

/BOCCONI UNIVERSITY

Report of the External Advisory Committee

June 2002



1 - Introduction

In June 2001, the Board of Bocconi University appointed an External Advisory Committee to evaluate the internationalisation of the University and contribute to the definition of new objectives of quality for Bocconi. Specifically, the mission of the Committee consisted in "providing an authoritative opinion on the internationalisation process the University is undergoing". This report to the University Board of Directors contains the conclusions and recommendations which the Committee would like to present.

The Committee is chaired by Antonio Borges and includes Lars Tyge Nielsen and John Shoven. Brief biographical notes of the members of the committee can be found in the appendix to this report.

The members of the Committee visited Bocconi several times in the past year, interacted with many of the leaders of the University, met with faculty members, administrators and students. They also met several times outside of Bocconi. A list of the people who contributed to the work of the Committee can be found in the Appendix.

The main conclusion which the Committee has reached is that Bocconi is in a strong position to launch an ambitious program to achieve the highest standards of performance in an international environment. Bocconi's position of leadership in Italy can and should be transposed to the European level, where Bocconi has a very good chance of becoming one of the first to emerge from a new competitive environment which is now taking shape. If, on the contrary, Bocconi opts for no change, it may well find its position less and less sustainable, as other Universities move forcefully in ways that undermine Bocconi's sources of strength.

To succeed in this process, Bocconi has to make substantial strides in the direction of stronger scientific performance as judged by international standards, while maintaining its current high standards in teaching. It also has to develop a much more international outlook, leading to diverse student and faculty bodies.

Resources will be required, but there are ways to obtain them. With that objective in mind, Bocconi will have to review its economic model, in order to broaden its resource base and redirect its spending.

The Committee is extremely impressed by the high standards that already permeate Bocconi. The starting point to a new era of internationalisation and academic ambition is the current position of strength and confidence. However, the obstacles to progress are also present and many of them will require very determined leadership and strong cohesion. In particular, it will be crucial that the faculty support the new

ambition and stand united behind the goals which the University may define for its future.



2 – Overall evaluation

The Bocconi Model

In its first century of existence, Bocconi University has certainly established a strong reputation, inside and outside Italy. This reputation has several components, of which the most important is Bocconi's ability to attract very talented people, both as students and as faculty. This is the first ingredient for excellence in any University, and Bocconi has clearly in place the brand name necessary to attract people of the highest quality.

Furthermore, Bocconi is also admired for its modern and functional facilities, for administrative systems which are efficient and reliable and for a sense of professionalism which pervades many of its activities. In general, Bocconi has a strong internal culture of high standards, which naturally leads to strong performance in many key areas.

It should be noted that there is a tradition of serious and almost continuous evaluation, of which the present exercise is another example. Bocconi has in place many routine systems to evaluate performance, and often relies on outside referees to review how it is doing. The material from those reviews is always helpful in assessing the University's achievements and potential.

The main element of the Bocconi model is the strong conviction of everyone that the University is "the place to be in". Both students and faculty from all over Italy aspire to be admitted to Bocconi. The University provides access to the best jobs. And faculty members enjoy an influential status, have many opportunities for consulting assignments and are often invited to sit on corporate boards.

Thanks to this positioning, Bocconi has done well. It has expanded significantly, it has strengthened its presence in the Italian academic system, and it is well placed to internationalize successfully. However, in many ways the Bocconi model has reached its natural limit, and a new approach to some of the key drivers of the University future is now required.

Strengths and weaknesses

From the various sources of information available, as well as from the point of view of external reputation, it is possible to highlight many of Bocconi's key strengths. As already mentioned, the University maintains a very good grip on highly talented students and faculty. It benefits from good quality facilities and efficient



administration. The internal culture, consisting of generally accepted values of professionalism and integrity, generates professionalism and seriousness of purpose without unnecessary tension. Frequent evaluation processes, both from internal and external sources, provide a constant flow of feedback, which is healthy and constructive.

In general there is a spirit of entrepreneurial initiative and an atmosphere of permanent innovation, which create a lively organizational environment. The University maintains a certain dynamism, with frequent discussions of new projects or alternative ways of achieving objectives, which is stimulating and contrasts very positively with many other far more stale or backward looking institutions in Europe.

In what concerns academic performance, Bocconi displays some pockets of real excellence, which are world class. They prove that the University has within its walls the ability to compete with the best in the world, provided that it focuses on that objective.

Clearly, Bocconi's main source of strength is its undisputed position as one of the top institutions in Italy. Italy is a large and prosperous country, with the resources necessary to support Universities of world standard, and with a tradition of excellence, which is more than enough to inspire an ambitious and well-targeted effort to reach the highest levels of achievement.

In parallel, many of the strengths of Bocconi also have a reverse side, and the University displays key weaknesses, which need to be addressed rapidly.

The most immediate of Bocconi's weaknesses is its excessive domestic focus. For a University of such high quality and potential, the fact that it has confined its strategy almost entirely to the Italian academic world is not only limiting in terms of potential development, but also – and more importantly – prevents higher standards from other more advanced academic systems from being transposed to Bocconi.

This is clearly reflected in a second weakness, potentially far more serious, which is the poor academic or scientific performance of the University. By Italian standards, Bocconi has a respectable record of research and contribution to knowledge creation and publications. However, in the international market, Bocconi's performance has to be considered weak, and certainly below what could legitimately be expected from such highly talented people within a well-organized professional environment.

Because scientific performance is not sufficiently emphasized, the curricula of Bocconi's faculty are not impressive, again by international standards. Appointments and promotion of faculty, which are crucial decisions that shape the future of any University, are driven by idiosyncratic criteria, clearly different from those that apply in the best Universities in the world. Although this has not prevented the University from attracting and retaining highly talented people, it has led to an overall level of scientific performance which is below what will be required to compete seriously in a more open European market.

Still on the faculty front, there is a clear need for more modern faculty management systems. All academic institutions need to have appropriate models of faculty governance, which create conditions for substantial faculty involvement in decision making, especially on the academic front. Bocconi, however, still maintains outdated systems, based on consensus or majority voting, in ways that easily create veto rights



or blocking coalitions. It is imperative, in any University, that decisions be prepared from the bottom up, to maintain involvement and the collegial nature of an academic institution. But this principle must not lead to an inability to move forward; and above all, it must not prevent higher instances from exercising a degree of quality control over outcomes, promoting higher and higher standards.

Additional weaknesses are related to Bocconi's economic model. The University is extremely dependent on tuition fees. It has very limited sources of other revenues. This creates an excessive focus on teaching and a need to continuously expand teaching activities, which inevitably will create a conflict with quality.

The combination of limited sources of revenue and a strong entrepreneurial spirit leads to a culture of initiative which is sometimes too commercial. Rather than aspiring to be the most influential source of new knowledge or to provide the highest standard of educational program, Bocconi leaders (including many professors with significant clout) are more focused on launching new revenue raising initiatives, in a somewhat uncoordinated fashion, that detracts from the University's main mission.

Finally, and as would be expected from such a successful institution, it is not difficult to detect considerable resistance to change among many of the protagonists. Although the ambition to improve and to become equally successful on the international front is widely held, when actual change is contemplated the flood of objections is overwhelming. This is not uncommon at universities, and it necessitates a concerted effort to drive change and to generate momentum.

Current status is unsustainable

In spite of Bocconi's strong position today, it is not inconceivable that the situation of the University will deteriorate significantly in the future. This is essentially because the environment is changing rapidly in ways which will bring significant competition; and also because the exhaustion of the model that has brought Bocconi to where it is today will create new tensions and generate new problems.

The European University market is changing quite rapidly, in particular in economics and management. Many European Universities with substantial credentials are positioning themselves as European players, beyond their natural national markets. They will position themselves as part of the new world standard of high class academic institutions, but will differentiate themselves from the American competitors by emphasizing their European character. Their goal will not be attract masses of Italians (or of any other nationality) but rather to recruit the very best of them. And they are likely to be successful, if they are ahead of others and capitalize on a certain interest on the part of many Europeans to opt for a more trans-national style of education.

