

Memorandum

To: Senators, Cornell University Faculty Senate
From: David W. Butler, Dean
School of Hotel administration
Date: September 29, 2004
Re: Masters of Management in Hospitality Degree (MMH)

Masters of Management in Hospitality Degree (MMH)

A Proposed Graduate Joint Masters Degree to be offered by Cornell University's School of Hotel Administration and Nanyang Technological University's School of Business in Singapore

Purpose

The School of Hotel Administration requests review and endorsement of this proposal by the Faculty Senate. The Dean of the Hotel School, David W. Butler, will be available at the Senate meeting to answer questions.

Introduction

Cornell University's (CU) School of Hotel Administration (SHA) and Nanyang Technological University's School of Business (NTU) have agreed to create the Cornell-Nanyang Institute of Hospitality Management (CNI) at the Nanyang Business School in Singapore which will offer a joint (Cornell-Nanyang) Masters of Management in Hospitality (MMH) degree, the same graduate professional degree offered in Ithaca. The primary goal of this graduate degree program is to educate future hospitality leaders for Southeast Asia, primarily China, and India.

The key elements of the agreement are briefly explained below to assure appropriate CU/SHA protection of Cornell's reputation, academic quality through SHA faculty approval of curriculum and pedagogy; the requirement of students to spend half of their time at Cornell in Ithaca; Cornell faculty annually teaching several courses in Singapore and all courses in Ithaca; and, through administrative control of the program by the appointment of a tenured Cornell faculty member as Dean of the Institute, based in Singapore.

Why Singapore and NTU?

In response to unmet market need in a region of the world where the hospitality industry is becoming a major industry, this program will attract students who want to develop successful management careers in hotels, restaurants, and travel and tourism-related businesses. Developing this joint degree program in partnership with the Nanyang School of Business, which is consistently ranked in the top ten of Asian business schools, is a particularly attractive option for the Hotel School in its international outreach strategy, due to: Nanyang's geographic location, which provides the perfect platform to strengthen the reputation of Cornell and its Hotel

School in Asia, including the important countries of China and India; the complementary quality of NTU Business School faculty with that of Cornell's Hotel School; the opportunity for collaborative research through the establishment of a \$1 million (USD) start-up fund; and the active financial support and expertise of the Singapore Economic Development Board (EDB), the Singapore Tourism Board (STB) and major owners of hospitality businesses in Asia for the venture. Furthermore, the proposed program will allow the Hotel School to develop expertise in Asian hospitality management through collaborative research projects and interaction with leaders in the industry.

The new program fits with the strategy of increasing the presence and reputation of Cornell and the Hotel School in Asia. It also advances Singapore's interest in establishing the country as a world-class education hub, internationally renowned for its intellectual capital and creative energy. In 1998, the Singapore Economic Development Board launched the "World Class University" program to attract a dozen world-class foreign universities to set up a significant presence in Singapore in specialized fields and strengthen its foundation for a knowledge economy. The selected institutions, which include MIT, Johns Hopkins, Georgia Tech, and Stanford (among others), represent the best in their respective fields. Singaporean academic, government and industry leaders view this prospective alliance with Cornell and the Hotel School as an important part of this strategic vision.

While the proposed program will initially be small (approximately 50 students per year by year five) and focus on Singapore and the region, it has the potential to have further substantial impact in the future through research, the development of executive education and distance learning programs, and an Executive MMH program. This relationship and its long-term potential is one of the Hotel School's key international strategies for the next ten years. However, these additional educational offerings are not part of the endorsement of the joint graduate degree proposal being requested and will be brought forward for review and approval as appropriate.

The SHA's mission of "*Shaping the global knowledge base in hospitality management*" is indicative of its commitment to creating educational and research opportunities for students and faculty that have a global impact on the hospitality industry. Within the last decade, the Asian economy and specifically the hospitality industry have grown exponentially. This has been recognized by the Hotel School's competitors (both hospitality management schools and business schools) who are moving rapidly to develop joint relationships or stand-alone institutions to exploit this educational opportunity. The School of Hotel Administration has meticulously explored partnership possibilities throughout Asia for the past several years. We believe that this relationship with Singapore will keep the School of Hotel Administration ahead of the growing Asian competition.

Why has Cornell chosen the NTU Business School as a partner?

For several years, the Hotel School spent significant resources investigating various opportunities and potential partners in Asia. Singapore was chosen for the reasons noted above and in the belief that the Nanyang Business School was the right partner as it complemented the Hotel School in a number of important dimensions. NTU is a very good business school that wishes to become a premier business school in the region and eventually the world. The key for NTU is focused, specialized programs, investment in quality faculty and facilities, and research. NTU realizes that its goals will only be achieved through a long-term commitment of resources and attention to quality in all of its efforts and activities. NTU is a school that recognizes the opportunity presented by the growing Asian hospitality industry and is excited by the opportunity to partner with the Cornell Hotel School. Previously, NTU tried to develop a hospitality management school in the early 1990s and closed it after several years due to its inability to increase academic quality. Thus, NTU recognizes the difficulty of developing a quality educational program in a specialized field and the value of Cornell as a partner. Overall, the faculty is comparable (in educational credentials and research capability) to that of the Hotel School's faculty. They hire well-trained Ph.D.s from the best business schools in the United States; they emphasize research and publishing in the better academic

journals; and they espouse the same values as the Hotel School: Innovation, quality, rigor and relevance in teaching and research and service with impact. For all these reasons we believe they are the right long-term Asian partner for us.

