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Full Issue: Bridging the Gap (Vol. 2, Issue 1)

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Marianna Richardson

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How Will You Measure Your Life?
Dear MSR Reader,

A bridge brings together two pieces, which normally would not connect. Without the connecting link, those two sections would be separate. For example, a bridge between two landmasses gives travelers access to new locations, new vistas, and possibly even new opportunities. Bridging the gap can also be perilous if the bridge is not safe and secure. The connection needs to be maintained and inspected regularly for cracks, fissures, or signs of wear that should be fixed immediately.

A tragic example of this happened on August 1, 2007, when the I-35W bridge collapsed over the Mississippi River killing 13 people and injuring 145 others in the metropolitan area of Minneapolis, Minnesota at 6:05 PM, during the height of rush-hour traffic. The bridge had been inspected annually since 1993. No inspection had been done the year it collapsed. Since 1990, the bridge had been given a rating of “structurally deficient.” In a 2001 study, it was determined that there were stress cracks in the cross girders and main trusses. The inspection in 2006 determined that there were problems of cracking and fatigue. Inspectors had even discussed condemning the bridge. But, the bridge was scheduled for replacement in 2020 and those in charge hoped the bridge would last until then. Well, it didn’t.

In business, bridges can be built between individuals, countries, markets, companies, and even ideas. These bridges provide links that bring together parts that were previously separate. Bridging gaps in both the public and private sectors can open new vistas, leading to new business opportunities for people on either side of the gap. The problem with these bridges is that if they are not maintained and inspected regularly, they can crash and fall because of financial stress and social pressure.

In this issue of Marriott Student Review, the authors have explored the bridges built in business and the importance of maintaining those connections:

**BRIDGING THE GAP BETWEEN CULTURES**

Kylan Rutherford suggests ways to better understand business in Eastern countries.

**BRIDGING THE GAP BETWEEN JOBS**

Elisabeth Andersen discusses new trends in the job application process.
Bridging the gap for a successful startup company

Ammon Kou reveals the challenges of starting a new business and highlights examples of successful companies in Utah.

Bridging the gap between beliefs

Wyatt Pagano emphasizes the need to understand other people’s beliefs.

Bridging the gap in business negotiations

Spencer Evans reviews “Getting to Yes: Negotiating Agreement without Giving In” by Roger Fisher and William Ury.

I hope you will enjoy reading about how you, as a business professional, can help bridge the gap between people and companies as you practice the connecting principles discussed in this MSR issue. Please share with us your own thoughts of how to bridge gaps.

Enjoy reading,

Marianna Richardson

Editor-in-Chief
In the rush of the human stampede that occurs between class periods, a fellow business school student brushes past me in a suit jacket carrying a briefcase. I glance down at my current socks-and-sandals medley and wonder what one would possibly carry inside a briefcase in the twenty-first century. One thing has been clear during my tenure as a business student: there’s me and then there’s them.

Me: people-oriented, strong belief in work-life balance, supports most “Save the Fill-in-the-Blank” causes.

Them: pencil-pushing, number-crunching, corporate minions.

Even forgiving my insulting exaggeration of differences, the question still stands – if the thought of corporate America fills me with a slight sense of panic, why am I pursuing a business degree?

That’s a question I would not recommend googling if you’re looking for reassurance. Top hits include titles such as “8 Reasons Not to Get a Business Degree”¹ and “Is a Business Degree a Waste?”²

Ultimately the ideas which compel me to study business are grandiose (in true “Save the Business Student” fashion), but have resulted in three concrete reasons that I offer to even the most business-averse among us.
First, business-minded candidates offer more as individual employees.

Perhaps your excuse to dismiss business learning is that while there certainly are some professionals who benefit from these skills, your specific niche in a company does not. Adam Smith taught us that specialization makes us more productive, but the benefits may be bell-curved rather than exponential. As employees are removed step-by-specialized-step away from the composite goal of an organization, inefficiency and waste are invited into the system.

Effective organizations are aware of this problem and hire accordingly. Even specialized employees are more valued if they exhibit cross-business functionality.

John Reed, senior executive director at Robert Half Technology, explained, “Companies don’t want the hard-core techie that sits off in the back room. They want the person that has those tech skills, but also someone they can put in the boardroom or in front of the business group.”

To truly capitalize on the benefits of specific skill sets, specialists should be prepared to market how their contributions affect the bottom-line and move their organization towards its ultimate goals.

Second, professions located outside of traditional commerce industries could advance through business principles.

A step beyond the excuse of an individual is the excuse of an entire profession to deny business relevance. Some may claim their purpose is outside of sales and profit, and therefore have no use for business principles. However, this excuse leaves a lot of potential benefit unclaimed.

For example, the science community at large falls under this hypothetical umbrella. The mission statement of The American Association for the Advancement of Science is to, “advance science, engineering, and innovation throughout the world for the benefit of all people,” and their stated goals have no mention of an obligation to stockholders.

In spite of their noble goal, scientists are admittedly struggling in an important area: communication to the general public. The discord between scientists and public knowledge and opinion is implicit in hot-button issues such as climate change and immunizations.

In response to this gap in understanding, there is a growing argument that along with scientific study and technical training, scientists should also be taught communication as part of their formal education.

Promoting skills such as marketing and communication within the science community will help achieve progress towards their mission of benefiting all people through research and innovation. Similar statements would hold true for government, education, health, and other professional fields which fall outside the traditional business category.
Third, business can play a foundational role in solving global issues.

Your final excuse may be the one I used to personally promote, that business is too petty a focus in today’s world. Here-in lies the most convincing reason to study business for my “Save the Everything” conscience: business offers the most viable solution to creating major change.

Wendy Woods, a social impact strategist and Managing Director of The Boston Consulting Group, reports that all of the government and charity donations in the world totaled up to over 200 billion dollars a few years ago, but that this is just a drop in the bucket of what is needed.8

The only organizations that have the amount of capital needed to majorly impact world issues such as poverty, inequality, climate change, etc. are businesses – both companies and investors.

I’m not just referring to Corporate Social Responsibility, but rather Total Societal Impact (TSI). TSI occurs when a business optimizes their supply chains, product design, manufacturing, and distribution to incorporate social and environmental considerations.9

For example, PepsiCo’s Sustainable Farming Initiative is aimed to help the farmers who make up their agricultural supply chain produce and earn more, while protecting human rights and the environment. They plan to expand the program to include 75% of their agricultural spending by 2025.10

The best part? Initiatives like these are the definition of a win-win situation because companies across all industries who engage in TSI experience positive impact on their valuation and profit margins.11

The professional silos built up in our minds by college majors and industry distinctions feel familiar; you have the businessmen, the public servants, the scientists, the artists, the jocks, the nerds, the cheerleaders … Wait – have we learned anything since high school?

While advanced financial algorithms and analytic tools may be best left in the hands of experts, many core business principles are beneficial to the broad spectrum of individuals, professions, and global community. Whether through formal classes or casual business reading, business aversion will ultimately be overcome by skills and knowledge that lead to results.

Notes


Graphics created by Macrovector - Freepik.com
1 BLOCKCHAIN
A way of storing data that provides users with a decentralized, anonymous, reliable transaction ledger. This enables users to have a public record of the ownership of resources such as Bitcoin such that others cannot falsify or hide previous transactions. Other applications may include collaborative legal documents that stay up to date and identity verification methods.

2 CRYPTOCURRENCY
An alternative form of currency protected through cryptography. Cryptocurrencies like Bitcoin are based on technologies such as blockchain and are intended to avoid the downsides, such as “double-spending,” that other online payment methods suffer from.

3 WORK-LIFE INTEGRATION
A view of work-life balance where work is not separated from the rest of life. Many millennials today acknowledge that it is almost no longer an option to “disconnect” completely from work while at home: Technology keeps roles such as “parent” and “employee” an integrated part of each other, the “balance” being not how much time one spends working compared to other aspects of life but rather the degree to which one makes all of his or her responsibilities interconnected.

4 PASSIVE EQUITIES
Stocks and other ownerships that are used in a passive investment strategy. Whereas active investors try to capitalize on fluctuating rates and trends, passive investors focus on the long-term gains acquired by avoiding trading fees incurred with active investments. Curious how well this works? See how Warren Buffett fared using passive equities in his bet against the hedge fund industry.

5 RISK-ADJUSTED RETURNS
A measure of return on investment that observes how much a fixed increase in risk is likely to increase returns. For identical returns, lower levels of investment risk yield better scores because, for that investment, less risk was required per dollar of return.

Notes
“Econ 388? I loved 388.” Jesse immediately turned the conversation away from himself. He expressed genuine interest in my semester course load, and even recommended classes. The first five minutes of my conversation with Jesse Barnes, Managing Partner and Portfolio Manager at HighVista Strategies, were all about me.

Jesse is an entirely unselfish conversationalist. Just as he focused his interview on me, he focused his conversations with employees on their hobbies, children, and camping trips while I visited his firm. His ability to connect with other people quickly makes him a favored leader, and reflects a theme that he lives by: business requires well-rounded professionals.

BARNES’ RELATIONSHIP WITH ACADEMIA

Barnes loves learning. His voice grew excited as he described his academic endeavors over the phone. He graduated from Brigham Young University with a BS in Economics and Mathematics. As an undergraduate, he considered a variety of professional paths. Barnes explored consulting, investment banking, and other economic avenues. He originally planned only to study economics, but when he realized that he wanted to pursue a PhD, he decided to major in math as well. An intensive math major would not be an afterthought for most students, but Barnes mentioned it casually. After graduating, he was accepted as a PhD candidate in Economics at Harvard University, and moved to Massachusetts with his wife and young children. “I was getting paid to go to school…There was no downside.”

Discussing his transition from academia to investing, Barnes said, “I fell in love with finance.” His passion developed as he took business classes and read about the markets. He thought that the quantitative approach would fit him well. Barnes planned to finish his PhD at Harvard and then move to the private sector. However, his studies took an interesting turn when he temporarily left the program to work for The Investment Fund for Foundations (TIFF). At TIFF he made connections that would later shape his career.

FROM FRIENDSHIP TO HIGHVISTA

Barnes explained, “At [TIFF]…I met the people that became HighVista.” (Note that he described the company in terms of its people and not vice versa.) He collaborated with the friends he made working for TIFF—Harvard professors, endowment managers, tech-savvy programmers—and they decided to create their own investment approach. It was an opportunity “too fun to pass up” for Jesse.

When asked about the firm’s creation, Barnes said that he was “the first person sitting in a room by himself writing code.” That code eventually became the skeleton...
of a successful firm that has over $3 billion in assets under management and investors across the world. HighVista Strategies works in investment management to generate superior, risk-adjusted returns for long-term clients. It develops solutions for a variety of client needs, and is careful to address employee needs as well. As we would expect from a company founded with Barnes’ influence, the HighVista website reads, “Exceptional businesses are predicated on having great people.” Its 50 person office is tight-knit, and Barnes spends a large part of his day on foot, making small talk as he rushes between meetings.

Currently, Barnes is a managing partner who uses his time to help the business run. But his job was not always this way. HighVista was launched 13 years ago, and throughout its development Barnes has taken on new responsibilities. “I was a quant,” he said, “I wrote models and was a portfolio manager.” What did he think of the transition when he left his quiet presence behind the computer screen to play his central role in the company? “It kept it interesting.” He likes arriving at work each day with a new, difficult problem to solve.

InVESTMENT IN COMPANIES AND PEOPLE

To share his opinion on investing, Barnes referenced history. “History repeats itself,” he said, “and people usually forget.” While all of us understand this cliché, Barnes used it in an economic context. He referred specifically to the story of history that you learn as an investor. He conveyed, “At some point markets will correct and people will remember why passive equities are not necessarily the best strategy.” He described the impending difficulties by comparing them to a fire. He explained that if your house never burns down, you might not want to buy fire insurance. However, if you look at the long stretch of history, you realize that your house may actually be at risk.

Investing is difficult, according to Barnes, because the world is always changing and investors must constantly anticipate what is coming next. “You’re only as good as your most recent performance,” he explained. He likes the challenge, however, because it allows him to work with high-caliber people, who are dedicated and hardworking. “The industry is undergoing significant changes,” Barnes noted. “[You] have to know what’s happening in the world from a business perspective.”