This new form of competition, which is already felt across Europe, will initially focus on faculty, especially young faculty. These are the most mobile and the most ambitious of all the players, and are already today searching for "the place to be in" within this new European academic environment. Next, competition will move to students, starting with the very best doctoral students, then graduate and finally undergraduate students. Again, perhaps not many people will be involved, but to the extent that the



very best ones will be, this is obviously the kind of competition in which the very best Universities cannot afford to be losers.

European academic institutions are also quickly moving into a different competitive arena – competition for private funding. Philanthropic funding has been a major source of support for American Universities almost since their creation. In Europe, apart from the generosity of founders, regular giving in the form of annual donations or capital endowment is much less common. However, the picture is changing rather rapidly. Following several cases of considerable success in fund-raising, many European Universities are preparing to organize themselves for major campaigns, which will target donors across Europe. There is a distinct possibility that the most successful of such initiatives will pre-empt the market and will build a considerable initial advantage over competitors, by reaching donors earlier.

For these various reasons, it would be a mistake to consider the European market as stable and to rely on Bocconi's current position of strength in Italy. The picture may change significantly, evolving towards new models and new forms of competition from new players.

Furthermore, the current model based on an almost exclusive emphasis on teaching may run into difficulties, and generate new tensions. Very high quality academics, who are essential for the reputation and even credibility of the University, will be welcome, but not allowed to have too much influence, since their contribution is not really in the area which captures institutional attention. This creates a type of free riding, which is unsustainable and explosive. And if many of these high profile people abandon hope and leave, the impact even on a well established brand name is very damaging.

A slide down the slippery road of lower standards is often the consequence of a need to maintain a high level of activity for economic reasons. Although healthy growth can be a source of strength, Universities that depend on constantly launching new programs for economic survival become very vulnerable. If there is a market downturn, for example with lower number of applicants, if competition becomes tighter, if there are not enough faculty candidates of high quality to recruit, a school that has to keep on growing will often compromise standards. This is usually quite serious because it means that lower standards will be entrenched and hard to overcome in the future. And although it often seems that the reputation of a school is determined essentially by its best people (faculty or students), when average quality starts deteriorating the impact on reputation can be devastating.

Bocconi has set an upper limit for its number of students, reflecting the demographic reality and showing a deliberate concern with quality standards. However, the need for resources constantly pushes faculty into offering new programs and trying to generate additional revenue. This is especially the case at SDA.

3 – Bocconi today

Programs and students



The quality of the core programs at Bocconi is high, and the university is ahead of many European universities in adapting these programs to the changing European environment.

The Italian university reform, which is part of a process to harmonize university education in the European Union, came into effect in the fall of 2001, and Bocconi has adapted the structure of its programs to be consistent with the reform. There will be nine separate but overlapping three-year degree courses, each with a particular emphasis within economics, law, or business, and there will be around 12 two-year advanced degrees, starting in September 2004. In an effort to internationalize and attract foreign students, one of the three-year degrees is entirely taught in English, and there are plans to create additional classes in English.

The fact that Italy is moving faster than other countries forces Bocconi to adapt faster than other European universities and gives it a potential competitive advantage which it should exploit. Thus the university is in a position to learn about how the Italian market and to a limited extent the international market responds to the reform and to reconfigure the number and nature of the programs accordingly. Because Bocconi is ahead of many other European universities in this process, there should be a chance of establishing a leadership position.

However, there is a long way to go before the student body has a significant international element. Across the university, only four percent of the students are foreigners.

Teaching generally is good at Bocconi. Teaching is taken seriously by the faculty, there is a process in place for evaluating teaching, and the university offers programs to allow weak teachers to improve.

The quality of Bocconi's four-year degree has been high. The level has been roughly the equivalent of a US or UK undergraduate degree plus a one-year master degree. It is to be expected that the quality of the new three-year and two-year degrees will be equally high.

The economics students get a better quantitative education than those at most other European schools, and indeed most schools in the world. A remarkable number of prominent world-class economists got their undergraduate degree from Bocconi. The quantitative element of the education appears to be one of the main competitive strengths of the program.

Thus, Bocconi has a level of quality in its programs which can be exploited to gain competitive advantage internationally.

Bocconi offers three PhD degrees, in Business Administration and Management, Economics, and Statistics. The degrees in Economics and in Statistics are relatively new, but the degrees in Business Administration and Management is 5-6 years old and has a track record.

As of January 2001, it had 28 graduates, of which 24 were placed at Italian universities (including Bocconi) and one at a university in the UK, while the rest took jobs in financial institutions. The number of students entering this program each year is between 13 and 17. Six of the sixteen students in the class that entered in 2000 are foreigners.



The program should emphasize international recruitment and placement to a greater extent.

It is important to make clear what the goals of the PhD program are, and to measure performance against the goal. The most ambitious and worthwhile goals are to contribute to Bocconi's research culture and to enhance Bocconi's academic reputation by placing its graduates at other universities, especially good foreign universities.

The benefits to Bocconi and to the Bocconi faculty of consistently placing its PhD graduates at other academic institutions of good quality will be considerable. If such a strategy is combined with a concerted and successful effort to publish more research in international high-quality journals and to hire more research oriented faculty, then it can have a very significant impact on Bocconi's international academic reputation and on the prestige (and therefore the earnings potential) of every single faculty member.

On the other hand, this strategy is expensive, especially in terms of faculty time. It requires that the faculty invest in teaching top-notch specialized research-oriented PhD courses even for very small classes. It requires that the faculty spend time advising, coaching, and mentoring the students. If the program succeeds in attracting even one student with top placement potential, then the faculty needs to invest essentially unlimited resources in that student.

This strategy should be pursued only in those academic areas where it has a good chance of succeeding because there is a sufficient number of internationally recognized researchers on the faculty.

It is important to bring students and faculty close together in the PhD program. Faculty members should be recognized and rewarded for measurable and demonstrable contributions to the program, and ways should be found to link their personal prestige within Bocconi to the success of their students. If the number of students is reduced, then the faculty can give each of them more individual, personalized attention. Finally, the program should be submitted to the market test. This means that Bocconi should abandon the idea of hiring its own graduates. This rule is followed by most universities that have top-notch PhD programs.

Insead has proved that this sort of strategy can work. It successfully leveraged a good general reputation from the MBA and executive teaching programs to attract very good students into the its PhD program at a time when its standing in research was quite modest. It committed generous resources to the program and succeeded in placing the candidates at top schools in the US and elsewhere. This success in turn had a very positive effect on Insead's ability to hire young PhDs from the US PhD programs. There was considerable faculty resistance to the program in the beginning, but after five years there was almost universal agreement that the investment had been worthwhile and that everybody had benefited.

Research



There are pockets of true excellence in research at Bocconi, but overall, the output of research published in high-quality international journals is low.

Some faculty members perceive that the priority on research in actual decision making is low. There are traces of an internal debate about the relevance of publishing in high-ranking English-language international journals.

This debate is the same at many other European universities. However, publishing in international journals is the only way to be connected to the international market, and whether we like it or not, those journals set the standards against which researchers and universities measure themselves.

The point is not that everybody at Bocconi should do research published in the international journals. Doing internationally publishable research is not a more (nor less) valuable, honorable, or admirable activity than the many other activities undertaken by Bocconi faculty, such as teaching, doing applied research, consulting, analyzing Italian business issues, sitting on corporate boards, or serving the government. All of these activities contribute to the university and its prestige. The point is that the mix is not balanced for the moment. There is too little international research being published for the university to maintain and build its international reputation, to hire top-notch young faculty, and to go up-market and raise the prices of its course offerings and applied research services, in an increasingly competitive and globalized environment.

