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Differentiated tuition rates have been discussed in the academe, on both sides of the Atlantic and elsewhere, as a means of managing options for affordability and increased availability of high-demand programs and classes, differentiating between disciplines, courses, and peak and non-peak class periods. Often differentiated tuition rates are applied to programs offered by professional and graduate schools. In the following article, Dean Robert Niebuhr presents a case for differentiated tuition rate for business programs. He provides a number of arguments to support this proposition, along with suggestions for implementation.

## Making the Case for a Higher Tuition Rate for Business Courses!

by Robert E. Niebuhr, Dean, College of Business,  
Tennessee Technological University

Tuition rates for study in fields such as medicine and law have traditionally warranted a premium because of their costs and “professional” status. Additionally, “Executive” MBA programs charge a premium (often well above the additional program costs) over the standard graduate course tuition at an institution. Most universities, however, have maintained an across-the-board university tuition rate for normal undergraduate and graduate business programs.

The recent lack of increased funding for state institutions, in particular, has created severe difficulties in seeking to maintain competitive salaries, develop new programs, and improve the college’s technology and facilities. Allowing this under-funded situation to continue may lead to low morale, loss of faculty, reduced program quality, and potential loss of accreditation.

Making a case for a higher tuition fee for business courses, versus courses in other programs across campus, means convincing the administration that these fees are not just needed but are justified by a number of factors. Today, many programs at public institutions are under-funded, and salaries have not risen to competitive levels. Provosts and presidents hear this argument from all deans, regardless of the discipline.

Consequently, “need” should not be the sole, or even primary, factor for arguing for a differential tuition level.

### Justifying in a Differential Fee

Factors that are both relevant to having a differential fee and that can be documented quantitatively are as follows.

**The high cost of instruction:** The relatively low production of new doctoral-qualified faculty in business combined with the increased demand for undergraduate and graduate business courses has escalated the salaries of business faculty across all disciplines. The primary business school accrediting agency, the Association to Advance Collegiate Schools of Business (AACSB), provides data on both doctoral production and annual salary levels. Particularly noteworthy is the more than 30 percent increase in starting salaries over the last five years for new doctorates in most of our business disciplines. Additional support comes from national annual surveys (e.g., *Chronicle of Higher Education* or CUPA-HR surveys) that indicate much higher salaries at each rank for business faculty when compared to salaries across campus. Tables showing trend data for business salaries versus other disciplines are extremely convincing to the concept of a “higher-cost” program.

### Robert E. Niebuhr



became dean of the College of Business at Tennessee Tech University in July 2001. Tennessee Tech has almost 10,000 students, with 15 to 20 percent of those typically enrolled in the College of Business. Prior to coming to Tennessee Tech, Dr.

Niebuhr served as a faculty member at Auburn University for 24 years. During that time, he was chairman of the Management Department and also served as interim dean of the college. Dr. Niebuhr’s research has been published in the *Academy of Management Journal*, *Journal of Management*, *Journal of Organizational Behavior*, *Management Development Forum*, and other journals. Prior to his academic career, Dr. Niebuhr worked as a metallurgical engineer for 10 years and then completed his doctorate in management at the Ohio State University. His engineering degrees include a B.S. from the University of Cincinnati and an M.S. from Ohio State.

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**High demand programs:** In addition to the fee proposal making the argument of being a “high-cost” program due to faculty salaries, it should also make a case for having “high demand” programs. Data from various sources (e.g., surveys of first-time freshmen) indicates approximately 20 to 25 percent of students will choose a business field as their major. This factor indicates continued resources will be needed to fund new faculty and adjuncts as well as provide staff infrastructure and technology/facilities over both the near-term and into the future.

**High starting salaries of graduates:** Survey data from the National Association of Colleges and Employers (NACE) traditionally indicates that business graduates are in high demand and also command higher starting salaries than graduates in other disciplines, particularly in liberal arts and education. This factor supports the view that business graduates will have the resources to absorb greater student loans than other graduates, thus reducing the negative impact of a higher tuition rate. University administrators are justified in their concern about the impact of more fees on students, so data indicating relative starting salaries across campus majors helps to reduce this concern.

**Business schools increasingly being viewed as “professional” schools:** Differential fees have been achieved at a number of schools by an alignment with other “professional schools,” such as engineering and nursing. These programs also have some of the same attributes mentioned earlier with respect to the supporting factors for a differential fee. A joint proposal from the professional schools in a university carries a strong negotiating perspective when approaching the university administration. Additionally, for state-supported schools, a joint proposal from a number of the business schools in the system should carry significant influence in seeking administrative approval. This last approach also has the advantage of countering the argument from administrators that the students will leave the university to study at sister universities in the state.

## Implementation Issues and Caveats

Creating differential fees for business courses recognizes the need to properly fund high cost/high demand programs. Because not all programs of study cost the same, it is logical that tuition charges reflect these cost factors. Additionally, creating the image of being a “professional” school similar to medicine, law, and engineering provides another rationale for a differential fee structure. A premium of 10 percent or more of tuition is warranted to live within this “high cost/high demand” climate and maintain quality programs over time. It may be wise to only charge the additional credit hour fee on business courses that are delivered primarily for business majors (i.e. charging the fee for economics course taken by all university students could result in adverse reaction/publicity).

Another key issue with regard to differential fees is to insure that the funds generated by these fees go to the business school directly. Universities (particularly state-funded institutions) are under severe funding constraints, and this new revenue stream may be seen as an alternative to the funding normally provided to the business school (i.e. these monies should be additional revenues for the business school, not substitutes for funding sources already being received).