So what does Barnes value in these high-caliber employees? Inter-personal skills. The ability to present, to connect with investors, to communicate with others. He says that the most useful class he took in college was a grammar-heavy business writing course. He had to study punctuation like he studied derivatives, and now he sends emails, communicates with investors, and works on quarterly reports with ease.

Now when Barnes looks back on HighVista, he says, “I had a hand in building that business…that to me is pretty motivating.”

"FOCUS ON YOUR OWN LEARNING AND GROWTH MORE THAN ANY OTHER FACTOR."

—Jesse Barnes
THE STEPS TO SUCCESS

So what does Jesse say to business students? First, he warned us to be wary of advice—everything is “framed through [your] own experience.” However, he did agree to give a few lessons.

**THE FIRST:** “Don’t get trained, get educated…focus on your own learning and growth more than any other factor.” Barnes cautioned against specializing in one specific skillset and limiting our ability to switch roles. He reminded us that we don’t know where we’re going to end up, and that the most valuable employees are versatile. He also said that employers look to hire people that have challenged themselves, academically or in the workplace. Taking a variety of classes and investing in education will pay off.

**THE SECOND:** If you’re thinking about a career in investment, find blogs, find books, and read! Barnes instructed students to “decide whether [they] have a real passion for that…if [they] think it’s boring, maybe investing isn’t the right place for [them.]”

**THE THIRD:** Learn to write. Take MCOM 320. Barnes was a math major, but he still still took time to study writing. He said it was “huge” for him, and that it gave him a very valuable skillset. Strong writing is effective communication, which is essential to success in finance.

CONCLUSION

At the end of our discussion, Jesse signed off after giving me twice as much time as I had requested. I asked him if he’d be in the office late—the workday was already over. “We’re actually going to welcome a new employee,” Jesse responded. That new employee will quickly learn that he is not just joining a company, he is joining a team. He will not only be expected to use spreadsheets, but also to explore the business world. He will learn to create.

The welcome event is one of various evenings that Barnes will spend dedicated to his co-workers and employees. It made me think of the firm’s annual bowling competition—a highly anticipated, highly competitive tournament. Teams are carefully organized, predictions are made, and bowling shoes are shined. When I was in the office during last year’s competition, employees jokingly asked if bowling was a required class at BYU. Barnes, apparently, was the projected victor. Yet his focus was not solely on the game. In the bowling alley I observed as he switched lanes in between strikes to converse individually with each person present.

Thus we see that Barnes’ profession revolves not only around the markets’ games, but also around the people that work within them. The firm he continues to bolster strengthens relationships with investors and among employees. And by helping employees reach their potential, the firm is growing. One of my final questions for Jesse was, “What motivates you?” His response: “I want to build something great.”
Business Mind to Business Owner: Finding Startup Success

By Ammon Kou

Entrepreneurs face a host of challenges when starting a business. Three business owners share their experiences.
Success stems from planning, flexibility, and resilience. Three startups in the greater Salt Lake area share their stories.

**STARTING A BUSINESS.**

**THE AMERICAN DREAM.**

According to a study by Bentley University, 66% of millennials have a career goal of starting a business. Small businesses* (defined by the Small Business Administration as independent businesses with fewer than 500 employees) represent nearly 99.9% of all businesses in the US (approximately 29.6 million), and are responsible for 63% of all new jobs created each year. Small businesses employ 47.8% of all private sector employees, comprising nearly 58 million people. They also produce 16 times more patents per employee than large firms.

However, in recent years, small business creation in the US has remained stagnant. Since the recession of 2007, new startups in the US have hovered around 400,000 each year (down from its peak of nearly 650,000 in 2004). In 2014, 403,902 businesses opened and 392,000 businesses closed. Only about one-half of new businesses survive 5 years or more, and about one-third live past 10 years. The Small Business Administration estimates that in 2017, approximately two-thirds of all small business exits were the result of firm closures. Eric Ries, entrepreneur and author of *The Lean Startup*, writes “having worked with hundreds of entrepreneurs, I have seen firsthand how often a promising start leads to failure. The grim reality is that most startups fail. Most new products are not successful. Most new ventures do not live up to their potential.”

Despite these bleak statistics, many business have triumphed through their struggles and have found great success. Every business’ story is different, but the underlying principles are the same.

*Author note: although most startups initially start as small businesses, not all small businesses are startups.

**THE IDEA**

Every great business idea solves a problem. From a mild inconvenience to a sore pain-point, every problem can be remedied. And when you have found that remedy, you have your business idea.

For Thaddaeus Hay, he found that remedy while working for a Chinese import business in developing and growing its US arm. His friend, Kyle Tarter, was working as an Amazon product consultant at another business. Hay and Tarter learned a lot about e-commerce and product development from their respective industries. One day Hay approached Tarter and said, “we can do something similar to this, and we can do it a lot better!” Hay and Tarter then set to work to develop a model to scale e-commerce businesses. Two became three when Hay and Tarter were introduced to Travis Thorpe, co-founder and former CEO of Boostability. The new team created a process to scale ecommerce businesses and successfully sell products online.

Preston Alder was a student at BYU studying business strategy when he encountered a problem. He was about to embark on a summer internship and started looking for a storage unit in which to keep his belongings while he and his wife were away. Commercial storage units were ridiculously priced, so Alder asked around in hopes of finding a more modest option. He eventually contacted an old neighbor who allowed Alder to store his items in the garage. At this point, Alder realized, “There are empty garages everywhere, there are empty basements heverywhere, why couldn't I have just been using those to begin with? Why should I be forced to use a storage facility?”
Yeiri Kim and her husband, Junghun Song, previously owned a restaurant discount-card business. One day Song attended a food convention in Salt Lake City. He saw foods from all over the world, but no Korean foods. He found this disappointing, because people all over the world love Korean food, yet no vendor at the convention was selling it. He came home later that night and said to Kim, "What if we did a food truck? I know a lot of people in Utah will love Korean barbeque!" Because of Song's restaurant discount-card business, he had a lot of exposure to different types of restaurants and food businesses (Kim estimates that Song visited or contacted around 80% of all restaurants in Salt Lake and Utah County). He knew the industry’s best practices and the ones to avoid.

**THE MONEY MYTH**

One of the biggest misconceptions of starting a business is that it requires a large amount of upfront capital. Dave Lavinsky, founder of California-based business-planning firm Growthink, stated in an interview that being an “entrepreneur is the art and science of accomplishing more with less money.” Although money is a crucial part of starting a business, it is not an insurmountable road block.

Hay and Tarter each initially invested a few thousand dollars into their business and slowly grew their company. By keeping things small and staying within their means, they did not need any additional funding for a while. When Thorpe joined, he provided Hay and Tarter the additional funding Nozani needed to expand further and further. Hay says, “there are so many opportunities for people who have a good idea to find funding. There are so many opportunities within the community. It takes confidence in what you’re doing and a willingness to put yourself out there.”

“Most people say ‘I can’t start a business because I don’t have any money,’ but a business isn’t about money,” says Alder. When Neighbor first started, Alder and his team didn’t have any money. However, their market research showed that a lot of potential customers had interest in Neighbor’s business concept. At that point Alder wanted to find the “low-hanging fruit.” “The low-hanging fruit is, [for example,] the universities that provide a great opportunity, great exposure, and experience. We were able to get initial funding, not on equity, but from [the universities’] competitions.”

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Thaddaeus Hay

Nozani, Co-founder, Business Developer

Preston Alder

Neighbor, Co-founder

Yeiri Kim

Cupbop, Co-founder, Marketing Director
also advises to take advantage of the widely available community resources for small businesses, and to put your full effort into your business. “How do you [start your business]? Number one: You start by being scrappy. Number two: you go after the low-hanging fruit.”

“When students think about raising capital, they think about a big amount of money. I don’t agree with that. You need to start small,” says Kim. Cupbop’s initial funding included modest amounts contributed by its owners. All the owners also kept another job to provide for their families. Kim encourages students to think about what they are able to raise, and to start from that point. A smaller amount of capital is easier to manage than a larger amount.

**MARKETING AND REACHING CUSTOMERS**

The customer makes or breaks a business. A business without customers will cease to exist. According to Ford founder, Henry Ford, “It is not the employer who pays the wages. Employers only handle the money. It is the customer who pays the wages.” Reaching customers continues to be a struggle for many companies. Former electronics mega-retailer Circuit City was unable to respond to its customers’ changing purchasing habits, and eventually went bankrupt in 2009. Without an initial website or market, customers could not sign up to use Neighbor. To gain customers, Alder and his team manually reached out to community members and students to arrange Neighbor’s peer-to-peer storage service. In addition, after defining its target market, Neighbor put flyers on the doors of students’ apartments to gain interest. To garner even more awareness, Neighbor hosted the world’s largest Zorb soccer match last year. “Do things that don’t scale!”

To gain customers and a good following on social media, Cupbop started to do “fun marketing.” For example, when Cupbop first started, customers visiting the food truck were invited to like its Facebook page. Every month, Cupbop selected one follower on Facebook and awarded him or her with a private Cupbop party. Soon Cupbop reached over a thousand likes on Facebook, and everyone online was talking about Cupbop. Today, Cupbop has over 30,000 likes on Facebook.

Hay gained his first customers using online job boards. Thousands of people and businesses were looking for someone to run their Amazon or e-commerce marketing. He spent entire days cold calling job posters and offering Nozani’s services. He and his team continued this method until Nozani started growing. Now potential clients are the ones contacting Nozani to request its services.
SURPRISING CHALLENGES

Starting a business is full of challenges. According to legend, Thomas Edison made ten thousand failed attempts at inventing the lightbulb before he finally succeeded. After each initial unsuccessful attempt, he did not become discouraged. Perhaps his most famous quote is “I have not failed. I have just found ten thousand ways that won’t work.”

The biggest surprise for Hay is the amount of money, time, and stress scaling his business took. “Without a lot of money, you can help a couple dozen customers, but to grow a business, it costs a lot of money.” The second biggest surprise is the difficulty of managing 45 employees and how much structure is needed to run his business. However, Hay credits Nozani’s success to his employees, especially his managers who have helped him along Nozani’s path to growth.

For Neighbor, the biggest challenge has been taking on not one, but two businesses. “We’re a marketplace. We have to find people who have space, and people who need storage. It makes it difficult because we have two different types of markets we’re chasing.” Neighbor overcomes this challenge through diligently “hitting the pavement” and keeping the company’s focus on its vision and customers. Neighbor now has hundreds of listings and thousands of users.

When Cupbop was rapidly expanding in 2017, customers and social media presented an unexpected challenge. Due to its speed of expansion, Cupbop faced a few short-staff or short-service challenges which led to a few unsatisfied customers. “It was difficult to duplicate our unique Cupbop style of service to all of our customers.” Unsatisfied customers would leave poor reviews on social media and Yelp. However, Cupbop always reached out to those customers, listened to them, and made sure to resolve their issues. Cupbop treats customers as family.

HIDDEN BLESSINGS

With the odds stacked against them and with numerous challenges, what makes entrepreneurs eager to get up every day and run their businesses?

“The greatest blessing for me has been the opportunity to help families, to help people, my employees, and my clients to be better and grow. So many people believe that in order to make a difference they need to work in a nonprofit, which is a great thing. But for me, what I’ve found is that I’m able to make a difference in the lives of thousands of people. People are going to make money, because of the help of my business, and they’re going to hire more people, and they will be able to provide for their families.”

“The greatest blessing for me is that I get to come to work each day and work with a team that has the same vision that I do. It sounds cliche, but day after day we’re all working toward that same goal. And these people who are extremely qualified have given up incredible opportunities to be at this opportunity. Knowing that it started from an idea that I had, one day when I had a pain-point, and now it’s turned into a position where we have seven full-time employees and more in the coming months. Just knowing that we all have the same long-term vision for what Neighbor can become is a huge blessing.”

