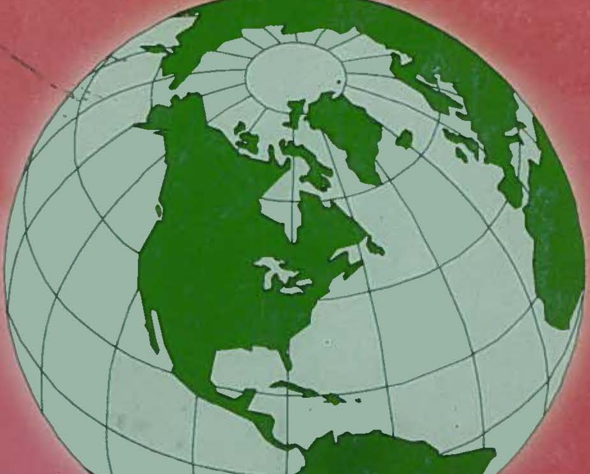
Global Strategies Case No. 10: MSU



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Important note

The cases in this series are fictitious. Any resemblance to any person or organization is due to chance.

They are intended to help students understand issues in management.

CASES IN ENGLISH

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To be used in the following courses:

- International business
- Business policy
- Organizational behavior
- Public administration seminar
- Advanced management

In this case, we shall review:

- Different ways to enter a new country.
- Strategies to conduct INTERNATIONAL BUSINESS from an organizational point of view.
- Success or failure in INTERNATIONAL BUSINESS.
- The impact of "change of culture".
- The impact of negative "rumors." What management should do?
- The effects of change from democratic management to autocratic management.
- Fiscal responsibility of public administrators.
- Issues in public administration.

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MASSACHUSETTS STATE UNIVERSITY (MSU)[1]

Background

Massachusetts State University, hereafter called MSU, was created by the State of Massachusetts in 1976 to be an alternative to the famous schools in the region. It is located 30 miles west from Boston near the older, traditional, and prestigious universities. MSU grew rapidly and now has ten schools with more than 28,000 students. MSU is losing money in five of the ten schools.

The business school at MSU is, by far, the largest of the ten schools, as well as being one of the largest business schools in New England. It lacks the prestige of some of the other Boston schools, however. The MSU Business School offers many undergraduate and graduate programs, such as the Executive MBA, MS in Management, and MS in Project Management. The PhD is also available in all disciplines of business.

MSU is accredited by the New England Association of Schools and Colleges (NEASC). The Business School is accredited by the European Systems for International Schools (ESIS). However, the Business School is not accredited by the Association to Advance Collegiate Schools of Business (AACSB)[2].

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[1] This case has been prepared with the help of graduate students at SUNY/Lewis under the supervision of Dr. Joyce Burns and her research team. The graduate students interviewed professors, administrators, students, staff members, alumni, and some of the foreign partners of MSU.

[2] The AACSB is perceived by many as the highest level of accreditation in North America. **All other business schools in Boston have AACSB accreditation.** A proposal to apply for accreditation by the AACSB was presented to the central administration of MSU by Dr. Berry. At that time, the MSU president had asked the faculty to wait in seeking the accreditation. **Not being a part of the AACSB permits more flexibly to MSU, but conversely, also creates the potential for a negative image in the international and national market. It has, however, a temporary accreditation by an international organization called ESIS.**

Organizational Model - Democracy

From its inception, MSU was designed to operate with a unique organizational structure in which the directors, deans, vice-presidents, and president are elected by the professors, as required in the by-laws of the university. The school was established to reflect a "participatory model" institution, and designed to function as a "working democracy." In this model, the university professors were vested with substantial authority within the institution's administrative and academic policies as well as procedural decision making functions. By design, the faculty was to contribute actively in the direction and development of the school and communities that the institution serves.

The elected departmental directors of the university wore two hats: one as representatives of the faculty; the other as institutional administrators accountable to the elected vice-president. Most of the time, the directors were more oriented toward the first role: that of representing the professors. In addition, according to MSU by-laws, all major decisions (decisions such as professors' promotions to higher rank, the hiring, tenure, and administrative evaluations of the professors) were required to be made by a vote of all professors in accordance with established criteria. On the last Monday of every month, the professors were required to meet in a "departmental assembly", in a manner similar to a Convening of Congress. During these assemblies, various issues would be debated and decided; resolutions would be voted upon and sent to the vice president of the university. The vice president would then send the approved resolutions to the Board of Trustees for those matters within their purview, such as the hiring of selected (and voted-upon) faculty members.

Aside from the university-community civic-obligation to actively participate in the administration of MSU, professors of the university were, first and foremost, responsible for their performance in three specific areas: 1) teaching. 2) research, and 3) community service. Because MSU is a research university, the second component was of considerable importance in the professors' evaluations, promotions, and tenure considerations. The school's by-laws permit faculty members to accept outside consulting opportunities, as long as the professors continue to perform well in their three primary areas of accountability.

