

MMS China Proposal
(Revised for October 26, 2011 Faculty Meeting)

Committee Members: Debu Purohit, David Robinson, Jim Smith, Jennifer Francis (*ex officio*)

Note on committee membership: The original MMS China design committee was Jennifer Francis, David Robinson, Jim Smith with Bill Boulding *ex officio*. With the recent changes in the Dean's office, Bill Boulding has excused himself from the committee and Jennifer Francis has moved from member to *ex officio* status. Debu Purohit has joined the committee.

I. Proposal

The Fuqua School of Business proposes to offer a Duke-Kunshan Master of Management Studies (DK MMS) degree. The program would be similar to the current Durham-based MMS: Foundations of Business degree. Students in the program would spend the summer and fall terms in Durham, sharing classes with the Durham MMS students. Students would then take classes in the spring in Kunshan. We recommend that the program be given pilot status for three years, at which time it will be evaluated on all dimensions including overall quality and financial viability.

Initially the degree would be a Duke degree, not a degree of DKU. At some point in the future (e.g., after DKU is approved by the Chinese Ministry of Education), the program could issue a DKU degree. If possible, we would support launching the program in the 2012-2013 academic year. Our recommendation for approving the degree is contingent on the proposed 3+2 format. If at some point in the future, we want to change to a full year program in Kunshan or a "1+4" format, such a proposal should be reviewed as if it were a new program.

II. Background

In the spring, we considered three possible formats for a Master of Management Studies (MMS) program in Kunshan:

- 1) A full, one-year MMS degree to be delivered wholly or mostly in Kunshan. For example, one possibility would be a "1+4 program" where the students spend the summer term in Durham and the fall and spring terms in Kunshan.
- 2) A "3+2 program" where students would spend the summer and two fall terms in Durham and spend their last two terms in Kunshan.
- 3) A "3+1+1" option where Durham-based MMS students would have the option of spending Spring Term 1 in Kunshan.

Of course, a fourth option would be to do nothing, i.e., to not offer any kind of MMS program in Kunshan.

In the spring, we were concerned about the viability of option (1), because of difficulty in staffing the program and uncertainty about student demand. Options (2) and (3) were viewed as more attractive to potential students and would be easier to staff. However, we were not ready to make a specific recommendation, because we were unsure about the feasibility of the "3+2" and "3+1+1" options. In particular, because students would not be in Kunshan at the Duke-Kunshan University (DKU) campus for

the entire academic year, it was not clear whether such a program would be acceptable to Duke's partners in Kunshan and at Wuhan.

This summer/fall, we learned that a format that does not require students to be in residence at DKU during the entire academic year would be acceptable to our partners. Given this information and considering the merits of options (2) and (3), we now support launching a Master of Management Studies in Kunshan program with a 3+2 format.

In the remainder of this report, we describe the motivation and objectives for launching this new program, the curriculum for the proposed program, as well as the logistics associated with admissions, career services, housing, and course staffing. We also discuss the staffing model proposed by the Provost to support Fuqua's delivery of the 3+2 DK-MMS program.

III. Motivation and Objectives of the DK-MMS Program

The current MMS: Foundations of Business program (hereafter the Durham-based MMS program) consists of 15 business courses (a total of 45 credits) taught in five 6-week terms, one term in the summer, two fall terms and two spring terms. The focus of the MMS is on technical skills and subject matter knowledge of the sort associated with entry level positions in finance, marketing, consulting, and general management. The MMS is not a substitute for the MBA degree. Whereas the MBA degree is designed for students with prior work experience, most MMS students begin immediately after completing an undergraduate degree in liberal arts, the sciences, or engineering.

Our committee was charged with identifying design options for a Fuqua-delivered MMS program in Kunshan that would satisfy three criteria:

- 1) Meet or exceed our quality standards for degree programs
- 2) Enhance, or at least do not harm, the quality of our research activity
- 3) Have long-term financial viability.

We believe the recommended 3+2 DK-MMS program achieves goals 1) and 2). We are less certain of its ability to achieve goal 3) because we do not have accurate information about demand for this program, in terms of the number of applicants, the tuition to be charged and the scholarships to be funded. Because of the uncertainty around the long run financial viability of this program, we recommend that the degree be given pilot status for three years, at which time it will be evaluated on all dimensions including overall quality and financial viability.

Meet or exceed quality standards for degree programs

We believe the 3+2 DK-MMS model will attract pre-experience Chinese and non-Chinese applicants. We expect to market the program to both populations and to matriculate a class that balances applicants from these segments. We believe we can deliver the same high quality product to the DK-MMS student that we deliver to the Durham-based MMS student.