“Customers. We have been expanding very fast. Someone who is already big, like Chick-fil-A, Cafe Rio or Zupas, has a lot of experience. We were nobody. We are very appreciative of our loyal customers. We make a lot of mistakes, and we’re still learning, but our loyal customers still feel very connected with us. We feel very loved by our customers.”
ABOUT THE COMPANIES

Nozani is an e-commerce marketer based in Lindon, Utah. Since starting in 2016, Nozani has grown to serve businesses across the globe, providing services in marketing, market research, photography, and Amazon optimization and management.

https://www.nozani.com/

Neighbor is your go-to place for convenient storage. Offering safe peer-to-peer storage solutions for very reasonable prices, it is quickly growing into a nationwide company. Neighbor serves not only students, but anyone needing a place to store belongings.

https://www.storewithneighbor.com/

Cupbop is the insanely popular “Korean BBQ in a cup.” Since starting from a single food truck in 2014, Cupbop now has several food trucks and physical locations throughout Salt Lake County and Utah County. With its own signature barbecue sauce, Cupbop’s food is one of a kind.

https://www.facebook.com/Cupbop/

Notes
5. https://www.boostability.com/
Note from the editor: “Blockchain” refers to a particular structure and method for storing information — for example, in databases — such that interactions with the data are recorded and shared in a secure and confidential manner, giving rise to technological developments with cryptocurrencies and other inter-user transactions.

For much of 2016 and 2017, the finance and technology communities were abuzz with the potential of blockchain. Now as the public catches up and blockchain gains the attention of the mainstream media, leaders must quickly grasp the fundamentals of this technology to understand its implications for their businesses.

Following the launch of the cryptocurrency Bitcoin in January 2009, banks and federal regulators moved quickly to understand and possibly harness the power of its underlying technology: the distributed ledger.\(^1\) Since then, words like “ICO,” “mining,” “tokenization,” and “crypto” have become the parlance of newscasters and influencers. And if you have made it this far without needing to look up one of these buzzwords, you are likely among the few who have a general idea of what blockchain is or among the fewer who actually understand this new frontier.

Beneath the noise and away from the allure of the get-rich-quick ICO\(^2\) schemes, rests a new technology that has the potential to change at least some forms of business. In this paper, I set out to define the jargon of the “crypto space,” explain the fundamentals of blockchain technology, and comment on the appropriateness of various frameworks regarding the growth potential of this nascent technology.

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\(^1\) After exploring the technology, the SEC and other regulators have largely taken a passive approach, preferring to let the market run its course. One notable exception to this stance came on July 25, 2017, when the SEC issued guidelines surrounding the use of tokens as a security. https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings

\(^2\) “Initial Coin Offering.” This concept plays off the familiar acronym for “Initial Public Offering” and is essentially a means for a startup built on a blockchain to raise capital by issuing to investors tokens that will have utility within the product once the product is functioning.
TECHNOLOGY OVERVIEW

Background

Blockchain is a type of database that allows users to store information in a safe, yet visible way across a network of participants. The theory behind the database was first presented by Satoshi Nakamoto with the publication of “Bitcoin: A Peer-to-Peer Electronic Cash System” in October 2008. Bitcoin was to function as a digital, alternative form of currency protected through cryptography, hence “cryptocurrency.” The blockchain technology would allow users to accurately track Bitcoin transactions. Thus through the structure of the database, Nakamoto sought to eliminate the need for intermediaries in digital transactions. The theory became a reality when Nakamoto launched Bitcoin a few months later in January 2009. Competing cryptocurrencies have since followed, until today there are over 1500.

Although Bitcoin was not the first digital currency, it has gained popularity because of its ability (via the blockchain it’s built upon) to solve the “double-spend” problem that plagued previous digital payment systems. To understand this problem, contrast the purchasing process in the physical world with its online equivalent. In the physical world, when an individual buys a product or a service—think something as basic as a soda from the convenience store—money is exchanged for the good or service and the transaction is completed. With digital transactions, there is no way for the buyer and the seller to account for the uniqueness of the transaction because the digital representation of the money being exchanged is really just a “digital file that can be duplicated or falsified,” an “information asymmetry” exists. In other words, I could order a new t-shirt online with one copy of the digital file and then use another copy of the same digital file to buy shoes on another website.

Blockchains solve the problem through a governance system known as a “proof-of-work” protocol and a process commonly called “mining.” Understanding how this protocol and process solve the problem requires further explanation of the blockchain itself.

Technology

A blockchain is a digital ledger of transactions that are tracked across a distributed network of computers, called nodes (see Figure 1). Members of the network can look back through the ledger and see every transaction. Each new transaction is contained within a block and, once verified by the rest of the network, is added to the chain.

I think of blockchain like one of those giant group text message chains I’m occasionally added to. I may not have the number of anyone in the group, but I can see every text message sent. In this example, each text message represents a “block” of information, or the individual transactions of the blockchain.

These blocks are timestamped so that every node in the network can view the group text message and determine the order of every text. To prevent troublemakers from tampering with the text messages or blocks, each block is encrypted using a hash function, “a mathematical process that takes input data of any size, performs an operation on it, and returns output data of a fixed size.”

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3 This honor goes to DigiCash, created by David Chaum in 1990. https://bitcoinmagazine.com/articles/quick-history-cryptocurrencies-btc-bitcoin-1397682630/
4 It should be noted that Bitcoin’s solution is not the only viable method for addressing double spending. For another decentralized approach, see Brandu, S. (1993, August). Untraceable off-line cash in wallet with observers. In Annual International Cryptology Conference (pp. 302-318). Springer, Berlin, Heidelberg. Traditional payment processors (e.g. banks, credit card companies, PayPal) make their money by auditing transactions to deter potential double-spending. This reliance on third-parties and its associated cost was a major driver of Bitcoin’s development.
7 Of course, this assumes that both websites accept the digital file as a form of payment.
8 Due to the high energy and monetary costs of the proof-of-work protocol, some cryptocurrencies, including Ethereum, have begun switching to an alternative “proof-of-stake” protocol. See Amir Rosic, https://blockgeeks.com/guides/proof-of-work-vs-proof-of-stake/.
9 The term ‘mining’ is a bit of a misnomer. While a byproduct of the process is that new tokens are brought into circulation and awarded to the ‘miner’, the coins are really just an incentive for miners to extend the blockchain and process transactions.
Building blocks called “data structures” compose every kind of database. Data structures establish the rules for creating, storing, modifying, and managing digital information in the systems that utilize them. Thus, implementing a database with one variety of structure will yield different functionalities than a database constructed with another. In the same way that computers have operating systems like Windows, macOS, and Linux to perform similar tasks but with distinct features, databases have data structures, including arrays, vectors, stacks, queues, deques, maps, and trees. Each provides unique approaches to storing and accessing data. Descriptions of how the resulting databases behave can more generally be referred to as “database models” or simply “data models.”

Blockchain technology is based on the “distributed ledger” model:

- “Distributed” because the database is shared with all its users. In fact, blockchain is decentralized. This means that data is not processed by any central location at all. Every blockchain transaction updates users’ copies of the data directly, updating the network every ten minutes.

- “Ledger” because it records every transaction permanently. It is not possible to delete or edit past entries in a blockchain database. Users can therefore ensure that each transaction is a legitimate exchange of genuine resources, such as Bitcoin.

To illustrate how blockchain works, imagine that you are holding a $1 bill. This particular dollar is different from those you are used to: Attached to the banknote is a list, a record of all the places that unique dollar has circulated, of each owner and every transaction. Furthermore, everyone else who accepts dollars has a copy of that list. This might seem excessive in the physical world, but it solves some major complications introduced by digital currencies, including the following:

- Vulnerability to hackers: Because there is no single “master copy” of the data stored in a central location, the system cannot be overwritten simply by hacking the “middle man.” Altering data, such as how much money a certain user possesses, would require successfully hacking the majority of the individual users on the blockchain network, a virtually impossible task that makes blockchain much more secure than centralized databases.

- Double-spending: Some online currencies have the potential to be processed as valid payment multiple times before the user’s true balance is updated due to technological constraints of their respective data models. Blockchain’s direct user-to-user connections and waiting for transactions to be confirmed by the network (i.e., the information is sent so the network knows of the expenditure) substantially reduce this issue.

Notes


To add a block to the chain, nodes within the network compete to complete a complex mathematical puzzle. The solution to the puzzle can only be achieved through sheer computing power as each node tests different potential solutions until one of the nodes cracks the puzzle; hence many nodes within cryptocurrency networks are composed of powerful servers. Once a solution has been found, the solution is broadcast throughout the network and verified. The verification can take “tens of minutes,” which seems like an eternity in the world of computing, but is a significant decrease from the processing time required for transactions through intermediaries. As soon as a majority of the computing power in the network has reached consensus and verified the solution to the puzzle, the block is added to the end of the chain—becoming the most recent text in our metaphorical group text message—and the node that solved the puzzle is awarded a set amount of the cryptocurrency as a transaction fee or bounty. The rules governing this system and the requirement to solve the puzzle before adding the block with the encrypted transaction are collectively the “proof-of-work” protocol. Because the winner of the competition—the node that solved the puzzle—receives tokens that had not previously been in circulation, this entire competition process is referred to as “mining.” Therefore, each of the competing nodes in the network are often called “miners.”

Joining a network and “cashing out”

Individuals can join a public blockchain network such as the Bitcoin blockchain with relatively basic hardware, however the complexity of the software and its intimidating user interface discourages many non-specialists from participating in the network. Yet with...
a spare laptop (with at least 150GB of storage and 2GB of RAM), anyone can download the code for the public blockchain she would like to join and begin functioning as a node in the network, helping to verify solutions in the proof-of-work process. If a person is looking to start mining a cryptocurrency, he will need to invest in more powerful, specialized computer servers than the typical “lightweight” verifying nodes.

Like traditional currencies, cryptocurrencies can be exchanged for other cryptocurrencies and for an individual’s own fiat currency. For example, if I’m an American and want to change my Bitcoin into dollars, I can go through an online exchange that will charge me a small fee to exchange my Bitcoin into US dollars. These exchanges are targets for hackers because of their vulnerable position on the border between digital and “concrete” assets but do not have the same security of the immutable ledger.

Inherent characteristics

With this basic understanding of blockchain technology, we can return to blockchain’s initial value proposition and see how it prevents most cases of double-spending. Since every transaction is accounted for within the blockchain, anyone within the network can look back through the ledger and trace the movements of each token. Blockchain is a particularly secure form of database for two reasons: 1) every node in the network has a copy of every transaction in the ledger, and 2) each block contains a portion of the information from the previous block. If hackers were to attempt to change the data, they would need to control over 50 percent of the network’s computing power and alter the block with the information they wanted to change, in addition to all the subsequent blocks in the chain.

The characteristics of blockchain translate to three inherent strengths for the technology: transparency, security, and relative efficiency. These strengths, in turn, lead to an important result: they establish trust, or a proxy for trust, where trust otherwise doesn’t exist. In other words, they eliminate the need for an intermediary. This outcome worries rent-seeking intermediaries, chief among them the federal government and banks, who currently benefit from the status quo and are threatened by the implications of blockchain.

In an early move to stem the threat of cryptocurrencies, over 40 financial institutions have backed their own distributed ledger. The federal government has protested the cryptocurrency advances by dragging its feet. Ironically, such opposition may prove to the advantage of cryptocurrency—regulation too early may stymie innovation, even if it creates a “Wild West” landscape for the time being.

Some forms of double-spending attacks still work, but in order to work both transactions must occur before the network has time to verify the first transaction. For this reason, blockchain is not optimal for instances when transactions need to be instantaneous or nearly instantaneous. For examples of this potentially harmful double-spending, see Chohan and Bonadonna.

This concern may explain Jamie Dimon’s criticism of Bitcoin: if he could persuade people to walk away from a new entrant threatening his firm’s position while offering them a comparable alternative, he could possibly avoid being disrupted. Hence his condemnation of Bitcoin and his simultaneous endorsement of blockchain. See http://fortune.com/2017/09/13/jamie-dimon-bitcoin-blockchain/. Since this statement, he has since retreated somewhat, while still emphasizing the underlying blockchain technology: https://www.cnbc.com/2018/01/08/jamie-dimon-says-he-regrets-calling-bitcoin-a-fraud.html. See also https://finance.yahoo.com/news/jpmorgans-farooq-blockchain-will-radical-impact-businesses-220312432.html/

https://scholarsarchive.byu.edu/marriottstudentreview/vol2/iss1/1

Figure 3: simplified composition of a block
Source: Rob Hennefer, EPA Private Equity

https://braincoin.org/en/full-node#what-is-a-full-node
https://www.ft.com/content/aa9f6d64-e536-11e7-97e2-916d4fbac0da
https://www.corda.net/2017/05/r3-secures-largest-ever-investment-distributed-ledger-technology-usd-107-million-40-institutions/
Understanding the technology also reveals under which conditions blockchain is not ideal. Some examples include 1) when no intermediary is involved, 2) when transactions are immediate and cannot be verified across the network quickly enough, 3) when data does not need to be redundant, and 4) when outsiders do not need information stored in the database. Finally, blockchain technology is susceptible to one weakness every database faces: if the data originally entered into the database is incorrect, the data generated will also be corrupted—garbage in, garbage out. For blockchain, the immutability of transactions based on incorrect data is irrelevant.