In the culture of the Massachusetts State University, the professor felt valued and played an integral part in the school's success and growth. Moreover, professors improved the school's image by playing an active role in the surrounding communities and in society in general. In addition, professors had a sense of security in their "academic and intellectual freedoms" and were guaranteed "freedom of expression" at MSU.

As an additional measure to ensure that no single individual or entrenched group would be able to monopolize the structures and policies of the university for any extended period, the university's founders had also established term-limits for all elected positions. No individual could serve for longer than two three-year terms in any single elected position within the university. The term limits had the additional benefit of stimulating wide interest and participation from the professors in the organization and direction of the university.

Due to the instituted practice that "no one stays in any one place too long", fresh leadership was regularly rotated into the decision-making and policy implementation roles. The structure of the "participatory model" brought about vibrant involvement and contributions from the university's professors, thereby benefiting the university body; its individual members; and the community.

Of the university's academic departments, the Department of Business Administration (DBA) was, by far, the largest. It had grown to 125 full–time and 200 adjunct faculty members by December 1996. The DBA directors, elected by the faculty, had always seen their role as, foremost, that of representing the professors in their managerial relations with the central administration.

The large DBA held considerable influence in the MSU political environment. In the past, the DBA had been able to control the election of the vice-president. Within the Department of Business Administration, professors were grouped into loose "areas" or disciplines; however, professors could participate in more than one specialized area. For example, a professor could teach in Marketing as well as in International Management. Another professor could perhaps be teaching in the areas of Information Systems, Accounting, and Statistics. This inter-disciplinary teaching practice led to greater flexibility within the department; enhanced interaction between multiple disciplines; and precluded the "discipline separation", which is frequently seen in many other business schools. The DBA was the most collaborative and dynamic department of the university.

First change of model: 'Divide to control

The DBA had a lot of political power with its large number of professors. For a long time, the central administration had wanted to divide the DBA in order to reduce its power. However, under the founders' democratic structuring of the university, the breakup could not be done easily.

In 1998, a weak Director of the DBA was elected. The central administration convinced her that the division of the DBA into four separate, new departments inside the MSU's new School of Business would be a better management model. Because of the rapid growth of the business school, many of the professors were relatively new to the university, and most of them accepted the decision of the central administration. The professors, who objected, like Dr. Berry, were disregarded as "old" and "retrograde".

In 1999, the Department of Business Administration was split into five new, distinct departments; each with different names, under the umbrella of the School of Business. The abbreviation of "DBA" was retained as the designation for the newly instituted "Department of Business Action." The faculty of the DBA was reduced in size to twenty-five professors, in 1999. In 2004, the Department of Business Action had grown again to forty professors.

At the same time, Central Administration of MSU created a new function of Dean of the School of Business to regroup the four new departments plus the department of economics and the departments of tourism. The School of Business was created in "name only" as the Dean had no control over the budget. The first two deans of the School of Business acted as representatives of the professors who had elected them. Both of the deans resigned before completing their terms because they fed up with their lack of power. Among other conflicts and issues, Central Administration was not letting them manage the resources.

In the new structure, for all academic schools of the university, the dean of each school reports to one Vice president (currently Dr. Francis Lord), with the V.P., in turn, reporting to the MSU President (currently Dr. Ronald Davis). There are four other vice presidents for administration and support. The deans do not have direct control over the allocation of resources, as the funds are managed by central administration.

UNION

MSU has three unions: one for the full time faculty, one for the part time faculty, and one for the staff. The MSU President, Dr. Davis, had previously served as the elected President of the Faculty Union. The role of the Union will become important later.

Style of Leadership

Dr. Davis is a democratic leader. Dr. Lord, the current Vice President, is less democratic, by comparison, notwithstanding that she also attained her position through democratic election by the faculty of the entire university.

Revenue, Budgets, Funding and Debt

MSU cannot set its own tuition fees as they are fixed by the state. MSU derives 70% of its income from the State of Massachusetts. For the operation, MSU receives a subsidy for each student. MSU also gets a capital budget from the state for construction and technology. As of June 2005, MSU had a cumulative deficit of $9,000,000 (and growing). MSU urgently needs to get some new income.

International Expansion

Inside the central administration, MSU has a "Bureau of International Affairs". The new Director of the "Bureau", appointed in 2004, Mr. Jack Rider, has received a clear mandate to make MSU a First Class International University. Mr. Rider is not experienced in managing international projects, but is learning. He must develop more international projects, as parts of his budget come from these same projects. One component of the Bureau's mission is to recruit eight percent of MSU's student population from abroad. At the present time, however, only between one and two percent of the student body is comprised of international students. While central administration had attempted to develop international projects in the past, these projects had been merely marginally successful, with only one project rendering some profit for the university. A few of the projects were beneficial to the students, however, such as the student exchange program, through which students could go abroad for one semester, although not generating any income for the university.