There is at Bocconi a serious tradition for evaluating all aspects of performance, including research. The evaluation of research involves outsiders, and often very high caliber outsiders. Each institute prepares a self-evaluation and a report summarizing their research, and each of these is refereed by an outside group.

There exist individuals and groups at Bocconi who have very good international publication records. The main problem is that they are a very small fraction of the total faculty.

The Institute of Economics is a good example. As of July 2001, the web site listed around 50 economics faculty members (full, associate, and assistant professors). Of these, 21 had international publications. Around 6 had what might be characterized as top journal publications. Maybe around 6 others had middle-tier publications. Two or three individuals accounted for a large majority of the top journal publications.

In general, the institute does poorly in rankings that measure average performance. Such studies generally rank Bocconi as 50th or lower in Europe, and they do not necessarily rank it as number one in Italy. However, the institute does very well in comparisons that only focus on the top performers.

The research-oriented economics faculty at Bocconi is associated with the economic research institute IGER, which has an excellent reputation. An evaluation report on IGER for 1990—2000, by three prominent scholars (L. Guiso, J.-J. Laffont, and K. Rogoff), says that

- "...IGIER researchers and fellows have wielded influence far beyond what more mechanical publication measures show (though, ... , even by standard measures, IGER would already rank ahead of any individual university in Italy, and would compare favorably with any research institute)."



- “The IGIER publication record ... puts IGIER in the top 8 of European research centers and clearly the best in Italy.”

An evaluation report on the Institute of Economics by three other eminent scholars (A. Kirman, A. Atkinson, and M. De Cecco) concurs that Bocconi's research in economics is dependent on a very small number of individuals.

The same issue is at work in the Institute of Quantitative Methods (which teaches mathematics and statistics). There exist individuals who have very good international publication records, but they are a small fraction of the total faculty.

As of September 2001, the web site listed around 21 faculty members (full, associate and assistant professors). Of these, 8 had international English-language publications, and around 5 had what might be characterized as top journal publications.

An evaluation report on the Institute of Quantitative Methods for 1994—1997, by L. Daboni (Trieste), B. Munier (Paris), and V. V. Sazonov (Moscow), pointed out that

- “Some 5 lecturers lecture three times more than their schedule would imply, ..., which explains probably why their scientific record is relatively modest in 4 cases out of 5.”
- “On the other extremity of the spectrum, two Full Professors make up for around 45 % of the whole scientific production of the Institute. We congratulate these two colleagues for their industrious character, but such a concentration is obviously dangerous if one wants to encourage a long-range stability and continuity of research at the Institute.”

We concur that concentration of research in the hands of a few at Bocconi is indeed dangerous and unstable situation.

In what used to be called the Institute of Business Economics---Economics and Management, the faculty does publish in international journals, but the number of such publications is small. An evaluation report said that

- “... the institute and its members have published first-rate work in such highly esteemed reviews and journals like the *California Management Review*, the *Academy of Management Review*, and the *International Journal of Service Industry Management*.”
- “...the Committee also suggests that in the future the Institute try to increase the number of articles in foreign refereed journals. ... We feel that the present share is skewed too much towards the national refereed journals.”

The faculty in the Institute of General Management – Corporate Finance and Corporate Value (which has been reorganized and has changed its name) have publications mostly in Italian. As of July 2001, judging from the web, the institute had



very few international publications in finance. An evaluation report on the institute said,

- “The most critical point is ... the fact that the majority of the research studies are published in Italian magazines ... and practically none of them in foreign magazines. This failure to submit contributions to – or lack of acceptance of same by – prestigious foreign journals is quite amazing.”
- “Contributions of the kind proposing quantitative analyses or models are few and far between, research on innovative topics is limited, and very frequently, the subjects dealt with are fragmentary, limited in scope and segmented.”

Finally, an evaluation report on what used to be called the Institute of the Economics of Financial Intermediaries notes that “the data on the productivity of the researchers seem to show that they are less productive than those in comparable research centers in other countries.”

Faculty

Even though scientific research productivity is low and is concentrated among a small number of individuals and small groups, the quality of the faculty is generally high.

Here we concur with EQUIS Peer Review of SDA, which said, “We were impressed by the quality of faculty whom we met and, in particular, by their enthusiasm.”

As of 2001, the full-time tenured faculty had 210 members, of which around 25% were full professors, 25% associates and 50% assistant professors.

A 45 percent increase in the full-time permanent faculty, bringing it to around 310, is under way. This is a major opportunity for Bocconi to change the profile of its faculty. However, half of the 45 percent increase has already taken place, and the remaining positions have been allocated to the different institutes. In the last year, the university has hired around 15 full professors, 15 associate professors, and 30 assistant professors.

At the junior level, there is an effort to hire internationally. This effort has met with some success. However, some faculty members report that it has been more difficult than expected, and several of the assistant professors who were hired have resigned. Reasons cited for the resignations include difficulties for the families to adjust to Milan and Italy, as well as disappointment with several aspects of the institution, including internal politics, the perceived existence of a protégé system, and a perceived lack of commitment to research among a majority of the senior faculty.

There is a risk of deception in the international hiring process if the job candidates only meet the research-oriented people at Bocconi and are not informed about how the university’s policies on research, hiring, and promotion work in practice.

Clearly, salary is also an issue in these hiring efforts.



Generally speaking, the base salary at Bocconi is not competitive internationally which is particularly a problem for faculty who want to devote themselves to research.

The base salary for a full professor is a little less than 100 K Euros. This is not competitive internationally.

According to ERN Professional Announcements and Job Openings, 10/04/2001, Bocconi seeks to hire assistant professors in the international market in all areas. The salary is in the range of 40.000 - 60.000 Euros/year, and the duration of the contracts is six to seven years, subject to renewal after three years.

The base salary is the same across all institutes at Bocconi.

The starting salary for juniors from abroad is close to being competitive in economics, but it is not competitive in several of the management fields. The competitive starting salary in strategic management is \$ 80-110 K, and in finance and accounting it is much higher. On top of this, taxes are higher in Italy than in the US, and Milan is a relatively expensive city. What is more, the juniors from abroad will have to take a salary cut if and when they become associate professors.

The university must pay the tenured faculty at least the same as the official state level, but is free to pay more. Bocconi pays more for additional teaching, but generally not for research, although the research council has experimentally awarded a small number of modest research grants.

There is a problem with the distribution of the open positions across ranks. There are slots available for hiring at the junior level, but in some institutes, including the economics institute, there are not enough full professor slots available to hire aggressively at that level. It is unlikely that there will be full professor slots available for the associate professors or for the assistant professors, which implies that they will eventually leave.

There is very little attrition from the rank of full professor.

Once the university recruits and promote the right people, it has to create the right incentives for them.

The panel recommends freedom of choice. There should be a three track system. Some people teach and do outside work. Some do only teaching, and only at Bocconi. The third track would be people who devote themselves to research. Each of these groups needs appropriate compensation and incentives. None of the groups should be excluded, and none should feel second class.

SDA

SDA is well recognized in Italy. Internationally, it is primarily known for being the leading Italian business school.

We quote from the EQUIS peer review:



- “SDA has an unquestionable identity and legitimacy in its home market of Italy and especially in its chosen specialist strengths, such as public sector management, where it dominates the corresponding sectors of the national market.”
- “The awareness of SDA Bocconi among international schools is high as the major Italian School, but awareness among the international business community is variable ... ”
- “In summary, SDA Bocconi’s credibility at an international level comes to some extent from its dominant status in Italy.”

The overall impression is that the school’s longer programs are good. The students we interviewed confirmed that the teaching is generally good in these programs. The MBA program and some other masters programs have a good international component to them. The MBA program, which is the largest of the masters programs, has 200 participants with 40 percent foreigners. The MBA students are nominally supposed to get 50 percent teaching in Italian and 50 percent in English. On the other hand, of course, the faculty is largely Italian.