These strengths and limitations inherent in the technology are central to the discussion of where blockchain belongs relative to other technologies. They also indicate which applications of the technology are most likely to succeed.

TECHNOLOGY LOCATION

Because of its three primary strengths, blockchain has widespread appeal in industries outside cryptocurrency (e.g. finance, healthcare, logistics, real estate, insurance, etc.) as those industries scramble to see if or how blockchain’s strengths influence them. Locating blockchain in relation to other technologies allows us to consider historical analogies that may prove helpful in forecasting blockchain’s impact across the economy. I refute the common conception that blockchain is a disruptive technology, and instead identify two broad technology categories, examining how well blockchain fits within each.

Disruptive technology

Almost daily, we see headlines claiming that blockchain will disrupt one industry or another. While these articles seek to express the potential impact of blockchain by employing the popular verb, disrupt, such use is sloppy. A technology isn’t intrinsically disruptive: rather it can enable disruption as it can enable a company to sustain its competitive advantage.
Technology is a component of disruptive innovation, as are the specific business model, resources, process, and priorities of the company built around the new disruption-enabling technology relative to the resources, process, and priorities of the incumbents. Therefore, it is more precise to consider blockchain an enabling technology that may allow startups or established firms to succeed, depending on how they respond to and choose to incorporate or ignore it. This all may seem like splitting semantic hairs, but the implications are important: simply having a cutting-edge technology infrastructure will not equate to market success; more important is how the technology is used.

Blockchain also does not fit the traditional model of disruptive innovation because it doesn’t undercut and replace an incumbent as much as it eliminates the need for an intermediary altogether. In traditional cases of disruptive innovation, such as Toyota, the new entrant offers a lower-end product that attracts the customers least attractive to the incumbent (thus the incumbent cedes this group of customers to the entrant to retain the more desirable customers, those who pay for the higher-end products). As the entrant’s technology and processes improve, the company attracts more and more of the incumbent’s customer base until it has effectively “disrupted” the status quo of the industry. Toyota did not eliminate the intermediary (the car salesman), rather it gave the intermediary a better alternative by not overshooting customer needs.

A similar pattern exists with sharing economy companies, such as Airbnb and Uber (whose status as disruptors is debated, but for our purposes will be considered). While they did employ new technology to disrupt hotels and taxi services initially, they have not eliminated the need for intermediaries, but may have begun to replace them by offering the same service through different means. This brings us to our first great paradox of the blockchain: if someone owns it, they in essence become the intermediary, in which case the inherent strengths of the technology become moot and the company is better off with a traditional database because trust already exists within the owner organization.

The characteristics of blockchain translate to three inherent strengths for the technology:

- Transparency
- Security
- Relative efficiency

### Foundational technology

With this dilemma in mind, one solution is to build a product on a public infrastructure rather than attempting to create an independent ecosystem. Imagine, for example, if every website or company tried to create its own Internet. The reason the Internet works is because everyone agrees to use it, a classic example of the network effect. Currently, one major obstacle facing blockchain adoption is no single cryptocurrency or blockchain platform has hit a critical mass of users—how many people do you know who pay for things with Bitcoin?

Nevertheless, the potential is there for one of these platforms to emerge as the public ledger of choice, at which point blockchain could become the foundation of future economies. Hence in Marco Iansiti and Karim R. Lakhani’s January/February 2017 article for Harvard Business Review, they categorize blockchain as a foundational technology like the electrical grid.
or the Internet, one with “the potential to create new foundations for our economic and social systems.” This opinion is well supported; others have made similar comparisons, most notably the TCP/IP protocol that made email possible.

The attempts to label blockchain as foundational come with the acknowledgment that laying such a foundation will take at least years, if not decades to achieve. Additionally, advocates of this label also admit that “the potential power of this would-be revolution is being actively undercut by the crowd it is attracting, a veritable goon squad of charlatans, false prophets and mercenaries.” That is to say, cryptocurrency bursts, we will see it consistently used in only a handful of industries.

Surprisingly, one of the pioneers of the “blockchain revolution” classifies blockchain as a niche technology. Medici Ventures, a wholly owned subsidiary of Overstock.com, oversees “the company’s investments in firms building solutions leveraging and servicing blockchain technologies.” The firm anticipates that blockchain will have a significant impact in a few key areas and restricts its investments accordingly: capital markets, money and banking, identity, voting, land, and underlying tech.

Medici Framework

Steve Hopkins, General Counsel and Chief Operating Officer at Medici, relies on a simple, two-question framework for assessing potential blockchain investments:

Is the idea actually a business?

Does the business need blockchain?

Many entrepreneurs are excited about blockchain’s potential, but do not consider if their use of blockchain will result in a viable, revenue-generating venture or if the business would be successful even without blockchain. Instead, as entrepreneurs and established firms join in the pursuit of blockchain’s white whale, many are quick to think up solutions that are economically infeasible or to bolt on the technology to a structure that fails to optimize blockchain’s intrinsic strengths.

With regards to the first question in the framework, Hopkins gives the example of browser/micropayment platforms like Brave. Such platforms grant users access to an ad-reduced web surfing experience. Because of its three primary strengths, blockchain has widespread appeal in industries outside cryptocurrency (e.g. finance, healthcare, logistics, real estate, insurance, etc.) as those industries scramble to see if or how blockchain’s strengths influence them.

is experiencing a bubble that is hindering the meaningful growth of the entire blockchain sector and that meaningful growth won’t come until after the bubble pops.

Niche technology

Classifying blockchain as a niche technology drastically limits the scope of its impact. If blockchain is a niche technology, it likely fits a few, specific use cases but will not see the massive adoption so many are predicting. If this is the right category for blockchain, once its bubble bursts, we will see it consistently used in only a handful of industries.

Because of its three primary strengths, blockchain has widespread appeal in industries outside cryptocurrency (e.g. finance, healthcare, logistics, real estate, insurance, etc.) as those industries scramble to see if or how blockchain’s strengths influence them.

29 Ibid.
30 http://www.mediciventures.com/bio/
31 https://brave.com/about-ad-replacement/
most likely to benefit from the ad. While the concept sounds compelling by addressing a real user pain point, and although Brave is being developed by Brendan Eich of Mozilla Firefox fame, the numbers may not work out. Like many potential blockchain applications, Brave requires a critical mass before it sees success. Competing against Google, Brave seeks to employ blockchain to displace Google as the intermediary of web services, but Google earns in excess of $95 billion from advertising. Therefore, it is unlikely to cede this core element of its business. Google has maintained such dominance because of its reasonable pricing for advertisers and general reliability for users.

An extreme example of the second question of the framework was the December 21, 2017 name change of Long Island Iced Tea to Long Blockchain. Here is a company in the non-alcoholic drink space whose business model has no real use for a distributed ledger, yet relied on a bit of wordplay to see a temporary jolt in its price. The company hasn’t made its intentions clear whether it would use blockchain to oversee its logistics and distribution, or if the name change indicates a more dramatic change in direction, a “long-jump” as described by Daniel A. Levinthal in “Adaptation on Rugged Landscapes,” but statements from the executive team hint towards the latter option: “Our ultimate goal is to build a portfolio of investments that touch multiple points in the blockchain ecosystem.”

Talk of an “internal blockchain” to be used for back office work in large organizations and major banks is a less subtle example of the second case. These businesses do not rely on a third party to validate a transaction and in many cases adding the hash algorithm and mining/proof of work features may slow down the process rather than increase efficiency. Following the slew of high-profile hacking incidents in 2017, blockchain may appeal to large data storers, but the security they seek in blockchain—the distributed and encrypted element—could be achieved without full-on blockchain. Companies pursuing a “blockchain

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32 https://www.sec.gov/Archives/edgar/data/1652044/000165204418000007/goog10-kq42017.htm
34 One notable exception was the YouTube child exploitation scandal, a scenario Brave could potentially avoid through its partner verification platform. https://www.cnbc.com/2017/11/27/advertisers-put-youtube-ads-on-hold-after-child-exploitation-scandal.html
37 https://investors.longislandicedtea.com/
strategy” who match the profile I’ve described are more than likely dressing up their security initiatives to capitalize on the crypto craze.

One use case that appears to meet both Medici’s requirements is that of remittance. Startups such as Circle and Abra have started to successfully disrupt legacy providers like Western Union and to challenge the previous upstarts like Xoom. These newcomers allow users to make mobile payments or money transfers across borders by using a blockchain infrastructure behind the scenes. By giving users a simple interface, Circle and Abra make sending money simple. But unlike other peer-to-peer money transfer platforms like Venmo, these companies do not collect interest on money in users’ accounts. Rather, a user texts the amount he or she wants to send, the transaction is recorded on the blockchain, and the recipient gets the money deposited in a digital wallet or account that the recipient can then withdraw in the local currency. Circle, for example, can offer this service at such low cost (virtually free) because its real business comes from its Circle Invest product, which allows users to invest in a range of cryptocurrencies.

CONCLUSIONS AND FURTHER RESEARCH

A blockchain database, or distributed ledger, allows users to store information in a safe, yet visible way across a network of participants. Since virtually any information can be stored in the database, the possible use cases for blockchain appear to be limitless. Nevertheless, given certain characteristics of the technology: its transparency, security, and relative efficiency, some applications do not make sense currently.

Serious players in the space have started with the most obvious applications of the technology (e.g., speculation, capital markets, money and banking, land titles, and computer storage), but these may not prove to be the most profitable in the long run. Further research is needed to determine when specific companies, given their business model could actually benefit from blockchain, should adopt a blockchain infrastructure. This conversion is likely to occur once regulators have established clearer guidelines and more people have migrated to the crypto space.

Finally, since blockchain is likely in a pre-bubble period, an analysis of previous bubbles, particularly the dotcom bubble, would be helpful for predicting which blockchain-based companies are most likely to survive once the bubble bursts.

For now, leaders should be aware of blockchain and understand the basics of how the technology works. Blockchain has the potential to impact many industries, as we’ve seen as we have tried to classify it. But blockchain’s major hurdle is the network effect: a critical mass of users needs to coalesce around one or two platforms and potential users need to understand its benefits. Until the technology can overcome these barriers, leaders are best off keeping an eye on Blockchain from a distance.
WHEN ADOPTING BLOCKCHAIN MAKES SENSE

<table>
<thead>
<tr>
<th></th>
<th>USE BLOCKCHAIN</th>
<th>FIND OTHER OPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does trust already exist between parties?</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Does the transaction need to be instantaneous?</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Does everyone using the database need access to every transaction?</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Is anonymity essential?</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>

When should a company consider implementing blockchain?
When the technology aligns with its unique value proposition. These questions can help determine just that.

APPENDIX A

LET'S SETTLE THIS
Milestones in leveraged Ican settlement with and without blockchain

Source: Goldman Sachs GIR
Indicators of Restaurant Success

By Dallin Williams

Opening a restaurant may be the product of a lifetime of education and work. A chef may devote himself to his practice and be able to produce outstanding food. The result of this dedication may be remarkable, but all of these factors may be in vain if the restaurant is not built on good business practices. Through comparing different studies researchers have found that the failure rate of restaurants in the first four years was consistently 67%¹ (see Figure 1). In order to ensure the success of their business, restaurant owners must take into account three key business attributes: 1) profitability, 2) liquidity, and 3) solvency.²

Profits can be measured through the return on sales ratio and the gross profit ratio (see Figure 2).

