



Strategy and Strategy Execution at the University of Wisconsin: The Wisconsin School of Business Initiative

The Announcement

On Saturday, October 27, 2007, Michael M. Knetter, Dean of the School of Business at the University of Wisconsin-Madison announced that 13 donors had bonded together to form the Wisconsin Naming Partnership as a vehicle to donate \$85 million to preserve the name the Wisconsin School of Business (WSB – Exhibit 1). The name would be preserved for at least 20 years. This was the largest single contribution in the University's history (see Exhibits 2 and 3), and one of the largest ever to a business school. While significant in and of itself, perhaps more impressive are the relatively dramatic and rapid changes that the School has undergone since 2002, that paved the way for this historic gift.

A Flagship Institutional Setting

As old as the State of Wisconsin itself, UW-Madison is the state's flagship public higher education institution. It has about 42,000 students from all 50 states and more than 100 countries, about 16,000 employees, more than 350,000 living alumni and a budget of more than \$2 billion. With \$832 million in science and engineering-related research in 2006, it ranked second in the country to the private Johns Hopkins University, according to the National Science Foundation. UW-Madison led the country in research on subjects other than science or engineering with \$73 million, the foundation reports. And its athletic program has developed big winners in several major sports.

The University faces many challenges, including the state's fiscal climate (See Exhibit 4) and the high-profile criticism some lawmakers have leveled at the University in recent years. But similar environments exist in other states as well, so the UW context is not unique, just difficult.

The School of Business in 2001

In 2001, external stakeholders were unhappy with the performance of the UW-Madison School of Business. This is perhaps best seen through the voices of alumni who expressed frustration in the declining MBA rankings, one of the more externally-visible barometers of school success (see the Milwaukee Journal Sentinel article in Exhibit 5). Not only were external constituents unhappy, but also the internal ones: students as well as faculty. The School's master's students in 2001, reacting to a rankings "crisis," nearly rioted. They had a town hall meeting with the dean that turned ugly. In 2001 the School had 33 different master's majors; therefore, even though 12 (today's tally) might seem like a lot, it is far fewer than the School had previously.

While the 2001 MJS article (Exhibit 5) captures some of these frustrations with the School and its situation, it does not fully capture the complexity of the issues the School was facing. As compared

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with most businesses, universities change very slowly. Some chide that “a paradigm can only be changed in any university when the old professors die.” In terms of the larger macro environment, the entire University of Wisconsin System was seeing much less state support. Often, the economic logic of public universities is framed as a three-legged stool, where revenues come from state taxes, tuition, and gifts/endowment. Unfortunately, the School of Business was not free to set tuition or benefit from enrollment increases in the centralized financial model of the university. Tuition prices were set by a board of Regents for all state universities. Tuition revenues throughout the system were pooled together from all full time degree programs. The only opportunities for generating unrestricted revenue through programs were in the part-time MBA area and non-credit executive education. Furthermore, most gifts to public universities were restricted in their use. Thus, the lack of state support, and inability to grow tuition revenues from regular degree programs, was creating a crisis in unrestricted funds that are needed to hire faculty and staff.

Like the business schools at most public universities, the UW-Madison School of Business consisted of a fairly diversified portfolio of activities, including undergraduate, three MBA degrees (full-time, evening, and weekend executive), a Masters in Accountancy program, PhD degrees, and a large executive education operation housed in a separate facility, the Fluno Center for Executive Education. Its research and undergraduate programs were historically very strong, with both ranked among the top universities in the world. Fiscal woes at the university level, however, were causing salary levels to fall behind the market, raising the fear that faculty would be picked off by higher paying competitors. The School was also entering a period of senior faculty retirements, thus further thinning out already scarce human capital.

Between 1998 and 2001, the UW MBA curriculum had already undergone two waves of major changes. And related to that point is that this was not the first major wave for MBA restructuring around the country and globe. When Dean Andrew J. Pollicano, Dean Knetter’s predecessor, was hired in 1991, every single one of the dean candidates talked about the MBA and many programs were modifying them. UW went from two-year programs to one-year programs then back to two years. It went from general to specialized back to general, etc. The pressure to build a successful MBA program was driven in part by the significance of rankings to the perceived quality of not just the MBA program, but the entire business school in the eyes of some critical constituents.

Despite these waves of changes (or perhaps due to them), the quality of the masters programs in 2001, as Exhibit 5 suggests, was spotty. The programs were also expensive due to the inefficiencies inherent in so many different options. There was no core curriculum, enrollments were somewhat split between full-time MBA and part-time MS students.

Fragmentation had other costs too. Students themselves did not identify strongly with the UW or its School of Business. The exception to this being in the areas where “niche centers” had been in place, some of them for over a decade. For instance, the Applied Securities Analysis (ASAP), Real Estate, and Market Research MBA centers were ranked highly by students and nationally, and had excellent placement records. Other activities like the newly launched evening MBA and weekend executive MBA were well received but too small in scale to generate much free cash flow for the school or build significant visibility and brand strength. Executive education, was losing money in part due to the debt burden resulting from the major cost of constructing a world class facility. On balance, while there were some strong parts of the School of Business, much of the operation could be classified as unfocused or not contributing to the continued success of the School. Dwindling financial resources from the State meant that big changes were needed soon.

Changing of the Guard in 2002

Michael M. Knetter joined the UW-Madison School of Business as its dean in July 2002, following the 10-year run of prior Dean Pollicano. Knetter had been associate dean of the MBA program and professor of international economics in the Amos Tuck School of Business at Dartmouth College. Tuck's MBA had recently been ranked #1 in the first-ever ranking by the Wall Street Journal. Knetter had chaired the economic and finance group before becoming associate dean and was named one of Tuck's top five professors by BusinessWeek in its guide to business schools. The Wisconsin job would be a homecoming of sorts for Dean Knetter who completed his undergraduate studies in economics and mathematics at UW-Eau Claire and his Ph.D. in economics at Stanford University. He had also served as a senior staff economist for the President's Council of Economic Advisors for former presidents Bush and Clinton. Given the state of the School of Business, Knetter was hired with a mandate for change. But Tuck's general management tradition seemed at odds with Wisconsin's strength in niche programs. The direction of change was uncertain.

