

Fuqua School of Business, Duke University
Master of Management Studies
Proposal for pilot Foundations of Business program

Overview

The Fuqua School of Business proposes a three-year pilot of a “Foundations of Business” version of its current Master of Management Studies (MMS) degree. The Foundations of Business program is intended for persons who wish to obtain certain basic business skills and subject matter knowledge, who lack business experience. The proposal received strong support in a vote of the Fuqua faculty (57-3). Specific details of the proposed pilot follow.

MMS: Foundations of Business

We propose a Foundations of Business program, to be offered at Duke University, consisting of 12 business courses (a total of 36 credit units) taught over four 6-week terms.¹ The Foundations of Business program will be a pre-experience Masters degree intended to help students obtain basic entry-level business skills and subject matter knowledge. It is not intended to be a substitute for an MBA degree. The focus is therefore on technical skills and subject matter knowledge of the sort associated with entry level positions in finance, marketing, consulting, and, possibly, general management. For example, an entry-level financial analyst should understand basic finance and accounting and possess decision modeling and spreadsheet modeling skills. An entry-level consultant would, in addition, require knowledge in strategy, corporate finance, marketing, managerial accounting, market intelligence, decision models and supply chain management. Similarly, an entry level marketing position requires knowledge of marketing analysis and market research, supply chain management, managerial/cost accounting and project finance plus skills in decision modeling and spreadsheet analysis.

The focus of the program on preparing students for the specific career tracks noted above is supported by anecdotal data based on conversations with our corporate partners. Importantly, it is also supported by hard data from Europe, where the concept of a pre-experience master’s has a longer tradition. Data from 5,000 pre-experience master’s alums indicate that 22% entered into financial services, 20% consulting, and 28% entered into consumer goods firms. The fact that a large number of the corporations hiring these students also have a relationship with Duke (e.g., Deloitte, Fortis, JP Morgan, McKinsey, PricewaterhouseCoopers, Procter & Gamble, BCG, etc.), reinforces our belief that the program focus is appropriate.

We expect the majority of students in this program to transition directly from an undergraduate program in liberal arts, the sciences, engineering, etc. However, the program might also attract Ph.D. students who intend to pursue a career in industry but, like the undergraduates, lack business experience and training. Conversations within Duke suggest that the proposed pilot program could be of interest and helpful to this latter audience.

¹ The standard Fuqua schedule consists of four 6-week terms: Fall I, Fall II, Spring I and Spring II.

Admissions

The admissions process and admissions decisions will be conducted by the Fuqua School of Business. Both merit and need-based scholarship assistance would be available. Fuqua will require help from the University's undergraduate admissions group to make need-based financial aid evaluations, which will be available. The application will require:

- 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

Tuition

Tuition will be set according to the Duke undergraduate tuition and fees for newly matriculating students.

Curriculum

The proposed curriculum for the Foundations of Business program involves 12 required courses (3 credits per course for a total of 36 credits), offered over four 6-week terms (3 courses per term). Each course would meet twice a week for 2.25 hours, or 27 contact hours per class. The four terms would mirror the four current Fuqua terms (Fall I, Fall II, Spring I, and Spring II). These courses will be distinct offerings for the MMS students and will not comingle MMS and MBA students.

The curriculum presumes basic knowledge of statistics and computer skills. All students will be required to show sufficient prior coursework (or pass an exemption exam) in statistics, and to demonstrate competency in computer skills prior to the start of the program, by taking an online examination. A boot-camp statistics course (and separately, computer skills course) would be offered, for an additional fee.

The proposed 12 courses to be offered over the four terms (Fall I, Fall II, Spring I, and Spring II) are listed below.

Business Economics
Financial Accounting
Strategy
Investments and Financial Markets
Marketing Analysis
Decision Models
Supply Chain Management
Management and Organizations
Managerial/Cost Accounting
Market Intelligence
Financial Analysis and Valuation
Corporate Finance

The proposed courses for the Foundations of Business program are an approved part of Fuqua's curriculum. The concepts and frameworks in these courses will be similar to those provided in like named MBA courses. However, the content and delivery of the courses will be adjusted in two significant ways. First, they need to reflect the different experience level of the students in the Foundations of Business program. In particular, Fuqua MBA students typically have 6-7 years of work experience, in contrast to the zero work experience anticipated for the entering MMS students. Thus, the pedagogy in the MMS classroom cannot be built around drawing from student experiences. Second, the courses need to focus on the skills relevant to an entry level analyst position rather than entry into a leadership position. Thus, for example, the Marketing Analysis course would focus more on spreadsheet analysis skills and tools needed to support marketing decisions rather than focusing on coordination of marketing decisions with operations and finance that would be of relevance in the MBA classroom. Similarly, because the MMS students will enter into analyst roles as a part of teams, the Management and Organizations will focus on the team building, team dynamics and negotiation rather than the typical focus on leadership, motivation, and incentives that would be of relevance to MBA students.

There are no elective courses and no exemptions or substitutions permitted. This structure reflects the importance of the following issues: 1) we need to ensure the appropriate balance between the breadth and depth needed to successfully prepare students for analyst positions; 2) we need to ensure that students have uniform quality with respect to depth of exposure to concepts and frameworks in a given area; and 3) intact cohorts will allow us to enhance teaming skills in repeated contexts. All courses in the Foundations of Business program will be taught by Fuqua faculty (tenure track and non-tenure track).

