

Strategic Plan

New Strategic Initiatives and Financial
Sustainability for the Graduate School of
Management

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Background

In August 2009, the Graduate School of Management launched an initiative entitled, “Strategic Renewal for the Graduate School of Management: A Shared Endeavour.” The goal was to develop an innovative strategic plan that further elevates the School’s visibility regionally, nationally and globally.

In formulating our strategic plan, we have used an evidence-based approach that melds qualitative and quantitative data to provide us with actionable insights. The plan is the culmination of the input from our stakeholders: faculty, students, staff, alumni, donors, consultants, friends and members of the business community. The strategic renewal process has resulted in articulation of the School’s key areas of distinctiveness and our strategic initiatives. The School’s plan is also closely aligned with “*UC Davis: A Vision of Excellence.*”

Our plan serves as a guide for how to leverage our competitive advantages and make resource allocations that are aligned with our strategic priorities. This is an “evergreen” plan, which will be revised on a regular basis. It provides the framework for the School’s performance plans that will drive each year’s operating plan and budget. Our performance plans will include outcome metrics and will guide new investments of our resources.

Mission

As the UC Davis business school, the mission of the Graduate School of Management is to be a global leader in business and management research and education. As part of the world’s premier public university system, the University of California, we pursue significance, excellence and scholarly rigor in our research, teaching and service to society. We emphasize curiosity, creativity, and high standards in the generation and transmission of theoretical and practical knowledge relevant for for-profit and non-profit organizations.

Vision

The vision for the School is to serve as an engine of economic prosperity in our region and globally. Economic prosperity involves wealth creation as well as fostering opportunities for upward economic mobility for all citizens. Promoting economic prosperity operates at two levels. First, the School must be a supplier of first-class business and management leadership to public and private, medium- and large-sized organizations. Second, the School must act as a catalyst to help small, entrepreneurial companies bring innovations to market.

The School Today

The School was the fastest rising top-50 business school in the *U.S. News & World Report's* March 2011 ranking of the 437 MBA programs accredited by the Association for the Advancement of Collegiate Schools of Business International. The School jumped 14 places to No. 28, reaching the top 6 percent of accredited schools. Also in 2011, *The Economist* ranked the School No. 3 in the world for faculty quality. Our Organizational Behavior faculty has been ranked No. 1 in the world by the *Financial Times* in recent years.

The Aspen Institute's Center for Business Education ranks the School among the top business schools in the world for our commitment to social and environmental stewardship.

In 2009, we moved into and celebrated the grand opening of Gallagher Hall, our world-class, \$16.7-million research and teaching building that is strategically located at the new gateway to the UC Davis campus. Gallagher Hall is expected to earn a LEED Platinum rating during summer 2011. Maurice and Marcia Gallagher generously provided a leadership gift of \$10 million to the School, a large portion of which helped us complete our new building. The Gallagher gift was the largest gift ever to UC Davis by an alumnus.

Since 2009, we have added five new members to our internationally recognized faculty. These five scholars received their Ph.D. degrees at the world's leading business schools such as Harvard Business School, Stanford University, University of Chicago, University of Pennsylvania (Wharton) and Yale University.

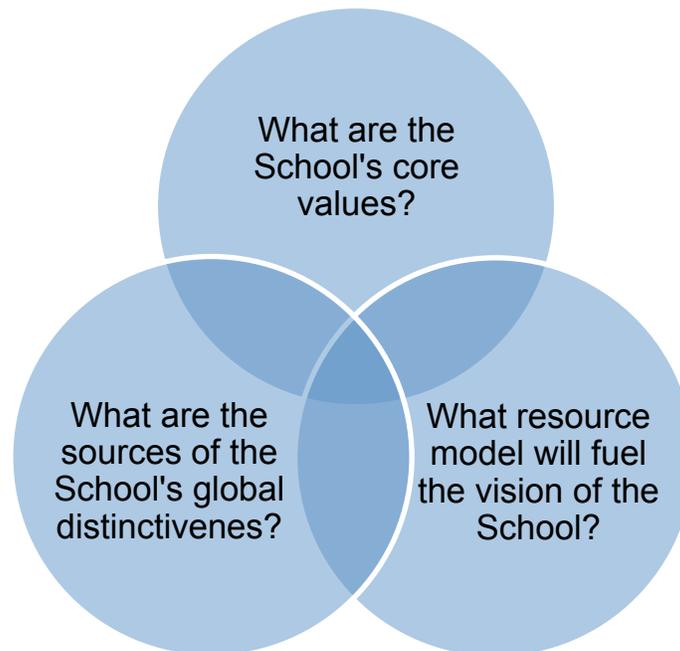
For the second consecutive year, the School is No. 1 with the highest percentage of female faculty among the *Financial Times'* top 100 global business schools. *The Princeton Review* also has ranked the School No. 5 in the U.S. and No. 1 in California for the greatest opportunity for women (2009).