A restaurant can increase revenue by enticing more people to eat its food. Retaining customers is most efficient. According to researchers “83% of customers will not return to a restaurant if they have experienced poor service.”³ Regarding customer satisfaction, experts explain, “food quality is a critical attribute influencing customers decisions to return to a restaurant, followed by quality of service, cost or value of the meal and place or ambience of the restaurant.”⁴ If a restaurant owner can improve these aspects of their operations, revenues will likely increase.

An essential element in improving gross margin is menu pricing. Managers are encouraged to “have a
Liquidity

In order for a restaurant to survive it must be fairly liquid, meaning it has the cash or cash-equivalent assets necessary to pay for their variable day-to-day costs. If ever fluctuating overhead costs are not incorporated into the pricing of food, restaurants will not make enough money to cover expenses. When changing prices, chefs can reduce portion sizes and simultaneously creatively present the food in order to “retain the value proposition in the eyes of the customer.”

Reducing expenses is more complicated than increasing revenues. A restaurant has numerous expenses that vary tremendously. Restaurant owners should examine these expenses to eliminate any waste, fraud, or errors. For example, statistics show that restaurants on average lose 4-5% of their sales to employee fraud and theft. This expense can be reduced by implementing a system that monitors employees and penalizes them for theft. Other expenses can be addressed through a similar process of awareness and action.

Solvency

Solvency is similar to liquidity but shifted from short-term to long-term. A solvent restaurant owns assets with a total value greater than their total debt. By using solvency ratios an “investor can gain insight into how likely a company will be to continue meeting its debt obligations.” A more solvent restaurant is less likely to have to sell or lose their most needed assets, giving them a greater chance of survival in hard times.

A couple of ratios used to measure solvency are times interest earned and the solvency ratio (see Figure 2). These ratios calculate how much of a company's profits can be contributed towards paying interest, which gauges how effectively a business can control its long-term debt.

Conclusion

In the business of restaurants, passion for the industry, dedication to the work, and talent in the field are important, but are not enough. Restaurant owners must practice good management and recognize when
his or her business is in trouble financially. In Figure 2, all the financial ratios discussed in this article are laid out, with their formulas and industry averages. These ratios should be checked periodically, and if the analyst finds that these ratios are far from the industry average in the wrong direction, action should be taken.

When opening a restaurant, owners have the odds against them. However, with the right knowledge and careful observation, any business owner can turn the tables and greatly improve their chances for success.

### Notes


### Figure 2: Financial Ratios

<table>
<thead>
<tr>
<th>Ratio Name</th>
<th>Formula</th>
<th>Desire</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Sales</td>
<td>Net Income/Revenue</td>
<td>High</td>
<td>0.255</td>
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<tr>
<td>Profit Margin</td>
<td>Gross Profit/Revenue</td>
<td>High</td>
<td>0.455</td>
</tr>
<tr>
<td>Liquidity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Ratio</td>
<td>Current Assets/Current Liabilities</td>
<td>High</td>
<td>0.825</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>Current Assets-Inventory/Current Liabilities</td>
<td>High</td>
<td>0.467</td>
</tr>
<tr>
<td>Cash Conversion Cycle</td>
<td>See Figure 3</td>
<td>Low</td>
<td>-2.704</td>
</tr>
<tr>
<td>Solvency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Coverage</td>
<td>Earnings Before Interest and Tax/Interest Expense</td>
<td>High</td>
<td>10.662</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>Net Income + Depreciation/Long-Term Liabilities</td>
<td>High</td>
<td>0.2</td>
</tr>
</tbody>
</table>


In her recent article with The Society for Human Resource Management, editor Kathy Gurchiek urged employers to prepare for religious and LGBTQ issues in the workplace. Social developments in recent decades have ushered in an era of wide discrepancy in the needs and values of employees. This exerts greater pressure on employers to not only be aware of these differences, but adapt to them and their implications on efficiently engaging in business operations. Challenges associated with accommodating increasingly varied religious preferences of employees, as well as growing social acceptance and protections for LGBTQ individuals create a complex playing field -- with the need for an updated playbook in order to successfully navigate all of the potential consequences. No longer is this a question of “if” these sensitive topics will reach your desk but a question of “when,” and the wise HR leader will prepare his or her answers early. Although issues of religion and sexual orientation in the workplace are often viewed as negative challenges, they can be transformed into areas of opportunity for managers (who know the laws) to develop a culture of inclusion which eventually translates into long-term wins of employee and consumer loyalty.
While no single answer exists to managing every issue raised by religious needs or sexual orientation, following a few guiding principles will help managers succeed in keeping their people happy and avoiding costly legal problems.

The first principle is to understand the provisions of the Civil Rights Act regarding what constitutes discrimination and what degree of accommodations are required. This information is easily accessible and will help employers avoid potentially negative outcomes associated with discrimination on the basis of religion or sexual orientation - including lawsuits and loss of reputation. According to Gurchiek, the Equal Employment Opportunity Commission (EEOC) received over 3,500 charges of religious discrimination in 2015 alone and closed over $8 million in settlements in 2014. Neglecting the responsibility to be well versed in these issues is clearly very costly. Title VII of the Civil Rights Act of 1964 prohibits employers from discriminating against individuals because of their religious beliefs in the areas of hiring, firing, promoting, training, compensating, disciplining, etc.

Additionally, Title VII requires employers to make reasonable accommodations for employees to meet their religious obligations, which can include worship services and holidays. Accommodations may be restricted if allowing them were to infringe on the rights of other employees, by causing undue or excess burdens in their work, or leading to inefficiencies in the business operations that cannot be resolved in other ways. The most common request involves schedule changes for employees. In many instances, questions of schedule are minor. More touchy situations
Although issues of religion and sexual orientation in the workplace are often viewed as negative challenges, they can be transformed into areas of opportunity for managers to develop a culture of inclusion, which eventually translates into long-term wins of employee and consumer loyalty.

like public prayer, proselytizing at work, or practices of dress and appearance (such as Christians who were crucifixes, Muslim hijabs, Sikhs who cannot cut their hair) require ingenuity and tact. With an increase in differing religious traditions in the U.S., it is essential that leaders must be sensitive to these needs while maintaining efficiency in their operations.

Title VII also offers protection based on sex, the definition of which, in recent years, has been expanded by the courts to include sexual orientation and gender identity. Individuals who classify themselves as LGBTQ are likely to face discrimination or social discomfort at work which could lead them to file charges with the EEOC or leave the company. Such consequences can be dangerous and unfortunate, and may occur even if discrimination is unintentional. Any decision about hires, promotions, layoffs, or compensation must not be based on an employee’s sexual orientation. Furthermore, some employees may feel uncomfortable with each other because of moral and cultural norms, and leaders must have the tact to address the concerns that individuals with different ideals may have. In her article, Gurchiek quoted attorney Michael Cohen who said simply, “Don’t be that employer that automatically… doesn’t provide the accommodation being requested.”

Approaching each situation individually with an open mind will prevent costly mistakes that could potentially be construed as discrimination. Clearly, the best first step in helping employees with religious or LGBT needs is to review the laws and then treat the employee as he or she wants to be treated, if possible, while maintaining the wellbeing of all employees.

Application of the laws guarantees compliance and protection for employers from potentially negative outcomes. However, this is only the first step in managing religious needs and different sexual orientations. While being legally compliant and demonstrating kindness is essential, great managers perceive the value of opportunities inherent in the type of diversity available to companies who welcome great talent, regardless of religious beliefs or sexual orientation.

In her article for the Harvard Business Review, Kabrina Chang suggests that “How [managers]…act can either
improve morale by affirming an inclusive culture or it can suggest that religion is merely tolerated – and possibly invite litigation.” She then described an incident with a firm in Colorado that fired a number of Muslim workers who protested the way in which a dispute over prayer breaks was handled. After 130 charges of discrimination were filed with the EEOC, the firm has still been unable to fill the empty positions left by the Muslim employees. Although this example may seem extreme, the result demonstrates how easily an attitude of mere tolerance can decay into a myriad of problems. If the firm had aimed to develop a more inclusive culture, the conflicts could have been resolved easier and strengthened the loyalty of the Muslim employees, who they cannot replace.

Chang identified four best practices in developing a culture that is inclusive for employees of various religious needs:

1. Make equal treatment a mandate,
2. live by that mandate,
3. refine policies for different religious practices, and
4. anticipate staffing needs.

Following these principles establishes an inclusive culture and actively prepares for moments when work and religion conflict.

Additionally, a more inclusive work environment should extend to LGBTQ individuals. Even with growing social acceptance these valued may struggle to feel accepted by superiors or peers because of differing values, which could in-turn negatively impact their ability to perform to the level of their talents. In another article by the Harvard Business Review, Hewlett and Yoshino analyzed three ways in which LGBTQ inclusive companies have the opportunity to gain a competitive advantage: (1) attracting and retaining top talent, (2) winning critical consumer segments, and (3) innovating for underserved markets.

Arguably, their insights are applicable to not only LGBTQ employees, but also to employees needing religious accommodations. If a firm develops an inclusive culture, attracting top talent becomes easier because people are more likely to want to work for a company that values acceptance and diversity. Similarly, retention is likely to increase as employees are more loyal to companies that have a positive attitude toward people of all backgrounds. In fact, “employees at inclusive companies are significantly more likely to say they are proud to work for their employer and 

“No longer is this a question of “if” these sensitive topics will reach your desk but a question of “when,” and the wise HR leader will prepare his or her answers early.”
more likely to ‘go the extra mile’ for company success.” Inclusive companies also win consumer segments when it counts. In the case of LGBTQ consumers and their allies, at least 71% are more likely to buy from businesses that are inclusive. Consumers also respond more favorably to companies that are conscientious of employees’ religious obligations.

The most obvious benefit of this kind of diversity is that these employees have the insight necessary to drive market innovation. An LGBTQ individual will know better the needs of other individuals like themselves. In a similar way, a Hindu or Catholic is more likely to identify and understand the preferences, values, and interests of other Hindus and Catholics. Merrill Lynch’s efforts to welcome more LGBTQ employees and related markets resulted in a $1.4 billion increase in revenue over a four-year period. Clearly, the benefits of being inclusive to all employees and looking out for their unique needs go beyond merely avoiding legal expenses and losing face.

One way Hewlett and Yoshino recommend building a more inclusive culture is through the “Embassy” approach. This means that although the company may not push for major social change in the community, leaders adopt supportive and empowering policies within their own walls. This particular method is attractive because it creates a sense of good will and creates a safe haven where vastly diverse individuals can bring their authentic selves to work and unleash their talents.

Ultimately, increased complexity revolving around issues of religion and sexual orientation in the workplace can have a very different effect upon the future of a company based upon the response of its leaders. Success starts with knowing and abiding by the laws, but the firms that view these issues as an opportunity to create a more inclusive culture will reap the benefits of this increased diversity by winning greater loyalty from their employees and customers and having increasing their competitive advantage in developing markets.

Notes
Ibid.
Ibid.
Ibid.
Nonprofits: Big Problems, Small Budgets

By Anna Gazdik
In the fast-paced, demanding, and money-centric business world, nonprofit organizations may seem like the youngest child: always there, but sometimes forgotten. The dichotomy between the for-profit and nonprofit siblings are extreme. Nonprofits are expected to solve huge societal problems and help alleviate suffering through service, yet they are oftentimes handicapped in the resources they are allotted, and discriminated against when they invest in self-sustaining expenses.

The growing need for charitable goodwill amidst increasing worldwide catastrophes, wars, and disasters has catapulted such charitable organizations into the limelight, and increased attention has also led to scrutiny on how nonprofits spend their money.

Most recently, the 2017 hurricanes in Texas and Florida brought a storm of criticism to nonprofits and ignited a debate over how charitable organizations should use the donations they are given. The dispute about overhead spending is not new—nonprofits have historically been forced to fire employees and descale after sponsors back out at the sight of increased spending on areas such as recruitment, advertising, and customer service. Critics called the Red Cross inefficient and dishonest for using 25% of Haiti earthquake donations on overhead expenses in 2010.1 After raising $108 million for HIV/AIDS, Pallotta Teamworks was forced to shut down and fire hundreds of employees after receiving backlash on their spending.2

Under the watchful eye of donors, government leaders, and members of the public, nonprofit organizations are receiving increased pressure to achieve high financial efficiency and decrease overhead expenses. But how can an organization achieve massive results without being allowed to use resources to scale, innovate, and problem solve? While for-profit organizations go years without showing return to their publics, nonprofits are expected to save lives through budgets that sometimes don’t allow for more than a meager community event.