The Competitive Environment

If you want to get a sense of how competitive the business school market is, just look to the plethora of school rankings, from undergrad to MBA. The top of this list includes U.S. News & World Report, The Wall Street Journal, Financial Times, and BusinessWeek, but there are many others. A complete list is shown in Exhibit 6.

It is important to note that the MBA was the first major business program ranked by significant news outlets such as Business Week, which has ranked schools since 1988. Rankings caused rancor among many schools including the UW; in the 1998-2005 period, its BusinessWeek ranking only rose as high as 23rd, and that was in 1998.¹ The rankings, to this day, affect the flow of money to schools through alumni contributions and tuition revenue from popular programs. The dark side of rankings was summarized by Pollicano in 2005, then dean of the Merage School of Business at University of California, Irvine. Pollicano argued that what may have begun as a benign attempt for news outlets “to fill a niche and boost circulation” has had many undesirable consequences for business schools, not the least of which is the “diversion of funds to engineer their MBA rankings at the expense of other programs, curricular innovation and research.” The enormity of the financial consequences also has implications for other, related programs. With a highly ranked full-time MBA program, the executive education programs become more highly regarded and sought, which in turn draws support from industry. It is all tied together.

Nothing epitomizes the competitive nature of the business education industry more than the MBA degree, and its recent spate of high-profile makeovers. Critics suggest that the core MBA curriculum, is no longer enough to suit the needs of today's employers.² The degree, while valuable, needs a comprehensive makeover, they argue, to transform the way business schools teach business. The wave of recent MBA redesigns may have been inevitable, given mounting external pressures business schools are facing. Few deny that the heart of the MBA curriculum—with its focus on building skills in finance, marketing, and other core business disciplines—remains vital to business. Even so, recruiters want MBAs who are better communicators, team builders, and creative thinkers.

Most of this criticism seems to miss the fact that there is no single “MBA curriculum”, nor is there a unified vision coming from employers about what they want from an MBA graduate. Investment

¹ http://www.businessweek.com/bschools/rankings/ranking_history.htm

² Criticisms as recent as, Chief Executive ("Fixing the Flawed MBA," July/August, 2007)

banks and consulting firms seem to seek general management graduates with broad training and good team skills. Other non-financial companies seem more interested in graduates with a substantive background in a particular area who can step in and add value immediately. Here, the graduates with a traditional functional major or specialization may be a better fit.

The ever-growing importance of technology is also behind the MBA's transformation. Technology has led to globalization, long-distance collaboration, and dilemmas of ethics and security that did not exist before the Internet, e-mail, databases, and virtual workgroups. In an integrated world, say educators, a compartmentalized MBA program simply no longer does the job. "The MBA market is maturing, competition is increasing, and market demands are changing more often," says Stephen Foerster, director of the MBA program at the Ivey School of Business at the University of Western Ontario in Canada. "People are asking serious questions, such as 'Why should I pursue an MBA? Why should I pursue it at your school? And what's in it for me?'"

The modern-day MBA makeover is the result of years of soul-searching at a number of schools, as they attempt to respond to these questions. Ivey, for instance, launched its latest curriculum, which now consists of eight seven-week terms, sequenced to emulate the business decision-making process. Other schools that launched redesigned MBA programs in the fall of 2004 include the Tepper School of Business at Carnegie Mellon University in Pittsburgh, Pennsylvania; the Terry College of Business at the University of Georgia in Atlanta; the University of Washington Business School in Seattle; the Fox School of Business at Temple University, in Philadelphia; and the Lally School of Management and Technology at Rensselaer Polytechnic Institute in Troy, New York.

In addition, redesigned MBA programs are paying greater attention to helping students become better problem-solvers and decision makers, says Dan Poston, executive director of MBA programs at the University of Washington. "MBA recruiters have told us they have been dismayed, at times, by outstanding MBA students from top schools who, when faced with actual business problems, either freeze or forget what they've learned and revert to 'seat-of-the-pants' decisions," says Poston. "So, we now require students to complete at least two company projects beyond internships. We also provide faculty coaches to help them if they freeze or disregard something they've learned. In this way, we build a stronger bridge between theory and practice." As business schools place new emphases on specialization, presentation, and career management in their revamped curricula, students learn more than general business skills, say educators. With every course they take, students develop career-specific skills and knowledge that make them immediately valuable to employers in their chosen fields.

Staging and Pacing Changes in the Strategy – 2002 to 2007

So what's a new dean to do? Hard choices lay ahead, which included the choice of remaining with the status quo. Financial constraints were binding on the school. The economic downturn had hurt revenues from executive programs and a newly implemented model of faculty support had increased costs of delivering existing degree programs, sending the budget into the red. There were opportunities to make progress in various program areas—undergraduate, masters, executive education and PhD, but resources were already scant, and fighting fires on all these fronts could likely worsen the situation. And unlike corporate America, leadership in a university setting is akin to herding cats or pushing a string – in other words, motivating others to move in a new direction but without substantial leverage to encourage them to move, especially given tight resources.

While the school's strategy evolved over several years (Exhibit 7), change was initiated in 2002 by the restructuring of the MBA program around the "specialization" concept. This meant that areas

of existing strength, like the MBA specializations in applied securities, real estate, and marketing research would serve as models for the entire MBA program. As part of the deal, efficiency was also increased since the first-year curriculum would consist mostly of courses taken by all students (i.e., a lock-step core, as found in general management programs), while the second year would consist mainly of courses dedicated to the specializations. The School already had endowed centers in place for real estate, entrepreneurship, securities analysis, operations, supply chain, market research and arts administration. Following the “specialization” concept, UW-Madison MBA students choose to specialize in one of 14 (now 12) areas, as summarized in Exhibit 8. “Some students are interested in a general management curriculum, and there are many programs out there for them,” says Dean Knetter, “We wanted to focus on students who know how they want to launch their career and prepare them to be better at that function than students from any other program. If they are best prepared for their first position, they are best positioned to earn a leadership role over time.”