With respect to MBA student quality, during recent years, our students score at the 91 percentile on the standardized admission test, the Graduate Management Admission Test. We have placed our MBA graduates in positions at more than 130 employers. The School has close relationships with globally visible companies such as Intel, Hewlett-Packard, Gartner, Chevron, Agilent, PG&E, AT&T, Wells Fargo Bank, PricewaterhouseCoopers, E. & J. Gallo Winery and Kaiser Permanente. Our 2010 graduates had an average starting salary of \$96,000 and 93% were employed within three months of graduation.

The School has an extraordinarily talented and entrepreneurial staff. They are dedicated to its success and have been instrumental in providing leadership and support to faculty and students, thus helping the UC Davis MBA program earn its ranking among the top 10 percent of MBA programs in the U.S. for 16 consecutive years.

Strategic Questions Informing the School's Strategy¹

We conceive of the strategy of the School in terms of addressing three central questions:



The intersection of these three key strategic questions is the focus of our effort to build an even more globally visible business school. As we consider new initiatives and programs, these three questions will serve as the touchstone – we will pursue only activities that are consistent with our core values, allow us to leverage our sources of distinctiveness, and are aligned with our resource model. Any new ideas or proposals that are inconsistent with these three strategic questions will not be pursued.

CORE VALUES

Quality Over Quantity

The School has a deep commitment to excellence in faculty research and academic programs. The School has a long-standing tradition of emphasizing quality of faculty, students, and programs over quantity of people or programs. We believe that, over time, the quality of our School, not only its size, will be the key driver of the excellence of our brand.

¹ Adapted from Collins, J. (2005). *Good to Great and the Social Sectors: A Monograph to Accompany "Good to Great."*

Close-knit Intellectual Community

In contrast to larger business schools, our modest size is an asset in fostering a supportive, intimate and vibrant intellectual community of faculty, staff, students and alumni. We emphasize teamwork among students and accessibility of our faculty. Our environment differs from other business schools that are larger and more impersonal. Our emphasis also is reinforced by the college town atmosphere encompassing UC Davis and the close mutually supporting relationship between the University and the citizens of the City of Davis.

Commitment to Responsible Business Practices

We have deep commitments to environmental sustainability, social responsibility and governance. Our faculty and students share a commitment to values emphasizing the operation of market forces, human capital considerations, and the role of business in society. We believe that effective business leadership is not a reflection of only market and economic forces; humanitarian and societal perspectives must also influence business leadership. Nevertheless, we remain committed to being a “business” school, not a school of public policy or non-profit management.

Lean and Nimble Leadership and Organizational Structure

The modest size of our faculty and staff is an asset that enables the School to be entrepreneurial, make decisions more efficiently and operate in a financially efficient manner. We have a tradition of financial resourcefulness and prudence that has its roots in the founding of the School and navigating previous State of California budget challenges. This tradition serves the School well as we consider resource allocation to fuel our vision for the future.

SOURCES OF GLOBAL DISTINCTIVENESS

Faculty Quality and Research Excellence

We wish to emphasize the foundational nature of our excellent faculty. Indeed, perhaps the most precious asset that the School has is its culture of research and scholarly excellence. Because of this culture, we are able to attract, develop and retain world-class faculty members, which is fundamental in providing an outstanding MBA experience. This builds support for our programs from our business partners, public entities via extramural funding, and philanthropists.

Faculty research excellence is defined in terms of visibility and impact on stakeholders such as the academic community, the business community, federal and state funding agencies, philanthropic sources (foundations and individuals), government leaders (legislators and regulators) and current and prospective students. Research “visibility” refers to the level of awareness among stakeholders. Visibility is measured by the quantity and quality of research and media coverage. Research “impact” refers to the degree to which research *influences* the perceptions, decisions and actions of stakeholders.

Industry Foci

We identify industries where the School can have a competitive advantage relative to other top business schools in terms of faculty expertise, student recruitment and placement. As we plan industry and corporate outreach, we consider both UC Davis' multidisciplinary foci of research excellence and industries with hubs of activity in Northern California. This examination yields the following list of industries where we can establish and deepen our competitive advantage:

- Energy, environment, and sustainability
- Medical devices and biomedical engineering
- Information technology
- Telemedicine and imaging
- Food, health, and agricultural life sciences (i.e., agribusiness)
- One Health (integration of human, animal and environmental health)

These industry foci provide a promising opportunity for greater collaboration across UC Davis. We have continuing and nascent partnerships, including our popular joint JD-MBA degree with the School of Law, our MOU with the School of Medicine enabling our MBA students to have a Public Health concentration in the Public Health Sciences department, and our plans for a joint MS-MBA degree with the Betty Irene Moore School of Nursing.

