Tapping into the Tipping Point

How Villanova University identified "the tipping point" that led to dramatic change in the business school curriculum.

by Stephen A. Stumpf

Any great idea or venture reaches a moment when it achieves critical mass. It goes from being an interesting thought to an actionable plan. It becomes a goal—even a vision—that people share, desire, and discuss. At this dramatic moment, ideas and behaviors become contagious, little changes have big effects, and progress is rapid. This moment has been described as *The Tipping Point* in the 2000 book by Malcolm Gladwell.

Tipping points usher in times of change—change that is critical to the success of business and academia. But few deans are adept at finding the tipping points that will make change happen quickly. While identifying these moments is hard work, learning from them is essential.

Recently, the academic leadership at the College of Commerce and Finance at Villanova University had a chance to identify and act upon a tipping point as they considered overhauling their finance curriculum and building an on-campus trading room. Many factors—from student enthusiasm to alumni support—had to come together to create enough momentum to move the idea from concept into reality.

Focusing on Finance

Developing a strong curriculum in finance was not an obvious or effortless move for Villanova. For years, the school had had a strong accounting program, and the deans with the longest tenures during the last 30 years had all been accountants. Yet we were observing subtle shifts in the marketplace that let us know we needed to strengthen the finance curriculum. Recruiters had become more interested in students with a finance background, and those students were earning higher starting salaries. The general buzz among students also pointed to a need for a greater emphasis on finance.

Several finance faculty members were actively lobbying for a significantly expanded undergraduate finance curriculum, an MS in finance, and a trading room—also known as an Applied Finance Lab. Students were lobbying for a chance to learn about trading stocks and bonds by managing real cash in a real fund. Students were quite willing to manage part of the university's endowment, but the university was opposed to the idea. To gain some experience, students created a new organization called the Equity Society, which would manage funds contributed by students. Still, without financial backing, it was difficult for this organization to gain momentum, and the fund never exceeded four figures.

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While all this was going on, we were hearing that our students needed to be more street smart and professional. This evaluation was coming from our alumni, including corporate recruiters and employers of our finance and accounting graduates. According to them, our students were well-educated but some required more ramp-up time compared with new hires from schools with a trading room or a more extensive finance curriculum.

We debated ways to enhance the finance curriculum. Could we use play money and what-if scenarios when teaching finance? This idea did not seem to satisfy anyone, and no one seemed ready to take such learning seriously. Could we really afford to add a trading room and upgrade the curriculum? An Applied Finance Lab could cost $500,000, whereas an enhanced curriculum would cost money for new faculty positions and time for course development. If we also added an MS in finance, we would have all the expenses of conceptualizing, selling, and staffing a new program. A student-managed fund (SMF) would come with its own challenges and costs.

There were many reasons not to proceed with the suggested changes. We were not sure how committed faculty would be to an expanded finance curriculum and a new MS in finance. An even bigger issue was that we didn't have enough money to build and staff an Applied Finance Lab. Some argued that if we planned the lab, we would attract donors—the "if we build it, they will come" philosophy—but the university administration was not convinced. We knew that alumni and employers were generous with their advice, but they had not yet been generous enough with their charitable contributions to allow us to cover the incremental and ongoing costs of a lab. Students, who had both the time and passion for trading, could not be expected to contribute additional funds.

It was clear what had to happen before we could consider any major changes. Faculty members would need to complete course development work quickly without requesting reduced teaching time. Department chairs and other college leaders would need to support an MS in finance without asking for an MS in every functional area. University leadership not only would have to buy in to the idea of students managing endowment funds, but also would have to approve the creation and staffing of a lab. Students would need to join the Equity Society and take the idea of financial transactions very seriously—and realize they would be graded on such knowledge within their courses. Alumni and employers would need to help fund these endeavors and support them with their expertise.

We knew we had to create synergy among the many constituencies and build their hopes and passions into a critical mass. We needed the desired behaviors to become contagious, so that little changes would have big effects, and everything would happen in a hurry.

