SEEING WHAT STICKS!
REVENUE DIVERSIFICATION AND NEW VENTURING
IN THE BUSINESS SCHOOLS OF THE CALIFORNIA STATE UNIVERSITY

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SEEING WHAT STICKS!

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Linda Seiffert Oubre
DEDICATION

This dissertation is dedicated to my family:

To my grandparents, Ernest and Jessie Mae Dillard, who always inspired their children and grandchildren to be lifelong learners and to be empowered to educate and use our minds.

To my brother, Douglas Seiffert, the best big brother in the world, who never had a chance to fulfill his grandparents’ dream of getting an education. I miss you.

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ABSTRACT

SEEING WHAT STICKS!
REVENUE DIVERSIFICATION AND NEW VENTURING
IN THE BUSINESS SCHOOLS OF THE CALIFORNIA STATE UNIVERSITY
Linda Seiffert Oubre
Robert Zemsky

With changing funding models and increased competition, academic institutions are increasingly looking for new ways to finance their missions. Business schools are turning to revenue diversification through new venturing to offset declining MBA enrollment, high business faculty salaries, and changes in accreditation standards that require more engagement with industry. Diversifying revenue streams is an important challenge for business schools in California, which has experienced significant cuts in public funding since 2000. With thousands of business students across 23 campuses representing the largest concentration of future business professionals in the country, the California State University (CSU) is on the frontlines of needing to innovate for new revenue and funding sources. Despite not having the expertise or infrastructure needed to successfully launch new ventures, CSU business schools recognize the need for revenue diversification strategies and are finding ways to implement these initiatives. The purpose of this study was to examine how business schools in the CSU system diversify revenue streams. Qualitative methods were used for this study in order to uncover the stories behind the success or failure of revenue diversification strategies intended to lead to new sources of revenue and increased investment for these institutions. The research questions addressed by this study included examining what CSU business schools have
done to diversify revenue streams, who were the entrepreneurs in this context (i.e., who were the drivers and implementers of these initiatives), what organizational and financial structures were used for launching these ventures, how have these schools measured success, and what have they learned. The study findings are presented as descriptive case studies of four CSU business schools that represent new venturing lessons learned that ideally could be extended to other contexts and other institutions. These institutions are finding ways to be entrepreneurial despite the lack of resources, infrastructure, or support. They are launching new initiatives designed to generate revenue; throwing mud at the walls, and seeing what sticks!
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CHAPTER 1: INTRODUCTION

Business schools in the California State University (CSU) system are at the center of campus “new venturing,” a term borrowed from the venture capital sector that describes the implementation of innovations that lead to new sources of revenue and funding, or revenue diversification (Sahlman, Stevenson et al., 1999, pp. 8-9). New venturing is the “how to” that links revenue diversification and entrepreneurialism. With declining public funding and market pressures on traditional business education, particularly at the graduate level, business schools in the CSU must find new ways to fund their missions. The vision of CSU Chancellor Timothy White, as he articulated in an interview, is for the CSU to diversify its revenue streams; this statement represents “a vision…based on necessity.” As a business dean at a CSU campus, San Francisco State University, the message from system and campus leadership is clear: we must find new sources of revenue to invest in our mission.

Faced with declines in funding and drops in graduate enrollment nationwide, schools of business recognize the need for new venturing. However, many of these institutions, especially in the public sector, do not have the expertise or infrastructure needed to launch new ventures successfully. In higher education, administrators often encourage and support entrepreneurial activities and provide broad policy guidelines; however, little documentation exists that describes the exact mechanisms university leaders put in place to support the launch and eventual success of new revenue-generating ventures (Slaughter and Leslie, 1997, p. 219).
The shared vision and need for revenue diversification to support the academic mission are recognized and championed at all levels of the CSU. The Chancellor’s Office and campus presidents, most of whom came to the CSU in recent years, are championing the need to be more entrepreneurial.

While the importance of revenue diversification is broadly recognized across the CSU, the formal structures and resources to support the development and implementation of new revenue-generating ventures are almost non-existent. And yet, despite the lack of infrastructure and resources, in the business schools in the CSU revenue diversification has been taking place. Within these institutions are true entrepreneurs and start-up evangelists who have taken risks, leveraged resources, and launched new ventures that lead to new sources of revenue. They are individuals who rolled up their sleeves and did whatever it took to get things done. These business school entrepreneurs have launched new self-support degrees, developed corporate-sponsored non-academic programs, generated revenue from consulting services, and found new ways to fundraise, all with the goal of developing new revenue streams and supporting access and a quality education for their students.

In the context of the public university business schools in the CSU, the role of campus and system leadership in developing new revenue streams, according to Dr. Les Wong, president of San Francisco State, is to remove the cultural barriers to risk-taking and just “get out of the way!” According to Cal State LA’s business dean, Dr. James Goodrich, when it comes to new venturing, CSU and campus leaders are “…fine with it. They’re not going to stand in our way.”
The purpose of this study was to examine how business schools in the CSU system diversify revenue streams. Specifically, how have these institutions diversified their revenue streams through the launch of new ventures in the face of declining resources and the lack of institutional knowledge, resources, support, and experience?

The research questions addressed by this study are:

1. What have CSU business schools done to diversify revenue streams?
2. Who are the entrepreneurs? Who implemented these initiatives?
3. What organizational and financial resources have been used for launching these ventures?
4. How have these schools measured success? What have they learned?

This research started with discussions at the CSU Chancellor’s Office with system leadership in order to understand the context and vision for revenue diversification in the CSU. Individual business schools at four CSU campuses were selected as study sites: Sacramento State, Cal State Los Angeles, San Diego State, and Cal State Northridge.

The key finding from this research was that the recognition of the need and a vision for new venturing in fact exists in the CSU. There is a shared vision for what the institution needs to do to move forward and to continue to serve its mission. The CSU has become more entrepreneurial, and its business schools have found innovative ways to generate new revenue. System and campus leaders are doing their best to build a culture of smart risk taking and “getting out of the way.” Culture and leadership are important, but it takes an entrepreneur to make things happen. While there is little by way of resources, infrastructure, or support, the CSU business schools are finding ways to be entrepreneurial. They have been throwing mud at the walls, and some of it has stuck!
CHAPTER 2: THE CALIFORNIA STATE UNIVERSITY - MEETING ITS MISSION
IN CHALLENGING TIMES

Toward the end of 2012, six weeks before taking over the helm of the nation’s largest system of public higher education, soon-to-be CSU Chancellor Timothy White announced that he was taking a 10% pay cut to help balance the budget. In making his announcement, Chancellor White said he recognized his responsibility to steward the resources of the university during difficult and challenging times. He stated,

Consequently, as I join the faculty, staff, and students who have experienced cuts, salary freezes, and increased fees, I too must do my part. This is the basis of my request to reduce my own compensation to contribute to the rebuilding of this great university (Chancellor Timothy White as quoted in Kingkade, 2012, p. 1).

The Board of Trustees quickly and happily approved this request (Kingkade, 2012, p. 1).

A New Norm for Public Higher Education

Since taking over the university at the end of 2012, Chancellor White has been faced with the challenge of running the nation’s largest university system in the midst of severe cuts in funding to public higher education. In California, that funding was cut by $1.6 billion from 2000-2010 (Johnson, 2012, p. 4). The CSU experienced budget cuts of almost one billion dollars since the start of the Great Recession, falling 35% from a high of $2.75 billion in 2008 to a low of $1.78 billion in 2012, the year Timothy White became the CSU Chancellor (Figure 1).
The decline in public support is part of a national trend in higher education. The funding model has changed significantly over the past two decades, as all institutions have experienced significant declines in public support. Nationally, funding to public colleges is down almost $10 billion since the start of the Great Recession (Brown, 2016, p. 1). These changes in the financial model have been particularly challenging for those institutions in the public sector. Institutions have had to replace public funding with new revenue from other sources.

In the environment of reduced public funding, “doing more with less is the new norm. Some (public institutions) are even finding fresh ways to ease the financial burden on students” (Brown, 2016, p. 1). For example, in order to balance the budget, public campuses in Illinois have phased out unpopular majors and increased class sizes as demand has increased in science, technology, engineering, and mathematics (STEM) courses. Purdue, a public university in Indiana, implemented an investor funded student
income-share program to replace reduced state financial aid funding and attract students. In the program, students pay back the cost of tuition by committing a portion of their future earnings for a set period of time. Those who earn less have a portion of their loans forgiven. Graduates with high incomes pay more than they were given, thus allowing investors an opportunity to earn a return. In Maine, one public university has targeted out-of-state residents by guaranteeing tuition at the same rate they would pay if they attended their home public flagship. This program has provided a “meaningful amount of revenue” according to the institution’s provost (as quoted in Brown, 2016, p. 3).

The California State University

The challenges facing the new CSU Chancellor required similar innovations to generate revenue. According to Chancellor Tim White, the need to diversify revenue to replace public funding is a simple matter of mathematics. Revenue diversification is now an imperative in order to serve the CSU’s mission of providing access to a quality affordable education for California residents. As Chancellor White shared:

Would I love to see more public dollars supporting higher education? You bet. But in the meantime, we have to find ways to obtain resources in innovative ways to sustain the public nature of the CSU: affordable, accountable, and high quality.

The last few years have seen some funding restored to the CSU, thanks to a 2012 agreement with the Governor that froze tuition in exchange for small increases in state funding. Nonetheless, funding has not returned to pre-recession levels and the CSU has earned an increasing share of its revenue from non-state sources such as tuition, auxiliary operations, gifts, and grants from 2001 to 2014 (Figure 2). In 2001, 56% of CSU revenue
came from state appropriations and 17% from student tuition and fees. In 2014, just 31% of total CSU revenue was sourced from state appropriations, the same amount as comes from student tuition and fees and grants. In addition to tuition and fees from students, revenue from grants, donations and auxiliary operations have replaced state funds. The CSU system is currently dealing with a reduction in the proportion of operating cost provided from state funding from 80% in the 1990s to about 50% in 2016 (Rivera, 2016, p. 2; Xia, 2016, p. 3; NCES, 2016).

![Figure 2. CSU total revenue by source in dollars.](source)


As originally detailed in the 1960 Donahoe Higher Education Act, otherwise known as the California Master Plan, the California State campuses were envisioned as comprehensive institutions with a mission of teaching and access (CSU, 2016c, p. 1). Today, the CSU serves more than 460,000 students on 23 campuses, from Humboldt in
the north to San Diego 770 miles to the south and just a few miles from the Mexican border (CSU, 2016e).

The CSU prides itself on being not only one of the most affordable institutions in the country, but also one of the most racially and socio-economically diverse. As one business faculty member said, because of the type of student the CSU educates (first generation, low-income, and students of color), getting an education in the CSU changes lives:

It helps their siblings, it helps their children. It’s all paying it forward. A CSU education transforms people’s lives and whole families’ lives for generations to come.

In 2014, more than 70% of the CSU’s enrollees were students of color and 42% were under-represented minorities (African Americans, Hispanics, and American Indian/Alaska Native) (Figure 3) (NCES, 2016). The university graduates more than 105,000 students per year, representing over a third of all of California’s annual class of new college graduates from all four-year institutions (CSU, 2016d, p. 1). The CSU graduates 32% of the state’s annual class of African American college graduates, 37% of new Asian college alumni, and more than half of all Hispanic students graduating from four-year institutions in California each year (CSU, 2016d, p. 1).
Due to its size, diversity, and role in the state economy, the CSU argues that it is one of the nation’s most important economic drivers because of the state’s position as the world’s sixth largest economy (CSU, 2016f; Kasler, 2016, p. 1). The CSU is California’s largest source of college-educated employees. The system educates the majority of teachers in the state and almost 8% of all teachers in the country (CSU, 2016f, p. 1). Every year, the CSU graduates 41% of all new nurses in the state, 44% of the state’s new engineers, and 95% of California’s new graduates in hospitality and tourism. The CSU business schools graduate 45% of all new business degree holders in the state each year (CSU, 2016d, p. 2).
Challenges Facing the CSU

The CSU has very few financial levers to generate new cash or manage expenses (Xia, 2016, p. 3-4; CSU, 2016a, p. 5). Raising tuition is a controversial option for increasing revenue at the CSU. Tuition is already at the highest level ever for a CSU degree, and many students and families feel they cannot afford to pay anymore. With more than 60% of CSU students receiving full financial aid, and more than half of students being low income Pell-eligible, the CSU leadership and trustees are constrained by students’ ability to pay higher tuition.

The majority of the CSU’s costs are largely fixed. Salaries are the largest single expense item for the CSU, and most of the salary expense is for unionized faculty and staff. The system spent almost $1.5 billion on faculty salaries in 2013-14 (NCES, 2016), which represented 22.3% of the total CSU budget. Total instructional costs for the CSU, comprised of salaries and benefits for faculty, totaled almost $2.3 billion in 2015-2016, or 42.6% of the total CSU budget. The cost of instruction is more than double the second highest expense category, Operations & Maintenance, which totaled 19.1% of the CSU budget in 2016-2016 (CSU, 2017g).

There were 11,453 faculty across the 23 campuses in 2013, the last year in which all campuses reported mandated data. Of these faculty, 53.6% were male and 46.4% were female. The majority (81%) of faculty were in tenure or tenure-track positions, although lecturers, at 19% of the total, were the fastest growing category (NCES, 2016) (Figures 4, 5, and 6). Appendices 4 and 5 provide more detail of faculty make-up for each campus.
Figure 4. CSU total faculty by gender 2013.

Figure 5. CSU total faculty by rank 2013.
All faculty, both tenure track and lecturers, and non-management staff are covered under union collective bargaining agreements that are negotiated system wide. The Collective Bargaining Agreement (CBA) specifies employment duties, tenure policies, and lecturer entitlement rules, as well as compensation policies for CSU faculty. Importantly, the CBA also restricts the maximum salary that is paid to faculty at each rank, including lecturers, and also restricts total pay for individual faculty to 125% of their base salary. Consequently, despite the need to find new revenue streams, the campuses are restricted by the CBA in their ability to compensate and incent faculty and most staff for developing and launching new initiatives that require additional work beyond what is identified in the CBA (CSU, 2014).

Another challenge for the CSU is the state’s threat to move to performance-based funding. The recent renewed focus on student success and graduation rates by the
California Legislature and the CSU means that campuses must invest in moving the needle on graduation rates according to the Chancellor. This effort will take new dollars that CSU currently does not have. While the state has provided one-time funding in support of this initiative, future support is uncertain. The goal of the CSU’s Student Success and Graduation Initiative is targeted to “remove the obstacles to student success” in order to raise graduation rates (CSU, 2016b, p. 4).

The CSU has a lot of work to do to meet its goals on graduation rates. Individual campus graduation rates for 2014, as reported in the Integrated Postsecondary Education Data Systems (IPEDS), range from a low of 4% (Dominguez Hills) to 39% (San Luis Obispo) for the four-year rate, and from 28% (Dominguez Hills) to 72% (San Luis Obispo) for the six-year graduation rate (Appendix 3) (NCES, 2016). The goal is to increase graduation rates system wide from the September 2016 level of 17% to 40% in 2025 (four-year rate), and from 52% currently to 70% in 2025 (six-year rate) (CSU, 2016a, p. 5). Two of the biggest obstacles to student graduation are the availability of classes and the availability of academic advising. Removing these barriers to graduation means increasing the numbers of faculty and staff. To reach the aggressive graduation goals mandated by the state will take strategic thinking, creativity, focus, and a lot of new money.

**Revenue Diversification in the CSU**

To support new revenue diversification initiatives, the CSU Chancellor’s office is working with the Governor and legislature to “get out of the way” of new venturing on campuses by eliminating some of the bureaucratic barriers to innovation and
entrepreneurialism. In this new entrepreneurial context, campuses are freer to generate cash and revenue in ways that were previously prohibited by law and policy. This support includes allowing individual campuses to earn investment income, leveraging physical assets such as real estate and championing public-private partnerships as a way of providing financial support for key capital projects. With the rules relaxed, individual campuses can access the capital markets to generate income from reserves or take on debt to generate the cash needed to invest in new capital projects or revenue diversifying ventures. Some campuses are using new funding sources such as investment income and land leases to fund new campus buildings. Others have partnered with corporations in starting up revenue-generating ventures through their auxiliaries. And all the campuses have developed new programs to attract new markets and have engaged with alumni and businesses in new ways.

For example, several campuses, including Channel Islands, Dominguez Hills, and East Bay, are planning to issue bond debt to finance student housing, a student union, and parking. Fullerton is using future revenue as debt collateral to fund a building that will house retail outlets and the campus transportation and parking offices. Other campuses are entering into public-private partnerships with outside entities to finance new building projects, such as Bakersfield’s redevelopment of its southern border. Sacramento State is working with a real estate developer to finance and build its Recreation and Wellness Center, and San Diego State is working with hotel companies to build a campus hotel to support its academic programs in hotel and hospitality management (CSU, 2015). The creative funding techniques used to support these ventures were restricted until recently.
As the CSU Chancellor reported, the key strategy is to work to “get all the sand out of the gears” by changing policies and culture to support the campuses’ being more innovative:

We’ll get there. I think people are worried about making mistakes… none of us want to be reckless. But I actually think a mistake or two is okay from time to time, as long as it’s not catastrophic. And if you wait for the perfect, you just get paralyzed. So I think for an institution of our size, that’s a big issue… How do you change out of the molasses approach to a more nimble approach?

According to Chancellor White, the key role of the CSU Chancellor’s Office in new venturing and revenue diversification is to support the individual needs and strategies that each of the 23 campuses represents. Each campus is different, with different needs and different circumstances. The Chancellor sees his job as supporting the “diversity of approaches” implemented by the 23 institutions in the CSU.

Chancellor White also notes that while some observers are nervous about the declines in state appropriations and the shifting funding model leading to the “privatization” of public institutions such as the CSU, he sees no threats to the system’s public mission. According to him, while the university is an enterprise whose existence depends on its revenue streams and cost structure, in the CSU,

Our shareholders are the public…. If we create a relationship with somebody in the private sector, it’s a public-private partnership to preserve the public nature of the California State University.

Revenue diversification has worked for the CSU. The campuses have launched new degree and academic programs to attract new markets, implemented creative fundraising initiatives, and expanded their auxiliary operations. From 2001 to 2014, total revenue for the CSU increased almost 57% despite declines in state appropriations.
all of this revenue increase came from tuition. While money from students and families increased over 190%, grant revenue increased 108%, fundraising increased more than 317%, and auxiliaries saw an increase of almost 163% during this period (Figure 2) (NCES, 2016).

While new venturing in the CSU is important in order to address declines in public funding, all new revenue-generating ventures must “pass the smell test” in terms of adding value to students and faculty and serving the mission of the CSU. As Chancellor White reported:

I’d want to look at the business model to say whether the whole ecosystem of what it means for the students, what it means for the engaged faculty, and if it’s generating resources, how does that help the enterprise?... And if those things all point positive, then I say, “Let’s ignite this thing!”

What happens in the CSU is important for California’s future. By igniting entrepreneurialism and clearing the way for new ventures to take hold, the CSU is meeting its mission in challenging times.
CHAPTER 3: THE CHANGING CONTEXT FOR BUSINESS SCHOOLS IN THE CALIFORNIA STATE UNIVERSITY

Increased competition and market forces are pushing business schools to rethink what they do. The changing context has driven changes in how business schools do business. Globalization, disruptive technologies, demographic shifts, and deregulation are impacting the business world and, as suppliers to industry, business schools as well (Friga, Bettis et al., 2003, pp. 6-9).

The tension between resource constraints, revenue generation, and customer demands has driven business schools that are not in the top tier to find new ways to stay competitive (Palin, 2012). As confirmed in a study by Wendy Tsung (2016), an associate dean at Emory’s Goizueta Business School, many deans believe the contextual disruptions occurring for business schools will disproportionately affect schools that are ranked below 50 more than the top schools (p. 72). According to Peter Fader of the Wharton School, “At the bottom and even in the middle tier, we are hearing (about) a lot of prestigious state schools that are facing a lot of pressures” (as quoted in Tsung, 2016, p. 72). Business schools like those in the CSU must find new ways to attract new markets and diversify their funding streams to provide the resources needed to fund their missions.

Changing Market Forces

Demands from industry are driving changes in business education. Corporate organizations expect business schools to understand their challenges and adapt to new
market demands (Lloyd and Newkirk, 2011, p. 3). “With the value of an MBA in question, business schools worldwide are starting to feel the effects of an industry on the edge of extinction” (Bukowiec, 2015, p. 2).

Unless business schools meet their needs, employers will increasingly turn to online programs, customized executive training, and other non-traditional academic initiatives to get the skilled workforce they need (AACSB, 2016c, p. 1-2). And students will increasingly look to better, faster, and cheaper ways to get the skills they need to be marketable and successful in the business world. According to Roger Martin, author and former dean of the Rotman School of Management at the University of Toronto, the business school model is at risk of collapse. Stagnant salaries coupled with rising tuition have led to a decline in the value of an MBA, from a 170% return on investment in 2001 to 96% in 2014 (Poets&Quants, 2015a, p. 1):

It’s not just MOOCs (Massive Open Online Courses) or the impact of technology on higher education. It’s not just Peter Thiel, who is offering $100,000 to kids to drop out of college. And it’s not going from a payoff on the MBA of 170% to under 100%. It’s all of those things together that is creating storm clouds that are now being ignored. I absolutely believe that if business schools don’t take action in the next five years, we are looking at a…(bankruptcy) scenario (as quoted in Poets&Quants, 2015a, p. 1).

