

MEMORANDUM

JUN 23 1972

June 23, 1972

Office
of the Provost

To: Provost Frederick W. Obear

From: Norton C. Seeber *N. Seeber*
Dean, School of Economics and Management

Subject: Annual Report of the School of Economics and Management

In preparing the 1972 Annual Report of the School of Economics and Management, I have selected the following items as representative of the operations of the School for the academic year 1971-72. In addition to reporting 1971-72 history, this report emphasizes future directions, expectations, and plans, since development efforts pointed toward the future continue to be an integral part of the activities of the School.

1. Undergraduate Programs

Undergraduate program enrollments in the School of Economics and Management have continued to grow at a rapid rate, as indicated in the attached table. Using Fall Term figures, credits delivered and FYES grew 25 percent from 1970 to 1971, as compared with a 27 percent growth rate from 1969 to 1970. As indicated in the table, continued growth is expected, though the figure for 1972 is somewhat clouded by uncertainties besetting the University as a whole. The 1972 projection was made on the assumption that Oakland would reach a total enrollment of 7500 FYES. If this goal is not achieved, the growth of School of Economics and Management credits delivered may fall short of the forecast. However, in consequence of changes and improvements in undergraduate programs, the forecasts for succeeding years should be attainable.

a. Management Program

Several recent changes have been made in the program for management majors, with more forthcoming. The mathematics and quantitative methods requirement has been relaxed through the addition of the course MGT 340--Quantitative Methods in Management. Students may now take this course, MGT 305, or MTH 322 (or certain other courses by petition) to satisfy the third course requirement in mathematics and quantitative methods. Previously, MTH 322 was the exclusive requirement. Experience during 1971-72 indicates that some students will still prefer the mathematics course option, though the majority opt for MGT 340 or MGT 305. Discussions are proceeding with the mathematics department to further enhance the possibilities for

management students to do work in applied math and operations research as part of a management science option.

Additional courses have been added in the area of organizational behavior (MGT 430--Assessment of Organizational Behavior and MGT 431--Leadership and Group Performance). The organizational behavior courses, MGT 330 and MGT 331, have been cross-listed with psychology (as PSY 235 and 236, respectively), and it is expected that additional cooperative efforts between the School of Economics and Management and the Department of Psychology will be forthcoming.

As a direct result of recent faculty additions, we expect to offer additional courses in the areas of accounting and information systems as well as in marketing during the 1972-73 year.

The changes and additions noted above are part of a planned program of development to make the program in management substantially more attractive and to offer more options to students than heretofore. Other changes and additions will occur as manpower growth permits.

b. Economics Major

As a partial consequence of the University's moves in the direction of changing general education requirements for graduation, the beginning economics sequence is being altered. The former UC 056 will be relabelled ECN 100, with other changes forthcoming. Professor Botsas, the new chairman for economics, is committed to improving and strengthening the economics major, and I look forward to substantial gains in this area.

2. Graduate Programs

As you know from the Proposal for a Master's Program in Management, presented in March of this year, the School of Economics and Management is well along the road to developing a graduate-level program which is innovative in concept, non-duplicative of other programs in the state, and for which we believe there is evidence of student interest and state need (cf. F. W. Obear's letter of August 17, 1971, p. 2). The proposed program will not be available officially for the Fall 1972 term, but we expect it will be in operation by 1973. However, as part of the effort required to develop the program, work out teaching materials, and generally to "debug" it, we expect to offer several "graduate courses" in the Fall 1972 term and to accept students unofficially (as special graduate students) in the expectation that we will be able to announce a program officially by the end of the 1972-73 academic year. Some projections concerning graduate enrollments are presented in the table at the end of this report.

The proposed program provides a platform from which we plan to develop other variations on the basic theme--variations designed better to accommodate other markets and/or constituencies. At this time, we have no specific

commitment to the particular forms or times the variations will employ. We are, however, committed to an initial development which will be both distinctive and useful, and which will allow future movement in directions designed to insure the growth projected in the table. Additional information concerning the graduate program is available in the graduate program proposal which will be supplemented by other materials from time to time.

3. Staff

During the 1971-72 academic year, the School of Economics and Management effectively added four faculty members. Professor Gregory returned from a two-year leave of absence. Professor Braunstein joined us from the University of Rochester, Professor Nowell from Chicago, and Mr. Fran Webster (temporary) from his consulting practice and Ph.D. work at MSU.

For 1972-73, we will have a gross addition of three faculty. Mr. Webster will return as Lecturer, and, in addition, Assistant Professor Richard Reese (marketing and operations research) and Instructors Mr. William Cron (accounting and information systems) and Ms. Alice Gorlin (economics) will join the staff. Both Mr. Cron and Ms. Gorlin are expected to receive their Ph.D.'s (from MSU and The University of Michigan, respectively) either late this summer or early in the Fall of 1972. The gross addition of three faculty will be offset by leaves of absence for the entire year for Professor Mittra (combined sabbatical and research leave) and Professor Hurd (sabbatical). In addition, Professor Botsas will be on sabbatical leave for the Winter 1973 term. With Professors Mittra and Hurd gone for the entire year, our net addition to the faculty will be only one, so our staffing needs remain acute. These needs are emphasized in the table at the end of this report.