- The number of Chinese students applying to the Durham MMS program has grown enormously since the beginning of this program.¹ This growth suggests that there may also be a large

¹ The most recent application data are from first round applications for the class that will matriculate in July 2012; the first round closed on September 27, 2011. In total we received 82 first round applications, compared to 15 last year. Of the 82 applications, 73 were from international students with 53 from Chinese applicants. Prior yearly

number of Chinese students interested in the DK-MMS program. Our focus groups last spring with Chinese students in the Durham MMS program suggest that most of these students chose to come here for the cultural immersion and the chance to stay and work in the United States for some period of time. The DK-MMS program is designed to appeal to Chinese students who seek immersion but hope to work in China upon graduation. These students may find the opportunity for a shorter U.S. immersion followed by a spring term in Kunshan to be attractive, because it allows them to conduct a job search in Kunshan in the spring with the support of a career management center with connections to Chinese firms.

- We believe that the proposed 3+2 structure of the DK-MMS program may be appealing to non-Chinese students who want to study in China but may be reluctant to spend a full year there. These students may be seeking a "semester abroad" experience to learn more about the global economy or may be seeking a job in China upon graduation.
- The DK-MMS program design includes an English as Second language (ESL) and cultural immersion: ESL/American culture for Chinese students and Chinese culture for non-Chinese students. Ideally, we would design this immersion to encompass business communications and career service activities that students would typically engage in as part of their MMS activities. We believe the cultural immersion, combined with the China-based study, is a unique feature of Duke's MMS program.
- We believe it is critical to attract a very high quality set of candidates in the first few years of the program. We should be willing to have small enrollments to ensure superior delivery of the program and to ensure successful career management support. Our view is that the program should seek a class of no more than 30-40 students in the initial year, ideally with a mix of 50% Chinese and 50% non-Chinese students.
- We believe that the Fuqua School can deliver high quality instruction for a 3+2 DK-MMS program. Three terms of the program would be taught in Durham, so these terms pose no unique instructional challenges. The enrollments in the combined Durham MMS and DK-MMS classes may require a third section to be offered in Durham, but that is straightforward to handle. We have also gathered information from existing faculty suggesting that we should be able to staff the two terms in Kunshan without much difficulty, at least for the pilot phase of the program.

Enhance, or do not harm, the quality of our research activity

We believe that the quality of Fuqua faculty research may be improved by the 3+2 program, in the following direct and indirect ways:

- As described above, the new 3+2 format does not place onerous burdens on Fuqua faculty. We believe we can staff the six courses (two terms) in Kunshan with faculty who are interested in teaching in China for personal reasons or to enhance their research.
- We expect that having a physical presence and facility in Kunshan, with a staff that is well connected to the business community, will provide a mechanism for interested faculty to study

data are as follows: total applications for the 2009, 2010 and 2011 classes of the Durham MMS program were 182, 363 and 666, respectively; 16, 143 and 384 of these applications were from Chinese students.

Chinese management practices and Chinese institutions. Several of our faculty already conduct China-related research, and presence in China could facilitate this work.

- The additional students in the summer and fall terms taught in Durham will lead to greater teaching efficiencies in Durham, particularly when/if the program size increases so that we offer three sections in Durham. These greater teaching efficiencies would be expected to translate into increased time and focus on research for Durham-based faculty.
- Although we are not proposing other degrees at this time, we note that the 3+2 format is well-suited to collaborating with faculty at other schools within Duke University and leveraging their research. For example, if the 3+2 format is successful, one might envision a 3+2 business-policy MMS program where the summer and fall terms focus on Fuqua-taught business courses and are followed by public policy-related courses taught in the spring terms in China.

Have long-term financial viability

As we will discuss in more detail later, it is difficult to forecast the financial viability of the proposed 3+2 DK-MMS program for several reasons:

- There is little market research or competitive data on the number of the Chinese and non-Chinese students that would be interested in our proposed program; thus, initial demand is hard to forecast;
- The success of the proposed program in terms of the quality of the student, the instructional experience, and career services is unknown; this makes longer term demand hard to forecast;
- It is not clear what tuition will be allowed by the Chinese Ministry of Education;
- It is not known how much financial aid will be provided by the city of Kunshan and other donors to support students in this program;
- The cost of delivering the program (e.g., hiring faculty and staff, cost sharing arrangements with partners) is not fully understood at this time.