Although business continues to be the most common masters-level degree awarded in the United States (GMAC, 2016, p. 2), the traditional MBA market has shrunk and the fastest growing programs now are the specialized MS degrees, such as in finance or analytics. From 2008 to 2013, enrollment in the traditional MBA in the U.S. declined 3%. During the same period, specialized business masters-level enrollment increased 38% (McLeod, 2013, p. 23). Despite some indications that post-recession
declines in total MBA enrollment have bottomed-out and may have increased slightly in 2016 (Poets&Quants, 2015b, p. 1), traditional full-time MBA programs continue to decline, and any growth in the degree has been in part-time and executive MBA programs that enable students to continue working in their jobs (GMAC, 2016, pp. 4-5). Graduate business enrollments and revenue are also being “propped up” by a growing market of international students (Poets&Quants, 2015b, p. 1), and business schools are turning to specialty masters programs as an additional source of revenue (Tsung, 2016, p. 20).

Students are also looking for more options in how business education is delivered. And, according to data from the Association to Advance Collegiate Schools of Business (AACSB), the business school accrediting body, the number of schools offering online business degrees has grown 47.7% from 2011-2016, with all of this growth happening in online specialized master’s degrees (67% increase) and at the undergraduate level (up 80%) (Nelson, 2016, p. 1).

Employers also challenge whether academic programs in business have become too theoretical and lack the ability to train future business leaders to be critical problem solvers (Roos, 2014, p. 1). For example, in a survey of business leaders, the Gallup organization (2014) found a disconnect between what academic leaders think they are teaching and the ability of new college graduates to be able to meet the needs of employers. In the study, more than 40% of business leaders believe that college graduates lack the skills and competencies needed in business, whereas 96% of academic officers think students do have these skills when they leave their institutions (Sidhu and Calderon, 2014, pp. 1-3).
To address the need to make business curriculum more relevant to industry, AACSB has directed business schools to spend less time on teaching and research and more time engaging with real-world problems in real-world businesses (Gellman, 2016, pp. 1-2). AACSB’s new accreditation standards require that students and faculty have opportunities to work on solving practical business problems both in and out of the classroom (AACSB, 2016a, p. 7).

Some business schools are attempting to meet the challenge of becoming more practical and generate new revenue streams by changing the way they teach business. At the University of Iowa’s Tippie College of Business, for example, companies engage MBA students to help tackle “messy, real-life problems.” Finding the classic business case studies to be outdated, Dean Sarah Fisher Gardial spent several years revamping the curriculum to include required experiential learning and live cases where students actively work with corporate partners, nonprofits, and alumni on tackling problems these organizations are currently facing. Prior to implementing these changes, just 5% of the business school’s MBA graduates took experiential learning classes. For the class entering in Fall 2015, this proportion jumped to 40% (Simons, 2016, pp. 1-2).

By charging organizations for these services, the Tippie School of Business has been able to turn this new curriculum into a revenue-generating venture that provides funding for the school and gives students real-world experience. One start-up CEO shared that the competitive analysis prepared by the students at Tippie was incorporated unchanged in the business plan given to angel investors and was as good as any he’d seen by professional organizations (Simons, 2016, p. 1-2).
According to Amy Hillman (2013), dean of the Carey School of Business at Arizona State University, business schools must be able to adapt a “differentiated strategy” in order to meet the challenges in the current marketplace and to be able to compete. In addition to its in-person degree programs, Arizona State’s business school has differentiated its strategy and generated new revenue streams from new online degree programs, industry-specific certificates such as Real Estate and Small Business, and Custom Corporate training programs. The Carey School implemented an initiative to attract new student markets by adding experiential curriculum similar to the initiatives implemented by the Tippie School of Business, and making the MBA free to all students. This innovation was supported by new revenue from corporate and individual donations (Hillman, 2013, p. 1).

**Business Schools in the CSU**

For public business schools, the trend away from government funding and toward “privatization” is leading to the need for institutions to not only provide new ways to fund their missions, but also to provide a more differentiated product for more demanding customers (AACSB, 2015, p. 1). In California, the CSU business schools have experienced many of the same tensions and pressures seen in business education in general, coupled with a significant decline in state support. In this context, new venturing is taking place.

As professional schools in the nation’s largest system of public higher education, and with about 70,000 undergraduate and graduate business students across 23 campuses,
business schools in the CSU represent the largest concentration of future business professionals in the country (Figure 7) (NCES, 2016).

Business is the most popular major in the CSU, representing 15.8% of the total degrees awarded annually (CSU, 2016d; NCES, 2016). The number of CSU business majors has increased 21.9% since 2000. All of this growth was fueled by growth in undergraduate business majors, which increased 29% after a drop in 2010 when many CSU business schools managed their budgets by purposefully lowering undergraduate enrollment through a CSU enrollment management tool known as “impaction.” By implementing impaction, colleges and campuses can limit enrollment in the most popular majors. This enrollment management tool was widely used by the CSU business schools as a way of keeping undergraduate business enrollment down at a time of declining resources (Lascher, 2015).
Total graduate business majors for the CSU declined 43.5% since 2000, reflecting the increased competition and shrinkage in the MBA market discussed earlier (NCES, 2016). Graduate business enrollment at the four CSU business schools that are the focus of this study declined significantly, reflecting the challenges for the CSU and business schools as a whole. Graduate business enrollment since 2000 decreased 59.4% at Sacramento State, 47.5% at Cal State LA, 20.7% at San Diego State, and 34.5% for Cal State Northridge (NCES, 2016).

These institutions also have to replace state appropriations with revenue from new ventures. The total annual operating budgets for the four CSU business schools studied declined a total of 12.7% from all revenue sources from the 2009-2010 academic year to 2013-2014, reflecting state cuts during the Great Recession (Figure 8) (AACSB, 2016b).

![Figure 8. CSU business schools annual operating budget.](image)

While the CSU business schools continue to receive money from the state of California, many are receiving a large share of their funding from non-state sources (Table 1).
Table 1

CSU Business Schools % of Non-State Revenue 2016-2017

<table>
<thead>
<tr>
<th>CSU Campus</th>
<th>% of Total Revenue from Non-State Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Luis Obispo</td>
<td>nr</td>
</tr>
<tr>
<td>Pomona</td>
<td>21%</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>5%</td>
</tr>
<tr>
<td>Channel Islands</td>
<td>nr</td>
</tr>
<tr>
<td>Chico</td>
<td>27%</td>
</tr>
<tr>
<td>Dominguez Hills</td>
<td>nr</td>
</tr>
<tr>
<td>East Bay</td>
<td>20%</td>
</tr>
<tr>
<td>Fresno</td>
<td>20%</td>
</tr>
<tr>
<td>Fullerton</td>
<td>19%</td>
</tr>
<tr>
<td>Long Beach</td>
<td>12%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>20%</td>
</tr>
<tr>
<td>Monterey Bay</td>
<td>15%</td>
</tr>
<tr>
<td>Northridge</td>
<td>17%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>40%</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>25%</td>
</tr>
<tr>
<td>San Marcos</td>
<td>20%</td>
</tr>
<tr>
<td>Stanislaus</td>
<td>3%</td>
</tr>
<tr>
<td>Humboldt</td>
<td>nr</td>
</tr>
<tr>
<td>San Diego</td>
<td>40%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>25%</td>
</tr>
<tr>
<td>San Jose</td>
<td>nr</td>
</tr>
<tr>
<td>Sonoma</td>
<td>38%</td>
</tr>
<tr>
<td>Maritime Academy</td>
<td>nr</td>
</tr>
</tbody>
</table>

nr= no response

Source: Revenue data retrieved via Dean survey conducted October 2016.

For instance, some business schools, including two that participated in this study, Sacramento State and San Diego State, have raised 40% of their annual revenue from non-state sources. These funds were raised from revenue diversification activities and were the direct result of the business schools’ new ventures.
As one faculty member interviewed for this study shared, the budget cuts were the key motivation behind driving the CSU business schools to be more entrepreneurial:

When the government is giving you money, where is the incentive for you to innovate? You can just run things as they have always been run. The budget cuts (over the past decade) were the impetus. People always talk about how it is easier to change in the midst of a crisis. It was the crisis that sparked it (the need to find new sources of revenue).

The funds received from the state of California primarily support undergraduate degrees and traditional MBA programs. A key piece of the financial model for business schools in the CSU is the extra incentive they receive for new graduate programs to stabilize graduate enrollment. Implemented in 2007, the Graduate Business Professional Fee amounts to several million dollars annually to the largest business schools in the CSU. The Graduate Business Professional Fee is included in the Percent of Non-State Revenue figures for each business school shown in Table 1 on page 25. Officially categorized as “Tuition and Fees” for financial reporting, this fee is unique to the business schools and serves as a key lever for these institutions for creating incremental revenue. An added fee exclusively charged to graduate business students, the Graduate Business Professional Fee is strictly targeted for business school investments in faculty research, marketing, career services, and AACSB accreditation. These funds are a key source of revenue for the business schools because by CSU policy, these dollars remain at the individual college.

AACSB accreditation is seen as a quality differentiator in the crowded second-tier competitive market. More important, accreditation is a financial incentive because the CSU Executive Order mandates that business schools must be accredited in order to collect the Graduate Business Professional Fee. The existence of this potential revenue
stream provides a strong incentive for the business schools to focus on developing new graduate degree programs and certificates that allow them to collect this fee as a way to diversify revenue.

CSU Business Schools have implemented many types of new ventures (Table 2). These institutions diversify their revenue through a variety of methods that include self-support programs, non-degree programs such as executive education, using centers and institutes for fundraising and monetizing research, business partnerships, and faculty and student paid consulting projects.

New self-support programs, whether for traditional or online degrees, certificates, or non-degree programs, are the most popular source of new revenue for these institutions. Of the 18 CSU business school deans who responded to an October 2016 survey conducted for this study, 16 have implemented self-support programs that generate non-state revenue for their colleges. Often, these types of programs are designed to generate excess investment for broad use in the colleges. While revenue from these programs are often shared with other units on campus in a form of a tax, self-support programs offer a way for business schools and colleges in the CSU to fund their operations.
Table 2

CSU Business Schools Types of Ventures

<table>
<thead>
<tr>
<th></th>
<th>Self-support</th>
<th>Non-degree and</th>
<th>Paid Faculty and</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Non-state)</td>
<td>Academic Programs</td>
<td>Executive Education</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Pomona</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Bakersfield</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Channel Islands</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chico</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Dominguez Hills</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Bay</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresno</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fullerton</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Long Beach</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monterey Bay</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Northridge</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sacramento</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>San Bernardino</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Marcos</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stanislaus</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Humboldt</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>San Francisco</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>San Jose</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sonoma</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Maritime Academy</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Revenue data retrieved via Dean survey conducted October 2016.

Fundraising is fairly new to the CSU. In a time of adequate government funding, there was no need to develop the internal expertise for fundraising. Noted one faculty member interviewed for this study:
We have an institutional history of being supported by the state. So our alums from 40 years ago, it’s anathema to them to have to donate money back to us because when they came through, it was basically free… Historically we have not been seen as a place that needed extra money. Even the faculty doesn’t think that.

According to a former business school administrator:

Until the late 1990s, you couldn’t raise money in the CSU. It was against the law. So we had no culture of philanthropy, no ability to reach out to donors…. And so, we had to build it along the way.

The CSU business schools have built the culture of philanthropy and found creative ways to generate revenue from donations. Some of the colleges are packaging scholarly and consulting work through their students and faculty and using themed centers and institutes, such as the Wine Business Institute at Sonoma State or San Francisco State’s Center for Ethical and Sustainable Business, as a way to generate cash through donations. Other creative donor initiatives include business partnership programs that package offerings for corporations, including matching top students with jobs and small business consulting services. Through donor programs, the CSU business schools are using fundraising as a way to “stabilize the funding base,” according to one administrator.

An additional revenue challenge for CSU business schools is that, as middle tier institutions, they do not have the brand cache to use as a strategy to attract students in an increasingly competitive market. Shown on page 30 is the weighted average Smart Rank national and California ranking for the CSU business schools (Table 3). There are no CSU business schools in the top 50, and only three are in the top 100 nationally. The highest ranked CSU business school is Long Beach State at #82. Other CSU schools ranked in the top 100 are San Bernardino at #94 and San Jose State at #100. San
Francisco State just misses the top 100 at #101, while the four schools included in this study follow behind at #110 for San Diego State, #147 for Cal State Northridge, #163 for Sacramento State, and #216 for Cal State LA.

Table 3

*CSU Business Schools Rankings*

<table>
<thead>
<tr>
<th>CSU Campus</th>
<th>Ranking U.S.</th>
<th>Ranking California</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Luis Obispo</td>
<td>197</td>
<td>26</td>
</tr>
<tr>
<td>Pomona</td>
<td>323</td>
<td>30</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>189</td>
<td>25</td>
</tr>
<tr>
<td>Channel Islands</td>
<td>nr</td>
<td>nr</td>
</tr>
<tr>
<td>Chico</td>
<td>260</td>
<td>29</td>
</tr>
<tr>
<td>Dominguez Hills</td>
<td>nr</td>
<td>nr</td>
</tr>
<tr>
<td>East Bay</td>
<td>149</td>
<td>19</td>
</tr>
<tr>
<td>Fresno</td>
<td>nr</td>
<td>36</td>
</tr>
<tr>
<td>Fullerton</td>
<td>186</td>
<td>24</td>
</tr>
<tr>
<td>Long Beach</td>
<td>82</td>
<td>9</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>216</td>
<td>27</td>
</tr>
<tr>
<td>Monterey Bay</td>
<td>nr</td>
<td>nr</td>
</tr>
<tr>
<td>Northridge</td>
<td>147</td>
<td>18</td>
</tr>
<tr>
<td>Sacramento</td>
<td>163</td>
<td>21</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>94</td>
<td>11</td>
</tr>
<tr>
<td>San Marcos</td>
<td>nr</td>
<td>nr</td>
</tr>
<tr>
<td>Stanislaus</td>
<td>nr</td>
<td>34</td>
</tr>
<tr>
<td>Humboldt</td>
<td>nr</td>
<td>nr</td>
</tr>
<tr>
<td>San Diego</td>
<td>110</td>
<td>15</td>
</tr>
<tr>
<td>San Francisco</td>
<td>101</td>
<td>13</td>
</tr>
<tr>
<td>San Jose</td>
<td>100</td>
<td>12</td>
</tr>
<tr>
<td>Sonoma</td>
<td>nr</td>
<td>37</td>
</tr>
<tr>
<td>Maritime Academy</td>
<td>nr</td>
<td>nr</td>
</tr>
</tbody>
</table>

nr= not ranked

Source: Smart Rank data retrieved October 22, 2016 from: http://business-schools.startclass.com/a/California
Again, these rankings mean that, unlike the top tier institutions studied by Wendy Tsung (2016), the CSU business schools are not positioned to use brand as a tool to attract new students in an increasingly competitive business school market. As one business school administrator responded when asked why new venturing is so difficult in the CSU, “One (reason) is just competition. I don’t think the brand’s there… (we) just don’t have the brand equity.”

On the other hand, although they do not compete nationally, the CSU business schools are well positioned to satisfy demand and leverage their place as regional institutions in their respective local geographic markets. In a recent study commissioned by UNICON, the Executive Education Consortium, many corporate leaders expressed their desire to engage more with their local business schools (Lubeck, Cheng et al., 2015, p. 43). The CSU business schools are perfectly positioned to build more engagement opportunities with external partners that create diversified revenue opportunities.

Leaders and faculty in the CSU business schools recognize the need to be entrepreneurial, but even at this level, change has not been easy. Still, with the Chancellor and most of the campus presidents having joined in the last five years, the message is clear: The CSU campuses must be more entrepreneurial. However, it was not clear to the business school administrators and faculty interviewed for this study how this shift towards entrepreneurialism is being supported. As one business school administrator interviewed for this study said, it is difficult changing from a campus where the past president was a political appointee and state money was in abundance. In that environment, there was no need for alternative revenue sources. This situation has changed radically over the past several decades. Even on a campus where administrators
have to submit their plan to the president for how they are going to be innovative in the
next year, there is little support or resources and the individual academic programs are
left to figure things out for themselves. At Sacramento State, Dean Balthazard sees the
challenge as one of balancing academic quality and resources:

  It’s the Home Depot spiel – you’ve got good, better, and best. The state
  budget allows us to be good. If you want us to be better, we need help. If
  you want to be best, well, we need a hell of a lot of help.

  System and campus leaders have worked to remove barriers and move out of the
way, and the CSU business schools have learned to help themselves. These institutions
have become free to innovate and experiment, and they have launched new ventures with
the hope of success. At the four CSU campuses visited for this study (Sacramento State,
Cal State LA, San Diego State, and Cal State Northridge), deans, faculty members, and
administrators are making new venturing happen by throwing mud at the walls and
seeing what sticks.
We had 22,000 students on campus and we’re now close to 31,000. So it’s not just that we have less money, we have more students, we’ve become more efficient in what we’re doing. Whether we like it or not. (former Sacramento State administrator)

Like all of CSU, Sacramento State is challenged to diversify revenue to meet its mission. At the business school, they are being entrepreneurial and have launched new ventures as a way of generating new funding to replace what was lost from the state.

With just over 4,100 students, Sacramento State’s College of Business Administration (CBA) is a diverse college with a large proportion (34.2%) of first-generation students (CSU, 2017c). With declines in state funding, the CBA has experienced declined enrollment as a result of managing undergraduate enrollment through the CSU-specific enrollment management tool called impaction, where campuses or individual colleges can restrict enrollment to high-demand majors (Figure 9). According to one administrator, 50% of Sacramento State’s students come from families that make less than $40,000 per year.

The CBA offers an undergraduate degree as well as several graduate degrees that include an MBA, an Executive MBA, and an online Masters of Science in Accountancy. Some of the CBA’s successful new ventures include a hybrid format MBA in Singapore. The school also has an on-campus international MBA program that targets budding entrepreneurs from other countries who want to come to the United States to start a business. According to a faculty member involved in the program, most of the program’s students are entrepreneurs or come from entrepreneurial families.
A fairly new dean, Pierre Balthazard, who joined in 2015, leads the CBA. A self-described entrepreneur who grew up in a family business, Dean Balthazard sees his job as “minding the store,” literally! By working in his family-owned store, he learned early on “what it meant to go on the street and get a buck when you need to have a dollar.”

Dean Balthazard served as a faculty member at Arizona State during the Great Recession, a time when higher education in Arizona suffered large divestments of public funding. This experience reinforced his entrepreneurial nature. As he stated in an interview, the financial situation at Arizona State taught him to focus on finding new ways to generate revenue: “You have a mortgage…the mortgage doesn’t take a furlough. So you have to learn.” Dean Balthazard is working to instill this philosophy at the CBA.

Located in the California State Capital, a government town with a small Fortune 500 corporate base, the business school at Sacramento State is perfectly situated to
leverage engagement opportunities with government agencies and suppliers, as well as corporate organizations, insurance companies, associations, and small businesses. Key partners include the Sacramento Municipal Utility District (SMUD), Intel, Union Bank, Wells Fargo, Aerojet, and many others. The CBA draws on this business base as well as state government employees and small business entrepreneurs as its students and business partners.

The CBA has found ways to be entrepreneurial in a government town. According to Dean Balthazard, the Sacramento community is full of entrepreneurs, and the CBA’s most successful graduates are individuals operating their own businesses. As a result, many of the CBA’s new revenue diversification initiatives are focused on entrepreneurship and small business. The CBA also serves as the hub for innovation and entrepreneurial activity on campus. Faculty and administrators in the business school have worked to build bridges to other disciplines on campus, in particular the engineering program. Cross-campus engagement activities include the Idea to Product program that pairs business students with engineering students in an annual business plan competition to commercialize a new product. As Dean Balthazard reported:

A college of our size in the state of California stays afloat not because of the allocations through Academic Affairs, which are actually lower than they were 10 years ago…. We pay our own way.

The most recent mayor of Sacramento, former National Basketball Association star Kevin Johnson who served from 2008 through the end of 2016, selected entrepreneurship and innovation as the flagship initiative for the region. Mayor Johnson supported this effort through grants, and since part of the mission of Sacramento State is
to contribute to the economic development of the region, Dean Balthazard serves on the selection committee for these grants.

