Strategic Assessment: Finance Ph.D. Program
September 2009

Mission Statement

The mission of the Finance Ph.D. program is to recruit and train a select group of students for a career as innovative researchers and teachers at the leading academic institutions of the world. The program relies on a rigorous training regimen that emphasizes a strong theoretical foundation in financial economics as the basis for developing prospective scholars.

Admission Processes and Criteria

The admission process for the Finance Ph.D. program is extremely competitive. In a typical year we receive over 90 applications from which we end up making about 3 admission offers. Students are selected by an admissions committee that includes the DGS, the DEO, and one or more additional faculty members who are actively involved in mentoring current PhD students. The committee takes a number of factors into account including the candidate’s prior academic record and preparation, GMAT/GRE scores, letters of reference, candidate statement of purpose, and evidence of English language ability in the case of international applicants. After an initial screening process, the short-listed candidates are typically invited to campus for an interview after which the final offer decisions are made. In most years we are able to attract about two out of the top three applicants that we offer admission to.

We typically support our doctoral students through a graduate teaching assistantship renewable on an annual basis, up to a maximum of five years. In order to make a competitive offer we supplement the assistantship by means of a fellowship/scholarship. The total level of support (including summer support) is currently about $21,500 per year. In recent years we have been able to extend at least one presidential fellowship offer annually. Such offers are extended to exceptional candidates. For example, our last two presidential fellowship award winners (that we failed to eventually enroll) ended up joining Carnegie Mellon University and MIT, respectively. While we are not always successful in attracting these students to the program, the presidential fellowship offers have allowed us to be competitive in several such cases.

Historically we have been able to attract a very strong slate of female candidates to our program and they constitute nearly one-half of our current doctoral student enrollment. This is particularly noteworthy in view of the relative dearth of female academics in fields such as finance. We will continue to seek ways to improve the diversity of our graduate student body.

Program Outcomes

The Finance department is committed to maintaining a high quality Ph.D. program that ranks in the upper tier of our peer institutions. With this goal in mind, the key elements of our strategic plan in recent years have been the following:

a. An emphasis on a small program size with highly selective admission criteria.
b. Providing opportunities for student-faculty interaction at an early stage and encouraging student participation in co-authored research projects targeted at the top-tier journals in the field.

1 In a few cases, based on evidence of student performance and dissertation progress, we have supported students for an additional year.
Recent experience suggests that we have done well on several of the key dimensions noted above. Based on the 5-year (1996-97 to 2000-01) program assessment data recently compiled by the graduate college, students in Finance had a median time-to-degree completion of 5.1 years and a five-year Ph.D. completion rate of 82%. Both of these figures compare quite favorably with those reported for the graduate college as well as for the social sciences/business. We currently have two presidential fellowship recipients enrolled in the program and we will continue to aggressively pursue the top applicants to the program with similar nominations/offers in the future.

In recent years we have followed a strategy that emphasizes early student participation in research projects, in partnership with faculty members. As part of the program requirements our students are asked to complete a research paper during the second year of the program. Furthermore, they are required to write a comprehensive research paper in their third year under the formal supervision of a faculty member. A more developed version of the third-year paper is required to be presented before the department faculty in the form of a ‘preliminary proposal’ which is then voted upon by the faculty. The presentation serves a number of purposes. First, it provides early feedback to the students. This enables them to refine research ideas leading to a sharper dissertation focus at an early stage. We have found that this process is helpful in speeding up the students’ progress towards dissertation completion. Second, it helps prepare students to present and defend research ideas before a diverse audience. We have found this training to be particularly useful in preparing students for their future job market interviews and presentations. Students are also encouraged to present their research at various national and international conferences.

The ability of our students to co-author with members of the finance faculty has proven invaluable in terms of their doctoral training. Further, the co-authored publications have been crucial to the job market success of our students as they serve as a credible signal of research potential to recruiters in the academic job market. The program emphasis on fostering such collaborative research has paid off in the form of numerous publications in top tier journals in recent years. For example, within the past two years, four such articles have been accepted for publication in the top three journals in Finance.

Nearly 100% of our graduates get placed in tenure track academic positions. Examples of recent placements include Louisiana State University, Drexel University, State University of New York (SUNY) – Buffalo, Lehigh University, and University of New Hampshire.

Key Program Characteristics

A distinguishing characteristic of the Finance Ph.D. program is its relatively small size allowing for close faculty-student interaction. As of fall 2009 we have 13 students enrolled in the program. The current (full-time equivalent) faculty size is 17. The finance faculty research interests and expertise are primarily in the
core areas of asset pricing and corporate finance. The department faces a strong demand for its undergraduate course offerings and the doctoral students play an important role as teaching assistants, primarily in the required introductory financial management course (6F:100). Given our available faculty resources and program commitments, the ideal Ph.D. program enrollment is about 12-15 students.

There have been relatively few attempts to compile national rankings for finance doctoral programs, and when available such rankings have often been based on a single criterion, namely, a survey of faculty opinions about the doctoral program. An exception is a recent study by Heck (2006) that ranks U.S. finance doctoral programs using multiple criteria based on data for the period 1991-2005. The three criteria used in the analysis include (a) the number of publications by current faculty of the doctoral programs in the four leading finance journals, (b) the publication record of graduates of the doctoral programs in the same four finance journals, and (c) survey of finance doctoral program directors’ opinions. Based on a composite score that reflects the above three criteria, the Iowa Finance program ranked 34th among the top 91 public and private graduate finance programs in the U.S. Among public schools alone, the program ranked 19th. Interestingly, based solely on graduate student productivity, the program was ranked 26th among all programs considered.

The program’s main strengths are (a) a high quality student body, and (b) faculty that are committed to the program and who are very involved with the graduate students. The major challenges are: (a) our ability to continue to make competitive financial aid offers including presidential fellowship offers in our quest to attract the best students, and (b) our ability to continue to place students in tenure track positions at major universities. While student recruitment is influenced by several factors (including the placement prospects of program graduates), the amount and the type of financial support makes a difference. In this context, a continued commitment on the part of the graduate college to providing funds to support research assistantships and/or fellowships is very important. With respect to student placement, we have stressed early student participation in research projects, often in partnership with faculty members. In this context as well, the availability of fellowship funding allows us to reduce the students’ teaching related commitments that in turn makes it possible to develop strong research portfolios while allowing for timely degree completion.

Conclusion

The finance doctoral program continues to attract strong interest as evidenced by our application statistics. This factor coupled with a deliberate policy of restricting intake to 2-3 students each year has allowed us to be highly selective in our admission process. The quality of students we attract to the program, the high level of faculty commitment to graduate education, and a department/college culture that is supportive of excellence in research and teaching, are likely to continue to be a source of strength for the program in the future. The resource constraints faced by academic institutions that have been accentuated by the recent economic crisis, will remain a challenge for the program both in terms of recruitment as well as the placement of our graduates. In the long run we are optimistic about the ability of the program to successfully tackle these challenges, and continue to develop outstanding scholars who make significant contributions to the field of financial economics.