In addition to its 9 masters degrees and 10 specialization courses, SDA runs about 500 public and 500 in-company executive programs. These programs account for 80 percent of the school’s revenues.

That is a large number of programs. The inevitable result of running so many executive programs is that the level of the teaching and the level of the participants will be low. To staff all these programs, SDA needs to use a large number of part-time and occasional non-tenured teachers, many of whom are not well qualified.

In 2001, in addition to the full-time tenured faculty, there were 523 faculty members without tenure at Bocconi: Around 100 with full-time non-tenured contracts; around 300 part-time professors (mostly with teaching positions in other universities); and around 100 who teach occasionally. By far the largest share of the part-time and occasional non-tenured teachers (the last two groups) are hired by SDA.

The EQUIS peer review said:

- “Within Executive Education, ... SDA has a general ambition to attract more senior management. The statistics divulge a trending down in level of delegates.”
- “A limited number of faculty hold doctorates and the research culture does not focus strongly on publishing in the major international journals. We note that SDA appears to have recognised the gaps and is actively making efforts to establish a more international research culture.”

The multiplication of executive programs is perhaps a natural consequence of the incentives facing the school and the way the school is set up and governed.



Most importantly, SDA does not have a significant faculty of its own. The university's regular faculty is employed by the institutes or departments, not by SDA. SDA uses this regular faculty plus part-timers and occasional non-tenured teachers.

The Equis peer review put it this way: "There is the great financial benefit in only paying for work done, not for fundamental research or for 'down-time'."

This affects the incentives faced by SDA. They can exploit and depreciate the brand name without paying for it. They will therefore maximize revenue by creating a large number of executive courses.

Because of this drive to maximize revenue by maximizing the number of courses, decision making is not centralized and coordinated according to a strategic plan but decentralized and entrepreneurial.

The Equis peer review said: "The portfolio of Executive Education programmes does not seem to be controlled by a strategic plan and relies on organic growth dependent upon the specific interests, competencies and research outputs of faculty members."

What needs to be done?

The Equis peer review said: "In our view, this organizational structure might benefit from some greater formality and clarity regarding rules and decision-making processes within SDA."

We believe the problem goes beyond rules and processes within SDA. It lies in the relationship between SDA and the university and the incentives faced by SDA.

SDA has a very clear interest in the faculty management at the level of the university, because that determines the quality of faculty that they have to work with. On the other hand, the university needs to make sure that SDA keeps its quality high, that it contributes to paying for research and faculty development and for use of the brand name.

Even though the SDA Dean is appointed by the university and does not have a place on the board, SDA has traditionally been relatively independent from the rest of the university, even financially.

The economic model

As a private institution, without any government guaranty of support, Bocconi has to maintain a viable economic model. Today, the resources of the University, although sufficient to fund current activity and significant investment in facilities, remain below the level necessary for a world class University, are generated by a too narrow base of practically only tuition revenues, and lead to a pattern of spending which is very far from ideal.

Bocconi's revenues from tuition correspond to a very high percentage which forces the University to focus continuously on teaching, almost at the expense of everything else. The Italian government provides some support, but only of a limited kind; and



there are no significant efforts to generate funding from other public sources. Unlike many of the best Universities of the world, Bocconi does not benefit from a large endowment. Most of its capital consists of facilities and there are no substantial funds to help finance current spending.

Furthermore, there has been a certain reluctance to engage in substantial fund-raising from the private sector. This is regrettable, because Bocconi is particularly well positioned to succeed, given its strong links and reputation with the corporate sector, and given the large number of highly successful alumni. It is true that there is practically no tradition of philanthropic giving to Universities in Italy; but Bocconi could and should be a leader in this process. Apparently, the reluctance to ask the private sector to contribute is associated with a keen and very legitimate concern with academic independence, stemming from the fear that any contributions would create the opportunity – or at least the image – for private sector privileges, which would of course be unacceptable. This fear is greatly exaggerated: although Universities have to be aware of the possibility of donations linked to requests for special privileges, there are many mechanisms to protect them against such situations. High level fund-raising in many of the world's best academic institutions has not in any way undermined their independence.

A brief overview of Bocconi's spending reveals substantial distortions when compared to other high quality Universities and to what could be considered best practice. Bocconi has very high quality facilities and equipment, which must demand high levels of spending. The first impression of any visitor – specially at SDA – is of a school well endowed, with good quality classrooms and computer hardware, and in general functional and pleasant facilities. There is, of course, no undue luxury, but there is a sense that facilities are well taken care of, and that new projects reflect a permanent desire to maintain a high standard of buildings and equipment. Since this is in the center of one of Europe's most expensive cities, the resources necessary to fund this level of spending must be quite substantial.

In sharp contrast, faculty compensation is extremely low, by the standards of the world's best Universities, and is significantly below what should be considered the norm in Europe's more serious schools. Bocconi cannot aspire to be in the world market for the best professors, with salaries which are so removed from even the lowest bounds of that market. Clearly, talented faculty members only accept a position at Bocconi because it allows them to collect revenue from other sources, leading to an overall level of compensation which is more reasonable and closer to their actual market value. This, of course, creates somewhat perverse incentives. The normal career path of any faculty members is directed to achieve a level of performance, in particular on the teaching front, sufficient to guarantee a permanent appointment, and then to devote all of his or her energy to generate revenues from other sources. Additional teaching, if well paid, can be quite rewarding. There is also a large amount of activity of a consulting nature, which normally would not be part of the mission of the University, but which contributes significant resources to faculty. And finally, outside work in the business community or even for government entities absorbs a huge amount of faculty time.

This model is not uncommon in many Universities in Europe, which do not have the resources to pay faculty at a level that would justify full time employment, and which tolerate outside activities to reach an acceptable level of faculty income. Professors continue cooperating with the University to maintain an appointment that is essential for their reputation and title. But their main motivation quickly shifts to other



concerns; and clearly they will never have the time to devote to the University the energy and intensity required to achieve high levels of academic performance.

Any effort to compete at the international level with the top Universities will require that this problem be resolved and that a different economic model be in place.

4 - Bocconi in the future

As Bocconi University analyzes its options and plans for the future, a very careful distinction must be made between what should be kept as it is today and what should be changed. It is clear that many dimensions of Bocconi's activity should change and can be improved, but there many other aspects of Bocconi's situation which are considerable sources of strength and, although not necessarily found in other high quality universities, are nevertheless crucial for Bocconi's position. Thus, as in any change process, it is very important that all the attempts to move towards higher standards and a more competitive position be conducted with great care not to loose today's sources of differentiation and strength.

The future development of Bocconi will be determined by how the University responds to the challenge of academic excellence, to the new requirements of teaching, to the right approach to internationalization, to the definition and implementation of a new economic model and to the management of the transition.

Academic excellence

To achieve a higher standing in the international arena, Bocconi will definitely have to substantially improve its scientific record. Today, Bocconi's record in research and publications is quite respectable by Italian standards. However, when compared with the best Universities in the world, and even with the leaders in Economics and Business in Europe, Bocconi's performance is much below what should be expected from a University with such a strong reputation.

Apart from the fundamental notion that a University's mission must include a strong component of knowledge creation at the highest level, there two very pragmatic reasons why it will be more and more important to achieve high standards of performance in research, in order to compete at the international level. First is the fact that students are more and more discerning in their ability to spot which Universities have the real intellectual leaders among their faculty. The best students will increasingly choose which University they will attend based on the probability of access to the best minds and the most famous academics in the world. The reputation for scientific leadership will be a discriminating factor of decisive importance, when it comes to attracting the very best students.



Second, a strong research record will be crucial to attract and retain the very best young faculty. Young academics, seriously committed to a University career, will want an environment which allows them to build their human capital by producing good and well recognized research. As they choose which University to join, apart from personal considerations such as proximity to family or other such preferences, they will certainly prefer to join a University which will stimulate their performance, so that they will be able to steadily increase their value in their profession. They will want a school where research is valued, where the resources to fund complete devotion to academic purposes exist, and where their work will be recognized at the world level.