As the only comprehensive public university based in the city of Sacramento, the CBA has very little competition for its revenue-generating programs and is able to draw from large government entities as well as small businesses as a source of students, donors, and partners. The competitive landscape is changing, however, as it is for all business schools, as the demand for a traditional MBA declines and students and corporations look to engage with these institutions differently. Other business schools in the region include the University of California Davis Graduate School of Management, which runs a satellite Sacramento MBA program, and University of the Pacific, located in Stockton. Drexel University had a fairly visible west coast MBA program located in Sacramento for a number of years, but it was recently discontinued. Like most of the business schools in the CSU, administrators and faculty at the CBA believe their competitive advantage is affordability.
The total operating budget for the CBA increased in the 2015-2016 academic year after declining significantly during the recession (Figure 10). Although revenue has not come back to pre-recession levels, the CBA has been able to service its students by finding revenue to replace what was lost by the state and managing undergraduate enrollments. Total operating budget per student has increased steadily since 2006 and is now at its highest reported level in the past decade: $3,208 per student (Figure 11).
According to a former Sacramento State senior administrator, the goal at the CBA as at other CSU business schools is to achieve the balancing act to cover your costs and achieve self-sufficiency:

How do we create programs in different areas? How do we basically diversify revenue to mitigate risk, because sometimes one program does well and another does not? And so it’s that balancing that really plays a key role in helping to stabilize the finances.

In the CSU, “self-support” academic and non-degree programs are the key revenue diversification tools available to the business schools. As the former Sacramento State administrator observed, “The CSU gives the business schools a ‘loophole’ called ‘self-support programs.’” The revenue from self-support programs comes from programs that receive no state appropriations and are essentially self-funded in that they cover their...
own costs, allow programs to charge more than the standard CSU tuition rates, and generate profit that can be reinvested back into the college.

The CSU Graduate Business Professional Fee generated from all graduate business programs, both state-funded and self-support, is an important source of revenue that each school uses to fund their operations. In addition to a state-supported traditional MBA program, the CBA has other self-support academic programs that include non-traditional degree programs such as Executive MBAs, specialized graduate degrees, or online programs.

Self-support is an important source of new revenue for the CBA. These funds have replaced money that previously came from the state. According to Dean Balthazard:

In a college of business, the difference has all been self-support... If self-support went away and the state just said, “Now, it’s all a part of the state side,” major things would change here.

A key metric used for measuring the financial success of any new venture is the incremental net funds available after the incremental revenue and incremental expenses associated with the new venture are taken into account. Official financial statements for these ventures were not available for this study. Instead, an estimated incremental profit and loss (P & L) from new initiatives was created for each site based on data collected from the campus web sites, AACSB, dean’s survey, and participant interviews. For the purposes of this financial analysis, incremental revenue was estimated based on the proportion of new revenue associated with new ventures. Estimated incremental expenses include the direct expenses associated with new venturing, such as staff, marketing costs, and other expenses the schools incur solely because of the new venture.
activity. Incremental expenses exclude costs that do not go away if the venture is closed, such as faculty release time.

The CBA’s new venture activities are generating new sources of funding for the institution. About 40% of the CBA’s financial resources are the result of the school’s revenue diversification activities (Table 1). The business school’s incremental annual revenue is estimated at almost $4.9 million, of which about $762,000 is generated by the Graduate Business Professional Fee (Table 4). Revenue from new ventures such as self-support programs is currently growing at about 1% to 1.5% per year, according to the dean, representing about $500,000 to $1 million per year of incremental new revenue.

The school invests almost $2.5 million per year in revenue-generating programs. This investment includes marketing costs and staffing. The CBA devotes 10 staff and dedicated faculty to revenue diversification activities, according to Dean Balthazard. Even after incremental direct expenses, the CBA generates almost $2.4 million from its new venture activities. These funds are re-invested into the institution and used to fund academic programs, capital improvements, faculty research and development, and other initiatives that further the college mission.
Table 4

*CSU Business Schools Estimated Annual Incremental Financial Impact of Revenue Diversification Initiatives – Sacramento State*


<table>
<thead>
<tr>
<th>Sacramento State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue For Business School</td>
</tr>
<tr>
<td>Estimated Revenue from:</td>
</tr>
<tr>
<td>Graduate Business Fee</td>
</tr>
<tr>
<td>Other New Initiatives</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Estimated Direct Incremental Expenses</td>
</tr>
<tr>
<td>Staffing</td>
</tr>
<tr>
<td>Marketing &amp; Adv</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Net Available for Re-investment</td>
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</tbody>
</table>

CBA faculty members involved in new venturing understand the importance of revenue-generating programs. As one faculty member noted:

(The dean) is certainly working on supporting faculty ideas to be entrepreneurial. And in that sense, I think we actually do have resources available, largely because of the self-support programs.
In addition to a robust graduate and self-support degree portfolio, the CBA diversifies its revenue through a business/corporate partnership program and three centers for scholarly, corporate, and community engagement. These are the Center for Small Business, the Center for Entrepreneurship, and the Center for Business Analytics. These centers are an important source of revenue for the CBA, which has monetized these activities by offering certificates, non-credit programs, consulting services, philanthropic donations, and other activities. These centers also provide engagement opportunities for faculty, students, and alumni from all disciplines across campus. The CBA is also launching a Small Business Academy that will provide certificates to budding entrepreneurs.

Dean Balthazard is not the only entrepreneur-turned-academic involved in new venturing at the CBA. When it comes to the successful launch of revenue diversification activities at the CBA, it matters who is involved, and that “who” is often an entrepreneur. All of the five individuals interviewed at Sacramento State are self-described entrepreneurs. Most, including both faculty and administrators, have a background in starting up new ventures, either before they started their career in higher education or during their academic tenure. And, like business entrepreneurs, these individuals talk about their entrepreneurial passion and understand the balancing act of risk-taking and financial return. As the former Sacramento State administrator said, “Sometimes you have to make mistakes to broaden your insights and develop additional skills.”

Moreover, as with the leaders of small businesses or start-ups, these CBA entrepreneurs understand the importance of networks and people. According to the former administrator:
(Success is based on) the accident of personal relationships… Who was the advocate that moved it forward and who had the personal relationships? The personal relationships mattered a great deal.

At the CBA, as in many business start-ups, new ventures were launched by leveraging existing resources to make things happen. The former administrator who was involved in these revenue diversification activities at Sacramento State believes that being entrepreneurial means finding new ways to manage the inefficiencies in higher education: “We under-utilize our resources to an extent that you would not see in a family business.” These under-utilized resources provide a great opportunity to find new ways to use people and money in support of revenue diversification.

The CBA has launched new ventures by leveraging its resources, for example, by using faculty and student volunteers and offering student internships. Administrators at the school have also learned to create funding resources by saving some of the money earned by new ventures for future investments. According to one:

Every student, even though you make a couple of cents on them, it adds up if you’re frugal. We don’t burn money, we invest money.

For example, when the university wanted to purchase a building in downtown Sacramento, the business school was able to pull almost $1 million from this nest egg in order to make the needed investment in physical presence and brand visibility in the growing downtown business district. As one faculty member expressed, “Basically (the dean) says ask” if you want resources for a new idea. “You know the answer may be yes.”

Despite messaging from CSU and campus leadership about needing campuses to be entrepreneurial and about the role of leadership of “getting out of the way,”
individuals interviewed at the CBA agree that launching ventures in the CSU is very
difficult. Some faculty and administrators warned that there is a general dis-incentive to
being entrepreneurial. As one shared:

The more entrepreneurial you are, the more you hit rules and regulations
that are there to counter the entrepreneurial spirit.

Despite Chancellor White’s attempts to “get the sand out of the gears,” there are
many barriers to being entrepreneurial. Everyone interviewed at Sacramento State feels
the constraints of being part of a state organization. Participants mentioned the
bureaucracy, resistance to change, and the faculty union environment as being barriers to
entrepreneurialism in the institution. One former administrator shared that the most
difficult part is the process where everything is carefully vetted at all levels, even for
certificate or non-degree programs:

Sometimes, the personalities of the faculty involved impact the process. I
guess the part that I struggled with the most is that people who may never
have launched a program or who have no expertise in the discipline can sit
in judgment over new programs. In the private university where I worked
before (the Wharton School), that process seemed more transparent.

As one faculty member said, the union structure tends to kill innovation because
the Collective Bargaining Agreement restricts whom can be hired and how much can be
paid. “I do research in innovation,” said one faculty member. “We’re union. My
research shows that union shops don’t tend to be very innovative.” An example this
faculty member cited is the CBA’s MBA program in Singapore. Despite graduating its
first three successful cohorts, the program was put on hiatus due to “campus politics”
with the union.
Faculty often block new revenue-generating programs, even those that are led by other faculty. One faculty member said that getting fellow faculty to buy into a new program is the most difficult part because faculty in the CSU often see resources as a zero-sum game. They tend to be territorial, especially during times of scarce resources. These fears can sometimes lead to faculty putting up roadblocks for fear that a new program will drain resources away from their own priorities. One faculty member combats these envious attitudes by working hard to not get much attention showered on the center he runs for the CBA:

One misperception from other faculty is that the center is sucking up a lot of CBA resources that they deserve. This misperception creates a little bit of competition in terms of who is trying to seek the limelight at the college. I try to stay out of the competition and stay independent.

Additionally, the governance process is sometimes used as a weapon to slow down or kill innovative ideas. New academic programs can take up to two years to progress through the faculty approval process, which often jeopardizes the school’s ability to be nimble and remain competitive. In one example, the college spent two years getting new MBA concentrations approved that would make the curriculum more competitive and more up to date. As one faculty member shared:

Launching a new program takes a monumental degree of effort. First you have to create the formal proposal, and then it has to be approved by a committee, then the faculty council, and then at the university level. The approval process takes at least an entire academic year. But then, once it was approved, we had an additional challenge because we did not have the required faculty to teach these new courses. And it’s not so easy to hire tenure track faculty. So it takes at least another year to get the faculty to teach the course.

In another example, when launching an undergraduate business honors program, the faculty leader had to develop the idea, sell it to other faculty, and implement it:
Some people loved it. Some people hated it. Some faculty felt that the program was counter to our mission of access. So, I had to be a cheerleader. I had to collect the data. I conducted a survey and focus groups of students. I talked with external people. It went back and forth multiple times. It was finally approved. Developing the content of a program is one thing. But the actual implementation, reaching out to faculty and getting their buy-in, that was the most difficult part.

The organizational effort and coordination required to get a new program approved is a disincentive to entrepreneurialism. The “bureaucratic system” needs to be broken in order to encourage innovation. It can be difficult working through the “strong silo-based organizational structures” of the campus and CSU, according to several faculty members interviewed. Often, individuals give up just to the amount of effort involved.

Human resource constraints and the lack of an incentive structure for entrepreneurial programs were mentioned as significant barriers to launching new ventures at the CBA. In the CSU system where the statewide Collective Bargaining Agreement governs faculty tenure, promotion, and compensation, there are few levers to incent faculty to engage in entrepreneurial activities versus teaching, research, and traditional service. As Dean Balthazard commented, publishing is “the currency to get tenure.” Being entrepreneurial does not show up in the tenure evaluation.

As one professor observed, faculty have a lot on their plates, and involvement in the community even for entrepreneurial activities does not count as service. On the other hand, one participant noted that at the Center for Small Business, a small faculty incentive of $100 per case has managed to get some faculty interested in getting involved: “It’s a modest award, but it works.” Additionally, because non-management
staff are also unionized and governed by collective bargaining, there are no mechanisms to pay non-salary incentives to staff members for generating new revenue.

The metric for success of new ventures at the CBA is the financial success: Are these ventures covering their costs, and is the CBA generating enough revenue from their revenue portfolio to replace the funding lost from the state? In a world where revenue diversification is about revenue replacement, the CBA has been successful. As seen earlier, the CBA is generating significant funds from their revenue diversification activities (Table 4). Despite state cuts to the campus’ budget, the CBA’s total revenue has increased almost 10% since 2013-2014. As a result of restricting undergraduate enrollment through impaction, funding per student was at its highest level in a decade, up more than 27% from 2006 to 2014 (Figure 11). And, partially reflecting efforts to diversify revenue by replacing state allocations with other sources, revenue for the CBA increased almost $1.1 million, or 9.9% from the low in 2013-2014 to 2015-2016 (Figure 10) (AACSB).

Other success metrics mentioned by administrators and faculty at the CBA include student engagement, student satisfaction, student jobs, alumni career advancement, learning outcomes, faculty accreditation qualifications, and faculty research and development. Another key metric mentioned by a faculty member is “students making an impact on society” as measured by “how many new ventures have you launched in the community that help drive the economic vitality of the region?”

Sacramento is a great place to be…if you’re not in San Francisco, this is pretty good! (Dean Balthazard)
CHAPTER 5: CAL STATE LOS ANGELES - BECOMING THE CITY’S BUSINESS SCHOOL

If you want any money, you’re going to have to pretty much raise it yourself. (Cal State Los Angeles administrator)

Cal State Los Angeles (LA) and its College of Business and Economics (CBE) are staking out a claim for the city of Los Angeles. Located in the Monterey Park area, Cal State LA’s main campus is about four miles east of downtown. Unfortunately for Cal State LA, the city’s economic base is located several miles west and northwest of the campus, in downtown, Hollywood, Mid-Wilshire area, Century City, Beverly Hills, Santa Monica, and Burbank. Given the demographic and traffic patterns of Los Angeles, Cal State LA’s main campus is just a bit too far from the Southern California hubs for banking, accounting, and legal services, and more than 20 miles away from the entertainment capital of the world. Thus, the campus has always been seen as a stepchild to the other well-known universities in the city, notably the University of California, Los Angeles and the University of Southern California.

Historically, Los Angeles’ downtown center was known more for its “Garment District” and “Skid Row” as many of the large companies moved to the west side communities of Beverly Hills, Century City, and Westwood over the last 50 years, or northwest to Hollywood and Burbank. With the presence of the entertainment company AEG and L.A. LIVE in downtown, the building of the subway system, and an infusion of redevelopment investments after the Rodney King riots in the 1990s, the center of Los Angeles is booming. According to analysts, Downtown Los Angeles is experiencing its biggest building boom since the 1920s. New projects include the largest high-rise west
of the Mississippi and a $1 billion complex across from L.A. LIVE and Staples Arena (Khouri, 2017, pp. 3-4). Many millennials have moved to the area, and it is even becoming an attractive place to live for Cal State LA faculty. According to Dean Jim Goodrich:

The fact is that (Downtown Los Angeles) appeals to older and younger people right now and it’s growing rapidly…and it’s quite impressive really, the renaissance…. Who would ever have dreamed in our lifetime that we’d see a craft beer being served in a bar in Ralph’s supermarket in Downtown LA!

There is a renaissance of the city’s center, and Cal State LA has jumped at the opportunity to develop a competitive position in the city’s downtown business community. Recognizing the limitations of its eastern Los Angeles location and the potential of business revitalization in the city’s center, Cal State LA opened a downtown campus (Cal State DTLA).

This new campus in a vibrant Downtown Los Angeles location positions Cal State LA and the CBE as the public business school for this part of the city. From this strategic platform, and with the continued sustainability of its main campus operations, the CBE has launched initiatives to diversify its revenue and contribute to the institution’s sustainability.

With its diverse student body, Cal State LA’s business school is positioned to be the major provider of diverse employees in corporate, accounting, financial services, and many other organizations. According to one administrator interviewed for this study, the new downtown location is a way for the campus to tap into new student markets. Cal State DTLA offers executive training, academic programs, and certificates in several
disciplines. In addition, the CBE operates a new Saturday MBA program at the downtown location.

The CBE serves more than 3,400 students at both the undergraduate and graduate levels (Figure 12). As seen in the other CSU business schools, undergraduate enrollment has increased steadily after taking a dip in 2010. Graduate enrollment declined over the past decade, but has leveled off due to new programs that have attracted new markets of students.

![Graph showing enrollment trends](image)

*Figure 12. Cal State Los Angeles business majors.*


The dean of CBE, Jim Goodrich, came to the campus in 2011 from Alliant International University’s San Diego campus, where he was dean and vice president for International Business Programs. Like Dean Balthazard at Sacramento State, Dean Goodrich previously served at several campuses that are known for being entrepreneurial.
At Alliant, Goodrich was the founding dean of the business school, a start-up that provided new revenue streams for the private institution. Dean Goodrich’s revenue diversification strategies included implementing partnerships with universities in Europe, Latin America, and China. Before Alliant, he was dean of the Atkinson Graduate School of Management at Willamette University in Oregon and associate dean of the Graziadio School of Business at Pepperdine University.

In addition to its program at the downtown location, Cal State LA’s business school offers an MBA, MS degrees in Accountancy, Healthcare Management, and Information Systems, and a very successful bachelor’s completion program on its main campus. The CBE also has a Center for Entrepreneurship and Innovation that monetizes events as a source of revenue and runs a Start-up Weekend, a Business Pitch contest, and Global Entrepreneurs Week. Like many of the CSU business schools, the CBE has also jump-started its fundraising programs and is using donor programs creatively in order to generate more cash for the school.

According to several administrators at the CBE, and similar to what was observed at Sacramento State, the goal of the revenue-generating programs at Cal State LA’s business school is to generate funds to replace what was lost from the state. These strategies have worked. The CBE’s total revenue is up more than $7 million, or 69%, since 2010 (Figure 13). Funding per student has increased 33% since 2006 (Figure 14).
Figure 13. Cal State Los Angeles College of Business and Economics total operating budget.

Figure 14. Cal State Los Angeles business school budget per student.
As is the case at all of the CSU business schools visited for this study, the Graduate Business Professional Fee is a key source of revenue for the CBE, amounting to about $1.5 million per year (Table 5). According to Dean Goodrich, when the CBE originally started developing and launching new revenue-generating programs, this fee was the only tool available. “So the first step I took was to try and increase graduate enrollment… We started with hiring a marketing officer.” The marketing officer was charged with working to increase advertising and marketing of graduate programs to grow revenue. The business school invests approximately $425,000 per year in revenue diversifying programs, resulting in about $3.9 million in revenue.

With increased competition, both locally and internationally, the CBE currently spends about $300,000 annually on marketing and advertising, mostly targeted toward graduate enrollment. Most of this spending is on targeted marketing with Google Ad Words and on improving the college’s web site and social media presence.
Table 5

CSU Business Schools Estimated Annual Incremental Financial Impact of Revenue Diversification Initiatives – Cal State Los Angeles

<table>
<thead>
<tr>
<th></th>
<th>Cal State Los Angeles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>For Business School</td>
<td>$19,284,524</td>
</tr>
<tr>
<td><strong>Estimated Revenue from</strong></td>
<td></td>
</tr>
<tr>
<td>Graduate Business Fee</td>
<td>$1,436,813</td>
</tr>
<tr>
<td>Other New Initiatives</td>
<td>$2,420,092</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,856,905</td>
</tr>
<tr>
<td><strong>Estimated Direct Incremental Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>75,000</td>
</tr>
<tr>
<td>Marketing &amp; Adv</td>
<td>300,000</td>
</tr>
<tr>
<td>Other</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$425,000</td>
</tr>
<tr>
<td><strong>Net Available for Re-investment</strong></td>
<td>$3,431,905</td>
</tr>
</tbody>
</table>


Developing international partnerships to grow revenue from self-support programs is another strategy that Dean Goodrich brought with him from Alliant. The CBE has a successful 4+1 program with Xiamen University in China, in which students complete their first year curriculum in China, which includes study in English. Once they complete their approved courses and have shown proficiency in English, the standardized
admissions test is waived and they come to Los Angeles for one year to complete their MBA program. Cal State LA’s business school also has a similar program with a private university in China. These programs provide a steady pipeline of international students, and thus revenue, to the college.

Strategically positioned in an international gateway city, the CBE leverages its location or “place” in a geographic hub of the Pacific Rim and Latin America. The Global Center for Entrepreneurship and Innovation within the CBE offers opportunities for training for students, alumni, and other future entrepreneurs. The Asian Pacific Business Institute is positioned to take advantage of Los Angeles’ global location and large number of Asian- and Latino-owned enterprises. These centers focus on connecting the CBE with the burgeoning economies of Asia and Latin America and on taking advantage of the interconnectedness between Los Angeles, Asia, and Latin America.

The CBE has recruited heavily internationally and has built partnerships with institutions, particularly in Asia, as a way of diversifying revenue and attracting more international students into the graduate business programs. Los Angeles’ place in a global world also helps the CBE generate revenue from short-term international students with its Study in L.A. program and a Prep MBA. As one administrator shared:

It’s become a much more competitive business. There has been a lot of fluctuation (in graduate business programs). It’s in our budget plan to recruit more international students because they pay more. Unfortunately, international students are both good and bad. We’ve become over-dependent on international students (as a source of revenue)... There’s no reason we should be so dependent on the international students. There are plenty of domestic students that want these degrees.

At the CBE, summer session and intersession are an important source of self-support revenue. While many of the CSU’s historically funded and operated summer
classes are part of “stateside” or general fund programs, with the Great Recession many campuses moved these programs to self-support in order to have more flexibility to charge varying tuitions and diversify their revenue streams.

As Dean Goodrich confirms, summer self-support has been a very important revenue source for the CBE:

We get a lot of money from (summer). All expenses are taken out, but there are not a lot of expenses because it’s basically our classes with our professors and classrooms and our majors.