Most of these uncertainties cannot be resolved without approving and launching (or at least marketing the program). With these caveats in mind, we note:

- Duke is committed to building a facility in Kunshan and this facility will exist with or without this program. Therefore, the financial success of this program should not be judged based on the program's ability to cover these fixed costs.
- Duke's partners in Kunshan have expressed a strong desire for graduate business programs to be delivered in China. The 3+2 DK-MMS proposal meets this desire, while at the same time mitigating potential risks and addressing issues about program quality and impact on faculty research.

Given the uncertainty around the long run financial viability of this program, we recommend that the degree be given pilot status for three years, at which time it will be evaluated on all dimensions including overall quality and financial viability.

IV. Curriculum

As mentioned previously, students in the DK-MMS program would spend their summer and fall terms in Durham taking classes with the students in the Durham-based MMS: Foundations of Business program. The students in these two programs would take the same classes and would be mixed together in their classes and study teams. In the current version of the Durham MMS program, the fall classes are:

Summer Term

Foundations of Financial Accounting
Quantitative Business Analysis
Business Communication I

Fall Term I

Fundamentals of Business Economics
Introduction to Marketing Analysis
Foundations of Corporate Finance

Fall Term II

Foundations of Capital Markets
Principles of Strategy
Business Communication II

In addition, we recommend offering a special class for students in the DK-MMS program who are unfamiliar with Chinese culture. (Depending on cost, this class could also be available to students in the Durham MMS program.) We envision this class meeting once per week for 2-3 hours (like Fuqua's current GATE classes), through the summer and fall terms. We would also propose that an English as second language (ESL) course be taught to Chinese students; this course would be augmented with material covering Western culture. In Durham, the curriculum might include visits to local businesses and cultural sites.

In the spring terms, the DK-MMS students would relocate to the Kunshan campus where they would take the same classes as the Durham-based MMS students, following a similar six-week term schedule:

Spring Term I

Fundamentals of Market Intelligence
Principles of Cost and Managerial Accounting
Spreadsheet Modeling and Decision Analysis

Spring Term II

Foundations of Management and Organizations
Fundamentals of Financial Analysis
Introduction to Operations and Supply Chain Management

In addition to the above coursework, we recommend continuing the weekly meetings of the culture courses throughout the spring. In Kunshan, the curriculum might include visits to local businesses and cultural sites.

The spring classes would start shortly after the Chinese New Year, which is typically in late January or early (to mid) February. Chinese students in the program will likely appreciate the opportunity to go

home for the Chinese New Year. Non-Chinese students in the program may wish to tour China during the winter break, in advance of arriving at the Kunshan campus. The start of the Kunshan term would thus be somewhat later than the start of the Durham-based versions of these classes. The graduation ceremony would follow the completion of Spring Term II and would be held in Kunshan, after the Durham graduation. This timing would allow some people (e.g., the Fuqua Dean) to attend graduation in Kunshan, as well as in Durham.

There are a number of possible variations on course offerings for the DK-MMS program. For example, we could offer specialized programs in China that focus on, say, finance or operations. However, in our view, it is not clear that specialization is desirable in a Foundations of Business program. As discussed in our earlier report, the course offerings in our current Durham MMS program seem to fit the needs of China's young professionals. Moreover, having the same set of courses in the Durham and Kunshan programs will reinforce the idea that both programs are of the same high quality.

We also think it important to preserve some flexibility in the content and timing of courses in the DK-MMS program. First, we would encourage faculty teaching the Kunshan courses to take advantage of the location and tailor their courses accordingly. In addition, we would want faculty members in each location to feel that they had control over the pedagogy and curriculum of their course. At the same time, there is a need to ensure some consistency between the Durham and DKU versions of the same courses, so we would expect that faculty would coordinate and share materials. (We face similar issues with faculty teaching different sections of the same course in our Daytime MBA program.)

Second, we think it is important to leave open the possibility of changing the order of the classes in the Durham MMS and DK-MMS programs to deal with pedagogical issues (some classes may benefit more from being in China than others) and logistical issues (it may be easier to find faculty to teach certain courses in one term than another). We may also find it necessary to sometimes change the timing for some classes in Kunshan. For example, we may arrange to have one class in a term taught in a compressed three-week format if necessary.

Finally, we would like to preserve the flexibility to change course offerings in the DK-MMS and Durham MMS programs if necessary or desired to improve the program. Any such changes would be reviewed by Fuqua's curriculum committee, following Fuqua's standard procedures.