For these reasons, Bocconi will have to devote more and more time and attention not just to a stronger research effort, but specially to the dissemination of this effort on a world scale - in the publications, conferences and networks which attract attention and which are considered to set the standard for academics all over the world.

Such an step up in research activities is not simple and requires resources. It will be necessary to go beyond today's tradition of publishing in Italian, and for the Italian market. Although that effort has to be maintained, it will be essential to see Bocconi academics more and more conspicuously present in all the international fora that matter - from academic journals to international conferences. Because of the need to achieve visible results relatively fast, it may be advisable to focus very rigorously the efforts in this area, supporting those individuals or groups most likely to succeed, rather than dispersing resources in an effort to please everyone.

Related to this issue is a serious concern with critical mass. Many well intentioned academic efforts at Bocconi may actually be unrealistic if the size of the faculty is too small to support them. Because of its entrepreneurial culture, Bocconi consists of a myriad of different departments, centers, institutes and programmes, some of which actually operate with a very small number of people. Although this reveals a certain degree of dynamism and initiative, it also represents an excessive dispersion of results, which may lower everyone's productivity. Although it is almost impossible for an outsider to judge ex ante whether a particular academic initiative will succeed or not, it may be advisable to set certain thresholds for a project to receive the support of the University, in order to manage resources with an overall sense of efficiency.

A stronger research effort must not be done at the expense of teaching. Bocconi's achievements and reputation on the teaching front are crucial to its future and should not be neglected. But there is no reason why teaching would have to be sacrificed in order to perform better on the research front. What would be necessary is that the most productive faculty be given conditions to devote themselves fully to the University, with a commitment to both teaching and research, but with outside activities limited to a minimum.

To achieve a higher level of academic performance will require different faculty management and standards. Today, faculty are managed on the basis of a traditional system which provides opportunities for consultation and consensus building, but which inhibits most strategic choices and does not allow the introduction of more demanding standards by higher instances of the university. This is extremely serious, because it introduces a great deal of conservatism in the most fundamental areas that will determine the future of any University: the recruitment and promotion of faculty.

Decision making on faculty matters is never simple. It is important that the collegial element be maintained. Typically, in most of the top Universities in the world, faculty



appointments and promotion decisions are prepared democratically, with elected committees or even full faculty bodies contributing the initial proposals. But in almost every case, there are higher authorities who, while not deciding independently of the faculty, keep the right to approve or reject the recommendations from the faculty. It is a tradition of every good University that higher instances of decision making will never disagree with a recommendation of the faculty, except to insist on higher standards. In other words, the ultimate guarantor of academic integrity will be the highest authority of the University. Faculty recommendations cannot be final, since they are easily driven by personal or group preferences, or by the vested interests of some faculty members. When it is well established that faculty recommendations will have to meet the higher standards imposed by other instances, professors will work hard to make proposals which have a chance to be approved; in doing so, they will still control the decision making process, because outcomes will be driven by their recommendations. But they will not get away with low standards, which seriously hurt the University. Clearly, this balance between faculty initiative and University wide high standards is missing at Bocconi.

Better processes of faculty management are necessary, to adapt Bocconi to a more demanding international environment, in what concerns faculty performance. There are many possible models that can be adopted. Many would not represent any dramatic break with tradition, but simply a rebalancing of authority, based on a different consensus as to what constitutes a recommendation likely to receive ultimate approval.

Part of the necessary reform of faculty management should go in the direction of more flexible systems. Bocconi will most likely maintain several different faculty profiles, leading to different degrees of time commitment and different types of academic performance. The University should have the possibility to treat these various models differently, creating the appropriate incentives for each one of them, allowing for individual choice, and insisting on equity of treatment to preserve fairness. Imposing a single path, with the illusion of equal performance and equal commitment from everybody, and therefore with equal compensation and participation, is a fiction which generates enormous frustration and leads everyone in the wrong direction. On the contrary, at a University like Bocconi, with a large and diverse faculty body, it is important to recognize different academic contributions as well as different levels of time commitment; it is essential to maintain freedom of choice on the part of faculty with respect to how each one will contribute; and it is essential that such diversity be translated into different career paths, compensation systems and degrees of power and influence.

An important priority for the Bocconi of the future should be to modernize faculty management systems, in order to create the conditions for higher levels of performance from at least some, if not all the members of the faculty.

The future of teaching

To maintain high quality teaching standards and the reputation associated with it, Bocconi will need to address several issues, some related to its own approach, some related to the reform of the Italian University teaching.



Due to large numbers of students, the dominant model of teaching at Bocconi consists of lectures to large size classes – often above 100 students. Although this is very efficient and seems to present no obstacle to learning, it is certainly not the ideal model, and may be subject to challenges from other European Universities, offering more direct contact between teachers and students. Good quality teachers can be quite effective even with large classes; however, when teachers are less natural communicators or less experienced, the size of the class is certainly a factor which can hurt teaching effectiveness.

Attention should be paid to the establishment of opportunities for closer contact between teachers and students, either in smaller sections for problem solving or subject reviews, or through frequent office hours, where weaker students may have an opportunity to obtain additional help. This requires faculty that spend more time at the University, which may be difficult in some cases. But it would lead to better results on the teaching front, with considerable impact on the University's competitive position.

A very important element of teaching quality and effectiveness will be the use of new technologies to enhance learning. Bocconi's high standards in terms of IT hardware and systems should make it natural to move rapidly in the direction of more intense use of new technologies in the learning process. It would be important to develop a visible position of leadership in this area, not only because of the impact it will have on reputation, but especially because, if done efficiently, the use of new technologies can compensate for the effect of large numbers and large class sizes on teaching quality.

The new technologies can be particularly helpful in disseminating information and documentation to all students, increasing administrative efficiency by bringing automated solutions to many of the academic routines of the University – registration, grades, choice of electives, course evaluations, etc., – providing opportunities for interaction between students and professors as well as among students, and generating new learning approaches based on on-line methods. All of these are critically important in institutions with large numbers, where the main problem is that students feel they do not receive enough attention, miss the opportunities to interact with the University and consider that learning in massive numbers is far from ideal.

The Bocconi pedagogical model will be significantly challenged by the reform of the Italian University system, which is now underway. Bocconi's former system was a highly integrated four-year program, with a very serious effort in the first years to build the foundations – in particular, in quantitative methods – upon which the more advanced and specialized material was offered afterwards. This has been one of the key sources of strength of Bocconi's programs and is widely recognized as leading to well-trained students, with considerable depth of both substantive knowledge and technical methodology.

With the new 3+2 system, the natural temptation will be to treat the five-year total as an integrated program, providing an additional year for further learning and not requiring any dramatic change in curriculum. An additional argument might be that, by treating the whole five years as an integrated program, Bocconi might hold on to all its students and prevent them from leaving after only three years. Both of these ideas will put Bocconi at a disadvantage: they run counter to the general intention of the reform, which is to prepare people for employment after only three years of work, and to reserve the last two years for only the very good ones, who will want to do



further studies; and they will reflect a defensive attitude, as opposed to an attempt to take advantage of the reform to enhance Bocconi's competitive situation.

In fact, Bocconi's ability to attract the best students, from Italy as well as from the rest of the world, will be improved if the two components of the 3+2 program are treated separately. In the undergraduate program, Bocconi's students have a natural local bias, since around 14% of them come from Milan and 40% from the region around Milan. This will normally still be the case in the first three years of the new program, but probably will not be so much the case in the last two. In fact, having finished the first three years, many of the best Italian students will be looking for the ideal University for the last two, and Bocconi will become extremely attractive then. In other words, the reform may increase Bocconi's chances of attracting the very best students from all over Italy, by enabling them to come only for the last two years, when they are far more mobile.