MSU also has, as part of its mission, the task of internalizing its programs, as well as promoting international development and cooperation. The MSU budget, however, does not allow for direct investment in such international program development. MSU, therefore, has never invested funds in international expansion, except to pay the travel expenses for top administrators who had tried to develop relations with foreign universities. So, although there had been a mission to increase the international projects, virtually no successful implementation of plans had occurred until 1994.

The History of the Executive MBA

The Executive MBA was established in 1983. In those days, the directors of the graduate program like the MBA, were directly selected by the complete faculty. In 2003, this changed, and the directors are now elected by a small electoral college.

The MBA averaged thirty students during the first four years. In 1986, the number had decreased to twelve as the then director wanted only a few students. In 1987, Dr. John Berry became Director of the MBA and the number of students grew from twelve students to three hundred. Special programs were offered to specific groups, such as "The Massachusetts Top Executive Women League". Programs were also offered in nearby towns. The Executive MBA was very profitable, in terms of money and prestige.

As occurs frequently in organizations, expansion is followed by control. In 1990, a new director was elected. He wanted to seize "control", and reduced the number of students from two hundred to fifteen. With perfect "control", came growing deficits. The central administration did not object to this dramatic reduction. Then, in 1995, Dr. Arthur Serrano became director. Dr. Serrano, like Dr. Berry, is a developer. During the next four years, the program went from fifteen students to four hundred. Dr. Serrano was operating the MBA in four cities. The program grew to 600 students in the state by the end of 2002. At the completion of his second term, he had to step down, per the by-laws of the university.

Dr. Serrano was never officially thanked for all the development and for the millions that he had generated for the university. In fact, some professors and some administrators saw something "strange" in the success of his directorship, with rumors and talk to the effect of, "There must be something in it for him; there must be fraud". The central administration took the millions that had been generated, and that was it. Dr. Serrano was treated as a "fallen ~~politician~~", as happens often in public administration.

An Emerging International Strategy

In an attempt for the university to generate additional income and to become more international, an innovative strategy emerged in the mid-90's. Four dynamic and entrepreneurial professors of the Business School launched an effort to apply their contacts abroad to promote the university programs. These four professors were already working independently as consultants, conducting seminars abroad, and earning substantive incomes for themselves, on their own, separately from their work with the university[3].

As a way to include the university in their successful endeavors, and as a part of their service to the university and its community, the professors developed a plan for academic courses to be taught abroad, on behalf of MSU. The MSU Executive MBA Program Abroad was

3 Professors are permitted (by the union contract) to pursue independent consulting opportunities and work, provided they continue to perform well in the three areas for which they are accountable to the university, as previously described.

born. because the originating professors of the program, who became the promoters for the projects within the International Program, had been already conducting independent consulting work abroad, and chose to contribute their contacts and resources to the benefit of the Massachusetts State University.

In 1995, the first project was developed under the direction of these devoted professors on behalf of MSU. It was a joint educational program with the most prestigious university in Ecuador and it conferred a Master's degree by MSU. The educational program was developed by Dr. Berry, together with Dr. Arthur Serrano who, at that time, was the Executive MBA Director.

From this first successful joint venture educational project, a simple prototype was formed for further cooperative international educational endeavors. The participating foreign university would pay to MSU 20 percent of the gross revenue generated by those courses, as well as pay all expenses associated with their provision. This would include all on-site educational, administrative, and professorial costs and expenditures. The partner would cover all travel costs for the MSU professors—such as transportation to and from the teaching location(s), both internationally and locally. The participating foreign university would also be responsible for all overseas program advertisement and student recruitment; and provide local facility space, supplies and equipment as well as local administration. Finally, the partner would pay the salaries of both the MSU teaching and coordinating professors involved in the joint-venture project. The graduate degree conferred by MSU conforms with all Massachusetts State University requirements as well as the rules of all accreditation agencies.

The international Executive MBA courses conducted overseas were excluded from the subsidies received from the State of Massachusetts. The 20 percent paid to MSU by the overseas partner is "net income" to MSU, as the university has almost no direct expenses. The instructional fees paid to Massachusetts State University professors, for conducting the intensive classes abroad, is more than the normal amount paid for an adjunct (part time) professor, as the rate is figured at time-and-a-half, to be paid by the partner. The fee for coordination (per cohort) is equivalent to the amount paid for teaching one class. Courses, referred to as "weekend classes", are usually conducted Thursdays through Sundays, for the in-classroom portions. The rest of the coursework is completed on-line.

The MSU professors, conducting the short seminars abroad teach their normal load at home. The overseas courses are "extra work" for the professors. The professors never cancelled their classes on the main home campus to go abroad. This initial model became the prototype for all subsequent international projects. As arranged, the partner school would charge between $12,000 to $16,000, per student, in the program. A class with 25 students, at an average tuition fee of $14,000 per student, would gross $350,000 for the partner. The 20 percent-of-the-gross-amount-collected, to be paid to MSU, would be $70,000[4]. The cost to the foreign university, for the teaching and coordination fees and all associated expenses, would be around $120,000. This would leave $160,000 of generated revenue for the foreign partner's local operational costs, marketing expenses, facility provision, etc. In this example, utilizing average tuition and expense amounts, MSU derives a profitable "net income" of $70,000 for each class taught overseas by its MSU faculty.

