August 9, 2006

David W. Pershing  
Senior Vice President for Academic Affairs  
205 Park Building  
Campus

RE: Graduate Council Review  
Department of Finance

Dear Vice President Pershing:

Enclosed is the Graduate Council’s review of the Department of Finance. Included in this review packet are the report prepared by the Graduate Council, the Academic Profile, and the Memorandum of Understanding resulting from the review wrap-up meeting.

Please forward this review to the Academic Senate to be placed on the information calendar for the next meeting of the Senate.

Sincerely,

David S. Chapman  
Associate Vice President for  
Graduate Studies  
Dean, The Graduate School

Encl.

DSC/dh
The Graduate School – University of Utah

GRADUATE COUNCIL REPORT TO THE SENIOR VICE PRESIDENT
FOR ACADEMIC AFFAIRS AND THE ACADEMIC SENATE

September 26, 2005

The Graduate Council has completed its review of the Finance Department. The external reviewers were:

Jennifer Conrad, Ph.D.
Dalton McMichael Distinguished Professor of Finance
University of North Carolina at Chapel Hill

B. Espen Eckbo, Ph.D.
Tuck Centennial Professor of Finance
Director, Center for Corporate Governance
Tuck School of Business
Dartmouth College

Hans R. Stoll, Ph.D. (Chair)
The Anne Marie and Thomas B. Walker Professor of Finance
Director, Financial Markets Research Center
Owen Graduate School of Management
Vanderbilt University

The Internal Review Committee of the University of Utah included:

Martha Bradley, Ph.D.
Director of University Honors Program, and
Associate Professor
College of Architecture + Planning

Jeffrey Kentor, Ph.D. (Chair)
Associate Professor
Department of Sociology
Jingyi Zhu, Ph.D.
Director of Graduate Studies, and
Associate Professor
Department of Mathematics

This report by the Graduate Council’s ad hoc review committee is based on the Finance Department’s self-study, the report of the internal review committee, the report of the external review committee, and the response of the Department Chair of the Department of Finance. An additional response from the Executive Associate Dean of the Business School is forthcoming.

DEPARTMENT PROFILE

The Finance Department in the University of Utah’s David Eccles School of Business is a program that is distinguished by a research faculty with a strong record of publication in national journals and a strong record of teaching, as well as innovative and creative programs for the top tier of business students in the school. The faculty are known for work in the finance subfield of financial markets and market microstructure and in the subfield of corporate finance. The University of Utah is represented on the editorial board of each of the top four financial journals, *Journal of Finance*, the *Journal of Financial Economics*, the *Review of Financial Studies*, and the *Journal of Financial and Quantitative Analysis*. Almost all faculty are active researchers and publish in these top journals. In addition, some recent publications are in prestigious economics journals (*Econometrica* and *Econometric Theory*). Faculty are also well-represented as participants in the major finance conferences such as those of the American Finance Association, the Western Finance Association, the European Finance Association, and the Financial Management Association. The reputation of the finance group is enhanced by the highly successful Winter Finance Conference organized by members of the department. The conference draws a cross-section of top finance researchers.

The Finance Department includes 11 full-time, and two half-time tenured/tenure track professors. In addition, there are 4 full-time lecturers (two of whom are shared with other departments) and 22 auxiliary faculty. The department includes two women faculty; one is a recent hire. Teaching load is split among these three groups, with “research active” faculty teaching three courses per year, primarily at the graduate level, and full-time lecturers teaching ten courses per year. Faculty members are productive, especially relative to other departments in the Business School. Faculty members uniformly report a very collegial atmosphere. Senior faculty have a national reputation, with publications in top journals and awards. Junior faculty are protected from most service, and report that RPT standards are clear but demanding. An ongoing issue for this department is its inability to attract women and other underrepresented groups. Although the department was able to hire one new female faculty member, they argue that finance is a male-dominated field and that there are few women and minority candidates who might be recruited for open positions. Both the internal and external reviews made note of the low faculty salaries relative to national norms, but also noted that the department has been successful in recruiting and retaining strong faculty.

The Finance Department offers undergraduate business degrees, an MS in Finance, MBA degrees, and a Ph.D. Students on every level value greatly the quality of research scholarship and
teaching produced by the regular full-time faculty. The undergraduate program offers only upper division courses for students admitted to the major, the majority of which are taught by non-tenure track faculty. In response to an AACSB review, which noted the lack of tenure-track faculty teaching undergraduate classes, additional funds are being made available to hire more faculty. There is a variety of special opportunities and programs to support the department’s best students and to assist students’ networking connections to the professional world. An honors program in finance, introduced in 2003, appears to be making a substantial positive impact on finance majors as well as general business students. Undergraduate students are advised centrally, through the School of Business. There are currently about 600 students per advisor, approximately twice as many as suggested by NACADA.

The Finance department offers both an MS in Finance and the MBA degrees. The MS in Finance has been redesigned to replace the thesis or master’s project requirement with a comprehensive examination. The goal is to increase the number of students in this program to around 50 per year. The MBA is offered through three programs, the traditional two-year MBA, the Professional MBA (PMBA), which is offered during evening hours, and the Executive MBA (EMBA), which is offered on weekends. The admission standards for the day MBA and PMBA are similar, with more weight on test scores and GPA for the day program, and more weight on work experience for the PMBA. The EMBA requires a minimum of six years of full-time significant work experience. MBA students take a lock-step first-year curriculum, which does not allow students to take finance classes until the spring semester of the first year, and no advanced finance classes until the second year. All of the MBA programs are supported in part through differential tuition.