The CBE also boasts a strong business/corporate partnership program with a focus on internships and careers. Through donor support to the school, CBE students gain real-world skills in investment and portfolio management and work in internships in accounting firms, the entertainment industry, financial services, commercial real estate, and other fields. According to an administrator involved in fundraising, the CBE earned just under $900,000 in donations last year, including money from business partnerships.

Like most business schools in the CSU, the CBE has leveraged its resources in order to support its revenue diversification activities. It’s what Goodrich calls:

…the chicken or egg nature of the CSU: In the CSU, resources are scarce. In order to get new resources, you have to prove that you can pay for it. But you need the resources to drive new revenue streams.

Dean Goodrich is very strategic and measured in how he utilizes and deploys resources. He often uses faculty to manage these ventures and has turned to creative techniques utilizing course releases and partial funding in order to support faculty involvement because he feels it is important to get faculty involved. “We can make money off this, but also we can help provide the necessary funding for the positions that we need.”
In addition to paying faculty course releases for new ventures, the college has a small marketing and business development team of two staffers who manage marketing activities to drive revenue in addition to their roles managing social media and promotion for the academic programs, and coordinating accreditation. The school also has one fundraising officer who works with the marketing and business development team on initiatives that overlap donor cultivation and new revenue generation, such as the business partnership program.

The biggest barrier to implementation of these programs and eventual success is the “sand in the gears” and the “molasses approach” to which Chancellor Tim White alluded. Or, as Dean Goodrich said, in the CSU, being entrepreneurial is “not the mindset. People in the CSU are not accustomed to being entrepreneurial.”

As an example, Dean Goodrich pointed to the centralized admissions process on campus. The graduate admission process is a large barrier to the CBE’s drive for new revenue streams, especially as the graduate business landscape has become more competitive. The Los Angeles area is home to many business schools, including top ranked programs at the University of Southern California and the University of California, Los Angeles. Additionally, the CBE must compete with other CSU schools, in particular Cal State Long Beach, and programs offered by Chapman University, University of Redlands, and Loyola Marymount University. The University of Michigan’s Ross School of Business also has a satellite program in Los Angeles. To address this competition, Dean Goodrich has worked to take control over the admissions for his graduate programs. “It’s hampered us. Plus we don’t respond properly to grad
students, especially international students.” This effort has political costs, takes time, and is difficult to achieve.

As with most of the CSUs, Cal State LA has experienced a lot of change over the past five years; for instance, a new president and leadership who support individual programs and schools becoming more entrepreneurial by “getting out of the way” or “not stopping us,” as one administrator put it. In terms of finding new revenue streams, there is much that the CBE can and should do, but Dean Goodrich worries that “change fatigue” may set in:

We have 29,000 students on a campus built for 22,000 and you have a new center, a new location, many new faculty, and a quarter-to-semester conversion, and then it all starts to pile up. People start going, “Wait a minute. How many more changes do I have to make in a short amount of time?”

As is the case at Sacramento State, the lack of incentives to support new venturing is a barrier for the business school at Cal State LA. By CSU Chancellor’s Office policy, all self-support academic programs, including both degrees and academic certificates, must be operated in partnership with each campus’ extended learning arm. However, these divisions tax the academic units for these joint programs. At Cal State LA, the extended learning organization takes about 40% of all net revenue from CBE programs. According to Dean Goodrich, this tax acts as a dis-incentive to launching new ventures since essentially the CBE does not make any money from the first 25 students enrolled in any new program:

Unfortunately, we don’t really make much from the first few cohorts because (the extended education unit) takes a lot of the money. They also get reimbursed for all their expenses, and they’ve had a lot of expenses. And we just get a share of what’s left.
While some colleges and schools in the CSU, such as the College of Business at Sacramento State, have strategically used funds as savings accounts for future investments, at Cal State LA the campus history of “sweeping” these accounts can also act as a dis-incentive for the college to save to invest in future new ventures. As one administrator reported:

There’s no reason for us to really run a surplus because people can grab it. We’d rather just use it to build ourselves up. I just consider it as a continuing investment in us.

Success at the CBE is measured based on the school’s ability to maintain year-over-year graduate enrollment in a competitive marketplace. Any money the CBE makes from new ventures is reinvested back in the college. The more successful the CBE has been at new venturing, the more opportunity the school has to fund new faculty positions that will help achieve its mission. According to the dean:

I measure the results directly in terms of incremental revenue…and in terms of graduate business fees. It’s a direct revenue stream in terms of results and money for us. More foreign students results in more money for us.

Dean Goodrich is the entrepreneur at the CBE at Cal State LA. He is the main reason the school is successful at creating new sources of revenue. Dean Goodrich drives new venturing in the college by finding resources, taking risks, making things happen, throwing mud at the walls and seeing what sticks. As he explained, he sees new venturing for revenue diversification as his role: “I think that we should take the lead in trying to (implement new ventures).”

But, at CBE there aren’t enough resources to accomplish everything the dean envisions. In his previous institutions, Goodrich was involved in several entrepreneurial
activities, including the development of corporate partnerships. For example, Pepperdine’s business school had its own “sales force” of three individuals who would target the top 70-80 companies in the area to develop partnership programs with Pepperdine’s business school. At Cal State LA, the dean explained, “I’m just tearing my hair out because there’s (sic) so many opportunities with each of the very large organizations.” These are opportunities the CBE just doesn’t have the resources to pursue.

According to Dean Goodrich, part of his entrepreneurial leadership is to use strategic planning as a way to get people within the college to look at the bigger picture. He understands the challenges and context of a business school in the CSU with increased competition and continued declines in state funding. It is his role to plan ahead and get new ventures in place in order to avert the next fiscal crisis. Faculty have a role to play in revenue diversification and, according to several administrators, faculty make suggestions for new revenue-generating programs all the time. But it is the dean and his team who make things happen.

As one administrator said in an interview:

The dean is very entrepreneurial. We could not do it without him! Our biggest challenge is going from a culture of not having to diversify revenue, to now having to find new revenue sources. It’s difficult without the people, infrastructure, or culture.
CHAPTER 6: SAN DIEGO STATE - AT THE CENTER OF ENTREPRENEURSHIP

From 2002 to 2010, every year was a disaster (in terms of funding from the state). You can just be so entrepreneurial. (former San Diego State Dean Gail Naughton)

Located on the border with Tijuana, Mexico, San Diego is best known as a tourist and military town. Only two Fortune 500 companies, Qualcomm and Sempra Energy, have headquarters in the San Diego area. However, due to the large military presence and being home to one of the country’s best medical schools at the University of California, San Diego, the city of San Diego is also home to many medical/bio-tech and defense related start-ups.

San Diego State’s Fowler College of Business Administration leverages its competitive position at the largest university in the San Diego region. The school has a large and strong alumni base in the local community and is the largest and most established business school in the area. There are some smaller programs and new competition from the University of Southern California in North San Diego County, but in the sprawling city most business people and entrepreneurs are alumni of Fowler. The University of California, San Diego has a very small new graduate business program, but its focus is on competing nationally as “the Wharton of the West,” as one Fowler faculty member described it.

Total enrollment for Fowler has declined from pre-recession levels due to the institution’s practice of impaction, or restricting enrollment in popular majors, as state funding declined (Figure 15). With more than 5,500 students, the college offers undergraduate programs, an MBA, and several self-support programs such as an MS in
Accountancy, an MS in Information Systems, an Executive MBA, a Sports Business MBA originally developed in partnership with Major League Baseball’s San Diego Padres, and an MSBA in Financial and Tax Planning. Fowler is also developing an online undergraduate program in business that will be a self-support program.

Figure 15. San Diego State business majors.

San Diego State has seen a lot of turnover in the dean’s position. The college is on its fourth dean in five years, and the current dean is interim. This leadership turnover is more recent; the college was previously led for 11 years by cell biologist and start-up entrepreneur, Gail Naughton, who came to the dean’s chair after taking her company public. A founder of several medical technology enterprises, the former dean instilled a culture that has allowed Fowler to take advantage of the city’s entrepreneurial foundation. Naughton left the college to launch another start-up and is now CEO of
Histogen, a medical technology company. She stays engaged with the college as a member of the Board and a mentor for the Lavin Entrepreneurship Center.

Michael Cunningham, a former group president of ADP and entrepreneur who left San Diego State after serving as dean for two years, replaced Naughton. He moved to National University as president and is now its chancellor.

Fowler is a model for revenue diversification. According to one administrator, there is recognition that the college must diversify its revenue streams to serve its mission:

We do what we can do to generate revenues beyond what the state is providing, because the state funding isn’t sufficient. We look at revenue diversification as a necessary thing that we need to do to keep moving forward and provide the type of support that will allow us to be a competitive business school in terms of attracting and retaining faculty and having quality programs. The additional revenue allows us to do the things we need to do.

Faculty and administrators at Fowler are doing whatever they can to be entrepreneurial. However, it is not always clear how revenue diversification will be achieved. Uncertainty exists about what concrete steps need to be taken in order to launch new ventures. “Everything now is related to new revenue…but I don’t know what I should be doing,” said one faculty member. Another faculty member shared:

San Diego State is trying to reach out in many different directions now… We are trying to build the brand and have as many offerings as possible.

The college earns 40% of its revenue from diversification activities (see Table 1 in Chapter 3). According to data reported to AACSB, Fowler has seen its total operating budget increase by over $13 million, or 72%, since 2012-2013 (Figure 16).
The school was renamed the Fowler School in October 2016 after receiving a $25 million gift from alum Alexis Fowler and her husband, Ron Fowler, executive chairman of the Major League Baseball team, the San Diego Padres. Everything at Fowler is monetized. Academic programs, conference rooms, hallways, classrooms, and even the building elevators are financially supported and named by donors. Additionally, the school has an MBA consulting program that charges a fee of several thousand dollars for student-led consulting projects. Students get academic credit and the clients pay a fee to the school.

By managing undergraduate enrollment through impaction and finding new sources of revenue, funding per student increased more than 141% from 2006 to 2014 (Figure 17).
As seen at the other CSU business schools visited for this study, self-support programs are a key revenue diversification tool for the business school at San Diego State. As former dean Gail Naughton put it:

During my tenure there, we jumped on every possibility we could to expand what we were doing through extended studies in a unique way.

Under Naughton’s tenure, the business school partnered with the San Diego Padres to launch a very successful Sports MBA program that continues to be an important revenue generator for the school. Naughton also led a college expansion in China, offering MBA programs in Shanghai and Beijing in addition to one in Taiwan. With corporate sponsors such as Intel, Microsoft, and KPMG, Fowler started the global entrepreneurship MBA. The school also offers a life science MBA, and Fowler is currently working on an online bachelor’s degree in business.
As dean, Naughton also found creative ways to use donor funds – “the only money in the CSU that you could do whatever you want with” – to support the school’s mission. She realigned the school’s Advisory Board with senior level executives from the San Diego business community and increased the required annual donation level from $2,500 to $10,000. The suggested donation is $15,000 for company CEO members such as Linda Lang, the head of Jack in the Box. Fowler’s board in total now contributes almost $100,000 per year and four board members have individually pledged over $100,000 to the college in recent years. The college has increased its fundraising total from just about $2 million in 2002 to $12 million annually, not including the October 2016 naming gift of $25 million (Naughton, 2016).

New programs generate money for the college primarily from the Graduate Business Professional Fee. Naughton was one of the CSU business deans who worked with former CSU Chancellor Charles Reed to get the fee approved statewide. At San Diego State, revenue from the Graduate Business Professional Fee adds more than $2 million to the bottom line each year (Table 6). “It would take a big endowment to generate money like that,” Naughton explained. As dean, she also launched several certificate programs and renegotiated the tax arrangement paid to the college of extended learning for the college’s self-support programs.
Table 6

CSU Business Schools Estimated Annual Incremental Financial Impact of Revenue Diversification Initiatives – San Diego State

<table>
<thead>
<tr>
<th>San Diego State</th>
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<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
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<tr>
<td><strong>For Business School</strong></td>
</tr>
<tr>
<td><strong>Revenue from</strong></td>
</tr>
<tr>
<td>Graduate Business Fee</td>
</tr>
<tr>
<td>Other New Initiatives</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Estimated Direct Incremental Expenses</strong></td>
</tr>
<tr>
<td>Staffing</td>
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<tr>
<td>Marketing &amp; Adv</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Net Available for Re-investment</strong></td>
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Fowler generates almost $12 million per year in estimated incremental funding that is used to reinvest in faculty and student programs. Incremental costs associated with the college’s new venture activities include marketing and advertising, salaries for staff, students, and faculty, and other direct costs.
Faculty at Fowler are also involved in revenue diversification. The college has monetized its student consulting course by charging businesses $5,000 for student consulting projects. The students get course credit, and the school earns about $80,000 from this venture. Fowler has extended this model to its small business and non-profit student consulting initiatives by providing free consulting to small businesses and non-profits. This initiative generates about $25,000 annually by going after the City of San Diego Small Business Enhancement program, according to a faculty member who manages this program for Fowler:

“It’s not big, but it helps pay for my infrastructure… There are a lot of these economic development associations and partnerships (in San Diego).

Fowler’s business model includes revenue diversification by turning its many centers and institutes into moneymaking entities. Specifically, the Center for International Business Education & Research, Corporate Governance Institute, the Corky McMillin Center for Real Estate, Wells Fargo Financial Markets Laboratory, and the Zahn Innovation Center all generate revenue for the college. The real estate center alone brought in $2 million in new donations for an endowment fund.

The college’s Lavin Entrepreneurship Center is a model of revenue diversification. It is led by Alex DeNoble, a senior faculty member with a background in entrepreneurship; and Bernhard Schroeder, a director who comes out of start-ups and corporate marketing. As DeNoble shared, he’s not an entrepreneur:

But my father was a railroad man. He was just a worker who never graduated out of second grade. I was in public accounting for a few years before I went back to school (for my PhD). I didn’t see any corporations here (in San Diego), all small companies, start-ups, and tourism. So I said, if I’m going to make it here, I better immerse (myself) in the entrepreneurial community.
According to DeNoble, “We operate off gifts, sponsorships, and fees.” The Center operates on a $10 million endowment, which includes a recent gift of $8 million from entrepreneur Dr. Leonard H. Lavin, founder of the Alberto-Culver Company. A totally self-funded and revenue-generating start-up venture, the Center generates about $300,000 per year by “creating products and services” for students and businesses, according to an administrator involved in the Center. This amount is in addition to the Center’s endowment earnings.

The Lavin Center runs a successful Lavin Student Entrepreneurs program and an academic minor in Entrepreneurship that is offered to 300 students across all disciplines on campus. The Center also generates revenue from event programming. Although the fees from a single event do not add up to big dollars, every amount of incremental revenue helps support the Center’s mission. For example, the Center runs a very successful annual California Entrepreneurship Educators Conference that last year attracted over 200 participants and generated about $60,000 in incremental revenue. Small cash generators are a business job fair and a campus Entrepreneurs’ Day that result in revenue of $100 per participant.

Additionally, the Center attracts small business executives and entrepreneurs from all over the San Diego area by operating what one administrator said is “almost like a venture capitalist” through its small business consulting services, start-up funding, and grants program. In one example shared by an administrator, the Lavin Center was approached by an entrepreneur who needed $200,000 in start-up funding. The Center
provided the funding and consulting expertise but took no equity. Instead, they negotiated a license to use the software in perpetuity for any purpose.

Like the business school’s monetization of student consulting projects, the Lavin Center uses government and association grants to fund some of its activities. A faculty member involved with the Lavin Center gave an example:

One of our projects is to help with small business in City Heights, and we had to have Spanish-speaking students. The Lavin Center surveyed the community. They found various old mom and pop businesses...food trucks and dry cleaners. Then, they put together a small entrepreneurial program. The (Lavin Center) received a grant of $50,000 through community development grants.

With this type of development grant revenue, the small businesses get free consulting assistance, the students get academic credit and experience, and Fowler gets needed funding to be able to serve the community. It is a win-win.

The Lavin Center also acts as an executive search firm to raise money. In a creative extension of the business partnership program seen at other CSU business schools, at Fowler the Lavin Center charges companies a fee for matching students as interns and in permanent jobs. For the internships, the Lavin Center hires the students, the companies donate about $4,000 per student to the Center, and the Center pays the students a percent of this revenue as a stipend. The Center ends up making a 38% margin, or $1,520, on every student it places.

The Lavin Entrepreneurship Center and Zahn Innovation Platform Launch Pad also collaborate on a campus incubator for faculty and student entrepreneurs. The Launch Pad program provides business plan and operational training on campus for individuals wishing to launch a new business. It also provides the capabilities and
structure to commercialize university innovations, research, and discoveries. Endowment earnings from donations to the Lavin Center and Zahn Center support this initiative.

Fowler has learned to leverage its existing financial and people resources in order to fund its operations. For example, the business school used its relationships with retired executives and entrepreneurs in the San Diego community by having them volunteer to teach the extra classes that students needed during the Great Recession. As an administrator reported:

It was out of desperation, quite frankly. When they started to cut, cut, cut to the point where we couldn’t offer the classes that the students needed, we got local executives to teach the classes for free.

Having spent time at another CSU business school, one faculty member noted that San Diego State has been able to leverage its resources, which makes it easier and faster to get things done. Faculty are given course releases in lieu of incremental pay, and low-cost students are hired in staff positions. All the paid consulting projects were implemented as scheduled courses with a faculty leader and student teams who receive academic credit. At the Lavin Center, all staff positions except the executive director, director, and fiscal officer were replaced with students.

However, one administrator, a former corporate manager, lamented that the school still lacks enough resources to serve its mission, especially under the new Student Success and Graduation Initiative mandates recently implemented across the CSU. Resources are still an issue. “So, when I have a new initiative for students, I have to find the money myself.”
Just as was observed at the other CSU business schools visited for this study, San Diego State faculty and administrators see the CSU bureaucracy and union structure as a barrier to launching new ventures on campus. Said one faculty member:

Sometimes it’s tough to get a program started because of all the different things you need to line up. Especially when you work with partners in other countries, it might not always be possible to get the right paperwork or the right type of people. There have been a couple of troubles getting programs started because of the bureaucracy…a committee was not approving the program. We’ve learned that you have to have a specific person acting as the liaison.

However, several participants did mention the efforts of President Elliott Hirshman, who joined SDSU in 2011. As an administrator shared:

He’s remaking the school. He’s challenged every dean to tell him what he or she is going to do from an innovative point of view in the next year.

President Hirshman has started the Presidential Innovation Fund, a campus-wide award that provides funding to faculty and administrators on campus for entrepreneurial initiatives. One administrator describes the president’s role as “laying strategic pegs across the campus that are fundamentally going to change the way this campus thinks,” and then getting out of the way. Unfortunately for San Diego State, in early March 2017 President Hirshman announced that he is leaving the campus for the presidency at Stevenson University.

Leaders on campus are given the authority to launch revenue diversification initiatives, but they have to find the funds themselves. In this environment, new venturing is happening at Fowler. Faculty and administrators deal with the bureaucracy by being a “whack-a-mole” and focusing on “making stuff happen,” according to the administrator.
Although incentives are difficult to implement in the CSU system, many of the faculty involved in Fowler’s revenue diversification initiatives volunteer, earn course releases, or are paid small stipends as principal investigators on grants. As Alex DeNoble, executive director of the Lavin Center, noted:

“It’s also meaningful work to build the Center. To see students achieve and be successful is very satisfying… It’s what I’m meant to do.”

However, another faculty member noted that the work he is doing on a new self-support online program is a lot of effort, comes with very little incremental pay (about $1,000 per semester), and does not count toward tenure. Still, “personally, even though it’s very challenging, it’s very meaningful.”

At San Diego State’s business school, success is based first and foremost on the educational experience for students, but also on whether or not new ventures are generating resources for the college to reinvest in this academic mission. As seen earlier, these ventures generate almost $12 million for the college (Table 6). At the Lavin Center, financial and marketing metrics are tracked and measured. A faculty member involved in the City Heights project said he judges his success on the success and accolades his students receive. For example, he is proud of the fact that one student involved in the project received a campus award for Most Outstanding Student Leader, which came with an opportunity to teach future entrepreneurs in economically depressed regions in India:

It is kind of like a gem that is happening. Kind of under the surface. It takes students taking the initiative. Then, when they do, they always end up doing well, because they are doing cool stuff in the community.
CHAPTER 7: CAL STATE NORTHRIDGE - ACCOUNTING FOR ENTREPRENEURSHIP

Obviously, there is a critical need for revenue diversification. We’re all in the same situation where we’ve watched state funding decline dramatically. (Cal State Northridge Dean Ken Lord)

Located in the San Fernando Valley, Cal State Northridge (CSUN) feels like a world away from the hustle and bustle of Downtown Los Angeles and its sister campus, Cal State LA. Unlike other campuses in the CSU, the Nazarian College of Business and Economics at CSUN does not operate any satellite campuses. They also do not have an Executive MBA or online programs.

Dean Ken Lord came to CSUN in 2013 from The University of Scranton, where he served as associate dean. Dean Lord was brought to the campus to focus on fundraising, which has been the school’s primary tool for revenue diversification since he took the reins at Nazarian. Under his leadership, the college has been much more aggressive about fundraising, particularly targeting alumni who have been disconnected from the college for some time. As the dean shared, “it’s about building relationships.”