The four professors who developed and established the International Projects Program strategy for MSU, utilized their contacts to offer graduate programs and continuing training abroad for executives in English, Spanish, and in one instance, French. Educational programs offered in JOINT-VENTURE with overseas partners, and structured in such a way that MSU would not invest in infrastructure nor in marketing, were also able to be offered to selected large organizations, such as IBM, KPMG, Xerox, and others, as "in-house" projects. For the development of these, the promoters never received any money from MSU. The developers invested their own time and money. The professors recovered their time and monetary investments by teaching in and coordinating the programs.

4 Out of that amount the professor who developped the project received a small amount into a research account. That amount varied. In the case above it would be $4,000.00 for the said research account called « z » account.

Because of the success of the international projects, many administrators came to believe that everyone in the world was looking for MSU and it was just a question of signing a standard contract. To the contrary, MSU was not an easy sell. It was a young university in a field with plenty of prestigious universities. For example, one negotiation in China took four years.

Through the International Projects Program, the university, the professors, and the larger university community benefit. The professors receive additional income and the university adds "net income" to its revenue base from the projects. Moreover, the university establishes an overseas presence, which, in most cases, contributes to the MSU objective of recruiting foreign students to the main campus in other disciplines. It is estimated that 200 foreign students or 1 percent had previously come to the campus (to other programs) due to the previous, however limited, MSU presence in their countries. It must be stressed that in all the projects, the MBA degree is conferred only in stringent conformity with MSU's rules and guidelines. Professors have the same responsibilities for courses given abroad as they have for courses given at home. The only difference is the timing accommodations for the classes conducted abroad. For the overseas courses, the terms last six weeks. The first three weeks of each term are for students to do pre-class assignments. Then there is an intensive, thirty two-hour in-classroom sessions, which meets over a period of four to six days. Finally, there is a project to be completed by the students after the in-class sessions and work to do on-line. When the teaching professor is not on location, he or she communicates with the students by internet.

The developer/promoter of the international project is the Project Coordinator/Project Leader and is the key resource person in the project.

The four developers of the International Projects Program from 1994 to December 2005 are:

Dr. John Berry
Dr. Arthur Serrano
Dr. Newman Dunn
Dr. Mark Tucker

These four professors developed projects in Latin America, Russia, Africa, France, and China. From 1994 until 2005, their strategy had made a significant impact to the benefit of the university. The professors were motivated and developed some fourteen very successful international projects. MSU never lost revenue, and never invested a penny. The "developers" used the income they received for their "coordination" work to develop new projects. The wheel was turning well.

The coordinators needed to select instructors for the international projects from among the professors inside the School of Business. Professors selected to teach abroad were chosen according to the following criteria:

- Their evaluations by students in domestic programs; in particular in the Executive MBA at home.
- Their proven openness to cultural differences.
- Their ability to teach in Spanish for the projects in Latin America or, in French, for the project in France. (Of course, classes at the MSU campus are all conducted in English).
- Their rank.

These selection criteria resulted in some professors being called for international duties much more often than others, thereby creating resentment among those who were very seldom asked to teach abroad or not asked at all. To some it gave the impression that in order to teach in these projects one needed to be a member of "the club". Dr. Tucker recently said to a professor who had expressed such feeling: "*If you are not happy, you should go out, like me, and develop your own project*". The situation could be compared to that of a consulting company or a law firm, where the Project Leader selects the people to be assigned to a project because he/she feels responsible for the quality of the work.

Competition for the Executive MBA

The main competition, for the development of international projects is the University of Boston on the Mountain (UBM)[5], which has a very

[5] UBM is accredited by AACSB while MSU is not. The AACSB is perceived by many as the highest level of accreditation in North America.

different strategy. Unlike MSU, UBM invests in the country it wants to reach. For example, UBM invested $1,000,000 to establish a presence in China, the new emerging market. In spite of the investment, UBM has no project, so far, in China, while MSU has two because the entrepreneurial spirit in MSU and the contacts that the professors have in China. These two international projects are rendering income for Massachusetts State University, with no expense and no investment by MSU.

Rumors and consequences

Due to the International Projects developers' selection criteria, not all professors who had expressed interest in teaching overseas were selected to go abroad. Some professors, who were not selected, became openly jealous. Some administrators, unable to travel, also became openly jealous. During 2004 and 2005, various (false) rumors circulated concerning "secret accounts". Jealous professors and administrators who could not participate in the international projects because of limited foreign language skills, lack of cultural sensibility, or lack of other skills, generated other damaging rumors. Although rumors in organizations are common, rumors, in this environment, took on enormously destructive proportions.