V. Programmatic Activity

Admissions

We recommend that the DK-MMS program be marketed and admissions handled jointly with the Durham MMS program, by Fuqua's admission office. The two programs may be able to share certain marketing items, and applicants can be screened simultaneously by the admissions staff. Jointly managing the admissions processes for the two programs should provide economies of scale and will also allow us to ensure uniform quality across the two programs. Given that the proposed DK-MMS program will likely be relatively small and will issue a Duke degree (at least in the early years), this seems manageable and appropriate.

The application for the DK-MMS degree would require the same components as that for the Durham based MMS degree:

- Undergraduate degree from an 4-year accredited program

- Academic transcripts and graduate transcripts as relevant
- Responses to essay questions to assess readiness and interest
- GMAT or GRE scores; in year one only of the pilot we will also consider SAT scores
- Two letters of recommendation
- Interview
- Appropriate readiness in statistics and computer skills

We also believe that Fuqua admissions will need support in Kunshan to run information sessions, to host campus visits and tours for prospective students. In the early years of the program, this role could perhaps be played by the Associate Dean or other members of Fuqua's (or DKU's) regional office in China, but as the DK-MMS program grows this will likely require dedicated staff in Kunshan.

We recommend that applicants be required to apply for and be matriculated into one of the two programs rather than simply allowing students to decide in the fall whether they want to spend the spring in Durham or in Kunshan. Though it may be possible to accommodate an occasional transfer from one program to the other, for planning purposes, we think it is important to clearly distinguish *ex ante* between DK-MMS students and their Durham counterparts. However, we do not envision that distinction affecting the class dynamics in Durham. We expect that DK-MMS students would be integrated in all respects with the Durham MMS program during the Durham terms.

Placement and Other Student Support

Successful placement of the DK-MMS students will be critical to the success of the program. Students will be in Kunshan for the spring terms and will be eager to research jobs and interview shortly after their arrival, if not before. It is critical that we have someone in Kunshan in advance of the students' arrival working to set up interviews and information sessions with recruiting firms. Again, this might be facilitated by the regional office staff, but will likely require dedicated career management support in Kunshan. Successful placement of students in early years will help as we recruit subsequent classes. This suggests that starting with a small, highly qualified class in the initial years may be desirable.

Similarly, the students and faculty in Kunshan will need information technology support, audio-visual support, and "student services" support to help with registration and other issues. Such support has been anticipated in the plans prepared by the Provost's office and the costs will be covered by DKU.

Student Housing in Durham and Kunshan

The DKU campus will have dormitories to provide housing for the DK-MMS students while in residence in Kunshan. Though Duke does not typically provide housing for the Durham-based MMS students, we recommend that Duke arrange housing for the DK-MMS students for the summer and fall terms because it is difficult to obtain six-month leases in Durham. It is our understanding that the Duke student housing has excess housing capacity for the summer and fall terms that could be set aside for this purpose. (There is a surplus of Duke housing available during summer and fall terms because many Duke undergraduate students pursue study abroad opportunities at those times.) Housing in Durham and Kunshan would be provided to DK-MMS students at an additional fee.

VI. Financial Issues

Demand, tuition and scholarships

As discussed earlier, demand for a Kunshan-based MMS program is highly uncertain and will likely be known only after launching the program and observing the response. Given the uncertainty about demand, we need to be patient while we learn how the market reacts to the program and how to best deliver it. We may also have to be satisfied with relatively small classes, with, say, 30-40 students in the DK-MMS program in the first few years. As discussed earlier, we believe this class size would also allow us to truly exceptional students to ensure a successful delivery of the program and excellent job placement. Also, an advantage of the 3+2 format for the DK-MMS program is that with smaller enrollments, the DK-MMS students can be included with the Durham students without creating additional sections in Durham.

We believe that the base tuition for the DK-MMS will be similar to the Durham-based MMS program, with financial aid as necessary. However, we are also aware that the Ministry of Education may influence the tuition levels charged. We believe the 3+2 format will be attractive to students and will make pricing the program at U.S. tuitions seem appropriate and fair. Finally, it is difficult to predict scholarship funding for a program (and campus) which does not yet exist. Given these uncertainties, we do not provide specific financial forecasts for the program at this time.

It is important to remember, however, that if student demand is not enough to support a viable section in Kunshan (less than, say, 20 students), the tuition level approved by the Chinese Ministry of Education is too low to make the program viable, or anticipated funding does not materialize, we could choose to not to launch the program or choose to cancel the program after one or two years.