Dramatic changes like these usually take place under leaders who have developed strong relationships and credibility, and it is undoubtedly due to the appointment of Professor Joan Schmit to the MBA associate dean role that forward momentum was accomplished. Knetter put all his trust in Professor Schmit, and she was largely seen by her fellow faculty as impartial and having a strong interest in doing what was best for the School’s students and faculty. This credibility was further bolstered by the fact that the recommendations she moved forward actually did not benefit her own program. At the same time, she made it clear that she had no aspirations to remain in the dean’s office after the transition period. Ironically, in most cases where dramatic change is necessary it takes a respected insider to move things forward, even though the appointment of an outsider like Dean Knetter is the initial catalyst.

When Knetter arrived (actually in the months prior to his official start, when he split time between his position at Tuck and his new job at Wisconsin), he spent significant time with people involved in the school, asking for input on what was working, what was not, who were the key players, etc. It was this effort that led Schmit to agree to be the associate dean for master’s programs. According to Schmit, “What I saw in the process that was different was that Mike was not looking at what everyone else was doing with their MBAs and trying to emulate them, but rather he was trying to discern what was successful within our own structure and building on that success. He pored over data on placement success, student satisfaction, etc. and realized that we were living in two worlds at our master’s level: the unsuccessful general MBA and the highly successful niche MBA. The question, then, became how we could harness the success of the niche programs.”

Schmit, Knetter, and then-Senior Associate Dean R.D. Nair created three committees: the curriculum committee; the admissions committee; and the co-curricular or extra-curricular committee. Each was filled with highly qualified and devoted people with strong stakes in the issues. The curriculum committee actually began meeting in the summer when Knetter became dean and then met twice a week for two hours each meeting in the fall. Participants were asked to work with their departments to devise the best MBA curriculum we could provide. The process began with a very open-ended set of questions of “What courses should every student take?” and “What will yield the best learning and feeling of connectedness across the student body?” The next step was to work with the full list of courses that people recommended, find agreement on the core, and then work with the departments to get their ok so that their MBAs all could fit within the lock-step aspect of the curriculum. The committee was very clear that it wanted a lock-step curriculum, observing how un-connected the School’s students were without a strong cohort attachment. The process started with a totally blank slate and created what the committee and departments thought would be best.

With Schmit’s credibility, on top of the careful groundwork to prepare the curriculum change proposal, the School’s faculty vote was positive and unanimous. Additional centers were founded

with major gifts in brand management (\$6.4 million in 2002) and corporate finance (\$8.4 million in 2003). The brand management gift showed that UW could raise resources for the specialization model. Then the positive faculty vote inspired the corporate finance gift a few months later. With regard to the unanimous faculty vote, as Schmit summarizes, “I believe this came about because: (1) the curriculum committee was comprised of very highly regarded members; (2) those committee members talked extensively with the faculty in their departments to work out wrinkles before we voted; (3) the vast majority of the faculty understood that the MBA was broken and needed to be fixed for our school to survive; and (4) very few costs were evident, and certainly considered smaller than the benefits we all anticipated.” The first class of 115 students was admitted to the Center curriculum in fall 2004, and plans for a new \$40 million MBA wing of the School were announced in 2005, in response to a \$20 million lead gift.

With change underway and positive momentum in the MBA program, the next step was to expand this momentum into no-credit executive education and the part time professional programs where tuition revenues could be retained by the school. An important strategic move here was the consolidation of the two part time MBA programs under a single leader, Deborah Mitchell, who was a highly regarded marketing teacher, and came with both academic and business experience. Mitchell consolidated the evening and weekend MBAs under the umbrella brand of Enterprise MBA. The consolidated structure facilitated greater efficiency in program design, delivery, and marketing, and enrollments grew from about 35 students per year up to 50 in the Executive and 60 in the Evening program, with discussion underway to launch a new section of the Executive program. This meant a significant increase in the free cash flow available for the school, although it also increased the school’s need for faculty who could deliver in those program venues. The momentum seemed to be spreading throughout the professional program offerings.

In summary, the new strategy focused on developing a strong UW MBA brand around a stronger but smaller specialized MBA program, followed by restructuring the evening and weekend part-time MBAs under the Enterprise MBA umbrella, and expanding the revenue generated in these part-time programs and non-credit executive education.

Not everyone was pleased with the persistent focus on professional programs. The undergraduate program had the highest rank, the most alumni, and was probably a much easier place for the school to “compete” since many top private business schools do not have undergraduate programs. An ad hoc committee was formed in 2005 to look into potential improvements in the undergraduate program, including a shift to sophomore year admissions (rather than junior year) and an increase in global experiences for all undergraduates. Sophomore admissions begin in fall 2008.

In essence Knetter identified a program area which was most in need of repair, which could attract some alumni investments, and whose improvement could help financial performance in other areas. The momentum developing in this area of the school was helping to build confidence and trust among alumni, which would become important to another big idea.

Making the Journey a Pitch at a Time

In early 2005 Knetter met with an alumnus to pitch a unique concept – join a small group of wealthy alumni donors with a minimum contribution of \$5 million per donor in a transformational \$50 million naming gift. The catch? The School would be named the Wisconsin School of Business (WSB), and not bear the donor’s name. Moreover, the distinctive WSB brand would stay in place for 20 years, after which time the original Wisconsin Naming Partners could renew or increase their pledges, expand the pool of contributors, or pursue a conventional naming gift.