Competitively, although the Los Angeles area has many universities that include the University of California, Los Angeles and the University of Southern California, the business school at CSUN takes advantage of its niche in accounting. The business school has long been known for its outstanding accounting program, recently ranked number three in the nation by College Choice (2016), and has the largest undergraduate program in Los Angeles. Accounting is a very large industry in the city, and senior partners in
Southern California accounting firms are disproportionately CSUN alumni, according to Dean Lord.

Nazarian had more than 6,200 students in both undergraduate and graduate programs in 2014 (Figure 18). In addition to undergraduate programs, the college offers an MBA, an MS in Accountancy, an MS in Taxation, and a Graduate Certificate in Administration.

![Figure 18. Cal State Northridge business majors.](image)


While revenue has increased substantially, by more than $10 million over the past five years, Nazarian is the only business school in this study that actually saw operating budget per student decline over the past several years (Figure 19). The reason for this decline is that the college continued to grow its enrollment despite budget cuts. Revenue diversification is working, as evidenced by the 88% increase in operating budget since
2011-2012, as reported to AACSB (Figure 20). Nazarian has partially invested this new revenue in serving more students, as seen in the 13% enrollment increase for the same time period.

![Figure 19. Cal State Northridge College of Business and Economics total operating budget.](image)

Figure 20. Cal State Northridge business school budget per student.  

The business school at CSUN earns 17% of its revenue from diversification programs (see Table 1 in Chapter 3). As one faculty member shared, “In the environment of the CSU, I think it is important to create your own wealth.”

Like all CSU business schools, Nazarian earns a significant portion of its revenue by charging a Graduate Business Professional Fee that, although not officially a “self-support” fee, generates substantial funds for the school. The Graduate Business Fee revenue amounts to more than $600,000 annually (Table 7). Revenue from other initiatives is estimated to total more than $3.1 million. The college generates almost $2.4 million in incremental funds each year after taking into account estimated direct expenses associated with these new ventures, including staffing and marketing costs.
Table 7

*CSU Business Schools Estimated Annual Incremental Financial Impact of Revenue Diversification Initiatives – Cal State Northridge*

<table>
<thead>
<tr>
<th></th>
<th>Cal State Northridge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>For Business School</td>
<td>$22,292,293</td>
</tr>
<tr>
<td><strong>Revenue from</strong></td>
<td></td>
</tr>
<tr>
<td>Graduate Business Fee</td>
<td>$622,720</td>
</tr>
<tr>
<td>Other New Initiatives</td>
<td>$3,166,970</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,789,690</td>
</tr>
<tr>
<td><strong>Estimated Direct Incremental Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>574,000</td>
</tr>
<tr>
<td>Marketing &amp; Adv</td>
<td>150,000</td>
</tr>
<tr>
<td>Other</td>
<td>700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,424,000</td>
</tr>
<tr>
<td><strong>Net Available for Re-investment</strong></td>
<td>$2,365,690</td>
</tr>
</tbody>
</table>


Nazarian has used philanthropy as a central piece of its revenue diversification strategy, having just completed a $25 million fundraising campaign. The college has cultivated donations and donor relationships particularly with accounting alumni and in the accounting industry, and has leveraged its reputation as a top school in accounting. The centerpiece of this strategy is the Bookstein Institute for Higher Education in Taxation.
Named for accounting major and alum Harvey Bookstein, the institute provides both free and fee-based tax accounting services, consulting projects, internships, and other programs that connect faculty and students with alumni and the business community. The institute’s goal is to provide advanced education and training in the area of taxation. The school is using a portion of a $5 million gift from Mr. Bookstein to provide a base level of sustainability for a self-support degree program in taxation and to offer scholarships to students interested in pursuing a career in taxation. According to one faculty member involved with managing the institute, the college realized early on that making the institute sustainable would require external support. And, because this faculty member wanted to avoid the politics and challenges of trying to “create new stuff on an existing and shrinking pie,” the institute developed revenue diversification initiatives from the start. “I didn’t want to be in the position of having to plead for money; it’s not a fun position to be in.”

Similar to the business school at San Diego State, Nazarian has monetized the institute through donations and economic development grants, and collects approximately $500,000 per year in addition to the endowment income. The institute also sponsors the nation’s first student-led peer-review journal in tax.

One highly successful program is the Bookstein Low Income Tax Payer Clinic. Through the program, students have worked with approximately 100 qualifying taxpayers annually on their tax audits and other issues. The Internal Revenue Service licensed the program, and the institute received funding from accounting firms and a matching grant from the U.S Treasury Department. Students receive valuable paid internships and training for their future careers.
The Nazarian College of Business and Economics at CSUN has also been successful with using grant funding, particularly from local government and economic development agencies, community agencies, and banks, to fund student internships and consulting projects. For example, the business school received grants from banks and community agencies for service to low-income, Spanish speaking, and other taxpayer affinity groups. In addition, the institute has collaborated with New Economics for Women, a local family resource center funded by the city of Los Angeles to operate tax services in the community. And, the institute recently received $100,000 from the U.S. Department of Education to focus on increasing retention and graduation rates of low-income students on campus.

Nazarian has excellent relationships with external partners, especially with accounting firms and companies in the local entertainment industry. As the dean said in an interview, “We have a great product that we deliver to them in terms of our students.” The college cultivates these organizations for philanthropy but also as sources of funding to support paid consulting and employment opportunities for students. The business school has strong career and internship programs, and the Accounting Career Center is supported with a $1 million donation from one of the “Big 3” accounting firms, and other gifts.

In addition to the accounting industry, given CSUN’s proximity to the entertainment hubs of Burbank and Hollywood, Nazarian has strong partnerships in support of careers with several companies in the entertainment industry. Students also have opportunities to gain real-world experience on campus via consulting projects run
through the Wells Fargo Center for Small Business and Entrepreneurship, which is funded from donations and consulting fees.

The business school has specifically targeted building relationships with high-profile community leaders and corporate executives in the Los Angeles area for consulting and network building. The college recently appointed Wendy Greuel as Executive in Residence and a strategic advisor. Greuel previously served as a member of the Los Angeles City Council, as Los Angeles City Controller, and as an executive for entertainment company DreamWorks.

One creative initiative generated money from alumni who provide seed funding for student start-ups. The entrepreneurial program was run similar to the television show, “Shark Tank.” Fifty-eight student teams competed for a total of $50,000 in prize money, which was donated by an alum and member of the Nazarian’s advisory board.

While the dean is supportive of innovation, the entrepreneurs at CSUN’s business school are faculty. “I’m not an entrepreneur, but I have several faculty who are,” Dean Lord remarked. The success of the Bookstein Institute for Higher Education and Taxation is the direct result of the faculty’s entrepreneurial efforts. As one faculty member explained, “We do whatever it takes to make the institute successful!” Like a true entrepreneur, when this faculty member started the tax program:

I didn’t know that I was going to be compensated at all. There was a lot of risk-taking at the start because I was essentially starting the institute voluntarily without knowing that there was going to be any return. And that’s the nature of being entrepreneurial. You’re motivated by the passion of getting things done but also because I can make a difference. I can make an impact. I can get students engaged and involved so they can be more skilled and productive in the workforce.
While the business school at CSUN does have some self-support programs that generate money from the Graduate Business Professional Fee, administrators feel that the tax paid to the extended education school for new revenue-generating programs and certificates is a disincentive that discourages them from developing new revenue-generating programs. The business school retains just 45% of net income after expenses from these programs. Additionally, according to an administrator who spent many years on the faculty at Nazarian, due to the CSU and campus compensation structure for these programs, the faculty salary to participate is not enough to motivate faculty to be involved:

(In self-support programs,) we compensate faculty at a level that would probably pretty much discourage any of our faculty from participating …which is why they go off and do consulting on their own rather than trying to work through our college of extended learning. The level at which faculty get compensated is probably looked upon as a nice little bonus for faculty in lower paid disciplines, but for business faculty, why bother?

In terms of success metrics, the dean shared:

We have goals, we have targets, and when we achieve them, we feel like we’ve been successful. We look at enrollment, we look at revenue. We’re always a little underwhelmed by the revenue because of the campus tax model. Of course, we also look at student outcomes, and our student outcomes are fabulous.

Rankings are also becoming an important success metric for Nazarian. In addition to the #3 accounting program ranking by College Choice, the school’s tax program was recently named #25 in the nation, according to Dean Lord.

As seen at other campuses in the CSU, administrators at Nazarian are managing their resources in order to build the infrastructure needed to support their strategic
priorities. They have one non-management staff person who works on marketing for revenue-generating programs.

Some of the barriers mentioned by administrators and faculty at Nazarian include the lack of infrastructure, “dis-incentivizing red tape” processes, CSU salaries, and the industry-wide difficulty in hiring faculty in high-demand fields, such as accounting. One faculty member also described the CSU’s “compliance culture” as a barrier to innovation that “takes a toll” on individuals wanting to be more entrepreneurial. “I’ve seen some really good people just get burnt out.” In one example, this faculty member described the process he encountered when trying to get a career center director and student interns paid from donor funds held by the campus foundation. Three times the paperwork was lost. The fourth time, he physically walked the paperwork over and it was lost again. It was as if no one cared, even for a program supported from external sources:

Sometimes it is such a waste of time. Here we have a great innovative idea of how to help our students, we have the money, and lots of people are doing what they’re supposed to do. But one part of the process isn’t working. Why did I go to all the trouble to help make all of this happen? That’s part of what stops innovation.

As Dean Lord explained, launching new academic programs that require faculty is difficult:

We’re not going to go out and try to hire a bunch more expensive and difficult-to-get accounting faculty in order to try and do another cohort.

Dean Lord also echoed Cal State LA’s Dean Goodrich regarding the “chicken and egg” problem with launching new programs. The school has to prove there is revenue in a new program before it can invest in generating new revenue. The lack of infrastructure
to support innovation is something that “we will ultimately have to break down” in order to successful:

No institution is going to give you a lot of (faculty hiring) lines to launch a new program before it’s proven itself successful; and so, in any new program that you launch, you have to find a way to staff it within accreditation requirements and faculty sufficiency requirements until you can generate sufficient demand that you can go to your Provost and say it’s generating this amount of income (and) we need another (faculty) line.

Administrators and faculty at Nazarian, as at the other schools interviewed, see the union rules as a further barrier to being more innovative and entrepreneurial. As one faculty member at CSUN explained:

You’ve got your 125% rule (that faculty cannot get compensated for “overload” work of more than 125% of their base salary). Who was asleep at the wheel when that was passed? I don’t know. Why would a union get behind something like that, that prevents its faculty from being able to make money?
CHAPTER 8: FINDINGS AND THEMES

The goal of this study was to capture the stories of how business schools in the CSU have operationalized new venturing. The questions this study hoped to answer were: What have the CSU business schools done to diversify revenue streams; who are the entrepreneurs in these institutions who have launched and operated these revenue diversification initiatives; what types of financial models and infrastructure were used to support these ventures; and how have the schools judged success?

The study also sought to determine the best practices that leaders in the CSU and other institutions can adopt to encourage more entrepreneurialism and to support successful implementation of new revenue-generating initiatives. One goal of this research was to be able to propose solutions by examining the described experiences that emerged from this research. What was discovered is that there is a shared vision of the need for revenue diversification in the CSU and its business schools. Leaders and faculty in the business schools know that something needs to be done to find ways to diversify revenue and replace the state funds that have been lost. As one faculty member said, “The faculty are excited about extra streams of revenue too.”

What is not clear at the institutions visited for this study is whether there is a clear path regarding how revenue diversification should be implemented, and what support and resources are available from the campuses or the CSU system. Leadership has a goal of “removing the sand from the gears” according to Chancellor White, and “getting out of the way,” as San Francisco State President Les Wong shared. But is getting out of the
way of new venturing enough? The administrators and faculty on the ground in the business schools of the CSU don’t think so.

On one campus, faculty members stated that while they understand the need for new venturing, they are not sure what concrete steps their campus is taking in order to actually generate and support new programs that lead to more revenue. “We’ve been given the authority to make things happen, but not necessarily the funds.” Administrators and faculty are willing to experiment and take risks and try implementing new ventures, but they need a little more help, and not just resources. One faculty member put it best: “It’s going to take explicit language from the Chancellor’s Office on down that they want faculty to be agents of change.”

Several common themes emerged across all of the constituencies (deans, faculty, staff) at all of the business school sites visited for this study. It was surprising to find alignment across the different campuses that, as Chancellor White expressed, represent diverse sets of circumstances and strategies. And yet, despite their geographical distance and varying leadership circumstances, stakeholders at the four business schools were aligned in their perspectives and analysis of the revenue diversification landscape for their respective institutions.

The business schools’ focus is on diversifying revenue to replace what has been lost from the state. Their approach has been to try a lot of different things like “throwing mud at the walls,” while also trying to minimize risk by leveraging their resources and community, and finding creative ways to support and reward their internal entrepreneurs. These institutions are also learning to work through and around bureaucratic barriers to make something work. And some of the mud is sticking! But the key question is
whether more could be accomplished with more resources, infrastructure and systems, and support.

The key findings from this study are discussed below.

**The Passion of an Entrepreneur**

It takes a special kind of person to be an entrepreneur, especially in the higher education context. In their classic book on entrepreneurship, *New Business Ventures and the Entrepreneur*, Stevenson, Roberts, and Grousbeck (1985) state that there is not a single defining persona or profile of the entrepreneur. And there is not one type of person or set of behaviors that describe someone who is inclined to be involved in new ventures. Rather:

> Whatever the psychological roots of the entrepreneurial spirit may be, it is our belief that it is primarily a situational phenomenon. Companies are capable of creating or destroying entrepreneurship… (Stevenson, Roberts et al., 1985, pp. 1-2).

The authors distinguish between the “promoter” in an organization who says, “I can make it happen” and the “trustee” on the other side of the continuum who thinks, “I must guard what I have.” An entrepreneur lives on the promoter side of the spectrum and is driven by opportunity (Stevenson, Roberts et al., 1985, p. 4).

Entrepreneurship is a management style that involves pursuing opportunity without regard to the resources currently controlled. Entrepreneurs identify opportunity, assemble required resources, implement a practical action plan, and harvest the rewards in a timely, flexible way (Sahlman, Stevenson et al., 1999, p. 1).

The success of the new ventures at the CSU business schools studied is the result of the people involved. Many of the deans, faculty, and administrators interviewed for
this study consider themselves entrepreneurs in the classic business sense described in the quotations above. Namely, they pursue opportunities, leverage resources, take risks, harvest rewards, and focus on actions that get results. Their entrepreneurial success is partially situational: They are driven by the current context in the CSU and the need to find new sources of revenue. However, their drive is also a result of who they are. Many of the individuals involved in new venturing in the CSU business schools are former business people who have either worked in business, started businesses, or grew up in households with entrepreneurs or working class parents. As Dean Balthazard at Sacramento State was quoted herein earlier, these are individuals who know how to go out and make a buck when they need it.

The deans, faculty, and administrators involved in revenue diversification ventures in the business schools all talk, think, and act like entrepreneurs. They use characteristic words such as “initiative,” “risk-taking,” “champion,” “passion,” and being “hungry.” Moreover, they see being an entrepreneur as part of their role in support of the mission of the institution. As one dean revealed, “Being entrepreneurial means finding ways to graduate the students who show up at your doorstep.”

The vision of being an entrepreneur is true whether it’s the dean, administrator, or faculty driving new venturing in the institution. As one faculty member reported:

Part of entrepreneurship is (taking) initiative. (When you take initiative,) sometimes there is a payoff for you.

Many of the participants in this study talked about the role of an entrepreneurial leader in these revenue diversification ventures. Most acknowledged that often, to make new ventures successful, they have had to be the “leader,” the “creator,” or the
“evangelist.” As business faculty, they see themselves as scholars who naturally span the boundaries between the campus and the real world. Being an entrepreneur in support of their students is an extension of their natural inclination to be a bridge to the business world.

As one faculty member noted regarding launching new ventures in the CSU:

We need someone who will be a leader, who will be this kind of champion in developing (these) programs… I’m trying to be this champion.

Another faculty member at a different CSU business school shared a similar observation:

It takes a go-getter…because you could have come up with the idea but you’ve got to have somebody carry that water, and if you don’t, it doesn’t happen. And you need people at the top championing those go-getters.

In new venturing for revenue diversification in these institutions, the who is paramount. It definitely takes leadership support, particularly in the form of a dean. However, several participants think it takes both faculty and administrators to drive successful ventures. Leveraging current administrative and faculty human resources allows the schools to test new ventures before committing resources. As one faculty member remarked, “This is entrepreneurial.”

The study participants all agreed that faculty need to be involved in driving these initiatives, especially since many of the ventures involve monetizing academic programs and intellectual assets. Several faculty members agreed with one junior faculty member involved in developing an online program who stated, “Without the faculty champions, nothing happens.”
Business faculty in the CSU recognize their role in finding new revenue streams. One faculty member said that faculty are motivated to launch new revenue-generating ventures because, since the budget cuts in 2009, “We are just hungry.” Another faculty member interviewed for this study said:

We have a new role to fill besides just teaching our classes and doing research, and that is trying to find ways to bring in revenue if we can.

Another faculty member involved in new venturing in the business school is excited about participating in the effort to build successful revenue-generating programs and sees it as a part of the academic mission of the school. He sees bringing new revenue to the college as a way to provide more educational opportunities for his students.

New venturing needs the support of leaders who set the vision and “get out of the way,” but it also takes someone special to be the “creator” and “evangelist” who makes things happen. These types of individuals are hard to find in higher education, but apparently, there are plenty of them in the business schools of the CSU. Most notably, they are deans, faculty, and administrators with a special affinity for starting up new initiatives. As former San Diego State Dean Gail Naughton shared:

(Being entrepreneurial), it’s been quite the ride, having fun. Gets in your blood, this kind of stuff. If you love it, it just gets in your blood and it’s addictive.

A Revenue Replacement Model

We do whatever we can to generate revenue. (San Diego State administrator)

The CSU business schools are doing whatever they can to generate new revenue to replace the revenue lost from state sources. Like entrepreneurs in business, the
individuals involved in revenue diversification at these institutions are taking risks, experimenting, and learning what works. They are leveraging their key assets, intellectual knowledge, and a pipeline of future workers, and are finding ways to repackage and sell these “products” to new markets for incremental revenue. The schools are using donations and grants to fund internships and consulting projects, monetizing physical and intellectual assets, providing tax services, and making money from student and faculty consulting projects. They are trying a lot of different things with the hope that something sticks. And it is!

As one dean said:

We need to put in place the number one rule of an entrepreneur: You will make sales if you’ve got a product that people want.

New “products” for these institutions mean new academic programs. Specialty graduate business degrees, executive programs, online degrees, and certificates are the most popular new academic programs launched by the four business schools studied. These programs enable the schools to leverage their faculty and curriculum in new ways to attract new markets. And because they are primarily graduate or self-support programs, the schools are able to earn a substantial margin on these initiatives through the Graduate Business Professional Fee and self-support revenue.

The business schools are earning as much as several million dollars annually per campus for these types of programs. Since the severe budget cuts in 2012-2013, the CSU business schools studied have seen their total annual operating budgets increase an average of 30% since 2006, despite an agreement to freeze tuition in 2012 (AACSB, 2016b). These operating budget increases are a direct result of the revenue
diversification activities implemented by the schools. Additionally, because of the CSU and campus policies and structure for self-support, the programs run and managed by the business schools are supporting other units on the campuses through the tax the business schools pay for self-support programs.

Launching new ventures for revenue diversification has worked for these business schools. Despite decreases in state support, the schools have been able to increase or maintain their budgets, and earn up to 40% of their revenue from these activities. New venturing is a success:

Tuition in the school of hard knocks is costly, especially to entrepreneurs (Sahlman, Stevenson et al., 1999, p. 2).

**Leveraging Place**

Where you’re located matters. (former administrator)

Success for the CSU business schools depends on location, location, location. As mentioned earlier, these schools are well positioned to meet the needs of their local business communities. Leveraging local markets is a significant opportunity, as expressed by corporate leaders in a recent survey (Lubeck, Cheng et al., 2015). The four business schools visited for this survey have taken advantage of their place as the business school that serves the businesses and other community organizations in their regions. “Place” is an important element of each institution’s competitive strategy that drives many of the decisions about the types and content of new ventures at each institution. The deans and faculty at each of the business schools spoke of their
engagement with their local communities at a level that displays the deep understanding these higher education leaders have about the needs of their local communities.

At Sacramento State, the dean and faculty are visible in the local community at many levels. For instance, the dean serves on the mayor’s economic development board. Recognizing the importance of government and agriculture to the local central valley community, faculty and administrators at the CBA at Sacramento State work closely with community and business leaders on local initiatives that drive the local economy and serve the residents of the region. As one dean shared:

Part of us being entrepreneurial is making sure our programs make a difference and have an impact on the community. A lot of work is done with the goal of community engagement…

At Sacramento State, the business school runs educational and networking programs for entrepreneurs and community members. The CBA also participates in the region’s Farm to Fork event that showcases locally produced agricultural products and agribusiness.