The Dean's Reaction

In 2003, the organization model was modified so that the program Directors would be elected, not by the faculty members, as a whole, but by an electoral college made up of departmental chairs, program directors, and a few administrators. In that same year, after the resignation of the second dean of the Business School, a new dean, Dr. Peter Doster, was installed.

Dr. Doster had a great reputation as an economist but not as a manager. He was highly respected for his research and for having written a book with Prof. Paul Samuelson years earlier. The publication had been the most important textbook in the field for many years, and Doster was still active in publications.

Dean Doster had a few objectives:

Promote more research

Increase the international involvement

Maintain total control

Allow all professors to participate in all aspects of the International Projects Program on an equal basis

Ensure that no professor earns a disproportionately larger amount of money than other professors

Avoid any risk in any project

Ensure that no issues arise with NEASC and other accreditation agencies.

Dr. Doster was afraid that MSU had too many international projects, which could potentially damage the accreditation. In fact, the accreditation agency had asked to receive a copy of the international strategy not to change it.

Dr. Doster spent the first year of his mandate creating an image for the School, even going so far as to design a new logo and making his own choice of colors for it. He was also very involved in raising funds with the Central Administration. He saw his role as representing the Central Administration, unlike the first two deans who had represented the professors. Doster had been perceived as a democratic leader until he became Dean. Then, everything changed.

Important Issue in one Department - DBA

In 2004, the new (reduced) DBA (Department of Business Action) had 40 professors. False rumors of improper use of funds in the international projects were very intense. At the same time, a conflict also arose over the hiring of a professor in Finance. The Finance professors had marginally rejected the candidate, and the entire departmental assembly had voted to hire her, anyway. Only four of the 40 professors in the DBA had gone to see the dean and the vice president to voice their objections to the hiring of the faculty candidate.

Because of the objections of these four, the central administration refused to present the person for hiring to the Board of Trustees of

MSU. There had been rumors circulating of a personal link between the candidate and one MSU professor; even of improper behavior between them. The candidate, Dr. Joan Daley, was known to be always working with her former dissertation professor, Dr. Jane Moore. One faculty member was heard saying in the corridors, "*I do not want to hire any couple - heterosexual or homosexual*". (The life-style of the candidate and her chairperson had not been discussed openly, in the assembly – only in private; or in small, informal groups).

In November 2004, in a departmental assembly, one respected senior professor defended Dr. Daley, saying that she was excellent in teaching and in research, and that MSU could not discriminate against her, otherwise, it could be a case for the courts. The hiring resolution again passed in the departmental assembly. The central administration again refused to present the candidate to the Board of Trustees of MSU, due to the objections of the four professors. The Director of the DBA resigned at the end of November 2004 – fed up with the situation.

Four of the 40 professors went to see the dean, Dr. Doster.

Without consulting any of the other professors, Dr. Doster, the Dean of the School of Business decided to put the DBA (one of the departments of the school) under TRUSTEESHIP, and he had the v.p. approve the measure, which is, according to the by-laws of MSU, very exceptional. The Board of Trustees of MSU approved the measure, assuming that the dean had met with the faculty of the DBA. The Faculty Union did not object, even after some senior professors complained to the union. Many professors never understood the role of the Union in this.

On January 3, 2005, the Dean decided to appoint a "Director-Trustee", or "DELEGATED ADMINISTRATOR", disregarding the department's professors, who have traditionally elected their own directors. The dean refused to meet with the professors, as a group, thereby avoiding any discussion. The (so-called "democratic") dean made the decision without consultation with any of the senior professors, and without even meeting with the entire department's faculty, as had been the established practice before the election of any director of a department. The culture had just been changed!

In addition, all professors, of each department, traditionally meet on the last Monday of each month. Dr. Doster did not even bother to attend the faculty's monthly meetings to present, discuss, or even to announce his decision regarding the selection of a new director-"tutor".

The new director, Prof. Paul Thompson came from the School of Criminology to run the DBA. Senior professors were upset and offended. Dr. Thompson does not have a PhD in Business, nor in Economics. With Paul Thompson as the new director, the DBA went quickly from a democracy to an autocracy. Monthly meetings were canceled. In 2005, only two meetings took place. Furthermore in these, the professors were not allowed to speak.

Strangely enough, some of the younger professors accepted this new model, seeing an opportunity in it for themselves. The new director ran the department dictatorially. One senior professor said in a meeting, "*History has shown that in any social structure, some people try to take advantage by establishing a dictatorship; and it is good only for them*".

The new director used the younger professors as compensated "informants": In exchange for promotions and other rewards, the younger professors gave the new director information (not always reliable), which he was seeking. Among other things, the new director had concerns regarding the incomes of some of the professors. In particular, he was concerned that some of the senior professors were earning "too much" money, in addition to their regular salaries. (Substantial additional income is the usual case, in any event, for most senior professors in most business schools in the USA).