The first six months of this road show went well, with commitments for some \$30 million falling into place very quickly. However, despite this initial burst of financial commitments, other new donors did not quickly emerge. Furthermore, with the state budget negotiations in process, the school was hoping to win approval of a differential tuition for its undergraduate program, whose proceeds would fund the recommendations of the ad hoc committee and fortify the base budget. Once the Board of Regents approved the differential in April of 2007, the attention shifted back to closing the deal on the naming gift.

By August 2007 the desired target of \$50 million was reached. With the final gears in motion for the gift, there still remained uncertainty as to what the Wisconsin Legislature might do. In fact, the legislature had been deadlocked for over three months on the state budget, and had some wacky initiatives being contemplated, such as defunding the law school to cut down on the number of lawyers and frivolous lawsuits, or defunding the sociology department to purge the state of communists. Less wacky were proposed initiatives to cap tuition increases, which, if passed could have killed the gifting effort because donors did not want to see the State's declining support for the school subsidized only by them, and not shared at least in part by students. Conversely, the donors were extremely impressed by the fact that the undergraduates had voted in place a nearly \$1,000 tuition increase – if the students could make that tough decision, then so could the donors. Fortunately for the School, the budget deadlock was overcome, and the other legislative efforts never put into effect.

Members of the Wisconsin Naming Partnership viewed their gift as part of a true partnership where they and students would share in the rising costs of higher education – costs made all the higher due to dwindling state support. Several months previously, a group of undergraduate business student leaders voted almost unanimously to support an increase in tuition and a tuition differential for their School of Business education because they believed there was a real relationship between cost and quality. This positive vote, coupled with the 99% participation rate of MBA students in the 2007 commencement fundraising campaign, only boosted the donors' commitment to making the Wisconsin Naming Partnership a success. Interest in the partnership mounted to the point where commitments grew from \$75 million the day before the announcement, to \$80 million on the evening before the announcement, to an astonishing \$85 million on the day of – a \$5 million donation made during Wisconsin's October 27, 2007 runaway defeat of Indiana in a Homecoming football game at Camp Randall Stadium.

What's Next?

Returning to work on Monday, October 29, 2007, Dean Knetter sifted through his emails offering many suggestions about new directions for the School. True, this record-setting gift provided him the opportunity to take the WSB to the next level. The question remained, however, what does that next level look like for the WSB? Where should the next big bets be placed? What uncertainties surround these bets? What should he do in the next 90 days to keep the energy going?

Exhibit 1 – Full-Page WSJ Announcement

SOME NAMES ARE WORTH KEEPING WISCONSIN

ON OCTOBER 27, 2007 a group of innovative leaders stepped forward to make history by preserving history. They joined together to make a naming gift like no other.

They didn't name the school for an individual, rather in honor of a state and university that have supported a world-class business school for more than a century.

They didn't name the school in perpetuity, rather for 20 years, so that future naming gifts can provide resources to the school for years to come.

It's the kind of forward thinking you can expect from Wisconsin. Leadership, innovation, community, and connection. www.bus.wisc.edu/leadership



WISCONSIN
SCHOOL *of* BUSINESS

BE OUT IN FRONT™

Exhibit 2

Major gifts to UW-Madison

Amount	Year	Donor	Recipient / purpose
\$85 million	2007	A group of alumni called the Wisconsin Naming Partnership	The Wisconsin School of Business to preserve the Wisconsin name for at least 20 years.
\$50 million	2006	John and Tashia Morgridge (pictured, right)	To help build an interdisciplinary biomedical research complex.
\$31 million	2004	John and Tashia Morgridge	Renovation of Education Building on Bascom Hill.
\$25 million	1995	Sen. Herb Kohl	Toward the construction of a new 18,000-seat basketball arena on the UW-Madison campus. The arena is named the Kohl Center.
\$21.7 million	2001	Estate of Ira and Ineva Baldwin	Create the Wisconsin Idea Endowment.
\$20 million	2005	Jerome and Simona Chazen	Major expansion of the university's Elvehjem Museum of Art. The name of the museum is changed to Chazen Museum of Art.
\$20 million	2004	The Grainger Foundation	School of Business, for construction of the building to house its graduate program.
\$15 million	2005	The Oscar Rennebohm Foundation	To help build the Interdisciplinary Research Complex.
\$10.8 million	2004	John and Tashia Morgridge	\$7.3 million gift of computer network equipment and a \$3.5 million gift to fund the creation of the Wisconsin Advanced Internet Laboratory.
\$10 million	1995	Albert "Ab" Nicholas and wife, Nancy Johnson	To help finance the construction of the Kohl Center.
\$10 million	1991	The Grainger Foundation	To the School of Business, \$9 million to be used for the construction of Grainger Hall, and \$1 million for a new ethics chair for the school.



Source: State Journal archives

Exhibit 3 -Wisconsin Naming Partnership

The Wisconsin Naming Partnership will provide strategic advice to the Wisconsin School of Business, including future naming opportunities. The partnership includes:

Paul Collins: Collins earned a BBA in 1958 from UW-Madison. He is the retired vice chairman of Citigroup and lives in London, England.

Wade Fetzer: Fetzer earned a BS degree in economics in 1953 from UW-Madison. He is a retired partner of Goldman Sachs and lives in Glencoe, Ill.

Pete Frechette: Frechette earned a BS degree in economics in 1961 from UW-Madison. He is chairman of Patterson Companies and lives in Minneapolis, Minn.

Jon Hammes: Hammes earned an MS degree in real estate from in 1974 from UW-Madison. He is chairman and CEO of Hammes Company and lives in Mequon, Wis.

Ted Kellner: Kellner earned a BBA degree in finance, investment and banking in 1969 from UW-Madison. He is chairman and CEO of Fiduciary Management and lives in Mequon, Wis.