Both Cal State LA and Cal State Northridge are based in the sprawling city of Los Angeles. In fact, Northridge originally began as a satellite campus of Cal State LA. The 30 miles that separate these two campuses makes them a world apart when it comes to the niche strategies they each have implemented for generating new revenue. While both schools focus on the various accounting firms located in the many business centers of downtown, Century City, Westwood, and the San Fernando Valley, the two campuses seem to have each carved out a geographic niche that enables them both to thrive.

Cal State LA has definitely benefited from the renaissance of the city’s downtown center and, as mentioned earlier, has capitalized on Los Angeles’ place as a major hub of
the Pacific Rim. The CBE has staked out a territorial claim to Downtown Los Angeles by offering academic programs and other revenue-generating initiatives at the new campus. Programs target the traditional companies that call downtown home, such as Union Bank, Bank of America, and Tronc Inc. (formerly Tribune Publishing and Times Mirror). The business school also takes advantage of its role in engaging with the global community in Asia and Latin America, and runs programs targeted at economic engagement with businesses in these regions.

In addition, with Los Angeles’ west side, midtown, and central sections having become home to many start-ups, the CBE has targeted the new entrepreneurs and has also worked to develop relationships with the city government located nearby. According to Built in Los Angeles, the city hosts dynamic companies in the digital media, internet retail, and gaming industries in addition to traditional entertainment and media entities (BuiltinLA.com, 2016). For instance, Snapchat, Dollar Shave Club, Hulu, Netflix, and Buzz Feed are all located in Los Angeles. And downtown’s redeveloped “Arts District” is home to many start-ups, including Throne.xyz.

Located in the far northwest corner of the city of Los Angeles, Cal State Northridge’s business school is likewise positioned to leverage its proximity to the entertainment community, the businesses that serve the industry, and its outstanding relationships with the accounting industry. The business school’s accounting faculty are well connected in the industry, which has enabled Nazarian to develop strong programs that lead to jobs and other opportunities for students. According to an administrator, these relationships have also helped the school increase its donations from accounting alumni:
Accounting is a finite professional body. We know who they are, we know where they are. We can count them. That’s where we’ve had our biggest success (in recent fundraising) over the last few years…really going after bringing people back who have been disconnected from us for quite a while and some of those are now leading to some nice gifts… We’ve been very successful in building relationships.

Additionally, Nazarian has capitalized on its diversity, particularly Latino students. This diversity has enabled the college to receive grants targeted at Spanish-speaking residents who make up a significant portion of the Los Angeles population, particularly in many communities in the San Fernando Valley.

San Diego, California, is a hub for start-ups, and the Fowler College of Business Administration at San Diego State is positioned as the business school that provides the necessary linkage between academia and future business success. A military town, San Diego has benefited from having more military personnel and veterans than any other metropolitan area in the country. Many of these veterans become entrepreneurs and launch companies that support the military industry, either as suppliers of basic commodities or in businesses that take advantage of their military contacts and security clearances (Zimmerman, 2016, p. 1).

The Lavin Entrepreneurship Center is Fowler’s primary tool in leveraging the business school as the place to go for practical learning and thought leadership for San Diego’s budding entrepreneurs. The business school has been highly successful in leveraging its position as the largest business institution in the region. The Center’s programs for students, alumni, and community members provide opportunity for support with launching a business, and work to match future entrepreneurs with the people and resources they need in order to be successful.
The CSU business schools have found ways to capitalize on their place as the regional business schools that serve their local communities. As a faculty member at San Diego State’s Fowler College noted:

This institution has graduated so many business people in this community. We are one of the biggest business schools, so our alumni base is much bigger. We work hard to engage with this community for donations, internships, and other programs.

**Doing More with Less**

One of the definitions of being an entrepreneur is to run for it without a sense of resources. That’s what we’re doing. (administrator)

In a context of declining state support and lean resources, the business schools in the CSU have learned to do more with less. As two of the deans shared, and as mentioned earlier, the nature of CSU is demonstrated by the “chicken or the egg” theory: You have to provide the revenue before you can invest new resources in generating the revenue. As Stevenson et al. (1985) describe in their classic book on entrepreneurship, managing resources well is a key trait of the entrepreneur. In fact:

Entrepreneurs know how to use other people’s resources well. Over time, they learn which resources to bring in-house once a venture is successful (Stevenson, Roberts et al., 1985, p. 9).

All of the business schools visited for this study launched new ventures by leveraging their resources creatively. They implemented revenue-generating programs with faculty volunteers or with small faculty stipends and course releases. Course releases and “overload” support the development of new self-support academic programs, such as the Master in Analytics at Sacramento State and the proposed online undergraduate business degree being developed at San Diego State. Both San Diego
State and CSUN utilize student workers and generate academic credit for students involved in these ventures as interns or consultants working on paid projects for external clients. San Diego State’s Lavin Center actually acts as an employment agency by hiring student interns for external entities who either pay for projects directly or, in the case of nonprofit or community redevelopment projects, are supported by grants. The Lavin Center earns a “profit” on these activities that it reinvests into its programs. And at Cal State LA’s CBE, the small team of staff wear many hats, including business development, marketing, and accreditation.

However, with lean resources comes uncertainty, and many study participants expressed a desire for campus leadership to provide more support to institutionalize proposed initiatives and make them sustainable. As one faculty member said:

We’re an entrepreneurial organization, but perhaps we can use our resources even better, our faculty resources and our staff resources, if we sit down and sort of look for experts in the areas that we are pursuing to provide the infusion of knowledge and expertise that is needed.

The need for institutional resource support extends a finding made by Wendy Tsung in her 2016 study of disruption in top tier business schools. One of Tsung’s findings among the institutions she studied is mirrored in the four CSU business schools visited for this study. The most successful business schools in implementing innovative programs are the ones where the resources to be successful were provided. “Without these resources, it may have been an insurmountable barrier to getting started” (Tsung, 2016, p. 91). In the CSU, the resources are harder to come by than they are at institutions such as Wharton and Yale, which were studied as part of Tsung’s research. More resources are needed for the CSU business schools to be truly successful.
One CSU business faculty member shared what it is like in the context of having to generate his own resources:

I feel like an entrepreneur a little bit because you have lean resources. You are trying to keep your business afloat. I don’t have help from the college. I take that back, I did get a little office for my graduate assistant. Everything else is stuff I figure out along the way. I have found a way to generate some funds to create resources for me to use.

**You Get What You Incent**

What you reward, you get. (faculty member)

The compensation and incentive structure of the CSU for faculty, administrators, and staff does not support the need to generate new revenue. As many study participants noted, CSU salaries are a constraint because they tend to be below market, especially with the high cost of living in California. Additionally, there are no mechanisms to pay for growing revenue, so “you can’t pay for performance” when it comes to incentivizing programs that diversify revenue streams.

Many administrators see the union structure as a barrier to new venturing:

The fact that the faculty is unionized makes it very, very difficult. You can’t pay for performance. You can’t incentivize them. And so they’re either self-motivated or not and that makes it very, very difficult. I am involved because it is very meaningful, meaningful to the students and the school.

Although the business schools included in her study are not unionized, Wendy Tsung (2016) found similar sentiment among the deans and faculty she interviewed. The lack of incentives to support innovation was a key finding among the top business schools Tsung studied. Business school administrators and faculty at both the higher ranked schools in her study and the CSU believe that the incentive systems do not reward...
faculty for innovation (Tsung, 2016, pp. 84-85). According to one CSU business faculty member, working on new ventures provides no financial reward and “does not count towards my tenure.”

Even so, some faculty and deans in the CSU business schools have still successfully implemented new venturing innovations. As discussed earlier, in the business school context, creating new revenue streams takes an entrepreneur. The mindset of the faculty involved allows them to see beyond short-term financial or career rewards. As one faculty member shared, even within the context of scholarly work tied to tenure, “some faculty see future research opportunities generated by these new ventures as an incentive.” This sentiment was echoed by a business faculty member at another campus, who said, “I want to look at these new ventures not as extra work but as a way to enhance what I’m already doing currently.”

Creating these types of new opportunities is an incentive to some faculty and administrators involved in new venturing at the CSU business schools. One faculty member agreed he took a risk by getting involved but had faith that, even within the CSU, if he worked hard and found a way to get things done, he could make a difference and be rewarded. Eventually, “I was able to generate enough revenue to pay myself extra.”

**Barriers to Success**

The CSU does move slowly. It feels like the government. (administrator)

In addition to the compensation and incentive structures that constrain innovation, many of the participants interviewed for this study mentioned the CSU itself as a barrier
to success. According to one faculty member who has led several new ventures in his business school, “No one in higher education likes to change. In the CSU, nobody wants to take any risk.”

Another faculty member on another campus said that it is sometimes hard to get a program started, not only because of the bureaucracy and governance structures, but also because there is often no support from campus leaders to implement new ventures:

Launching (a new program) requires a lot of effort (in the CSU). I think two years (to get a new program done) is outrageous!

Another faculty member referred to the CSU as having a “compliance culture” that creates barriers to getting things done. This culture is taking a toll on those in the CSU who want to innovate.

Echoing Chancellor White’s statements, one administrator said:

The CSU is basically 23 separate universities trying to make rules as though we are one. And you can’t have a one-size fits all.

One of the most common barriers mentioned by participants in this study was “struggles” with campus and system bureaucracy that keep them from being able to compete at the level they need to reach in order to be successful. One administrator even suggested that the CSU business schools need to form a “support group” to help them share best practices and learn from each other:

We could help support each other and help each other in thinking about how we all deal with the common set of problems. How do we build these programs? How do we pull the plug if it’s not working? How do we help each other?
One of the common barriers mentioned by the CSU business school administrators interviewed for this study is the “tribal history” inherent in the heavily bureaucratic, unionized faculty environment:

We had to spend much more time early on getting the buy-in of the curmudgeons in the college, or at least understanding where they came from. I was fighting stuff that had nothing to do with me.

On the positive side, several administrators seemed to suggest that they are hearing the message that leadership supports their being more entrepreneurial. “The new chancellor is very open to doing things,” said one dean. However, among the faculty, continued skepticism exists about whether the CSU really supports this idea. When told that CSU leadership wants the campuses to be able to take some risk, one skeptical faculty member responded, “Okay, so what do you mean by ‘I can take a risk?’ Are you willing to give it a wild shot? No.”

The perceived CSU bureaucracy is especially challenging when the business schools engage externally. It is difficult to balance the entrepreneurial spirit that makes these ventures successful with the need to make things happen in a traditionally bureaucratic organization. When engaging with external partners, the speed and barriers can hinder the institution’s ability to fully engage with the individuals and organizations needed to be successful. In attempting to launch new revenue-generating ventures that involve external partners, faculty and administrators worry opportunities will be lost:

They (external partners) want to move fast…. They’re like a bull in a china shop.
Deans, administrators, and faculty involved in new venturing in the CSU business schools expect barriers and do their best to work within these constraints. As one faculty member reported:

So, once you understand that’s what you have to do, you do it. You just put yourself on that path. And in the meantime, you find ways to do what you want to do anyway.

You Can’t Measure What You Can’t Count!

I remember my first day. I should have walked out then. I went to the controller and I said, “I want to see the budget, but I don’t want to just see a number, I want to see the cash flow. I want to see for every dollar that comes in, where does it go?” And he looked at me and said, “We have buckets.” And I said, “Buckets? You really can’t trace a dollar? You can always trace a dollar.” His response was, “Well, you can’t trace a dollar. We have buckets.” We teach business, we teach accounting, but we manage by buckets and it takes work to figure out where all the buckets are buried. (former administrator)

As the business school administrators and faculty in the CSU acknowledge and extol to their students, the foundation of any good business decision is the ability to accurately track financial performance. Unfortunately, the CSU does not have adequate financial systems in place to support revenue diversification and new ventures.

As a historically state-funded institution, the CSU financial and accounting systems are structured as a fund accounting model, where separate “buckets” of funds are maintained and withdrawals are made from separate funds according to their intended purpose. For example, under a fund accounting model, state general fund appropriations are kept separate from other funds, such as donations, fees collected from the Graduate Business Professional Fee, etc. As a result, each CSU business school has hundreds of separate fund accounts to manage. And while there are good systems for tracking inputs
and outputs from each separate fund, preparing a traditional P & L statement for a new venture can be a resource-heavy and time-consuming manual activity that is prone to inaccuracies. Official P & L’s for new ventures are difficult to find. As was learned in writing the case studies included here, preparing the financial performance analysis for non-general fund activities required making assumptions and calculating estimates based on cobbling together financial information from many different sources, including the research interviews.

Many of the administrators involved in new initiatives at the CSU business schools spoke of their frustration with their inability to accurately track the financial performance of start-up activities as they would in a business. One CSU business school chief fiscal officer shared that the systems are not designed to prepare a separate P & L for each venture. Instead, she spends hours having to develop P & L statements in Microsoft Excel. Additionally, the campus financial systems do not have the capability to collect revenue from enrollment fees for events and non-academic programs online. When the business school launched its first new executive education programs three years ago, this fiscal officer was told she could not use an off-the-shelf product, Event Brite, because it is “illegal” under CSU policy. She implemented it anyway and the institution now collects several hundred thousand dollars per year from executive education programs.

Another faculty member in the accounting discipline at another campus reported that one of her concerns with new revenue diversification programs is the “lack of fiscal oversight.” She received an incentive for developing and teaching a new executive education program based on the “profit” of the initiative, but she has no confidence in the
accuracy of the financial performance data on which her compensation was based. The former administrator who ran these programs at this campus surprisingly agreed. He shared that the goal of these programs was to create a surplus that could be reinvested back in the school in terms of funding for faculty and students. However, “we didn’t have a normal P & L; we couldn’t get accurate reporting” in order to effectively manage the venture and compensate faculty.

One faculty member solved this problem at his CSU business school, not with a financial system, but by being entrepreneurial. He said that the smartest thing he did in setting up the center was to hire a graduate accounting student to build the financial and accounting systems needed so that he could track the center’s financial performance and thereby make the right decisions. Unfortunately, this effort involved a manual process that required a large investment of time and money that could have been used to drive additional revenue:

It takes six hours of detailed effort every month for this student to convert information from the budget system so that I can look at my budget, look at my actual performance, and be able to make adjustments as I watch the cash flow. Thankfully, now I can account for every penny that comes in, and how every penny is spent. But it took me a long time to get to this point.

**Measuring and Celebrating Success**

Clearly, success is about are we making money with these programs? But it’s not just about the money. We look at how happy our students are. We’re looking at learning outcomes, what types of jobs are the students getting, faculty qualifications, faculty development, alumni career progression. Are our investments in programs working? Are we making an impact? Are we making an impact and being entrepreneurial? (administrator)
As one participant said, “All of these programs were driven first and foremost to be able to increase revenue to the college.” Another faculty member at a different business school shared their dean’s perspective:

There are revenue generators, and then there is stuff that is revenue neutral. You guys can do anything you want, but it needs to be at least revenue neutral.

When measured by increases in annual operating budget, new venturing and revenue diversification have proven successful for the four CSU business schools included in the study. The annual operating budget and revenue for the four institutions, as reported to AACSB, increased in the last decade, from 2006 to 2016 (Table 8). These increases in revenue are significant considering that state appropriations to these campuses decreased substantially during this period and tuition was frozen in 2012-2013. Operating budget per student was also up during this period, reflecting the additional revenue-generating initiatives and the schools’ ability to invest in their missions.
Table 8

*CSU Business Schools % Change in Budget per Student and Annual Operating Budget Versus % Change in State Appropriations to Campus.*

<table>
<thead>
<tr>
<th></th>
<th>% Change Annual Operating Budget 2006-2014</th>
<th>% Change Annual Operating Budget 2006-2016</th>
<th>% Change Operating Budget/Student 2006-2014</th>
<th>% Change State Appropriations to Campus 2006-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacramento</td>
<td>1.0%</td>
<td>4.8%</td>
<td>27.4%</td>
<td>-18.3%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>42.5%</td>
<td>71.9%</td>
<td>33.1%</td>
<td>-8.0%</td>
</tr>
<tr>
<td>San Diego</td>
<td>105.6%</td>
<td>88.4%</td>
<td>141.1%</td>
<td>-24.2%</td>
</tr>
<tr>
<td>Northridge</td>
<td>-28.4%</td>
<td>41.6%</td>
<td>-27.0%</td>
<td>-10.9%</td>
</tr>
</tbody>
</table>


However, revenue is not the only metric used to judge success. As mentioned in Chapter 2, CSU Chancellor Tim White believes that new ventures implemented on the campuses must pass the “smell test” in terms of adding value to students and faculty and serving the mission of the CSU. While generating new revenue to replace what has been lost from the state is certainly a key measure of the schools’ success, the administrators and faculty involved in these ventures judge their success in a variety of ways that go beyond just revenue.

For instance, for one faculty member, “I measure the possible financial revenue sources of these ventures, but I also view them as something that really connects me with
the community.” The schools in this study measure student and external engagement and enrollment in programs as success metrics. And, as seen at San Diego State’s Fowler College, success is celebrated when students receive awards and jobs for the work they do. The business schools measure success based on the impact these new ventures have on their students, the faculty, and their external constituents. At San Diego State’s Lavin Entrepreneurship Center, a key measure is how many former students become entrepreneurs. According to one administrator:

We track the students that come out of our honors program. Do they create companies or not?

And, most importantly, almost all of the deans and faculty mentioned the importance of these new ventures in generating the revenue needed to expand academic access, especially for non-traditional and first generation students such as those who typically enroll in the CSU. The incremental new revenue from new initiatives allows these business schools to reinvest in their missions by offering students the courses and curriculum they need to graduate.

At the business schools studied by Wendy Tsung (2016), leaders breed success by championing, celebrating, and incentivizing innovative initiatives. This “reinforces behavior. It is a virtuous circle” (p. 91). For example, Tsung found that at Wharton, one professor’s willingness to be innovative with curriculum and the success he experienced “paved the way for other faculty to get involved” (Tsung, 2016, p. 93).

Deans, administrators, and faculty in the CSU also recognize the importance of celebrating success. As one junior faculty member said about new ventures and judging success:
“Let’s go get it. And then if it fails, it fails. But if it’s successful, we’ll benefit from it.”

And another faculty member noted:

This is like golf. Someone else can pull off a crazy shot and beat us, but more than likely we’re gonna beat ourselves…or we’re gonna win.

According to Dean Goodrich at Cal State LA, “Success breeds success.”
CHAPTER 9: LIMITATIONS OF THE STUDY AND CONCLUSION

Shifting funding models and market forces are driving change in higher education. As a result, universities must change what they do and how they do it in order to survive. The changing context is particularly challenging for business schools that are facing increased competition, shrinking graduate enrollments, and demands from students, employers, and accreditors for business education to be more relevant. The context is particularly challenging for business schools in the CSU that have encountered disruptions in the business education market coupled with shrinking state support. These institutions have turned to new venturing as a means of diversifying their revenue streams in order to continue to fund their missions.

Being entrepreneurial and launching new ventures in a large, bureaucratic organization is not easy. As the largest system of public higher education in the country, the CSU is not known historically as an organization that promotes or celebrates entrepreneurialism. But things are changing. With a new system chancellor and campus presidents, and in the context of severe funding cuts in California public higher education, leadership is working to instill a culture that allows for innovation. The goal is to promote revenue diversification in order to find new sources of revenue to replace what has been lost from the state.

The CSU business schools are taking on the challenge. There are no models or play books that deans and faculty can employ in order to achieve their objectives. What they do have are passionate entrepreneurs within these institutions who are experimenting, taking risks, trying new things, and generating revenue. They are
throwing mud at the walls and seeing what sticks. And, as the increases in revenue show, some of it is indeed sticking. They are being successful. The key question remains, could they be more successful?

These business schools are at the heart of new venturing in higher education. The documentation of new venturing in the CSU’s business schools and the stories of how these ventures were implemented and are proving successful may lead to the development of best practices that are portable to other contexts and other institutions. The exploration of how business schools “do business” provides a model that can be exported to other academic units in the CSU and perhaps to other business schools, both public and private.

Opportunities for future research include expanding the study to other institutions in the CSU, particularly to those in more rural geographic areas. It would also be interesting to revisit the four institutions included in this study over a longer time frame to observe whether or not the initiatives they have launched have led to sustainable sources of revenue over time. Additional study could also include more detailed research at one or more of these institutions to document the exact implementation steps taken to launch a specific, individual new revenue-generating initiative and then to follow its results over several years.

Due to the specific governance and organizational structures of the CSU, the findings of this study may be limited to other similar institutions in the CSU. The final four sites selected are all large business schools with several thousand students each. They are also located in urban locations in some of the state’s largest cities: Los Angeles, San Diego, and Sacramento. Because location, resources, and most
importantly, the existence of entrepreneurial administrators and faculty are keys to success for these four institutions, the findings of this study may be specific to the locations and individuals involved or limited to urban business schools in the CSU. The findings may not be extendable to smaller, more rural CSU institutions in locations that do not have a corporate or small business base.

