Purdue University (West Lafayette)

**Criterion Five: "The Institution demonstrates integrity in its practices and relationships."**

Purdue University’s presentation of its programs, policies, and activities in formal media reflect institutional content and practice. This is outlined in the self-study; it was confirmed in the discussions that members of the evaluation team had during their visit. The university invited broad involvement and comment on its self-study. It also alerted various constituencies of the visit of the evaluation team and extended an invitation to comment.

**III. EVALUATION AND RECOMMENDATION REGARDING THE KRANNERT SCHOOL OF MANAGEMENT’S MASTERS DEGREE PROGRAMS IN HANOVER, GERMANY**

The evaluation team conducted a review of the Purdue University’s newly initiated masters degree programs in Hanover, Germany. A sub-committee of the team held discussions with the academic leadership of the school and with faculty involved in the program concerning the full range of accreditation concerns as set forth in Chapter 12 of the *Handbook of Accreditation*, particularly as they related to curriculum, faculty, organization, oversight, and funding. In the case of the latter, the subcommittee also reviewed the Memorandum of Understanding that details the substance of the arrangement and the legally binding funding obligations of the non-profit German International Graduate School of Management and Administration Foundation with which Purdue has entered a partnership. The sub-committee reported and presented its findings to the full membership of the evaluation team for their consideration and discussion. As above referenced in this report, the team is unanimous in its recommendation that these degree programs be extended NCA approval and accreditation, final
Purdue University (West Lafayette)

approval being contingent on a site visit within six months.

The development of the program under review commenced in 1997 with the anticipation of launching the program in 2000. Given that the parties were able to reach earlier than expected agreement on terms and conditions, including funding guarantees, the first group of 23 students in the eleven-month Masters in Industrial Administration (MSIA) program was enrolled and classes began in August 1999, and the two-year Executive Master of Science in Management Science program is scheduled to be launched in the spring of 2000. All of the courses will be developed, taught, and administered by KSM faculty, and Krannert will have full academic control of the programs. The dean will also be provided by KSM, while the German partners are responsible for enrolling students and for all other administrative aspects of the program.

In effect, KSM is providing academic services as an independent contractor, rather than as a joint venture partner. The team feels this is a very important feature of the 10-year agreement governing this program, since it effectively neutralizes many of the financial, legal, and reputational risks that would otherwise be inherent in launching such a unique program in a country where KSM (or, more generally, Purdue) has little experience. Though the German counter-party is a newly formed foundation, rather than an established university, the Purdue negotiators very ably crafted a contractual agreement that both ensures against financial loss (with an escrow account and a bank guarantee of payment) and provides clear mechanisms for resolving disputes – through arbitration, in Great Britain, under British law. Additionally, the contract ensures that KSM will have complete control over the academic content and standards of the courses being taught. Thus there is little risk that this program will dilute the reputation of

65
Purdue University (West Lafayette)

a Purdue masters degree in business. In fact, given that this will be one of the first permanent programs to offer an American MSM or MBA degree in continental Europe, it is far more likely that this program will enhance Purdue’s academic reputation.

The Hanover program was the brainchild of a KSM graduate from Germany who felt that European students would benefit from access to an American business education provided in Europe. On his initiative, a non-profit foundation was founded in Lower Saxony (Germany) and negotiations were opened with KSM in 1997. Although originally scheduled to commence operations in 2000, the program’s launch was accelerated to August 1999 in light of more rapid than expected agreement on contractual details. KSM will receive $5,400,000 per year (dollars, not Euros or Deutschemarks) for the first five years of the program, which may increase for the remaining five years. The rights of each party to unilaterally cancel the program are severely limited by the master contract, and KSM will receive two years’ payment if this occurs due to a failure on the part of its counter-party to the agreement, the GISMAF. This program also enjoys the personal support of Mr. Gerhard Schroeder, currently Chancellor of Germany and formerly governor of the state of Lower Saxony. Additionally, the program has the backing of several of Germany’s most prestigious corporations.

It is our opinion that the KSM Hanover program meets all of the assessment criteria set forth in the NCA Criteria for Accreditation of a new program. It has clearly stated and appropriate purposes that are consistent with the Krannert School’s educational mission. The revenue provided by this program will enable KSM to organize the human and physical resources necessary to run this program effectively, and will also provide a financial surplus that KSM can
Purdue University (West Lafayette)

use to support other worthy objectives. Since KSM will maintain academic control over the
Hanover program, it should be able to continue accomplishing its educational purposes. In fact,
by providing an opportunity to internationalize KSM’s students and faculty, this program should
enhance the educational capabilities of the Krannert School. Finally, this program was
developed, and the contracts were negotiated, in an open and forthright manner that reflects very
well on the integrity of the Purdue administrators and faculty involved.

We are unanimous in recommending program approval and accreditation, subject to a site
visit to be conducted within six months. We further recommend with unanimity approval for any
like program proposed for accreditation by the Krannert School.