’s MPA program as one of the finest in the country.





he was simply unpretentious. He packed a sack lunch. He had a modest home. He rode the subways and flew coach class. He treasured his lifetime McDonald's pass that Joan Kroc, the widow of McDonald's founder Ray Kroc, gave him.

When Romney decided to throw his hat into the presidential arena on 18 November 1967, Lenore was by his side. He wrote, "We can, we must, solve the problems on which the federal bureaucracy has so obviously failed. Our national government must lead in identifying national problems, establishing priorities, and encouraging maximum state, local, and private effort in their solution. To succeed we must decentralize problem-solving responsibility and action."⁶

Romney also mentioned Vietnam in that speech: "We are mired in an Asian land war, which sacrifices our young men and drains our resources, with no end in sight," he said. Later during a television talk show, he commented on American involvement in Vietnam and how he had been "brain-washed" about the war.

"The press attacked him in a cruel way," Lenore said. "It hurt. But I've always had the vision of what we're trying to do. His faith has sustained him during hard times, as well as his belief in himself."⁷ He withdrew from the race on 28 February 1968.

Romney returned to his routine as governor of Michigan. Then President Richard Nixon asked Romney to become secretary of housing and urban development in 1969.

According to friend Bonner Ritchie, those years were a tough time for Romney. "He had so much integrity, commitment, and honesty, yet he was troubled about the Nixon White House," Ritchie says. In 1973, after being shackled by the laborious bureaucratic process that was part of his job as secretary of HUD, Romney resigned from Nixon's cabinet.

★ LASTING LEGACY ★

Throughout his adult life Romney promoted volunteerism, especially after his retirement from public service. He was even dubbed the Father of Volunteerism.

"The ultimate power in a free society is the exercise of power by the people," Romney said. "There's nothing more powerful than a coalition of concerned, informed citizens who have cast aside partisan and economic interests and are in agreement as to what ought to be done."⁸

Romney organized the National Center

for Voluntary Action and accepted an appointment to be one of the directors of President George H.W. Bush's Points of Light Program, which acknowledged the achievements of outstanding citizen volunteers. In 1987 the Points of Light Foundation and Volunteer Center National Network established the Lenore and George W. Romney Citizen Volunteer Award, and the inaugural honor was presented to Romney.

Romney's dream was to organize a presidential summit on volunteerism. On 11 April 1997, President Bill Clinton and former President George Bush co-chaired the President's Summit for America's Future, in Philadelphia. Joining them were Hillary Clinton, Barbara Bush, former President Gerald R. Ford and Betty Ford, former President Jimmy Carter and Rosalynn Carter, and Nancy Reagan, representing her husband. General Colin L. Powell ran the event. Unfortunately, Romney wasn't able to witness it—he passed away about a year and a half before the summit.

George Romney's impact has been felt far and wide over the past few decades of American history. His formula for success: "Seek diligently, pray always, be believing, and all things will work together for your good."

His is a great legacy of volunteerism, dignity, honesty, and perseverance. He said, "The most important things, and the most satisfying part of my life, have been my family and my church."⁹ **M**

★ NOTES ★

- 1 "Driven," *This People*, May 1984, p. 22.
- 2 *This People*, May 1984, p. 22.
- 3 *This People*, p. 21.
- 4 *This People*, p. 23.
- 5 *A Walking Beacon: George Romney's Legacy of Citizens Service*, [Working Title, not published], M. Sue Bergin, J. Bonner Ritchie, Dale Wright, p. 49.
- 6 Governor George Romney of Michigan, Veteran's Memorial Building, Detroit, 18 November 1967.
- 7 *This People*, p. 24.
- 8 *Ibid.*
- 9 *This People*, p. 26.

★ ABOUT THE AUTHOR ★

Kathleen Lubeck Peterson has written for the Los Angeles Times, Orange County Register, The Christian Science Monitor, Science Digest, church publications, Deseret News, and Salt Lake Tribune. She likes See's Candies. Peterson earned a BA in English from BYU in 1971 and an MA in American literature at BYU in 1974.



GROUND BROKEN for TANNER ADDITION

Elder J. Willard Marriott Jr., president and chair of Marriott International, and Richard E. Marriott, chair of Host Hotels and Resorts, joined other church leaders, campus officials, faculty, and members of the National Advisory Council 25 April 2007 to break ground for a significant addition to the N. Eldon Tanner Building.