The reform will make it possible to attract a different type of very good students. In the last two years students from other backgrounds should normally find it very interesting to obtain a Bocconi degree. Students with three year degrees in other fields – such as engineering, or statistics, mathematics, etc, will find it specially attractive to complement their studies with a two year program in economics or business at Bocconi. Although this may not be possible in today's system, Bocconi should lobby and be prepared to create this possibility in the near future. Similarly, it may possible to attract students from other countries, including from the US. Students with a four-year undergraduate degree at good American Universities may want to attend a highly respected two-year program at Bocconi.

In general, by segmenting undergraduate education, the reform will allow Bocconi to strengthen its position as a school of choice for the very best students from all over the world. And because the evaluation of students who will have completed the first part of their undergraduate education will be less subject to error, the overall quality of the intake will be better controlled. The last two years would then become the really high quality, exclusive and most prestigious component of a Bocconi undergraduate education. It would be the segment in which investment in quality would be most rewarding.

In conclusion, the reform seems to provide an opportunity for Bocconi to position itself as on of the very best programs in the world, capable of attracting top students from any country and many diverse backgrounds. This requires however that the University embrace the reform, adjust the curriculum to it and properly market the new model to those it should attract.

An important component of this problem is the fact that, today, and as mentioned above, one of the main sources of strength at Bocconi is the ability to provide students with strong quantitative training, before they engage in more applied fields of study. This will of course be far more difficult in a curriculum designed to prepare professionals after only three years of study. There simply will not be enough time to do the same. Two responses are possible: either Bocconi will maintain a similar emphasis in the foundations of economics and business for the first three years – and its three-year graduates will be placed in the market with strong technical training but very limited applied knowledge; or a complete revision of the curriculum is put in place, such that fundamental technical training and applied course go hand in hand, and therefore it becomes necessary to revert to quantitative methods at a more

advanced level in the two-year program. Both options are feasible, but it would be important to opt for one and market it accordingly.



Internationalization

As the international market develops, Bocconi should be an early participant, leveraging its current reputation and position of strength in Italy, and positioning itself as a leader in the internationalization process in Europe.

Today, the internationalization of the educational market in Europe is still limited, and therefore it may be premature to plan for large numbers of foreign students or faculty. However, the market will open up more and more vigorously, as students and faculty search more widely and Universities promote their international credentials. It is difficult to estimate at which rate the market will become more international. But it is important to be prepared and to develop a position of leadership from the early stages, since it is difficult to dislodge a strong leader in a growing market.

The internationalization of the market will take place gradually and by segment. On the student front, it should be expected that the first segments to internationalize are those at the higher level of education. Already today PhD programs and Master's degrees are very international. The very best students will not be confined to the schools of their country of origin. Since they have options and usually find the resources to fund their studies, they will choose the very best school they can attend, independently of how far it is from home. Undergraduate programs are more local: they essentially attract students from the neighbouring regions. However, with the separation between the initial three years and the subsequent two, it can be expected that the last two will draw on students who will be much more mobile. In fact, experience shows that students often choose to finish their studies at a different University from the one in which they started, simply for the sake of diversity – that is to combine the last two years of learning with the discovery of a new culture or the adaptation to a new country. The internationalization of the student market in Europe may well advance rapidly as the 3+2 system takes hold in most European countries.

The PhD program should be the most international of all. The main reason for a PhD program in any University is to leverage the research efforts of the faculty: as a group of young highly talented students join the University to prepare a PhD program of studies and a dissertation, the effect it has on the academic environment is enormous. The quality of the faculty/student interaction in the classroom is of a completely different level, and the research orientation of students trying to make an original contribution to their field is an extraordinary bonus to the efforts of the faculty. This effect – which is of crucial importance to the performance of some of the best research universities in the world – only exists if students are of the highest calibre. There is absolutely no point in having a PhD program with mediocre students.

Thus it becomes of fundamental importance that Bocconi have access to the best PhD students possible, not only from Italy but also from other countries: certainly from Europe, possibly even from the US. Positioning the PhD program on an international platform should be a priority in the internationalization efforts of Bocconi.



Of equal importance and perhaps even higher urgency would be to enter the international market for faculty. Again, Bocconi must be able to attract the best professors in the world, irrespective of nationality. But beyond that, Bocconi must be a University which offers the highest quality of research and teaching and happens to be located in Italy – not the highest quality that Italy can offer. In other words, students and faculty will be attracted to Bocconi because of its intrinsic quality and because of their interest in Italy; not because they like Italy so much that they are prepared to sacrifice quality.

This requires the ability to display some of the best professors in the world, whether or not they are Italian. And this requires a permanent and steady effort to be in the market for international faculty, to understand the conditions under which they will join and stay, and to develop the credibility necessary to attract more faculty, once the first ones have joined.

Such an effort will not succeed instantly. Very good professors have many choices and will only come if they sense that there is something special that attracts them. Conditions must be attractive; but more importantly, they will have to feel that the effort to attract them is very serious and consistent, that it is a key component of the University's strategic plan and that they will play a key role in defining the future of the school.

The Universities which will develop a high quality international faculty earlier will have an enormous advantage in the internationalization of the educational market in Europe. For this reason, Bocconi should be prepared for inevitable poaching efforts that other schools will make targeted at Bocconi's best professors.

An important component of the internationalization effort which some schools and universities have used, especially in the early stages of internationalization, is the definition of alliances and the use of exchange programs. By finding the appropriate allies – Universities of equal standing, also interested in internationalization, and ready to pool resources to do so – Bocconi can perhaps create the conditions to bring non-Italian faculty to its campus, to expose its own faculty to foreign environments, to participate in networks of researchers which will give higher notoriety to its own faculty and will make its research effort more productive. Equally, exchange programs may allow Bocconi's students to achieve many of the objectives of a program of studies abroad without leaving Bocconi. And in successful cases these programs bring foreign students of very high quality, who would enrich life at Bocconi and help establish its credibility as a leader in the internationalization front.

However, alliances do not always have these positive effects. If visiting appointments do not reflect a mutual interest between a group of faculty at one school and a particular researcher at another school, they can be quite sterile. Alliances only work if they contribute to networks of researchers which are lasting and productive.

Furthermore, alliances are quite time-consuming in the attention they require from the leadership, as well as to the situations of potential conflict of interest, since often these Universities will be competing for the same faculty or the same top students.

A new economic model



To embark on a major effort to upgrade its position and better prepare for internationalization Bocconi will need substantial resources, which may be difficult to find in today's budgets. A new economic model may be needed, which will expand the revenue base of the University and build additional financial strength through endowment.

The economic model is not independent of the strategic positioning of the University. It is because it will have a coherent plan for higher quality of education, stronger scientific performance and a forceful commitment to a position of leadership in the international market that Bocconi will be able to justify different sources of revenue and capital.

The first element of this new model should be real growth of tuition. By international standards, tuition levels are quite low at Bocconi. They are especially low relative to the quality of the education and to the careers that a Bocconi degree opens up. They may seem high relative to the free tuition of many government owned Universities in Europe, but Bocconi's positioning must be based on differentiation. It is more and more commonly accepted that high quality education is costly and that, even though expensive, it is still the best investment that a young person can make.

Naturally, the price elasticity of the demand for a Bocconi education is not zero; by charging more, Bocconi will lose some of its current applicants. But again, it is very important not to be dominated by a concern for large numbers of students; rather, if growth in revenues can come more from higher prices and less from larger numbers, quality will most likely improve.

To prevent income or wealth based discrimination, Bocconi should maintain its current program of scholarships or reduced tuition for poor students. More resources may even be necessary for that program. Still, the overall impact of higher tuition must be very positive, given the large numbers of students and the possibility to raise tuition to international levels.

Of course, such a movement would have to be gradual. A step increase at any point in time in tuition would be negatively perceived, since there would be no visible counterpart in quality. Over time, however, a policy of gradually increasing tuition in real terms every year will be only natural, if at the same time the progress of the University on its new course is more and more visible.