An additional caveat concerning the differential fee for business courses is the need to provide good stewardship over its usage. It is important that numerous college stakeholders should be considered in the potential uses for these new funds and should have “buy-in” so that the proposal has solid support when presented to the administration. Faculty, staff, and students should all be the recipient of some of the benefits from this new revenue stream. Additionally, new program initiatives (e.g. international student exchanges) and facility/technology upgrading should also be addressed. Because students are the ones providing the new funding, it is important that they understand and accept the rationale for the differential fee. Likewise, they should benefit in the use of the funds as well.

Surveying students may be a way of determining their greatest perceived needs so that resources from the differential fee can be provided to make a positive impact on those needs (e.g. our surveying resulted in creating a “Student to Career” program of non-credit courses designed to more effectively equip our students for that first professional job).

## Lessons Learned

After having the fee in place for over three years, there are additional issues that may be gleaned from our experience with a differential fee.

**Don’t tie up all the new fee money in reoccurring funding situations.** While it is important to respond quickly to show how the new revenue stream is being used, care should be taken to make sure flexibility to meet new financial demands is available.

**Publicize and celebrate the success of the new fee within the college but “low-key” its impact across campus.** Business faculty salaries already cause internal conflicts in the university, and adding to these perceptions is probably not prudent for long-term relationships.

**Use the new funds, where possible, to leverage other initiatives, whether in donor situations or within the university.** We began a much-needed renovation effort by using some of the money to match donor gifts in the renovation and naming of classrooms. One advantage of this approach was to “quick-start” the renovation effort but then reduce the use of the fee monies as the donor program gained momentum. The result is that over the three-year period, six rooms have been renovated, and private funds have been received or pledged for another seven (including full funding of an auditorium renovation).

Even though the extra fee is supposed to supplement the normal operating funds, at times we have used these revenues to substitute for those funds (e.g. currently, we pay all faculty travel from the fee rather than use the university operating budget). While

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this should not be standard practice, it may be necessary when budgets are cut or are not sufficient. One side benefit of this limited usage is a more positive perception politically by administrators outside the college.

Budget the fee expenditures each year to ensure that funds are being used in meeting needs consistent with the college's strategic plan. In our case, the additional fee revenue is equivalent to the funds we would receive from a \$10 million endowment. New monies of that magnitude do not come around that often, so both good stewardship and maximizing the input are two key factors to be considered with each expenditure.

Don't expect all faculty to be pleased with you and this new revenue stream because they will probably not perceive they are receiving equal benefits from the fee. Be wary of the "Chinese Wall Model" discussed by Louisville Dean Charlie

Moyers in a 2004 issue of *Decision Line*, in which faculty expect the dean to raise new monies, toss them over the wall to them so they can use at their discretion, and then go out and obtain more funds.

Some days, I do worry about an "exit strategy" in case the differential fee is eliminated by the university or our Regents Board, but I'm hoping that will be the next dean's concern and not mine! ■

Feature Editor Krishna S. Dhir invites papers, essays or notes for the Deans' Perspective feature column from administrators, faculty members, and students. This column is a forum for dialog among our readers on issues pertaining to academic leadership. Perhaps you have some thoughts on issues that influence deans or are influence by them. Discussions of any and all aspects of the various leadership issues confronting business schools are welcome. Please contact Dean Dhir at kdhir@campbell.berry.edu, or call him at (706) 346-5066, or send him a fax at (706) 802-6728. Articles should be of about 2500-word length.

## The Global Conference of the Global Institute for Flexible Systems Management and Technology,

which will be held in the U.S. in June 2008, seeks volunteers to form an International Advisory Committee, and Conference and Program Committees including Track Chairs. The theme of this conference is "Flexible Enterprise for Global Business." If interested, please contact Co-chair Jatinder N. D. (Jeet) Gupta, Eminent Scholar and Professor of MIS, College of Administrative Science, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, AL 35899, Phone: 256-824-6593 (office), fax: 256-824-6328. e-mail [guptaj@uah.edu](mailto:guptaj@uah.edu).

## Future DSI Annual, International, & Regional Annual Meetings

### NATIONAL ANNUAL MEETINGS

**November 17-20, 2007**

The Marriott Desert Ridge  
Resort & Spa  
Phoenix, Arizona

**November 22-25, 2008**

Baltimore Marriott Waterfront  
Hotel and Courtyard by Marriott  
Baltimore, Maryland

**November 21-24, 2009**

Hyatt Regency New Orleans  
at the Superdome  
New Orleans, Louisiana

**November 20-23, 2010**

San Diego Marriott Hotel and  
Marina  
San Diego, California

**November 19-22, 2011**

Boston Marriott Copley Place Hotel  
Boston, Massachusetts

### REGIONAL ANNUAL MEETINGS

**Mexico**

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**Midwest**

April 12-14, 2007  
Hilton Garden Inn  
Chicago, Illinois

**Northeast**

March 28-30, 2007  
Renaissance Harbor Place Hotel  
Baltimore, Maryland

**Southeast**

February 21-23, 2007  
Marriott Savannah Riverfront Hotel,  
Savannah, GA

**Southwest**

March 13-17, 2007  
San Diego, California

**Western**

April 3-7, 2007  
Inverness Hotel and Conference  
Centre  
Denver, Colorado ■