The groundbreaking ceremony was conducted by President Cecil O. Samuelson with Elder W. Rolfe Kerr, a member of the Seventy and commissioner of Church Education, presiding over activities. More than five hundred invited guests attended the event, including many members of the Marriott and Tanner families.

The new structure will be a four-story, 76,000 square-foot addition connected to the existing building by a glass atrium. The addition will contain tiered classrooms, open study space, group study rooms, faculty and administrative offices, MBA program offices, conference rooms, a computer network teaching room, a large lecture hall, and a New York-style deli. The project also includes a three-level, open-air parking structure to be constructed directly north of the existing building. Both the addition and parking structure are expected to be completed by the end of August 2008.

The existing Tanner Building was completed in late 1982 and dedicated on 5 April 1983 by President Gordon B. Hinckley. The



new facility will be used to meet the growing demands of the Marriott School and the campus community.

“My father was always anxious to provide opportunities for other young people to get an education as he did,” said J. Willard Marriott Jr. “This is why Dick and I continue to direct our father and mother’s foundation to invest so heavily in education, especially here at Brigham Young University.”

Funding for the project has come entirely from private contributions beginning with a sizeable gift from the Marriott family foundation, a large gift from the N. Eldon Tanner Trust, and contributions from the school’s National Advisory Council, faculty, staff, and alumni.

“I don’t think any educational institution sponsored by the LDS church has a greater affect on a student’s ability to be successful in

life, in their community, and in the church than does the Marriott School of Business,” said Richard Marriott. “The skills taught here—or more importantly the values learned here—will be tremendously instrumental in these young people’s success in life.”

President Samuelson said, “I recognize that as much as students will be taught from books and interesting lectures, they will learn of faith, industry, integrity, and service to the world and to each other from the lives of President Tanner and J. Willard Marriott.” He continued, “This groundbreaking is a remarkable thing that has come of tremendous vision, effort, commitment, and sacrifice. We cannot overly emphasize the significance of not only the big gifts but also, as Dean Hill mentioned the widow’s mite, if you will, of those who have made great sacrifices. We thank you and pray heaven’s blessings upon you and upon this project.” **M**



My Journey from Kenosh to New York City

By James H. Quigley / Illustration by Alanna Cavanagh

When my wife, Bonnie, and I graduated from Utah State University, our commencement speaker was Gerald Ford, then vice president of the United States and the proud father of a member of our graduating class. He commented, "It was Horace Greeley who said, 'Go west, young man,' but it was Brigham Young who knew where to stop."



As a native Utahn, I related warmly to Vice President Ford's comment. My office is now in New York City, but I was raised in central Utah in the town of Kanosh. I've decided to share some of the lessons I have learned in my life's journey from Kanosh to New York City.

Lesson One—Integrity Matters

President N. Eldon Tanner was not only very accomplished, but he also had great integrity. In his teachings he emphasized the principle of integrity as a defining and enduring force. You are fortunate to have walked the corridors of a building that is dedicated to President Tanner's name. I hope that you will remember his example—especially his integrity—as you go throughout the world.

I have observed the destruction of individual careers and, in some cases, great companies because this lesson was not learned and internalized. As I have tried to understand these events, I struggled until I saw the results of a Junior Achievement survey sponsored by my firm.

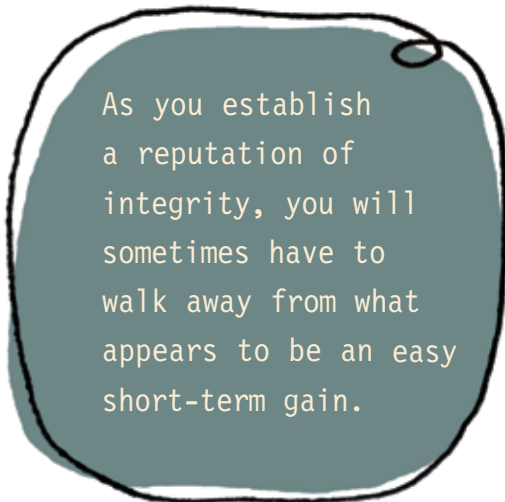
We asked eight hundred teenage students: "If you were certain that you would not be caught, would you bend the rules or act unethically to make more money?" Tragically, more than one-third of the students replied either yes or maybe to that question.

I suspect their values and impressions of how business is conducted were shaped by the disproportionate share of reporting on corporate scandals.