Bocconi is very well positioned to launch a major fund-raising campaign. It starts from a situation of considerable prestige and reputation; it has a huge natural base of goodwill, among its alumni and the leaders of the Italian business community; it can claim to be Italy's best shot at a position of academic leadership in Europe; and it will present a well conceived plan of higher quality and internationalization, to justify and legitimize its request for support. Given the current trends in higher education in Europe, there can be no doubt that other high quality academic institutions will embark on their campaigns quite soon. The success of some of them will only stimulate the others. Inevitably, Italian sources of support will be tapped, if not by Italian Universities then by others who will credibly present European projects where an Italian dimension will be essential. Thus, Bocconi does not really have a choice, unless it accepts to be relegated to a position of follower in this new dimension of competition.



A fund-raising campaign should have two components: one oriented towards capital and another oriented towards current funds. Both are necessary and important and they complement each other.

Creating an endowment will give the University a stronger financial base, and will be especially adequate to fund long term efforts that are not related to market activities. Endowments are used to fund the recruitment or retention of very high quality professors – through chairs and fellowships; or they are channelled to fundamental activities of no commercial value – such as research or the PhD program. Many wealthy donors and large corporations prefer to give capital, because it has a stronger impact and visibility, and are attracted by the true philanthropic nature of the donation.

Annual current giving typically comes from a large number of small donations. It is particularly adapted to alumni giving, and it can contribute massive additional resources to the annual budget of the university. Alumni can be quite generous, if the University makes an effort to stay in touch with them, and if they trust that their money will be well used in the interest of Bocconi.

Fund raising requires a significant investment to develop the competence and the administrative support necessary to run a large and successful campaign. But the investment in these resources is soon recovered and delivers a very powerful return. Furthermore, a good campaign is also a great opportunity to communicate a new project and to affirm the confidence and the ambition of Bocconi.

With additional resources, originating from different sources, Bocconi will be in a position to redirect its spending. The highest priority should be to fund a different type of faculty contract, one in which faculty members commit fully to the university, agree to devote all their energy to the goal of academic excellence, and are adequately compensated for that commitment. The objective should be to attain market levels for faculty of equivalent profile, at least within Europe. Without this kind of contract and corresponding compensation level, it will be very difficult to expect an improvement in the pattern of faculty behaviour. They will necessarily continue to devote a relatively large portion of their time and energy to other purposes, in order to reach a level of income commensurate with their high professional capabilities.

It is however impossible to expect that all faculty will suddenly receive a huge increase in compensation. This would not be affordable and would be counterproductive. Many or even most of the current faculty have reached a situation of balance between their commitment to Bocconi and their outside interests which they will not want to alter. This should be accepted and does not hurt the University in any way. On the contrary, faculty will have the opportunity to choose freely what profile they want to adopt, how much of their time and energy will they devote to the University and at what level their academic performance will be situated. Many or most will continue to make extremely useful contributions to Bocconi by continuing to operate on the same model as they do today.

But freedom of choice must be reflected in differentiation in compensation. If a new type of professor agrees to devote all of his or her time and energy to the University, maintains a teaching load like everyone else and, beyond teaching, delivers a research performance which will contribute to position Bocconi at a higher international level, that professor certainly deserves compensation at a different level, in parallel with



what colleagues at other Universities with similar academic performances are capable of obtaining.

It is this basic principle of differentiation which renders possible a gradual shift towards a more academic profile among the faculty, while maintaining on board the current faculty body. It is important to maintain the principle that everyone is needed and that everyone contributes to the success of the University, although in different ways. It is also important to recognize that the area where Bocconi is now most lacking is the scientific dimension of an international standard. A determined effort is required to bring in and retain the faculty that will make that effort possible; but this does not mean that the current faculty do not have a role to play, that they are less important or that they are destined to fade away and disappear. After all they are the ones who brought Bocconi to the position where it is today.

Conversely, they must not be allowed to block the progress of the University, which at the current time means moving towards a higher level of academic excellence, which requires a different type of faculty, with a more committed relationship with the University. Certainly all those in the current faculty body who want to use the opportunity to revert to a more academic orientation of their careers and who have the capability to deliver a strong research performance should be encouraged to do so and should be compensated accordingly; but most of the effort will probably have to come from new recruits, many of them from outside Italy, which of course creates the need for a substantial first step towards internationalization.

Apart from the new program of faculty compensation, additional resources should be devoted to fund the overall research effort and the PhD program. Both of these cannot be conducted at a level compatible with a strong international ambition without a level of funding substantially above what exists today. But here also an across the board increase in spending is not appropriate and may be counter-productive. More important is to link resources to achievements, by funding research projects on the basis of their impact on the international reputation of Bocconi; and by adding resources to the PhD program only to the extent that it will be capable of competing with the best PhD programs, at least in Europe.

A different economic model cannot be implemented overnight. It takes time and a determined reorientation of policy to generate the additional resources necessary for a different level of international ambition of Bocconi. But the need is not immediate either. An increase in faculty costs and in the funding for research and PhD will emerge also gradually, as a function of the progress achieved in the direction of academic excellence. Typically, if the process is well managed, one side feeds the other. As more resources lead to higher performance, Bocconi will find it easier to obtain the funding, because it will be linked to quality, reputation, and the willingness to support the University.

Managing the transition

The process of change which will bring Bocconi to a higher international standing cannot happen instantly. It will take place gradually, will require many years and a



great deal of persistence. Such fundamental change can always be reversed or derailed, if there is no cohesion or if serious mistakes are made.

To maximize the probability of success, it is necessary to have as much convergence of interests as possible. Although change will always be resisted, it is very important to keep as many people on board as possible. Academic institutions are naturally collegial, and although steady and firm leadership is indispensable they cannot be managed autocratically. Thus, a major element of managing change will be to create conditions such that everyone has a place and a role to play, and nobody feels unduly discriminated or excluded. Because Bocconi needs everyone that is affiliated with it today, it should be possible to create such a climate.

In parallel, the effort to maintain cohesion cannot lead to veto powers on the part of any individual or constituency. As standards increase and more is demanded of everyone, difficult decisions become inevitable. The most important aspect of that process is that decisions be perceived as fair, based on transparent criteria and following due process.

A very important positive circumstance is the fact that Bocconi is now growing quite considerably. The fact that the University is expanding the faculty body, with the recruitment of a total of some 60 new professors, creates a very favourable environment for many of the initiatives required to bring the University to a higher standard. This opportunity should not be missed: it will not happen again and, if well managed, will make the transition much easier and more successful. It is extremely difficult to introduce renewal in stagnant institutions.

Concluding remarks

Bocconi is well placed to move in the direction of a position of leadership in the international educational market. By enhancing the areas in which it is already strong, by moving towards higher levels of achievement in the domains where it is weaker, by decidedly adopting a more international perspective in the composition of its faculty and student body, the University can put in motion a process which has a solid likelihood of success, with the desired impact on Bocconi's reputation.

To launch such a program, the University will need leadership of the highest calibre, on the part of all those who are in positions of responsibility – the board, the academic leaders, the administration and the faculty. It will be important to generate credibility, in order to maintain internal cohesion and to stimulate external support.

Credibility will come from a well developed concept of what Bocconi wants to be, as well as very effective communication of this concept and of the plan to reach the goal. This is not a plan that can be executed behind closed doors, thanks to wise decisions and prudent analysis. To mobilize support and overcome objections, a permanent effort is required to state the goals and clarify how to achieve them. Early progress in the right direction builds momentum and strengthens credibility. On the other hand, every time there is a reversal, a renewed effort is necessary to remind everyone that the process is on track and will not be abandoned.



As in every other University, the main supporters of the plan should be the faculty; alternatively, they can also be the major barrier to progress. Faculty management has a crucial impact on this dilemma. Adequate faculty management systems, combining collegial decision making with a firm higher authority to guaranty there are no deviations from the agreed path, is of the highest importance. This is an area of serious weakness at Bocconi, since faculty management is based on outdated traditions which can easily generate outcomes that are not in the best interests of the University. Studying and implementing better faculty management systems may well be the first and most important step in Bocconi's new path.