Course Staffing and Faculty Costs

DKU will cover the cost of up to five tenure track Fuqua faculty, an Associate Dean (also a faculty member), as well as the cost of staff associated with the DKU campus. This hiring model is sufficient to support one section of DK-MMS students: there are fifteen courses total for an MMS section (five terms with three courses each term). Should the demand for the DK-MMS program exceed one section, the arrangements between Duke/DKU and Fuqua will be revisited at that time.

DKU will collect all of the tuition associated with the DK-MMS program (for the summer, fall and spring terms). DKU would also cover the costs of staff for program support including admissions and CMC services. DKU would also pay the travel costs associated with having Durham-based faculty teach at DKU.

The hiring model is intended to create an extended faculty presence during each of the six week terms in Kunshan. Faculty presence in Kunshan could be achieved in a number of ways including having faculty who are currently based in Durham spend time in Kunshan or hiring new faculty who will spend time Kunshan. These faculty could be tenure track (junior or senior) or non-tenure track (e.g., professors of the practice). If current Fuqua faculty members move to DKU, Fuqua could hire new faculty based in Durham to replace them, if desired. In addition, DKU would hire an Associate Dean to help administer the DK-MMS program (and other programs) on campus; it is expected that this Associate Dean would have some DK-MMS teaching responsibilities.

Faculty hired with DKU support would be expected to teach in the DK-MMS program in Kunshan, to help create sense of community on the DKU campus and to contribute to the intellectual life of the campus. The expectation is that faculty would spend at least one term in Kunshan, and ideally a full semester or more. The exact contractual terms (teaching loads, salaries, length of commitment, etc.) for the DKU faculty would be determined on an individual basis. We expect that many of the DKU faculty would teach in other Fuqua programs (for example, Daytime MBA or EMBA programs) in addition to the DK-MMS program.

Our conversations with current Fuqua faculty as well as faculty at other institutions suggest there is a sufficient interest such that we could identify faculty members interested in teaching in Kunshan. We are far more confident of our ability to staff the six courses in Kunshan required in the 3+2 format than we would be with a 1+4 format, which would require 12 courses in Kunshan.

Utilization of the Kunshan Campus

One of our major concerns in proposing a 3+2 format for the DK-MMS program is the uneven utilization of the Kunshan campus: there would be no DK-MMS students on campus in the summer or fall. This may be a positive feature in the first year of the program, as the campus may not be ready to host students in the fall of 2012. However, it may be more of a problem in later years. To balance utilization, Duke or DKU may have to develop other programs that have the reverse utilization pattern. For example, we could imagine Duke offering courses (e.g., for certificate program) for Duke undergraduate students and/or for students at partner universities in China. The campus could also be used for various executive education programs. These possibilities are being considered but are outside the scope of this committee's charge. Specifically, Duke has created a China Faculty Council that is considering University activities in Kunshan more broadly.

VII. Risk Factors

There are several risks to consider, many of which we have described earlier. We summarize them here for convenience:

- Financial risk. Revenues for this program are a combination of enrollments, tuitions, and scholarship funding. There are uncertainties associated with each of these variables.
- Brand risk: We risk cannibalizing other degrees that we offer (such as the MBA degree) or confusing the brand. We must carefully differentiate the MMS degree from the MBA degree. Give that we have successfully differentiated the Durham-based MMS degree from our MBA degree, we believe we can manage the same risk for the DK-MMS degree.
- Program risk: We risk cannibalizing the Durham-based MMS degree if applicants to the Durham degree shift to the DK-MMS degree. We think this risk is low given the large and increasing applicant pool we observe for the Durham based MMS degree. It is of course possible that we will not see similar demand for the DK-MMS degree.
- Delivery risk: The proposed program may not deliver a product that is valued by the market. Evidence from our Durham based MMS degree says that the pedagogy is strong, that the student experience is excellent, and that the final product is valued by recruiters. We will need to make sure that we deliver the same high quality instruction, experience, and career support in China to match the outcomes achieved in Durham.

- Research risk: The risk here is that the proposed program does not improve (or at least leave unaltered) the research strengths of our faculty.

VIII. Proposed Pilot Assessment Metrics

There are a number of metrics that we will track to evaluate a pilot delivery of the DK-MMS. These metrics include the following:

- Number of applications generated
- Quality of applications generated
- Number of students enrolled
- Assessment of student quality from a faculty perspective
- Student assessment of program quality
- Number of firms recruiting MMS students
- Quality of firms recruiting MMS students
- Assessment by recruiting firms of MMS student quality
- Financial assessment

When these metrics indicate that the DK-MMS program is of the quality required by Duke University, we would bring forward a proposal that the DK-MMS program advance from a "pilot" status to a permanent program status.