As you establish a reputation of integrity, you will sometimes have to walk away from what appears to be an easy short-term gain. Those short-term gains have a huge potential downside.

Throughout my career I have worked to build a reputation of integrity. Recently, Deloitte's nominating committee chair told me that I was recommended as the next CEO not because of my professional and marketplace accomplishments. He said the 1,500 partners who participated in the process recommended me because I was a man of principle and integrity.

You will get ahead if you make integrity matter.



Lesson Two—Life Is Filled with Opportunities, Not Entitlements

Although embarrassing to me now, I want to share with you some of my thinking when I first moved to New York City to join Deloitte's Research Department.

I was twenty-seven years old, and my attitude was: I am Jim Quigley from Salt Lake City. I have a strong academic record, my clients have tried to recruit me, and I have decided to stay with Deloitte. Give me a great experience. Bring it into my office on a silver platter.

I thought New Yorkers worked nine-to-five, so I caught an 8 a.m. train to New York City and wanted to be on the 5:20 p.m. train home each evening. I worked that cadence for three weeks.

Then we had a department meeting. As managers, we later affectionately referred to this meeting as "Black Friday." Mike Sutton, the head of our department, spoke—I felt like he was speaking directly to me. He stated that some of the managers in the department did not understand what a unique opportunity we had been given. Our two-year assignment would pass very quickly, and if we did not adopt a more constructive attitude we would miss a tremendous opportunity.

On the train back home that night, I reflected on what Mike had said and realized that if I was going to have a great experience it would be because I decided to go and get it. No one was going to hand it to me on a silver platter. Life is filled with opportunities, not entitlements.

I tell you with some pride, at the end of my two-year assignment, I was the top-rated manager out of the fifty-seven managers in Deloitte's national office. Chasing that entitlement attitude out of my head created momentum for my career I still enjoy more than twenty-five years later.

Through the move to New York, we also discovered some additional advantages of being church members. Although we had some anxiety about moving to a new area where we had no family or friends, those concerns quickly evaporated as we were welcomed into the New Canaan Ward. We were pleasantly surprised to learn that we had four hundred friends in the New York area our first Sunday. Instead of having time for feeling homesick, we had time for new friendships and church service.

This experience repeated itself when we relocated to St. Louis, Missouri—again there were no family or friends in St. Louis, but the Chesterfield Ward warmly received us.

As I watched my Deloitte peers relocate and try to settle and establish friendships and a comfort zone for their families, I discovered that church membership provides a huge advantage. I confidently relocate my Mormon Deloitte partners. I know they will settle quickly and well.

When you have an opportunity, go for it.

Lesson Three—Make Family a Priority

In professional services—and almost any career you pursue—you can be greeted each day with more to do than you can possibly complete. And if you are ambitious and capable, this problem never goes away. The more you produce, the more you will be given.

I enjoy the stimulation and challenge of a high-performance culture. I also want to make sure I carry my share of the load. It is



easy to become caught up in the energy and positive reinforcement that challenging work can provide.

Remember that a prophet of God said, “No other success can compensate for failure in the home.”

And another prophet stated, “The most important work you will ever do will be within the four walls of your home.”

During my New York City and St. Louis days, Saturday mornings were precious. This was “Quigley Project Time” around the house and in the yard with my family.

We mowed the lawn, picked berries, raked leaves, created a garden, remodeled an old concrete patio, dug the trampoline pit, buried thousands of feet of dog fence wire, and it seems like we rebuilt the carburetor on every piece of gas-fired equipment known to man. All of these projects could have been hired out for a lower net cost, but the intangible benefits of working with and teaching my children could not be hired out. We followed our project morning with riding bikes, flying kites, attending a baseball game, or simply exploring the local wonders.

I worked hard for my business accomplishments, but I am much more proud of my children and my relationship with Bonnie than the title on my business card.

Lesson Four—Pray Always

I know you are familiar with this counsel. I believe that when David tended his flock, he prayed for the strength and confidence he needed to face a lion and a bear that threatened in the night. In Alma 34, Amulek taught the people to pray over their flocks, crops, and households. I know that if you remain humble, and if you will cry to the Lord over your version of flocks and crops, you will be sustained and strengthened.

Find a place where you can pray unto the Lord as if everything depends on him, and then go to work as if it all depends on

you. I testify to you that with the support of the Lord a boy from Kanosh can lead one of the largest professional services firms in the world.