Innovation and Entrepreneurship

Several of the School's faculty members are globally visible scholars based on their pioneering research in innovation, creativity and entrepreneurship. The UC Davis Center for Entrepreneurship, hosted and supported by the School, has served as the University's centerpiece for faculty and student engagement in entrepreneurship. More than 450 faculty, researchers and students from across campus and all over the world have participated in the Center's programs, including Business Development Fellowships and Entrepreneurship Academies. The Academies reflect UC Davis' research strengths: Food and Health, Green Technology (funded by the Kaufmann Foundation) and Biomedical Engineering. The Center also supports the Big Bang! Business Plan Competition, a student-run program that is an important element in the entrepreneurship ecosystem in Northern California.

Women in Business Leadership

The School publishes the "UC Davis Study of California Women Business Leaders," an annual census of women executives and board members at the state's largest public corporations. The study receives widespread national media coverage and attention from business and public policymakers. The census findings—and having the highest percentage of women faculty members among the top-100 business school in the world—positions the School for leadership on the role of women in business leadership.

Northern California as a Strategic Geographical Location

The School is located on the Interstate 80 corridor linking the San Francisco Bay Area—the world’s largest hub of innovation—and Sacramento, the center of public policy making and business regulation for the state that is the world’s eighth largest economy. We are also close to Napa Valley, the world-renowned hub of the California wine industry, and Silicon Valley, the hotbed of information technology, trailblazing web pioneers and venture capital. The combination of the emphasis of these regions, especially the fusion of innovation and public policy, enriches the intellectual scope of the School.

FINANCIAL RESOURCES

To fuel our School’s strategy, we must have sustainable resources to deliver superior performance relative to our vision. To accomplish a sustainable resource base, we must increase our financial autonomy from State of California funds, which have been declining. During the 2010-2011 academic year, 73 percent of our revenues came from our self-supporting (i.e., self-funding) Working Professional MBA programs in Sacramento and San Ramon and other non-State of California funds. We aim to increase the financial self-sufficiency of the School. We have a 10-year plan to phase out reliance on State funds.

The central components of our financial sustainability framework are summarized below. The components are based on a detailed financial model that the School’s leadership has developed:

- **Retain Student Tuition and Fees from Degree Programs**
Although the School currently receives the professional degree fees, we seek to retain all tuition and fees from our Daytime MBA program.
- **Greater Reliance on Endowment Income from Philanthropy**
We are committed to growing the School’s endowment, currently valued at \$13 million. Our goal is to make endowment payout a larger component of our operating budget. This will make the School less reliant on the decreasing and uncertain support from the State. In terms of overall fundraising, UC Davis has embarked upon its first Comprehensive Campaign, a \$1 billion Campaign that was publicly announced in October 2010. For the School’s part of the Campaign, we recently revised our campaign goals upwards to \$25 million, from an earlier goal of \$20 million based in part on the success of the preliminary phase. Our Campaign goal does not include our efforts to secure a much larger endowment naming gift for the School.
- **Contribute Revenue Surplus to School Endowment**
To the extent that the School generates revenue surplus on an annual basis from any source, the surplus will be immediately deposited into the

School's "funds functioning as endowment" (FFE) accounts. The interest earnings from those accounts will be dedicated to the School's operating budget.

- **Expansion of Non-degree Executive Education**
Non-degree executive education short courses are vital sources of our non-State revenues. We have asked the University to allow the School's executive education programs to operate untaxed. UC San Diego and UC Riverside operate in that fashion. The avoidance of tax would allow us to position our programs for competition with more established UC business school executive education programs.
- **Administrative Autonomy**
Our new financial framework places even greater reliance on market demand for our degrees and programs. We must absorb more risk associated with increased market reliance and reduced reliance on State funding. As a result, it will be vital that the School be given greater administrative authority over staff salaries, student tuition rates, student admission and placement.

Strategic Initiatives

We have the following four strategic initiatives, which will concentrate our efforts to achieve our mission and vision.

1. We will strengthen and expand the faculty

The School's most important asset is its culture of research and scholarly excellence. Our culture has permitted us to attract and retain faculty whose research programs are of the highest caliber.

The School has achieved a great deal despite being by far the smallest business school in the top 50. We have 31 Senate faculty members. The average for a top-50 business school is 81 full-time faculty members. Strategies to further faculty quality and research excellence include: expanding the number of endowed chairs from five to 10 within the next five to seven years and expanding the number of faculty from 31 to 40 by 2020 (all hired on non-state funds). The Dean's office also has dedicated a new, \$100,000 allocation for faculty research excellence beyond the School's previous commitments for research support.