The sustainability of the revenue diversification initiatives documented in this study is threatened by the CSU compensation structures, as well as by historical cultural and bureaucratic barriers to entrepreneurialism that exist in the CSU. The good news is that the CSU chancellor and presidents have a vision and are working to align the campuses to it, and entrepreneurs in the CSU are working to implement it. But to be sustainable, all leaders in the CSU must embrace entrepreneurialism in order to support the academic mission. It must be a shared vision.

As one business faculty member shared, to make new venturing successful in the CSU:

The Chancellor’s Office and presidents have to create the environment and the culture and the funding to make things happen. And it has to trickle down to all levels. Everybody has to be on board, and you have to bring the entrepreneurial energy… Everyone has to operate on all cylinders at all levels…
CHAPTER 10: LITERATURE REVIEW

Introduction

Higher education is in the midst of rapid change. With shifts in funding and new competitive threats, there is an increasing need for universities, particularly in the United States, to become more innovative and entrepreneurial (Christensen & Eyring, 2011; Crow & Dabars, 2015). These shifts require a new way of doing things and a new business model. Increasingly, campuses are turning to new venturing as a way to diversify revenue streams. Developing new sources of revenue is important for all institutions, but particularly for public institutions where significant declines in state support have increased the urgency for new funding models.

Start-ups and corporate organizations adapt to market changes by building new products and, correspondingly, new cultures and organizations to support the changes. In the corporate sector, new venturing involves the actual launch and implementation of innovations that lead organizations to the development of new sources of revenue and investment (Sahlman, Stevenson et al., 1999, pp. 8-9). This model can potentially be adopted in higher education.

New venturing is not easy, particularly in higher education. Many campuses, even those where the need for revenue diversification is recognized, are simply not ready for new venturing. However, the model of new venturing in a corporate context can still be extended to higher education as a way of diversifying revenue (Lerner, 2013, p. 7). The shift to market-focused initiatives requires shifts in culture, new skills, new organizational structures, and sometimes new campus and faculty leadership. Resistance
to change can be strong, but in the higher education environment, sustainable new venturing is highly dependent on these shifts taking place. To be successful, higher education institutions must adopt a new business model.

Entrepreneurship in higher education has been studied extensively. However, there is a gap between the study of the culture, motivations, and structures as relates to entrepreneurialism in higher education, and the “how to” of new venture implementation. Specifically, how do institutions, and business schools in particular, use innovation to create new revenue sources from the business market? And, how do large public institutions launch new ventures in the face of declining resources and lack of institutional knowledge and experience? Filling this gap in the literature involves moving beyond the study of higher education entrepreneurialism as a concept or culture to the operationalization of new venturing in higher education.

The Changing Business Model for Higher Education

In the context of the shifting the funding model for institutions, leaders in higher education are increasingly embracing the need for new revenue generation (Wellman, 2008, p. 5). While commercialization on college campuses is not new, what is new is the extent to which these practices have permeated the academy (Bok 2003, p. 2). With increased competition for enrollment and an increasing financial burden on students and families, universities can no longer depend on tuition increases to fund their operations (Zumeta, Breneman et al., 2012, location 489-591). Consequently, institutions are turning to the private sector and becoming more market-focused and market-oriented (Mars and Rios-Aguilar, 2009, p. 445). The growing market focus in higher education
has resulted in increased competition and an increased need to generate revenue from non-public sources (Weisbrod 1998, pp. 5, 16) as institutions are motivated to move “toward the market” (Eastman, 2006, p. 63).

Non-profit and public institutions of all kinds have experienced significant declines in public support, although changes in the higher education business model have been particularly challenging for public institutions. The growing market focus in higher education has resulted in increased competition and an increased need to generate revenue from non-public sources (Weisbrod, 1998, pp. 5, 16).

While the higher education community has long discussed the importance of entrepreneurial activities in the academy, the issue gained focus and prominence at the beginning of the 21st century as the percentage of public higher education funding in the United States from state sources declined from 43.2% in 1985 to 31.9% in 2000. This decline has continued despite increases in state revenue and public education enrollment (McLendon and Mokher, 2009, pp. 11-12).

In this environment, campuses are looking for new funding sources and new ways to compete. Public institutions in particular are at a crossroads due to their size and their mission of providing access to education with increasingly limited public resources. While state funding priorities are shifting dollars away from public higher education, states are purposely enacting some incentive policies that are based on market metrics. On many campuses, more market-driven funding policies are leading to the need for more entrepreneurial or commercial activities to fund academic missions (Eckel, 2007, p. 81).
Funding cuts for both public and private institutions is only part of the story. New venturing is seen in public institutions but also in private universities and in business schools and science academic units that have not seen financial cutbacks. This drive to find new sources of revenue is a “chronic condition” that is self-inflicted by institutions in a perpetual cycle of competition (Bok 2003, p. 9). As institutions compete for the best faculty, best grants, best facilities, best athletic teams, and best students, they create a never-ending need for more money. This need is further fueled by a “more technologically sophisticated, knowledge-based economy” (Bok, 2003, p. 15).

Universities have increasingly turned to new sources of revenue to fund their activities (Hearn, 2003, p. 1). Activities such as commercializing patents and other intellectual property, as well as auxiliary services, merchandising, publishing, and other initiatives, are a staple of the revenue mix for a lot of campuses. Many university-based initiatives are designed to leverage not only a campus’ brand name or reputation, but also the physical and intellectual assets of the institution. Common practices include franchising and licensing of logos and merchandise, and commercialization of patents. Also increasingly popular are programs that match the university’s academic and intellectual content with market demand, such as academic/industry partnerships, and corporate executive non-degree education (Hearn, 2003, p. 7).

New business models require different ways of thinking and making decisions and often, a shift in organizational culture and structures. In higher education, the ability of institutions to innovate and implement sustainable entrepreneurial ventures is determined by the cultural impact on relationships in the organization (Osiri, Miller et al., 2014, p. 44). New ventures in the higher education context must not only fit with the
culture, but it also requires a fit between the market, the culture, and the content niche of
the campus (Hearn, 2003, p. 19).

The core difference in values between the academy and business is reflected in
the cultural tensions many institutions encounter as they move to embrace market and
revenue driven initiatives (Bleak, 2006, pp. 38-39). These tensions can negatively impact
new venture success. As institutions have increased their entrepreneurial activities,
campuses have searched for the right balance between their traditional academic missions
and a drive for revenue generation necessitated by new funding models. The search for
balance can create tension and potential conflicts in organizations trying to adapt to an
entrepreneurial culture of speed, dispersed decision-making, and profit. These efforts are
often met with skepticism, suspicion, and a lack of enthusiasm from faculty (Bok, 2003,
p. 18). A strong, flexible, and adaptive culture is particularly important in institutions
facing declining resources, such as public universities (Bok, 2003, p. 17).

These cultural tensions are reflected in the resistance encountered as campuses
work to become more entrepreneurial. New ventures can present a threat to individuals
in the organization as they see potential funding cuts from resource reallocation and a
shift in priorities. Mitigating these threats is a key strategy for leaders engaged in
building an entrepreneurial organization that requires change management, governance,
leadership, and organizational structure strategies to support new venturing (Bleak, 2006,
p. 49).

Managing the cultural change necessitated by new venturing requires leaders who
can understand how the culture of their institution influences decision-making and
performance. Understanding culture in the higher education context minimizes resistance
and conflict in the organization as campuses work to become more entrepreneurial (Tierney, 1988, p. 4). Many institutions are not experienced in or accustomed to new venturing. In these cases, the traditional bureaucratic structures of higher education threaten the institution’s ability to keep pace with changes in the market (Lubeck, Cheng et al., 2015, p. 19). As one university new venture leader is quoted as saying in a study by UNICON, the Executive Education Consortium, “I run a business inside a bureaucracy reporting to a politician” (Lloyd and Newkirk, 2011, p. 7).

These ventures symbolize change for most higher education institutions. Consequently, successful new venturing by campuses requires thoughtful focus on the culture, people, and organizational structures needed to support change. To be successful, these change processes require a deliberate, multi-step course of action that creates power through communication and inclusion. Additionally, successful change requires high-quality leadership (Kotter, 1996, p. 20). Lasting change in the form of a sustainable new revenue initiative requires that universities reframe their challenges into opportunities that can be embraced by all in the organization. The challenge of needing to diversify revenue streams becomes an exciting opportunity to innovate and create new investments to feed the mission of the institution. Turning challenges into opportunities is the most effective process to accelerate this type of change in an organization (Kotter 2014, pp. 140-141).

In higher education, the success of the change initiative, such as implementing new revenue ventures, is dependent on the existing culture of the institution and on the specific individual who drives the change. Case studies of institutional change in higher education have found that campuses where change strategies are adapted to the particular
campus culture are the most sustainable. For example, in a “collegial” culture, leaders who took a back seat to change and decision-making by staying in the background while providing the needed resources and support were the most successful at enacting change. Leaders in the institutions enacting successful change were found to be highly intentional and strategic (Kezar and Eckel, 2002, p. 447). Additionally, often in universities, the individuals at the lower end of the hierarchy, particularly faculty, are the most effective drivers of change (Kezar, 2012, p. 726). Finding change leaders among the faculty is a model that can be adapted for campus new venturing.

Successful change in higher education is “effectively initiated ‘top down’ and ‘bottom up’ by informal leaders” (Foss and Gibson, 2015, p. 270). On university campuses, the success of entrepreneurial ventures depends on the specific individuals involved, the culture of the organization, and the regional and national environment and context, and is sometimes driven informally, often by faculty. Successful venturing often takes place on campuses that embrace a model where faculty act as "innovators" who are linked with, but are different from, the campus "entrepreneurs" (Osiri, Miller et al., 2014, p. 41).

Successful entrepreneurial change in higher education may also require new organizational structures and processes used to support new venturing. Case studies of universities in Europe found “common pathways” to successful new venture implementation, including linkages to internal and external entities, diversified funding, leveraging (not replacing) traditional academic departments, and creating and embracing a culture of change (Clark, 1998, p. 7).
Where in the institution cultural change takes place is very important. Many institutions have focused on implementing new organizational structures and new funding mechanisms to support entrepreneurial activity (Hearn, 2003, p. 10; Keller, 1983, p. 168). Motivated to avoid the shared governance structures and traditional anti-business culture of universities, or implemented as a strategy to simply enable the institution to more quickly adapt to market forces, the strategy of implementing a separate organizational structure for new venturing activities has been adopted by some campuses with mixed results. It is argued that these new institutional structures are needed to support entrepreneurial activities in a model of viewing universities as "knowledge enterprises" (Crow and Dabars, 2015, p. 187). Campuses in which new ventures have the most cultural and organizational connection to the university were found to be the most successful (Bleak, 2006, p. 43). Where these connections take place in the institutions is also extremely important and in fact, in higher education, there is a benefit to tying entrepreneurial ventures to the institutions’ business schools (Bleak, 2006, p. 49; Hearn, 2003, p. 9). Many successful entrepreneurial ventures launched in institutions leverage the existing organizational context, including structures and activities that are already in place (Foss and Gibson, 2015, p. 270).

New venturing in the business world serves as a model for higher education. Innovation in higher education is necessary, and the best practices from business regarding managing these internal ventures as change initiatives can be easily applied to academia. Successful new venture implementation models from business start with developing a business model that matches market need by linking the product offering to the customer value proposition. The start-up process involves designing a profit model
and identifying the key resources and structures that support the business (Johnson, Christensen et al., 2008, p. 4). In new ventures, it is also important to custom build a culture that is a fit with the strategic goals of the organization and the business initiative (Sahlman, Stevenson et al., 1999, p. 77). Traditional business planning helps entrepreneurs identify the steps necessary to market, fund, and operate their new venture (Sahlman & Stevenson, 1989).

In the business context, as in higher education, launching a new venture within an existing organizational context is often more difficult than launching from scratch. These “disruptive market innovations” (Johnson, Christensen et al., 2008, p. 7) can be threatening not only to competitors, but also to the parent organization. What has made these corporations so successful over the long-term – people, culture, values, and products – can be in potential conflict with the goals of the new venture. The resistance to change is sometimes stronger in an existing social and organizational system. These “corporate antibodies” can kill the potential success of new ventures, regardless of whether they are being launched within a business or non-business context (Mason and Rohner, 2002, pp. 44-46).

To combat the antibodies that resist entrepreneurial change in an established organizational context such as a university, leaders must change the business model to support new ventures. Things must be done differently. And, it may take different people. Case studies in business demonstrate that innovative thinking about talent, roles, risk, rules, performance, cannibalization, brand, and the “mother of all antibodies,” reaction to failure, must be part of the change implemented when launching a new venture within an existing organization. Success depends on how well the new venture
plans and operationalizes around these cultural elements (Mason and Rohner, 2002, pp. 50-58)

Other examples of successful venturing in business provide a framework for how leaders work through existing organizational culture and bureaucracy to operationalize a new initiative that threatens the core "business" of the organization. In academia, new non-degree programs, for example, may be seen as a threat to the core academic programs. One corporate model for launching a new venture successfully in this environment may involve developing new and separate organizations under the parent umbrella. This model can be extended to higher education (Christensen, 2011, p. 235).

**New Venturing in Business Schools**

Colleges of business are perfectly situated for new venture activities. Although new venturing takes place across the academy and originally took hold in the science and medical disciplines, business schools are at the center of new venturing on campuses. It is in higher education’s business schools where the growing impact of the market is most apparent, as witnessed by the “opulence” of these institutions versus other disciplines, the influence of industry on curriculum, and the growth of undergraduate degrees in business. It is in the business schools where entrepreneurship is not only taught and studied, but where institutions often look to engage with the corporate sector in the launch of new revenue-generating initiatives (Bok, 2003, p. 6).

Those in the business disciplines are not only feeling the financial pressures of declining government budgets; they are also experiencing increasing undergraduate student demand. Business is the place in the academy where entrepreneurship is studied
and advanced, and is often the place where successful ventures are launched (Bleak, 2006, p. 45; Hearn, 2003, p. 9). Additionally, business schools in general are often cash generators for universities, especially in the public sector (Friga, Bettis et al., 2003, p. 5). The cost structure of business schools, characterized by funding decreases and business faculty salary increases, is causing these institutions to look to new venturing to solve their price-cost problems (Friga, Bettis et al., 2003, p. 14). Business schools must find ways to diversify their revenue streams in order to solve their financial problems and ease the pressures.

Business schools that invest in new ventures will be best positioned to survive increased competition and financial pressures (Lubeck, Cheng et al., 2015, p. 2). New management education suppliers, price pressures, and the growing importance of institutional brand are leading to new venturing opportunities as a means for business schools to diversify their revenue streams and contribute to financial sustainability (Friga, Bettis et al., 2003, p. 11-13).

Business schools are also the place in the academy where the fit between culture, organization structure, and linkages to market demand are leveraged. Furthermore, where these connections take place in the institution is extremely important and, in fact, in higher education there is a benefit to tying entrepreneurial ventures to the institutions’ business schools (Bleak, 2006, p. 49; Hearn, 2003, p. 9). Business schools are adopting new venture strategies that include targeting new student markets and developing new programs in executive education and online training to diversify their revenue streams and contribute to financial sustainability.
For some business schools, new venturing means partnering with new management education providers. The top business programs at Columbia, Stanford, Chicago, Carnegie Mellon, and the London School of Economics have all partnered with online business education provider, UNext. In this business model, the traditional academic institutions are raising new revenue by providing content that UNext delivers to new discreet markets through technology. And, Northwestern’s Kellogg School of Management and the University of Pennsylania’s Wharton School have teamed with management consulting firm, McKinsey, on a new business school in India (Friga, Bettis et al., 2003, p. 10).

Non-degree revenue-generating ventures produce a majority of the total revenue at many business schools, private and public. For example, at the Harvard Business School, executive education programs generated $132 million of revenue in 2011, representing 26% of the school’s total budget. In contrast, the MBA program generated just $96 million, or 19% of the total (Shih and Noble, 2013, p. 11). Other entrepreneurial ventures launched at Harvard and targeted at new customers for new revenue streams include Harvard Business Interactive, publishing, and corporate learning (Shih and Noble, 2013, pp. 5-6).

At the University of Virginia’s Darden School of Business, a public institution, the funding model and the goal of self-sufficiency rely heavily on revenue-generating executive education programs (Kirp, 2003, p. 131). Here, faculty are encouraged and incented to develop custom corporate executive education programs, and junior faculty are encouraged to teach in the executive programs over MBA teaching. Unlike launching
new degree programs, a new executive program requires no curriculum program review or approval and can be implemented quickly (Kirp, 2003, p. 139).

Business school new venturing includes marketing the traditional academic degree, usually an MBA or Executive MBA, executive education, or research and publishing (such as business case studies) in new geographic markets. For instance, Harvard Business School operates executive education initiatives in Hong Kong, Tokyo, and Singapore; Duke’s Fuqua School of Business operates a satellite campus in Frankfurt; the University of Chicago has a satellite campus in Spain; and the University of Pennsylvania has a very profitable “Wharton West” on the Embarcadero in San Francisco (Friga, Bettis et al., 2003, p. 12).

In order to attract new markets of students and realize more revenue, many top-tier business schools, previously resistant to part-time programs, are opening degree programs targeted at executives and other working professionals (Friga, Bettis et al., 2003, p. 17). New ventures to attract new student markets include offering online MBA degrees to international students (Massachusetts Institute of Technology (MIT) and the University of Maryland), and specialized masters degrees for students in other disciplines, such as engineering (MIT and Stanford) (Friga, Bettis et al., 2003, p. 91). And, many business schools are partnering with corporate training divisions or corporate universities for employee development ventures (Maybar-Plaxe, Allen et al., 2014, p. 29).

Because public universities in California, as in many states, are challenged with declining state funding, they have increasingly turned to their business schools as the place to incubate and launch new ventures. At the University of California, Berkeley, in response to projected long-term annual budget deficits of about $150 million per year,
campus leadership is exploring new revenue-generating initiatives that leverage the campus’ brand, such as licensing, and leveraging land and other assets. The campus also plans to expand online offerings, extended education, and professional programs that generate revenue, such as the high-ranked Haas School of Business MBA programs (Flaherty, 2016, p. 2). Berkeley manages its popular executive education programs as a separate organization. Berkeley’s sister campus, the Anderson Graduate School of Management at the University of California, Los Angeles, has broad revenue-generating programs (University of California, Los Angeles, 2016), and the Graduate School of Management at the University of California, Davis recently launched new open enrollment programs targeted at alumni, according to an administrator.

The Gap in the Research and Conclusion

Much of the prior research on new venturing in higher education focused on the importance of entrepreneurialism in higher education, the theoretical frameworks used to discuss entrepreneurialism in the university context, or the culture and capacity of institutions to implement change initiatives.

The changing business model for higher education and the need for institutions to develop new sources of revenue are supported by this previous research. In the environment of “academic capitalism,” leaders and faculty in higher education are finding themselves spending more and more time on external activities that increase revenue (Slaughter and Leslie, 1997, p. 210).

Despite a growing need for entrepreneurial activities, and increased leadership time and focus on developing these initiatives, little focus has been put on how
universities implement ventures. Administrators often encourage and support these activities and provide broad policy guidelines; however, there is no documentation in the literature of the exact mechanisms university leaders put in place to support launch and eventual success (Slaughter and Leslie, 1997, p. 219).

Some scholars have identified this gap in research between entrepreneurship in higher education as a concept and the need for research or models that look at how entrepreneurship is operationalized (Mars and Rios-Aguilar, 2009, p. 453). For example, in their case study work profiling universities that have launched new entrepreneurial ventures, Foss and Gibson (2015) provide examples that include scientific research, academic programs, and corporate partnerships. However, this work focused on the culture, people, and structures needed for entrepreneurial activity, not necessarily on the operationalization of new venturing in a university context. Additionally, their work focused solely on private universities (Foss and Gibson, 2015).

One area that has been studied is the commercialization of university scientific patents and technology. “Academic entrepreneurship” is recognized as a key driver of campus funding and economic development. Universities have increasingly supported the development of intellectual property as a means of funding their missions (Osiri, Miller et al., 2014, p. 39). The practice of leveraging scientific and technological discoveries to generate revenue has been the subject of several studies that have focused on the legal structures necessary to protect such intellectual property (Chesbrough and Holloway, 2001). Other authors have challenged the movement to commercially sponsored research and have raised an alarm about the risks associated with universities partnering with the corporate sector, especially in the area of scientific and medical
research (Press and Washburn, 2000). And while one recent work by Dan Rose and Cam Patterson (2016) outlined steps necessary to launch a university new venture, the focus was on scientific discoveries and generic suggestions around legal structure and roles (Rose and Patterson, 2016).

In her dissertation entitled *Disrupting the MBA: How New Educational Models Can Reshape the Full-Time MBA*, Wendy Tsung (2016) studied the impact of the changing context on several business schools ranked in the top 20. In particular, her study examined how four “competitive” business schools – Georgetown, Georgia Institute of Technology, the University of Washington, and the University of Southern California – react to changes in competition from two top competitors, the business schools at Yale and the University of Pennsylvania Wharton School.