Career Management Services

Career management services would be managed and conducted by the Fuqua School of Business. We believe that these services are better offered by Fuqua, as opposed to the University, for four reasons. First, we will be able to control, manage, and coordinate the career services of the MMS students, in the context of the services we currently provide to our MBA students, in particular, avoiding confusion on the part of recruiters (as well as others) about the two programs and the students in them. Second, our analysis indicates that the costs will be lower, overall, compared to a model where career services are

managed by the University and coordinated with Fuqua. Third, discussions with Fuqua’s career services staff indicate that our current structure is well suited to placing the entry-level persons generated by this program. Fourth, internalizing these services will enhance the *overall* recruiting environment for both our MBA students and the MMS students, because Fuqua will be a “one-source” provider for employers who have needs for both more-experienced MBA students and less-experienced MMS students.

Market Outreach

Because we are proposing a pilot program, we will not engage in advertising and direct mail campaigns as we normally would for our programs. Our initial emphasis will be on Duke students--we expect to hold a number of information sessions for the Duke student community. We also plan to hold information sessions at institutions of relevance to our target market, i.e., colleges and universities that do not have undergraduate business programs but produce strong, well trained students. Examples include colleges such as Davidson, Swarthmore, Wellesley, Vassar and Amherst along with universities such as Yale, Princeton, and Brown. While our first point of emphasis will be on Duke students, we believe that extending outreach to institutions of comparable quality will enhance the overall quality of the enrolled students and the credibility of the MMS program.

Financial Implications

Our goal is to attract 90 students in the first year of the program placed into two sections. Assuming we can reach this target, which we think is achievable, the financial model is as follows:

Revenue	
Tuition	\$3,462,750
Total Revenue	\$3,462,750
Expense	
Faculty Cost	1,692,456
Program Dean and Admin	200,000
Scholarships	346,275
Outreach	50,000
IT	100,000
Admissions	100,000
Career Staff and Programming	150,000
Student Services Staff and Programming	250,000
Facility expenses	125,000
Team Skills Activities	200,000
Total Expense	3,213,731
Total Contribution	249,019

Under the scenario of two sections we generate a positive contribution. If, however, we cannot generate two sections, but instead can only yield a single section of 45 highly qualified students, the financial picture changes. Fortunately, we can scale most of the costs down with lower enrollments.

This scalability in costs allows us to avoid financial losses with lower than anticipated enrollments, but we do move from a position of positive contributions to what is essentially cash neutral:

Revenue	
Tuition	\$1,731,375
Total Revenue	\$1,731,375
Expense	
Faculty Cost	846,228
Program Dean and Admin	200,000
Scholarships	173,138
Outreach	50,000
IT	50,000
Admissions	50,000
Career Staff and Programming	75,000
Student Services Staff and Programming	125,000
Facility expenses	62,500
Team Skills Activities	100,000
Total Expense	1,731,866
Total Contribution	-491

Thus, even under a pessimistic scenario we can essentially break-even in year one of the pilot and should be able to generate positive contributions by years two and three of the pilot.

Risk Factors

There are three basic risk factors to consider. The first is financial risk. We propose to offer the 1-year MMS degree with tuition equal to the Duke University undergraduate tuition (in 2009-2010, \$37,485). Total revenues must cover faculty costs, career services, admissions, IT, student services, general administration, and scholarship costs (along with inevitable hidden costs). Enrollment of 90 students in two concurrent sections would generate sufficient revenues to cover these costs; at fewer than 90 students we would offer one section (reducing faculty costs but not other costs). The pilot program is expected to yield a contribution of \$250,000, which should be sufficient to cover unanticipated costs.

Second, there is the risk of cannibalizing the MBA degree, or confusing the brand. The MMS degree must be carefully differentiated from the MBA degree and this differentiation must be strictly maintained. Conceptually, the one year “foundations of business” program is intended to focus more on basic technical skills, relative to a two year degree that offers both foundational training and depth in multiple areas. Practically, offering completely separate MBA and MMS courses will differentiate the two degrees, as will the type of students attracted. MBA students are experienced relative to the MMS students, have a higher entry level point within organizations, and require both leadership skills and global perspective, while the MMS student is at an entry level point where the key need is basic business skills. Finally, offering career services for MMS students through Fuqua’s MBA career services will allow us to present clearly, to recruiters and others, the differences between MBA and MMS students.

Third is the risk that the proposed pedagogy does not deliver a product that is valued by the market. Current feedback suggests a high market value for students who are liberally or scientifically trained and also possess basic business skills. The combination of critical thinking skills along with business knowledge is seen as highly desirable for entry level candidates. We have to monitor the MMS program and stay in constant contact with our industry partners to ensure that the MMS degree delivers on its value proposition and thus attracts great employers interested in hiring our graduates.

Pilot Assessment Metrics

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

1. Number of applications generated, by year.
2. Quality of applications generated, by year.
3. Number of students enrolled, by year.
4. Financial assessment, by year.
5. Assessment of student quality from a faculty perspective, by year.
6. Student assessment of program quality, by year.
7. Number of firms recruiting MMS students, by year.
8. Quality of firms recruiting MMS students, by year.
9. Assessment by recruiting firms of MMS student quality, by year.

When these metrics indicate that the MMS program is of the quality required by Duke University, our hope is that, during the three year window, we would bring the MMS program forward to request removal of the “pilot” designation.