To change the culture in which nonprofits are evaluated and allow them the necessary room and resources to grow, one must understand (1) the role of nonprofits organizations, (2) the inefficiency of evaluating overhead ratio, and (3) the most effective measures of evaluation.

Role of Nonprofit Organizations

Nonprofit organizations help to sustain society. They provide relief in times of disaster, sustain arts and culture programs in local communities, aid refugees, and speak for millions more who do not have a voice but deserve to be heard.

The National Center for Charitable Statistics reports that there are more than 1.5 million registered nonprofit organizations in the United States, ranging from small private entities to large public organizations.3 Contrary to popular belief, nonprofits do earn a profit. Instead of distributing profit amongst shareholders as for-profit organizations do, nonprofits reinvest into the organization.4

According to The CPA Journal, nonprofit organizations are high economic contributors. Organizations across the United States contributed 5.4% of the GDP to the United States with just over $887 billion in 2012. Nonprofit organizations made more than $2 trillion in revenue that same year and held almost $5 trillion in assets. Not only economically robust, nonprofit organizations are socially powerful: more than one-quarter of U.S. adults volunteered through a nonprofit organization in 2013, and a total of $335 billion was donated by individuals, businesses, and organizations.5

The public disclosure of nonprofit financial records has increased both transparency and criticism for many nonprofit organizations, shaping a culture of competitiveness and pressure to perform.
Inefficiency of Evaluating Overhead Ratio

Reputation is the lifeblood of nonprofit organizations. If a reputation of high financial effectiveness is not upheld, then nonprofits will experience a decrease in public perception, and the flow of donations will begin to wither. Ultimately, the organization will be lost.

Determinants of Reputation

Patterns of reputation among nonprofits were found in a study of 152 U.S.-based charities. Organizational effectiveness was directly related to a nonprofit’s visibility, favorability, and attributes. Nonprofits who hold the highest reputation for effectiveness are more likely to be established, vastly large, and well known. Most significant was the finding that a nonprofit’s reputation is based off of the public’s perceived characteristics of the organization, and not its actual measures of effectiveness.⁶

The Stanford Social Innovation Review found that overhead ratio is one of the biggest factors used in determining the effectiveness of a nonprofit organization.⁷

Overhead Ratio

Overhead expenses include all operating costs such as fundraising, salaries, maintenance, and legal or financial fees.⁸ Nonprofits use a portion of donated funds to cover overhead costs, uphold internal infrastructure, and reach goals. Without overhead costs, an organization would be unable to function.

According to CharityWatch, a nonprofit organization is efficient when using 25% of its donations for overhead.⁹

Although measuring overhead rate is a valuable tool in comparing organizations and keeping them in check, it can quickly turn into a crippling standard of measurement. An overemphasis on the importance of overhead in evaluating an organization can blind donors to the good that an organization is doing, as well as pressure organizations to undercut proper funding.

Starvation Cycle

Although organizations have a duty to use donations for mission-related activities, they must also take care of themselves. If overhead costs are underestimated or undervalued, then a nonprofit organization will ultimately fail. After examining 25 years of nonprofit data and reports, Professor Jesse D. Lecy and Elizabeth Searing termed this phenomenon as the nonprofit starvation cycle.¹⁰

As seen in Figure 1, nonprofit organizations have three primary pressures that lead to a decrease in overhead: unrealistic donor expectations, misleading reporting, and competitive pressure. All three factors create reasons for organizations to lower their overhead expenses.¹¹

"Nonprofit leaders must make decisions with an outcomes-driven mindset instead of a compliance-driven mindset. In essence, they must temporarily forget about overhead and think big."
In essence, the pressure to lower overhead costs begins with the need to stay at the top of a competitive donor market. Intensified, such pressure results in compromised reports and skewed numbers, and donors cultivate unrealistic expectations of how much is actually needed to sustain overhead costs. Nonprofit organizations feel demanding expectations, and the cycle restarts.¹²

The starvation cycle is obviously prevalent in the nonprofit sector today. Levy and Searing found a severe drop in the average reported overhead costs for nonprofits in the last decade, and several organizations have even reported to spending no funds on overhead.¹³

**Effects of the Starvation Cycle**

The starvation cycle is having detrimental effects on nonprofit organizations. The Nonprofit Overhead Cost Study reports that underfunding overhead expenses has resulted in nonprofits filled with “nonfunctioning computers, staff members who lacked the training needed for their positions, and, in one instance, furniture so old and beaten down that the movers refused to move it.”¹⁴ Skimping on overhead to please donors and inflate reputation means that quality service will not be delivered, services will not be tracked, and everyone will suffer.

The public’s method of using overhead costs to evaluate the effectiveness of a nonprofit company is dangerous, both to the organization and to its donors.

**Effective Measures of Evaluation**

If the starvation cycle is not soon resolved, then nonprofits will run themselves to the ground in order to try and satisfy unrealistic industry and donor standards for overhead costs. Even if proper resources are given towards overhead, the problem will not change unless methods of evaluating nonprofit effectiveness and determining reputation are changed.
In his TED Talk, entrepreneur and activist Dan Pallotta condemned society’s current view of charities, claiming that a double standard is applied when evaluating nonprofit organizations, as compared to their for-profit counterparts.

“We tell the for-profit sector spend, spend, spend on advertising until the last dollar no longer produces a penny of value. But we don’t like to see our donations spent on advertising in charity, as if the money invested in advertising could not bring in dramatically greater sums of money to serve the needy,” Pallotta said. “[Social problems] are massive in scale, and our organizations are tiny up against them, and we have a belief system that keeps them tiny. We have two rulebooks, one for the nonprofit sector and one for the rest of the economic world.”

Pallotta’s response to finding a better way of evaluating nonprofits? Treat them as if they are a for-profit.

The activist took out full-page ads in the Washington Post and New York Times to promote a charity event. The price tag on such a venture is cringeworthy, but the risk provided a huge return- the ads helped to bring in two and a half million dollars in revenue.

Pallotta’s not alone in his thinking. Nonprofit Finance Fund associate director Claire Knowlton presents the idea of outcomes-based measurement in evaluating nonprofit effectiveness.

Figure 2 presents two primary ways to measure the effectiveness of nonprofit organizations: outcomes-based measurement and compliance-based measurement. Compliance-based measurement encompasses the traditional method of looking at overhead ratio, restricted budgeting, and rigid criteria in evaluating a nonprofit organization. On the other hand, outcomes-based measurement is more flexible, and invites the analysis of impact over time and across different situations.

This new way of regarding and evaluating nonprofits is starting to catch on- 2013 saw GuideStar, Charity Navigator, and Better Business Bureau announce a change in their evaluation of charitable organizations. They pledged to “[denounce] the ‘overhead ratio’ as a valid indicator of nonprofit performance.”
The change must begin internally, and organizations must first free themselves from the overhead-focused, compliance-based cycle that leads to added pressure and inadequate internal funding. Nonprofit leaders must make decisions with an outcomes-driven mindset instead of a compliance-driven mindset. In essence, they must temporarily forget about overhead and think big.  

A change in the mindset of nonprofits themselves will terminate the nonprofit starvation cycle and help correct the culture in which nonprofits are evaluated. An increase of outcomes-based measurement will lead to more transparency and breathing room for nonprofit organizations, greater trust from key publics, and overall increased effectiveness and reputation.

**Conclusion**

Nonprofits are critical, and so are their reputations. The valued effectiveness of nonprofit organizations determines their funding and ability to do good in the world.

Using compliance-based, overhead-focused measurement to evaluate nonprofits will leave both donors and organizations at a disadvantage. Intense pressure caused by the starvation cycle promotes inadequate internal infrastructure and resources, thus disabling nonprofits in their efforts to fulfill their mission.

The reputation of nonprofits must be built on outcomes-driven measurement. Rather than looking at overhead ratios, donors must examine the outcomes that nonprofit organizations achieve. In doing so, pressure on organizations will be relieved and they will be better able to serve others.

**Notes**

16. NPR, “Do We Have The Wrong Idea About Charity?”
18. Knowlton, “Funding Overhead.”
MORE THAN JUST A RÉSUMÉ

BY ELISABETH ANDERSEN
“But it’ll look great on your résumé,” is one of the most common phrases heard on a college campus and is one that justifies engaging in just about any extracurricular activity. College students across the nation are motivated to participate in clubs, hold internships, and be involved in whatever activity they can find on campus in order to place another bullet point on their résumé. Simply put, a résumé is a document that an individual will spend hours revising and editing so that a recruiter can spend an average of six seconds scanning it to look for past experiences that determine whether or not the applicant is qualified for the job. However, some applicants’ résumés won’t ever be seen. Instead, their résumés will go through an ATS (applicant tracking system) and be filtered out by preset criteria and required keywords.

In short, the difference between being employed and unemployed is dependent upon approximately 500 words. Nevertheless, your future does not have to rely upon one sheet of paper if you choose to market yourself. Although résumés are not going to disappear completely, understanding their limitations and learning to market yourself is crucial when on the job hunt.

**LIMITATIONS**

For the past decade, men and women in the business world have been debating the effectiveness of résumés and whether or not they will become obsolete within the next few years. As of now, résumés are still widely used to find candidates for job positions and are an essential part of any application process. Nevertheless, résumés are limiting when they focus on experiences over skills and lack reliability.

**EXPERIENCE OVER SKILLS**

When given 500 words, it is nearly impossible to properly describe your accomplishments, strengths, unique skillset, progress, or future career aspirations. Sam Welch from LinkedIn wrote, “Résumés don’t tell a story, or paint a picture of who a person really is. They’re dead documents. They give you facts, and force you, the reader, to create a story, which may or may not be accurate.”

For students who plan to pursue a skills-based career in the high-tech industry, they can struggle to properly explain how much they are capable of doing in a given situation. As you determine how you want to spend
your time, activities that cannot be described in a single bullet point can fall by the wayside, even if the activity interests you.

**LACK OF RELIABILITY**

Jason Fried, co-founder of Basecamp and 37signals, said when discussing the pitfalls of résumés, “In my experience, they’re full of exaggerations, half-truths, embellishments – and even outright lies. They’re made of action verbs that don’t really mean anything… Résumés reduce people to bullet points, and most people look pretty good as bullet points.” Any individual seeking future employment will struggle to find a balance between elaborating on past achievements and exaggerating about prior job experience to appear more successful or influential than they actually are. Within six seconds, a recruiter will not always be able to decipher between qualified, potential employees and articulate writers who can use strong verbs and construct powerful bullet point statements.

**NECESSITY**

Nevertheless, whether résumés are a good indicator of future performance or not, companies will continue to require them in conjunction with an ATS to filter out upwards of 75% of all applicants. Efficiency is key when beginning the hiring process, especially when the company receives thousands of applications for just a couple of job positions. As long as you are truthful when writing your résumé, the recruiter can infer whether or not you, the applicant, are fit for the position, based off of the assumption that past performance is an indicator of future performance.

**MARKETING YOURSELF**

Although a résumé is not the most effective way to convey your potential and talents, job hunting does not have to start or end with a résumé. Students and business professionals alike should not base their self-worth or goals off of having an excellently worded résumé. The good news is that having a résumé is not the only key to landing the “dream job.” Two important keys are networking and creating a personal brand.

**NETWORKING**

Networking is considered to be an essential skill for anyone under the age of 65, yet many students or young professionals do not understand how to properly establish or utilize a network of people. According to a survey done by LinkedIn, “85% of all jobs are filled via networking.” Establishing business connections with friends, family members, coworkers, and their contacts is essential because the large majority, 70-80%, of all jobs never even reach a job board or website. Before posting a job opening, a company will search within its database of current employees, past employees, and employee referrals.

One Marriott School student found her summer internship through an informational interview with a family friend who works as an HR executive. Although the student went into the conversation with the sole intention to learn more about the various fields within HR, she walked out with an offer that she could not pass up. Not only did the HR executive create an internship for the student, but she also tailored the internship to the various aspects of HR that the student is most interested in. The HR executive did not request the student’s résumé until after she had verbally agreed to accept the internship and had visited the job site to meet the employees with whom she will work. Due to networking with the right people, the student did not need a piece of paper to prove her potential or ability to succeed.