Program Quality and Operational Commitment

Key Operational Considerations. The MMH program will be a three-semester, 45-credit program taught over 12 months. Students will spend half the time at Nanyang Business School in Singapore and half the time at Cornell in Ithaca. NTU will provide the facilities for the Singapore site which are relatively new. The program will commence in June where the students will spend approximately the first six weeks in Singapore. Students will then spend the next seven months in Ithaca where they will complete an intensive, full-semester summer session and the normal Cornell fall semester. They will return to Singapore for the final semester and graduation (five months). There may be some adjustments to ensure that students complete two full residence units (RU's) in Ithaca necessary to earn the MMH degree.

Once the program is stabilized (approximately year three) MMH students entering via Cornell will also have the same educational opportunities as those entering via Singapore; to wit, they will be able to receive half their education at Nanyang. Our goal is that all students in the MMH program will be *required* to spend time on both continents.

The initial term of the agreement will be ten years and automatically renew every five years thereafter. There is an early exit provision for "cause" or "emergency." Termination for convenience cannot take place for the first ten years and requires a two-year notice. The damages for material breach by Cornell are capped and very favorable. Thus, we have a clear exit strategy if the relationship fails. NTU funds termination costs.

Cornell will control the curriculum. All courses and sequencing must be approved by the Hotel School Graduate Faculty. The Dean of the program will always be a CU employee chosen by CU and will also hold a joint appointment at NTU. Our goal is that the Dean will always be a senior tenured Cornell faculty member selected from the ranks of the Hotel School faculty. Instruction in Singapore will be by both NTU faculty and by Cornell faculty. The Dean will also do limited teaching. Part of the agreement includes two endowed chairs at Cornell (\$6 million USD) which will require the chair holders to spend significant time teaching and doing research in Singapore. Also included is a significant gift (\$4 million USD) which will be used for Cornell faculty to be in Singapore for short teaching appointments and to conduct collaborative research. The agreement also requires Cornell to train six Ph.D. students, completely funded by the Singapore government under a bond arrangement, who may become program faculty in Singapore.

Oversight of the program will be through a joint academic committee (controlled by Cornell) and a joint advisory board reporting to the Deans of the two schools. Provisions have been made for an independent audit of the academic quality and overall operation of the program in year three and thereafter as necessary.

Key Financial Terms.

There will be no financial risk in this program either to Cornell or the Hotel School. Besides the \$10 million USD gift mentioned earlier for the endowed chairs and related educational initiatives, Singapore will pay for all expenses except those incurred in Ithaca. Singapore has agreed to provide financial security for the program via letters of credit, comprehensive insurance and reciprocal indemnification. Ithaca instruction will be at full Cornell tuition. Present fees at Nanyang Business School are substantially below Cornell's, but they will be comparable within five to seven years.

Legal Safeguards for the Protection of Cornell. The principles of non-discrimination and academic freedom are clearly spelled out in the contract. As mentioned earlier, oversight is through the two committees to the Deans of the respective institutions. If an issue cannot be resolved, there is a provision for resolution through international arbitration. New York State law will apply in all legal proceedings. Nanyang University

and their Business School have a variety of educational initiatives with other American universities. Cornell's counsel's office has engaged in due diligence with MIT, Carnegie-Mellon, and Duke to assess their satisfaction with Nanyang. All information received was positive.

Timeline and Contracts.

Since the original presentation to the General Committee of the Graduate School and the CAPP Committee and the approval from both committees, a dispute arose between Cornell and Singapore regarding the translation of the term sheet, agreed to by both parties at the conclusion of the original negotiations in Singapore in July 2003, into contract language and interpretation of several items. We met in New York this summer and through intensive discussions over several days resolved all issues in the contract. In fact, the resolution is even more favorable to Cornell than the original term sheet. Since that meeting both parties have reviewed the contract and accepted all items and wording. The deal is done. All Singapore authorities have agreed to the written contract. Thus, we seek the necessary approvals from the University Senate in order to present this contract to the Board of Trustees for discussion and approval.

Conclusion

The Asian markets have the potential to contribute to the overall stability of the world economy, especially through the projected growth of the hospitality and tourism industry. Singapore and NTU clearly understand that for this type of market growth to be positive, there must be an educated and trained managerial and executive workforce to support it. The Hotel School sees little risk in development and implementation of this joint MMH degree program and looks forward to increasing our global reach through a partnership with NTU in Singapore.