It should be noted here that prior to 1999, there had been no dean in the MSU School of Business. There had been only departments, reporting directly to the vice president. The directors of these departments were elected by the professors of the respective departments, as were all directors of all of the academic programs of MSU.

During the year 2005, Dr. Thompson canceled all departmental assemblies except two of them. At these two meetings, faculty members were not allowed to express any opinion. It was no longer a democracy.

By December 2005, the Dean had not yet lifted the "trusteeship". At the Christmas party in 2005, many negative comments, jokes, and criticism were heard from faculty members. Some were also made by the staff from other schools.

Some of the comments were:

"We are punished and we do not know why."

"I have never seen professors so humiliated."

"The sky is falling."

"How come you are the business professors and you cannot manage yourselves? What do you teach?"

"Why do you business professors accept this?"

Would you vote for your current administrator?

In December 2005, at another Christmas party inn the university, a senior professor who had worked since the beginning for MSU presented his version of the new culture: "*democracy versus orders, collegiality versus imposed policies, consensus versus rules, departmental decisions versus dictatorship, freedom of expression versus imposed views, freedom of action versus interdictions, initiative from the faculty versus forms to fill out, collaboration versus lack of trust, respect for the professor versus distrust, and collaboration versus different rules according to origin*". He added words that cannot be repeated here.

In many departments of the School of Business, professors expressed their nostalgia for the old large DBA. Many were saying, "The environment was much better". "Why did we accept the split?"

Rumors and Actions

In January 2005, the Dean, Dr. Doster was concerned about the rumors. He decided to use public money to conduct a complete inquiry into all accounts dealing with the international projects. He also chose to use public money to conduct an investigation into some senior professors who developed or participated in the international projects.

This investigation generated additional negative rumors: this time, rumors of possible criminal behavior.

After 12 months of investigation, and at great expense to the taxpayers' money, no fraud was found. The president was not much aware of the importance of the income generated by the international projects. In fact, this income was managed by Dr. Lord, the vice president. Upon closer examination, the president was surprised to see that all the income generated by the international projects had been adequately reported. All partners had paid all their dues to MSU, except one in Africa, where a war had delayed the operation.

Verbally, people were told that there were some issues raised by the report, but no evidence of clear fraud. The dean did not make the inquiry report public, even after being formally asked. This situation then generated additional, even more negative rumors. Some professors are taking legal action to obtain the report under the "Access to Information Act", as defined by federal and state laws.

More Negativity and Impediments

The negativity and impediments to the successful progress of the international projects program continued to the detriment of the projects. Among other changes, Dean Doster decided to create a committee for the approval of new projects and the renewal of existing projects. On the said committee he did not appoint any of the professors with experience in international development. The committee now has a backlog of six months.

Two examples of the adverse effects of the new policy procedures involve projects with Chinese universities: one signed by the University of Peking and the other signed by the University of Shanghai. Each project agreement had to wait more than six months for the committee to process it, after having been signed by the overseas joint venture partner. One Chinese university decided to cancel its project with MSU. The Chinese university in question cannot understand why a university in the United States has more bureaucracy than it has. The Chinese partner was losing face in front of the Chinese Ministry of Education and, more significantly, had already lost face in front of the Communist Party Secretary[6].

Because of uncertainty and rumors of fraud, only two (naïve) professors continued to develop projects. The income to the university from international projects subsequently decline by 50 percent for the year ending in December 2005, compared to income for the year 2003.

In December, the Governor of Massachusetts, Mr. Jack Crawford, returned from China, where he signed an agreement with the Chinese to push for joint ventures in education, and the promotion of mutual recognition of degrees and courses. In November 2005, Crawford had asked MSU President Davis to be more proactive in the area of education in China so that High Tech Companies in Massachusetts could have more opportunities there. He saw a link between international education projects and business opportunities.

In December 2005, in an effort to address the problems and issues, and to "establish order" in the International Projects Program, the Dean of the Business School decided to have the v.p. approve new rules and procedures. Dr. Lord approved the new rules and procedures formulated by Dr. Doster:

Any professor can develop projects with his/her own money. He or she must obtain the dean's permission, however, to speak as a representative of MSU.

If a project is developed and an overseas partner has signed an agreement, the dean's appointed committee will review the contract to accept it, propose changes, or decline the project, within six months.

The professor who has developed the project may become the "project leader" only if he/she has no other project; otherwise, the project will be assigned to another professor who has been unsuccessful in developing any project of his or her own, and has "available time."

[6] One has to understand the dual structure in Chinese universities to fully understand that point. In each university there is a President and at the same level there is the Party Secretary.

If the developer becomes the "project leader," he/she cannot teach in the project, as there is a limit to the number of projects any professor is permitted to teach. Furthermore, teaching in the same project, which one has developed, creates a conflict of interest. If the leader has been successful in developing more than one project with his/her own time and money, that same professor, acting as a representative of the university, can conduct only one of the projects. All other projects will be given to professors who are unable to develop any projects of their own.