I often close my office door on the thirty-eighth floor above Times Square on 50th Street in New York and kneel down at my desk. I pray for my family, I pray for help in my church callings, and I plead for help in tending my flock. I stand in front of my partners to speak, and I feel the sweet sustaining influence of the Holy Ghost. I find strength and confidence beyond my own.

I recognize that these lessons are simple, but we have been taught that “by small and simple things are great things brought to pass” (Alma 37: 6).

- Lesson one—Integrity matters.
- Lesson two—Life is filled with opportunities, not entitlements.
- Lesson three—Make family a priority.
- Lesson four—Pray always.

I believe these lessons, coupled with what you have learned from your families and your BYU training, will lead to success wherever your paths may take you.

Go with confidence. You have been prepared well. **M**

About the Speaker

James H. Quigley was named CEO of Deloitte & Touche in June 2003. He earned his BS from Utah State University and is a member of the Marriott School's National Advisory Council. This text is adapted from Quigley's address at the Marriott School Convocation 27 April 2007.

SINGLE MOTHERS & SELF-RELIANCE

BY JULIE HUMBERSTONE

THIS IS THE FINAL INSTALLMENT OF A THREE-PART SERIES
FOCUSING ON ECONOMIC SELF-RELIANCE.

The word *poverty* often brings to mind images of hungry children, families living in shantytowns, or people begging on the sides of roads. Poverty, however, is not just a problem of the developing world. The World Bank describes, “Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time.”¹

Millions of families in the United States experience hunger, live in substandard housing, lack access to affordable health care, send their children to underperforming schools, and struggle to find stable

employment, particularly employment that will pay a living wage.

In the United States 10 percent of all families—7.6 million families—live in poverty.² Even more families live above the official poverty line but still struggle to cover basic necessities. For instance, 75 percent of the 45.8 million Americans with no health insurance live above the poverty line. Employed workers and their children constitute the majority of those without insurance.³

POVERTY AND SINGLE MOTHERS

One type of family is more likely to be affected by poverty than any other: single-mother families. Today a single mother heads one out of every eight families in the

United States. While only 10 percent of all families in the United States live in poverty, nearly 40 percent of single-mother families live in poverty. Single-mother families are five times more likely to live in poverty than two-parent families.⁴

Why do single-mothers families struggle so much more than other families? The vast majority of single moms work; however, single mothers often do not have the education or work experience needed to command a high salary.⁵ The average income for a single-mother family is only \$26,000 a year, lower than the average income for a single-father family or a two-parent family.⁶ Single moms also often find it difficult to work long hours, since they must also care for their children.

In a recent focus group, single moms agreed that their two most pressing challenges are earning enough money to support their families and having enough time to spend with their children.

Other challenges include:

- They lack the time, funds, and support to obtain the additional education necessary to secure a better job.
- They confront the ever-present dilemma of finding quality, affordable child care.
- They lack the formal safety net to guard against an economic shock, leaving them one accident or illness away from losing everything.

One single mother works for a doctor during the day and then spends an extra hour after closing to clean the office—those sixty minutes help her financially but take a toll. She explains, “That hour is precious to me. It’s either that extra time for me to sleep so I can feel like I’m a human, or it’s a moment with my kids.”

These challenges leave many single moms feeling trapped. As one expressed, “I’m struggling here to stay above water, and I know what I need to do, but I can’t do it because I don’t have the resources.”

Preliminary results from a statewide survey of Utah’s single mothers indicate that 75 percent of single mothers in Utah could maintain their families’ current standard of living for less than a month if they had an interruption in their income. Thirty-five percent of Utah single mothers could not even maintain their families for one week if they lost their income.

THE IMPORTANCE OF EDUCATION

Post-secondary education can have a dramatic impact on the life of a single mother. A woman with a high school diploma or GED who earns an associate degree increases her yearly salary by an average of 33 percent. A bachelor’s degree increases her yearly salary by an average of 77 percent.⁸

Started in 1996, the Single Mom Foundation (SMF) has helped hundreds of women improve their quality of life through education and mentoring programs. Today SMF is creating a network of educational partners who will work together to help single moms return to school and achieve their educational goals.

For single mothers and their children, getting an appropriate education means not only higher wages but also greater job security, better health insurance, stable housing, and intangible benefits such as increased self-esteem and career satisfaction.

