PREAMBLE

The Committee on Planning and Budget (CPB) has reviewed a set of materials presented by Vice Provost Carl Walsh on behalf of the School of Management (SOM) Steering Committee to explore the possibility of a proposal for a SOM. We want to start with several comments on the SOM process in the context of the overall campus process of developing proposals for professional schools. A key issue is that UCSC has not yet developed well recognized channels for incubating and developing professional schools.

First, on the SOM process: our basis for commenting on the viability of the SOM is very limited and necessarily fragmentary at this early stage. We reviewed three documents (Report of SOM Steering Committee, July 21, 2006; Draft SOM Resource Plan, January 12, 2007, and the short study by consulting firm Collaborative Economics), which we read with interest. We have been asked by the EVC to determine what kinds of information the Senate will need to move to the next stage, making the decision about whether a formal SOM proposal should be developed. We want simply to note our caution that all our comments here are contingent, based as they are on very limited information. CPB’s goal is to avoid an incremental approval process that takes place outside formal Senate review, while providing useful pre-proposal commentary on how to evaluate whether a SOM proposal should be developed.

Second, we want to underscore that the discussion of SOM must take place in the larger context of the campus initiative to develop professional schools. CPB would like an update on the status of the pre-proposals that received campus seed funding (Coastal and Marine Policy, Public Media, and Public Policy) as well as of other possible professional schools that have been discussed (including Architecture and Design, Education, Environmental Science and Policy, Library and Information Technology, Nursing and Public Health, as well as a pre-professional school program in Climate Change). The decision of whether to pursue a SOM proposal must be made in concert with assessing other possibilities, so that we not only choose the most viable options but also coordinate and sequence them in an optimal way. CPB would like to review the campus guidelines for professional school proposals and pre-proposals.

SOMmajor issues include: conceptual frame (breadth, depth, and quality of proposed program and resource plan (including funding, assessment of alternatives, opportunity costs, and projections of demand).

As a prerequisite to deciding on whether to develop a proposal for a SOM, CPB requests responses to and data on the following issues: resources and funding, feasibility, focus on SOM, relations with University Extension and capital planning.
Resources and Funding
The budgetary information presented in the SOM resource plan raises several critical questions that should be answered before moving further with a proposal. Given the multiple budgetary demands and scarce resources on this campus, any new venture must first demonstrate that it adds value to the campus without diminishing it in any significant manner. This principle is particularly salient given that the proposed location of the school is far removed from the campus. One of the initial, exploratory reports (by Singh-Akella-Eischen), originally recommended that any proposed SOM should first demonstrate the ability to raise between $30 - $100 million before planning proceeds. The most recent information provided by VC Walsh, however, dissociates the planning process from any commitment to demonstrating such development. Instead, the resource plan uses a method of fully funding the proposed SOM with existing resources. We have been given no proof of concept relative to the claim of investor interest. Given that the principle of proof of concept has been the cornerstone of other similar programs, most recently the school of management established at UCSD, CPB requests a clear business plan, strategy plan, and timeline for raising such start up funds. The current plan to mount SOM with existing resources is unacceptable.

Feasibility
To support the claims made in such a revised plan, CPB requests a better feasibility study than that provided by Collaborative Economics, which has many fundamental faults, including poor research design and a weak sample pool (quantity and quality). We recommend that the campus solicit an independent report that should: provide an alternatives assessment (considering alternative conceptions of and possibilities for a professional school); consider opportunity costs for the campus; and examine rigorously whether the existing established business schools in Silicon Valley replicate, or might plan to replicate, any of the key defining characteristics of the UCSC school. We must be assured that the proposed intellectual and professional niche for the SOM will be viable. Further, the report should address the issue of intellectual quality, and demonstrate how the curricular framework at UCSC can compete with and better those of leading institutions. It should also provide a rigorous account, supported by established social science methodology, for demand projections from potential clients. The report should explicitly provide a rationale to convince us that we will attract adequate students – in terms of both quantity and quality.