Although thousands of articles have been written about the different keys to success when networking, what will matter most in the end is the quality of relationships, rather than the quantity. According to a study done by HBR, over 60% of jobseekers found new employment with the help of past coworkers or colleagues because they were able to “talk knowledgeably and convincingly about what the applicant was like as a worker and colleague.” Therefore,
when considering how to utilize a network, go to the people who can vouch for your work ethic and potential to succeed.

**CREATING A PERSONAL BRAND**

Part of creating a personal brand is recognizing what your strengths are, developing them, and publicizing those strengths and talents on a platform. Do not conform nor define yourself by a set of job titles and descriptions. Rather, you need to start creating your personal brand with a brand statement, “Your brand statement is 1-2 sentences answering what you are the best at (value), who you serve (audience) and how you do it uniquely (USP). It sums up your unique promise of value.”

Once you can pin down what your innate talents are and how to utilize them in the workplace or in your extracurricular activities and passion projects, make your success and progress known. Personal branding can be done via a website that you create, or an active Facebook, Instagram, or LinkedIn account. As more students establish their personal brand, recruiters and managers will be able to determine how the students or young professionals stand out from the other applicants and their potential to succeed.

*Sam Welch from LinkedIn wrote,* 
“Résumés don’t tell a story, or paint a picture of who a person really is. They’re dead documents. They give you facts, and force you, the reader, to create a story, which may or may not be accurate.”

*Although résumés are not going away anytime soon,* and are still deemed to be a basic necessity, the fact of the matter is that you do not need to be constrained by whatever can fit on an 8.5 x 11 sheet of paper. Life is about more than just participating in activities or volunteer efforts to pad a résumé. Instead of just focusing on what will look good on paper, live a fuller life and learn to better market yourself through networking and creating your own brand.
Money in Whose Pockets?

A Brief Insight on Current Minimum Wage Discussions

By Ayric Westfall
Minimum wage policies in the United States have existed on a national level since 1938. Since its introduction at the federal level, minimum wage has sparked discussion almost every year. Different opinions and viewpoints on the issue (from abolition of the wage to increasing it) have impacted businesses which has led to changes in policy on a corporate and political level. As shown in Figure 1, the minimum wage has varied immensely since its inception.

The changes over 80 years have allowed us to reevaluate the status of a set minimum wage, as shown by the fluctuation from a $4 low to an $11 high. Such changes have presented questions for businesses that employ minimum wage workers. The idea behind a minimum wage is that no matter where one may work, he or she is required to be paid at least a certain amount for every hour of labor. So, how can we as every day citizens and business leaders be better informed about minimum wage?

First, business leaders must understand the arguments for and against minimum wage.

Second, leaders must understand wage floors and how wage inequality affects businesses is critical for the business.

Lastly, by knowing about a national versus state or local minimum wage, leaders can influence a company’s position on the issue.

**Understanding the Pros and Cons**

Minimum wage is considered by some to be a key component of American industrialization, as it allows for a minimum income standardization. In reality, only about 2% of workers in the US earn exactly the minimum wage. Even within the young adult/teenage demographic group (a group commonly associated with the minimum wage), more than 80% of workers earn more than the minimum wage.
The current U.S. federal minimum wage is set at $7.25 an hour, but that amount, and the idea that businesses can be told how much or how little to pay their employees, are hot topics of debate among economists and business owners alike. The basis for this argument lies within a simplified trade-off of goods: people vs. money.

Recent polls suggest that evidence exists in favor of raising the minimum wage. Proponents for this increase in wage claim that a change “would help struggling low-income families, nudge down poverty and increase consumer demand, all with minimal loss of jobs.” Essentially, advocates suggest that through earning more money, workers in turn will have more to spend in the economy.

Contrasting research suggests that such an increase in the minimum wage “would lead employers to automate workplaces and reduce job opportunities for the lowest-skilled workers, while doing nothing to reduce poverty or help the economy.” Increasing the minimum wage increases business overhead which could potentially lead to employee layoffs. A 2014 estimate made by the Heritage Foundation (a think tank in Washington, D.C.) predicted that a raise in minimum wage to just $10.10 per hour would lead to a loss of approximately 300,000 jobs and $40 billion from the national GDP.

Additional research also suggests that increasing the minimum wage actually has a negative impact on prices. Using examples of McDonald’s and pizza companies, Emek Basker of the University of Missouri stated that “McDonald’s burger prices increase by about 0.9% for every 10% increase in . . . minimum wage. [There is] about [an] 0.8% [increase] for a 10% increase in . . . minimum wage, for the price of pizza.”

Both arguments have valid support, making the decisions around the minimum wage tough ones. Understanding how to implement an effective wage is key to finding a solution.

Wage Floor and Wage Inequality

A minimum wage can also be defined as a wage floor, meaning pay cannot be lower than the set minimum limit (the opposite of a wage ceiling or maximum wage). Wage inequality refers to uneven income distribution within a population. A set wage floor, when not adjusted in accordance with rise in cost of living or inflation, is a major source for modern social division and wage inequality.

Historically, wage/income inequality was attributed to a difference in wages between men and women. Due to varying circumstances and beliefs, the societal pretense suggested that men should constitute the majority of the workforce. As shown in Figure 2, this notion is still present, with a working woman making about $0.79 for every $1.00 that the average man makes. However, due to changing beliefs and a more equality-focused workplace, this claim is becoming less relevant in today’s society, with the source now more eco-demographically based.

Figure Two

In the 1990s, a gap began to form between what workers were making and a “living” wage, or what would be generally accepted as necessary to cover the basic needs of life. One example was in the city of Boston, which established a living wage of $8.23/hr. and followed with a state minimum of $5.25/hr. Just two years later this living wage was raised to $9.11/hr. while the state-imposed minimum wage was only lifted to $6.75/hr. In addition, a study determined that a family of two working adults with two children would need a minimum of $13.03/hr. just to meet basic needs.8

For today’s workers, an inequality in wages occurs when those with low incomes are unable to advance enough to obtain middle-class status because of changes in inflation and cost of living. Many advocates for an increase in minimum wage claim that a higher wage will help low-income workers. However, by raising the minimum wage, border-line poverty workers can be artificially lifted to compete with the higher-income workers. Douglas Holtz-Eakin, a CQ Researcher contributor, stated, “the minimum wage is a poor tool to fight poverty because it does not target those in poverty. Only 2 percent of workers earn the minimum wage, and only 20 percent of those are in poverty.”9 The reality is that minimum wage more directly affects day-to-day living for workers, and not necessarily the overall income earned. Since only 2% of the workforce earns this minimum and only 20% of those workers are considered to be in poverty, perhaps the focus needs to be on other contributors to such a circumstance.

When a control on minimum wage is coupled with other resources such as financial education and technical skills training, the underprivileged are more substantially benefitted, much like the process of a home or building renovation. Contractors do not focus on solely redoing flooring or repainting; rather, they keep in mind that the scope of the project includes all aspects of the building, such as design, coding, flooring, painting, and modernization. Just as a renovation would not be complete by only changing the wall color, workers can be seriously harmed if the only tool used to help them is a minimum wage policy change.

Federal versus State Minimums

The discrepancy between federal and state-mandated minimum wages also influences the way businesses and workers would react to a potential change. In 2014, 21 states had a higher state minimum wage than that of the federal government, with the state of Washington being the highest at $9.32 an hour.10 The possibility of turning over the final decision to raise or lower the minimum wage to the states rather than the federal government is yet another heavily debated aspect of minimum wage policy. For areas with higher standards of living such as Los Angeles and New York, a higher wage could be a potential solution to many economic problems. However, subjecting rural and less expensive areas to this high wage floor could potentially drive away small businesses that thrive in small-town settings.

Figure 3 is a visual representation of how individual states within the U.S. have implemented their own
policies respecting minimum wage. Most notable is the quantity of states and cities that have set their minimum wages according to regional demands; however, other states have equated the federal minimum wage as the state minimum.

Recently, the city of Seattle became one of the first in the nation to impose a $15 minimum wage city-wide. The city anticipates this change to be integrated gradually, with the current minimum of $13 an hour increasing periodically until it reaches $15 an hour. In a study by the University of Washington, researchers found that “wages rose about 3 percent, but the number of hours worked by those in low-wage jobs dropped about 9 percent.” A local business owner was also interviewed and stated that her restaurant “had not reduced hiring because of the higher employee costs, though it has increased some menu prices and instituted a 20 percent service fee.”

While it may be too early to tell exactly how this change in policy will affect Seattle, it certainly shows how establishing region-specific minimum wage policies could have a potential impact on workers and the economy. Currently, businesses have reacted positively to this change in Seattle, supporting a need to have such geo-targeted minimum wage policies.

Conclusion

Minimum wage is a polarizing subject. Various factors should be considered when discussing potential transformations in policy that would affect millions of people in the country. While this article focuses on empirical evidences, minimum wage discussions must also include human and moral evidences. Workers have lives, families, and bills to pay. Businesses also have an obligation to generate profit for shareholders or owners. However, workers are not paid simply because they
have a job and companies do not exist simply to make money. The relationship is symbiotic; workers need businesses to survive and businesses need workers to make a profit.

Until an equilibrium can be reached, the debate continues on both sides. However, the answer is not found in promoting the interests of a business over a worker's, or vice versa. Ultimately, the end decision is not to please one while damaging the other. Mutual benefits for all that are involved are key to achieving an understanding of how minimum wage policies should be treated.

Notes

4 Mantel, "Minimum Wage," 75.
5 Mantel, "Minimum Wage," 75.
10 Mantel, "Minimum Wage," 75.
12 Schreiber, “Rising.”

“The relationship is symbiotic; workers need businesses to survive and businesses need workers to make a profit.”
When the **FAR EAST**
Becomes the **NEAR WEST**

By Kylan Rutherford
In 1978 Edward Said coined the term “Orientalism” to describe the Western world’s habit of misrepresenting and patronizing cultures in the Eastern world. For centuries, Western empires have construed the East as a mystifying world of adventure, seduction, and abundant treasure; explorers and colonizers would come back with tall tales of palace courts and jungle tribes. The East was sexy. It was also—and often still is—perceived as inferior to the West.

A lingering bias is still prominent in how we learn about the East. For example, a high school student can take advanced placement courses in US and European history, but no Asian history option exists. A student is 57 times more likely to learn a foreign language from Europe than from Asia, and more than twice as likely to learn Latin, a dead language, than any Asian language. This Western focus doesn’t add up—Asia represents almost two-thirds of the world population and a third of global GDP. China is our number 1 trading partner. Asia’s margin over other regions is growing in almost every category. It matters.

As globalization brings the East and the West closer together, the ability to engage in business effectively in or with Asian countries is becoming almost mandatory. In 2012 The New York Times reported that almost 30% of non-Asian multinational companies had at least one of their board members living and working in Asia. Chinese, Korean, and Japanese individuals and companies represent some of the most promising investors for budding companies. Continuing to overlook countries in the Asia region is a choice that Americans make at their own loss.

Unfortunately, one can't just “learn Asia.” The region has an astounding diversity of languages, religions, cultures, and politics. Approaching business in Asia as if it were a homogenous region would be akin to a Japanese corporation expecting the same business experiences in Montreal, Mexico, and Minnesota. However, the rising generation of business hopefuls looking toward Asia can invest now in some areas of skill still sought after in Asian countries.

Skills in Demand

30 years ago, basic skills that Americans possessed were in high demand throughout Asia. Now, countries like China, Japan, and the Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan) have become developed and are saturated with these professionals. They are also well-equipped to generate revenue without a dependence on American companies. However, there are several things that Americans can still bring to the table.

Matthew Hosford, who has worked in the Hong Kong financial sector for almost 20 years and recently joined the World Bank, asserts that, “people like to hire Americans because they work well in groups and have an ability to analyze and come up with solutions.” Hosford encourages those wishing to do business in Asia to develop strong communication and writing skills, critical thinking, and genuine knack for analysis. “Not what the finance majors think,” he says, “but really understanding a situation from many angles.”