Six Steps to the Tipping Point

1. Identify a passionate want that excites people.

2. Find out what each stakeholder group wants. Use that to gain and sustain their involvement.

3. Generate excitement and enthusiasm among the stakeholders.

4. Let those who show their passion persuade the cynics.

5. Identify a timeline that demands quick action—a burning platform.

6. Set things in motion, empower others, and get out of the way.

Doing the Research

We began by having several faculty members and students visit the trading rooms at other universities. They also visited the live trading rooms of the investment banks and brokerage houses that employed some of our alumni. These firsthand experiences created a sense of how a lab might be built, what it might cost, and, most important, what it might look like. The vision was becoming tangible.

Along with our "field trips" in 2003, we held group discussions with representatives of each constituency. We began to see how everything might well hinge on the creation of a student-managed fund—not the trading room. If an SMF existed, students could use it to make investments. Faculty could design a new finance curriculum around the fund, teaching students how to make stock selections and manage their portfolios. Because the SMF would give students real funds to manage, alumni would be more interested in helping the college build an Applied Finance Lab. The finance lab would connect both students and faculty to the practical side of the financial markets. Students with a better understanding of the financial markets would be drawn to an MS in finance, and that new degree would bring a higher level of academic rigor to the overall program.

We had a very short window of opportunity. It was important to have changes in place for the spring semester, so that the seniors who had been asking for an SMF for three years would have a chance to work with it.

How could we not seek to reward such dedication and persistence? To accomplish our goals by the spring semester, we would need to reach our tipping point by December 15. After that we would have the winter break for the finance faculty to design new undergraduate and MBA courses that could be delivered in the spring semester. We would have just enough time to recruit students to register for those new classes during the drop-add period in January 2004.

Meanwhile, we calculated that we had four months to make the Applied Finance Lab a reality. That is, we had the spring semester to get it designed, funded, and fully approved so that it could be constructed during the summer term. If we missed that window, we would have to wait a year before the lab could be operational. We needed to move fast.

Reaching the Tipping Point

During group meetings with stakeholders, we held frank discussions and asked for active involvement. The finance department chair quickly stepped up to gain the commitment of several of her faculty members, including one who was willing to take on full leadership responsibility. Other faculty members agreed to support the new educational agenda, revise the coursework, and take on the design of new courses. The students—thrilled to see something happening after three years of their efforts—began to drum up interest in the new courses that might be offered in the spring term.

At the same time, the college and university leadership identified viable locations for the finance lab, agreed to start discussions with designers, and supported an initial construction design. The alumni, through the Villanova Finance Club located in Manhattan, presented ideas at their monthly meeting, fully involving the dean and the development officer. Other alumni were also engaged. One donor said that if we created a student-managed fund, his securities firm would handle all the trades for free. Other alumni were willing to help us design a trading room so students could run the fund with the same tools used by their stock and bond traders.

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The tipping point arrived when we received a $100,000 donation to create the Arnone-Lerer Socially Responsible Investment SMF. The amount was large enough to make the fund a separate endowment account; it would not create any liability for the university, and it was set up to be strictly overseen by faculty and a board. The donors were two individuals relatively new to the university, both of whom had a passion for experiential learning. They fully approved the creation of the SMF, knowing that the entire corpus could be lost over time. Because the fund was limited to socially responsible investments, it was consistent with the values of the university and its Center for Responsible Leadership and Governance.

The donation was made on December 3, 2003. Within a few months, the SRI SMF was set up, a new curriculum was launched, and the new master's degree was being designed. We had arrived at the tipping point, and we had successfully overhauled the program.

Weathering Change

Like Villanova, business schools everywhere are undergoing change. The ongoing challenge for deans is to find the tipping points at their own institutions that will make these changes beneficial to all their stakeholders, both internal and external. They need to identify the endeavors that will lead to contagious behavior and yield grand results—quickly.

Tipping point possibilities abound within our industry, and one or two tipping points wait to be discovered at any time within most colleges. Academic leaders tend to focus on making decisions that will satisfy diverse constituencies for the betterment of the college, such as increasing revenues, enhancing reputation, selecting high-quality students, and hiring the right faculty. What many do not fully realize is that some choices can be combined so that the various constituencies will work together to satisfy one another's needs.

Deans and school administrators don't have to do all the work. But they do need to set events in motion so that what is in the best interests of one stakeholder is also in the best interests of other stakeholders—whether they're students, families, alumni, or corporate recruiters. If deans can identify ideas that will generate their own momentum for successful change, they can lead the way for their faculty, their students, and the business school industry.

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