Paul Leff: Leff earned a BBA degree in Finance in 1983 and an MS in finance in 1984 from UW-Madison. He is co-founder and chief investment officer with Perry Partners, Ltd. in New York, N.Y.

Sheldon B. Lubar: Lubar earned a BBA degree in 1951 and a JD in 1953 from UW-Madison. He is founder and of Lubar & Co., a Milwaukee-based private investment firm.

John Morgridge: Morgridge earned a BBA degree from the UW-Madison in 1955. He is the former chairman and CEO of Cisco Systems and lives in Portola Valley, Calif.

Ab Nicholas: Nicholas earned a BS degree in economics in 1952 and an MBA in 1955 from UW-Madison. He is chairman and CEO of the Nicholas Company and lives in Chenequa, Wis.

John Oros: Oros earned a BBA degree in marketing in 1971 from UW-Madison. He is the managing director of J.C. Flowers & Co. LLC and lives in Ridgewood, N.J.

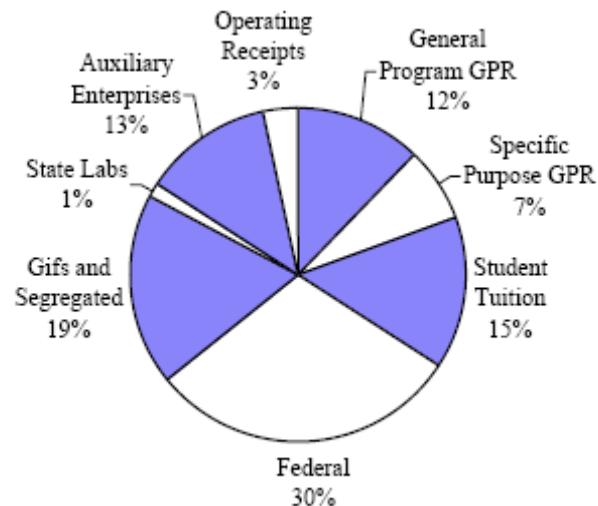
H. Signe Ostby: Ostby earned a BBA in marketing in 1975 and an MBA in 1977 from UW-Madison. She is the former vice president of marketing for Software Publishing Corp. and lives in Woodside, Calif.

Source: www.bus.wisc.edu

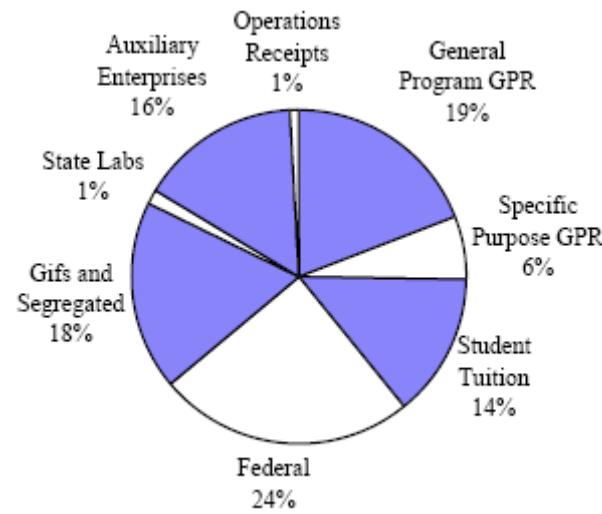
Exhibit 4 Changing Financial Climate
(in millions,)

	2006-07*	%	2001-02		Change (07 over 02)
State Taxes	\$ 424.3	19.4%	\$ 408.3	25.3%	+ 3.8%
Tuition	327.4	14.9	225.3	14.0	+ 31.2
Federal Grants	655.3	29.9	397.1	24.6	+ 39.5
Gifts	409.8	18.7	297.2	18.4	+ 27.5
Other Revenue	374.9	17.1	286.8	17.8	+ 23.5
TOTAL	\$2,191.7		\$1,614.7		+ 26.4

2006-07 Graph



2001-02 Graph



Note: With 3% annual inflation, real dollar value of 2001-02 budget would be \$1,928.0 (in millions)

Exhibit 4 (cont.)

University of Wisconsin-Madison

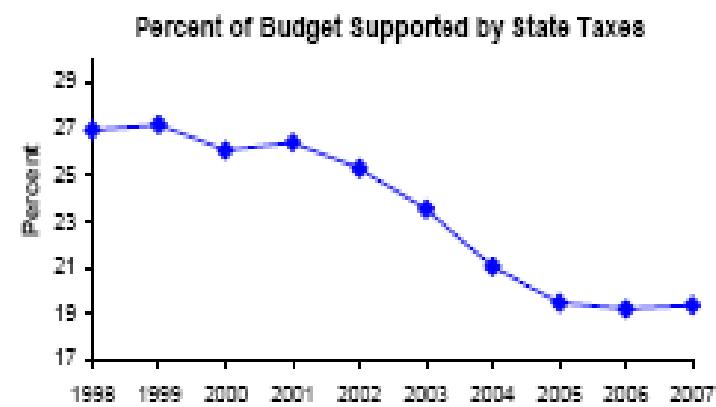
2006-2007 Data Digest

Budget by Source of Funds

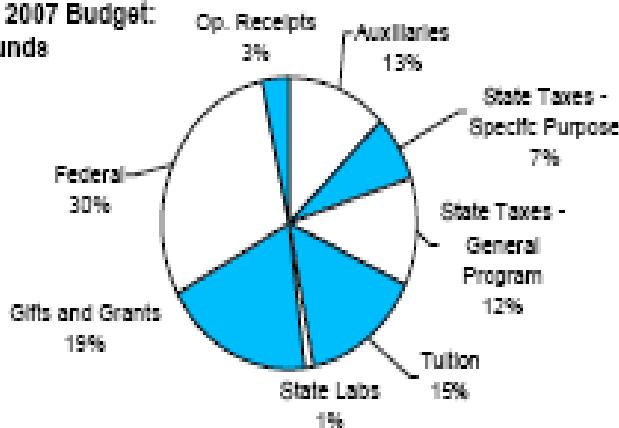
(Dollars In Millions)