Focus of SOM
While embracing the need for and desirability of a Silicon Valley focus for SOM, CPB is concerned with the relatively narrow framework in which the Silicon Valley is being presented thus far. While obviously a center for traditional information technology, Silicon Valley is also one of the leading world hubs for:

1. New social networking and gaming technologies.
2. Health care and delivery technologies and systems.
3. Clean tech and green enterprises.
In the context of the latter, especially, it is widely recognized that there is also considerable interest in the business community here in the possibilities of using both green technologies and entrepreneurship to further social causes (including most prominently environmental issues).

Each of these three areas of strength in Silicon Valley overlaps with existing faculty interest at UCSC across the divisions, from the arts to humanities, social sciences, PBSci and Engineering. CPB recommends that the formal SOM proposal widen its current interpretation of the Silicon Valley focus, which we strongly endorse, to include the above three areas. We believe that this wider focus offers both the potential to attract significant venture capital and entrepreneurial interest in the Valley and to produce synergies with faculty interests on this campus. We would also like to see these three sectors included in any analysis of comparative advantage/disadvantage of different approaches to defining a viable management school. Here, we also recommend a more inclusive approach to faculty input, and suggest that the Steering Committee be expanded to include representatives who can speak for each of these three interests.

Finally, the proposed SOM, with its focus on the global economy, must draw on relevant UCSC strengths in international economics, perhaps the single most critical area of intersection with our campus. CPB is perplexed by the absence of a significant UCSC economics presence in the SOM plan as currently envisioned. We would need to see evidence of full consultation with the faculty in Economics, so that we may assess the level and degree of faculty interest in the SOM as currently conceived.

**Relations with University Extension (UNEX)**

As VC responsible for Silicon Valley initiatives, Carl Walsh is in a unique position to manage these entities in light of one another. Is there any possibility of making use of UNEX facilities to mount an exploratory, pilot program for SOM that would give some indication of demand among professionals in the Valley? The SOM focus on business leadership appears to be an area that lends itself to the UNEX structure and could be tested through UNEX offerings. CPB would like to see a systematic consideration of how best to use UNEX in developing SOM. Finally, does the UNEX experience offer any red flags to our development of SOM?

Although the current UNEX debt is a separate issue, CPB regards a comprehensive solution to UNEX as a *quid pro quo* for SOM. We reiterate the recommendations made in our letter of November 6, 2006 to downsize and restructure UNEX. We agreed at the time to wait to make final recommendations on how this should be done until we had received data on enrollments and revenues for the fall term. We noted that the change in UNEX leadership provided the opportunity for the campus administration and faculty to take direct control of UNEX operations, programmatic and financial. It is imperative that the campus review the current data on enrollments and revenues for this year as the final basis for our decision on the future of UNEX. Its ties to a possible SOM are only one among many reasons not to allow the current situation, financial and programmatic, to continue without change.
**Capital Planning**

Building issues for the proposed SOM are also unresolved. In the draft resource plan of January 12, 2007, enrollment projections call for a building of approximately 59,000 GSF costing $37.3M ($5M of this total being land costs). In the current state-funded capital improvement program, an $18,850M building for the Silicon Valley Center is planned for 2011-2012. This leaves a shortfall of more than $18M. If the Silicon Valley Center building will not house the proposed SOM, then the problem is more acute.

**Summary of main points**

1. **Conceptual critique:**
   - Given the focus on the management/info technology niche, is there demonstrable capacity that competing SV business schools have not filled? Demand has not yet been adequately documented.
   - Current curricular plan does not draw on UCSC strengths, especially incorporating a link to Economics and Engineering.

2. Calculations of student demand, revenue streams need to be more persuasively documented.

3. Demonstration of support from Silicon Valley companies needs to be more persuasively documented.

4. Models and assessment of implementation at/of other UC business schools: comparisons to UCSD, UCD.

5. Build in accountability measures, performance benchmarks (especially in fundraising).