There will be a new limit of four overseas trips per year, or else four weekend-classes per year, that any one professor may teach for the university in international projects.

There will no more amount put into a "z" account.

A professor may, however, teach as many courses as he/she wants if the courses are taught for the competition. This would include the University of Boston on the Mountain. A professor can do as much consultation work as he/she wants, provided it is done without any relation with MSU. Thus, under the new rules, it is possible for a MSU professor to develop and manage multiple projects for UBM. However, doing so for MSU, the professor's own institution, is not permitted.

The professors teaching in these MSU projects will no longer be selected by the project leader, but by the dean's appointed International Projects Review Committee, which meets monthly. The objective of the committee[7] is to ensure that all professors can participate on an equal basis, and that no one professor earns a disproportionate amount of money. The overseas partners in the joint ventures will have no say in the selection of the MSU professors assigned to manage or to teach their projects.

The v.p. approved the policies and procedures on December 15, 2005 and the dean started to enforce them on January 2nd 2006.

[7] On the said committee there is nobody who has ever developed a project abroad. Senior professors were excluded.

Almost all professors expressed their objections to these rules. The dean did not listen but decided to be a bit flexible in the application of the new rules.

Senior professors, who had been previously involved in the international projects, decided to not develop any more. Even worse, one decided to transfer his projects to the University of Boston. These tenured, "unhappy" professors have publicly stated that they do not want to leave the university; however, they will do the minimum required in their work at MSU. Furthermore, they will develop international projects with the University of Maine at Bangor, which has made an offer. The professors who, in the past, have chosen to do the minimum within MSU, and work "over-time' for UBM are coping well with the changes. The more affected professors are those who had always believed in MSU and were dedicated to it like the four developers.

Dr. Berry decided to withdraw all projects from Argentina and from China[8]. He is negotiating with the State University of New York at Newburg. Dr. Serrano decided to not continue with an "in-house" program for Xerox-Japan, a project that had been generating more than $150,000 a year in NET income for MSU. This program had been the most profitable international project for the university. Others will not, usually, even discuss the issue. Dr. Berry is very frustrated that the projects, which he developed in China and in France, will now be managed by a new, inexperienced professor.

Dr. Serrano said, *"Either they know what they are doing and want to destroy the International Projects, or they are naïve*. Either way, *the results will be the same"*.

The morale among all internationally-oriented professors became very low. "It was the exodus without leaving". "Do the minimum here, and do all the rest for the competition", became the new way.

[8] One has to understand the dual structure in Chinese universities to fully understand that point. In each university there is a President and at the same level there is the Party Secretary.

Dr. Tucker went into a deep depression. Dr. Doster became more autocratic every day. He had lost the support of his friends, whom he had known for 30 years. One professor in Accounting, Prof. P. Manning, a good, long-time friend of Dr. Doster, was saying, publicly, "*Peter will not be remembered for his ability as a manager, but for his research. He is thinking of resigning*".

This was the situation at the beginning of the year 2006.

A few questions for discussion:

What are the different models, discussed here, for international project development for a small organization like MSU?

Compare the strategy used by UBM to the strategy used by MSU. Which one is the best under what conditions?

What are the ways to enter a new market?

If you are a small organization?

If you are a large organization?

What is the best way to minimize risk involved in investment?

Can you predict what would be the consequences of the new procedures decided by the dean?

Should MSU wait until all projects have failed, or can anything be done before then?

What can be done to motivate professors after having experienced this ordeal?

What should the dean do if he stays?

Why is it that the top managers in MSU —a state owned university— seem to be uninterested in the net income generated by the local Executive MBA program conducted in Massachusetts, when it went from fifteen students to four hundred?

Why is it that MSU, despite financial problems in other areas, does not seem concerned about losing net income generated by the International Executive MBA?

Why are the president and the vice president not concerned with net income? Why are they not satisfied with getting new students that come from abroad?

Why did the dean appoint to the international committee people with no experience in developing international project?

How can rumors, which are destroying relationships and a culture, be stopped? What do you think of the change of culture?

How did it change?

Why did it happen?

Which culture is better?

What is your advice for the senior professors?

What should Mr. Rider do?

What should the president, Dr. Davis, do?

What do you think about Dr. Serrano's comment: *"Either they know what they are doing and want to destroy the International Projects, or they are naïve*. Either way, *the results will be the same."*

Analyze the case, using the public administration frame of reference.

Any other comments?

Case no. 10-F42 MSU – case B

EPILOGUE: MSU TWO YEARS LATER

Maybe your predictions were correct - maybe not.

This is what happened in the following two years.