Finally, academic institutions are traditionally inward looking, when they consider their issues and their own management. And yet, a very powerful source of support, encouragement and scrutiny should come from outside: from those in the corporate world and the alumni body, who hold Bocconi in high regard, are quite keen to see it play a bigger and more influential role at least at the European level, are prepared to help to see it happen, but can also exercise strict judgement in case the University fails to meet their expectations. As it launches this effort to move to a higher level of achievement, Bocconi would do well to open up to these outside constituencies and accept their guidance and evaluation.



APPENDIX I

The Committee based its findings on the following visits to Bocconi University :

8- 9 March 2001
27-28 June 2001
10-11 January 2002
11-12 April 2002

During those visits the Committee met the following people :

Board of Directors :

- Prof. Mario Monti (Chairman)
- Mr Marco Tronchetti Provera
- Mr Lucio Stanca

Rectors :

- Prof. Carlo Secchi (Rector)
- Prof. Francesco Giavazzi (Vice Rector)
- Prof. Giancarlo Forestieri (Vice Rector)

Finance & Administrative Directors:

- Mr Giovanni Pavese (Director General)
- Mrs Mirka Giacoletto (Director, External Relations & Marketing)
- Mr Paolo Magri (Director, International Relations)

Financial Statements & Statistics :

- Mr Sandro Carmo (Director, Internal Control)
- Mr Andrea Biagini (Internal Control)

Internal Evaluation :

- Mr Cherubino Profeta

SDA Business School :

- Prof. Claudio Dematté (Chairman)
- Prof. Elio Borgonovi (Dean)
- Professor Andrea Gasparri (Administrative Director)
- Professor Gianluca Colombo (Director, Master Division)
- Prof. Andrea Sironi (Newfin & Director, Research Division)

Economics Department :

- Prof. Aldo Montesano (Chair)
- Prof. Roberto Artoni (Director of IEP)
- Prof. Guido Tabellini (Director of PhD Program; Director , IGER)



- Prof. Franco Bruni (Coordinator PhD Committee)
- Prof. Franco Malerba (Director, CESPRI)
- Prof. Pierpaolo Battigalli (Research Committee, Coordination Committee CLE-DES)
- Prof. Tito Boeri (Director, DIEM)
- Dr. Saku Aura (Assistant Professor)

Business Administration Department :

- Prof. Walter Lazzari (Director, PHD in Business Administration)
- Prof. Maurizio Dallochio (Director, Master of Finance)
- Prof. Giuseppe Airoidi (Director CLEA)

Strategic Management Department :

- Prof. Guido Corbetta (Chairman, Strategic Management Institute)
- Prof. Severino Salvemini
- Prof. Anna Grandori (Director, PhD Program)

Statistics and Quantitative Methods Department :

- Prof. Michele Cifarelli (Director)
- Prof. Pietro Muliere (Director PhD in Statistics)
- Dr Eugenio Melilli (Assistant Professor; Researcher)

Finance & Marketing Department :

- Prof. Salvo Vicari (Director of PhD program in Management)
- Prof. Francesco Saita (Co-Director of Newfin)

Law Department: :

- Prof. Stefano Liebman
- Prof. Piergaetano Marchetti

Students' Representatives :

- Mr Filippo Giordano (Student Representative on the Board of Directors)
- Ms Ana Pereira (MBA Student)
- Mr Marco Navone (PhD Student)
- Mr Carlo Ramella (Master in Corporate Finance)

APPENDIX II



Antonio Borges

Antonio Borges joined Goldman Sachs International as Vice Chairman & Managing Director in September 2000. His responsibilities include investment banking, leadership development and strategy. Prior to this he was Dean and Professor of Economics at INSEAD between 1993 – 2000. He has also held visiting positions as a Professor of Economics at the University of Lisbon, Portuguese Catholic University and Stanford University. From 1990 – 1993 he held the post of Vice Governor of the Bank of Portugal and was a member of the European Community's Monetary Committee. He is currently on the Boards of Sonae.com and Jeronimo Martins and is a member of the Supervisory Board of CNP Assurances. He chairs the Audit Committees of Banco Santander Portugal and Banco Santander de Negocios Portugal. He is also on the Advisory Boards of the Novartis Foundation for Management Development and Emerson Electric and is Chairman of the European Corporate Governance Institute.

Lars Tyge Nielsen

Lars Tyge Nielsen is responsible for model risk management at Morgan Stanley in New York. Before joining Morgan Stanley, he was a chaired professor at Insead. As associate dean, he managed Insead's doctoral program, whose talented graduates made it the most successful PhD program in management outside the US in terms of academic placement. He is the author of *Pricing and Hedging of Derivative Securities*, Oxford University Press, 1999, and has published numerous academic articles about finance and economics in journals such as the *Journal of Finance*, *Econometrica*, the *Journal of Economic Theory*, and the *Review of Economic Studies*. He has been a research professor at the University of Copenhagen and has held visiting positions in the finance department and at the Curant Institute at New York University. He was president of the European Finance Association in 1999. He chaired Insead's faculty evaluation committee and has been a member of numerous appointment committees for chairs in finance and economics in Scandinavia.

John Shoven

John B. Shoven is the Charles R. Schwab Professor of Economics at Stanford University and the Wallace R. Hawley Director of the Stanford Institute for Economic Policy Research. He is also a Senior Fellow by Courtesy at the Hoover Institution and a Research Associate of the National Bureau of Economic Research. He serves as the Director of the West Coast office of the NBER. He has served as Chairman of the Stanford Economics Department and Dean of the School of Humanities and Sciences. He has been at Stanford since 1973. His BA degree is in physics from the University of California, San Diego and his Ph.D. in economics is from Yale University. A member of the American Academy of Arts and Sciences, Professor Shoven has authored more than one hundred professional articles and has written or edited eighteen books. His most recent book is *The Real Deal: The History and Future of Social*

Security (Yale University Press). His areas of expertise include public and private pensions, corporate finance and investments, and corporate and personal taxation.



APPENDIX III

The following sources were useful in supporting the work of the committee:

- "Bocconi: where do we come from and the challenges ahead: An introduction to the university prepared for the members of the External Evaluation Committee," by C. Secchi, G. Forestieri, F. Giavazzi, and G. Pavese
- "Some Statistics and Information About Bocconi University," Bocconi at a glance.xls (Excel worksheet)
- Presentation slides: "International Evaluation Committee, June 2001, Bocconi University: Economic View," by C. Carmo and A. Biagini
- Web: www.uni-bocconi.it
- "External Evaluation Reports of the Research Activity of Bocconi's Research Centers (as at May 31, 2001)"
- "External Evaluation Reports of the Research Activity of Bocconi's Institutes (1997-2000)"
- "Academics face a summer of unease," Financial Times, Monday, July 9, 2001.
- Excerpt of "Pre-iscritti a.a. 2002-2003 – selezione di aprile e degli stranieri," report, April 12, 2002.
- Report on movements in the academic staff and open positions, April 9, 2001.
- "Equis Peer Review Visit: Scuola de Direzione Aziendale Bocconi," Milan 28-29-30 January 1998.
- "The Italian University System: Rules vs. Incentives," by Roberto Perotti, European University Institute, December 2001.
- Annual Report 1999/2000, SDA Bocconi.
- "Ph.D. Doctoral Program in Business Administration and Management," Brochure.
- "Evaluation of the Exchange Program: Survey among foreign exchange students (Spring semester 2000-01)," International Relation Service
- "Bocconi Education and Training From the Viewpoint of Users and Graduates: Summary of Findings", Power Point Presentation, 1998.

**Per copia conforme all'Originale
Il Segretario del CdA
Dr.ssa M. Giacoletto Papas**