

Louis K. Brandt Research Awards and Merit Raises: Complements or Substitutes?*

Award Winners by Year

	1993	1995	1997	1999	2001	2003	2005
	Lindley, Tom Robin, Don	Babin, Barry Goffe, Bill Henthorne, T.	Dickie, Mark Mixon, Frank	Babin, Barry Niroomand, F.†	Nissan, Ed	Mixon, Frank	Babin, Barry‡
Research Period Covered	1991-92	1993-94	1995-96	1997-98	1999-00	2000-01	2002-03

Other Data and Information from Merit Raise Periods

Coincidental Raise Period	'95	'97	'99
Raise Rank	8 10 13	14 10	14 2
Raise Amount	\$2,727 \$2,196 \$2,386	\$2,430 \$2,534	\$6,498 \$9,006
Raise Ranking Leaders	Allen, B. Posey, R. Gordon, G. Williams, A. Black, Ty Crockett, J. Bushardt, S.	Posey, G. Crockett, J. Duhon, D. Babin, B. Williams, A. Jordan, C. Posey, R. Lewis, S.	Corey, S. Williams, A. Grant, T. Dickie, M. Mixon, F. Christie-David, R. Gunther, B. Taylor, W.

	Smith, R.	Hamwi, I. Posey, R. Smith, R. Klinedinst, M.
Raise Range of Leaders	\$2,863 to \$6,290	\$2,554 to \$7,992
		\$6,534 to \$9,783

* Raise figures taken from USM Budget Books (USM Libraries) various years.

† Niroomand was serving as Acting Chair of the Department of Economics and International Business at the time he was awarded the Brandt Award in 1999. At about the same time, he was also being elevated to Associate Dean of the CBA for the upcoming academic year (i.e., 1999-2000), In the process, his salary was being raised from \$81,315 to \$108,420.

‡ At the time he received the Brandt Award in 2005, Babin was in negotiation with CoB Dean Harold Doty to assume the Chairperson role for the Department of Management, Marketing and Fashion Merchandising. The negotiation was successful, as Babin was elevated to that role for the 2005-2006 academic year. His salary rose by about \$26,500, as reported by the USM Faculty Senate and local media outlets.

Louis K. Brandt Research Award

The Louis K. Brandt Research Award is given during the Spring semester of odd-numbered years (e.g., 2005) to the CoB faculty member who has produced the most distinguished record of scholarship over the previous two calendar years (e.g., 2003-2004). Under normal procedure, the recipient(s) is (are) chosen based on the advice of an outside reviewer, who is chosen by the college's central administration. Winners of the Award are not eligible to receive the award in the next award cycle. The Award was set up through private contributions to the USM Foundation in the name of a former business college professor, and it is accompanied by a lump-sum payment that usually ranges from \$2,000 to \$2,500. In the case of multiple recipients, the Award stipend is divided accordingly.

Recent History of the Award

The table above presents all winners of the Louis K. Brandt Research Award from 1993-2005. Over the seven most recent Award cycles, there were multiple recipients on four separate occasions. A recent trend of solo winners seems to have developed since the 1999 Award. Winners have come from economics, finance, and marketing, with economics and marketing dominating the Award since 1993. Barry Babin, Professor of Marketing, has won the Award on three separate occasions since 1993 (1995, 1999 and 2005).

The Relationship between the Louis K. Brandt Research Award and the Merit Pay System

A commonly held belief among many faculty in the College of Business is that one's merit raise usually suffers if one is being promoted from assistant to associate or from associate to full at the same time. Because these promotions come with salary increases of \$4,000 and \$5,500, respectively, the widely held view is that CoB administrators can rely on these state-awarded salary increases as substitutes for merit raise increases for faculty who are being promoted. As a result, additional merit raise monies can instead be allocated to other faculty. Because the Brandt Award carries with it a monetary benefit, the same type of substitution can be accomplished during odd-numbered years in which there are merit-based raises made available. This report examines the most recent data for evidence of this belief.