Fund Source	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
State Taxes										
General Program	258.7	271.3	281.4	310.8	308.5	300.3	269.6	259.6	255.1	267.0
Specific Purpose	78.5	79.4	85.4	88.5	99.8	98.8	110.9	110.1	151.8	157.3
Subtotal State Taxes	337.2	350.7	366.7	399.3	408.3	399.1	380.4	369.7	406.9	424.4
Student Tuition Revenue	173.4	175.1	194.9	207.0	225.3	250.2	273.9	297.0	314.1	327.4
Federal Programs	305.3	315.0	347.4	367.4	397.1	417.4	483.7	526.3	653.3	655.3
Gifts, Grants and Segregated Funds	225.6	221.1	250.6	270.8	297.2	323.4	348.3	372.5	396.1	409.8
State Laboratory Fees	17.0	18.9	18.7	18.7	22.7	22.8	23.9	23.9	24.8	24.9
Auxiliary Enterprises	183.6	199.9	216.7	237.0	250.9	270.4	283.2	292.7	261.5	278.7
Operations Receipts	9.8	10.2	11.5	11.6	13.2	12.8	14.2	15.8	61.4	71.2
Total	1,252.0	1,291.0	1,406.4	1,511.7	1,614.7	1,696.1	1,807.7	1,897.9	2,118.1	2,191.7

Excludes University Hospitals and Clinics - See Technical Note #4.



UW-Madison 2007 Budget:
Source of Funds



Academic Planning & Analysis, Office of the Provost

Office of Budget, Planning & Analysis

Exhibit 5

Riled over rankings

As the UW-Madison Business School's MBA program falls out of favor, educators and alumni are arguing over why it happened and whether it matters

By KATHLEEN GALLAGHER of the Milwaukee Journal Sentinel staff Oct. 20, 2001

Ray Zemon gave several hundred thousand dollars to the University of Wisconsin-Madison Business School in the early 1990s. He doesn't give a dime directly to the school any longer.

Zemon's wallet snapped shut in the mid-1990s when he became worried about a decline in the school of business and sensed that several promising, young faculty members were headed for the door. He says then-Chancellor David Ward wouldn't meet with him to discuss his concerns.

By the time Ward reconsidered in 1998, those young faculty members were gone and Zemon, who is still a guest lecturer at the school, decided to stop contributing until something changed.

"It breaks my heart what's happening to the business school," says Zemon, who got a master's degree in business administration at UW-Madison in 1973 and runs a private, financial market speculation fund in Chicago.

"But I cannot find a person there who acknowledges the problem, takes responsibility for it and represents to have the authority to fix it. Everyone says they don't have any authority, from the dean, to the department chairs, to the faculty."

No one disputes that the UW-Madison Business School's MBA program has dropped in the national rankings. The debate, which has heated up as the school searches for a new dean, is over how much the drop matters.

On one side are university officials. On the other are successful alums the school counts on to contribute both their money and expertise.

The officials say the rankings are overrated and virtually meaningless from an academic and scientific viewpoint. They don't believe the school has a problem.

"There's a lot of Monday-morning quarterbacking on the part of alumni trying to substitute their judgment for the dean's," says Chancellor John Wiley.

Many alumni say the perception of students, recruiters and graduates matters tremendously - and not just for attracting students and placing them in good jobs.

They worry that if the MBA program can't plant itself solidly in the top tier of schools nationwide, it will suffer down the road because mediocrity won't produce as many alumni who can write big checks and share industry expertise with students.

"In the long run, the university administration has to understand what that means for future support," says Zemon, who still gives money to the applied security analysis program, the School of Veterinary Medicine and the athletic program.

Disgruntled graduating MBA students and recruiters said in Business Week's last biennial survey in 2000 that they thought the administration wasn't listening to their complaints, either, says Jennifer Merritt, management education editor at Business Week's New York City headquarters.

"If your grads are telling Business Week something you haven't heard before, that's a sign of a problem," Merritt says.

"It seems that is the root of their problem - discounting their students and alums."

Rankings criticized

The alumni want the school to define what it's good at, and allocate resources accordingly to improve its rank.

"We need to think and act more like a business," says James J. Weinert, a former telecommunications company owner who got an MBA from UW-Madison in 1967 and donated nearly \$700,000 to the school in 1996 to fund a hands-on entrepreneurship program.

"The students are our primary product, and we need to deliver the finest possible quality."

When asked to define the business school's strengths, former dean Andrew J. Policano says that's the wrong question.

"The question is what *aren't* the strengths," he says. Policano resigned as dean in August and now teaches in the finance department.

Policano says the school's accounting, arts administration, marketing and finance programs are all top tier, and that the number of companies that recruit from the business school has doubled in the last 10 years.

Policano has been an outspoken critic of the magazine rankings, which he believes send the mistaken message that MBA programs are representative of a business school's overall value.

He and Wiley also say the rankings can be manipulated - that schools can pay professors more to get a higher faculty quality ranking or encourage more students to apply so they can look more selective by having a higher rejection rate.

U.S News and World Report used those and other factors to put UW-Madison's graduate business program in a six-way tie for 35th place. Business Week's rankings rely almost completely on surveys of students and recruiters - the very people Wiley says should have more credibility in discussions of where schools rank.

Business Week ranked UW-Madison's MBA program 23rd in 1998 but didn't put it in the top 30 in 2000, so it landed in the unranked second tier.

"My impression is that the program all around has been suffering," Merritt says. That impression comes from student and recruiter surveys, not salary ranges, rejection rates or GMAT scores.

"These business school rankings are primarily based on the surveyed opinions of students and recruiters and businesses hiring these business students," Weinert says.

"Why wouldn't you want to pay attention to that?"