At the end of 2005, Mr. Rider was removed from his position of Director of the Bureau of International Affairs by Dr. Lord. No explanation was given. In March of 2006, Ms. Susan Trombley was hired as Director. She came from a prestigious university on the West Coast. Ms. Trombley started to write memos without having the correct information about the international projects. She started to visit the different countries where there were projects. Before going, she always refused to talk to the promoters who had developed the projects and were still managing it. On many occasions she got a totally incorrect perception. She even sent a nasty memo to Dr. Berry about the fact that we were operating in France without a contract. She was mixing up the project in Toulouse, for which a contract had been signed a few years ago, with the one in Montpellier that had not yet started. She did not even apologize. She had a good relation with Dr. Doster and made all decisions with him and a committee whose members they selected. There was some perception that it was a committee of "yes-persons" always unanimous. Some professors referred to the Dean as the Dictator.

Dr. Daley, who was not hired in spite of his great research because of "rumors", got a tenure job at Boston U. at twice the salary he would have received. He was conferred the Governor's award.

In 2005, the top management of MSU, with the blessing of the Board of Trustees[9], started new projects in joint venture with a real estate developer: Trans-US Inc. They started a project called "BIRD". In that project, the private Co. would bring most of the capital. Although the

[9] The reader must know that the Board is made up of the President, 3 V.P., 3 persons from society at large, 2 professors and one student.

School of Business is internationally recognized for its professors in real estate, none of them was consulted[10].

By the end of 2006, it started to be known that BIRD was not going to give the income expected and, still worst, that the university would in fact be supporting the private company. In order to save their necks, the Vice Presidents asked for the resignation of the President in a "coup". Dr. Davis resigned and left covered with shame[11].

Dr. Lord became interim President. The so-called "new administration", being all on the side of the former Board, presented themselves as not knowing anything[12]. It was finally divulged that the deficit had now reached $300,000,000.

Many professors, even in the Business School, did not blame the so-called "new administration", accepting the thesis that they did not know. Even Dr. Doster, the Dean of Business, supported the previous thesis of ignorance. One member of the Board said in public: "How can we read the real estate contract? It made more than 70 pages!" However, some professors were very vocal, asking for the resignation of the Board of Trustees and of all the Vice Presidents (who are members of the Board). A few professors started to say that the famous inquiry on international projects was a smoke screen put up to hide the real problems. The Governor sent a team to audit the university.

Contrary to the forecast, the Dean did not resign and continued to play the dictator still more, refusing to meet any professors except a few close friends or only the "yes-people". Professors who did nothing but teach their class were rewarded. Those who did extra teaching in other universities were rewarded. Those who worked within MSU were harassed.

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10 Two of these real estate professors are well paid consultants and respected in the entire nation.

11 The reader should understand if the style management of Dr. Lord and Dr. Davis is recalled.

12 This affords a good opportunity to talk about "governance" and Board members' responsibility.

Dr. Serano left the university and got to be the leader of a major corporation. After 35 years in the university and after developing most of the international programs, he left with no "thank you". **One secretary went to ask him for the key of his office and that was it[13].**

The officially opened project in Spain was not receiving any students by order of the Rector of Valencia University who was upset following problems caused by the type of letter he received from Ms. Trombley. The in-house project in Japan developed by Dr. Serano was terminated because the partner did not like the way MSU treated Dr. Serano, who happened to be a good friend of Mr. SIJY KOITO, the Chairman of the Board. Those professors who had developed projects were removed from the management of the said projects. Projects started to close one after another. The universities still in partnership with MSU started to question why all the others were gone.

The local press ran negative articles for 2 months, using any issue they could find, especially the deficit on the part of the real estate projects. People were making all sort of inquiries, using the federal law of access to information..

By the end of 2007 there were almost no projects left. **The Dean had put "order".**

The university lost the ESIS accreditation. In December 2007, the Governor, by administrative order, sent a "tutor" to the university to replace the President who had resigned.

The Business School became a marginal player in the region, just as it had been 30 years ago. However, there was "order". The number of foreign students started to decline in the Business School. The rest of the university was much less affected, since they did not get involved so much in international projects and did limit themselves to teaching local students and doing research. However, the deficit grew to be \$300,000,000 on a budget of \$400,000,000. This affected the entire university as there was no money for any project or anything -- not even for photocopies.

[13] Is this compatible with proper RH?

Issues:

1) What should be the role of the Board of Trustees?

2) Why does not the Dean of the Business School apply the principles of management?

3) To discuss questions concerning:

   a. Governance.

   b. People Management.

   c. Decisions by the top management.

Other short cases

Distributed in class.

Global Strategies
Case No. 10: MSU

MSU is part of a series of cases covering different aspects of management including information systems, international business, strategy, governance, and organizational behavior.

MSU raises many management issues in a large **not-for-profit** organization. For example, it looks at strategies used to enter and succeed at the international level. **MSU** deals also with organizational culture, rumor management, governance issues, and fiscal responsibilities for public administrators.

MSU illustrates the problems facing "**entrepreneurs**" within a bureaucracy, especially in a university where professors have some freedom.

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