The 1999 Award

The 1999 Award, which was shared by Barry Babin (Associate Professor of Marketing) and Farhang Niroomand (Professor and Chair of Economics) fits the description above, given that a merit raise was authorized for the Spring of 1999, coinciding with the announcement of the Brandt Award. However, use of this year is partially confounded by the fact that Niroomand was part of the college's administrative team at the time, and as a result participated in the merit raise determination process. As the table above points out, he fared quite well during the 1999 merit raise meeting, receiving the second highest raise in the CoB that year. Examination of Babin's merit raise ranking remains instructive. His raise of \$6,498 that year placed him 14th in the CoB. This report will leave it to the reader to examine the 1999 list of Raise Ranking Leaders in the table above and decide if, and how, Babin's ranking could have been made to be more reflective of the merit of his research activities.

The 1995 and 1997 Awards

The 1995 and 1997 Award periods also coincided with merit raises, thus making them both potentially superior to the 1999 Award period (as periods for examination) given the absence of an administrative team winner, such as occurred in 1999.

Barry Babin (Assistant Professor of Marketing), Bill Goffe (Assistant Professor of Economics), and Tony Henthorne (Professor of Marketing) shared the Award in 1995. They also finished 8th, 10th, and 13th, respectively, in the merit raise ranking in the CoB for 1995, for an average ranking just outside of the top 10. Does this seem appropriate for some of the top researchers in the college? Readers are left to examine the 1995 Raise Ranking Leaders list for 1995 above and make a determination.

Mark Dickie (Assistant Professor of Economics) and Frank Mixon (Assistant Professor of Economics) shared the Award in 1997. They also finished 14th and 10th, respectively, in the CoB merit raise race that year. An average placement of 12th for Louis K. Brandt Research Award winners seems odd. The reader is left to examine the 1997 Raise Rank Leaders list (see table above) and draw his/her own conclusion.

The data indicate that Louis K. Brandt Research Award winners almost always fail to finish within the top 10, and never in the top 5, of the CoB's merit raise rankings for merit raises that fall in odd-numbered years (i.e., occur with the Brandt Award announcement). Something seems amiss in this result, but it is perhaps "the usual way" things seem to work out in the CoB --- various forms of compensation/reward (e.g., LBK Awards) are substitutes for other forms of compensation/reward (e.g., merit raises), not complements.

The "Costs" of Winning the Louis K. Brandt Research Award

Given the substitute picture drawn by the data above, what do the Brandt Award winners lose when they receive a share of the \$2,000 to \$2,500 prize? The 1995 and 1997 raise periods are useful for exploring this question. The median raise of the Award winners was about \$2,400 in both years. The low end of the raise range for the Raise Ranking Leaders for those two years is about \$2,900 and \$2,600, respectively. Let's take the midpoint of this range, or \$2,750. The high end of the raise range for the Raise Ranking Leaders during those two raise periods was about \$6,300 and \$8,000, respectively. Again, let's take the midpoint of those figures, or \$7,150. So, the Award winners' raise of about \$2,400 falls below a pack of raises that range from \$2,750 to \$7,150.

Brandt Awards prizes are lump sum payments. Merit raises are annuities. Let's assume one could forgo the Award, and the merit raise one might receive in the same year they won the Award, in return for a merit raise that is about one-eighth of the way between the low end of the raises garnered by the Raise Ranking Leaders (i.e., \$2,750) and the high end of the raises received by the Raise Rank Leaders (i.e., \$7,150). This means that one would forgo the \$2,500 Award and a \$2,400 merit raise in return for a \$3,300 merit raise. How would these options, referring to the former (\$2,500 Award and \$2,400 merit raise) as Option 1 and the latter (\$3,300 merit raise) as Option 2, be evaluated? A present value (PV) comparison is presented below:

PV of Option 1 (5 years; interest rate=8%; end-of-year payment on raises) = \$12,081

PV of Option 2 (5 years; interest rate=8%; end-of-year payment on raises) = \$13,177

These numbers suggest that the "cost" of winning the Brandt Award is \$1,096 given the assumptions in parentheses above. This comparison assumes the winner of the Award receives \$2,500 and not a fraction of that amount. If the Award is split into two halves, then the "cost" of the Brandt Award (to the recipient) might be over \$2,300. Of course, if Option 2 involved moving further that one-eighth of the way into the Raise Ranking Leaders group, the cost rises even further. Therefore, the \$1,096 "cost" estimate seems rather conservative. What's really amazing is that the Award can actually be described as a "cost," which is possible when the CoB administration treats things like awards and promotion stipends as substitutes for merit raises.