UW-Madison Business School administrators say they are paying attention. The school has 15 advisory boards and uses more than 200 outside executives from companies such as Cisco Systems Inc. and Kimberly-Clark Corp. on those boards and in teaching capacities, Pollicano says.

"When you look at where we are today versus 10 years ago, the amazing thing is the business community is all over the business school," he says.

But those who have recruited there during that period see the same decline as others.

"The caliber of student today is not what it was 15 years ago," says Bradley S. Tank, who has been recruiting at UW-

Madison for 19 years and believes students aren't as prepared for the interview process as they used to be.

Tank got an MBA in finance from UW-Madison in 1982 and is director of fixed income management at Strong Capital Management Inc. in Menomonee Falls.

Merritt, of Business Week, says the UW-Madison Business School fared well with recruiters in 1996 and 1998 but has slipped since then.

"This situation needs to be changed - alumni making contributions should expect no less," Zemon says.

"It's a competitive world out there. Business schools are big business, and the top business schools are huge moneymakers for their universities," Tank says. "The opportunity to bring in new leadership is huge for a school that's got the potential and history and alumni of the UW-Madison Business School."

Support for applied programs

The alumni believe the school's best shot at getting into and staying in the top tier of the rankings is to build on its niche programs that offer practical, real-world experience - even if it comes at the expense of academic research.

The school currently has four applied programs: corporate finance, entrepreneurship, real estate and security analysis. In the security analysis program, for example, students use Wall Street research and their own analysis to manage real dollars in program portfolios.

"I'm optimistic about the core programs and faculty that exist there, but it is clear the school is at an inflection point," says Phill Gross, a successful money manager who recently left his job as stock research director for Harvard University's endowment fund to start his own company, Adage Capital Management LLC in Boston.

"Now we need part two of the story, and that's to build on the strengths of the school."

Gross got a graduate degree in finance and investments at UW-Madison in 1983. Like many of the alumni who are challenging the business school, he is still very involved there. Gross is on the UW Foundation board and the governing boards for the school's applied security analysis and applied corporate finance programs. He was the main person involved in designing and raising \$3.8 million for the expansion of the school's applied security analysis program in 1999.

Gross and other alumni believe the school should devote more tenured faculty members exclusively to the applied programs. They say that would attract better students and lead to better jobs for those students.

"Instead, we are worried that it's a vicious circle if the applied programs stand on their own (without administration support). That approach has led to lower-quality students and a poorer perception of them by folks who recruit at the school," Gross says.

It would be a longshot for the business school to get to the top ranks by trying to emulate, for example, the University of Chicago's top-notch academic research in finance, the alumni say.

But UW-Madison, whose applied security analysis program was one of the first of its kind in the country and whose real estate program is regularly ranked among the top five in the nation, could leverage that base into a top-notch product.

"You're either going to build on what's already there or you're going to have to start all over if you pick a different niche for the school," Gross says.

The school hasn't focused on building its niche in applied programs, he and other alumni say. Only one of the school's 84 tenured and tenure-track faculty members is devoted exclusively to an applied program, security analysis. And that's only because alumni raised enough money to endow a chair so the professor wouldn't have to teach other classes, Zemon says.

Administrators say they focus on giving students a theoretical foundation in business before even thinking about applied programs.

"Any top business school is research-based," Policano says.

Also, the school's charter as a state university compels it to have a good undergraduate program - and its undergraduate business program is ranked among the top 15 in the country, according to U.S. News and World Report survey of college deans and senior faculty.

With an annual budget of about \$33 million - about a third the size of highly ranked University of Michigan's - the UW-Madison Business School can't be everything to everyone, says James M. Johannes, a business school faculty member and associate dean.

"It's very expensive to run applied programs - they're very hands-on," he says.

Yet even Chancellor Wiley says the business school tends to excel at those programs.

"The business school has historically always been better at niche programs like real estate or applied securities than the general MBA program," he says.

The school's niche programs were a big reason it cracked Business Week's list of the top 30 MBA programs in 1998, Merritt says.

"The school has some tremendous niche programs, and over the years, grads have, in comments on our survey, complained over and over about how these programs get little attention," she says.

"These programs seem to be ignored, and one of the big concerns I saw (in 2000) was that students complained a lot about faculty, and even more about the administration, not listening to their complaints and not answering their questions."

Four finalists for dean

Four finalists have emerged from the business school's dean search: Lawrence M. Benveniste, acting dean and finance professor at the University of Minnesota; Michael M. Knetter, associate dean and economics professor at Dartmouth College; R.D. Nair, interim dean and accounting and information systems professor at UW-Madison; and Mark Zupan, dean and economics professor at the University of Arizona.

The university says Wiley will choose a new dean from that list by December, and alumni are hoping he will know how to move the school up in the rankings.

"I think it's all about attitude, and where you believe you're going to be in the national rankings as opposed to where you are today," says David L. Warnock, who got a master's degree in finance from UW-Madison in 1982 and is a partner at Camden Partners Inc., a private equity investment company in Baltimore.

"I'm not sure the attitude of the old administration - the Andy (Policano) administration - really believed they were a top business school."

Most everyone thinks the top tier is a realistic goal, though.

"Just like any school, they have some great faculty members and they have something to work with," Merritt says.

"It's just a matter of finding the right mix."

