How Should the Johnson School Be Configured in Light of Challenging Economic Conditions?

Executive Summary - October 1, 2009

The Johnson School’s mission is to develop business leaders who create, transform and sustain successful organizations around the world, to generate research and scholarship that shapes the future practice of management, and to train the next generation of business scholars. Our vision is to be ranked consistently among the top 10 business schools in the world.

Our administrative structure is intentionally lean and emphasizes integration. The School does not have academic departments. There are no department chairs; the overall faculty is overseen by two associate deans, with subgroups of the faculty associated with key business disciplines (accounting, economics, finance, management, marketing and operations). Each of these subgroups is critical to providing an MBA, so it is not possible to drop a sub-group and continue to offer an appropriate business curriculum.

The Business School landscape is highly competitive. To compete effectively, the Johnson School has to have sufficient scale and reach of influence so that our students, alumni, recruiters, faculty and other key stakeholders can succeed as members of the global business community. To achieve that scale we offer four MBA programs that complement each other in their use of resources (both space and faculty) and extend our reach beyond Ithaca. Two residential programs are key to determining our place in the MBA rankings that are so critical for MBA admissions and placement. Two EMBA programs are offered off-site but efficiently, which provides additional resources and scale, as well as a growing reputation in this key market.

Over the decade the Johnson School has been pursuing a carefully designed strategy of maintained high quality of academic programs, constant size of residential programs, and growth in EMBA programs. We have made significant investments to implement this strategy, and pursuing this strategy has allowed the School to almost triple the size of payments that it makes each year to Cornell’s central administration. We believe that the success of this strategy can continue, with increased EMBA enrollments producing yet further increases in the resources that the Johnson School provides to Cornell.

One reason why we have been able to provide so many resources to Cornell is that we have focused on being cost conscious and efficient. Compared to peer business schools, we have fewer staff per faculty, more students per faculty, and more students per staff. Even compared to many other Cornell units, we have lean staffing ratios. Our Sage Hall space is the most heavily utilized academic space on campus.

We have continued to strive for cost savings. Last year we reduced our administrative functions by a total of 13 positions (12% of an already lean administration) through a combination of retirements, attrition and layoffs. We realized substantial savings by cutting operational expenditures for capital acquisitions, travel and conferences, supplies and
materials, food and entertainment, and plant operations. We decreased the number of PhD students admitted to our program and postponed indefinitely some faculty searches. All of these efficiencies were realized while continuing our strategy of maintained residential program size and EMBA program growth.

Our plan is to continue our strategy coupled with ongoing efforts to identify and implement cost saving initiatives. However, we must be very cautious in further cost cutting. We already are substantially leaner than our peers and cannot undermine the quality of our programs or risk decreasing our rankings, undercutting our growth, and decreasing the overall cash flows that we generate for Cornell. We look forward to continuing to work with the central administration and other Cornell units to help provide the resources necessary to deal with Cornell’s financial challenges while simultaneously successfully executing our mission.