The Ph.D. program in finance is strong, with broad participation of the finance faculty and several Ph.D. courses. The students in the program are required to participate in the University’s TA training program and are provided with additional training to improve teaching skills. In return for stipends, Ph.D. students are obligated to serve as research and/or teaching assistants, and assume full responsibility of teaching an undergraduate course in their fourth year. Students are required to establish a field of interest early on, and are encouraged to interact with faculty from the first year, in addition to formal advising. Students are encouraged to write sole-authored papers and learn job interview skills while in the program, which has led to improved placements of recent Ph.D. students.

Both the internal and external reviews commented on facilities and resources needs of the Finance Department. Although library, laboratory, and computing support appear to be adequate, salaries, staff support, and building space need to be addressed. At the time of the reviews, there was one administrative assistant for the entire department and one junior tenure-track faculty member had an office in the basement.

COMMENDATIONS

1. The Finance Department has clearly articulated values which are reflected in priorities that determine the allocation of resources, support of research, scholarship and graduate teaching. This is reflected in a nationally recognized faculty that is committed to high quality research,
a collegial atmosphere that encourages scholarly achievement, protection of junior faculty from most service responsibilities that might impede their productivity, and clear RPT guidelines.

2. There is strong leadership from the department chair and dean.

3. The department offers a variety of innovative programs to support the best and brightest students at the undergraduate level.

4. The Ph.D. program is particularly high quality, with a comprehensive mentoring program and close interaction between faculty and students.

5. The Utah Winter Finance Conference, an annual conference that brings nationally renowned speakers to campus, exposes students and faculty to some of the best current scholarship, and draws national attention to the University of Utah and its students and faculty.

6. There is good library and computing support, and on-campus business institutions provide excellent learning experiences for students.

RECOMMENDATIONS

1. Faculty: The Finance Department needs to increase diversity among its faculty. It is recommended that the University consider appropriating funds necessary to attract these hires and that the department solicit the assistance of the Office of Diversity. The department should consider implementing formal mentoring of incoming junior faculty (particularly those from disciplines other than finance), monitor faculty salary levels and salary structure, and address any salary discrepancies.

2. Undergraduate Program: The department should increase program flexibility to allow for earlier finance electives. Advising of undergraduate students should be improved by creating a specialist in the central School of Business advising office or offering advising in-house.

3. MBA Program: The program should increase flexibility of the MBA curriculum to allow for earlier specialization in finance topics.

4. Support: The School should provide additional administrative support to the department.

Submitted by the ad hoc review committee:

Joanne Yaffe (ad hoc committee chair), College of Social Work
Ed Barbanell (Undergraduate Council), Undergraduate Studies
Steven Krueger, Department of Meteorology
Patricia Murphy, College of Nursing
Memorandum of Understanding  
Department of Finance  
Graduate Council Review 2004-05

This memorandum of understanding is a summary of decisions reached at a wrap-up meeting on March 14, 2006, and concludes the Graduate Council Review of the Department of Finance. David W. Pershing, Senior Vice President for Academic Affairs; Jack Brittain, Dean of the David Eccles School of Business (DESB); Martha Eining, Executive Associate Dean of DESB; Bill Hesterly, Associate Dean of DESB; Uri Loewenstein, Chair of the Department of Finance; David S. Chapman, Dean of the Graduate School; and Frederick Rhodewalt, Associate Dean of the Graduate School were present.

The discussion centered on but was not limited to the recommendations contained in the Graduate Council review completed on September 26, 2005. At the wrap-up meeting, the working group agreed to endorse the following actions:

Recommendation 1: Faculty: The Finance Department needs to increase diversity among its faculty. It is recommended that the University consider appropriating funds necessary to attract these hires and that the department solicit the assistance of the Office of Diversity. The department should consider implementing formal mentoring of incoming junior faculty (particularly those from disciplines other than finance), monitor faculty salary levels and salary structure, and address any salary discrepancies.

The department has been frustrated in its efforts to increase minority and gender diversity within its faculty, in part because of the very low numbers of minority and female Ph.D.s entering the discipline. The department has interviewed and offered positions to minority and female applicants but has not been successful in recruiting them to the faculty. The department supports the Ph.D. Project Consortium, which is designed to increase minority participation in Ph.D. programs. It is also open to recruiting its own minority and women students into faculty positions. The department will report its efforts in increasing faculty diversity in follow-up reports to the Graduate School.

The chair has appointed a junior faculty member to mentor new faculty joining the department. The department also hosts weekly lunches where junior and senior faculty discuss issues related to faculty development. The chair plans to use new differential tuition funds to address salary discrepancy issues.

Recommendation 2: Undergraduate Program: The department should increase program flexibility to allow for earlier finance electives. Advising of undergraduate students should be improved by creating a specialist in the central School of Business advising office or offering advising in-house.

These are issues administered at the school rather than department level. However, the newly initiated Honors program allows the earlier introduction of finance courses for students in this track. The David Eccles School of Business has revamped its undergraduate advising and assigned an advisor specifically for finance undergraduate majors.
Recommendation 3: *MBA Program:* The program should increase flexibility of the MBA curriculum to allow for earlier specialization in finance topics.

This concern has been addressed by David Eccles School of Business. Finance has been moved to the first semester of the first year. In addition, the program now allows for electives in the second semester of the first year. This change will permit earlier specialization in finance topics.

Recommendation 4: *Support:* The School should provide additional administrative support to the department.

An additional 3/4-time executive secretary has been budgeted and hired in the department.

This memorandum of understanding is be followed by annual letters of progress from the Department Chair to the Dean of the Graduate School. Letters will be submitted each year until all of the actions described in the preceding paragraphs have been completed.

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Jack Brittain
Martha Eining
David S. Chapman
William Hesterly
Uri Loewenstein
David W. Pershing
Frederick Rhodewalt

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David S. Chapman
Assoc. V.P. for Graduate Studies
Dean, The Graduate School
August 9, 2006