Exhibit 6 – Business School Rankings

Asia's Best MBA Schools 2000

[<http://www.asiaweek.com/asiaweek/features/mba/index.html>]

B-School Net

[<http://www.b-school-net.de/>]

Business School Research Rankings

[<http://www.bus.indiana.edu/ardennis/rankings/>]

Business Week Best B-Schools 2006

[<http://www.businessweek.com/bschools/06/index.html>]

Computerworld Top Techno-MBA Survey

[<http://www.computerworld.com/careertopics/careers/story/0,10801,64908,00.html>]

The Consus Group Composite Rankings: Business

[http://www.consusgroup.com/news/rankings/business_schools/bschool.asp]

The Economist Intelligence Unit: Which MBA Online

[<http://mba.eiu.com/index.asp?layout=2002rankings>]

Entrepreneur.com's Top 100 Entrepreneurial Colleges

[<http://www.entrepreneur.com/topcolleges/0,6441,,00.html>]

Financial Times Global MBA Rankings 2007

[<http://news.ft.com/businesslife/mba>]

Find MBA

[<http://www.find-mba.com/mba-rankings>]

Forbes Best Business Schools

[http://www.forbes.com/2005/08/16/best-business-schools-list-cz_05mba_land.html]

International Education Commission's Top Ten

[<http://www.best-education.org/>]

Marr/Kirkwood Side by Side Comparison of U.S. Business School Rankings

[<http://www.bschool.com/ussbys.html>]

Official MBA Guide: MBA Program Ranking and Screening

[<http://unicorn.us.com/guide/mbarank.html>]

The Princeton Review's Best 282 Business Schools

[<http://www.princetonreview.com/mba/research/rankings/rankings.asp>]

U.S. News and World Report Graduate School Rankings - Business

[http://www.usnews.com/usnews/edu/grad/rankings/mba/mbaindex_brief.php]

Source: [<http://www.library.uiuc.edu/edx/rankbus.htm>]

Exhibit 7 – Staging and Pacing

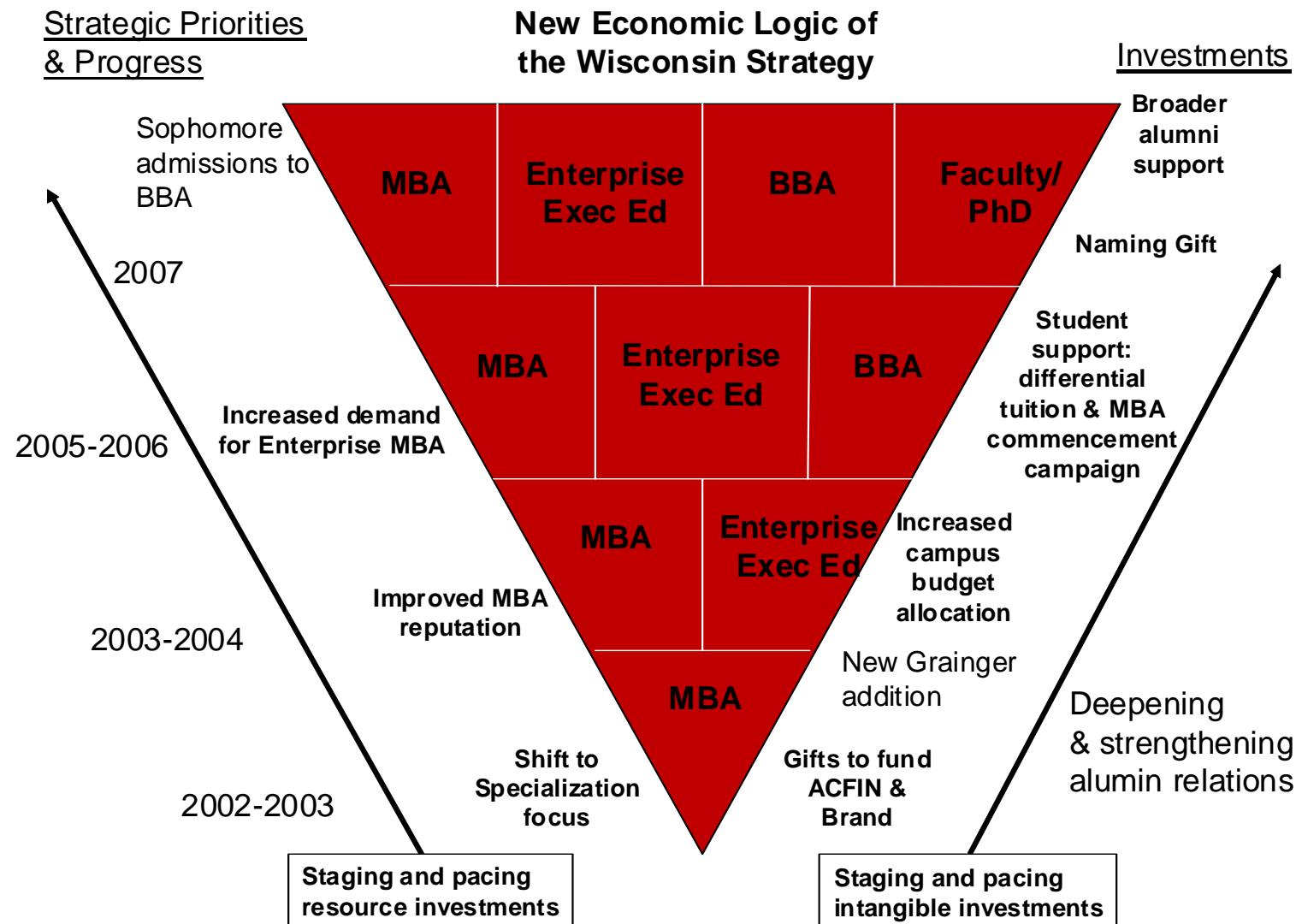


Exhibit 8 – The Wisconsin MBA Specializations

MBA Career Specializations

“Our MBA program is designed around career specializations—as opposed to more general academic majors—because it gives our graduates greater expertise and more value to the firms that ultimately employ them.”

- Applied Security Analysis
- Arts Administration
- Brand and Product Management
- Corporate Finance and Investment Banking
- Entrepreneurial Management
- Marketing Research
- Operations and Technology Management
- Real Estate
- Risk Management and Insurance
- Strategic Human Resource Management
- Strategic Management in the Life & Engineering Sciences
- Supply Chain Management

Source: <http://www.bus.wisc.edu/mba/specializations/>