4. The Future

In view of the expected growth prospects for the School of Economics and Management at both the undergraduate and graduate levels, it is critical that resources be made available to support our growth, and, indeed, to help create the desired growth rates. While I expect that our targets for 1972-73 may not be met (for noncontrollable reasons), the targets for future years appear feasible, given adequate support for staffing, support, and market development. Under rather reasonable assumptions, it appears that the projected growth rates can also be self-sustaining financially. The attached table tells one version of the tale. On the very reasonable assumptions described in the notes to the table, the programs of the School of Economics and Management can effectively carry their cost burden, and, on these assumptions, provide an additional return to the University. For example, I have assumed full faculty coverage (at 22-1) in 1975, average faculty cost (including fringes) of \$20,300, a total revenue per FYES of \$2,300, and University overheads of 45 percent (leaving 55 percent available for instruction), made conservative assumptions concerning secretaries, and projected 13 percent of salaries for Supplies and Services, etc. Under these assumptions, total costs for operation of the School of Economics and Management in 1975 are \$813,385, total revenues available for instruction are \$910,800, leaving a "surplus" for the University of \$97,415.

If figures like these can be realized, I would expect the School of Economics and Management to be treated favorably, both with respect to the division of the "surplus" and with respect to allocation of positions in anticipation of needs, i.e., to develop the programs and marketing efforts to generate the needed FYES. For example, a part of the "surplus" could be made available for graduate assistantships, for equipment, or for assistance relating to development. One important part of this support is additional administrative assistance. Right now, Mr. Shapiro is working on a variety of administrative activities, some of which relate to graduate programs, e.g., coordinating of course work development, student identification, etc. Although Mr. Shapiro's appointment as Assistant to the Dean of the School of Economics and Management is presently on an academic year basis, I hope this arrangement can be annualized to allow the needed efforts to continue.

I believe that with adequate support and much effort the goals of the University and the School of Economics and Management can be realized. We are prepared, at this end of North Foundation Hall, to exert the effort to achieve these goals, and we expect that in succeeding years we will be able to generate specific proposals and programs which will allow us to do so.

NCS/sc

Projections on FYES, Faculty, and Budget

School of Economics and Management

1969-1977

	<u>1969(a)</u>	<u>1970(a)</u>	<u>1971(a)</u>	<u>1972(e)</u>	<u>1973(e)</u>	<u>1974(e)</u>	<u>1975(e)</u>	<u>1976(e)</u>	<u>1977(e)</u>
Undergraduate FYES	203	258	323	386	450	525	570	664	737
Graduate FYES	--	--	5	15	50	75	150	200	300
Total FYES	203	258	328	401	500	600	720	864	1,037
Total Percent Increase, FYES		27%	25%	22%	25%	20%	20%	20%	20%
Faculty Required (At 22-1 Ratio)				19	22.7	27.2	32.7	39.2	47
Assumed Average Faculty Salary (Including Fringes)				17,000	18,000	19,100	20,300	21,600	23,000
Total Faculty Cost					408,600	519,520	663,810	847,720	1,081,000
Secretarial					33,200	43,600	56,000	59,600	73,200
Supplies & Services, etc. (13% of Salaries)					57,434	73,205	93,575	117,829	150,000
TOTAL COSTS					499,234	636,305	813,385	1,024,209	1,304,200
Estimated Revenue, FYES (FYES x \$/FYES x .55)					577,500	726,000	910,800	1,140,000	1,425,000
Net Return to University					78,266	89,695	97,415	115,791	120,800

Notes:

1. (a) indicates actual data.
2. (e) indicates estimates.
3. In estimating average salary figures, an approximate 6.5 percent growth in total wage cost per year is used.
4. In estimating revenues, a total revenue per FYES (state support plus tuition) of \$2,000 is assumed for 1972, with this figure increasing by \$100 increments each year thereafter. Estimated revenues to the School of Economics and Management are then computed by assuming a 45 percent overhead figure, with the remaining 55 percent available for instructional costs.
5. No provision has been made for graduate assistants, fellowships, etc. In part, these are replacements for faculty dollars; in part, funds for these purposes might become available in consequence of the "surplus" returned to the University.
6. Faculty costs are estimated on the assumption that the full complement of staff required for the programs of the School are recruited in anticipation of the load. If, as usually occurs, we recruit in arrears, costs decline thereby. However, it is to be hoped that this situation will be recognized by the University and to some extent remedied.