What is missing in the research on business school revenue diversification is a focus on the actual “how to” or implementation steps that go beyond building the organizational capacity for change within the public business school context, particularly with middle tier institutions such as those in the CSU. These institutions provide a good platform for the launch of new revenue-generating initiatives. And yet, new venturing at these institutions has not been the subject of research or analytical study.

Examining new revenue-generating ventures in the public business school context will extend the scholarly work that focuses on higher education and academic entrepreneurship, such as the commercialization of scientific patents. What is needed are case studies, analysis of what business schools have learned from attempts to diversify revenue streams, and the identification of potential best practices that can be implemented by public higher education institutions.
Shifting business models and competitive forces are leading to the growing influence of market forces and driving change in higher education. As a result, universities must change what they do and how they do it in order to survive. Institutions are turning to new venturing as a means of diversifying their revenue streams. However, new venturing is not easy.

In higher education, as in business, the institutional culture, change processes, leadership, and the organizational structures put in place to support revenue-diversifying activities all impact the success of new venture activities. The sustainability of these revenue-generating initiatives requires a focus on the operationalization of new venturing; that is, the identification of how institutions actually implement new ventures.

Business schools are at the heart of new venturing in higher education. The discovery of what new venturing looks like in the public schools of business in the California State University (CSU) system and how these ventures are managed, implemented, and institutionalized may lead to the development of best practices that are portable to other contexts and other institutions. The exploration of how business schools “do business” provides a model that can potentially be exported to all of academia.
Qualitative research methods were used for this study in order to uncover the stories behind the operationalization of revenue diversification strategies that lead to new sources of revenue and increased investment for the business schools in the CSU. Qualitative methods are the best vehicle to capture the “lived experiences” (Ravitch and Carl, 2016, p. 146) and the depth and breadth of issues and experiences of individuals involved in launching these ventures.

**Study Design**

The research methodology used was a qualitative case study of four institutions in the CSU: Sacramento State, Cal State LA, San Diego State, and Cal State Northridge (CSUN). The goal was to study CSU business schools that have launched revenue diversification initiatives such as new academic programs, executive education, consulting projects, and business partnership programs. A descriptive case study approach was used in order to present stories of success and failure, and to identify the common characteristics and experiences of these institutions in implementing revenue diversification strategies.

Case study research was chosen as the best methodology for this research because this approach “explores a real-life contemporary bounded system (a case) or multiple bounded systems (cases) over time” (Creswell, 2013, location 2099-2106). Using this approach, the study included analyzing four different CSU business schools within their
own context and environment in order to identify and compare real life experiences around campus new venturing.

**Site Selection**

The largest system of public higher education in the United States, the CSU, was the focus of this study. Having experienced severe declines in public funding in the last decade, the CSU campuses are on the frontlines of needing to innovate for new revenue and funding sources. This study focused on how business schools in the CSU diversify their revenue streams.

All of the 23 campuses within the CSU have business programs. The final sites included in this study were selected from among these institutions. San Francisco State College of Business was excluded as a site for this study because of my standing as dean. The criteria used in selecting the final sites were as follows:

1) The campuses have both undergraduate and graduate programs;

2) The campuses have a minimum of 1,000 business students (more students increases the need for incremental revenue);

3) The business programs are in standalone schools, not part of larger professional colleges;

4) The campuses are geographically located in major metropolitan or urban markets with a business economic base; and

5) The business schools have operationalized new venturing and launched revenue-generating initiatives (i.e., non-degree programs, consulting, industry-sponsored career services, etc.)
Six CSU campuses were initially identified as potential sites: San Luis Obispo, Sacramento, Northridge, Los Angeles, Fullerton, and San Diego. However, leadership transitions at San Luis Obispo and Fullerton made their inclusion in the study impossible, and so the list was narrowed down to the final selection of the four CSU business schools included in the full case study.

Data Collection

Given that “your data inform your overall research design and ongoing data collection” (Ravitch and Carl, 2016, p. 223), qualitative methods were used in this study. In order to present an in-depth understanding of each site, a qualitative research study should rely on more than one source of data (Creswell, 2013, location 2130). Data was collected by a variety of methods in order to gather as much in-depth information as possible about each of the sites included in the study. Some of the techniques that were employed included the use of interviews, observations, and supplemental materials. The procedures were replicated at each site in order to fully capture different perspectives (Creswell, 2013, location 2151-2155).

Interviews were conducted in order to collect as much descriptive information about each site as possible. The study employed the use of “purposeful sampling” whereby “individuals are purposefully chosen to participate in a research study for specific reasons that stem from the core constructs and context of the research questions” (Ravitch and Carl, 2016, p. 128). For this study, it was important to gather perspectives of individuals directly involved in developing new ventures. Twenty-one interviews were conducted, including an interview with CSU system leadership, Chancellor Timothy
White. Other individuals interviewed at each of the four campuses included deans, administrators, and faculty, including faculty members who serve as Center Directors.

Because the purpose of the study was to get a sense for how business schools diversify their revenue streams, the interviewing process targeted individuals who are involved in creating and operationalizing new ventures that diversify revenue. At least three individuals were interviewed at each campus.

Interviews took place in person and were recorded and transcribed. The interviews were unstructured but did include a standard interview protocol. “Member checks” (Ravitch and Carl, 2016, p. 197) included asking each participant to read and verify the interview transcript and to provide clarification where appropriate.

Confidentiality was provided where possible, although due to the specific location characteristics of each campus, it was important to name the institutions involved.

Findings from this study have been shared with the participants, and individually identified names and direct quotes were reviewed by the participants and used with permission.

The interview protocol is included in the Appendices. Interview questions asked focused on obtaining answers to the research questions and on understanding the descriptive story of how these programs were launched on each campus.

Interview data was also collected during a pilot study conducted at one CSU campus and one University of California campus not included in the final study. This pilot study included interviews of a total of eight administrators and faculty involved in new venture activities at the business schools. Data collected from the pilot interviews
strongly correlated with the findings of the broader study. Comments from some of these pilot study interviews were included in the discussion of findings and themes.

Supplemental data collected included online and digital marketing collateral and other materials related to the operationalization of these ventures. Financial data, including the percent of total annual revenue represented by new ventures, types of revenue diversification programs, and resources invested in new ventures at each business school, was collected via interviews and email and shared with all participants via an in-person meeting in October 2016. Data was also collected for each CSU campus using the National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS) and from the Association for the Advancement of Collegiate Schools of Business (AACSB) Data Direct, and was confirmed in interviews.

Data Analysis

Data collection and analysis should be seen as both “iterative and integral” parts of qualitative research (Ravitch and Carl, 2016, p. 67). Ravitch and Carl’s (2016) five key framing notions for data analysis were followed as the framework for this part of the research process. These framing notions are that qualitative data analysis 1) is iterative and recursive; 2) is formative, ongoing, and summative; 3) requires data and theory triangulation; 4) recognizes power differentials; and 5) is a process of seeking out alternative perspectives (p. 224).

Field notes, data collection memos, analytic memos, and a research journal were used throughout the collection and analysis phases of this study. The process used was structured, openly iterative, and evolutionary (Ravitch and Carl, 2016, p. 220). Analysis
of the interviews included the identification and coding of general themes. For this task, two interview transcripts representing two different campuses were initially reviewed and coded for specific themes. The field notes and data collection memos were also reviewed for themes. This process identified twelve specific themes. The remaining interview transcripts were coded based on these twelve initial themes. Some of these themes were eventually included in the contextual background material or combined with other similar themes to come up with the themes summarized as “Findings.” The data analysis included using categorical codes for types of ventures and individuals involved as identified from the interviews, the dean survey, and a review of the digital marketing for each institution.

The data analysis involved not only the presentation and analysis of data regarding each site, but also cross-site analysis of similarities and differences in experiences with operationalizing these ventures, and the identification of themes and patterns within and across the four campuses.

Validity and Ethical Considerations

This research study followed all standards of ethical qualitative research. Qualitative researchers need to adhere to specific standards of validity that include “credibility, transferability, dependability, and confirmability” (Ravitch and Carl, 2016, p. 188). Internal validity was achieved by sharing the interview transcripts case descriptions with the study participants through member checks. Data coded from interviews and supplemental information were checked against each other and across sites, and against the available literature on business school based ventures. The study
achieved “analytical data triangulation” through an ongoing process of organizing and viewing the data from different angles and perspectives and across participants (Ravitch and Carl, 2016, p. 227).

This study was conducted with the utmost professionalism and integrity. For transparency, each step of this study was documented and is made available upon request in order to facilitate future investigation and replication. And, all findings and dissenting opinions have been presented in the case studies.

Although every effort was undertaken to be as objective as possible in the descriptions and stories presented, this study and dissertation reflects who I am as a researcher. As a business dean in the CSU, I have a strong perspective regarding the necessity for revenue diversification on our campuses. During my almost five years as dean, I have been an evangelist for new venturing and have been seen as the key driver of these types of initiatives at San Francisco State. The context for our institutions and the need for new funding models are real. The findings of this study will help the campuses in the CSU identify best practices, infrastructure and resource support mechanisms that need to be in place in order to extend these activities to all disciplines and campuses.
## Appendix 1: CSU Student Enrollment by Ethnicity 2014

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>All Students</th>
<th>American Indian or Alaska Native</th>
<th>Black or African American</th>
<th>Native Hawaiian or Other Pacific Islander</th>
<th>White</th>
<th>Two or more races</th>
<th>Race/ethnicity unknown</th>
<th>Non-resident alien</th>
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<td>7,862</td>
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<td>8,091</td>
<td>1,443</td>
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<td>158</td>
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<td>1,636</td>
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<td>1,159</td>
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<td>4,017</td>
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<td>228</td>
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<td>59</td>
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<tr>
<td>Humboldt</td>
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<td>293</td>
<td>320</td>
<td>2,441</td>
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<td>9,783</td>
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<td>11,723</td>
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<td>6,960</td>
<td>1,588</td>
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<td>7,407</td>
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<td>7,112</td>
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<tr>
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<td>4,819</td>
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<td>93</td>
<td>19</td>
<td>179</td>
<td>4</td>
<td>569</td>
<td>110</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>1,389</strong></td>
<td><strong>74,940</strong></td>
<td><strong>19,899</strong></td>
<td><strong>160,441</strong></td>
<td><strong>1,754</strong></td>
<td><strong>125,038</strong></td>
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</table>

## Appendix 2: CSU Revenue Analysis

<table>
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<tbody>
<tr>
<td><strong>Tuition &amp; Fees</strong></td>
<td>$729,987,629</td>
<td>$793,552,081</td>
<td>$948,400,078</td>
<td>$1,089,445,581</td>
<td>$1,181,181,952</td>
<td>$1,232,555,381</td>
<td>$1,357,916,401</td>
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<td><strong>State Appropriation</strong></td>
<td>2,428,925,667</td>
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<td>2,421,525,087</td>
<td>2,305,584,574</td>
<td>2,379,270,337</td>
<td>2,595,005,292</td>
<td>2,748,747,813</td>
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<tr>
<td><strong>Gifts-Operating</strong></td>
<td>17,862,794</td>
<td>23,174,832</td>
<td>19,412,158</td>
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<td>26,143,915</td>
<td>49,340,057</td>
<td>51,153,283</td>
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<tr>
<td><strong>Grants/Other</strong></td>
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<td>1,149,238,809</td>
<td>1,113,509,645</td>
<td>1,149,565,687</td>
<td>1,277,694,554</td>
<td>1,800,549,396</td>
<td>1,658,438,072</td>
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<tr>
<td><strong>Total</strong></td>
<td>$4,348,367,748</td>
<td>$4,655,541,070</td>
<td>$4,686,180,318</td>
<td>$4,789,188,445</td>
<td>$5,127,440,561</td>
<td>$5,339,586,245</td>
<td>$6,123,627,723</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition &amp; Fees</strong></td>
<td>$1,458,450,988</td>
<td>$1,677,373,680</td>
<td>$1,746,409,998</td>
<td>$2,061,999,273</td>
<td>$2,077,582,726</td>
<td>$2,125,166,990</td>
<td>191.1%</td>
</tr>
<tr>
<td><strong>Auxiliary</strong></td>
<td>335,841,140</td>
<td>346,554,858</td>
<td>350,575,517</td>
<td>389,154,086</td>
<td>402,528,452</td>
<td>416,780,983</td>
<td>162.8%</td>
</tr>
<tr>
<td><strong>State Appropriation</strong></td>
<td>1,990,198,673</td>
<td>2,099,758,803</td>
<td>2,359,579,807</td>
<td>1,782,008,876</td>
<td>1,816,500,944</td>
<td>2,097,394,614</td>
<td>-13.6%</td>
</tr>
<tr>
<td><strong>Gifts-Operating</strong></td>
<td>58,444,749</td>
<td>55,556,116</td>
<td>43,220,637</td>
<td>60,191,060</td>
<td>78,691,257</td>
<td>74,511,615</td>
<td>317.1%</td>
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<tr>
<td><strong>Grants/Other</strong></td>
<td>1,372,406,051</td>
<td>1,850,447,401</td>
<td>1,796,034,923</td>
<td>1,740,757,485</td>
<td>1,765,415,236</td>
<td>2,105,190,667</td>
<td>107.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,215,341,601</td>
<td>$6,029,690,858</td>
<td>$6,295,820,882</td>
<td>$6,034,110,779</td>
<td>$6,140,718,615</td>
<td>$6,819,044,869</td>
<td>56.8%</td>
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Appendix 3: CSU Admission Rates, Yield Rates, and Graduation Rates by Campus 2014

<table>
<thead>
<tr>
<th>Campus</th>
<th>Percent admitted</th>
<th>Admissions yield</th>
<th>4-year Graduation rate</th>
<th>6-year Graduation rate</th>
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<td>San Luis Obispo</td>
<td>31</td>
<td>34</td>
<td>28</td>
<td>72</td>
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<tr>
<td>Pomona</td>
<td>52</td>
<td>21</td>
<td>11</td>
<td>51</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>71</td>
<td>26</td>
<td>14</td>
<td>39</td>
</tr>
<tr>
<td>Channel Islands</td>
<td>72</td>
<td>14</td>
<td>23</td>
<td>51</td>
</tr>
<tr>
<td>Chico</td>
<td>71</td>
<td>19</td>
<td>17</td>
<td>57</td>
</tr>
<tr>
<td>Dominguez Hills</td>
<td>42</td>
<td>19</td>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>East Bay</td>
<td>70</td>
<td>14</td>
<td>15</td>
<td>41</td>
</tr>
<tr>
<td>Fresno</td>
<td>59</td>
<td>30</td>
<td>14</td>
<td>48</td>
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<tr>
<td>Fullerton</td>
<td>44</td>
<td>23</td>
<td>13</td>
<td>51</td>
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<tr>
<td>Long Beach</td>
<td>35</td>
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<td>57</td>
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<tr>
<td>Los Angeles</td>
<td>61</td>
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<td>Northridge</td>
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<td>Sacramento</td>
<td>73</td>
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<td>Sonoma</td>
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<td>Maritime Academy</td>
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<td>58</td>
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</table>

Appendix 4: CSU Faculty by Rank 2013

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<th>Institution</th>
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<th>Grand total</th>
<th>Grand total</th>
<th>Grand total</th>
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<tr>
<td></td>
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<td>Instructional</td>
</tr>
<tr>
<td></td>
<td>staff with faculty status</td>
<td>staff professors</td>
<td>staff associate professors</td>
<td>staff assistant professor</td>
<td>staff lecturers</td>
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<td>517</td>
<td>249</td>
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<td>96</td>
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<tr>
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<td>75</td>
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<td>77</td>
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<td>32</td>
<td>30</td>
<td>56</td>
</tr>
<tr>
<td>Northridge</td>
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<td>180</td>
<td>186</td>
<td>151</td>
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<td>296</td>
<td>105</td>
<td>73</td>
<td>47</td>
<td>71</td>
</tr>
<tr>
<td>Stanislaus</td>
<td>277</td>
<td>123</td>
<td>57</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>Humboldt</td>
<td>281</td>
<td>120</td>
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<td>45</td>
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<tr>
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<td>696</td>
<td>324</td>
<td>168</td>
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<td>82</td>
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<tr>
<td>Sonoma</td>
<td>246</td>
<td>125</td>
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<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Maritime Academ</td>
<td>99</td>
<td>19</td>
<td>8</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,453</strong></td>
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<td><strong>2,706</strong></td>
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</table>

Appendix 5: CSU Faculty by Gender 2013

<table>
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<tr>
<th>Campus</th>
<th>2013 All men</th>
<th>2013 All women</th>
<th>2013 All instructional staff</th>
<th>Women 2013 instructional staff</th>
<th>% men</th>
<th>% women</th>
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<tbody>
<tr>
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<td>255</td>
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<td>34.0%</td>
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<tr>
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<td>208</td>
<td>517</td>
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<td>40.2%</td>
<td></td>
</tr>
<tr>
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<td>123</td>
<td>129</td>
<td>252</td>
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<td>51.2%</td>
<td></td>
</tr>
<tr>
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<td>83</td>
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<td>165</td>
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<td>49.7%</td>
<td></td>
</tr>
<tr>
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<td>311</td>
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<td>49.5%</td>
<td></td>
</tr>
<tr>
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<td>893</td>
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<tr>
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<td>46.6%</td>
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<tr>
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<tr>
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<td><strong>46.4%</strong></td>
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### Appendix 6: CSU Business Majors by Level and Campus

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<th>2014 All students</th>
<th>2014 Undergrad</th>
<th>2014 Graduate</th>
<th>2012 All students</th>
<th>2012 Undergrad</th>
<th>2012 Graduate</th>
<th>2010 All students</th>
<th>2010 Undergrad</th>
<th>2010 Graduate</th>
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<td>64</td>
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<td>154</td>
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<td>137</td>
<td>137</td>
<td></td>
<td>100</td>
<td>100</td>
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<tr>
<td><strong>Total CSU</strong></td>
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<td><strong>67,263</strong></td>
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<td><strong>3,320</strong></td>
<td><strong>67,030</strong></td>
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Source: National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS).
### Appendix 7: CSU Business Schools Survey Data

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<th>Campus</th>
<th># Students</th>
<th>UG/G</th>
<th>Location</th>
<th>Ranking-US</th>
<th>Ranking-CA</th>
<th>% Non-State Revenue</th>
<th>Types of New Ventures</th>
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<td>Humboldt</td>
<td>578</td>
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<td>Rural, N</td>
<td>n/r</td>
<td>n/r</td>
<td>--</td>
<td>--</td>
</tr>
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<td>38%</td>
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<td>Urban, N</td>
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<td>40%</td>
<td>Centers, Sacramento Business Journal, Self-support degrees/certificates</td>
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<td>No</td>
<td>Suburban, N</td>
<td>n/r</td>
<td>n/r</td>
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<td>--</td>
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<td>Urban, N</td>
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<td>Self-support degree programs</td>
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<td>25%</td>
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<td>Major Metro, N</td>
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<td>15%</td>
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<td>5%</td>
<td>Self-support degrees being launched</td>
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<td>n/r</td>
<td>--</td>
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<td>17%</td>
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<td>94</td>
<td>11</td>
<td>25%</td>
<td>Self-support degrees/certificates</td>
</tr>
<tr>
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<td>1,894</td>
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<td>Suburban, S</td>
<td>n/r</td>
<td>n/r</td>
<td>--</td>
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<td>12%</td>
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<td>Consulting projects, self-support degrees/certificates</td>
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<td>110</td>
<td>15</td>
<td>40%</td>
<td>Centers, self-support degrees/certificates, online, consulting</td>
</tr>
</tbody>
</table>

Total CSU 69,710 business students. n/r = not ranked. -- = did not complete survey.

Appendix 8: Interview Questions

1. What types of new ventures has your institution launched?

2. What is the organizational structure to support these ventures? What are the resources available; i.e., people, dollars, marketing, etc.?

3. What is the financial model? How is revenue accounted for and allocated?

4. How are faculty involved in these ventures?

5. How do you determine content?

6. How do you determine your target market?

7. What type of marketing do you employ?

8. What are the implementation steps?

9. How do you measure success?

10. Is there anything you would do differently?

11. What makes launching these types of programs so difficult?
Appendix 9: Interview Participants

Balthazard, P. (2016). Dean, College of Business Administration, Sacramento State University.

DeNoble, A. (2016). Executive Director, Lavin Entrepreneurship Center, San Diego State University.

Goodrich, J. (2016). Dean, College of Business and Economics, California State University Los Angeles.

Lord, K. (2016). Dean, Nazazrian College of Business and Economics, California State University, Northridge.

Naughton, G. (2016). Former Dean, Fowler College of Business Administration, San Diego State University.


Anonymous Participants:

Participant A. (2016). Faculty, Sacramento State University.

Participant B. (2016). Faculty, Sacramento State University.


Participant G. (2016). Faculty, San Diego State University.


Participant I. (2016). Faculty, San Diego State University.


Participant L. (2016). Faculty, San Diego State University.

Participant M. (2016). Faculty, San Diego State University.

Participant N. (2016). Faculty, San Diego State University.


Participant P. (2016). Faculty, Sacramento State University.


Participant T. (2016). Faculty, California State University Northridge.

Participant U. (2016). Faculty, California State University Northridge.

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