We have initiated a new market salary scale in 2011-2012 that is a significant and necessary step to attracting and retaining top quality faculty. We will continue our focus on diversity of our faculty. We continue to gear our recruitment efforts to hire highly qualified faculty members and to achieve and exceed our diversity goal of additional non-Asian persons of color.

2. We will ensure that our academic degree programs remain innovative

Our curricula and academic programs will be frequently refreshed to ensure that our students are educated and enriched in line with the latest scholarly research and the needs of employers.

We are strengthening our MBA program in autumn of 2011 by launching a new, innovative curriculum that further integrates globalization, responsible business ethics and sustainability. The curriculum renewal—the most fundamental in our history—is designed to better prepare students with the real-world practice, analytical and technical skills and leadership training they need to succeed in the business world of today and tomorrow.

We will build on our existing assets in responsible business practices, environmental sustainability, governance, and innovation and entrepreneurship. The School has a growing emphasis on leadership skills and value-based leadership (e.g., recent creation of the Stephen G. Newberry Chair in Leadership). Although we offer some activities in international business, we must contemplate bolder initiatives to give our students educational experiences with both developed and emerging markets overseas. We are in discussions with business schools around the world, including several in China, about deeper partnerships.

We are exploring possible degree programs that will diversify our portfolio of degree programs beyond the MBA only. Such diversification will create new sources of revenue.

For example, we have proposed a Master of Professional Accountancy degree. This is a financially self-supporting degree that will run on the basis of student fees and will not require long-term State funding. The University of California system-wide Coordinating Committee on Graduate Affairs is deliberating on our proposal. If approved, the launch date would be autumn of 2012.

As of summer 2011, the School is participating in campus discussions about the possibility of an undergraduate business degree at UC Davis.

3. We will enhance connectivity to the business community

We will deepen our relationships with members of the business community and key employers. We will also better leverage our alumni and UC Davis alumni communities.

Non-degree executive education represents a significant opportunity to enhance our visibility, grow our brand and generate new financial resources that can be reinvested in the School. Executive education programs are a key mechanism to enable the School to provide a valued service to the business community. These

programs also leverage the faculty's expertise and research to build long-term partnerships with companies and executives to help them achieve and sustain their business goals. Non-degree executive education, and the faculty members who teach them, improve companies' business performance through practical education and applied knowledge.

Two years ago, the School began an internal assessment of its Dean's Advisory Council to examine its effectiveness, review member diversity and formalize council members' roles. As a result, the Advisory Council's "Roles and Responsibilities" were updated early this year to set more ambitious goals for participation, including a minimum annual giving requirement per member. We also eliminated committees and vice chair positions, and added a non-discrimination policy.

In addition to our long-standing Dean's Advisory Council, we have formed another group: the Dean's Advisory Cabinet. It is comprised of even more senior executives. We have experienced a growing sphere of influence on the Dean's Advisory Cabinet and the Dean's Advisory Council.

We will continue to strengthen our Graduate School of Management Alumni Association (GSMAA). The Board of the GSMAA has recently been re-invigorated with new roles, responsibilities, and increased philanthropic commitments. Also, our Business Partnership Program will continue to bring in significant financial resources and opportunities to build our brand and visibility with the business community.

4. We will build visibility and mindshare among stakeholder groups

The School is redoubling its commitment to marketing and branding. This will require both creative thinking and allocation of additional financial resources devoted to bolstering our staffing and our advertising expenditures.

The School has engaged marketing experts to advise us on how to further enhance the School's marketing and branding efforts. They made several recommendations about our marketing and communications and branding efforts, which we are implementing: (1) consider hiring a dedicated media relations staff member, (2) re-focus all marketing and communications on specific audiences such as prospective students, prospective faculty and businesses, (3) test return on investment to prioritize the effect of specific marketing efforts (specifically with social media and the website), and (4) seek an underlying theme that conveys the strengths of the UC Davis MBA and that resonates with its many audiences.

Strategic Discipline

In addition to articulating our core values, areas of distinctiveness and our resource engine, the School also must exhibit strategic discipline to communicate what we will not do. We must have the discipline to say “No thank you” to activities that are not aligned with our values, distinctiveness and resources.

Therefore, we will not:

- Jeopardize the quality of faculty, students, or programs simply to grow the size of the School.
- Attempt to compete in educational markets where the School has no competitive advantage.
- Engage in actions that compromise the reputation or integrity of the School.
- Overextend our financial resources as to imbalance the School’s financial standing.

Years from now, we expect to look back and say that now was the time that we launched a re-energized strategy to propel the School to even greater visibility and impact on the national and international stages. Working smarter and harder, we will accomplish this goal together.

This document benefitted from valuable feedback from many faculty members, staff, and supporters of the Graduate School of Management – Dean Steven C. Currall, 9 August 2011.