The hardships faced by single mothers can lead to increased emotional stress. Many feel guilty or anxious because of the limited time they spend with their children. These challenges can also impact their children. The children of single parents are statistically less likely to finish high school and are more likely to have children as teenagers. These negative outcomes are largely due to the smaller income single moms are likely to have.⁷

SUPPORTING SINGLE MOTHERS

Despite the overwhelming challenges, most single mothers work tirelessly to provide and care for their children. With some

additional support most single moms could find their way out of poverty to self-sufficiency and an improved quality of life.

A number of government programs and nonprofit organizations seek to provide that additional help in communities across the country. In Utah, organizations



such as People Helping People and the Single Mom Foundation focus on helping single mothers build self-sufficiency by helping them obtain additional education and find better employment.

In 2005 the Marriott School’s Economic Self-Reliance Center created the Single Mom Initiative in partnership with the Single Mom Foundation. The initiative researches successful methods for helping single-mother families become self-reliant and helps community organizations better understand and implement those methods. Students, faculty, and community organizations participate in the research, ensuring that it is both rigorous and relevant.

Many single-mother assistance programs are based on anecdotal evidence of what single mothers need to achieve self-reliance. The Single Mom Initiative is providing research—conducted through focus groups, surveys, and other methods—to community



organizations, which will improve the assistance available to single moms.

The initiative's initial focus is on single-mother families in Utah. The initiative recently researched the impact of Utah's Individual Development Account Network on single mothers. Individual development accounts (IDAs) are matched savings accounts intended to help low-income individuals save money and build assets. The research found that single mothers are among the IDA participants who benefit the most from the program—not only from the matching money but also from improved money management skills and new-found confidence. As a result of



the research, program coordinators are improving IDA benefits available to Utah single moms.

CONCLUSION

Poverty in the United States may look different than poverty in the developing world, but the difficulties are no less real. Single-mother families are particularly vulnerable

to the hardships and deprivations of poverty. Many single moms live day to day as they struggle to find the time, money, and other resources needed to provide for their families. The efforts of community organizations as well as BYU's Single Mom Initiative are critical if single-mother families are to receive the support needed to lift themselves and their children out of poverty. **M**

HELPING SINGLE MOTHERS EARN AN ADEQUATE INCOME

Three years into her marriage, Anne discovered her husband was hiding a serious drinking problem. Despite efforts to address his substance abuse, the problem escalated over the next five years, and her husband's behavior became increasingly unstable. They eventually divorced, leaving Anne to raise three young children.

Anne faced an uncertain future when she became a single mother. She had been out of the workforce for more than five years. Her only professional experience consisted of work in retail. She was on public assistance and didn't think her skills would transfer to a job that would allow her to support her family.

While applying for food stamps, Anne saw a flyer about a conference being held for single mothers. At the conference, Anne attended a workshop presented by a nonprofit organization, People Helping People (PHP), which helps single mothers find long-term, stable employment. Anne started the PHP program the very next week.

PHP pairs single mothers with women who have been successful in the workplace. This mentoring relationship provides single mothers with encouragement as well as role models. The group also provides weekend training workshops and coaching sessions. The women learn about topics such as financial assessment, résumé preparation, and job interviewing.

After joining People Helping People's Successful Employment Program, Anne took a temp job at an asset management firm. She performed so well that the company offered her a permanent full-time position. Armed with the skills and knowledge gained in her PHP training, Anne negotiated a higher starting wage than she was originally offered.

Nearly two years later, Anne has received two raises and expects an additional 20 percent bonus by the end of the year. She has almost tripled her income since working as a temp and no longer relies on public assistance. "I put in a lot of effort, but the rewards have been huge—I was able to take control of my life," Anne says.

NOTES

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- 5 Ellwood, D. T., and Jencks, C. (2004). *The Spread of Single-Parent Families in the United States since 1960. KSG Faculty Research Working Papers Series, Harvard University*. Retrieved 10 May 2007 from ksgnotes1.harvard.edu/Research/wpaper.nsf/wzDate?SearchView.
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- 7 McLanahan, S., and Sandefur, G. (1994). *Growing up with a Single Parent: What Hurts, What Helps*. Cambridge, Massachusetts: Harvard University Press.
- 8 U.S. Census Bureau. Table 217. *Mean Earnings by Highest Degree Earned: 2004*. Retrieved 10 May 2007 from www.census.gov/prod/www/statistical-abstract.html.

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