Many other doors can be opened if individuals develop what Hosford calls, “a sense of adventure and flexibility.” Other countries in the region are at the beginning of the same explosion of economic growth from which the developed Asian countries have just emerged. They are still underdeveloped, which requires some adjustment for professionals who move there to work and carries risk for those who invest, but these countries have astounding potential.

Countries to Watch

China is the cover story of Asia, but it is not the only place Americans should be watching. The Asian Tigers are stunning examples of how small regions have taken advantage of skills, position, and niche markets to jump into the top tier of world economies.

Hosford encourages anyone with an eye toward the future to watch Papua New Guinea, East Timor, Bangladesh, Myanmar, and Sri Lanka. Many of these
countries could still be considered undeveloped or underdeveloped, but recent events are beginning to spark growth. Myanmar, for example, has only begun opening itself up to global markets in the past 15 years. It has a young workforce hungry for opportunity, it is wedged advantageously between India and China, and has phenomenal access to the Indian Ocean with a long coastline and decent system of rivers. Other countries on Hosford’s watch list are similarly poised for future growth.

**CULTURE TO UNDERSTAND**

Very little can be generalized about the cultures of Asian countries; they have diverse pasts, religious traditions, geography, and politics. Their cultures underpin the commercial sector in the same powerful, yet subtle way Judeo-Christian values permeate the West. Thus, engaging with a country requires at very least an effort to understand the culture and a recognition that one’s own culture is not universal.

America has an extremely individualistic society. Commenting on the #metoo movement, but referencing our culture as a whole, a scholar in Hong Kong said, “Americans take whatever they do and turn it into a show.” Often the way Americans approach problem solving involves a level of recognition and publicity. Influence in Asia (speaking for many but not all of the countries) is often obtained quietly and discreetly. In a business meeting in China, for example, the most influential person in the room may say nothing.

Americans also need to get over our fear of Communism and Socialism. China is thriving under a communist regime. As America steps into the background of the international community, many nations—especially developing ones—are looking to China and socialism as a model for growth. Globalization has irrevocably planted principles of capitalism in the world markets, but China is proof that socialism and capitalism are not mutually exclusive. Individuals hoping to brave the international business world need to be conscious of these dynamics.

In addition to defining and fighting orientalism, Edward Said had this to say about understanding other cultures: “Rather than the manufactured clash of civilizations, we need to concentrate on the slow working together of cultures that overlap, borrow from each other, and live together in far more interesting ways than any abridged or inauthentic mode of understanding can allow. But for that kind of wider perception we need time and patient and skeptical inquiry, supported by faith in communities of interpretation that are difficult to sustain in a world demanding instant action and reaction.” America is in a critical stage of change in its international roles. The world has shifted away from the dated Cold-War binaries and surface-level, orientalist understandings of the East. The rising generation in America has the potential to connect with the international world in unprecedented ways, but for that to happen we have some homework to do.

The online version of this article includes a list of online, periodical, and print resources that can provide valuable information on the current events and histories of various Asian countries. If you would like to “hit the books” and keep learning, please visit: www.marriottstudentreview.org.

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Notes


iii Matthew Hosford (Chief Risk Officer in the Asia-Pacific region, Banco Santander) in discussion with the author, February 2018.


Map image created by Layerace - Freepik.com
“The other half of the world knows an awful lot about us—and knowledge is power. The rising generation in America has the potential to connect with the international world in unprecedented ways, but for that to happen we have some homework to do. We need to concentrate on the slow working together of cultures that overlap, borrow from each other, and live together in far more interesting ways than any abridged or inauthentic mode of understanding can allow.”

— Edward Said
If you are looking for a heartwarming tale or an inspiring memoir, you have picked up the wrong book. *Getting to Yes* is full of tips, tricks, and techniques that will help you “get to yes” in all your negotiations. When people think of negotiating, they think of haggling with store owners in Thailand or Mexico to get a great price on fake Oakley sunglasses. *Getting to Yes* takes superficial haggling to a new level, focused on creating value for both parties in the negotiation.

*Getting to Yes* provides a framework for winning a negotiation with the following steps: (1) separate the people from the problem, (2) focus on mutual interests rather than positions, (3) identify options for mutual gain, and (4) insist on using objective criteria.

1. Separate the people from the problem. Negotiating with emotion is one of the best ways to ruin the negotiation. People become emotionally attached to the product or service of which they are negotiating and end up being offended at the first bad offer. The best way to separate the people from the problem is to build a relationship with the party on the other side of the table. Think of the other side as a partner in the negotiation rather than an opponent.

2. Focus on mutual interests rather than positions. Fisher and Ury explain, “Your position is something you have decided upon. Your interests are what caused you to so decide.” Instead of asking, “What do you want?” we need to be asking, “Why do you want it?” A negotiation is more successful when the parties understand their real motives and then match them with each other.

3. Identify options for mutual gain. A collaborative negotiation is a win-win scenario. Too many people think of negotiations as win-lose, although it does have its time and place. Mutual gains help preserve the relationship and create value in the long run over the short run.

4. Insist on using objective criteria. Before each side start negotiating terms and conditions, they should first agree on a set of criteria that will pave the way for the rest of the negotiation. When the different sides have opposing interests, objective criteria are crucial in moving forward with the negotiation.

Above anything else, negotiation skill takes time and effort. Every negotiation is different, but these skills and strategies can and should be adopted and applied to every negotiation. Negotiating is a lost art that many people shy away from, but if you apply these techniques, you will be “Getting to Yes” in no time.
Many of us have been faced with the challenge of how to make a school presentation interesting and memorable. Professors face this same challenge every day in trying to make lectures notable. In these and other cases, it’s easy to succumb to the belief that some topics are simply forgettable, and always will be.

Chip and Dan Heath tackle this challenge and teach readers how to make any idea “sticky” in their book *Made to Stick*. They do this by using the six principles of the mnemonic “SUCCESs.” While some of the examples may seem outdated (the book was written in 2007), the principles are still relevant today.

**Simplicity**: When concepts are boiled down to the most important principles, they are easier to remember. Rather than a complicated and comprehensive strategy, Southwest Airlines has an extremely simple approach: “THE low-fare airline.”

**Unexpectedness**: This principle focuses not only on how to get people’s attention, but how to keep it. From the Enclave minivan ad to the wolves-attacking-the-marching-band ad of the 2000 Superbowl, unexpectedness can have surprising durability.

**Concreteness**: Making an abstract idea concrete allows listeners to put the idea into a context they understand. Explaining a pomelo as a large citrus fruit with a firm yet squishy rind is much harder to understand than simply saying a pomelo is like an oversized grapefruit. By using a concrete example that most people will understand, it is easier to comprehend the abstract idea.

**Credibility**: People remember things when a reliable source or person is attached to it, and the source doesn’t have to be famous. Everyone remembers “The Truth” anti-smoking campaign because of Pam Laffin, a former chain smoker whose heartfelt admonition to stop smoking was credible because of her own experience.

**Emotion**: Instead of a basic list of what causes donations support, charities often have a photo and an anecdote of someone who is personally affected by charitable donations. Seeing a face and hearing a story elicits an emotional response that potential donors aren’t likely to forget.

**Stories**: As the Heaths write, “Stories are like flight simulators for the brain.” When a person hears a story, she is more able to put herself in the context of what is going on, making it a more personal experience and therefore more memorable.

Chip and Dan also bring light to concepts that help or hinder messages from being communicated effectively: notions like the Curse of Knowledge, Commander’s Intent, the Sinatra Test, and several others. They dig into why some ad campaigns like “The Truth” anti-smoking campaign mentioned above or the “Mean Joe” Coca-Cola are so memorable while others fall flat.

The “clinics” at the end of each chapter provide specific examples of how to apply these principles, making the book not only a fascinating and quick read, but also a convenient reference for future presentations.

*It’s easy to succumb to the belief that some topics are simply forgettable, and always will be.*
As a “starving student” in college I was always attracted by opportunities to make more money. At the time, I felt confident that I could do anything and be happy doing it for an extra $1.50 an hour. This makes sense when a person is struggling to pay the rent and trying to eat more than instant ramen noodles in their diet. After marrying and settling into a life with more financial stability, that all changed. I began caring more than ever about my professional pursuits, and Daniel Pink’s book Drive: The Surprising Truth About What Motivates Us helped me understand why.

According to Pink, the main source of motivation in human beings is intrinsic, meaning it comes from internal forces. Each of us finds the greatest motivation to complete a task when the joy of the task is reward enough. Furthermore, the degree of creativity and excellence is greater than when faced with extrinsic motivators like money. In fact, studies show that money is often a toxic de-motivator that decreases creativity and encourages undesirable behavior. This is why fewer people donate blood when offered compensation and why non-commissioned artwork is objectively rated more beautiful than commissioned work (pg. 46, 63). Money is still important, but after people are paid enough to take the issue of money off the table, it ceases to be productive. Ultimately, Pink asserts that people are motivated most by three elements of work:

Autonomy | Mastery | Purpose

Purpose constitutes the reason we engage in a line of work. The “triple bottom line” is a term becoming more familiar in the business world. Millennials crave work that is meaningful and impactful, and they aren’t the only ones. Even baby boomers are influencing this shift in business culture (pg 132). When people have a “why” to the work they do, they will accomplish more than they otherwise would. Purpose is an essential element of motivation, and money is not a sufficient purpose in today’s professional world. Devotion to a cause greater than oneself has a way of drawing forth a person’s best efforts and creativity.
Conclusion

Considering my own experiences, I found that Pink’s book was right on the money; that is, money is not the best motivator. My best work in school or work has consistently sprung from situations where I was self-directed, mastering new skills, and had a higher purpose in mind that required the best of me. A room full of autonomous people, working towards mastery, for a purpose greater than themselves, is a room ready to change the world. Business leaders would do well to recognize the shift and embrace the opportunity to be more efficient and more creative than ever before. Although contrary to the conventional wisdom, Daniel Pink’s doctrine may just offer the seeds of salvation for businesses seeking to attract and retain the best talent.

Notes

The drive to succeed is alive and well at BYU. Students have high hopes for their futures, as they should. However, if they’re not careful, it’s quite likely things won’t turn out as they had hoped. Clayton Christensen and his colleagues introduce this idea powerfully in *How Will You Measure Your Life?* and provide guidance, backed by business theory, which will help anyone—especially the college students preparing for life—find success at work and at home. Since he is one of the most influential business thinkers in the world, as well as a committed Latter-day Saint, Christensen’s words carry weight at BYU.


For example, you could ask yourself what your dream job is. What attracts you to it? How are you going to get there? Christensen introduces several ideas about motivation; strategy; and resources processes, and priorities; and shows how they might influence the fulfillment the reader may actually find in their future careers. Perhaps his own career is the best example. After all, it makes sense that Christensen, so incredibly successful in his field, must have arrived at his dream job. Nope. He always wanted to be the editor of the *Wall Street Journal*. Through taking advantage of unanticipated opportunities and not rigidly sticking to some unrealistic five-year-plan, Christensen has found a career that he loves.

More important than career, though, is family. Christensen spends significant time in his book talking about the satisfaction that comes from good relationships with spouses, children, and friends, and how they can easily fail if you’re not careful. One way he does this is using the Theory of Good and Bad Capital; basically the idea that new businesses fail when they invest too much in the wrong strategy. Christensen shows how people do this all the time in their relationships, especially by prioritizing work over those relationships. In the long run, though, neglecting these relationships will likely lead to failure, just as in the business world.

Ultimately, though, Christensen concludes that the ideas he presents are most effective when they are supported by a clearly defined purpose. He shares the story of how he, as a busy economics student at Oxford, took time away from his studies for an hour every day to determine what his purpose in life would be. For many students, especially those in the Marriott School, such a sacrifice might seem unreasonable, especially since success in school is very important. However, Christensen makes clear that the purpose he discovered “is the most valuable, useful piece of knowledge that [he] ever gained,” and if he “instead spent that hour each day learning the latest techniques for mastering the problems of autocorrelation in regression analysis, [he] would have badly misspent [his] life.”

*How Will You Measure Your Life?* is an important book for any person with a desire for success. It offers valuable lessons from an inspiring man, and reading it will help anyone to avoid the pitfalls of a driven life and to find success at work and home.